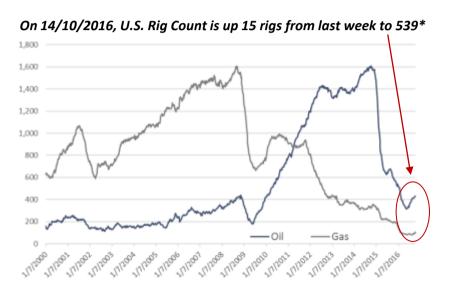


BG Building Materials CHART #12

Imerys: Baker Hughes North America rig count



^{*}in number of rigs, last release on 14/10/16, US equals ~80% of North American rigs. Trough was 404 rigs at end May.

Source: Baker Hughes Incorporated, Bryan, Garnier & co

- ✓ Imerys (BUY- Top Pick, FV EUR72) proppants business reported EUR27m in pre-tax losses in 2015 (out of EUR538m Group EBIT), impacted by shale oil & gas market woes in North America, where sand (cheap but less efficient) is preferred to ceramic beads.
- ✓ It is estimated that oil prices need to exceed USD50/b on a lasting basis for producers to start reusing proppants instead of sand. As Oil WTI stands at around USD50 since 6 October, we start to closely track the rig count published by Baker Hughes.
- ✓ Actually, **trends look better**, with a trough at the **end of May for oil rigs** (and August for gas rigs), bearing in mind that Imerys is more exposed to oil than gas.
- ✓ Our forecasts do not include any improvement in the proppants contribution. **Imerys can also be viewed as a free option** on a possible recovery in the shale oil/gas market.
- ✓ Next catalyst: Q3 2016 revenue on 28th October



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