



## 2018 Capital Markets Day Shifting Gears to Growth

Miljan Gutovic, Head Region Middle East Africa  
Jamie Gentoso, Head US Cement



# Strategy 2022 – Building For Growth

## Shifting gears to growth – top line & profitability



- › Accelerated growth in Q3 with +5.8% LFL Net Sales
- › Volume growth and improved pricing drive topline across all business segments
- › Over proportional increase in EBITDA
- › Execution of more aggressive market strategies for Aggregates and Ready-Mix Concrete
- › 4 bolt-on acquisitions completed in 2018
- › New investments in Growth Plus markets
- › Initiate growth plans for business segment Solutions & Products



# Building Materials Market is Highly Attractive

## Five megatrends driving market 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

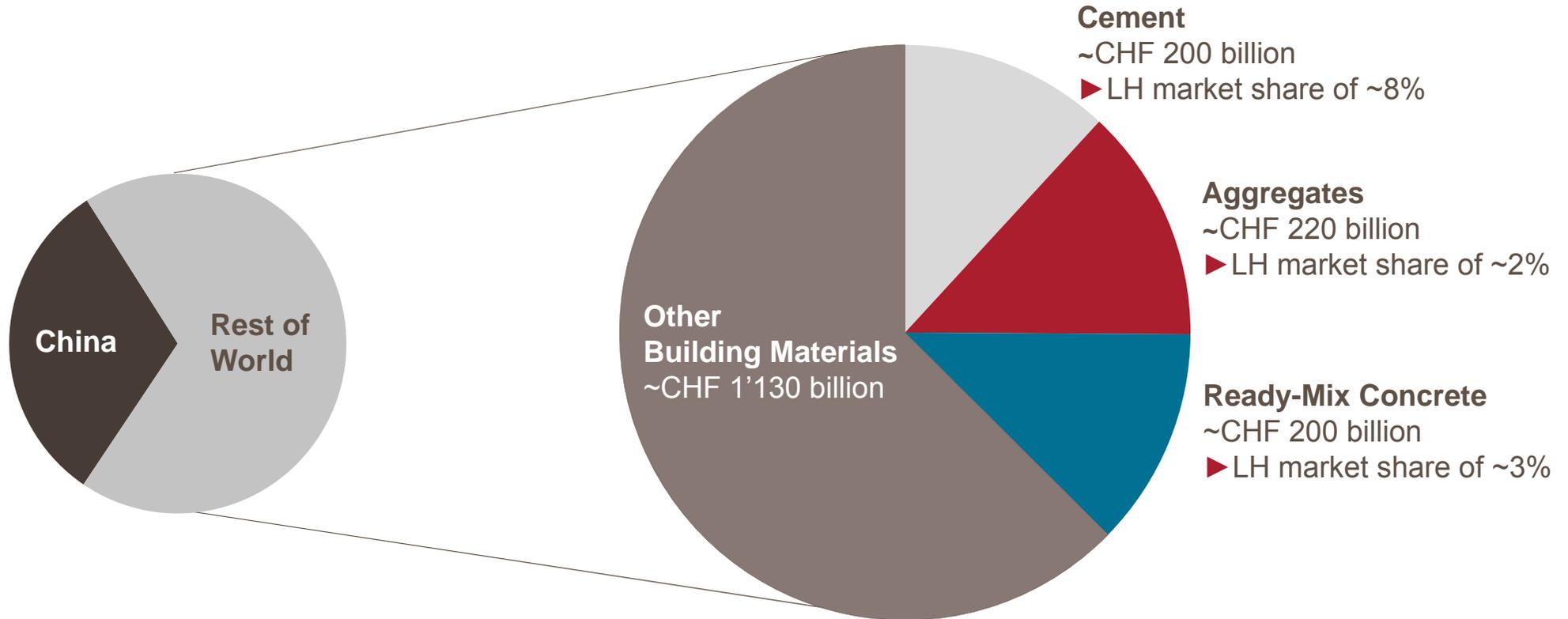
# Building Materials is a Fragmented CHF 2'500 billion Market

## Many opportunities for growth and acquisitions



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

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



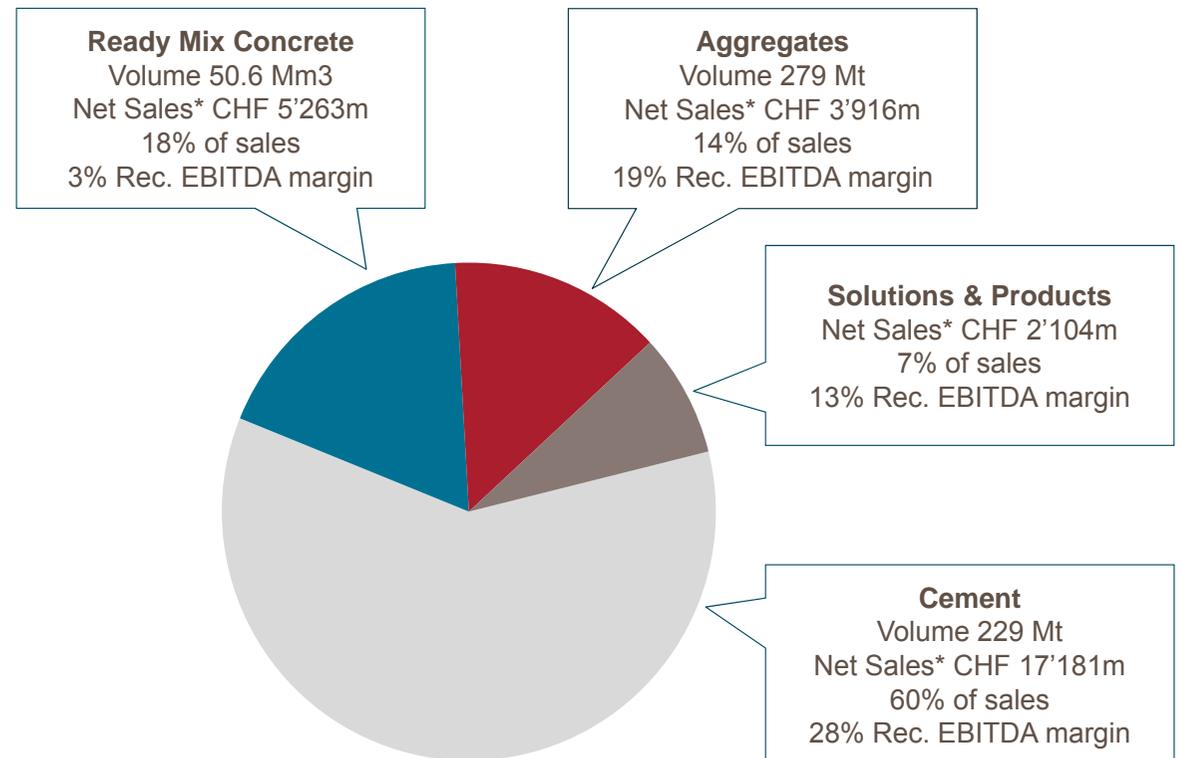
# LafargeHolcim is Well Positioned

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



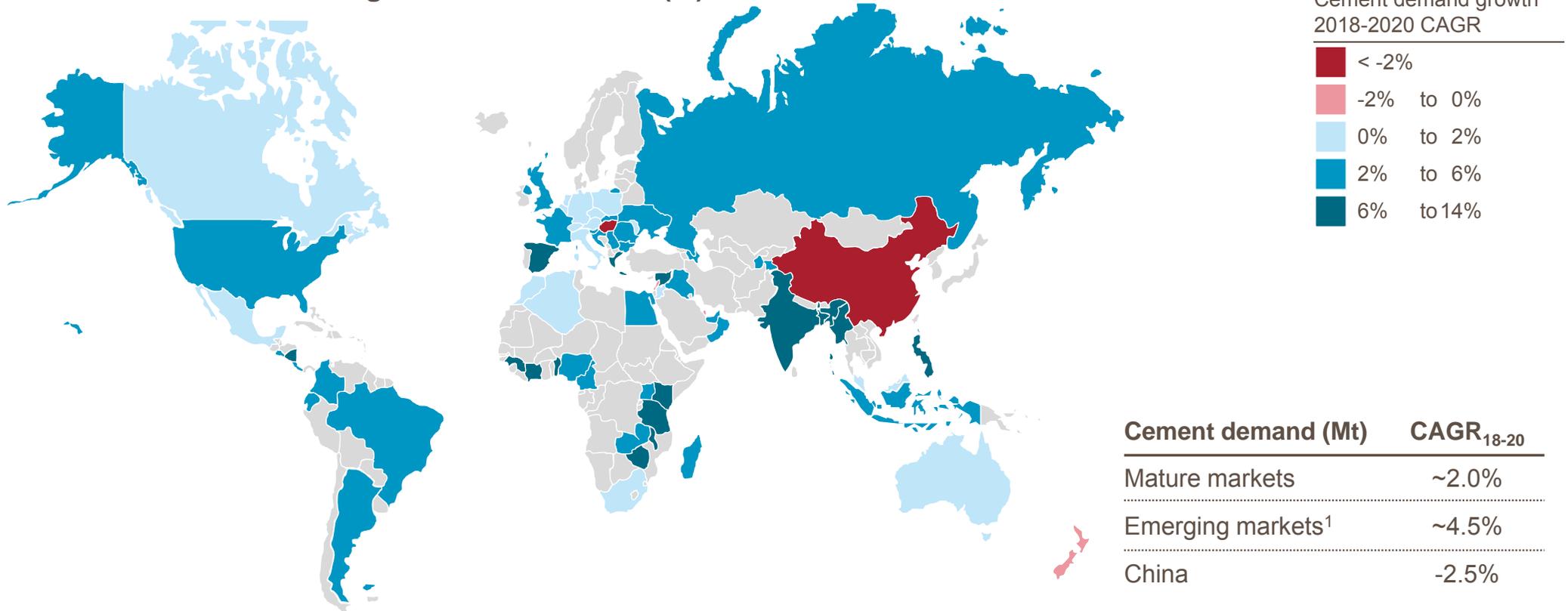
\* Before IFRS 15 restatement

# Well Positioned to Capture Market Growth

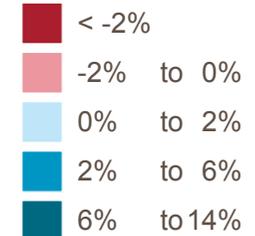
## Most attractive country portfolio poised to capture market growth



Cement demand growth in LH markets (%)



Cement demand growth 2018-2020 CAGR



Cement demand (Mt)	CAGR <sub>18-20</sub>
Mature markets	~2.0%
Emerging markets <sup>1</sup>	~4.5%
China	-2.5%

1) Emerging markets without China

Source: LH internal Supply and Demand forecast and Global Cement Volume Forecast Report

# Capturing Growth Opportunities

## Focus on metropolitan markets and infrastructure projects



### Mining and Oil & Gas

- CHF 2 billion specialized cement market
- Tailor made offers to meet technical requirements



### One Belt One Road project

- 30 projects in 8 countries in Europe, Africa and Asia
- Roads, rail, airports



### A14 carriageway (United Kingdom)

- Optimized pavement solutions
- Technical support in asphalt and cement treated layers



### Grand Paris (France)

- 25 year infrastructure project (roads, rail, urban development)
- ~10 Mm<sup>3</sup> of concrete
- ~45 Mt of excavated materials



### Alyat Port (Azerbaijan)

- 130,000 tons of cement
- 385,000 m<sup>3</sup> of RMX concrete

# More Investments in Growth Plus Markets

## Investing in India to strengthen our leading position



### Situation

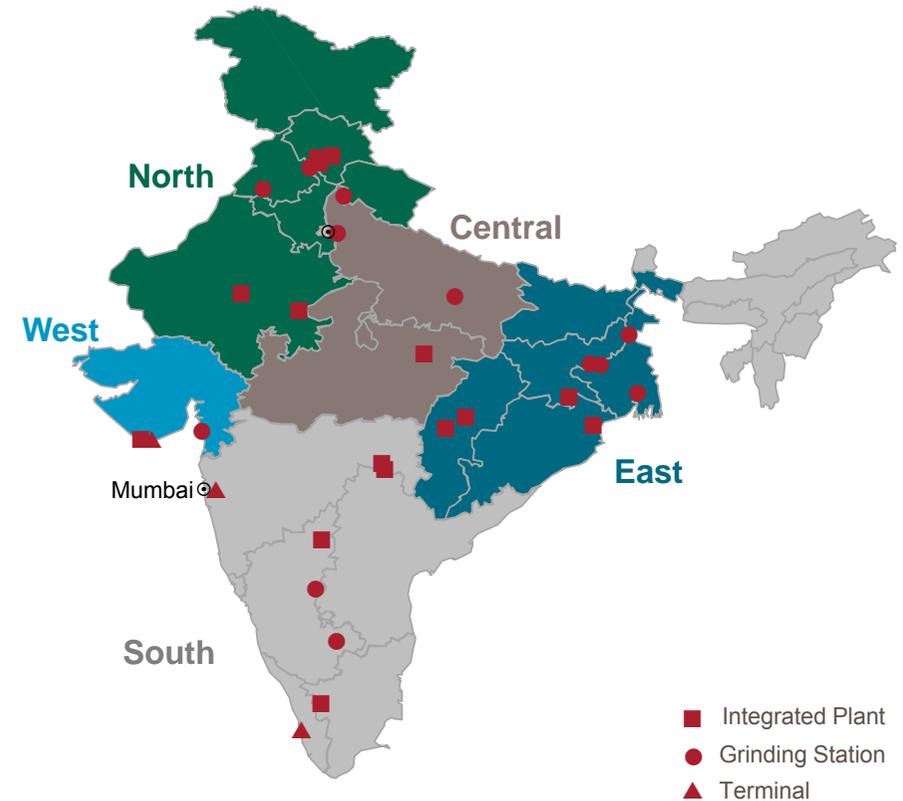
- #2 market position
- Strong market fundamentals with construction industry growth of ~9% CAGR<sub>18-23</sub>
- Sold out positions requiring growth investments to maintain our strong market position

### Opportunities

- Focus growth opportunity in high priority markets of North, Central and East and maintain our strong positions in West and South markets
- **Invest in expansion, capacity debottlenecking and efficiency improvement projects:**
  - +6.5 Mt clinker and +8.5 Mt cement by 2022
  - Installation of waste heat recovery in several plants
  - Install and ramp-up Alternative Fuel platforms

### LafargeHolcim footprint 2017

68 Mt installed cement capacity

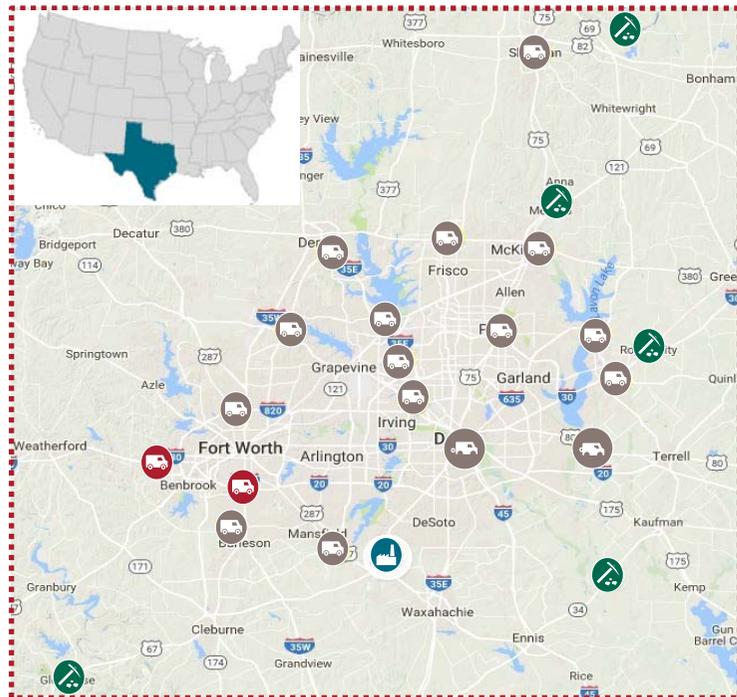


# Growth Through Bolt-on Acquisitions – Tarrant Concrete

## A strong brand with complementary fit to LH



### Greater Dallas market



Legend:

- LH Aggregate Site
- LH RMX Plant
- Tarrant RMX Plant
- LH Cement Plant

### Dallas market:

- › One of the fastest growing markets
- › Annual population growth of 2%
- › Market expected to grow by ~3% p.a.
- › LH is market leader with 16 RMX plants in Dallas-Fort Worth

### Tarrant Concrete:

- › 3 RMX plants at 2 locations
- › 45 mixer trucks
- › Net Sales of USD 40 million
- › 90 employees

# Acquisition of Tarrant Concrete

**Integration and realization of synergies are well on track**



- Further consolidates LH position as market leader in Ready Mix in Dallas-Fort Worth market
- Provides a loyal, broad customer base with little overlap
- Excellent performance with best practices replicated across US operations
- Integration well on track post the completion of acquisition in June 2018

## Synergies:

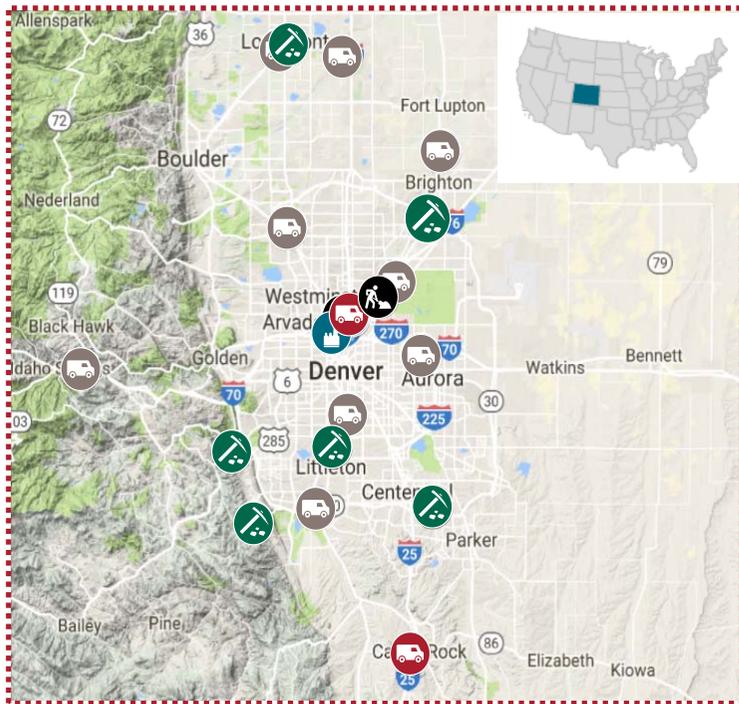
- Cement supply agreement switched to LH Midlothian plant
- Aggregates purchases (sand & gravel) repatriated to LH quarry
- Renegotiated aggregates (rock) supply price
- Procurement savings and rebates from large suppliers through better negotiated rates from LH
- Pursuing some cross-selling opportunities

**Expected synergies  
above 50% of standalone EBITDA**

# Growth Through Bolt-on Acquisitions – Metro Mix

## A strong brand with complementary fit to LH

### Denver market



### Denver market:

- › One of the fastest growing markets
- › Annual population growth of 1.6%
- › Market expected to grow by ~3% p.a.
- › LH with market leading position: 9 RMX plants and 6 AGG sites

### Metro Mix:

- › 2 RMX plants at 2 locations
- › 39 mixer trucks
- › Net Sales of USD ~30 million
- › More than 50 employees

Source: Metro Mix CIM and internal LH knowledge concerning its own locations.

# Acquisition of Metro Mix

**LH benefits from a stronger market position with high synergy delivery**



- Advantageous location in downtown Denver
- Metro Mix brand is a key value driver, and LH will build on it
- Strong customer relationships in attractive segments
- Opportunity to expand distribution of high-quality ready mix and Value added products in Denver metro

## Synergies:

- Switch cement supply to LH Portland Plant completed
- Insource aggregate from LH Morrison and Platte Valley sites completed
- Network logistic optimization with LH plants
- Push through additional sales of LH Value Added Products
- SG&A savings opportunities related to insurance and overheads

**Expected synergies  
above 100% of standalone EBITDA**

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