

Cementos Molins

Sponsored Research

Spain | Materials, Construction & Infrastructure

Investment Research



Company Flash Note

Reason: Estimates revision

3 August 2023

Buy

Recommendation unchanged

Share price: EUR 18.00

closing price as of 02/08/2023

Target price: EUR 21.50

from Target Price: EUR 20.10

Upside/Downside Potential 19.4%

Reuters/Bloomberg

CMTM.SCT/CMO SM

Market capitalisation (EURm) 1,190

Current N° of shares (m) 66

Free float 6%

Daily avg. no. trad. sh. 12 mth (k) 1

Daily avg. trad. vol. 12 mth (k) 0.00

Price high/low 12 months 19.00 / 15.00

Abs Perfs 1/3/12 mths (%) 11.80/0.56/16.88

Key financials (EUR) 12/22 12/23e 12/24e

Sales (m) 1,268 1,400 1,408

EBITDA (m) 276 334 340

EBITDA margin 21.8% 23.9% 24.1%

EBIT (m) 202 257 261

EBIT margin 15.9% 18.3% 18.6%

Net Profit (adj.)(m) 110 141 144

ROCE 10.2% 12.3% 12.4%

Net debt/(cash) (m) 145 83 27

Net Debt Equity 0.1 0.1 0.0

Net Debt/EBITDA 0.5 0.2 0.1

Int. cover(EBITDA/Fin.int) 10.3 10.4 10.6

EV/Sales 1.0 0.9 0.9

EV/EBITDA 4.7 3.8 3.6

EV/EBITDA (adj.) 4.7 3.8 3.6

EV/EBIT 6.5 5.0 4.7

P/E (adj.) 10.5 8.5 8.2

P/BV 1.1 1.1 1.0

OpFCF yield 7.5% 11.1% 11.2%

Dividend yield 3.8% 4.7% 4.9%

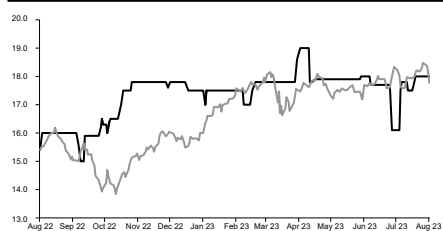
EPS (adj.) 1.67 2.13 2.18

BVPS 15.47 16.83 18.19

DPS 0.68 0.84 0.87

Shareholders

Otinix 33%; Noumea 32%; Cartera de inversiones 24%;



Source: FactSet

Analyst(s)

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A record year ahead of a more uncertain 2024.

2023 will be a record year for Cementos Molins, so we expect strong EBITDA growth (21%, EUR 334m) supported by price increases and the contribution of efficiency plans. However, in 2024 we have assumed some slowdown which will translate into limited growth (+2%, EUR 339m). We expect good cash generation in 2023/2024 (EUR 62m/EUR 56m) and to maintain the solid financial structure (0.2x DN/EBITDA 2023). Cementos Molins is a family-owned construction materials and solutions company with an integrated and geographically diversified business model.

- ✓ In 2023 we expect a strong increase in EBITDA (+21%, EUR 334m) and a slight increase in 2024 (+2%, EUR 339m). The increase in EBITDA margin we estimate (from 21.8% in 2022 to 23.9% in 2023) is driven by higher prices in a context of declining costs. Looking ahead to 2024, we expect the margin to grow, albeit modestly (24.1%).
- ✓ In Mexico we estimate an EBITDA of EUR 142m (+38%) and in 2024 an increase of 2% (EUR 145m). In 2023 we are seeing a positive performance in both prices and volumes leading to a significant improvement in margins (from 39.5% in 2022 to 44.5% in 2023). Looking ahead to 2024, we expect reduced growth (2%, EUR 145m) due to the slowdown that is starting to be felt.
- ✓ In Spain, prices, volumes and margins also improved, resulting in a 40% improvement in EBITDA (EUR 86m) and a substantial improvement in the margin (from 13.7% to 16.3%). The precast activity is particularly noteworthy. Looking ahead to 2024, we expect some decline in EBITDA (-4% to EUR 82m) in an unclear political context.
- ✓ In Argentina, we expect strong price increases in local currency in 2023/2024 to reflect the expected high inflation. In terms of volumes, we expect a small decline in 2023. Overall, we expect EBITDA to reach EUR 60m in 2023 (-4%) and to decline by 3% in 2024.
- ✓ We expect free cash flow to be positive in the next two years (EUR 62m/EUR 56m) with some deterioration of WC (EUR -27m/EUR -8m), investments of EUR 80m/EUR 100m reflecting higher investments stemming from the sustainability roadmap and assuming a payout of 40%. This does not include possible investments stemming from the company's inorganic growth plan.
- ✓ Our valuation range is EUR 22.8-20.1/share (considering a 15%/25% discount for illiquidity and decarbonisation), with a target price of EUR 21.5/share. The EV/EBITDA 23 ratio corresponding to this core value is 5x.
- ✓ We have carried out a cash flow discounting where the main assumptions are: 1) WACC of 9%; 2) g of 1.5%; 3) normalised CF (2033) assuming an EBITDA margin of 21.7%, an investment on sales of 9% (EUR 148m) and working capital of 1%. The residual CF we obtain is 26% lower than the peak of the cycle and residual CF/EBITDA is 5x.



Cementos Molins: Summary tables

	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
PROFIT & LOSS (EURm)						
Sales	775	968	1,268	1,400	1,408	1,406
Cost of Sales & Operating Costs	-569.3	-726.1	-992.0	-1,065.6	-1,068.3	-1,088.9
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	205	242	276	334	340	317
EBITDA (adj.)*	205	242	276	334	340	317
Depreciation	-57.7	-63.9	-77.0	-77.4	-78.1	-79.8
Depreciation of Right-of-Use	0	0	0	0	0	0
EBITA	148	178	199	257	261	237
EBITA (adj.)*	148	178	199	257	261	237
EBIT	148	181	202	257	261	237
EBIT (adj.)*	148	181	202	257	261	237
Net Financial Interest	-16.4	-30.2	-26.9	-32.0	-32.2	-23.3
Other Financials	-3.6	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	-2.0	0.0	0.0
Earnings Before Tax (EBT)	128	151	175	223	229	214
Tax	-34.4	-46.4	-62.8	-83.5	-84.8	-79.1
<i>Tax rate</i>	<i>26.9%</i>	<i>30.7%</i>	<i>35.9%</i>	<i>37.5%</i>	<i>37.0%</i>	<i>37.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	93.6	105	112	139	144	135
Net Profit (adj.)	93.2	102	110	141	144	135
CASH FLOW (EURm)						
Cash Flow from Operations before change in NWC	159	184	191	238	242	233
Change in Net Working Capital	10.3	12.0	-11.0	-26.8	-8.5	-6.0
Cash Flow from Operations	170	196	180	212	234	227
Capex	-36.4	-193.0	-94.0	-80.0	-100.0	-85.0
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	133	2.6	86.4	132	134	142
Dividends	-18.4	-27.0	-39.0	-48.8	-54.4	-53.5
Other (incl. Capital Increase & share buy backs)	-7.3	-78.7	-15.4	-21.0	-23.0	0.0
Change in Net Financial Debt	107	-103.1	32.0	61.8	56.2	88.2
NOPLAT	108	126	129	160	165	149
BALANCE SHEET & OTHER ITEMS (EURm)						
Net Tangible Assets	698	776	827	837	865	877
Net Intangible Assets (incl. Goodwill)	121	296	368	361	354	348
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	57.5	65.2	66.0	66.0	66.0	66.0
Total Fixed Assets	876	1,137	1,261	1,264	1,286	1,291
Inventories	94.6	155	195	204	206	205
Trade receivables	208	236	250	318	324	354
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash (-)	-226.4	-206.6	-206.7	-206.7	-206.7	-206.7
Total Current Assets	529	598	651	729	736	766
Total Assets	1,404.3	1,734.3	1,912.4	1,993.0	2,021.8	2,057.0
Shareholders Equity	802	919	1,023	1,113	1,203	1,284
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	802	919	1,023	1,113	1,203	1,284
Long term interest bearing debt	208	324	314	252	196	107
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	63.7	123	170	171	167	185
Total Long Term Liabilities	272	447	483	423	363	293
Short term interest bearing debt	92.1	59.6	37.8	37.8	37.8	37.8
Trade payables	239	309	369	420	418	442
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	331	369	407	458	456	480
Total Liabilities and Shareholders' Equity	1,404.3	1,734.3	1,912.4	1,993.0	2,021.8	2,057.0
Net Capital Employed	939.0	1,218.5	1,336.9	1,366.4	1,396.8	1,407.9
Net Working Capital	63.2	81.7	75.9	102.7	111.2	117.2
GROWTH & MARGINS						
<i>Sales growth</i>	<i>-2.8%</i>	<i>24.9%</i>	<i>31.1%</i>	<i>10.3%</i>	<i>0.6%</i>	<i>-0.1%</i>
EBITDA (adj.)* growth	7.2%	17.7%	14.4%	20.8%	1.7%	-6.7%
<i>EBITA (adj.)* growth</i>	<i>5.4%</i>	<i>20.4%</i>	<i>12.2%</i>	<i>28.7%</i>	<i>1.9%</i>	<i>-9.3%</i>
<i>EBIT (adj.)* growth</i>	<i>5.5%</i>	<i>22.4%</i>	<i>11.3%</i>	<i>27.2%</i>	<i>1.9%</i>	<i>-9.3%</i>



Cementos Molins: Summary tables

GROWTH & MARGINS	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Net Profit growth	4.2%	9.4%	8.1%	27.5%	2.7%	-6.7%
EPS adj. growth	4.2%	9.4%	8.1%	27.5%	2.7%	-6.7%
DPS adj. growth	44.8%	33.3%	21.4%	23.7%	3.9%	-6.7%
EBITDA (adj)* margin	26.5%	25.0%	21.8%	23.9%	24.1%	22.5%
EBITA (adj)* margin	19.1%	18.4%	15.7%	18.3%	18.6%	16.9%
EBIT (adj)* margin	19.1%	18.7%	15.9%	18.3%	18.6%	16.9%
RATIOS	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Net Debt/Equity	0.1	0.2	0.1	0.1	0.0	0.0
Net Debt/EBITDA	0.4	0.7	0.5	0.2	0.1	-0.2
Interest cover (EBITDA/Fin.interest)	12.5	8.0	10.3	10.4	10.6	13.6
Capex/D&A	63.5%	319.5%	125.8%	103.4%	128.0%	106.5%
Capex/Sales	4.7%	19.9%	7.4%	5.7%	7.1%	6.0%
NWC/Sales	8.2%	8.4%	6.0%	7.3%	7.9%	8.3%
ROE (average)	11.7%	11.9%	11.4%	13.2%	12.5%	10.8%
ROCE (adj.)	12.3%	10.9%	10.2%	12.3%	12.4%	11.1%
WACC	8.3%	8.3%	8.2%	9.1%	9.1%	9.1%
ROCE (adj.)/WACC	1.5	1.3	1.2	1.4	1.4	1.2
PER SHARE DATA (EUR)***	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Average diluted number of shares	66.1	66.1	66.1	66.1	66.1	66.1
EPS (reported)	1.42	1.58	1.69	2.10	2.18	2.04
EPS (adj.)	1.41	1.54	1.67	2.13	2.18	2.04
BVPS	12.13	13.90	15.47	16.83	18.19	19.42
DPS	0.42	0.56	0.68	0.84	0.87	0.81
VALUATION	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
EV/Sales	1.3	1.4	1.0	0.9	0.9	0.8
EV/EBITDA	4.8	5.7	4.7	3.8	3.6	3.6
EV/EBITDA (adj.)*	4.8	5.7	4.7	3.8	3.6	3.6
EV/EBITA	6.6	7.8	6.5	5.0	4.7	4.8
EV/EBITA (adj.)*	6.6	7.8	6.5	5.0	4.7	4.8
EV/EBIT	6.6	7.7	6.5	5.0	4.7	4.8
EV/EBIT (adj.)*	6.6	7.7	6.5	5.0	4.7	4.8
P/E (adj.)	9.7	11.9	10.5	8.5	8.2	8.8
P/BV	1.1	1.3	1.1	1.1	1.0	0.9
Total Yield Ratio	3.0%	3.2%	4.1%	4.6%	4.5%	4.4%
EV/CE	1.1	1.2	1.0	1.0	0.9	0.8
OpFCF yield	14.7%	0.2%	7.5%	11.1%	11.2%	11.9%
OpFCF/EV	13.6%	0.2%	6.6%	10.3%	11.0%	12.6%
Payout ratio	29.7%	35.4%	40.1%	40.0%	40.0%	40.0%
Dividend yield (gross)	3.1%	3.1%	3.8%	4.7%	4.9%	4.5%
EV AND MKT CAP (EURm)	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Price** (EUR)	13.70	18.30	17.50	18.00	18.00	18.00
Outstanding number of shares for main stock	66.1	66.1	66.1	66.1	66.1	66.1
Total Market Cap	905.8	1,209.9	1,157.0	1,190.1	1,190.1	1,190.1
Gross Financial Debt (+)	299.9	383.2	351.3	289.5	233.3	145.1
Cash & Marketable Securities (-)	-226.4	-206.6	-206.7	-206.7	-206.7	-206.7
Net Financial Debt	73.5	176.6	144.6	82.8	26.6	-61.6
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	73.5	176.6	144.6	82.8	26.6	-61.6
Other EV components	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value (EV adj.)	979.3	1,386.5	1,301.6	1,272.9	1,216.7	1,128.5

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT-/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Materials, Construction & Infrastructure/Cement

Company Description: Cementos Molins is a building materials producer (family owned) present mostly in Spain, Mexico and Argentina.



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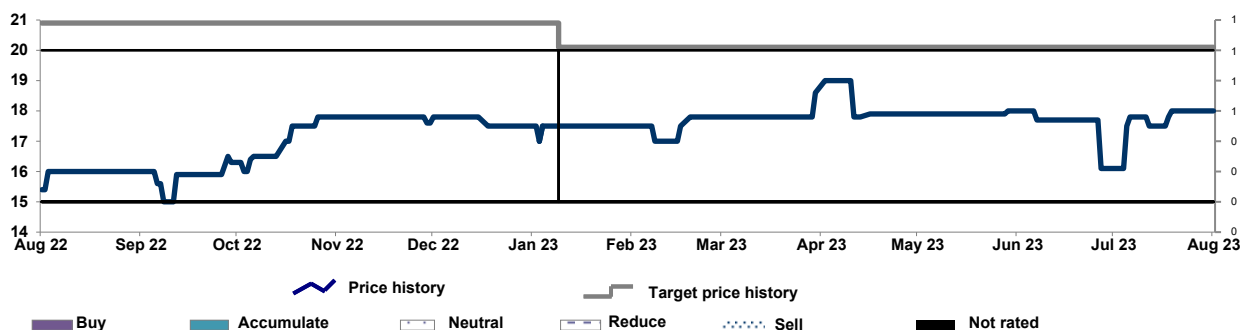
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- has a liquidity contract as outlined by the CNMV's Circular 1/2017 with: Melia Hotels International; Española de Viviendas en Alquiler S.A. (CEVASA); ENCE Energía y Celulosa; Cementos Molins; Desarrollo Especiales de Sistemas de Anclaje, S.A. (DESA).
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Recommendation history for CEMENTOS MOLINS

Date	Recommendation	Target price	Price at change date
10-Jan-23	Buy	20.10	17.50
23-Nov-21	Neutral	20.90	18.70
09-Apr-21	Buy	18.10	15.30

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Rafael Fernández de Heredia (since 08/04/2021)





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The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months
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- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown

Recommendation	Number of stocks covered	%
Buy	62	79%
Accumulate	8	10%
Neutral	7	9%
Reduce	1	1%
Sell	0	0%

For full ESN Recommendation and Target price history (in the last 12 months), please see ESN Website [Link](#)

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