



Country US	Market capitalization (bn) USD 8.9	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 99.2%	Owens Corning 2.2
Factset OC-US	Closing price USD 91.19	Sector -13.6
ISIN US6907421019	ESG Risk score* 15.3 Low risk	

Profile
 Owens Corning is a US group founded in 1938 that designs, makes and sells construction – particularly insulation and roofing – materials (three quarters of sales), around 75% in the repairs and renovation segment and 25% in new construction, and composite materials (a quarter of sales) with applications in infrastructure and capital goods in the renewable energy sector.
 The group has around 19,000 employees and generates three quarters of its sales in North America (67% in the US).

Strengths/opportunities

- Outlook in US construction still positive.
- US consumer savings and desire to renovate.
- Demand for insulation to make buildings more energy-efficient.
- Innovation- and acquisition-led growth strategy out to 2024.

Weaknesses/threats

- Sensitivity to energy prices (c. 7% of cost of sales i.e. c. 20% of FY2021 Ebit)
- Sudden end of the US construction cycle in wake of spiking yields
- Share price volatility – beta c. 1.45 vs. S&P 500.

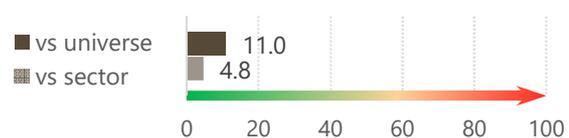
Investment case

- The US construction sector remains well oriented but could slow down in the aftermaths of spiking mortgage rates. But consumers savings and rising energy bills suggest that spending on repairs and renovation should hold up well. In November 2021, the group presented its strategy out to 2024, aimed at ramping up growth both organically and through acquisitions. This entails innovation (with a 15% increase in R&D spend and a 30% increase in new products brought to market). End market analysis and acquisitions will significantly increase the size of the group’s addressable market (from plain materials today to multi-material solutions and ultimately prefabricated solutions).
- Financially speaking, Owens Corning will be able to self-finance this strategy from cash flow. For 2024, the group is thus targeting sales of almost \$10 billion (equating to total annual growth of c. 6%) and a stable EBIT margin of around 16% (we estimate c. 13-14% in case of too low pricing power), giving net profit of c. \$1.1bn, converted entirely into free cash flow.
- In this scenario, supported by H1-2022 results, the share looks significantly underpriced. Our estimated value, based on this free cash flow (giving a FY2022e FCF yield of c. 13%) and an average cost of capital of 8-9%, comes out at \$115-140 and 90-110\$ in a low pricing power scenario. This is without relying on the attractiveness of the company as a potential acquisition target.

Valuation

The share is trading at a forward P/E of 7.7x, 35% below its five-year average and >40% below its 10-year average. Our view is that risks resulting from energy costs on the P/L and cash-flows are priced in the stock, that we recommend keep holding.

ESG risk vs. universe & sector (percentile)*

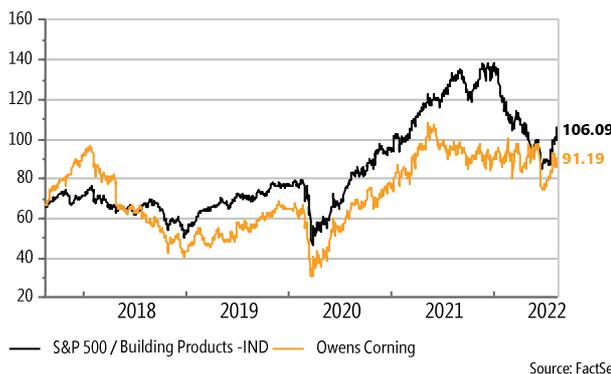


USD	12/2021	2022e	2023e
Sales revenue (mio)	8'498	9'831	9'777
Sales growth	20.5%	15.7%	-0.6%
EBIT adjusted (mio)	1'370	1'756	1'583
% of sales	16.1%	17.9%	16.2%
Net income (mio)	995	1'214	1'088
Net income growth	-359.8%	22.0%	-10.4%
FCF/Sales	12.8%	12.0%	11.9%
Net debt/Ebitda	1.2x	0.8x	0.5x
Dividend yield	1.5%	1.5%	1.5%
PE	9.5x	7.4x	7.9x
P/BV	2.1x	1.8x	1.6x

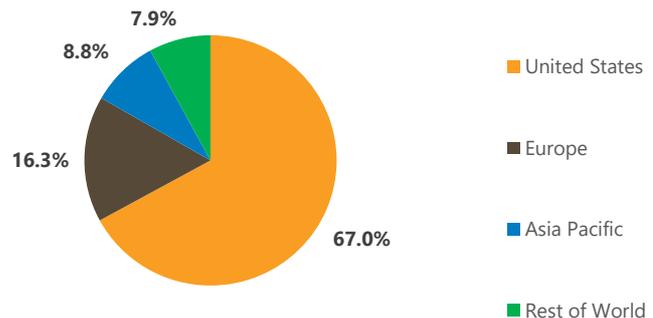
ESG - risks and key points

- Owens Corning is rated low risk for environmental, social and governance issues.
- The risks facing the company are rated medium and the company's management of them is considered above average, notably in terms of governance.
- Owens Corning’s industrial activities result in significant energy consumption. The group has put in place an effective CO2 emissions reduction programme.

5-year performance vs sector



Sales breakdown - 12/2021



*: see overleaf

Source: Factset, Sustainabilitys

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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