



## 2017 Results and Strategic Update

Jan Jenisch, CEO

Géraldine Picaud, CFO

March 2, 2018



# Agenda

---

- 01** Highlights and Key Developments
- 02** Financial Results 2017
- 03** Strategy 2022 – “Building for Growth”
- 04** 2018 Outlook and guidance



## 01 Highlights and Key Developments

Jan Jenisch, Chief Executive Officer

# Highlights and Key Developments

---

- › Good progress made in 2017 across all key metrics
- › 4.7% sales growth and 6.1% increase in EBITDA (on like for like basis)
- › Reassessment of fair value of asset portfolio with impairments of CHF 3.8 billion
- › Merger is completed with a strong country and asset base
- › New Strategy 2022 – “Building for Growth” under way, new organization in place
- › Focus on opportunities in the attractive and growing building materials market
- › Driving performance with simpler operating model and a reduction in SG&A cost
- › Further progress in 2018 expected with sales growth of 3% to 5% and an over proportional increase in EBITDA of at least 5% on a like for like basis



## **02** Financial Results 2017

Géraldine Picaud, Chief Financial Officer

# 2017 performance highlights

## Good progress with growth in all key metrics

---

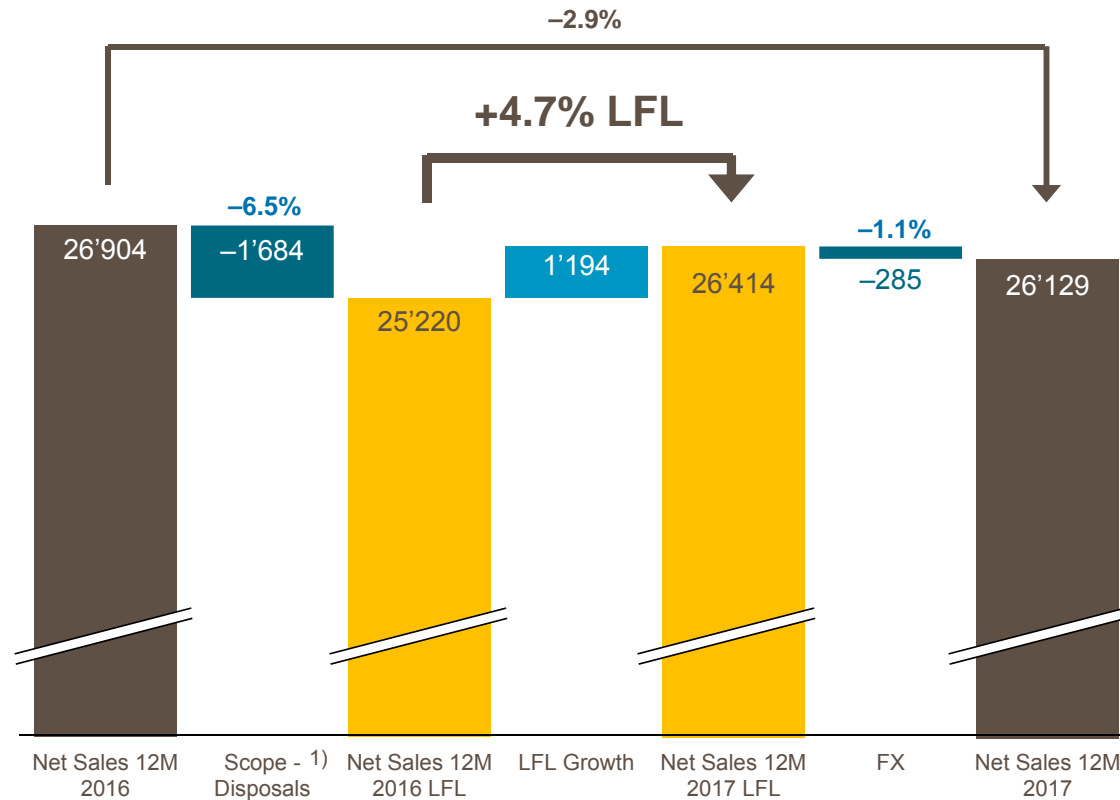
Net sales	Recurring EBITDA <sup>2)</sup>	EPS <sup>4)</sup>	Free cash flow
<b>+4.7% <sup>1)</sup></b>	<b>+6.1% <sup>1)</sup></b>	<b>+11.9%</b>	<b>CHF 1.7 bn</b>
CHF 26.1 bn	CHF 6.0 bn <sup>3)</sup>	CHF 2.35 per share	+1.5%

- 1) Like for like
- 2) Recurring EBITDA replaces the former Operating EBITDA Adjusted
- 3) Including contribution from Huaxin share of net income on a full year basis of CHF 126 m, excluded from LFL growth
- 4) EPS before impairment and divestments

# Net Sales bridge 2017

## Strong like for like growth of +4.7%

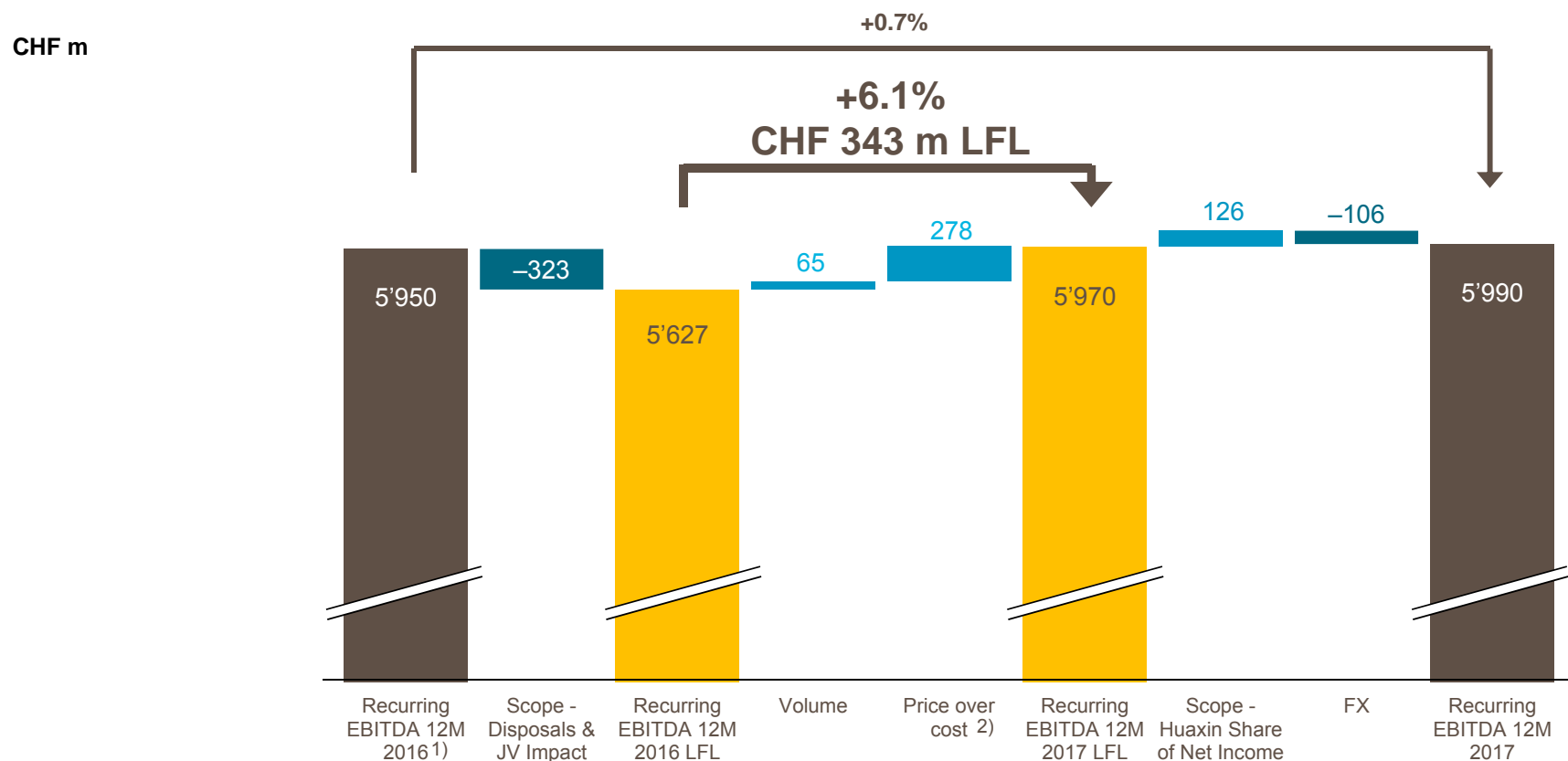
CHF m



1) Scope impact primarily reflects China, India, Vietnam, Morocco

# Recurring EBITDA bridge 2017

Over-proportional increase of +6.1% like for like, in line with guidance



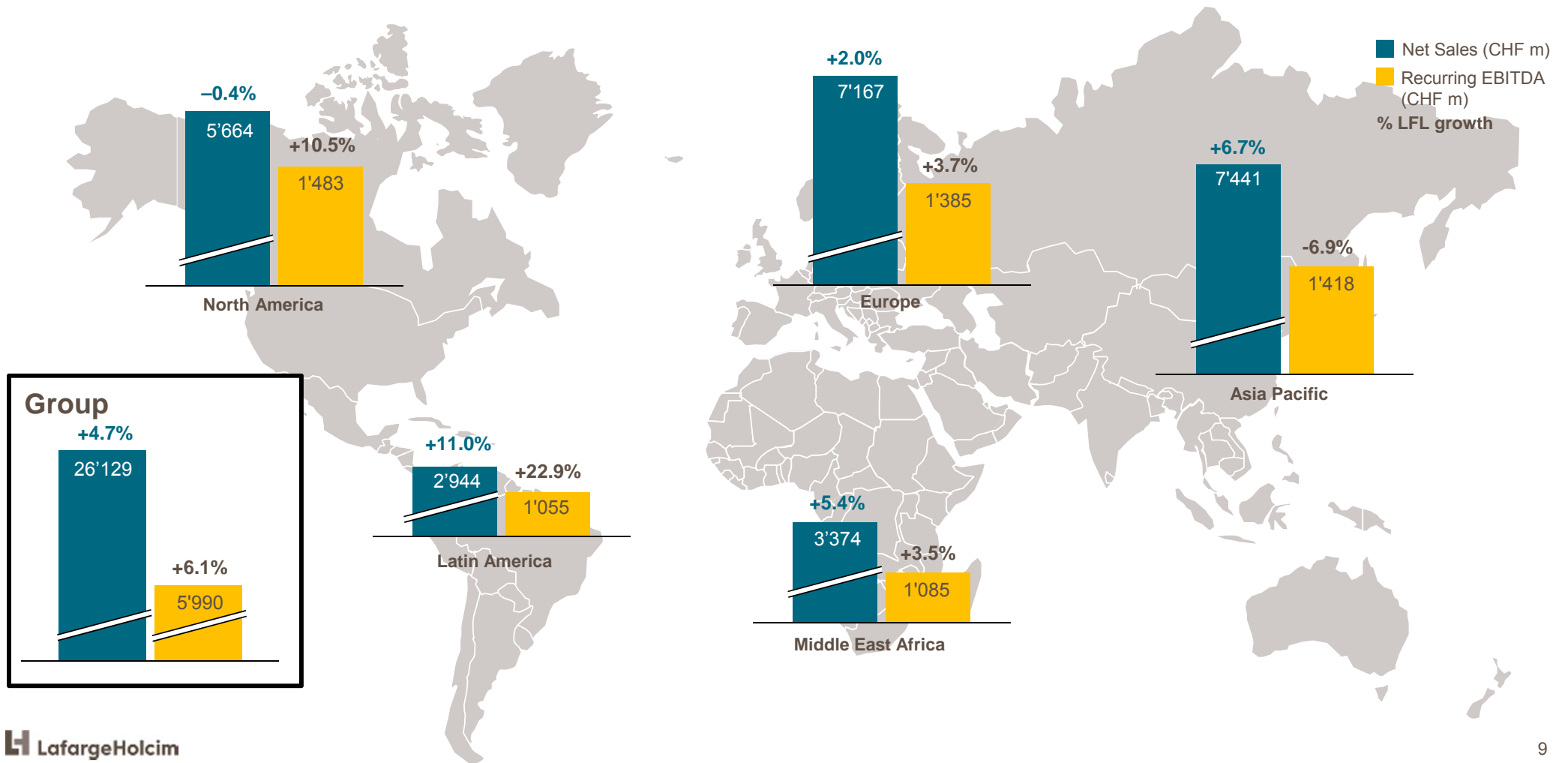
1) Recurring EBITDA 2016 has been restated due to reclassification of Group's share of profit of JVs within recurring EBITDA (contribution of CHF 125m in 12M 2016)

2) Price over cost is defined as price contribution, cost increase and efficiency gains



# 2017 Net sales and Recurring EBITDA per region

## Increased Recurring EBITDA in 4 out of 5 regions



# Europe

## Good progress and improving market conditions

CHF m	12M 2017	12M 2016	±	LFL (%)	LFL (abs)
Net Sales	7'167	7'023	2.1%	2.0%	138
Recurring EBITDA	1'385	1'334	3.8%	3.7%	50

- › Market recovery overall in the region
- › Strong contribution from Eastern Europe (Russia, Poland, Romania)
- › Positive dynamics in France support higher margins; progressive benefit from the revised industrial network
- › Challenging market environment in Switzerland
- › In the UK, good results in a resilient market



# Middle East Africa

## Growth in Net sales and Recurring EBITDA in 2017 on a like for like basis

CHF m	12M 2017	12M 2016	±	LFL (%)	LFL (abs)
Net Sales	3'374	3'900	-13.5%	5.4%	195
Recurring EBITDA <sup>1)</sup>	1'085	1'247	-13.0%	3.5%	40

1) Contribution from share of net income from JVs: CHF 70m in full year 2017 vs. CHF 51m in full year 2016

- › Solid profits in Algeria in the year, despite weaker cement demand and increased competitive environment
- › In Egypt, positive top line development despite challenging conditions
- › In Nigeria, strong margin progression supported by pricing and cost initiatives in an improving economic environment



# Asia Pacific

## Net sales growth driven by India, margin pressure in South East Asia

CHF m	12M 2017	12M 2016	±	LFL (%)	LFL (abs)
Net Sales	7'441	8'226	-9.5%	6.7%	465
Recurring EBITDA <sup>1)</sup>	1'418	1'594	-11.1%	-6.9%	-96
Of which, contribution from Huaxin	126				

1) Contribution from share of net income from JVs: CHF 202m in full year 2017 vs. CHF 64m in full year 2016

- › In India, strong volume and Recurring EBITDA increase supported by commercial initiatives in a favorable environment in 2017
- › In China, solid operational and commercial performance in both our consolidated operations and in Huaxin, supported by government initiatives on environmental protection
- › In South East Asia, challenging year for volumes and margins



# North America

## Strong growth in Recurring EBITDA in a stable market environment

CHF m	12M 2017	12M 2016	±	LFL (%)	LFL (abs)
Net Sales	5'664	5'584	1.4%	-0.4%	-20
Recurring EBITDA	1'483	1'335	11.1%	10.5%	140

- › Continued strong contribution from the US despite decline in volumes
- › Good contribution from Canada West supported by early signs of recovery in the oil sector
- › Improved results in Canada East despite a challenging competitive environment



# Latin America

## Strong performance in Net sales and margins

CHF m	12M 2017	12M 2016	±	LFL (%)	LFL (abs)
Net Sales	2'944	2'773	6.1%	11.0%	294
Recurring EBITDA	1'055	885	19.3%	22.9%	201

- › Strong increase in Net Sales and Recurring EBITDA in Mexico, despite less favorable macroeconomic indicators
- › Record performance in Argentina supported by solid commercial initiatives and operational execution
- › In Brazil, turnaround initiatives supporting improvement in a challenging market environment
- › Opening of the 1,000th Disensa retail store in the region



# Impairments

## Reassessment of the fair value of the asset portfolio

---

### Impairment charge of CHF 3.8 billion

- › Country macro-economic / political volatility
- › Reassessment of WACC for some countries
- › Adaptation to market dynamics
- › No cash impact

(CHF m)

Goodwill / Country book value	2'724
Specific Property, Plant & Equipment	786
Other assets	319
<b>Total impairment</b>	<b>3'829</b>

Primarily relates to Algeria, Malaysia, Brazil, Iraq, Indonesia, Egypt, US specific assets

# Financial performance 2017

**EPS before impairment and divestments of CHF 2.35, up 11.9%**

CHF m	2017	Impairment & Divestments	2017 before impair. & divest.	2016 before impair. & divest.	variation
<b>Net Sales</b>	<b>26'129</b>		<b>26'129</b>	26'904	-775
<b>Recurring EBITDA</b>	<b>5'990</b>		<b>5'990</b>	5'950	40
Depreciation & Amortization	-2'300		-2'300	-2'343	43
Impairment	-3'707	3'707	-	-	-
Restructuring and others <sup>1)</sup>	-461		-461	-582	121
<b>Operating (loss) Profit</b>	<b>-478</b>	<b>3'707</b>	<b>3'229</b>	<b>3'025</b>	<b>204</b>
Profit/loss on disposals and other non-op. items	205	-260	-55	48	-103
Share of profit of associates	51		51	80	-29
Financial Income / expenses	-958	-23	-981	-926	-55
<b>Net Income Before Taxes</b>	<b>-1'180</b>	<b>3'424</b>	<b>2'244</b>	<b>2'228</b>	<b>16</b>
Income Taxes	-536	-149	-685	-658	-27
ETR			30.5%	29.5%	
<b>Net Income</b>	<b>-1'716</b>	<b>3'275</b>	<b>1'560</b>	<b>1'570</b>	<b>-10</b>
Net income - Non controlling interests	-41	184	143	297	-154
Net income - Group share	-1'675	3'091	1'417	1'273	144
EPS (CHF)	-2.78		<b>2.35</b>	2.10	0.25

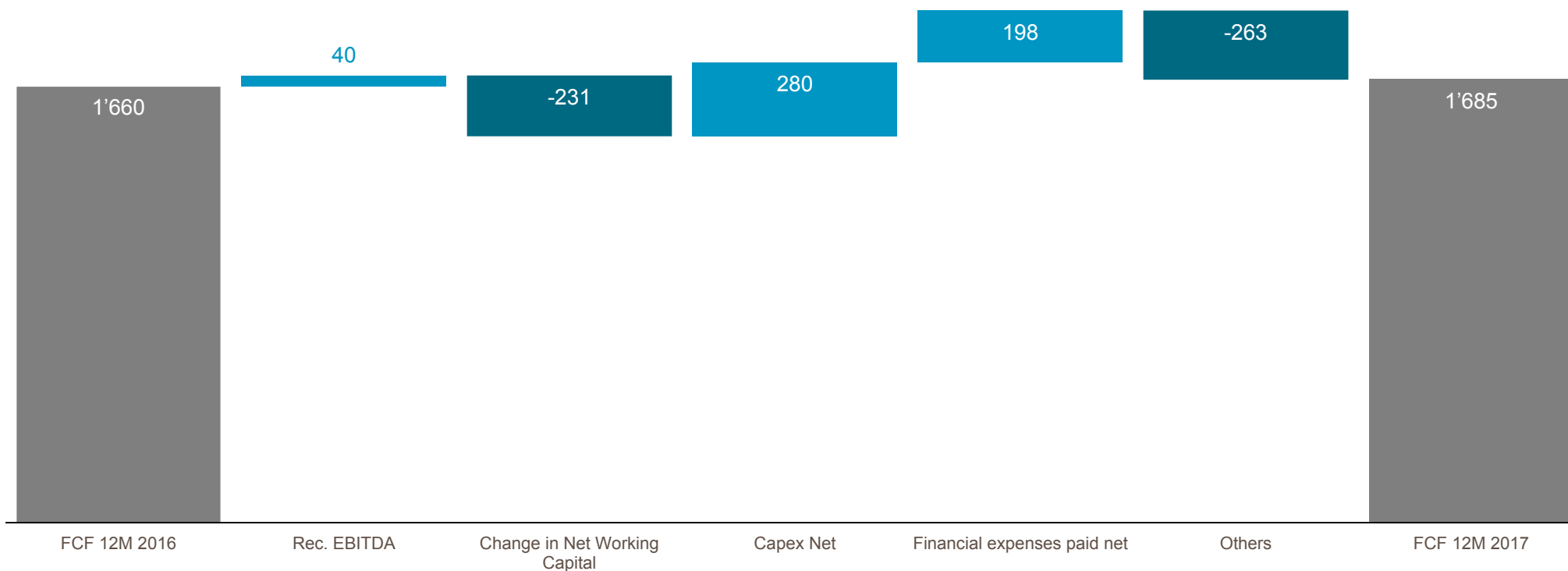
1) Others include litigation, implementation and other non-recurring costs



# Free Cash Flow

CHF 1'685 million of Free Cash flow generation

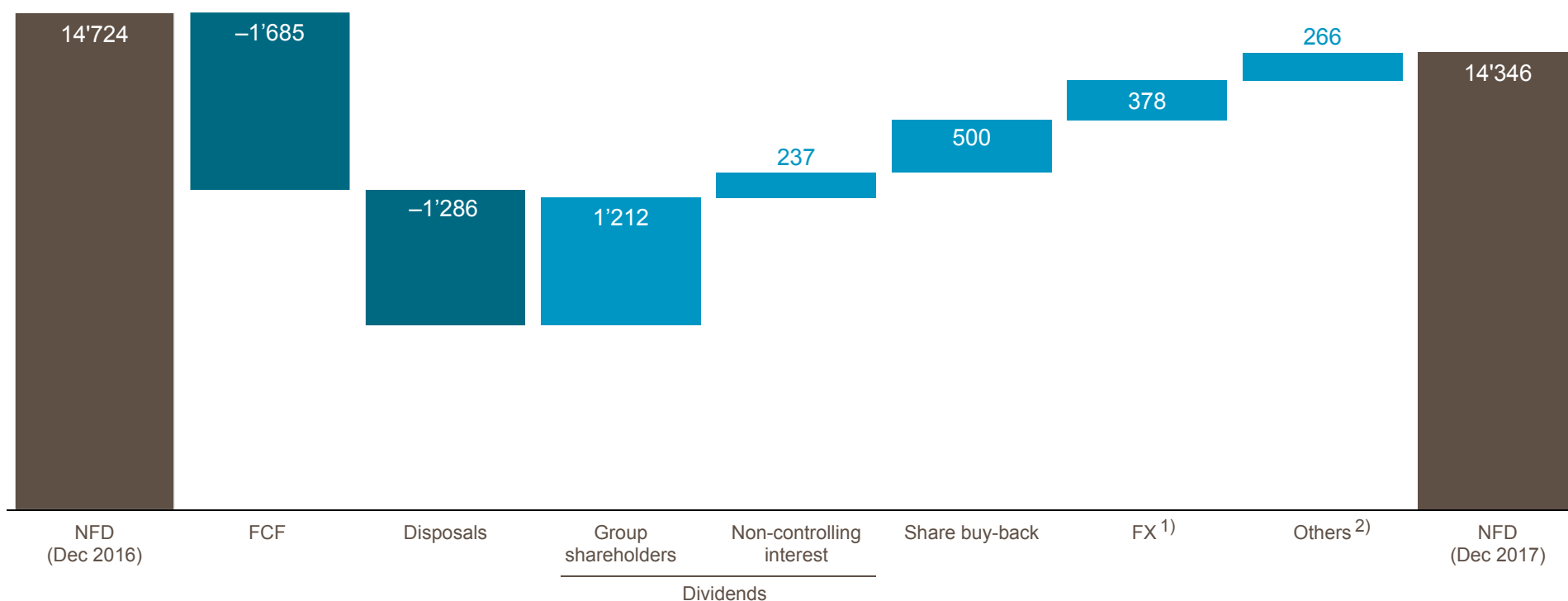
CHF m



# Net Financial Debt Dec 2016 to Dec 2017

## Net debt / Recurring EBITDA at 2.4x

CHF m



1) Mainly due to EUR appreciation

2) Includes PPA adjustment on net financial debt of CHF 112m, remaining PPA balance on net financial debt at year end 2017 of CHF 207m

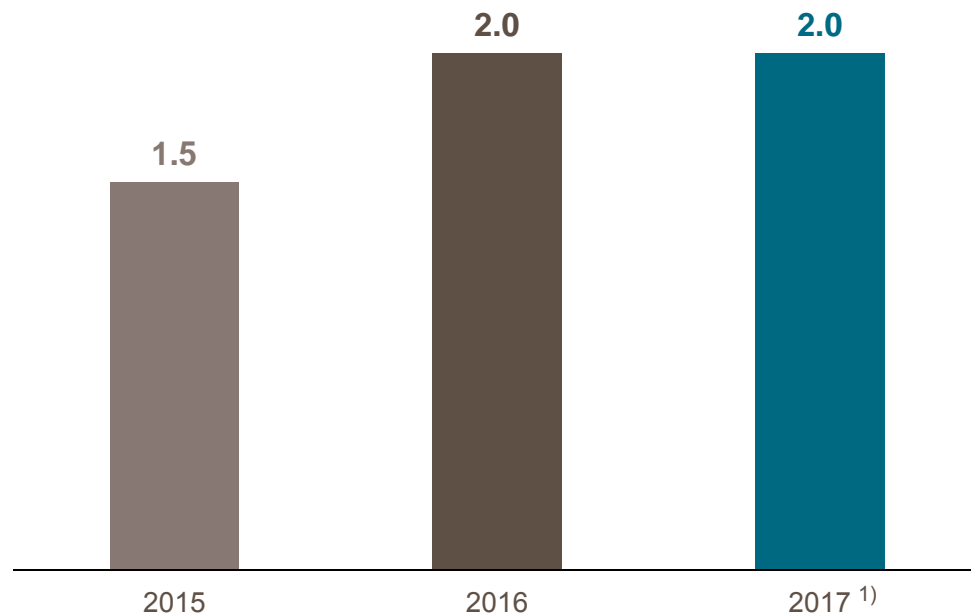
# Attractive dividend policy

## CHF 2 dividend per share proposed at next AGM

---

### Dividend per share

CHF m



1) Proposed at next AGM

### Comments:

- › 2017 full year dividend of CHF 2.0 per share to be proposed at AGM on 8 May 2018
- › Share buyback programme is discontinued with CHF ~581 million completed



## 03 Strategy 2022 – “Building For Growth”

Jan Jenisch, Chief Executive Officer

# Building Materials market is highly attractive

## Five megatrends driving growth of 2 - 3% per annum



**Global population growth and changing demographics** – population expected to grow 22% by 2050 from 7.6 billion to 9.7 billion



**Urbanization and megacities** – Approx. 2.5 billion more people are expected to live in cities by 2050



Increased demand for **better living standards** and more efficient infrastructure



**Digitalization** opens new avenues for growth & innovation

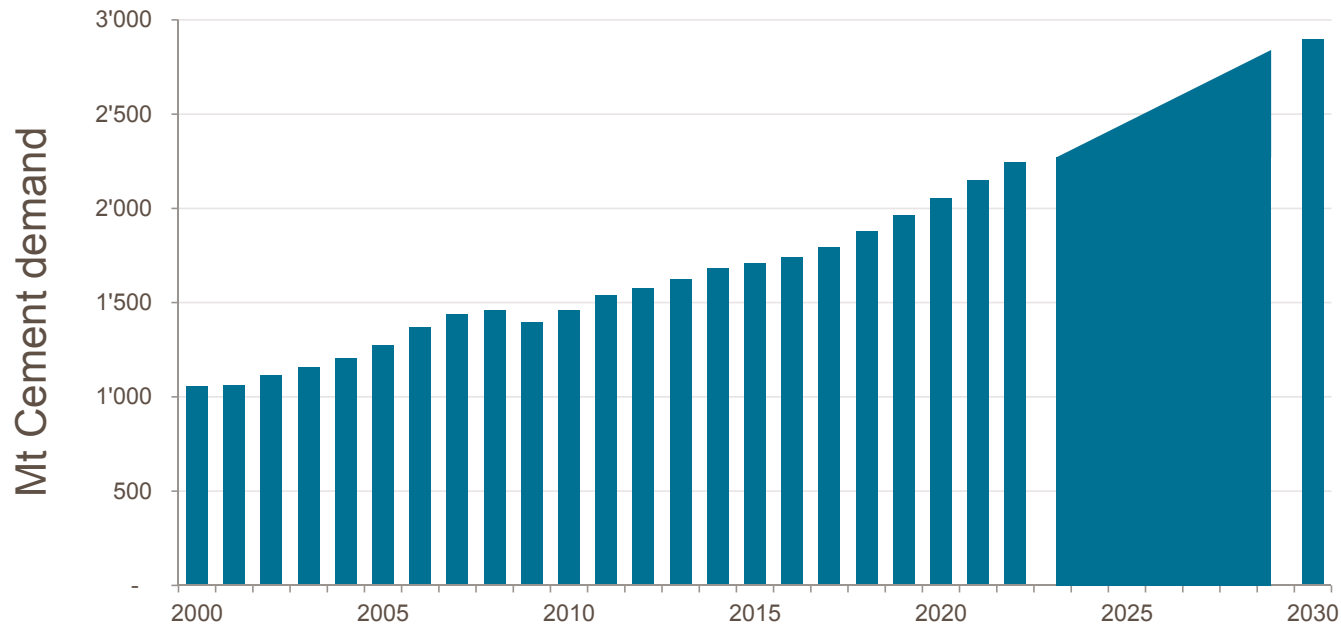


Increased demand for **sustainable construction solutions** and increasing resource scarcity

# LafargeHolcim's business segments are set to grow sustainably

## Cement demand is forecasted to grow faster than GDP

Global cement demand (without China)



**2 - 3%**

Expected annual  
cement growth  
until 2030

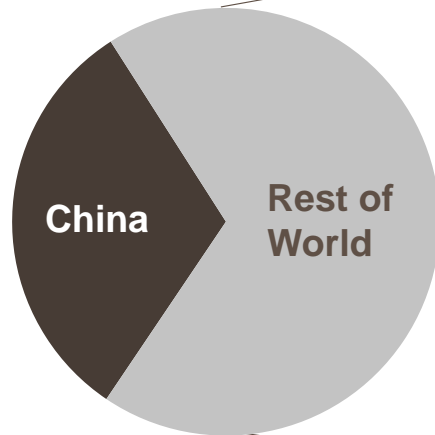
➤ Growth dynamics for Aggregates and Ready-Mix Concrete are similar to cement

Source: Internal LafargeHolcim Estimates; TAC Economics predicts a higher cement demand growth of 3-4%

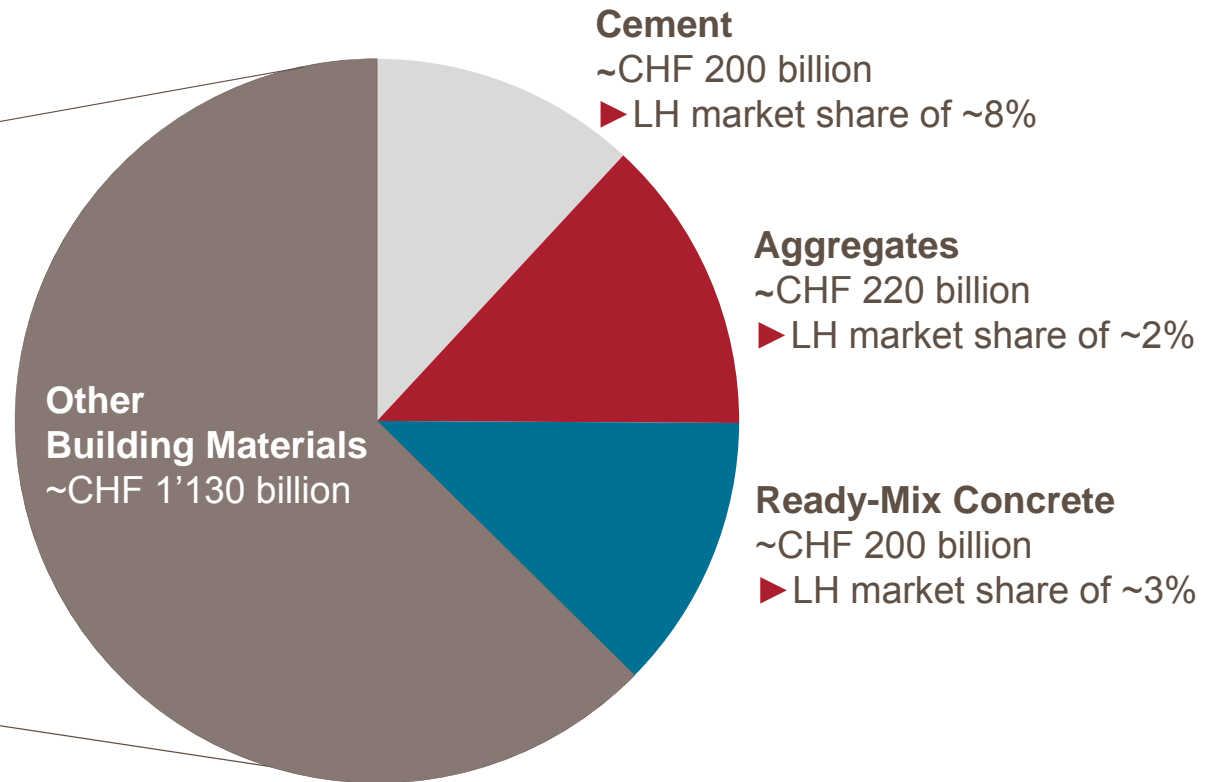
# Building Materials is a fragmented CHF 2'500 billion Market

## Many opportunities for growth and acquisitions

**Global Building Materials Market**  
CHF ~2'500 billion



**Building Materials Market w/o China**  
CHF ~1'750 billion

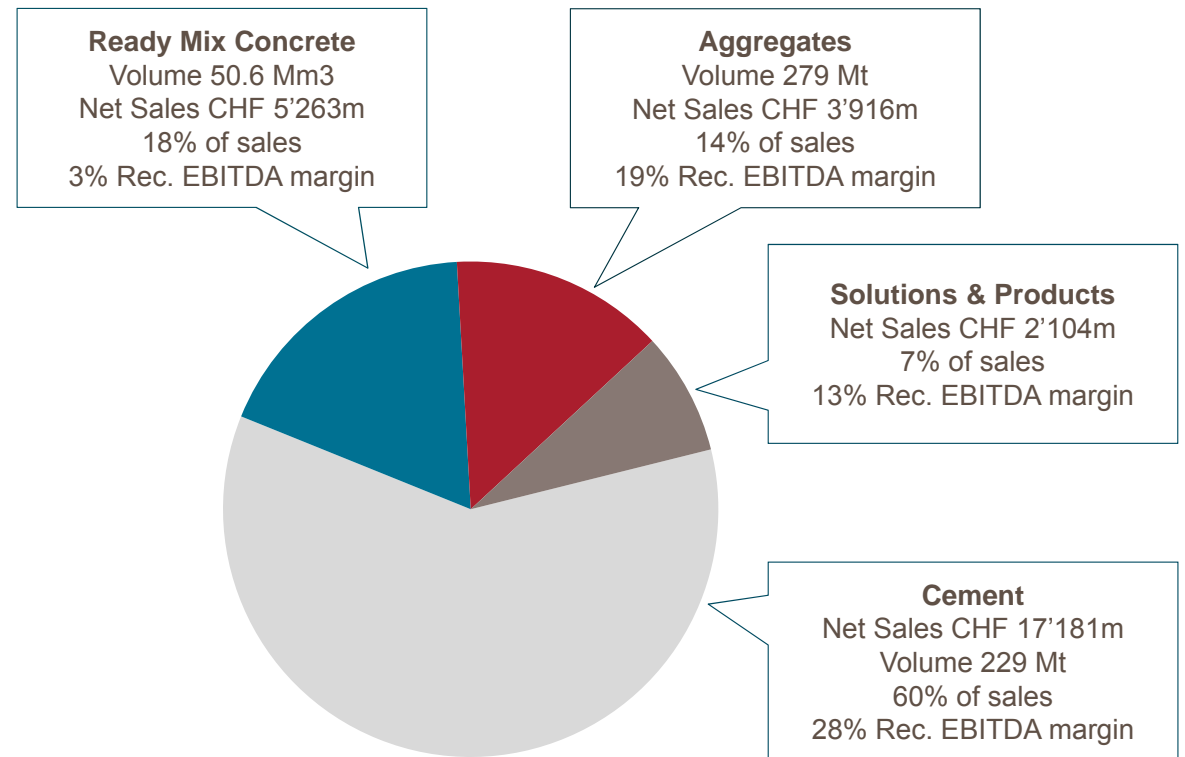


# LafargeHolcim is well positioned

## Our strengths provide an excellent platform for profitable growth

- › Excellent **global footprint** and **asset base**
- › Four **attractive business segments** to build on
- › Committed, skilled **employees**
- › Strong global and local **brands**
- › Largest player with **economies of scale**
- › **Solutions & Products** segment with low capital intensity and attractive opportunities
- › Proven **resilient demand** in a crisis

### 2017 performance by business segment





# Strategy 2022 – “Building for Growth”

Our four value drivers for top & bottom line growth

---



Growth



Simplification &  
Performance



Financial  
Strength



Vision  
& People

# Strategy 2022 – “Building for Growth”

## Shifting gears to growth – top & bottom line



- › **Capture opportunities** in the growing building material market
- › Utilize best asset base to **grow faster than the market**
- › More investments in “**Growth Plus**” markets
- › Execute more aggressive market strategies for **Aggregates** and **Ready-Mix Concrete**
- › Develop “**Solutions & Products**” into a fourth business segment
- › Use **bolt on acquisitions** to leverage scale and margins



# Develop “Solutions & Products” into a 4th business segment

More focus and accountability on attractive market segments



- › Current **Solutions & Products** segment includes precast, concrete products, asphalt, mortars, contracting & services
- › Sales 2017 of CHF 2.1 billion, **solid margins** and **low capital intensity**
- › Many attractive market segments with **high growth potential**
- › **Synergies** in logistics, sites and sales channel with other business segments
- › Accelerate **global expansion** through agile local growth strategies and acquisitions



# Simplification & Performance

## Cost disciplined operating model and corporate light structure

---



### Implement a simpler, country-focused operating model

- › **Eliminate one layer** of management - country focused organization with **35 markets** (up from 20) reporting directly to group management
- › Two corporate business functions have been merged, **Group management reduced to 9 members**
- › SG&A cost saving program of **CHF 400 million** completed as of Q1/2019
- › **Corporate offices closing** in Singapore and Miami

### Create a performance culture

- › **Simplified KPIs** and **incentives** aligned to Group goals
- › Close the performance gap in Aggregates and Ready-Mix Concrete to **best in class**

### Establish P&L responsibility and accountability for all four business segments

# Financial Strength

## Disciplined value creation



Returns	Balance sheet	Realize value	Investment
Pay shareholders an attractive dividend	Committed to maintaining a strong balance sheet	Fund growth through divestment of selected assets	Disciplined, targeted and value creative investments including bolt on acquisitions
CHF 2 dividend proposed	Maintain investment grade rating	More than CHF 2 bn asset sales	Less than CHF 2 bn Capex p.a.

# Vision & People

**Building a culture of trust, integrity and entrepreneurial leadership**



## Innovation

## *Talent development*

## Culture of trust and integrity

## Sustainability

Our vision is to be a global blue chip company in the attractive and growing building materials market.

Construction and improving living conditions are fundamental needs of a growing and urbanizing world population. We are passionate about finding solutions to the challenges of modern construction and we are working every day to be the trusted partner of our customers.

Our performance culture is underpinned by values of trust and integrity, a commitment to the Health & Safety of one another and a desire to be at the forefront of sustainable construction solutions and innovation.

We are proud of what we do and how we do it. We foster an entrepreneurial leadership style and are focused on the long term success of the company. Our growth strategy will deliver resilient returns and attractive value to our stakeholders.

# Strategy 2022 – “Building for Growth”

Strategy will deliver attractive returns

Net sales growth	Recurring EBITDA growth	FCF to Recurring EBITDA	Return on Invested Capital
3 - 5% annually	at least 5% annually	> 40%	> 8%

Net sales and Recurring EBITDA at constant exchange rates

# Strategy 2022 – “Building for Growth”

## New group management in place

---



**North America\***  
R. Thibault



**Latin America\***  
O. Osswald



**Europe\***  
M. Cobuz



**MEA\***  
S. Sebbar



**CEO\***  
J. Jenisch



**Asia\***  
M. Kriegner



**CFO\***  
G. Picaud



**Growth & Performance\***  
U. Bleisch



**HR\***  
C. Luscombe



**China**  
I. Riley



**Trading**  
X. Blondot



**Health & Safety**  
M. Anderson



**Strategy**  
C. Haessig



**Sustainability**  
J. Diebold



**Communication**  
B. Eitel



**Digital**  
P. Leutiger



**Legal**  
K. Carr

\* Group Executive Committee




# Strategy 2022 – “Building for Growth”

## Execution of strategy under way, new organization in place

---

- ✓ New group management in place
- ✓ One layer of management eliminated with 35 markets (up from 20) reporting directly to group management
- ✓ Empowerment of countries, full accountability and P&L responsibility for 4 business segments on local level
- ✓ New incentive system for 2018 rolled down to the local business segment leader
- ✓ Countries to develop growth strategies for all segments including bolt on acquisitions
- ✓ Two corporate business functions have been merged into one, Group Management reduced to 9 members
- ✓ Increased focus on Digital and Sustainability
- ✓ New plant in India, bolt-on acquisition in UK announced



completed in December / January / February

# Strategy 2022 – “Building for Growth”

## Disciplined execution and well defined milestones

---

- › Complete review of asset portfolio and investment / divestment options
- › Growth plans established in all key markets for Cement, Aggregates, Ready-Mix Concrete and Solutions & Products
- › Execution of SG&A cost saving program
- › Complete closure of Singapore and Miami offices
- › New operating model fully established in Q1
- › New run rates on costs and margins realized by Q2
- › Divestments of at least CHF 2 billion signed



## 04 Outlook 2018 and guidance

Jan Jenisch, Chief Executive Officer



## 2018 Outlook & Guidance

---

- › Net Sales growth of 3 - 5% on a like for like basis
- › Increase in Recurring EBITDA of at least 5% on a like for like basis
- › Capex spend below CHF 2 billion
- › Execute Strategy 2022 across all four business segments and countries

## 2018 Upcoming Events

---

- › **May 8, 2018:** AGM and Q1 2018 earnings release
- › **July 27, 2018:** Half year earnings release; new segmental reporting
- › **October 26, 2018:** Q3 earnings release
- › **November 2018:** Capital Markets Day

# Disclaimer

---

These materials are being provided to you on a confidential basis, may not be distributed to the press or to any other persons, may not be redistributed or passed on, directly or indirectly, to any person, or published or reproduced, in whole or in part, by any medium or for any purpose.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of LafargeHolcim or any subsidiary or affiliate of LafargeHolcim nor should it or any part of it form the basis of, or be relied on in connection with, any purchase, sale or subscription for any securities of LafargeHolcim or any subsidiary or affiliate of LafargeHolcim or be relied on in connection with any contract or commitment whatsoever.

The information contained herein has been obtained from sources believed by LafargeHolcim to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated herein are accurate and that the opinions and expectations contained herein are fair and reasonable, it has not been independently verified and no representation or warranty, expressed or implied, is made by LafargeHolcim or any subsidiary or affiliate of LafargeHolcim with respect to the fairness, completeness, correctness, reasonableness or accuracy of any information and opinions contained herein. In particular, certain of the financial information contained herein has been derived from sources such as accounts maintained by management of LafargeHolcim in the ordinary course of business, which have not been independently verified or audited and may differ from the results of operations presented in the historical audited financial statements of LafargeHolcim and its subsidiaries. Neither LafargeHolcim nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this presentation or its contents, or any action taken by you or any of your officers, employees, agents or associates on the basis of the this presentation or its contents or otherwise arising in connection therewith.

The information contained in this presentation has not been subject to any independent audit or review and may contain forward-looking statements, estimates and projections. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements, including forward-looking statements regarding the group's business and earnings performance, which are based on management's current plans, estimates, forecasts and expectations. These statements are subject to a number of assumptions and entail known and unknown risks and uncertainties, as there are a variety of factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Although LafargeHolcim believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ. As a result, you should not rely on these forward-looking statements. LafargeHolcim undertakes no obligation to update or revise any forward-looking statements in the future or to adjust them in line with future events or developments, except to the extent required by law.



**LafargeHolcim**