



# 2018 Capital Markets Day

## Financial Strength

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# 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.

# Disciplined Value Creation

## Investment policy

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- **Capex**

- ✓ Increased selection of projects based on business plans
  - ✓ Short payback
  - ✓ New investments with ROIC > 10%
  - ✓ Supporting growth
- ✓ Reduction of capex cost per ton

- **Bolt-on**

- ✓ Fast kick start of bolt-on acquisition strategy
- ✓ 4 companies in highly attractive markets
- ✓ Fast integration and synergies delivery
- ✓ Significant value creation, EPS accretive from Year 1

# Disciplined and Value Creative Investment

## Expansion of Bulacan plant in the Philippines

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- New clinker line with alternative fuel and waste heat recovery system in Bulacan (Philippines)
- Capacity expansion of 2.4 Mt (3-year construction time)
- Improved industrial design, costs and fast roll out
- CAPEX cost of CHF < 100 / ton
- Project payback: 5 years

# Disciplined Value Creation

## Example of Bolt-on – Metro Mix

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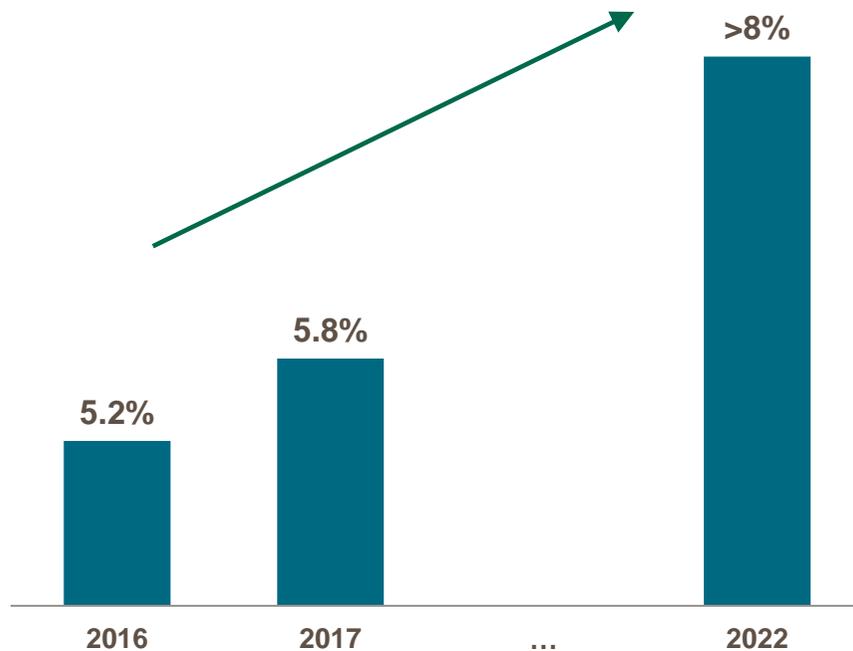
- Founded in 1999, Metro Mix, LLC operates 2 RMX plants, one in the city of Denver and the other in Castle Rock, south of Denver
- Sales ≈ USD 30million
- Synergies opportunities allowing above 100% of the stand-alone EBITDA, mainly driven by:
  - Switch of Cement and Aggregates sourcing from our LH plants
  - RMX logistics and customer service optimization throughout existing network
  - SG&A savings
- Double-digit ROIC from 2019 onwards

# Disciplined Value Creation

## Reaching the ROIC target

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ROIC



### Levers to improve ROIC:

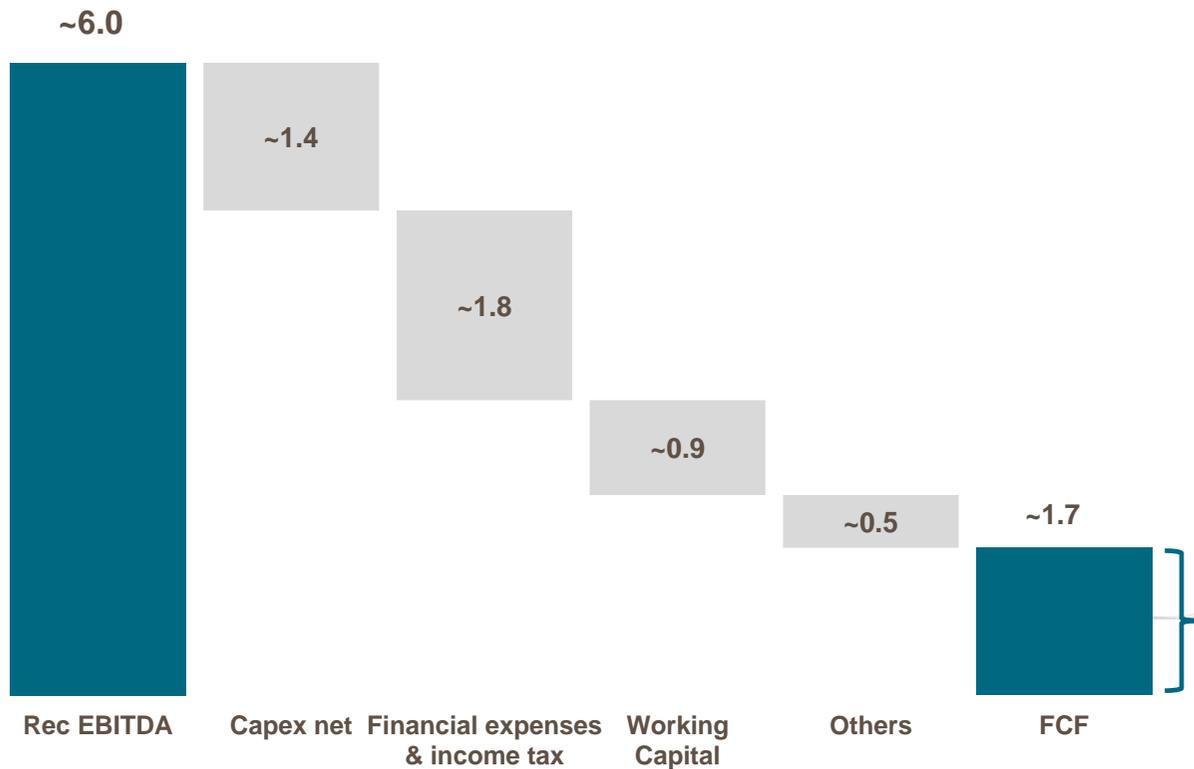
- ✓ Profitable growth
- ✓ Improvement of operational performance
- ✓ Cost savings and manufacturing performance
- ✓ Projects with short payback and ROIC >10%
- ✓ CAPEX at optimized cost
- ✓ Bolt-ons with significant synergies
- ✓ Develop business with low capital intensity

# Cash Conversion

## Reaching the target of 40%

### From Recurring EBITDA to FCF

CHF, bn



2017

Target 2022  
Cash Conversion  
40%

#### Levers to improve FCF:

- ✓ Active management of Working Capital
- ✓ CAPEX closely monitored
- ✓ Reduce interest through deleveraging and refinancing
- ✓ Reduce restructuring expenses after completion of cost saving programs

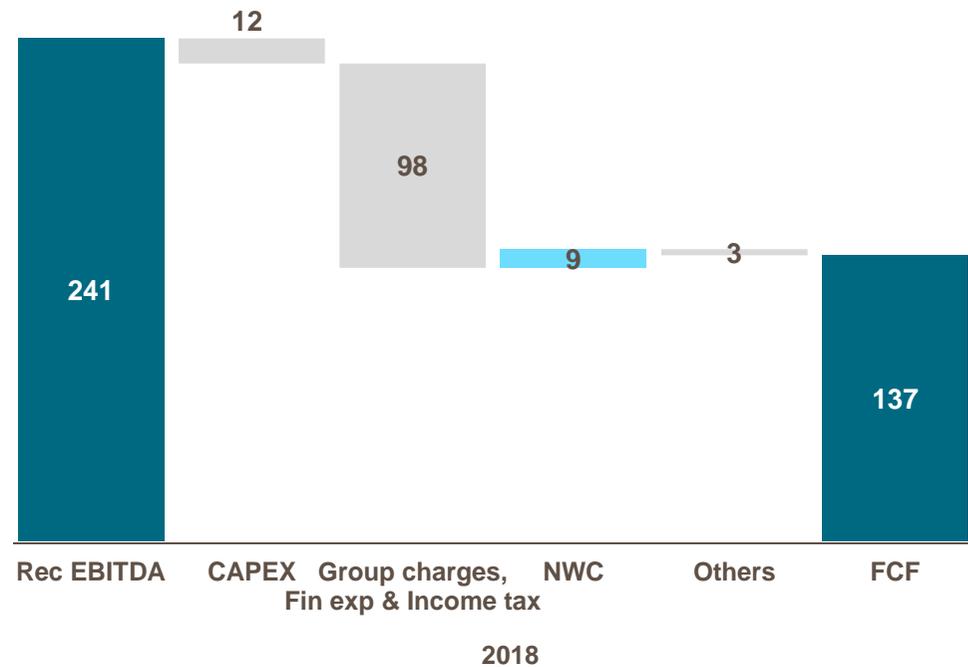
# Cash Conversion

## Example of Ecuador



### From Recurring EBITDA to FCF

CHF, bn



**Cash Conversion 57%**

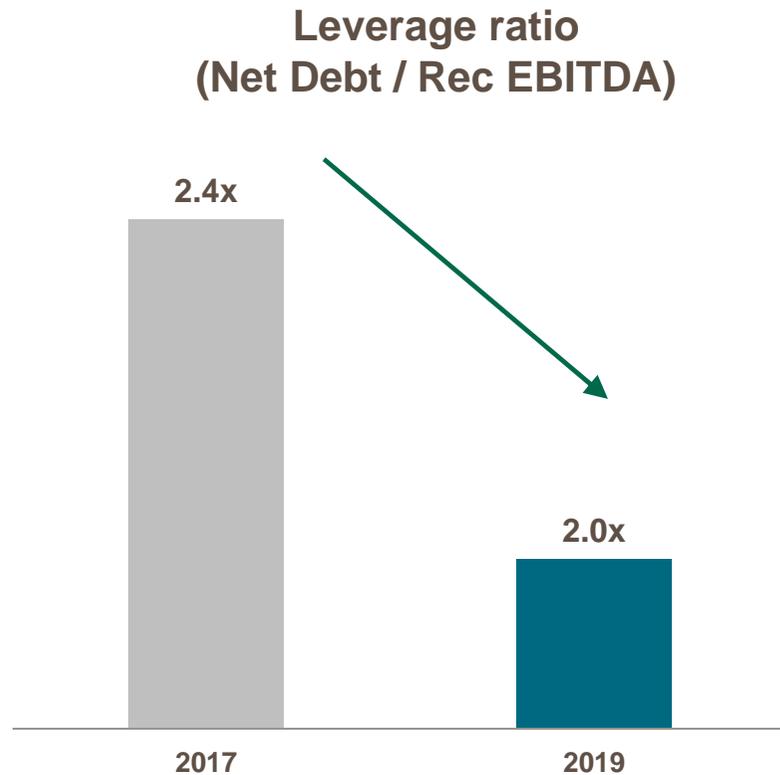
# Cash Conversion

## Example of Ecuador - Strengthen NWC

	Recent initiatives	Future opportunities
1 Accounts Receivable	Share risk with the banks, suppliers & end users	Remittances & credit card payments
2 Inventories	Consignment & minimum stocks	Reduction of days of coverage & strict consumption plan
3 Accounts Payable	Confirming & incremental payment terms from 30 to 90 days	Confirming & incremental payment terms from 90 to 120 days

# Strong Balance Sheet

## Improve financial leverage, increase divestments



### Our Objectives

- ✓ Maintain shareholder remuneration: 2 CHF / share
- ✓ Strong deleverage, achieve 2.0x at the end of 2019\*
- ✓ Preserve an investment capacity for strategic acquisitions at the end of the plan
- ✓ Continue portfolio development with investment and divestment options
  - ✓ Indonesia signed for an EV debt-free of USD 1.75 bn
  - ✓ Key principle is to sell above our internal valuation

\* Before application of IFRS 16, at constant 2017 FX

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