

# BUZZI-UNICEM

Sector: Industrials

## OUTPERFORM

Price: Eu28.00 - Target: Eu35.10

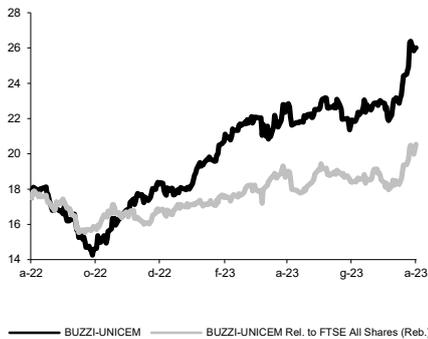
### Strong 1H Results Lead to Record Estimates for FY23

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#### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 26.20 to 35.10		
	2023E	2024E	2025E
Chg in Adj EPS	53.0%	41.2%	33.0%

#### BUZZI-UNICEM - 12M Performance



#### Stock Data

Reuters code:	BZU.MI
Bloomberg code:	BZU IM

Performance	1M	3M	12M
Absolute	13.4%	15.5%	48.7%
Relative	11.1%	7.8%	22.0%
12M (H/L)	26.38/14.26		
3M Average Volume (th):	255.78		

#### Shareholder Data

No. of Ord shares (mn):	193
Total no. of shares (mn):	193
Mkt Cap Ord (Eu mn):	5,012
Total Mkt Cap (Eu mn):	5,012
Mkt Float - Ord (Eu mn):	2,395
Mkt Float (in %):	47.8%
Main Shareholder:	
Presa+Fimedi	52.2%

#### Balance Sheet Data

Book Value (Eu mn):	5,656
BVPS (Eu):	29.36
P/BV:	0.9
Net Financial Position (Eu mn):	873
Enterprise Value (Eu mn):	3,214

■ **1H23 above estimates:** 2Q revenues were up 10.5% YoY to €1.2bn, 3.3% better than our estimate, with cement volumes down 7.8% YoY (-8.8% in 1Q23) and prices much higher (we estimate ~+25%). The increased prices contributed significantly to a surprisingly better EBITDA result YoY, despite mildly rising energy costs, at €575mn (+58% YoY, 26% better than our estimate). Thanks to net positive financial income and increasing results from MEX/BRA, net income also increased considerably to €431mn (vs. €89mn in 1H22, penalised by one-offs). The net financial position was positive at €412mn, improving further from €279mn as of 1Q23.

■ **Guidance raised significantly:** management increased its guidance to indicate recurring EBITDA at €1.1-1.2bn (previously flat vs. 2022). The revision was driven by the strong 1H results and the continued upward price trend, with more favourable production costs than initially expected, although still characterised by high volatility. Generally, activity in the construction sector is expected to remain weak during 2H, with infrastructure spending supporting demand in Italy and the US. Focus will clearly remain on selling prices and price/cost spread.

■ **Management does not expect market players to chase volumes**, but rather to protect profitability, meaning there is little chance of a pullback on pricing. The sustainability of margins in the medium term will depend on the market environment: more stability is expected in Europe, with US trends hinging on the deployment of infrastructure plans. In terms of capital allocation, management will give priority to advancement on the CO<sub>2</sub> reduction roadmap, but will contemplate improving returns to shareholders, via dividends or buyback. M&A will also be considered if the right opportunity is found. In any case, as shown by 1H financial results, leaving cash idle nowadays produces better returns than two years ago thanks to higher yields.

■ **Changes in estimates:** following the strong 1H results and better FY outlook, we are raising our 2023/24/25 EBITDA estimates by 33%/29%/26% respectively. Our new 2023 EBITDA estimate (€1.18bn) implies 2H EBITDA growth of 17%, in deceleration compared to the growth seen in 1H but more consistent with the slowing rate of YoY pricing growth. We are lifting EPS estimates by 53%/41%/33% respectively, partly led by higher net financial income and a higher contribution from MEX/BRA.

■ **OUTPERFORM confirmed; target from €26.2 to €35.1:** the stock has performed well YTD, with the share price up 58%. This has probably been driven by the progressive reduction in energy costs, with the market anticipating a widening of margins as a consequence. While 1H23 featured significantly higher pricing and a high single-digit decline in volumes (with 2Q improving over 1Q), we expect 2H to be characterised on the one hand by a deceleration in pricing growth, due to the progressive fading of the carry-over effect, and on the other by an easier comparison base in terms of volumes and energy costs. After upgrading our estimates, the stock remains particularly cheap, trading at 2.7x EV/EBITDA and 6.4x P/E NTM. At our new TP, the stock would trade at 3.9x and 8.1x respectively.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,446	3,996	4,398	4,515	4,599
EBITDA Adj (Eu mn)	796	892	1,183	1,199	1,218
Net Profit Adj (Eu mn)	542	582	844	833	839
EPS New Adj (Eu)	2.812	3.019	4.382	4.323	4.356
EPS Old Adj (Eu)	2.812	3.019	2.865	3.063	3.275
DPS (Eu)	0.400	0.450	0.500	0.550	0.600
EV/EBITDA Adj	3.7	2.4	2.7	2.3	1.9
EV/EBIT Adj	5.4	3.4	3.5	2.9	2.4
P/E Adj	9.3	8.6	5.9	6.0	6.0
Div. Yield	1.5%	1.7%	1.9%	2.1%	2.3%
Net Debt/EBITDA Adj	-0.3	-0.3	-0.7	-1.1	-1.5