



# FULL-YEAR 2019 RESULTS

Jan Jenisch, CEO  
Géraldine Picaud, CFO

February 27, 2020



**LafargeHolcim**

# AGENDA

- 01** Highlights and Key Developments
- 02** Full-year 2019 financial results
- 03** Outlook 2020



# 01 HIGHLIGHTS AND KEY DEVELOPMENTS

Jan Jenisch, Chief Executive Officer

*All numbers in this section are pre IFRS 16, reconciliations with IFRS numbers are in the appendix of this presentation*

## FY 2019 HIGHLIGHTS AND KEY DEVELOPMENTS

# RECORD PERFORMANCE AHEAD OF TARGETS 2022



- Net Sales up 3.1% and over-proportional Recurring EBITDA growth of 6.5% LFL
- Record Net Income<sup>1</sup> of CHF 2'072 m (+32%), EPS<sup>1</sup> up 29%
- Record free cash flow of CHF 3'047 m (+79%) with cash conversion at 49.5% (from 28.3% in 2018)
- Net Debt reduced from CHF 13.5 bn to CHF 8.8 bn (-35%)
- Deleveraging target over-delivered with Net Debt to Recurring EBITDA at 1.4x
- Strengthening our leadership in sustainability

<sup>1</sup> Before impairment and divestments, group share

# STRATEGY 2022 – BUILDING FOR GROWTH

## RECORD PERFORMANCE AHEAD OF TARGETS 2022



- ✓ Net Sales up 3.1% and over-proportional Recurring EBITDA growth of 6.5% LFL
- ✓ 8 bolt-on acquisitions in 2019
- ✓ Disciplined investments for future growth



- ✓ SG&A cost savings program over-achieved with total net savings<sup>1</sup> of CHF 421 m
- ✓ Profitability growing in all 4 business segments
- ✓ Recurring EBITDA margin increase from 21.9% in 2018 to 23.0% in 2019



- ✓ Record free cash flow of CHF 3'047 m (+79%), cash conversion of 49.5%
- ✓ Net Debt reduced by CHF 4.7 bn, deleveraging target over-delivered
- ✓ New level of financial strength achieved



- ✓ Full accountability established with more than 400 P&L leaders
- ✓ Strengthening our leadership on sustainability
- ✓ New Business School successfully rolled out, all P&L leaders trained

# BOLT-ON ACQUISITIONS

## 8 BOLT-ON ACQUISITIONS IN AGGREGATES & READY MIX CONCRETE



# LEADERSHIP IN SUSTAINABILITY

## STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY

Launch of **carbon neutral RMX concrete** (EvoPact, EcoPact) in Switzerland and Germany

**5 carbon capture projects launched** in Europe, US and Canada

LH **CO<sub>2</sub> reduction targets validated** by Science Based Targets initiative (SBTi)

**Appointment of Chief Sustainability Officer** to the Executive Committee

LafargeHolcim **allocates CHF 160 m to reduce carbon footprint** in Europe

Launch of Susteno, **first low carbon cement made with recycled aggregates**

Sustainability targets introduced in **management incentives scheme**



# LEADERSHIP IN SUSTAINABILITY

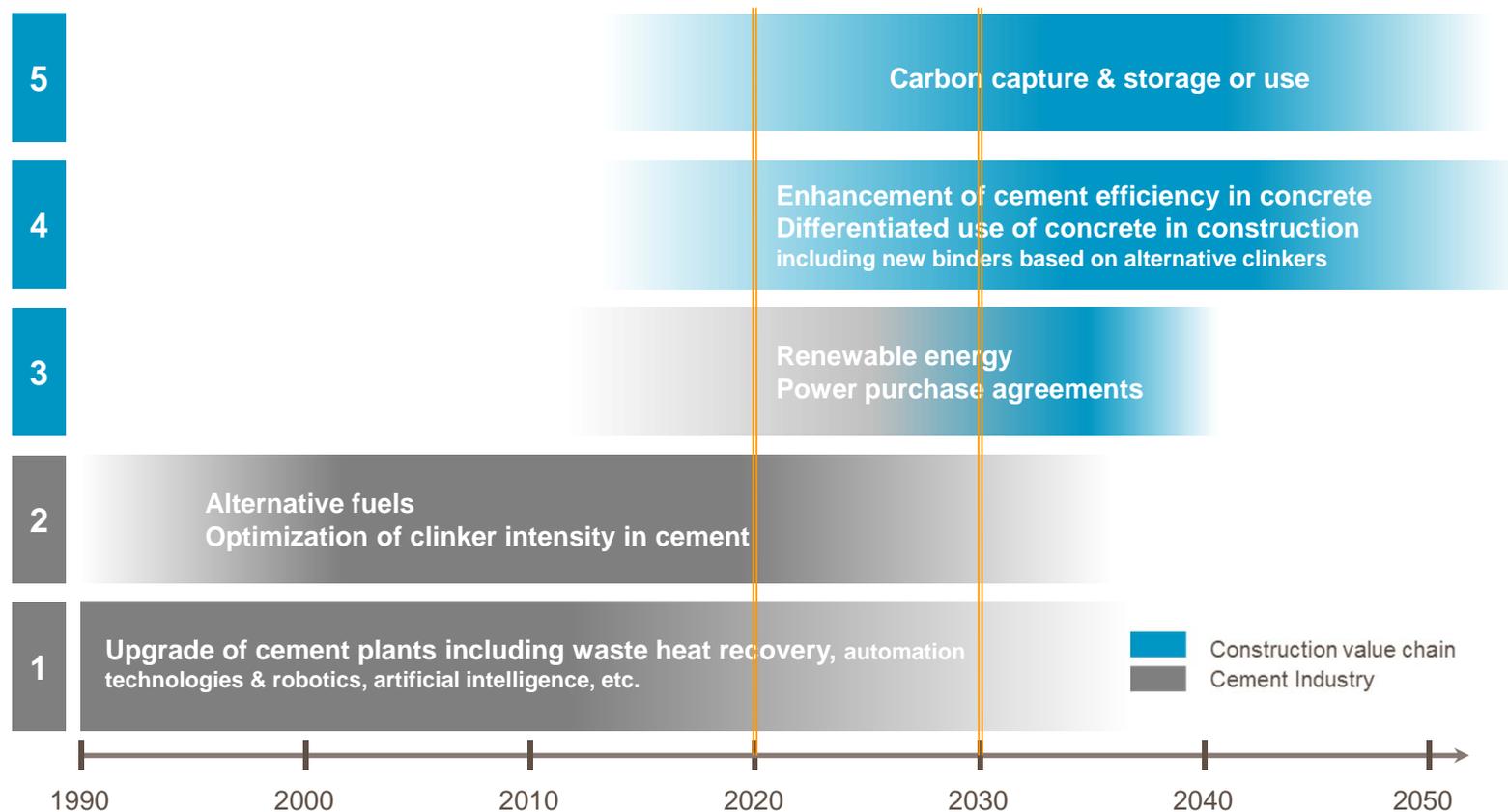
## GOOD PROGRESS TOWARDS OUR 2022 TARGETS

Sustainability pillars	CLIMATE & ENERGY 	CIRCULAR ECONOMY 	ENVIRONMENT 	COMMUNITY 
Lead metric	<b>CO2 Reduced</b> [kg CO2/t cementitious]	<b>WASTE Re-used</b> [ Mt ]	<b>WATER Saved</b> [ l fresh water / tcem ]	<b>VALUE Shared</b> [ M total beneficiaries ]
Performance 2019 Change <sup>1</sup>	<b>561</b> -1.4%	<b>48</b> +4.3%	<b>299</b> -5.7%	<b>5.9</b> +5.4%
Target 2022 <sup>1</sup>	<b>550</b>	<b>60</b>	<b>291</b>	<b>7.0</b>

# LEADERSHIP IN SUSTAINABILITY

## OUR CO2 REDUCTION TARGET AND ROADMAP

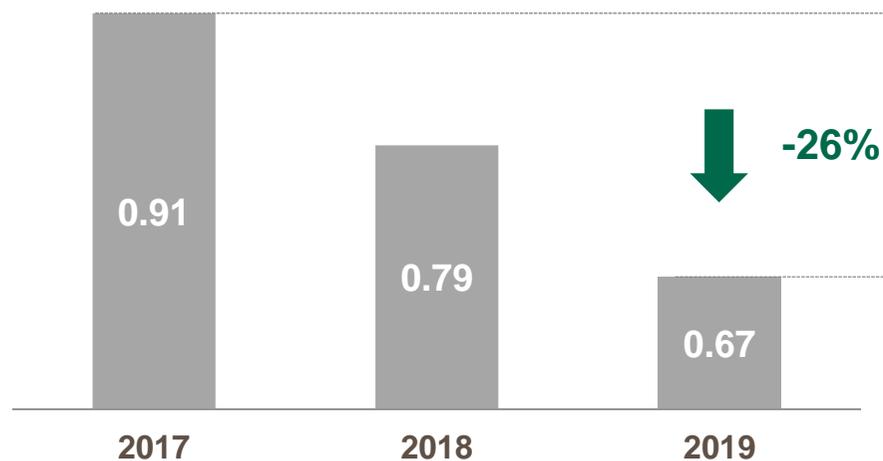
Largest contribution in next decade expected from construction value chain



# HEALTH & SAFETY FURTHER IMPROVEMENT OF SAFETY PERFORMANCE



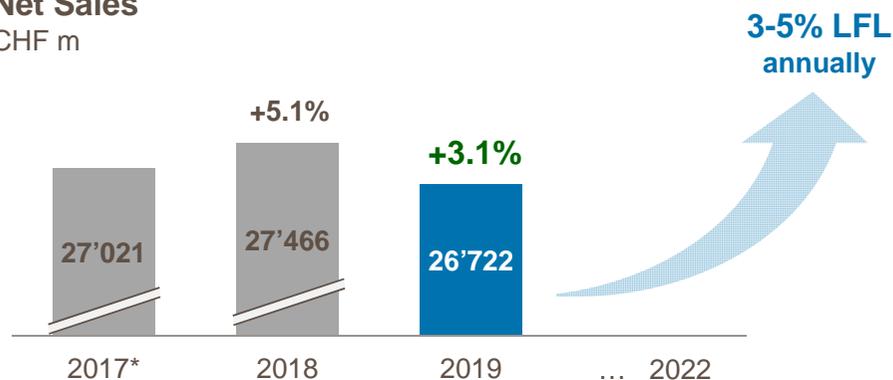
### Lost Time Incidents Frequency Rate



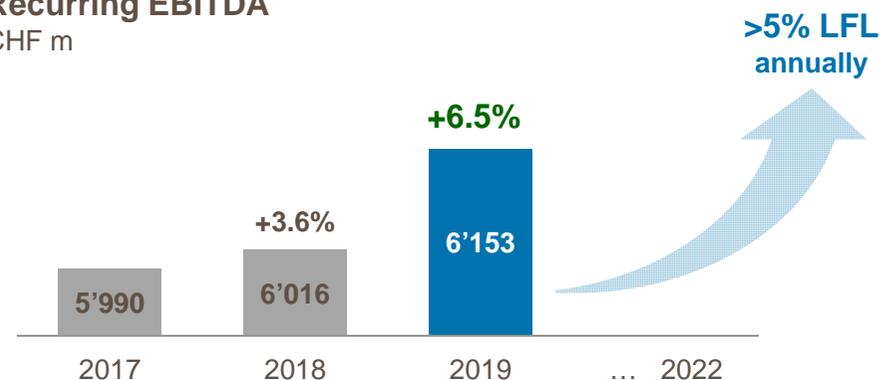
# PERFORMANCE HIGHLIGHTS

## RECORD PERFORMANCE AHEAD OF TARGETS 2022

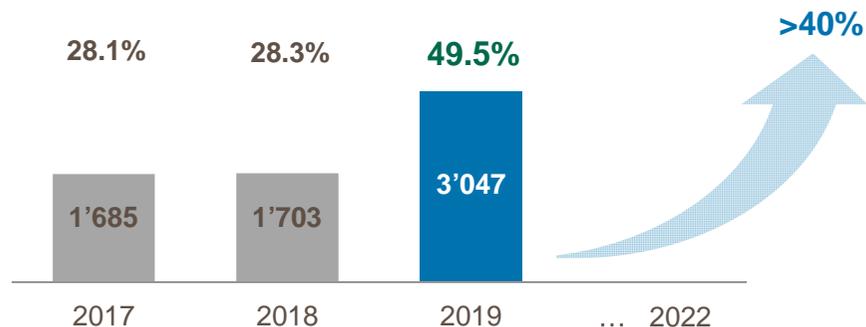
**Net Sales**  
CHF m



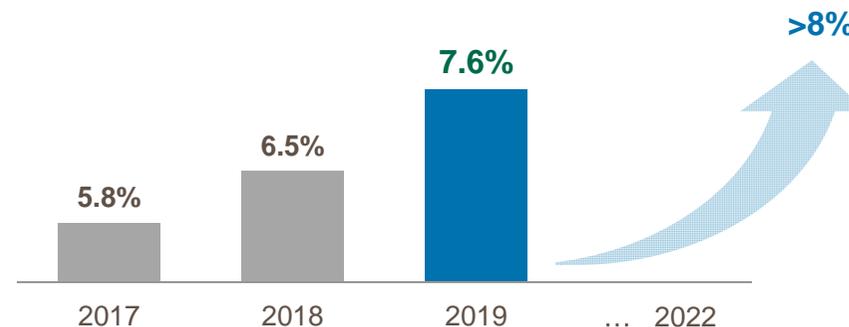
**Recurring EBITDA**  
CHF m



**Free Cash Flow & Cash Conversion**  
CHF m



**ROIC**





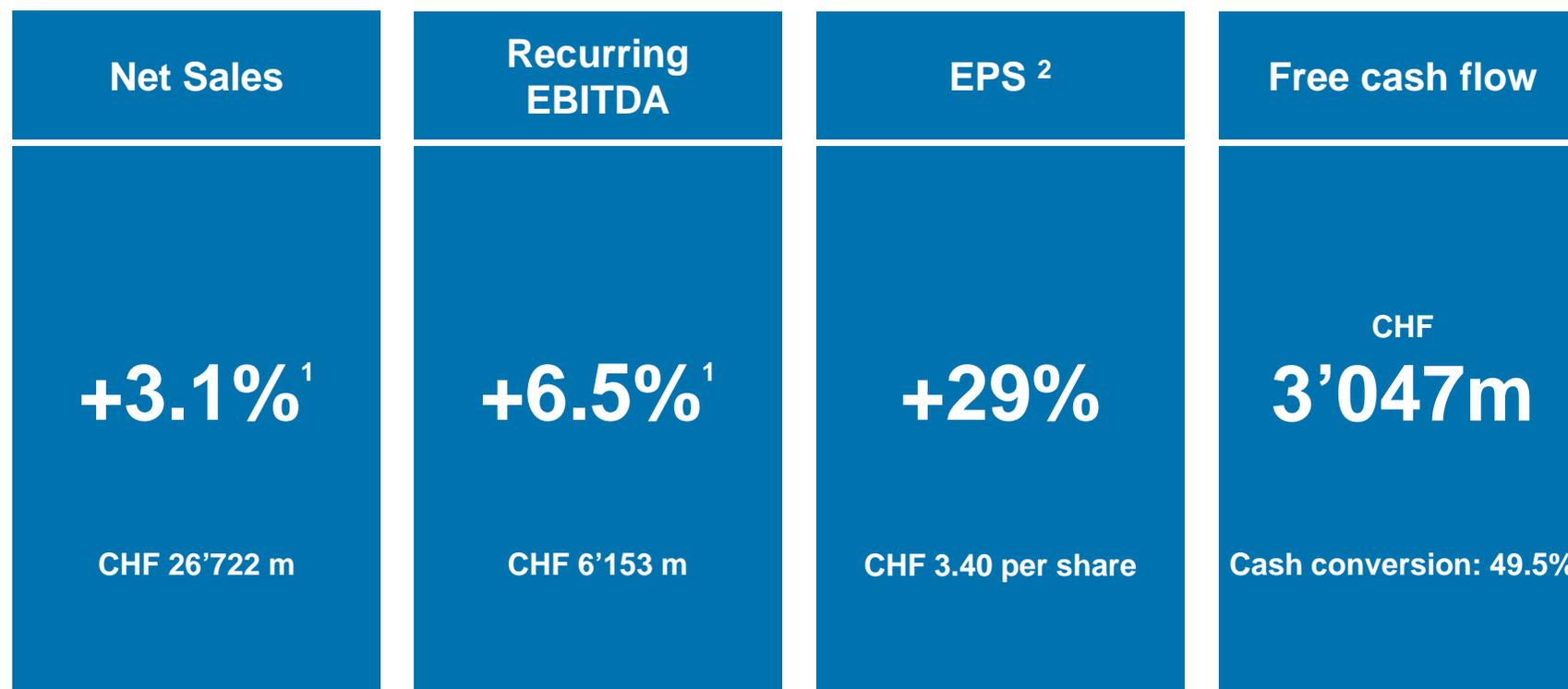
## 02 FULL-YEAR 2019 FINANCIAL RESULTS

Géraldine Picaud, Chief Financial Officer

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## 2019 PERFORMANCE

# RECORD PERFORMANCE AHEAD OF TARGETS 2022

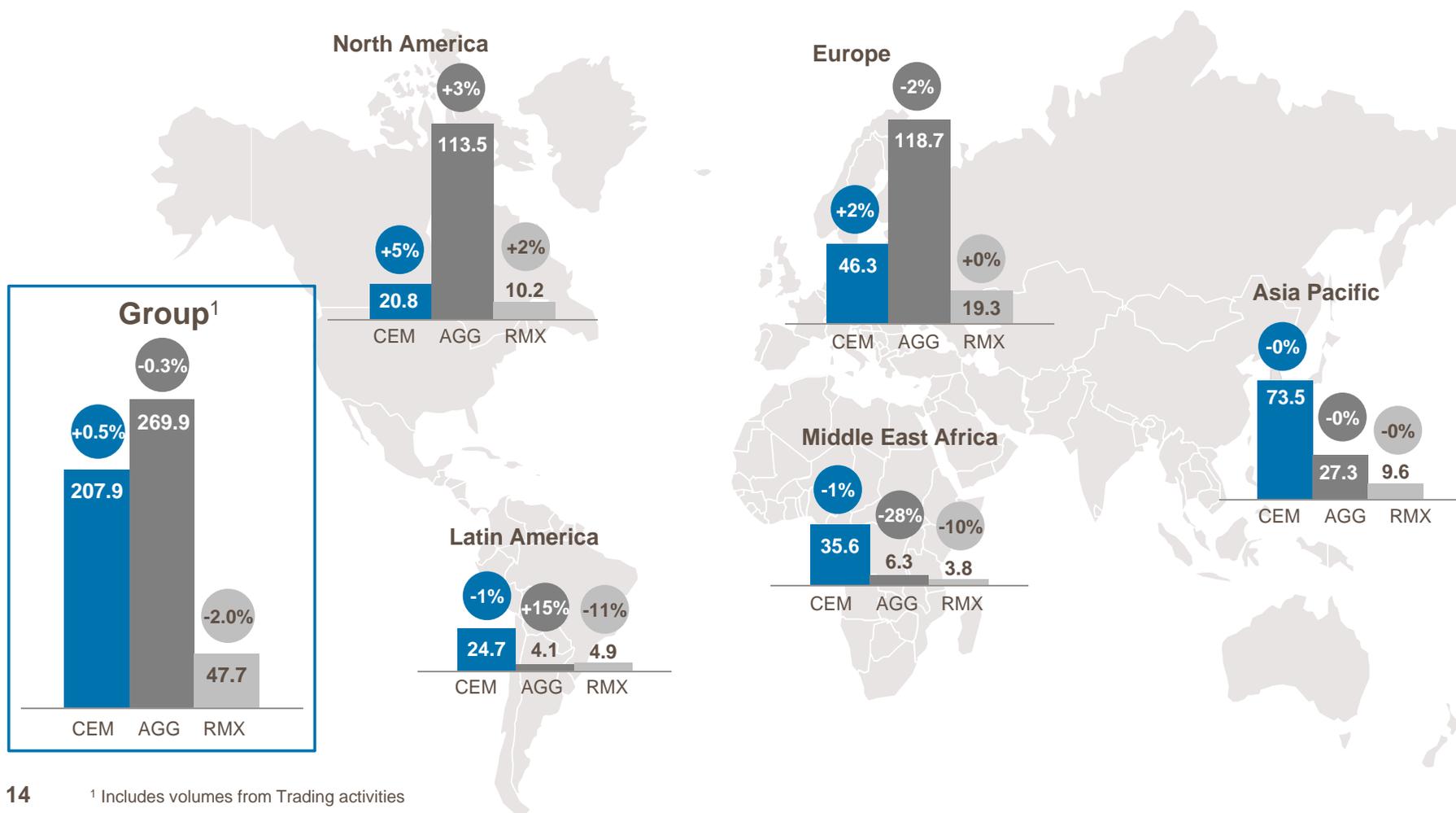


# 2019 VOLUMES DEVELOPMENT

## GROWTH IN CEMENT VOLUMES IN NORTH AMERICA AND EUROPE

M ton  
M m3

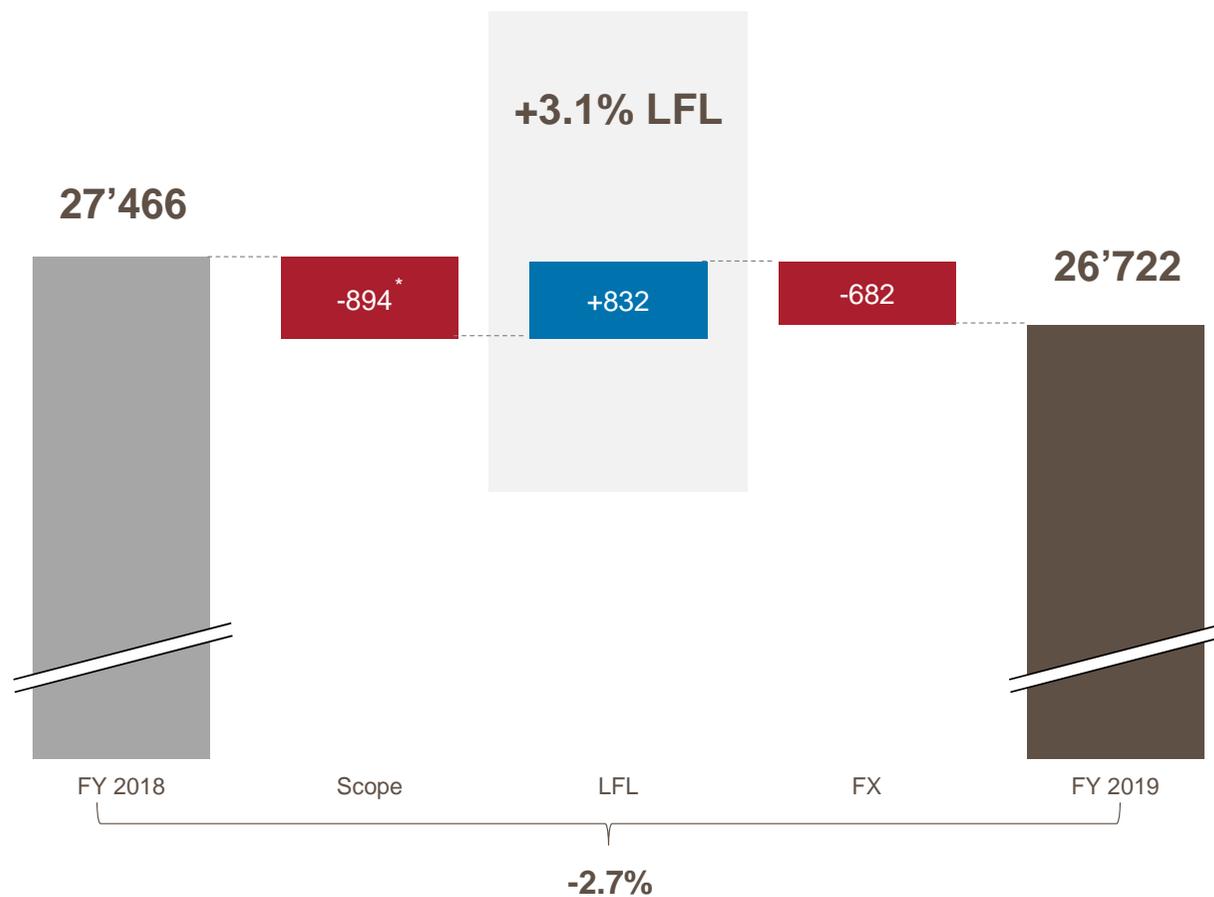
LFL



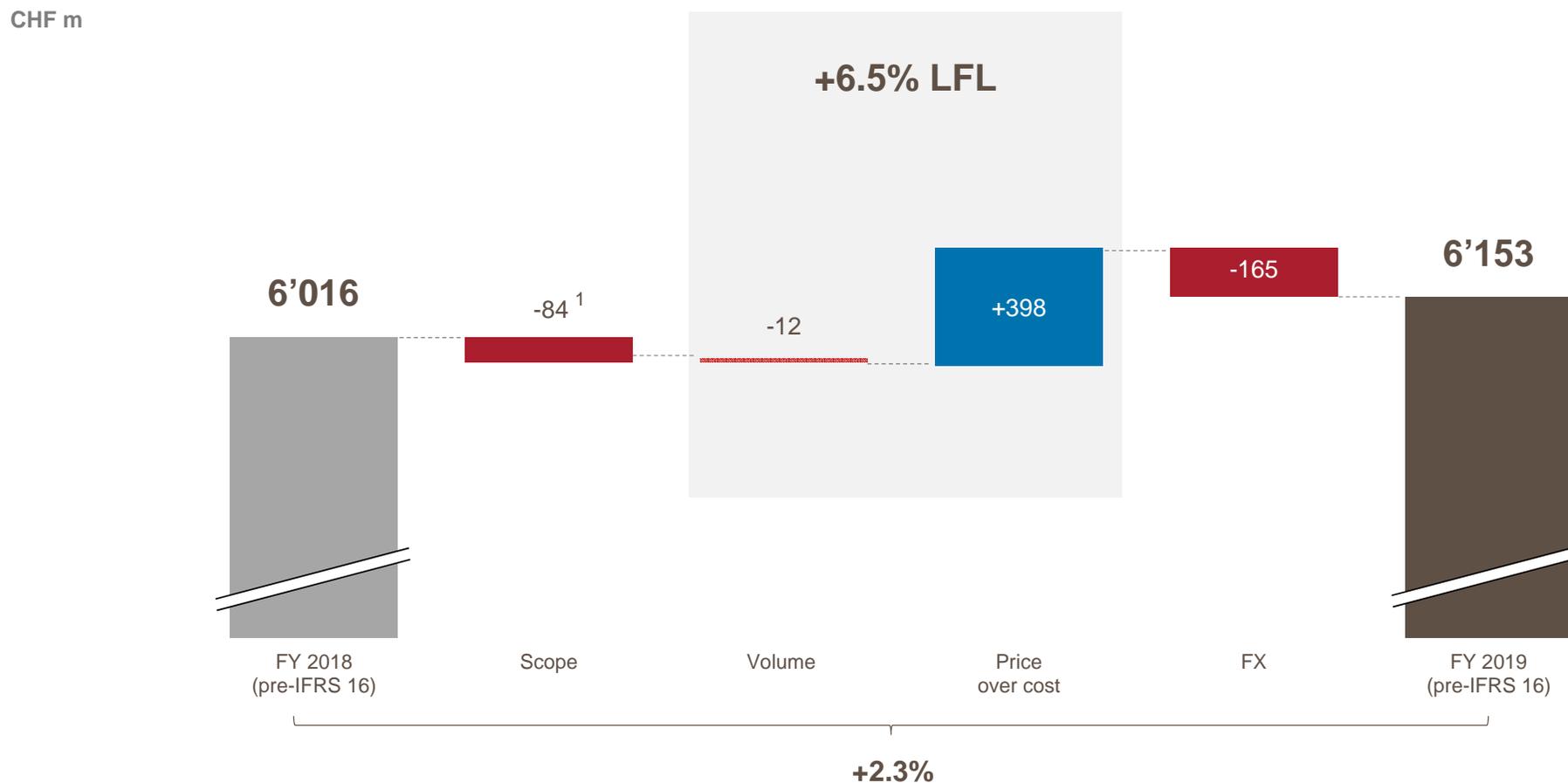
# 2019 NET SALES BRIDGE

## NET SALES UP 3.1% LFL

CHF m

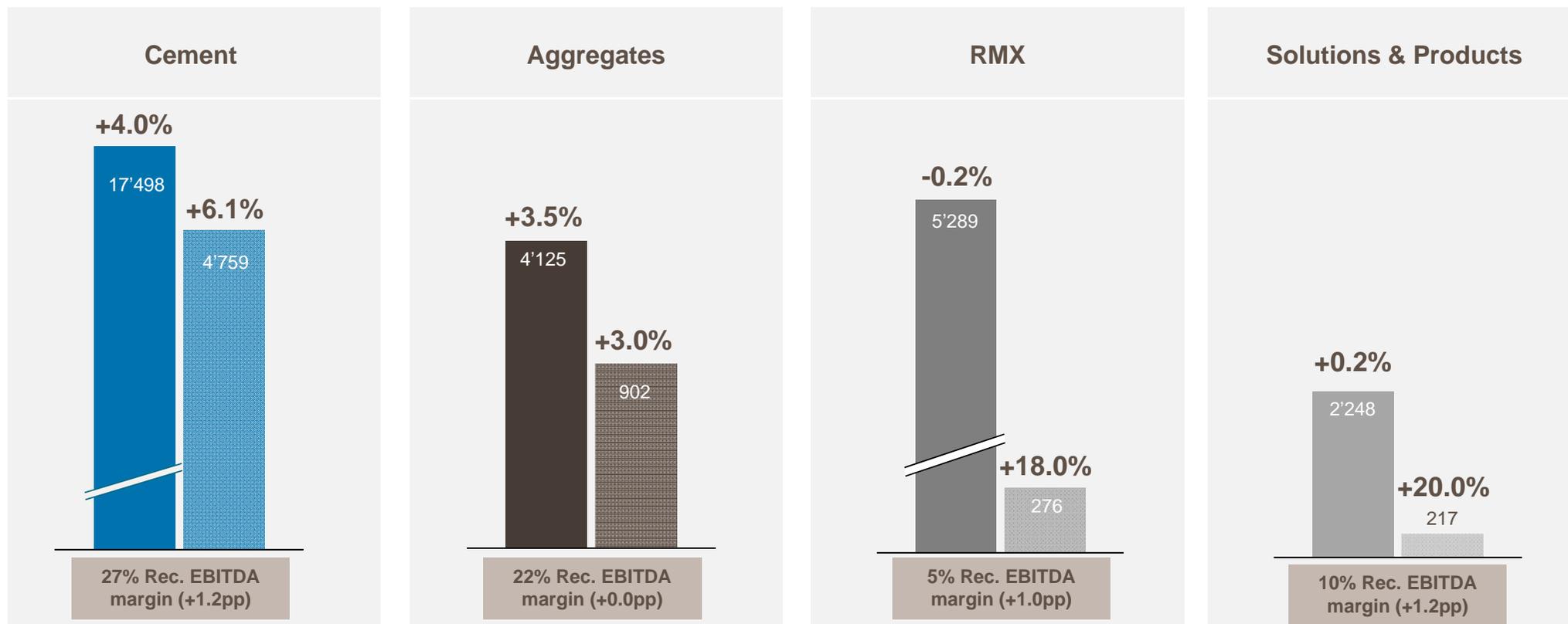


# 2019 RECURRING EBITDA BRIDGE OVER-PROPORTIONAL REC EBITDA GROWTH OF 6.5% LFL



# 2019 NET SALES AND RECURRING EBITDA BY SEGMENT

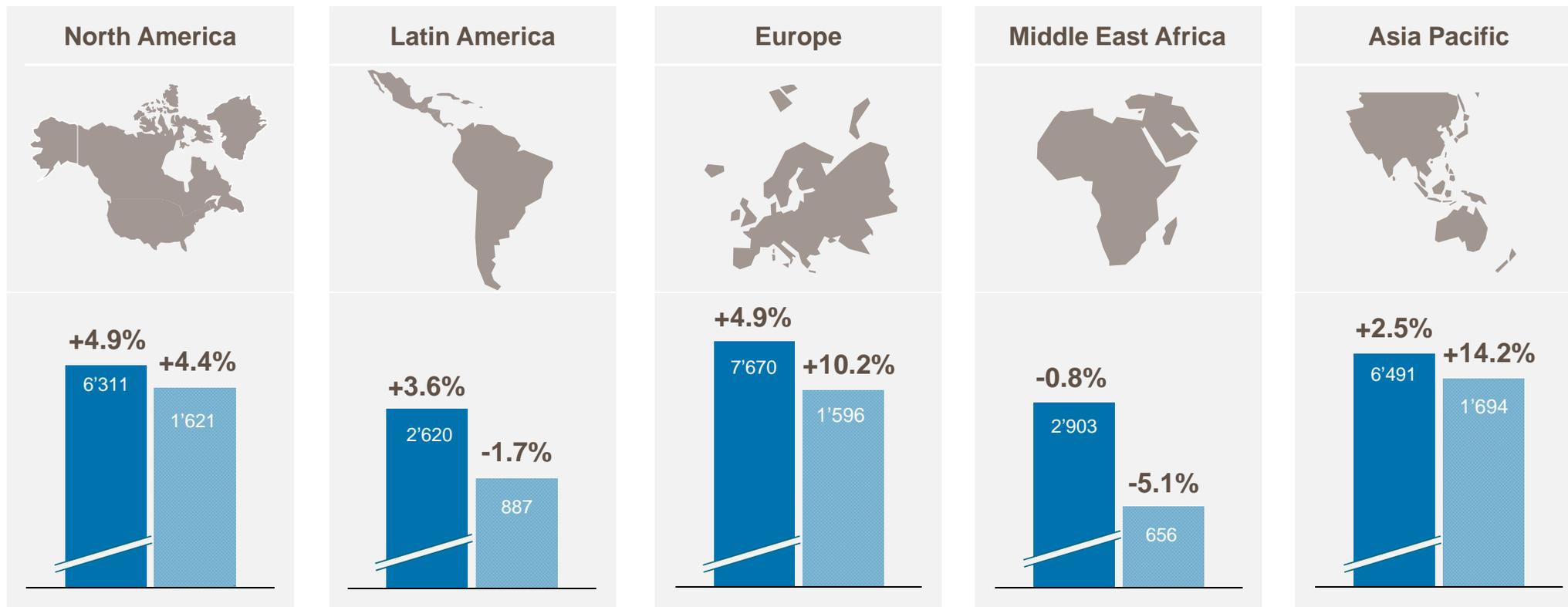
## REC EBITDA GROWTH IN ALL BUSINESS SEGMENTS



■ Net Sales (CHF m)    % LFL growth / decline  
■ Recurring EBITDA (CHF m)

# 2019 REGIONAL PERFORMANCE

## NET SALES GROWTH IN 4 OUT OF 5 REGIONS



■ Net Sales to external customers (CHF m)

■ Recurring EBITDA (CHF m)

% LFL growth / decline

# NORTH AMERICA SOLID PERFORMANCE DELIVERED

CHF m	Q4 2019	FY 2019
<b>Net Sales<sup>1</sup></b>	<b>1'557</b>	<b>6'311</b>
LFL Growth	+2.7%	+4.9%
<b>Recurring EBITDA pre-IFRS 16</b>	<b>428</b>	<b>1'621</b>
LFL Growth	+4.3%	+4.4%

- Strong volumes growth in all business segments in the US
- Softer environment in Canada
- Over-proportional Recurring EBITDA growth in Q4

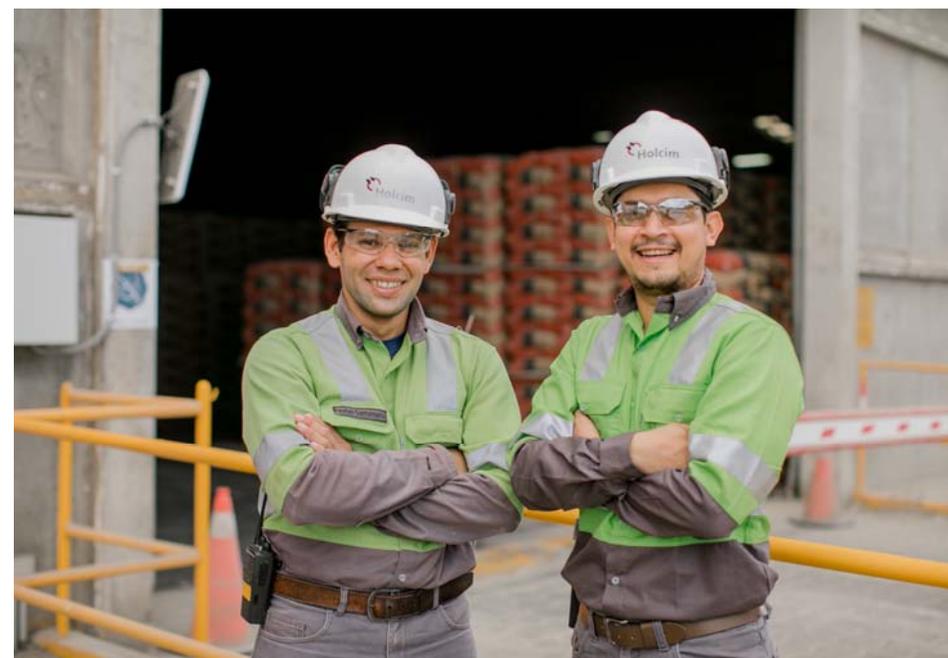


Aggregates Industries, United States

# LATIN AMERICA RESILIENT PERFORMANCE

CHF m	Q4 2019	FY 2019
<b>Net Sales<sup>1</sup></b>	<b>647</b>	<b>2'620</b>
LFL Growth	+0.8%	+3.6%
<b>Recurring EBITDA pre-IFRS 16</b>	<b>217</b>	<b>887</b>
LFL Growth	-1.8%	-1.7%

- Softer markets in Mexico and Ecuador
- Good performance in Colombia, cement demand recovery in Brazil
- Effective cost and price management across the region partially mitigates challenges in key markets



Nagarote cement plant, Nicaragua

# EUROPE STRONG AND OVER-PROPORTIONAL REC EBITDA GROWTH

CHF m	Q4 2019	FY 2019
<b>Net Sales<sup>1</sup></b>	<b>1'834</b>	<b>7'670</b>
LFL Growth	+0.4%	+4.9%
<b>Recurring EBITDA pre-IFRS 16</b>	<b>426</b>	<b>1'596</b>
LFL Growth	+4.0%	+10.2%

- Solid market demand across the region
- Effective price management in all business segments
- Strong margin improvement driven by operational efficiency



PwC / Libeskind Tower, CityLife, Milan

# MIDDLE EAST AFRICA FURTHER PROGRESS TOWARDS STABILIZATION

CHF m	Q4 2019	FY 2019
<b>Net Sales<sup>1</sup></b>	<b>714</b>	<b>2'903</b>
LFL Growth	-6.0%	-0.8%
<b>Recurring EBITDA<sup>2</sup> pre-IFRS 16</b>	<b>166</b>	<b>656</b>
LFL Growth	+0.1%	-5.1%

- Price pressure in oversupplied markets
- Robust cement demand in Iraq and several countries in Eastern Africa
- Good progress in turnaround initiatives partially offsetting challenging environment in key markets



*Durabloc plant, Malawi*

<sup>1</sup> Net Sales to external customers

<sup>2</sup> Contribution from share of net income from JVs: CHF 61 m in 2019 vs. CHF 60 m in 2018

# ASIA PACIFIC STRONG IMPROVEMENT IN REC EBITDA

CHF m	Q4 2019	FY 2019
<b>Net Sales<sup>1</sup></b>	<b>1'613</b>	<b>6'491</b>
LFL Growth	+5.4%	+2.5%
<b>Recurring EBITDA<sup>2</sup> pre-IFRS 16</b>	<b>440</b>	<b>1'694</b>
LFL Growth	+5.7%	+14.2%

- Strong improvement of Recurring EBITDA in India
- Turnaround initiatives in Australia offsetting current market slowdown
- Solid contribution from China



Jamul cement plant, India

# FINANCIAL PERFORMANCE 2019

## RECORD PERFORMANCE IN NET INCOME AND EPS

CHF m	2018 before impairment & divestments	2019 before impairment & divestments	Change
Net Sales	27'466	26'722	-744
<b>Recurring EBITDA</b>	<b>6'016</b>	<b>6'153</b>	<b>137</b>
Depreciation & Amortization	-2'235	-2'096	139
Restructuring, litigation and others	-476	-190	285
<b>Operating Profit (EBIT)</b>	<b>3'306</b>	<b>3'867</b>	<b>561</b>
Profit/loss on disposals and other non-operating items	1	-79	-80
Share of profit of associates	22	12	-10
Net financial expenses	-878	-638	240
<b>Net Income Before Taxes</b>	<b>2'451</b>	<b>3'162</b>	<b>711</b>
Income Taxes	-680	-821	-141
ETR	27.7%	26.0%	
<b>Net Income</b>	<b>1'772</b>	<b>2'341</b>	<b>569</b>
Net income - Non controlling interests	202	269	68
<b>Net income - Group share</b>	<b>1'569</b>	<b>2'072</b>	<b>503</b>
<b>EPS (CHF per share)</b>	<b>2.63</b>	<b>3.40</b>	<b>0.77</b>

+17%

+32%

+29%

# FREE CASH FLOW RECORD FCF OF CHF 3'047 M, CASH CONVERSION AT 49.5%

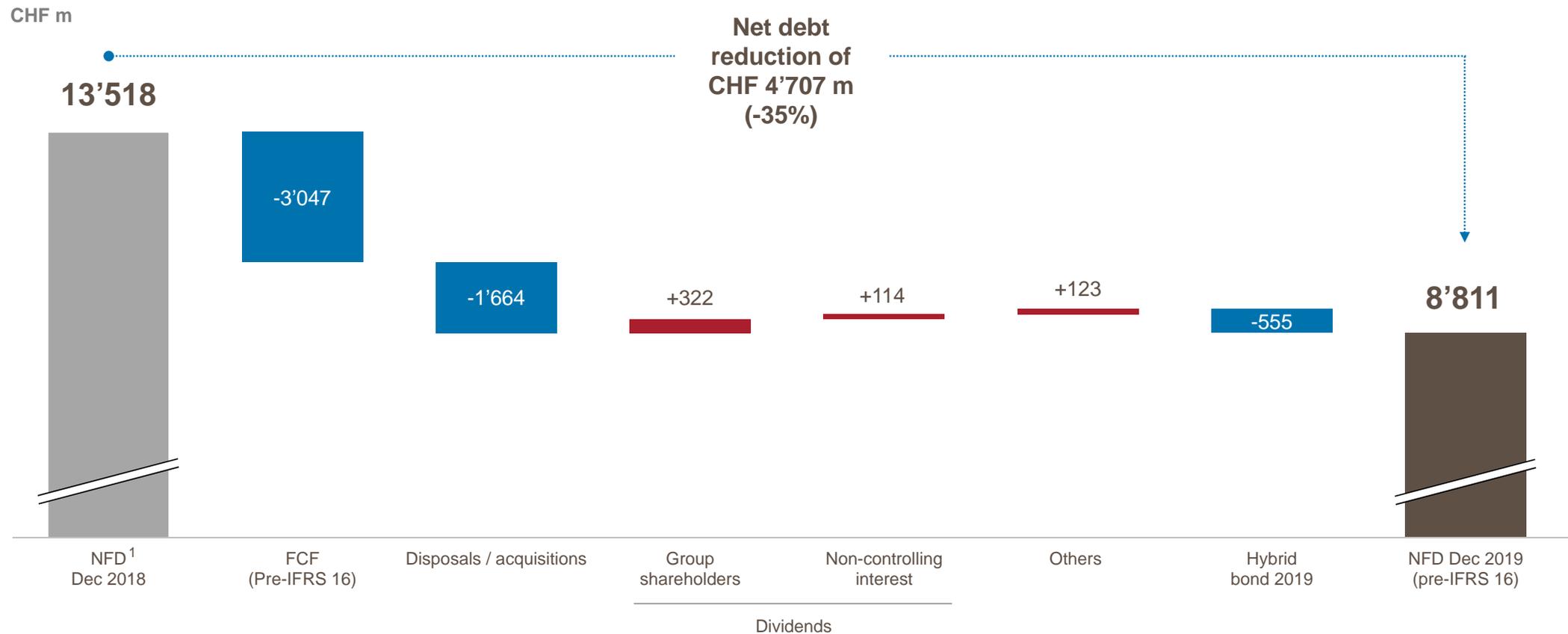
CHF m	2018	2019	Change
<b>Recurring EBITDA</b>	<b>6'016</b>	<b>6'153</b>	<b>137</b>
Change in net working capital	-537	266	803
Income taxes paid	-787	-711	76
Net financial expenses paid & FX	-863	-488	375
Share of profit of JVs, net of dividends received	-209	-314	-105
Others incl. employee benefits	-632	-463	169
<b>Cash flow from operating activities</b>	<b>2'988</b>	<b>4'444</b>	<b>1'455</b>
CAPEX Net	-1'285	-1'396	-111
<b>Free cash flow</b>	<b>1'703</b>	<b>3'047</b>	<b>1'344</b>
<b>Cash conversion</b>	<b>28.3%</b>	<b>49.5%</b>	

+79%



## NET FINANCIAL DEBT

# NET DEBT REDUCED FROM CHF 13.5 BN TO CHF 8.8 BN (-35%)

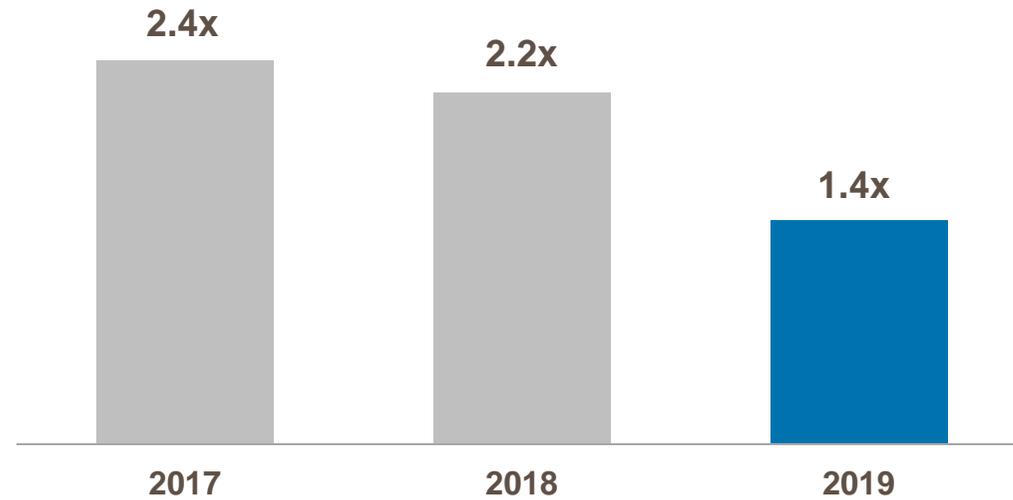


## LEVERAGE IMPROVEMENT

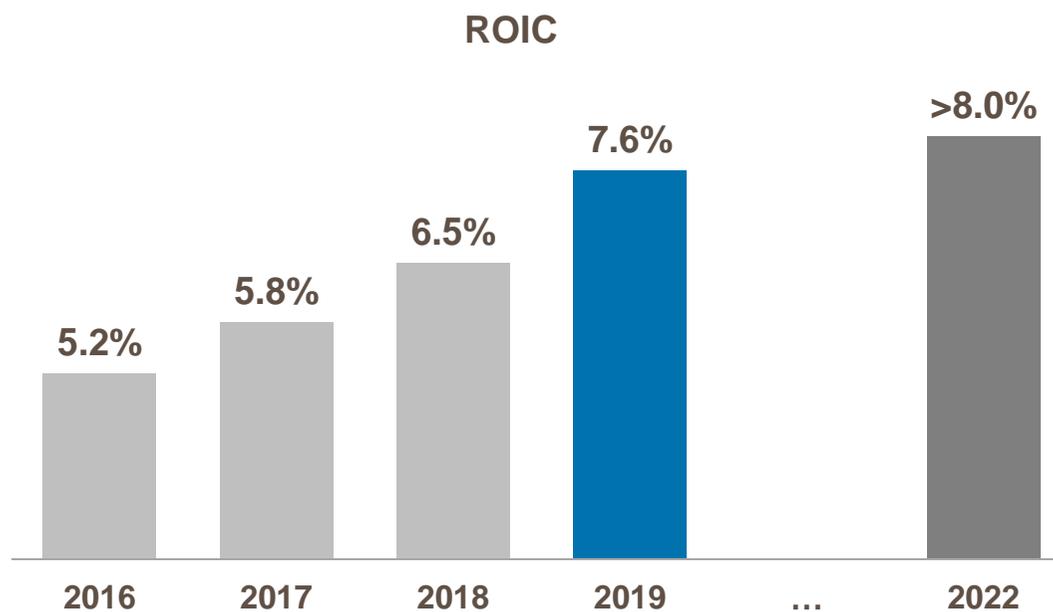
# TARGET OVERACHIEVED, NET DEBT TO REC EBITDA AT 1.4x



NFD / Recurring EBITDA



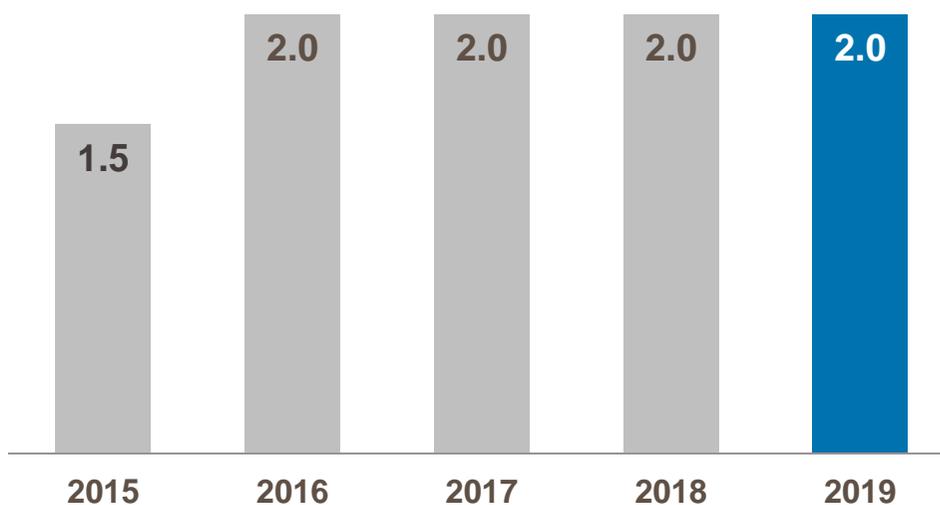
# RETURN ON INVESTED CAPITAL STRONG PROGRESS TOWARDS 2022 TARGET



## DIVIDEND

# ATTRACTIVE DIVIDEND OF CHF 2 PER SHARE PROPOSED

Dividend per share (CHF)



- › 2019 cash dividend of CHF 2.0 per share proposed at AGM on May 12th, 2020
- › The dividend will be fully paid out of foreign capital contribution reserve and is not subject to Swiss withholding tax

## NEW PROFITABILITY METRIC

# INTRODUCING RECURRING EBIT AS NEW PROFITABILITY METRIC



- Recurring EBIT replaces Recurring EBITDA as new performance indicator from 2020 onwards:
  - › to achieve full transparency and accountability under IFRS 16
  - › to fully capture operational achievement
  - › to reflect financial discipline on investments
- Recurring EBIT replaces Recurring EBITDA in the management incentives scheme
- Recurring EBITDA growth target of at least 5% LFL translates into Recurring EBIT growth target of at least 7% LFL



## 03 **OUTLOOK AND TARGETS 2020**

Jan Jenisch, Chief Executive Officer

*All numbers in this section are post IFRS 16*

# SOLID MARKETS EXPECTED IN 2020



## **NORTH AMERICA**

➤ Continued market growth



## **LATIN AMERICA**

➤ Improving market conditions



## **EUROPE**

➤ Continued demand growth across most countries



## **MIDDLE EAST AFRICA**

➤ Challenging market conditions



## **ASIA PACIFIC**

➤ Demand growth in India, challenging environment in China

## TARGETS 2020

# NEW LEVEL OF FINANCIAL PERFORMANCE TO CONTINUE IN 2020



- Net Sales growth of 3% to 5% LFL
- Recurring EBIT<sup>1</sup> growth of at least 7% LFL
- Cash conversion<sup>2</sup> of 40%
- Debt leverage below 2x
- Capex and Bolt-on acquisitions less than CHF 2 bn

<sup>1</sup> This guidance doesn't take into account the impact that the Covid 19 outbreak might have on the operating results in China

<sup>2</sup> Cash conversion is Free Cash Flow divided by Recurring EBITDA after leases, please refer to slide 37

## UPCOMING EVENTS 2020

- **April 30, 2020:** Q1 2020 Trading Update
- **May 12, 2020:** Annual General Meeting
- **May 27, 2020:** Capital Markets Day
- **July 30, 2020:** Half-Year 2020 Results
- **October 30, 2020:** Q3 2020 Trading Update

# APPENDIX



# RECONCILIATION OF NON-GAAP MEASURES NET INCOME

CHF m	2019 pre IFRS 16 and before impairment & divestments	Impairment & divestments	2019 pre IFRS 16	IFRS 16 impact	2019 reported post IFRS 16
Net Sales	26'722		26'722		26'722
<b>Recurring EBITDA</b>	<b>6'153</b>		<b>6'153</b>	<b>428</b>	<b>6'581</b>
Depreciation & Amortization	-2'096		-2'096	-383	-2'479
<b>Recurring EBIT</b>	<b>4'057</b>		<b>4'057</b>	<b>45</b>	<b>4'102</b>
Restructuring, litigation and others	-190		-190		-190
Impairment of operating assets		-80	-80		-80
<b>Operating Profit (EBIT)</b>	<b>3'867</b>	<b>-80</b>	<b>3'787</b>	<b>45</b>	<b>3'833</b>
Profit/loss on disposals and other non-operating items	-79	262	182	4	186
Share of profit of associates	12		12		12
Net financial expenses	-638		-638	-74	-712
<b>Net Income Before Taxes</b>	<b>3'162</b>	<b>182</b>	<b>3'344</b>	<b>-25</b>	<b>3'319</b>
Income Taxes	-821	8	-813	7	-806
ETR	26.0%		24.3%		24.3%
<b>Net Income</b>	<b>2'341</b>	<b>190</b>	<b>2'531</b>	<b>-18</b>	<b>2'513</b>
Net income - Non controlling interests	269	-2	267	-1	267
Net income - Group share	2'072	192	2'264	-17	2'246
<b>EPS (CHF per share)</b>	<b>3.40</b>	<b>0.31</b>	<b>3.71</b>	<b>-0.02</b>	<b>3.69</b>

# RECONCILIATION OF NON-GAAP MEASURES

## REC EBIT BY REGION

CHF m	2019	IFRS 16 Impact	2019	2019	IFRS 16 Impact	2019
	pre IFRS 16		reported post IFRS 16	pre IFRS 16		reported post IFRS 16
	<b>Group</b>			<b>Europe</b>		
Recurring EBITDA	6'153	428	6'581	1'596	125	1'720
Depreciation of right of use assets	-21	-383	-404	-5	-116	-121
Recurring EBITDA after lease	n/a	45	6'177	n/a	9	1'600
D&A PPE, intangible and long-term assets	-2'075		-2'075	-610		-610
Recurring EBIT	4'057	45	4'102	981	9	990
	<b>North America</b>			<b>Middle East Africa</b>		
Recurring EBITDA	1'621	142	1'763	656	72	728
Depreciation of right of use assets	-2	-128	-130	0	-61	-61
Recurring EBITDA after lease	n/a	14	1'633	n/a	11	666
D&A PPE, intangible and long-term assets	-597		-597	-276		-276
Recurring EBIT	1'021	14	1'036	380	11	390
	<b>Latin America</b>			<b>Asia Pacific</b>		
Recurring EBITDA	887	32	919	1'694	46	1'740
Depreciation of right of use assets	0	-27	-27	-15	-38	-53
Recurring EBITDA after lease	n/a	5	892	n/a	8	1'687
D&A PPE, intangible and long-term assets	-177		-177	-323		-323
Recurring EBIT	710	5	715	1'357	8	1'364

## RECONCILIATION OF NON-GAAP MEASURES FREE CASH FLOW

CHF m	2019 pre IFRS 16	IFRS 16 impact	2019 reported post IFRS 16
<b>Recurring EBITDA</b>	<b>6'153</b>	<b>428</b>	<b>6'581</b>
Change in inventories	357		357
Change in other working capital	-91	24	-67
Income taxes paid	-711		-711
Net financial expenses paid & FX	-488	-69	-557
Share of profit of JVs, net of dividends received	-314		-314
Others incl. employee benefits	-463	-1	-464
<b>Cash flow from operating activities</b>	<b>4'444</b>	<b>381</b>	<b>4'825</b>
CAPEX Net	-1'396		-1'396
Repayment of LT Lease liability		-409	-409
<b>Free cash flow</b>	<b>3'047</b>	<b>-28</b>	<b>3'019</b>

## RECONCILIATION OF NON-GAAP MEASURES NET FINANCIAL DEBT TO REC EBITDA RATIO

CHF m	2019 pre IFRS 16	IFRS 16 impact	2019 reported post IFRS 16
Recurring EBITDA	6'153	428	6'581
Net Financial Debt	8'811	1'299	10'110
Debt leverage	1.4x		1.5x

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