



# BG Building Materials CHART #12

## Imerys: Baker Hughes North America rig count

**On 14/10/2016, U.S. Rig Count is up 15 rigs from last week to 539\***



\*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 re-using 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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