BRYAN, GARNIER & CO

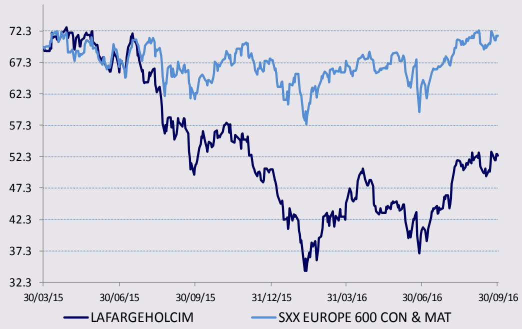
INDEPENDENT RESEARCH UPDATE

3rd October 2016

Construction & Building Materials

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market capitalisation (CHFm)	31,954
Enterprise Value (BG estimates CHFm)	46,966
Avg. 6m daily volume ('000 shares)	1,809
Free Float	73.1%
3y EPS CAGR	52.0%
Gearing (12/15)	48%
Dividend yield (12/16e)	3.13%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (CHFm)	29,483	28,501	28,623	30,365
EBIT (CHFm)	3,371	3,181	3,815	4,903
Basic EPS (CHF)	-3.59	1.51	2.84	4.34
Diluted EPS (CHF)	1.30	2.32	3.30	4.57
EV/Sales	1.72x	1.65x	1.60x	1.45x
EV/EBITDA	8.8x	8.3x	7.2x	5.9x
EV/EBIT	15.0x	14.8x	12.0x	9.0x
P/E	40.5x	22.7x	15.9x	11.5x
ROCE	4.4	4.3	5.3	6.8



LafargeHolcim

This is still a Buy

Fair Value CHF60 vs. CHF50 (price CHF52.65) **BUY**

We briefly revisit our investment case before the Capital Markets Day (18/11). LafargeHolcim is our preferred play in the cement sector: the improved macro sentiment in the Emerging Markets, the Q2 earnings trend reversal, and ongoing simplification will support the share price. Besides, while we start to question the strength of US construction trends, LafargeHolcim's diversification is a clear advantage.

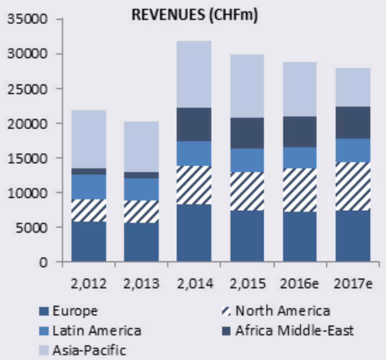
- The Emerging Markets outlook is improving and confidence is gradually coming back. Since last February, USD25bn has been invested in the Emerging Markets' equities markets, compared with a USD150bn outflow between October 2013 and February 2016. This is of course positive for LafargeHolcim, which is the European cement player most exposed to the Emerging Markets today. Confidence is driven by a slightly better macro sentiment. OECD has maintained its 2016 and 2017 GDP growth for China or India and improved by 1% its forecasts for Brazil, while it has downgraded them for most of the key mature countries.

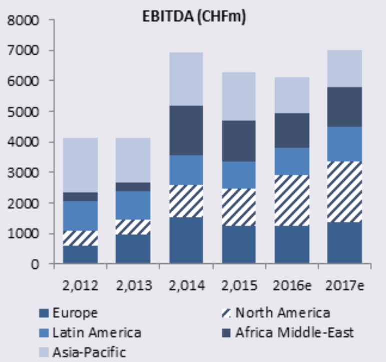
- LHN has been busy this year. The Q2 results are much better than in Q1 (and Nigeria's negative impact is likely to lessen from now on); the group has dramatically accelerated its divestments, with more than CHF3.5bn achieved and a new target of CHF5bn by December 2017 – and synergies generated are in line with guidance. Sequential prices are up, too.

- While there might be some question marks regarding US construction dynamism, LafargeHolcim is much less exposed to North America than CRH or to a lesser extent HeidelbergCement. In this context, some investors might be tempted to prefer LafargeHolcim.

- New Fair Value at CHF60 (vs CHF50), thanks to the roll-over to 2018 and more optimistic assumptions on synergies and new figures. Our new estimates include the announced recent disposals, pending further details at the Capital Markets Day on 18 November.

Analyst:
Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com





Company description

LafargeHolcim is the global leader in cement manufacturing. Present in 90 countries and employing 115,000 people, the group has cement production capacity of approaching 400 mt, of which 300mt (c. 80%) in emerging markets. The group is also a leader in aggregates with 288mt of volumes sold in 2014PF and 57m3 for ready-mix concrete (including Lafarge JV at 100%). No one country represents more than 10% of revenues with the exception of India and the United States (11% each) while emerging countries account for c55% of revenues.

Simplified Profit & Loss Account (CHFm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**	2019e
Revenues	19,719	31,437	29,483	28,501	28,623	30,365	32,221
Change (%)	*-6.8%*	*59.4%*	*-6.2%*	*-3.3%*	*0.4%*	*6.1%*	*6.1%*
Adjusted EBITDA	3,896	6,438	5,751	5,681	6,315	7,403	8,305
Adjusted EBIT	2,357	3,765	3,371	3,181	3,815	4,903	5,805
Change (%)	*-5.2%*	*59.7%*	*-10.5%*	*-5.6%*	*19.9%*	*28.5%*	*18.4%*
Reported EBIT	2,357	4,082	(437)	2,481	3,415	4,703	5,605
Cost of the net debt	(594)	(1,448)	(1,338)	(852)	(579)	(502)	(388)
Financial results	(390)	(1,601)	(966)	(998)	(722)	(649)	(542)
Pre-Tax profits	2,128	2,661	(1,214)	1,662	2,850	4,187	5,206
Tax	(533)	(990)	(807)	(445)	(808)	(1,216)	(1,519)
Profits from associates	161	180	189	180	157	133	143
Minority interests	324	424	151	300	321	345	371
Net profit	1,272	1,247	(2,172)	917	1,722	2,626	3,316
Restated net profit	1,272	1,057	788	1,407	2,002	2,766	3,456
Change (%)	*108%*	*-16.9%*	*-25.5%*	*78.7%*	*42.2%*	*38.2%*	*25.0%*
Cash Flow Statement (CHFm)							
Change in working capital	(217)	(494)	179	(11.1)	(193)	(280)	(218)
Operating cash flows	2,787	3,172	2,728	3,806	4,452	5,304	6,086
Capex, net	(2,001)	(2,701)	(2,601)	(1,950)	(1,550)	(1,800)	(1,800)
Free Cash flow	NM	NM	NM	NM	NM	NM	NM
Dividends	(576)	(1000)	(1,116)	(1,228)	(1,350)	(1,473)	(1,596)
Financial investments, net	335	1,107	(618)	3,500	0.0	0.0	0.0
Others	1.0	(81.0)	0.0	0.0	0.0	0.0	0.0
Net debt change	NM	NM	NM	NM	NM	NM	NM
Net debt	9,461	18,056	17,266	13,269	11,718	9,687	6,997
Balance Sheet (CHFm)							
Tangible fixed assets	20,029	44,481	36,747	32,697	31,747	31,047	30,347
Intangibles assets	7,486	17,067	17,906	17,906	17,906	17,906	17,906
current assets	4,590	9,290	8,166	7,894	7,928	8,410	8,924
Other assets	3,595	8,430	6,086	5,986	5,883	5,770	5,654
Cash & equivalents	2,244	11,621	4,525	2,893	1,393	(107)	(1,607)
Total assets	37,944	90,889	73,430	67,376	64,857	63,027	61,224
Shareholders' funds	16,205	37,809	31,365	31,374	32,096	33,632	35,766
Minorities	NM	NM	NM	NM	NM	NM	NM
Provisions	1,956	4,398	4,582	4,582	4,582	4,582	4,582
L & ST Debt	11,705	29,677	21,791	16,162	13,111	9,580	5,390
Current liabilities	4,104	8,310	7,365	7,082	6,923	7,126	7,422
Others liabilities	1,503	5,150	3,838	3,838	3,838	3,838	3,838
Total Liabilities	37,944	90,889	73,298	67,376	64,857	63,027	61,224
Capital employed	28,001	62,528	55,454	51,415	50,658	50,238	49,756
Ratios							
EBITDA margin	19.76	20.48	19.50	19.93	22.06	24.38	25.78
Operating margin	11.95	11.98	11.43	11.16	13.33	16.15	18.02
Apparent cost of the avrg rgross debt	6.18	5.90	7.68	4.70	4.20	4.20	4.20
Tax rate	27.10	39.90	(57.54)	30.00	30.00	30.00	30.00
Net margin	8.09	5.32	(6.85)	4.27	7.13	9.78	11.44
ROE (after tax)	7.85	2.80	2.51	4.49	6.24	8.22	9.66
ROCE (after tax)	6.14	3.62	4.38	4.33	5.27	6.83	8.17
Gearing	50.66	41.65	48.33	37.16	32.19	25.56	17.49
Net debt / EBITDA (x)	2.43	2.80	3.00	2.34	1.86	1.31	0.84
Pay out ratio	26.58	74.50	115	71.01	54.47	42.70	36.80
Number of shares, diluted	326	606	606	606	606	606	606
Data per Share (CHF)							
EPS	3.91	2.06	(3.59)	1.51	2.84	4.34	5.47
Restated EPS	3.91	1.74	1.30	2.32	3.30	4.57	5.71
% change	*108%*	*-55.3%*	*-25.5%*	*78.7%*	*42.2%*	*38.2%*	*25.0%*
BVPS	49.54	62.30	51.68	51.69	52.88	55.41	58.93
Operating cash flows	8.56	5.24	4.50	6.28	7.35	8.76	10.05
FCF	2.41	0.78	0.21	3.06	4.79	5.79	7.08
Net dividend	1.30	1.30	1.50	1.65	1.80	1.95	2.10

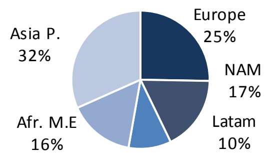
Source: Company Data; Bryan, Garnier & Co ests.

1. This is still a Buy

1.1. A fine profile after all

Worries regarding the Emerging Markets' macro environment have not disappeared but they are definitely lower than last year. The hard landing of China's economy looks more uncertain now, India is solid and investors' confidence has started to improve. While the Emerging Markets exposure was clearly an issue last year, it looks more like an opportunity today. This is positive for LafargeHolcim's share price: this is the cement stock to play if the Emerging Markets outlook improves. Besides:

H1 2016 sales



Source:LafargeHolcim, Bryan, Garnier & co

- The flows confirm the return of confidence: USD25bn has been invested in the Emerging Markets' equities markets since last February, compared with a USD150bn outflow between October 2013 and February 2016 (*Les Echos,* 6 September).

- OECD forecasts regarding Emerging Markets have improved very recently:

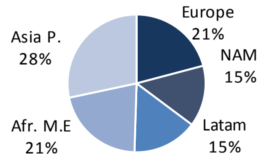
Fig. 1: Real GDP growth expectation by OECD

%	2015	2016: Sept. 2016	2016: diff. vs June	2017: Sept. 2016	2017: diff vs June
U.S.	2.6	1.4	-0.4	2.1	-0.1
Euro area	1.9	1.5	-0.1	1.4	-0.3
Canada	1.1	1.2	-0.5	2.1	-0.1
China	6.9	6.5	0.0	6.2	0.0
India	7.6	7.4	0.0	7.5	0.0
Brazil	-3.9	-3.3	1.0	-0.3	1.4

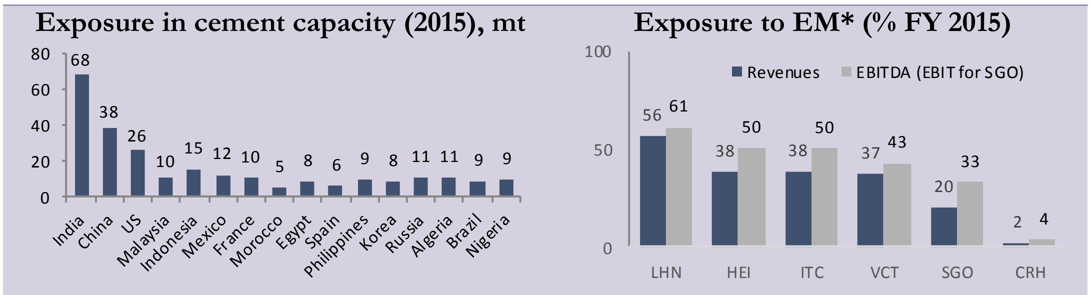
Source: OECD; Bryan, Garnier & Co ests.

Fig. 2: LafargeHolcim better placed to benefit from stronger confidence in Emerging Markets

H1 2016 EBITDA



Source: LafargeHolcim, Bryan, Garnier & Co



** Emerging Markets defined as Asia, Africa, the Middle East, LatAm, and excluding Europe and North America; before trading, others and eliminations*
Sources : Companies ; Bryan, Garnier & Co

Market volumes are definitely better oriented in some key Emerging Markets' countries, particularly in Asia, a major geographical zone for LafargeHolcim:

- India: cement production is up +10.3% ytd at end June 2016. The monsoon was strong this year, which is likely to translate into a market slowdown in Q3, but Q4 and especially 2017 should benefit from it (there is a lag effect of 3-6 months). Besides, the government is keen to develop roads and railways (INR2.21tn has been allocated to infrastructures for the 2016-2017 budget) and some cement players have already benefited from this in H1. The outlook is therefore expected to be better, especially as new capacities should taper down gradually.

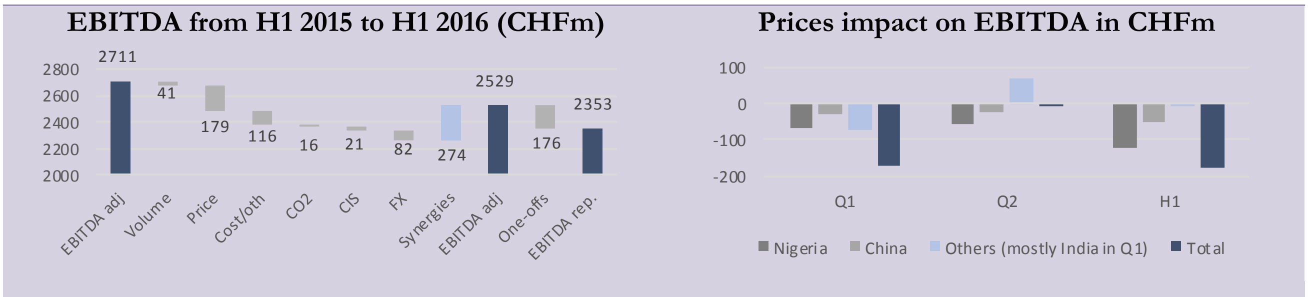
- Overall, cement volumes were up 2.6% for LafargeHolcim in H1 in Asia-Pacific. Only North America did better (5.8%).

Finally, it is worth underlying that LafargeHolcim, as a Swiss company listed in Zürich, might be viewed as a safe investment in the context of Brexit.

1.2. Figures are better: a step to recover confidence

The H1 2016 results at end June were strong. There was a reversal in the trend compared with a poor Q1. The EBITDA margin improved by 210 bps y/y in Q2 vs a 280bps decline in Q1, despite a top-line organic decline of 2.1% in Q2 (flat in Q1).

Fig. 3: EBITDA performance in 2016 so far

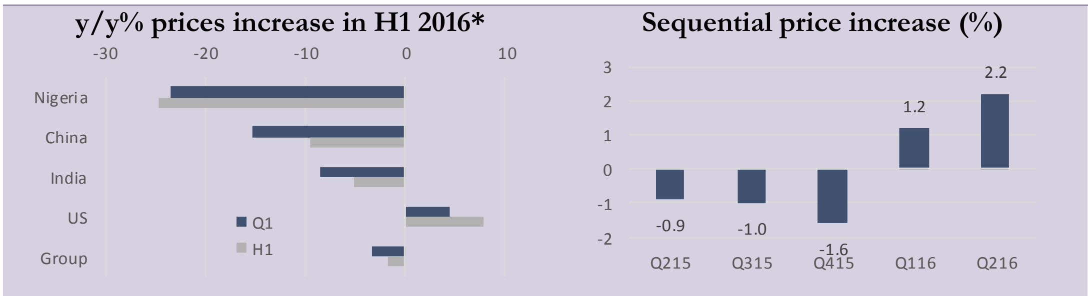


Sources: LafargeHolcim; Bryan, Garnier & Co

1.2.1. Prices are gradually recovering

While the negative price impact in Q1 was painful (negative CHF169m vs an EBITDA at CHF824m), Q2 was much better oriented, with a still negative but limited -CHF8m impact. Deflation pressure in Nigeria and China is declining, while India is no longer a drag.

Fig. 4: LafargeHolcim's cement price trends



** prices and others*
Sources: LafargeHolcim; Bryan, Garnier & Co

Noticeably, in Nigeria, Dangote has announced a 44% (ex-factory N600 per bag) cement price increase as of 1 September, which should ease the pain considering the massive negative impact in the first two quarters on LafargeHolcim's business. While the hike looks massive, this increase will only bring Dangote's prices back to the level before September 2015. Like LafargeHolcim, Dangote has been impacted by gas supply disruptions and the Naira devaluation. Dangote is looking to adapt its industrial assets to limit gas use. All in all, we believe the pricing pressure will considerably ease as from Q3 in Nigeria, especially as Dangote's results in H1 2016 were under strong pressure (the EBITDA margin was 57% in Nigeria in H1 2016 vs 67% in H1 2015). LafargeHolcim will follow with a price increase and, combined with other fuel usage increases (equipment needs to be adapted, with an impact expected at end 2016), the results should then gradually improve. In any case, the market is buoyant in Nigeria. Dangote has announced a 15% volume increase in July and August. When the energy supply problem is resolved, LafargeHolcim will be able to grab its share of the market.

In India, LafargeHolcim continued to report a negative price effect in the course of the half year, but the trends are improving: -8.6% in Q1, -5.2% in H1. Actually, the group was apparently focused on protecting prices and hasn't participated in the volume chase so far (volumes up by only +1.5% in H1 2016, while production in India was up double-digit).

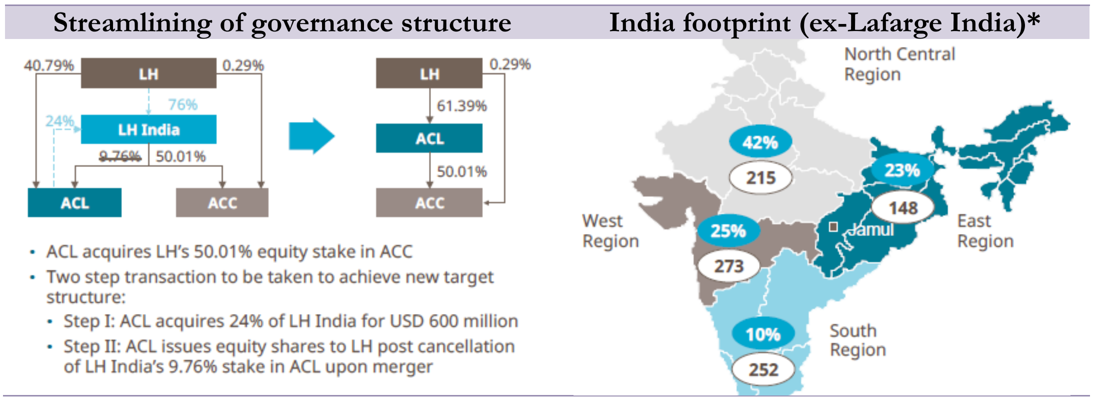
In China, the group is reducing its footprint. We expect this will be translated into a lesser impact of the poor prices trends on EBITDA at the end of 2016 and 2017.

All in all, we assume the sequential price improvements are likely to continue during H2 2016.

1.2.2. We might start to talk about synergies again

While cement volume trends are improving in some countries, globally this is quite tepid. LafargeHolcim guides on 1% to 3% on growth in the markets where the group is exposed. In Q1, LafargeHolcim's cement volumes were up by 1.4% but down 3% in Q2. Of course, the priority is pricing but, still, this is not a dynamic environment and, obviously, we see no catalyst there, so far (apart from some Emerging Markets countries, as we underlined). Hence, investors are likely to give more attention to synergies, which were clearly not a share-price driver last year. This is likely to change: CHF104m was generated in Q1, CHF170m in Q2 and the target of CHF450m for the full year has been reiterated. Actually, while the Q1 negative impacts (prices, cost, FX…) were not compensated by synergies at all, the Q2 synergies have largely balanced the negative impacts (positive CHF170m vs a negative CHF152m from prices, cost, scope, FX).

Fig. 5: India : potential synergies from reorganisation



** in blue % of cement volume sold (out of 45 mt) in 2015; in white cement per capita consumption in 2015*
Sources: LafargeHolcim Capital Market Day 2015. Bryan, Garnier & Co

Besides, while the disposal of Lafarge India means lower synergies in India, the reorganisation of the two Holcim entities will still generate some. This is the main reason why we have decided to take 100% of synergies instead of 88% (the difference being India). With this reorganisation, LafargeHolcim will increase its stake in its subsidiary Ambuja from 50% to 61%, while Ambuja will acquire 50% of ACC, LafargeHolcim's second entity in India. Once finalised, this operation means that ACC and Ambuja will be managed as a single economic entity. As India is the first country in terms of capacity (62mt out of the 374mt in total at end 2015) and, together with the US, in terms of sales (>10% of total sales), then of course the impact is likely to be significant. As a reminder, LafargeHolcim's target is to generate a total of CHF1.1bn of annual synergies on EBITDA by the end of 2017 (FY impact in 2018): CHF100m in 2015 (CHF130m realised actually), CHF450m in 2016, CHF250m in 2017 and CHF210m afterwards. As the perimeter has changed though, the synergies will be adjusted of course.

1.3. Simplification is good

The group has considerably accelerated its disposal programme in 2016. The target of CHF3.5bn of divestments by the end of 2016 has been exceeded and management has actually set a new target of CHF5bn by the end of 2017. The impact on EBITDA should be CHF140m in 2016 and CHF500m in 2017on a full year basis. LafargeHolcim has made the following moves:

- First, the South Korea, Saudi Arabia and Morocco deals were announced last March, as well as a disposal in Turkey. These deals represented one third of the CHF3.5bn disposal target, i.e. approx. CHF1.2bn. Besides, they are equivalent to CHF140m of EBITDA to be deconsolidated.

  - In South Korea, LafargeHolcim sold its 99.7% stake in Lafarge Halla Cement Corp in April, for the equivalent of CHF532m. This reduces Lafarge's cement capacity by 8.3mt.

  - In Saudi Arabia, LafargeHolcim is selling its 25% minorities stake in Al Safwa Cement Company for CHF128m, which was consolidated as an associate. The impact is likely to be limited on LafargeHolcim's accounts. The operation should be closed in Q3 this year.

  - The 23.33% stake in Turkish building materials group Baticim was sold in April for EUR28m.

  - Finally, in Morocco, the deal is more complex. Holcim Maroc (51% owned, 5.1mt of cement capacity) will be transferred to Lafarge Ciment Maroc, the current JV with SNI (Société Nationale d'Investissement), to create LafargeHolcim Maroc. This will generate CHF45m of synergies. Debt will be reduced consequently by CHF0.6bn. LafargeHolcim will hold a 32.35% stake in the JV (versus 34.9% in Lafarge Ciment).

- Secondly, several agreements have been signed for Sri Lanka, Vietnam, China and India. With these deals, the CHF3.5bn disposal target has been exceeded.

  - Siam City is acquiring the 65% stake in Holcim Vietnam (6.3mt) for the equivalent of CHF867m on a 100% basis, i.e. 140 USD/ton. The deal, announced in April, will be completed in Q4 2016. It also signed an agreement to buy 98.9% of Holcim Lanka in July, for a USD400m EV. LafargeHolcim will remain in this country through its subsidiary Lafarge Mahaweili.

  - Announced in July after almost a year of delays and uncertainties, LafargeHolcim has finally signed a deal to sell Lafarge India (11mt) for an EV of USD1.4bn (~USD130/t) to Nirma. Anti-trust approval has been requested but is likely to be given the go-ahead.

  - Finally, the group has dramatically changed its exposure to China. First, the group has announced the disposal of a 55.93% stake (out of 75.3%) in Sichuan Shuangma Cement Co.

to Tianjin Circle for CHF507m. This represents 11mt of capacity. Secondly, LafargeHolcim has sold some cement assets (13 plants, 18mt of capacity) to its 41.8% Chinese subsidiary Huaxin for CHF208m. While China represented 37.8mt of cement capacity at the end of 2015, it is now only 3mt, but 80mt including associates because of Huaxin. We consider this is positive news for LafargeHolcim. After all, China is a very difficult market, with overcapacity probably exceeding 500mt (the equivalent of twice the Indian market) and modest prices.

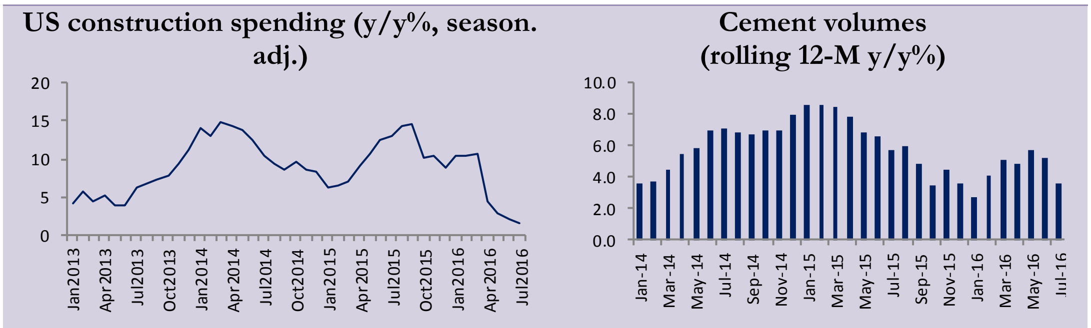
1.4. US construction: everything is not rosy

While numerous figures and most of the comments from building materials players are positive, some indicators can raise eyebrows.

- The US construction spending dynamic is fading. The figures continue to show annual growth but this growth is declining. It is maybe too early to worry – after all, the data are volatile – but we are now very far from the double-digit growth observed in the recent past.

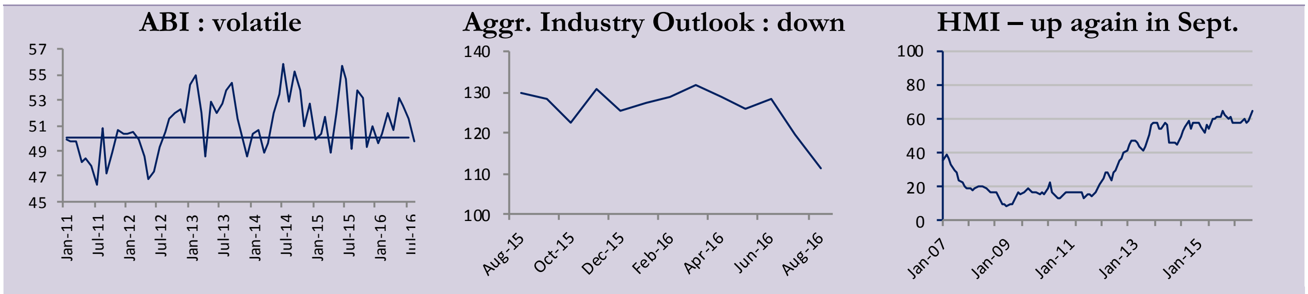
- Cement volumes are also a bit less dynamic. Of course, it's never been double-digit growth here and we're talking about volumes only. Prices are well oriented and 2016 will be a good year. But, again, the current trend in terms of volumes is less strong than in 2015.

Fig. 6: Actual business



Sources: US Census Bureau; U.S. Department of the Interior (USGS); Bryan, Garnier & co

Fig. 7: Mixed lead indicators



Source: AIA's Economics and Market Research; Aggman.com; NABH/Wells Fargo; Bryan, Garnier & Co

The leading indicators are mixed: in the residential sector the NAHB is still positive, in the non-residential the Dodge Index is well-oriented too, while the ABI is volatile and the Aggregates Industries Outlook is fading. This Aggregates Industry Outlook is a survey amongst 90-100 professionals. We understand this is very local, but the building material business is local anyway. The index was very strong in Q1 2016. This was explained by the FAST plan signature. Now the mood is changing a bit. It remains positive (100 is "neutral"), but some respondents are complaining about some lags in infrastructure projects.

The residential indicators are very volatile, but we haven't seen a clear positive trend in Housing Starts for a while.

Fig. 8: Annual rate for housing units started (season. adj., in thousands)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	1,128	1,213	1,113	1,155	1,128	1,195	1,212	1,142	NA	NA	NA	NA
seq m/m%	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2015	1.9	-18.9	8.0	23.7	-10.8	14.1	-5.4	-1.3	5.0	-9.8	9.1	-0.9
2016	-2.8	7.5	-8.2	3.8	-2.3	5.9	1.4	-5.8				
y/y%	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2015	22.1	-5.8	-0.9	14.8	7.7	30.7	5.7	15.0	19.0	-1.9	17.8	7.3
2016	2.5	35.8	15.5	-3.1	6.1	-1.5	5.7	0.9				

Source: US Census Bureau; Bryan, Garnier & Co ests.

Finally, it is worth underlying the very strong rebound of the Dodge Index in August, after a relatively calm 2016 year so far. The jump is impressive at 21% (the seasonally-adjusted annual rate New Construction Starts (all segments), Dodge Data & Analytics), but it was helped by an "especially elevated amount for non-residential building". Besides, the Dodge Moment Index (leading indicators for the non-residential segment only) is still positive (up 1.3% m/m in August).

So far, cement players are doing well

We don't see today any sign of weakness in the H1 performance of cement players in the US.

Fig. 9: H1 2016 performance of the main cement players in North America

H1 2016	Cement volumes y/y% growth	lfl sales growth y/y%	EBITDA margin %	EBITDA margin y/y bps
LafargeHolcim	5.8	3.9	16.5	170
HeidelbergCement	4.7	6.4	21.3	360
Italcementi	8.1	8.9	16.4	1562
CRH	5.0 (Canada)	10.6	8.4	338
Vicat	10.0	7.7	12.5	452
Cemex	7.0	8.0	14.4	270
Buzzi-Unicem	-	7.3	25.0	-340

Source: Company Data; Bryan, Garnier & Co ests.

But overweight the US might not the best option

In this context, we consider investors might consider to prefer players with limited exposure to the US. LafargeHolcim has some exposure and, actually, the US is the second country, with India, that represents more than 10% of the consolidated revenues of the group. However, the exposure is much more significant with CRH (59% of 2015 PF EBITDA in the Americas) or HeidelbergCement (31%).

1.5. Still a Buy. New FV at CHF60.

LafargeHolcim is currently our preferred stock within the Cement sector. We believe investors are likely to be more and more interested by the following points:

- The Emerging Markets exposure, as the macro outlook is improving gradually there. LHN is clearly the cement player to buy if one wants to catch Emerging Markets' dynamism in its portfolio. On the contrary, exposure to Europe and to Brexit's possible negative effects is limited.
- The US construction is positive but not that rosy. At least, it is legitimate to question it. We suspect that some investors could start to be more demanding on CRH and to a lesser extent on HeidelbergCement.
- Heidelberg's offer on Italcementi ended on 30 September. Synergies have already been lifted twice from EUR175m to EUR300m, then to EUR400m, so we believe it would be difficult for management to be more aggressive. Moreover, the integration of Italcementi might be more complex than expected, although we have no reason to believe so today. But large deals are certainly not the simplest. Finally, Italcementi's H1 figures were disappointing (EBITDA down 7.7%), with only the US performing. The German group is organising its Capital Markets Day on 10 November.
- Finally, LHN is organising its own Capital Markets Day on 18 November in London. We believe management will be more comfortable than at last year's and might provide some promising outlooks. Actually, we can't really believe management could be less optimistic than last year.

We have made various changes to our model.

- First, we now look at 2018 EBITDA instead of 2017 when applying historical multiples. The macro environment (in Emerging Markets) has improved for LafargeHolcim, the confidence towards management is stronger (various targets have been reached), and the momentum is better oriented too (prices, synergies, reorganisation). We continue to discount to today (end 2016 precisely), in order to measure a current Fair Value.

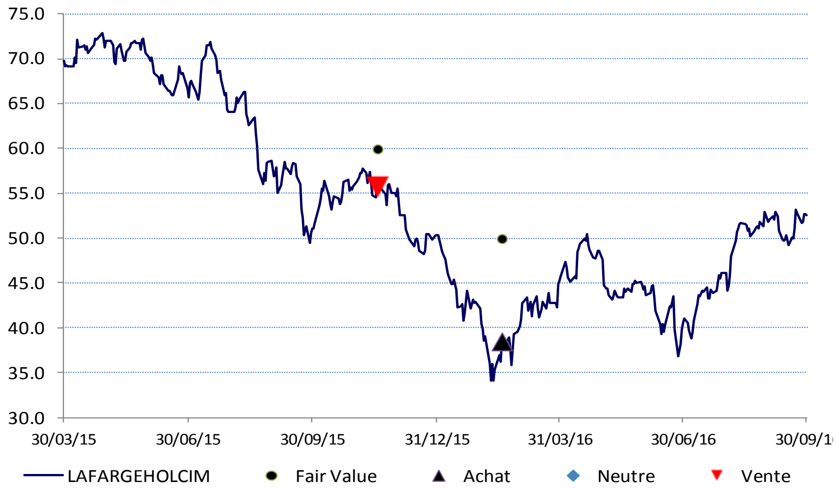
- Secondly, we now take into account 100% of the synergies and not 88% anymore. We might have been too cautious initially. But we justify our method by the fact that LafargeHolcim was selling the entire ex-Lafarge business in India (this was not the initial plan, when synergies were first announced). We supposed the synergies have had to be adjusted because of this new situation but actually the company has reiterated its target of CHF1.1bn. Besides (and this is new too), the reorganisation of ex-Holcim India's subsidiaries will generate synergies too.

- Third, we have updated our forecast (divestment taken into account, more cautious top-line assumptions in 2016 with less than 1.5% organic growth vs 4% previously). All in all, we adjusted our EBITDA by -5% in average on 2016-2018.

- We are now a bit more conservative on the discounted rate we use with a 1.1 beta vs 1.0 previously. 1.1x is in line with the current beta 3 years vs STX50. Based on our new figures, our new Fair Value stands at CHF60, based on 7.5x EV/EBIT applied to our 2018 EBITDA estimates of CHF7,4bn, adjusted for debt (CHF11.7bn), as well as various adjustments of CHF2.3bn (provisions for pension, minorities, associates…), discounted at 9.3%.

Price Chart and Rating History

LafargeHolcim



Ratings		
Date	**Ratings**	**Price**
17/02/16	BUY	CHF36.24
17/11/15	SELL	CHF56.1

Target Price	
Date	**Target price**
17/02/16	CHF50
17/11/15	CHF60

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 55.8%   NEUTRAL ratings 32.5%   SELL ratings 11.7%

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BRYAN, GARNIER & CO

London
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Munich
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

New Delhi
The Imperial Hotel Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA

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