

19 Kingspan – Priyal Mulji, BUY, close €38.5, €40 tgt, 4% upside

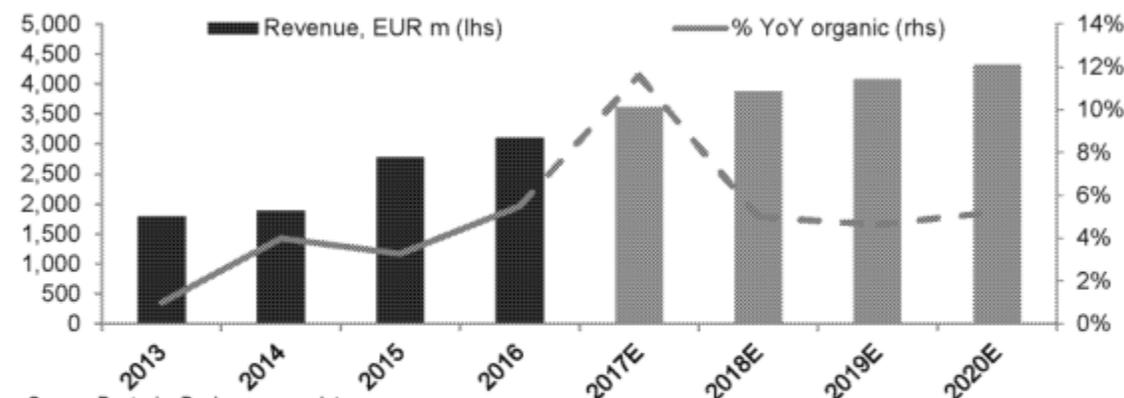
- Kingspan is a **global** insulation producer, focusing on high-performance panels and boards.
- **We expect robust organic growth (5% p.a. to 20E).** Kingspan should outperform its construction markets owing to its over-exposure to markets with low penetration rates (the USA, EM and Mainland Europe) and end-users' increasing focus on future-proofing buildings.
- We see **c4% upside to 2020E DBE forecasts** if Kingspan meets its penetration targets.
- We are already **c2-3% ahead of consensus** post-'17 on top line and trading profit.
- **M&A could drive c30% upside to our price target.** We expect robust FCF/sales of 5-8% in coming years.
  - Levering to 2x net debt/EBITDA to spend on acquisitions would raise our forecast 20E EPS by up to c20%.
  - Management has cited M&A as a likely growth driver
- **Kingspan trades at a 24% discount to high-growth cyclical stocks.** Comparing Kingspan's operational strengths (organic growth, EBITDA progression, scale of deleveraging and predictability and earnings) and EV/EBITDA to similar stocks such as Geberit and Halma illustrates that Kingspan offers excellent value.
- Catalysts: FY17 results on 23-Feb

**Related DB Research:**

Kingspan: Insulated growth; Initiating on BUY (Mulji)

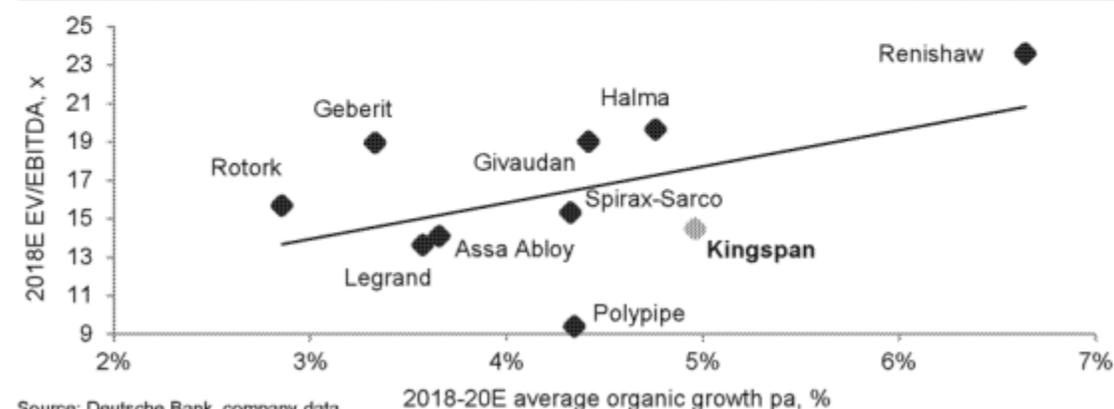
Building & Construction: 2018 Outlook: Still opportunity (Johnson)

**We expect a step-up in organic growth...**



Source: Deutsche Bank, company data

**... but the valuation does not reflect this**



Source: Deutsche Bank, company data