

Lafarge disappoints with profit but holds targets

PARIS, FRANCE: French cement and building materials company Lafarge reported stable quarterly earnings below analysts' expectations, but stood by its targets for operating performance and reducing debt.



Lafarge's Hope factory. Results for the company disappointed analysts. Image: Wiki Images

The group, a barometer of activity in international construction, backed up its targets by announcing new measures to boost underlying performance and to help it win back an investment grade credit rating.

Net profit in the third quarter was marginally up from €303m last year to €304m this year. Analysts polled by Dow Jones Newswires had broadly expected a rise of 3.8% to €331m. The company's overall sales fell by 4% to €4.23bn.

The group said that the negative effect of exchange rate movements, an apparent reference to the strength of the euro, had reduced sales by 7.0%. Analysts had expected sales to total €4.28bn.

The price of shares in the group was showing a gain of 2.21% to €54.68 in early trading. The overall French market as measured by the CAC 40 index was ahead by 0.87%.

Figures disappointing

At brokers Aurel BGC, analyst Eric Lemarie said that the disappointment of the figures was relative since key aspects of performance had held up and the group remained strongly committed to improving performance, by setting new medium-term targets.

Group chairman Bruno Lafont said in a statement that the trend for volume sales was improving despite the adverse effect of exchange rates. "We continued to progress in the third quarter on our strategic action plan," he said.

The group had reduced net debt by €1.0bn since September last year and he added that the company will complete its cost reduction and innovation plan about a year ahead of its initial target date.

"Building on this momentum, we announce new cost reduction and innovation targets leading up to 2016. We are looking to achieve at least €1.1bn of incremental earnings before interest, tax, depreciation and amortisation over that period," said Lafont.

The group said that it expected demand for cement in its markets to grow by up to 3.0% this year.

Markets recovering

"Market recovery is evident in the United States, growth in most emerging markets continues and Europe is showing stabilisation at a low level," Lafarge said.

The group said that it intended to reduce debt to less than €10bn by the end of the year. At the end of September it had reduced it by €1.3bn to €10.9bn, the lowest level in five years.

Another cement company, Switzerland's Holcim, reported that in the first nine months of the year net profit rose by 16.8% to 1.28bn Swiss francs (€1bn), exceeding analysts' forecasts.

But sales fell by 6.1 percent to 14.94bn Swiss francs owing to disappointing performances in India and Mexico.

Source: AFP via I-Net Bridge

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