

Pan Euro Building Materials

Sector Chart Pack

- **Sector performance** — YTD the Sector has (+c.8%) has slightly outperformed the wider market (DJ Stoxx, +c.5%) but has underperformed over the last month after falling by c.5% on worries around rising US bond yields, sustainability of EM growth and European macro issues. However, there has been a wide variation in stock performance: the more UK exposed names have performed best with YTD increases of over 40%, the more European exposed names have performed less well with Cement performing poorly with very little share price performance on average YTD. The sector now resides on a mid-cycle type multiple of c8 times 2013E EV:EBITDA.
- **Q2 Preview** — We remain generally relatively cautious ahead of the Q2 results which we do not see as a catalyst to buy the sector. Weak volumes and negative currency effects are likely to weigh on Q2 profits with a risk of modest consensus earnings downgrades for the European companies. Pricing, cost savings and outlook comments (recovery in H2 2013) will be key.
- **Sector view** — Risks around EM and earnings downgrades (fx & volumes during Q2 results season) have increased for the cement names. However, assuming underlying EM growth rates generally hold up into 2014, US recovery continues and they deliver on cost savings and pricing, they should continue to deliver EBITDA growth. More European exposed lightside names continue to face the question of when European volumes and profits stabilise, which would now seem to be in 2014 at the earliest. The UK merchants should continue to enjoy volume recovery from here as the comparative eases and residential markets improve with balance sheets also looking strong. Balance sheets generally continue to improve as a result of FCF generation and asset disposals in some cases.
- **Stock recommendations** — We continue to find the UK exposure attractive, for example **Travis Perkins. Wolseley**, looks interesting given its US and UK exposure & strong balance sheet but valuation is arguably a touch full currently. The cement stocks look best value having underperformed recently: **Lafarge** continues to look the most attractive on valuation, on a 2014E EV:EBITDA multiple of under 6 times and **HeidelbergCement** continues to offer a relatively good geographical mix. We remain more cautious on **Holcim** near term as we see higher risk of earnings downgrades given its exposure to some tricky emerging markets (India, Mexico & Morocco). **CRH** continues to face difficult European markets which are likely to continue weigh on the shares. We generally remain cautious on the sector ahead of the Q2 results.

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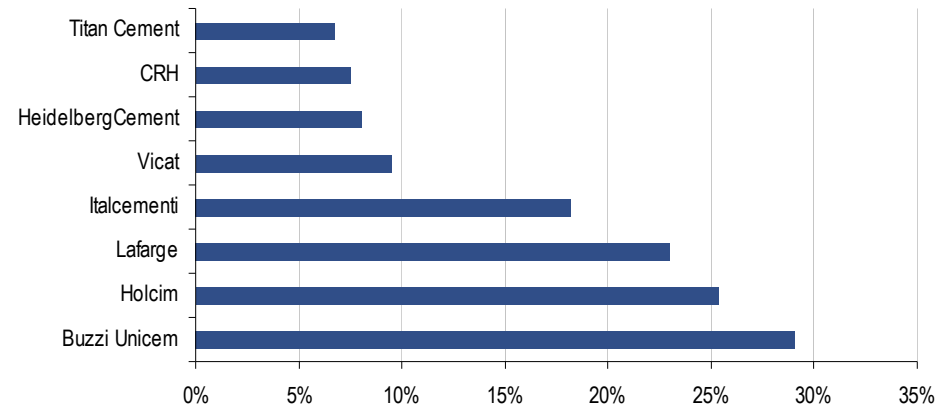
See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Four Charts to Think about for Upcoming Q2 Results

- Expectations factor in a significant recovery in H2 for most of our heavyside names. The delivery on cost savings and success of price hikes remain crucial aspects in these estimates.
- At this point, given the negative currency trends and weaker volumes (particularly Europe), we would see downside risk to estimates. However, the extent of any potential downgrades will depend to a large extent upon cost savings delivery, pricing trends and how weak the comparatives are.

Figure 1. Recovery Implied in our H2 estimates



Source: Company data, Citi Research

Figure 2. Emerging Markets Building Materials Price Performance (Index)

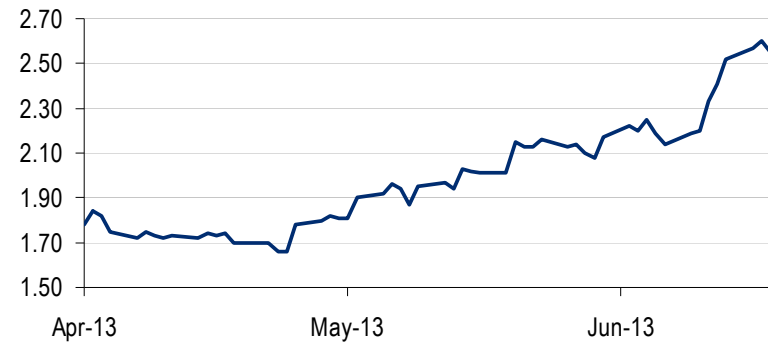


Source: DataStream

- Sector shares prices for the EM building sector have come off recently over worries of a slowdown in demand, pricing weakness and socio-political uncertainties. While GDP trends still look OK, there is a question of how sustainable this is.
- In this regard, markets in China, India, Morocco, Egypt and Mexico look under some pressure. The outlook comments for Emerging Markets are likely to be a key issue during results season. Especially those Asian countries at risk from a potential significant slowdown in China.

- Since the middle of May, US bond yields have increased as the markets anticipate tapering in the US. This has also led to an increase in US mortgage rates which is causing concerns that the US housing recovery may be de-railed.
- Obviously stronger economic growth leading to better employment trends would be supportive so long as rising yields do not overpower this effect. Comment on the outlook for the US will also be a key issue during results.

Figure 3. 10 Yr US Treasury Bond Yields



Source: DataStream, Citi Research

- Q2 will likely see currency losses for the euro denominated stocks, especially those exposed to markets in Egypt, India and the UK
- Several EM countries have recently seen sharp falls in their exchange rates which will have a negative translation effect on earnings.

Figure 4. Currency Impact

Turnover	2012	2013e	2014e	Q1 2013	Q2 2013	H1 2013
Buzzi Unicem	2.4%	-0.6%	0.2%	-0.2%	-0.4%	-0.3%
CRH	3.8%	-1.2%	0.3%	-0.6%	-1.3%	-0.9%
Geberit	-1.4%	1.8%	0.3%	1.4%	1.9%	1.6%
Grafton	4.7%	-4.2%	-0.5%	-1.5%	-3.7%	-2.6%
Heidelberg Cement	3.9%	-2.8%	-0.3%	-1.3%	-2.2%	-1.7%
Holcim	0.1%	-1.6%	-0.5%	-1.2%	-0.3%	-0.7%
Howdens	-0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Italcementi	1.7%	-2.6%	-0.1%	-1.9%	-2.6%	-2.3%
Kingspan	4.3%	-3.4%	-0.5%	-1.1%	-2.8%	-1.9%
Lafarge	3.2%	-3.2%	-0.2%	-2.4%	-3.0%	-2.6%
Rockwool	1.3%	-0.8%	-0.3%	0.2%	-0.3%	-0.1%
SIG	-4.1%	2.9%	0.3%	1.1%	2.7%	1.9%
Titan Cement	2.6%	-3.2%	0.2%	-2.2%	-3.5%	-2.9%
Vicat	1.1%	-2.5%	-0.4%	-1.6%	-2.2%	-1.9%
Wienerberger	1.0%	-1.0%	-0.3%	-0.1%	-0.6%	-0.4%
Average	1.6%	-1.4%	0.1%	-0.9%	-1.3%	-1.1%

Source: Company data, Citi Research

Sector Overview

2013 Drivers and Assumptions

- Construction volumes across Europe drop 2-4%;
- US activity expands by 3-6% driven by strong housing, gradual improvement in non-residential and held back slightly by public sector;
- Volume growth in EM generally, albeit with some exceptions, remains robust in the 4-10% range;
- No government policy u-turns on austerity within Europe;
- Price increases at least cover cost inflation;
- Fuel related costs ease in 2013;
- General costs continue to see increases especially in EM;
- Self-help cost cutting continues to be delivered in 2013.
- Interest rates normalise to more sustainable levels without de-railing the recovery

Key Medium and Longer-Term Drivers and Assumptions

- Europe recovery remains anaemic for 2-3 years;
- US recovery maintains its momentum;
- Emerging markets continue to deliver healthy volume growth;
- Energy cost changes remain benign;
- General cost inflation continues to tick over;
- New capacity additions in EM to continue to shake up market structures;
- Corporate activity / Consolidation – we believe while the manufacturing side of the building materials industry will be focused on emerging markets, the merchanting industry still has more consolidation to do in mature markets;
- Public sector funding and governmental attitude to public works remains questionable within Europe.
- Regulatory changes continue to drive demand for energy efficient building materials
- Cement utilisation rates in developed markets improve to support pricing recovery – particularly in the US

Recommendation and Valuation Summary

Figure 5. Valuation Summary

Company	Share price in local fx	Target Price	Rating	ETR (%)	1 mth perf	YTD perf	12 mth perf	2013E PE	2013E EV/EBITDA	2013E Div Yield
Buzzi Unicem	11.75	9.00	Sell -3	-23%	-11%	11%	59%	25.7	7.2	1.0%
Cemex	10.49	12.21	Neutral -2H	16%	-4%	11%	70%		9.9	0.0%
CRH	15.52	15.00	Sell -3	0%	-2%	1%	4%	24.6	9.1	4.0%
Geberit	245.70	210.00	Sell -3	-12%	5%	22%	31%	22.0	15.7	2.9%
Grafton Group	5.47	4.90	Neutral -2	-9%	-4%	40%	97%	22.0	11.9	1.6%
HeidelbergCement	50.00	61.00	Buy -1	24%	-14%	9%	31%	12.8	7.2	1.5%
Holcim	66.20	74.00	Neutral -2	14%	-9%	-1%	25%	14.6	8.1	2.1%
Howdens	2.62	2.40	Neutral -2	-7%	10%	51%	101%	17.6	12.0	1.6%
Italcementi	5.43	5.10	Neutral -2	-5%	-6%	28%	48%	32.8	8.3	1.1%
Kingspan	10.28	9.20	Neutral -2	-9%	3%	23%	59%	20.5	11.6	1.3%
Lafarge	47.06	59.00	Buy -1	28%	-12%	-2%	38%	14.6	6.4	2.3%
Marshalls	1.33	1.20	Neutral -2	-6%	-2%	36%	64%	22.7	10.0	3.9%
Rockwool	855.00	780.00	Neutral -2	-8%	8%	35%	59%	23.2	8.1	1.3%
SIG	1.69	1.90	Buy -1	15%	1%	40%	85%	17.2	9.5	2.2%
Titan Cement	12.50	12.00	Sell -3H	-4%	-4%	-10%	-5%		8.9	0.0%
Travis Perkins	16.10	16.45	Buy -1	4%	5%	48%	60%	16.1	10.4	1.9%
Vicat	46.36	48.00	Neutral -2	7%	-4%	-2%	27%	15.0	7.7	3.2%
Wienerberger	9.05	11.00	Neutral -2	23%	-11%	31%	22%		7.7	1.3%
Wolseley	32.25	34.00	Neutral -2	8%	4%	11%	35%	17.0	10.8	4.6%
Average				3%	-5%	7%	31%	19.9	9.5	2.0%

Source: dataCentral, Citi Research

Citi vs. Consensus

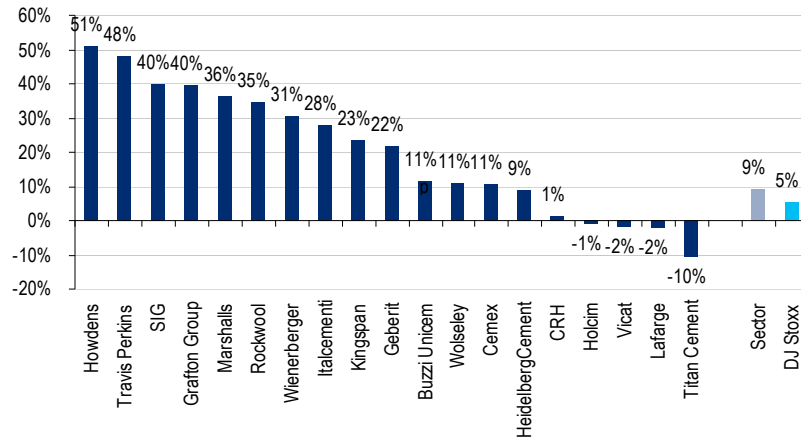
Figure 6. Forecasts vs. Consensus (millions in local currency)

	Sales						EBITDA					
	Citi Forecasts		Consensus		Citi vs. Cons. %		Citi Forecasts		Consensus		Citi vs. Cons. %	
	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Buzzi Unicem	2,916	3,083	2,854	3,047	2%	1%	497	571	490	566	1%	1%
Cemex	15,141	16,123	15,678	16,807	-3%	-4%	2,745	3,130	2,872	3,324	-4%	-6%
CRH	18,300	19,217	18,671	19,841	-2%	-3%	1,564	1,840	1,627	1,883	-4%	-2%
Geberit	2,285	2,398	2,273	2,383	1%	1%	572	617	588	624	-3%	-1%
Grafton Group	2,222	2,307					127	146				
HeidelbergCement	14,579	15,428	14,542	15,439	0%	-0%	2,620	2,905	2,603	2,930	1%	-1%
Holcim	22,026	23,369	22,014	23,472	0%	-0%	4,697	5,344	4,604	5,410	2%	-1%
Howdens	926	979	928	978	-0%	0%	145	156	146	156	-1%	-0%
Italcementi	4,387	4,591	4,355	4,578	1%	0%	637	738	628	715	2%	3%
Kingspan	1,847	1,917	1,822	1,917	1%	-0%	164	183	162	187	1%	-2%
Lafarge	16,054	17,054	16,030	16,939	0%	1%	3,713	4,214	3,702	4,167	0%	1%
Marshalls	310	320	321	345	-3%	-7%	31	33	33	36	-7%	-8%
Rockwool	15,272	15,956	15,037	15,941	2%	0%	2,297	2,467	2,333	2,531	-2%	-3%
SIG	2,626	2,733	2,670	2,760	-2%	-1%	122	138	126	144	-3%	-4%
Titan Cement	1,109	1,183	1,150	1,232	-4%	-4%	190	217	184	222	3%	-2%
Travis Perkins	4,928	5,175	4,970	5,210	-1%	-1%	434	482	413	454	5%	6%
Vicat	2,348	2,472	2,374	2,527	-1%	-2%	470	529	489	562	-4%	-6%
Wienerberger	2,698	2,840	2,670	2,796	1%	2%	280	320	272	318	3%	1%
Wolseley	13,124	13,962	13,202	13,996	-1%	-0%	849	970	827	942	3%	3%
Average					-0%	-1%					-0%	-1%

Source: dataCentral, Citi Research

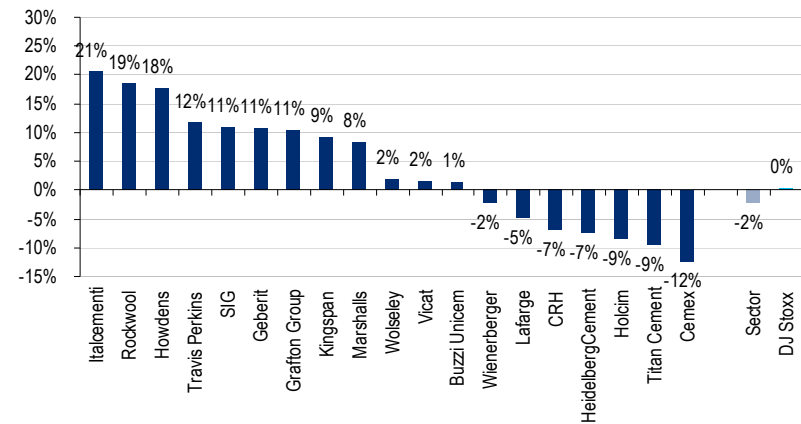
Sector Performance

Figure 7. YTD Share Price Performance



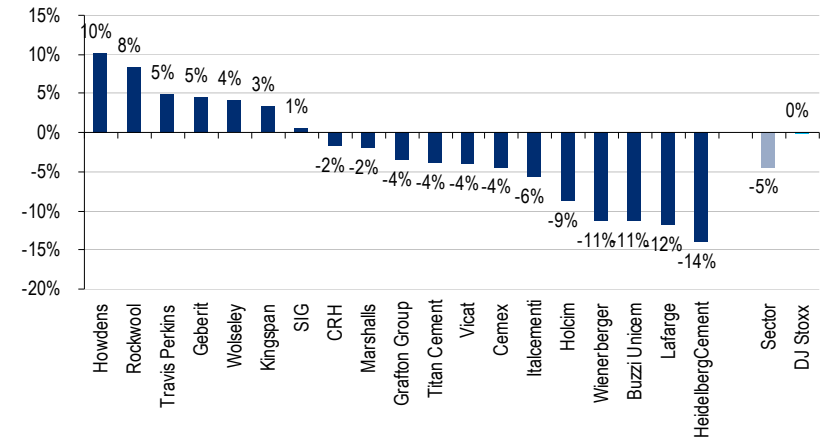
Source: Powered by dataCentral

Figure 9. 3 Month Share Price Performance



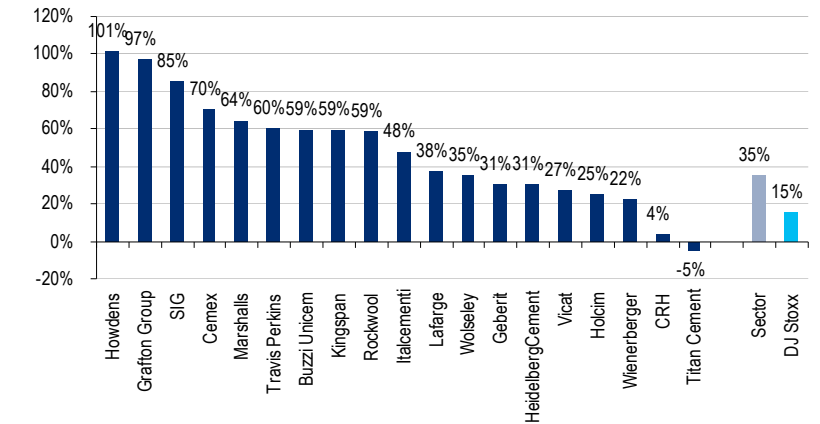
Source: Powered by dataCentral

Figure 8. 1 Month Share Price Performance



Source: Powered by dataCentral

Figure 10. 1 Year Share Price Performance



Source: Powered by dataCentral

Geographical Exposure

Figure 11. Geographical Split – Turnover, 2012

Percentages (%)	North America	Western Europe	Eastern Europe	Latin America	Africa	Middle East	Asia Pacific	Mature Mkts	Emerging Mkts	Total S,P,I,G	Total S,P,I,G
Buzzi Unicem	24%	45%	22%	9%	0%	0%	0%	69%	31%	17%	17%
Cemex	21%	28%	3%	37%	7%	1%	4%	49%	51%	3%	3%
CRH	49%	43%	7%	1%	0%	0%	0%	93%	7%	3%	4%
Geberit	4%	84%	7%	0%	1%	1%	3%	88%	12%	9%	9%
Grafton Group	0%	100%	0%	0%	0%	0%	0%	100%	0%	0%	22%
HeidelbergCement	25%	31%	12%	0%	6%	0%	25%	56%	44%	1%	1%
Holcim	15%	21%	5%	16%	2%	2%	39%	36%	64%	3%	3%
Howdens	0%	100%	0%	0%	0%	0%	0%	100%	0%	0%	0%
Italcementi	10%	55%	1%	0%	20%	1%	12%	65%	35%	21%	21%
Kingspan	14%	65%	14%	2%	0%	0%	5%	79%	21%	2%	6%
Lafarge	21%	21%	7%	6%	22%	5%	17%	42%	58%	2%	2%
Marshalls	0%	100%	0%	0%	0%	0%	0%	100%	0%	0%	0%
Rockwool	7%	62%	23%	0%	0%	0%	7%	70%	30%	0%	0%
SIG	0%	96%	4%	0%	0%	0%	0%	96%	4%	0%	2%
Titan Cement	33%	21%	42%	0%	4%	0%	0%	54%	46%	21%	21%
Travis Perkins	0%	100%	0%	0%	0%	0%	0%	100%	0%	0%	0%
Vicat	9%	56%	10%	0%	16%	0%	10%	65%	35%	1%	1%
Wienerberger	8%	71%	21%	0%	0%	0%	0%	79%	21%	2%	2%
Wolseley	55%	45%	0%	0%	0%	0%	0%	100%	0%	0%	0%
Total Building Products	22%	49%	6%	7%	4%	1%	11%	71%	29%	3%	4%

Source: Company data, Citi Research

Figure 12. North America – Top 5 Exposure (Turnover Split)

Wolseley	55%
CRH	49%
Titan Cement	33%
HeidelbergCement	25%
Buzzi Unicem	24%

Source: Company data, Citi Research

Figure 13. W. Europe – Top 5 Exposure (Turnover Split)

Grafton Group	100%
Marshalls	100%
Travis Perkins	100%
Howdens	100%
SIG	96%

Source: Company data, Citi Research

Figure 14. E. Europe – Top 5 Exposure (Turnover Split)

Titan Cement	42%
Rockwool	23%
Buzzi Unicem	22%
Wienerberger	21%
Kingspan	14%

Source: Company data, Citi Research

Construction Trends

European Construction Forecasts

Figure 15. Europe – Construction Sector Output Growth (%)

	2008	2009	2010	2011	2012F	2013F	2014F	2015F
Austria	1.0%	-7.1%	-2.7%	4.4%	1.5%	0.6%	1.0%	1.5%
Belgium	1.9%	-2.1%	0.4%	4.0%	0.2%	-0.1%	0.4%	1.5%
Denmark	-6.6%	-12.1%	-6.3%	5.2%	-1.1%	3.0%	3.3%	4.1%
Finland	0.1%	-10.6%	6.4%	2.4%	-3.8%	-1.2%	-0.5%	1.9%
France	-2.5%	-7.5%	-5.9%	4.3%	0.3%	-3.3%	-0.8%	0.9%
Germany	2.2%	-2.3%	2.5%	5.2%	-1.2%	1.2%	2.0%	0.9%
Ireland	-4.3%	-33.6%	-25.3%	-18.4%	-17.1%	-8.8%	3.6%	6.1%
Italy	-4.2%	-8.3%	-5.9%	-2.6%	-5.9%	-3.7%	-0.3%	1.1%
Norway	-0.6%	-1.7%	-1.0%	5.0%	5.4%	5.7%	4.6%	3.5%
Portugal	-4.8%	-9.8%	-6.2%	-10.0%	-15.5%	-18.0%	-3.5%	1.0%
Spain	-19.3%	-22.6%	-17.7%	-20.3%	-31.7%	-23.8%	-7.7%	-1.5%
Sweden	-0.4%	-5.6%	4.4%	2.9%	-2.9%	-0.8%	3.5%	2.1%
Switzerland	0.0%	3.5%	2.8%	2.7%	0.5%	0.5%	1.4%	0.6%
Netherlands	4.7%	-6.2%	-10.1%	2.9%	-7.2%	-3.9%	-0.7%	4.6%
UK	-2.5%	-12.5%	6.9%	2.1%	-8.0%	-2.0%	1.3%	3.2%
Western Europe (EC - 15)	-4.2%	-9.3%	-3.4%	0.0%	-5.4%	-2.7%	0.5%	1.6%
Czech Republic	0.6%	-1.4%	-7.2%	-4.0%	-7.4%	-6.1%	-2.2%	-0.9%
Hungary	-3.1%	-10.0%	-8.3%	-8.2%	-5.4%	2.5%	5.0%	4.6%
Poland	10.9%	4.9%	4.6%	11.5%	0.0%	-5.6%	0.6%	5.0%
Slovak Republic	11.0%	-12.9%	-3.6%	-2.8%	-13.8%	-2.0%	2.9%	4.5%
Central Eastern Europe (EC - 4)	5.8%	-0.4%	-0.8%	4.3%	-3.2%	-4.7%	0.6%	3.7%
Total Europe (EC - 19)	-3.8%	-8.9%	-3.3%	0.3%	-5.3%	-2.8%	0.5%	1.7%
Sector Breakdown								
New Residential	-16.8%	-22.5%	-6.1%	3.3%	-6.7%	-3.2%	2.2%	4.0%
Residential R&M	-0.3%	-3.9%	1.3%	1.2%	-2.7%	-1.5%	0.4%	1.3%
New Non-residential	0.6%	-14.0%	-7.4%	-0.6%	-5.7%	-5.7%	-1.6%	0.8%
Non-residential R&M	1.0%	-3.4%	-2.5%	0.8%	-3.3%	-0.8%	1.0%	1.2%
New Civil Engineering	0.6%	0.3%	-2.4%	-4.2%	-10.6%	-4.5%	0.8%	1.8%
Civil Engineering R&M	-0.2%	-0.5%	-5.0%	0.1%	-4.3%	-1.8%	-0.2%	0.7%

Source: EUROCONSTRUCT

US Construction Forecasts

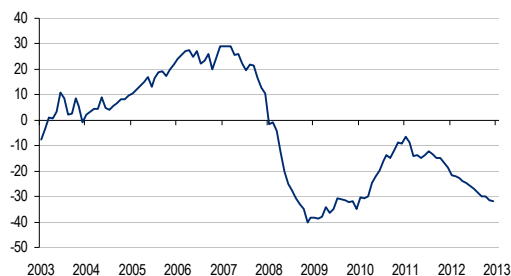
Figure 16. US Construction Forecasts, 2006-15E (US\$ in millions)

Type of Construction:	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
New Single Family Home	418,307	306,509	187,055	105,849	112,698	108,181	128,840	155,366	181,753	205,813
New Multi- Family	52,807	49,018	44,288	28,649	14,712	14,756	21,331	25,095	29,501	32,591
Total New Residential	471,114	355,527	231,343	134,498	127,410	122,937	150,171	180,461	211,253	238,405
%age change	-1.8%	-24.5%	-34.9%	-41.9%	-5.3%	-3.5%	22.2%	20.2%	17.1%	12.9%
Residential RMI	145,551	139,729	120,066	112,013	111,927	114,068	123,483	129,657	137,437	146,370
%age change	11.3%	-4.0%	-14.1%	-6.7%	-0.1%	1.9%	8.3%	5.0%	6.0%	6.5%
Total Residential	616,665	495,256	351,409	246,511	239,337	237,005	273,654	310,118	348,690	384,774
%age change	1.0%	-19.7%	-29.0%	-29.9%	-2.9%	-1.0%	15.5%	13.3%	12.4%	10.3%
Office	45,671	53,793	55,382	37,442	24,436	22,532	26,029	27,591	30,074	33,382
%age change	22.3%	17.8%	3.0%	-32.4%	-34.7%	-7.8%	15.5%	6.0%	9.0%	11.0%
Commercial	73,315	85,466	82,827	50,875	36,534	39,826	43,868	46,500	50,220	55,242
%age change	10.1%	16.6%	-3.1%	-38.6%	-28.2%	9.0%	10.1%	6.0%	8.0%	10.0%
Manufacturing	32,148	40,086	52,613	56,516	39,916	40,369	47,989	51,348	54,943	58,239
%age change	13.1%	24.7%	31.3%	7.4%	-29.4%	1.1%	18.9%	7.0%	7.0%	6.0%
Power	33,579	53,965	68,608	75,548	64,462	63,409	86,555	93,479	100,958	109,034
%age change	15.3%	60.7%	27.1%	10.1%	-14.7%	-1.6%	36.5%	8.0%	8.0%	8.0%
Other	113,192	135,800	148,410	122,317	94,969	90,877	96,920	99,343	104,310	111,090
Total Private Non-residential	297,905	369,110	407,840	342,698	260,317	257,013	301,361	318,261	340,505	366,988
%age change	15.4%	23.9%	10.5%	-16.0%	-24.0%	-1.3%	17.3%	5.6%	7.0%	7.8%
Total Private	914,570	864,366	759,249	589,209	499,654	494,018	575,015	628,380	689,194	751,762
%age change	5.3%	-5.5%	-12.2%	-22.4%	-15.2%	-1.1%	16.4%	9.3%	9.7%	9.1%
Total State and Local Construction	229,739	259,794	277,016	282,906	272,722	255,182	247,431	244,956	244,956	248,631
Total Federal Construction	25,527	28,866	30,780	31,434	30,302	28,354	27,492	27,767	28,045	28,606
Of which is Highway and street	71,343	76,291	80,573	81,564	81,860	78,937	78,689	78,689	79,476	81,065
%age change	12.2%	6.9%	5.6%	1.2%	0.4%	-3.6%	-0.3%	0.0%	1.0%	2.0%
Total Public Construction	255,266	288,660	307,795	314,340	303,024	283,535	274,923	272,724	273,001	277,237
%age change	9.3%	13.1%	6.6%	2.1%	-3.6%	-6.4%	-3.0%	-0.8%	0.1%	1.6%
Total Construction Output	1,169,836	1,153,026	1,067,044	903,549	802,678	777,553	849,938	901,103	962,196	1,028,999
%age change	6.1%	-1.4%	-7.5%	-15.3%	-11.2%	-3.1%	9.3%	6.0%	6.8%	6.9%
Housing Starts ('000s units)	1,812	1,342	900	554	586	612	782	920	1,050	1,160
%age change	-12.6%	-25.9%	-32.9%	-38.4%	5.8%	4.4%	27.8%	17.6%	14.1%	10.5%
Housing Permits	1,844	1,392	896	582	604	624	801	925	1,060	1,170

Source: Citi Research

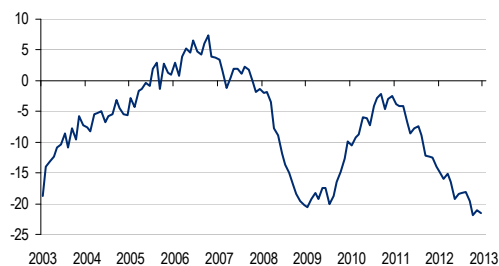
Europe – Construction Confidence Indicators

Figure 17. France – Construction Confidence Indicator



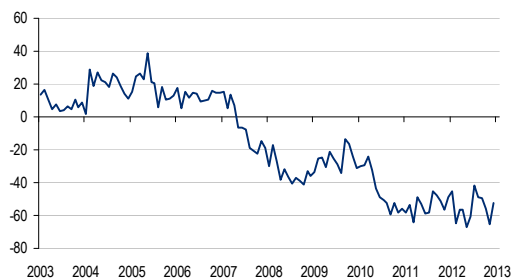
Source: DataStream

Figure 20. Belgium – Construction Confidence Indicator



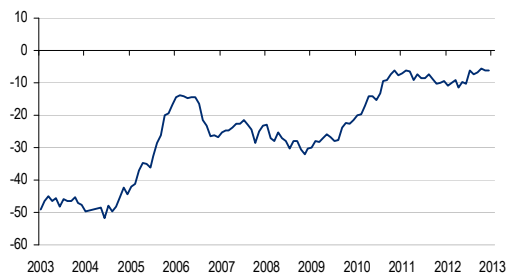
Source: DataStream

Figure 23. Spain – Construction Confidence Indicator



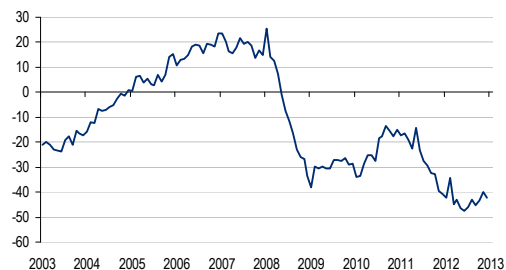
Source: DataStream

Figure 18. Germany – Construction Confidence Indicator



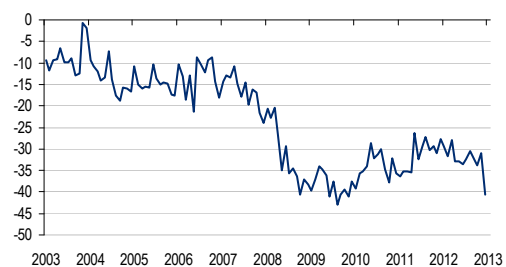
Source: DataStream

Figure 21. Netherlands – Construction Confidence Indicator



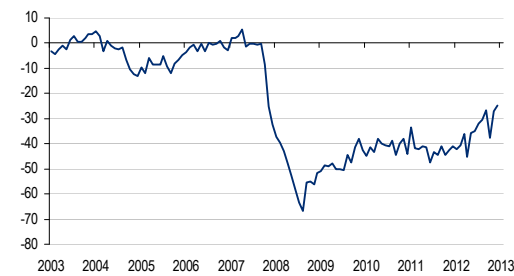
Source: DataStream

Figure 24. Italy – Construction Confidence Indicator



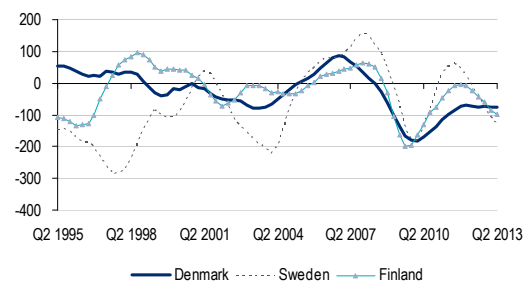
Source: DataStream

Figure 19. UK – Construction Confidence Indicator



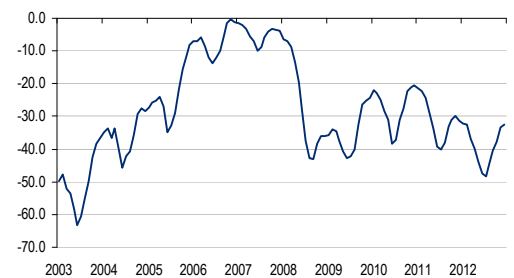
Source: DataStream

Figure 22. Nordics – Construction Confidence Indicator



Source: DataStream

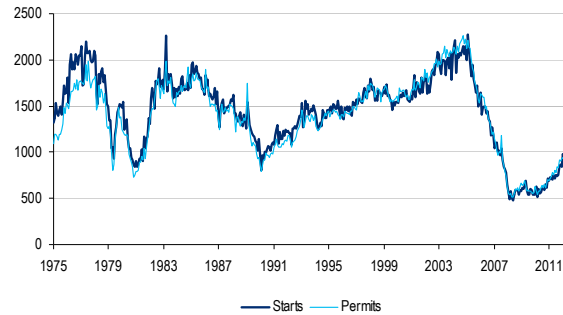
Figure 25. Poland – Construction Confidence Indicator



Source: DataStream

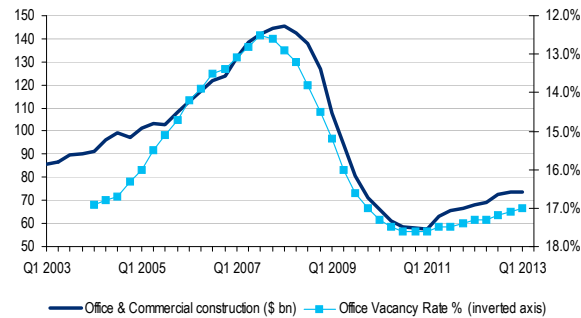
United States – Key Indicators

Figure 26. US Housing Starts and Permits, 1975-13



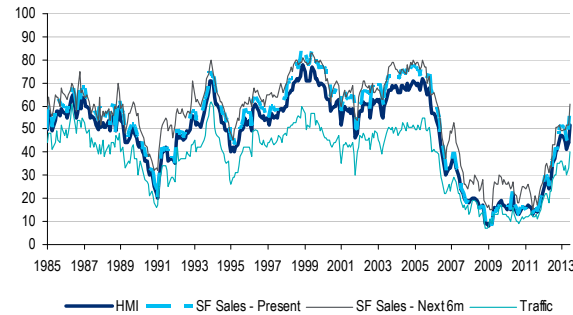
Source: DataStream

Figure 29. Office & Commercial Construction and. Vacancy



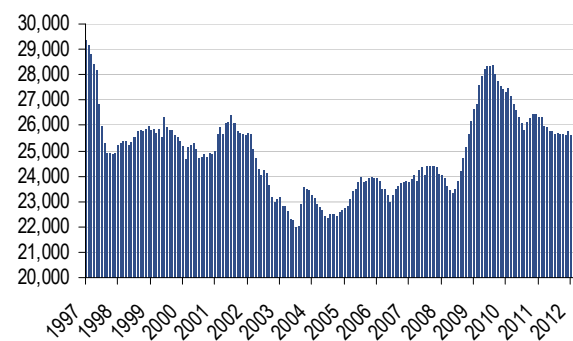
Source: DataStream

Figure 27. NAHB/Wells Fargo Housing Market Index



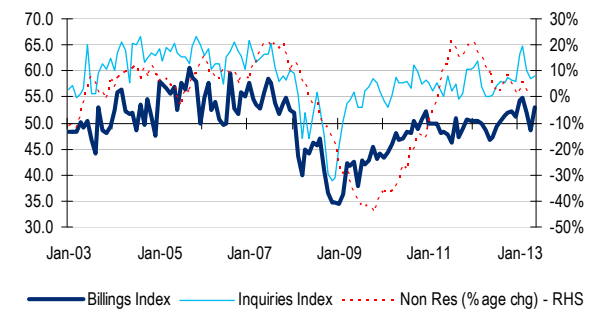
Source: DataStream

Figure 30. US Highway Contract Awards (Number)



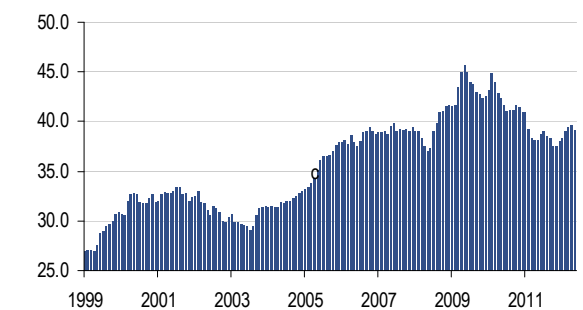
Source: ARTBA

Figure 28. US Architecture Billings Index



Source: American Institute of Architects

Figure 31. US Highway Contract Awards (Value)



Source: ARTBA

Emerging Market Sector Performance

Figure 32. India – Building Materials Performance



Source: DataStream

Figure 33. China – Building Materials Performance



Source: DataStream

Figure 34. Asia (ex Japan) – Building Materials Performance



Source: DataStream

Figure 35. LATAM – Building Materials Performance



Source: DataStream

Figure 36. GCC – Building Materials Performance



Source: DataStream

Figure 37. EM – Building Materials Performance



Source: DataStream

Cost Trends

Energy and Shipping Costs

Figure 38. Energy & Shipping Costs – Annual Summary

Annual Figures	Actual				Citi Estimates	
	2011	2012	2013 YTD	Spot	2013e	2014e
Oil - \$bbl	111	112	107	107	90	83
%age change	40%	0%	-4%	-4%	-4%	-8%
Coal - \$ per Mt	122	93	83	75	89	94
%age change	32%	-24%	-10%	-19%	-15%	5%
Gas - Henry Hub	3.95	2.74	3.73	3.52	4.30	4.50
%age change	-10%	-31%	36%	29%	56%	5%
Diesel Fuel - \$ / gallon	3.02	3.07	3.04	3.11		
%age change	38%	2%	-1%	2%		
Coking Coal - \$ per tonne	297	252	224	186	171	190
%age change	12%	-15%	-11%	-26%	-19%	11%
Pet Coke - \$ per Mt	100	67	64	66		
%age change	23%	-34%	-5%	-1%		
Carbon price - EUR per mt	12.90	7.38	4.31	4.24		
%age change	-10%	-43%	-42%	-43%		
Baltic Dry Freight	1,547	927	859	1,120		
%age change	-44%	-40%	-7%	21%		

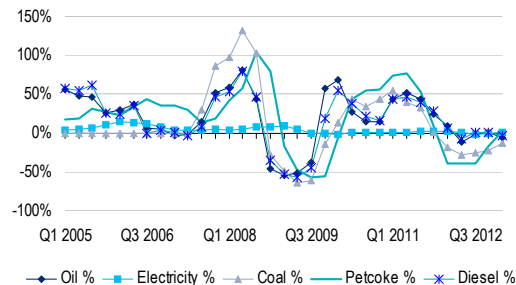
Source: DataStream, Bloomberg, Citi Research

Figure 39. Energy & Shipping Costs – Quarterly Summary

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
	2012	2012	2012	2012	2013	2013
Oil - \$bbl	119	107	111	110	112	102
%age change	13%	-8%	-2%	1%	-6%	-5%
Coal - \$ per Mt	101	90	92	89	87	80
%age change	-18%	-28%	-26%	-23%	-14%	-11%
Gas - Henry Hub	2.41	2.28	2.88	3.38	3.50	3.97
%age change	-42%	-47%	-30%	5%	45%	74%
Diesel Fuel - \$ / gallon	3.20	2.92	3.06	3.08	3.08	3.00
%age change	12%	-6%	1%	2%	-4%	2%
Coking Coal - \$ per tonne	293	282	240	194	244	206
%age change	-1%	-5%	-19%	-35%	-17%	-27%
Pet Coke - \$ per Mt	61	70	70	66	63	66
%age change	-40%	-41%	-34%	-21%	4%	-6%
Carbon price - EUR per mt	7.72	6.97	7.56	7.28	4.69	3.94
%age change	-48%	-56%	-37%	-17%	-39%	-44%
Baltic Dry Freight	893	1,020	850	944	791	883
%age change	-35%	-26%	-44%	-51%	-11%	-13%

Source: DataStream, Bloomberg, Citi Research

Figure 40. Energy Costs, Annual Change %



Source: DataStream, Citi Research

Figure 41. Shipping Costs \$



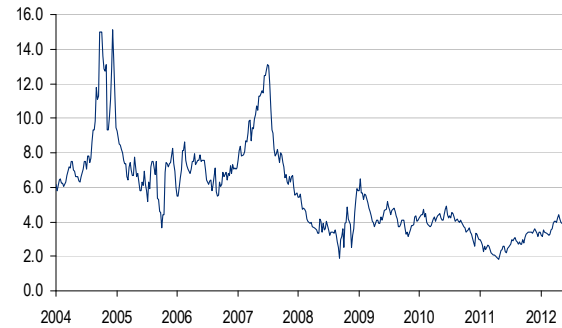
Source: DataStream, Citi Research

Figure 42. Crude Oil Price (\$ per barrel)



Source: DataStream

Figure 43. Natural Gas Price (\$ per mmbtu)



Source: DataStream

Figure 44. Diesel Price (\$ per gallon)



Source: DataStream

Figure 45. Coal Price (\$ per tonne)



Source: DataStream

Figure 46. Coking Coal Price (\$ per tonne)



Source: Bloomberg

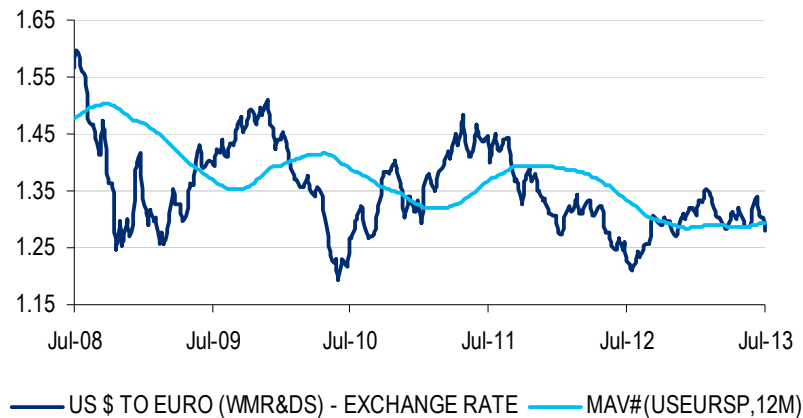
Figure 47. Petcoke Price (\$ per tonne)



Source: Bloomberg

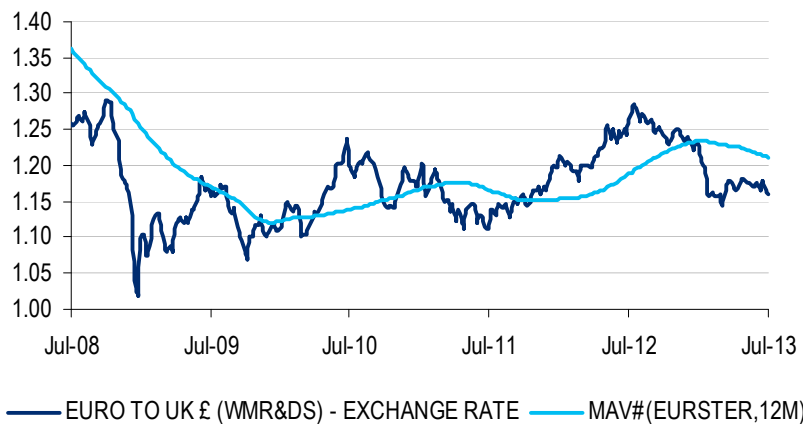
Currency Movements

Figure 48. EUR/USD Currency Movements



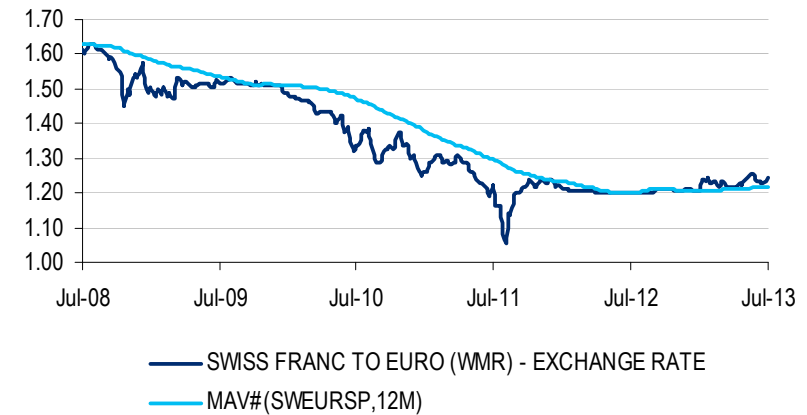
Source: DataStream

Figure 50. GBP/EUR Currency Movements



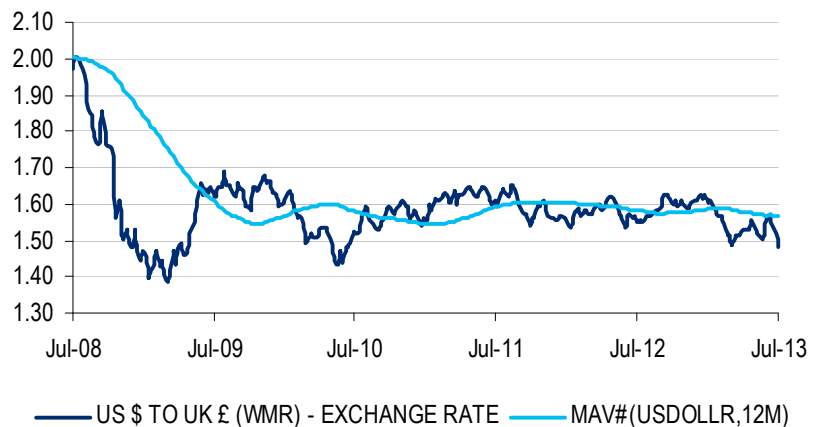
Source: DataStream

Figure 49. EUR/CHF Currency Movements



Source: DataStream

Figure 51. GBP/USD Currency Movements



Source: DataStream

Product Trends

Product Exposure

Figure 52. Product Split - Turnover (2012)

	Cement	Aggregates	RMC, Asphalt & Other Heavy Products	Building Products	Distribution
Buzzi Unicem	60%	5%	35%	0%	0%
Cemex	47%	15%	38%	0%	0%
CRH	12%	5%	24%	28%	31%
Geberit	0%	0%	0%	100%	0%
Grafton Group	0%	0%	2%	0%	98%
Heidelberg	43%	14%	35%	9%	0%
Holcim	60%	8%	33%	0%	0%
Howdens	0%	0%	0%	0%	100%
Italcementi	57%	8%	35%	0%	0%
Kingspan	0%	0%	0%	100%	0%
Lafarge	66%	15%	19%	1%	0%
Marshalls	0%	0%	0%	100%	0%
Rockwool	0%	0%	0%	100%	0%
SIG	0%	0%	0%	0%	100%
Titan Cement	73%	14%	13%	0%	0%
Travis Perkins	0%	0%	0%	0%	100%
Vicat	50%	14%	22%	14%	0%
Wienerberger	0%	0%	0%	100%	0%
Wolseley	0%	0%	0%	0%	100%

Source: Company data, Citi Research

Figure 53. Top 5 – Cement (Turnover Split)

Titan Cement
Lafarge
Buzzi Unicem
Holcim
Italcementi

73%
66%
60%
60%
57%

Figure 54. Top 5 – Aggregates(Turnover Split)

Cemex
Lafarge
Titan Cement
Vicat
Heidelberg

73%
66%
60%
60%
57%

Source: Company reports, Citi Research

Figure 55. Top 5 – Distribution (Turnover Split)

SIG
Travis Perkins
Wolseley
Howdens
Grafton Group

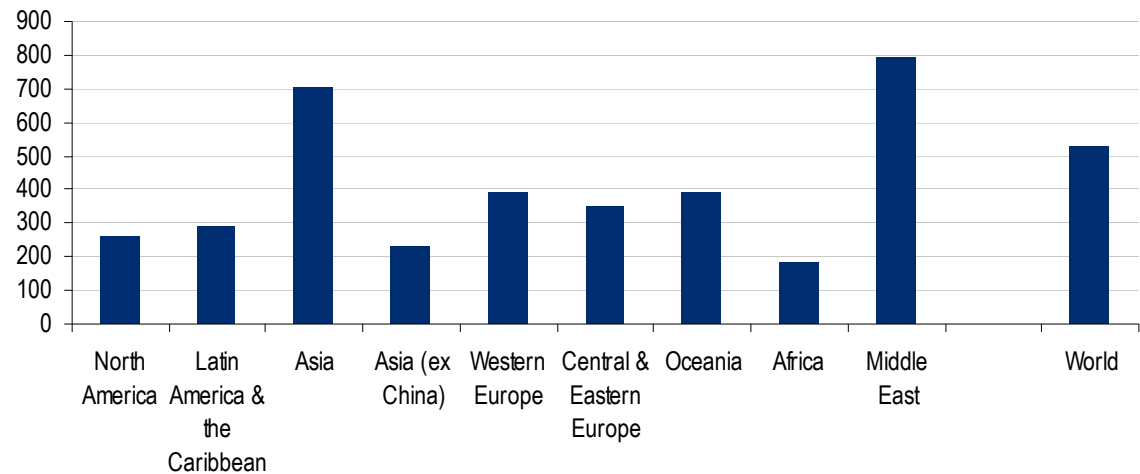
100%
100%
100%
100%
98%

Source: Company reports, Citi Research

Cement

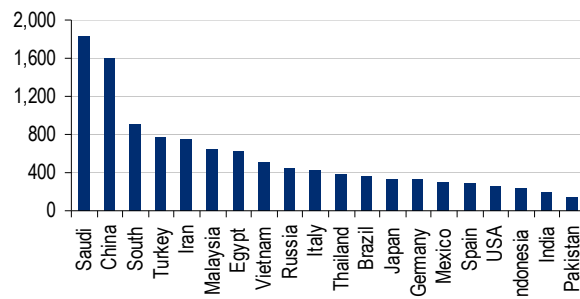
- Cement remains the sector's biggest single end market and the closest to being called a global market. In reality the vast majority (c.95%) of cement is consumed in the country that it is produced in
- The total global market is c.3.7bn tonnes
- China remains the largest cement consuming country on the planet, accounting for c.57% of total consumption, up from 36% in 2000.
- India is now the clear number two with 6% of consumption, while the US has dropped to third with only 2%.
- Of the Top 20 countries, 14 sit in the EM category.

Figure 56. Global Consumption per Capita (in kgs.)



Source: ICR, PRB, Citi Research

Figure 57. Cement Consumption per Capita, 2012 (in kgs)



Source: ICR, PRB, Citi Research

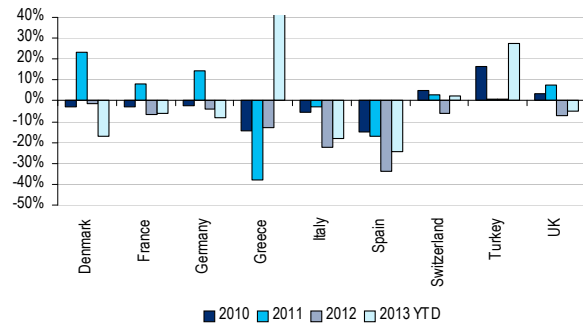
Figure 58. Top 5 by Cement Consumption, 2010-15E (in million tonnes)

	2010	2011	2012	2013e	2014e	2015e
China	1,850	2,050	2,160	2,268	2,336	2,336
India	221	237	242	254	273	295
USA	70	72	79	80	88	94
Brazil	59	64	67	70	74	78
Russia	49	57	63	68	73	81
Total World	3,328	3,601	3,753	3,915	4,061	4,145
%age change	10%	8%	4%	4%	4%	2%
Total ex China	1478	1551	1593	1647	1725	1809
%age change	5%	5%	3%	3%	5%	5%

Source: ICR, Citi Research

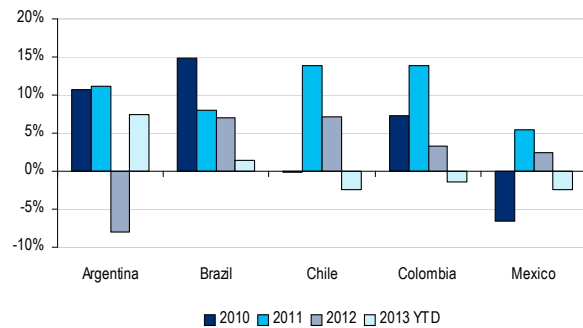
Cement Volumes – Regional Trends

Figure 59. W. Europe – Cement volumes, change %



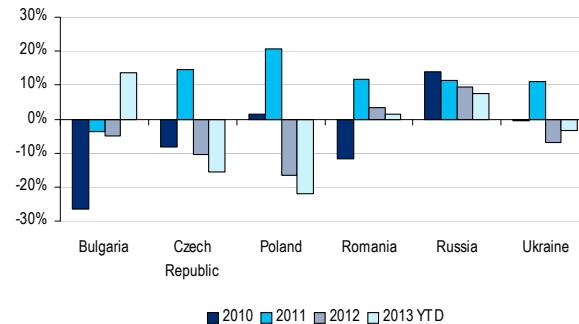
Source: Government statistics, trade data, Citi Research

Figure 62. Latin America – Cement volumes, change %



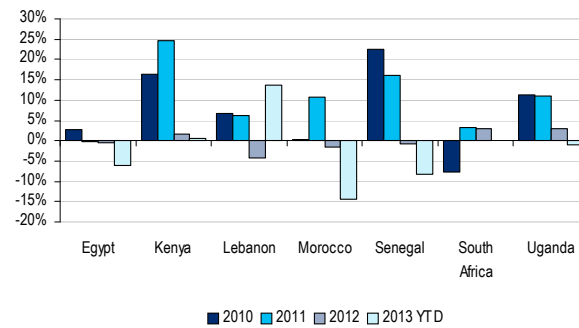
Source: Government statistics, trade data, Citi Research

Figure 60. E. Europe – Cement volumes, change %



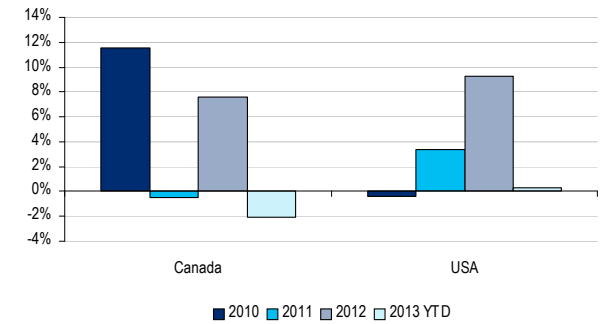
Source: Government statistics, trade data, Citi Research

Figure 63. Africa Middle East – Cement volumes, change %



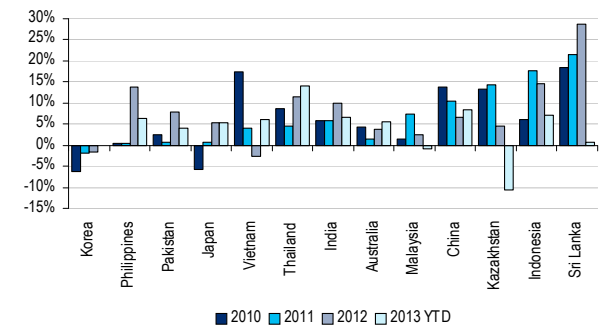
Source: Government statistics, trade data, Citi Research

Figure 61. N. America – Cement volumes, change %



Source: Citi Research

Figure 64. Asia Pacific – Cement volumes, change %



Source: Government statistics, trade data, Citi Research

Figure 65. Cement Monthly Volume Tracker

	Latest Month	Monthly yr on yr %age change	Rolling qtr yr on yr %age change	Rolling annual %age change	FY 2010	FY 2011	FY 2012	2013 YTD
North America								
Canada	Apr-13	1%	-5%	-7%	12%	-0%	8%	-2%
USA	Apr-13	-0%	-1%	4%	-0%	3%	9%	0%
Weighted average		-0%	-1%	3%	1%	3%	9%	0%
W. Europe								
Denmark	Q1 2013		-17%	-8%	-3%	23%	-1%	-17%
France	Jun-13	-6%	-2%	-5%	-3%	8%	-7%	-6%
Germany	May-13	-6%	-11%	-4%	-3%	14%	-4%	-8%
Greece	Feb-13	47%	57%	4%	-14%	-38%	-13%	66%
Italy	Apr-13	-9%	-19%	-20%	-5%	-3%	-22%	-18%
Spain	May-13	-20%	-25%	-30%	-15%	-17%	-34%	-24%
Switzerland	Q2 2013		2%	0%	5%	3%	-6%	2%
Turkey	Apr-13	12%	25%	11%	16%	1%	1%	27%
UK	May-13	-7%	-4%	-8%	3%	7%	-7%	-5%
Weighted average		-3%	-3%	-8%	-1%	-0%	-12%	-2%
E. Europe								
Bulgaria	Apr-13	-3%	13%	-2%	-26%	-4%	-5%	14%
Czech Republic	Q1 2013		-15%	-11%	-8%	15%	-10%	-15%
Poland	Jun-13	-7%	-15%	-22%	1%	21%	-17%	-22%
Romania	Apr-13	-10%	6%	2%	-12%	12%	3%	1%
Russia	May-13	0%	5%	7%	14%	11%	10%	8%
Ukraine	May-13	-8%	-3%	-8%	-0%	11%	-7%	-3%
Weighted average		-3%	0%	-1%	5%	12%	2%	0%
Asia Pacific								
Australia	Q1 2013		6%	5%	4%	1%	4%	6%
China	May-13	9%	8%	7%	14%	10%	7%	8%
India	May-13	3%	7%	8%	6%	6%	10%	7%
Indonesia	May-13	2%	5%	11%	6%	18%	15%	7%
Japan	May-13	6%	8%	5%	-6%	1%	5%	5%
Kazakhstan	May-13	-23%	-11%	-2%	13%	14%	5%	-11%
Malaysia	Apr-13	2%	-2%	1%	2%	7%	2%	-1%
Pakistan	Apr-13	6%	2%	6%	2%	1%	8%	4%
Philippines	May-13	2%	6%	9%	0%	1%	14%	6%
South Korea	May-13	-7%	-0%	-3%	-6%	-2%	-2%	-0%
Sri Lanka	Mar-13	84%	9%	13%	18%	21%	29%	1%
Thailand	May-13	12%	13%	15%	9%	5%	12%	14%
Vietnam	Jun-13	10%	9%	4%	18%	4%	-3%	6%
Weighted average		8%	7%	7%	12%	9%	7%	8%
Wgtd avg ex China		4%	6%	6%	4%	5%	7%	5%

	Latest Month	Monthly yr on yr %age change	Rolling qtr yr on yr %age change	Rolling annual %age change	FY 2010	FY 2011	FY 2012	2013 YTD
Africa & Mid East								
Egypt	Mar-13	-12%	-6%	-6%	3%	-0%	-1%	-6%
Kenya	Apr-13	-5%	-6%	3%	16%	25%	2%	1%
Lebanon	Mar-13	7%	14%	-1%	7%	6%	-4%	14%
Morocco	May-13	-7%	-12%	-13%	0%	11%	-2%	-14%
Senegal	Apr-13	-8%	-7%	-5%	22%	16%	-1%	-8%
Uganda	Mar-13	12%	-1%	2%	11%	11%	3%	-1%
Weighted average		-4%	-1%	-2%	7%	8%	3%	-1%
Latin America								
Argentina	Jun-13	3%	13%	-2%	11%	11%	-8%	7%
Brazil	Jun-13	3%	5%	3%	15%	8%	7%	1%
Chile	May-13	-10%	-4%	1%	-0%	14%	7%	-2%
Colombia	May-13	-0%	-1%	-0%	7%	14%	3%	-1%
Mexico	Apr-13	-0%	-2%	0%	-7%	5%	2%	-2%
Weighted average		5%	7%	6%	12%	7%	8%	5%
Est. World Market		5.3%	5.1%	4.7%	9.0%	7.5%	4.6%	5.4%
Emerging markets		6.9%	6.6%	6.3%	11.2%	9.2%	6.4%	6.8%
Mature markets		-1.1%	-1.2%	-2.2%	-0.3%	0.3%	-2.8%	-0.6%
Emerging markets ex China		2.0%	4.2%	4.2%	5.9%	6.6%	6.0%	3.8%
World - ex China		2.3%	3.9%	4.0%	3.8%	4.6%	4.9%	3.8%

Source: Citi Research, Datastream, Trade Data & Government Statistics

Cement Prices

Most cement producers have started the year looking more optimistic on cement prices compared to previous years. Prices are expected to be broadly positive in Russia, US, Indonesia, Thailand, Philippines, Egypt, Kazakhstan while softer trends are likely in China

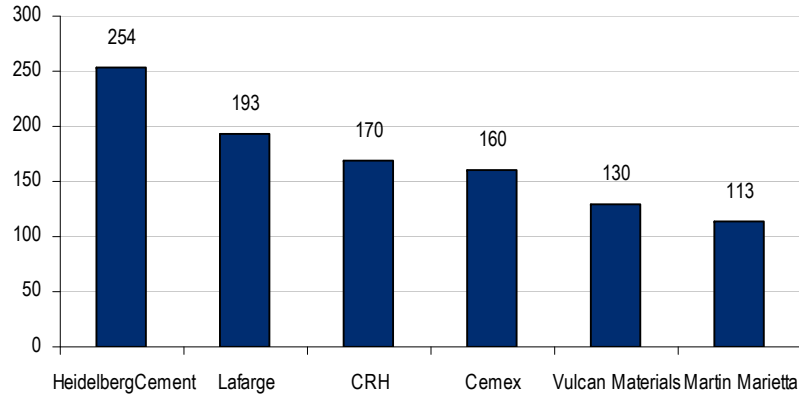
Figure 66. Cement Prices (Change %)

	FY 2010	Q1 2011	H1 2011	9M 2011	FY 2011	Q1 2012	H1 2012	9M 2012	FY 2012	Q1 2013
North America	-3.5%	-1.9%	-0.5%	0.0%	0.1%	0.9%	2.0%	2.7%	2.9%	6.0%
US		-5.5%	-4.3%	-3.8%	-3.2%	5.4%	4.5%	4.6%	4.4%	7.9%
Canada		-0.8%	-0.6%	-0.2%	-0.4%	-1.6%	-0.9%	-0.3%	-0.4%	3.4%
Western Europe	-1.8%	-1.5%	-1.2%	-1.5%	-0.7%	0.0%	0.0%	0.0%	0.0%	-1.3%
France		0.4%	-0.3%	-0.9%	-0.2%	0.7%	0.7%	0.7%	-0.3%	-2.1%
UK		-3.1%	2.9%	0.6%	0.5%	2.2%	2.9%	3.1%	2.7%	-3.0%
Spain		-8.8%	3.2%	-2.9%	-1.6%	0.4%	0.0%	-0.4%	-1.1%	-6.3%
Germany		2.1%								
Greece		-0.8%	-3.5%	-3.1%	-3.5%	-2.9%	-3.2%	-1.8%	-0.9%	-0.8%
Central Eastern Europe	-2.0%	4.2%	6.1%	8.7%	7.1%	9.8%	7.7%	5.3%	4.2%	-0.2%
Poland		-7.8%	-2.6%	-0.3%	2.3%	2.8%	7.1%	2.4%	1.7%	-0.1%
Romania		-1.4%	-1.1%	-1.0%	-0.8%	-1.8%	1.6%	-3.2%	0.9%	0.9%
Russia		2.2%	19.0%	34.8%	41.3%	39.0%	27.2%	22.4%	10.2%	6.6%
Serbia		13.3%	1.6%	-0.9%	-3.4%	-6.2%				
Middle East & Africa	1.8%	-2.1%	-1.9%	-0.9%	-0.7%	2.0%	3.0%	3.0%	2.7%	3.0%
Algeria		1.2%	3.2%	2.7%	3.0%	4.0%	3.0%	5.4%	6.0%	7.5%
Egypt		-1.2%	-4.7%	-7.9%	-7.4%	-10.5%	-7.7%	-3.4%	-1.4%	2.4%
Iraq		1.7%	-0.8%	-0.8%	-1.9%	-1.9%	-6.0%	-6.5%	-9.9%	-10.4%
Jordan		4.4%	-1.7%	-2.9%	-1.7%	-1.9%				
Kenya		1.2%	-0.7%	2.6%	2.4%	-0.4%	1.6%	-1.3%	2.4%	0.3%
Morocco		0.4%	1.3%	0.6%	0.5%	0.1%	-3.3%	-2.5%	-3.7%	-2.9%
Nigeria		-0.8%	-5.2%	-2.0%	-1.0%	1.4%	14.9%	14.0%	12.7%	9.0%
South Africa		3.6%	4.2%	4.1%	4.0%	2.8%	1.8%	1.1%	1.5%	1.8%
Latin America	2.0%	4.4%	3.6%	3.4%	3.5%	2.8%	4.1%	4.3%	3.6%	2.8%
Brazil		2.4%	5.2%	3.7%	3.5%	3.6%	1.0%	2.8%	3.3%	2.9%
Ecuador		2.7%	2.2%	2.8%	2.5%	2.4%	3.4%	5.1%	4.5%	4.3%
Honduras							7.7%	7.7%	7.3%	
Asia	2.8%	-4.2%	-3.7%	-2.8%	-1.0%	6.7%	6.4%	7.1%	6.5%	3.7%
China		-2.5%	-9.6%	-3.8%	0.6%	1.4%	-4.0%	-6.7%	-8.0%	-8.2%
India		7.5%	-4.4%	-6.9%	-8.0%	-2.3%	13.9%	20.2%	25.9%	21.4%
Indonesia			-0.6%	0.2%	1.3%	2.6%	6.8%	7.7%	8.2%	7.3%
Malaysia		3.9%	12.4%	10.5%	6.6%	4.9%	-4.7%	-4.4%	0.7%	-1.0%
Philippines		3.1%	-5.6%	-8.3%	-9.9%	-10.1%	-0.1%	3.7%	5.9%	8.7%
South Korea		-8.5%	-22.0%	-4.7%	3.8%	3.3%	40.3%	21.1%	15.9%	19.0%

Source: Company data, Citi Research

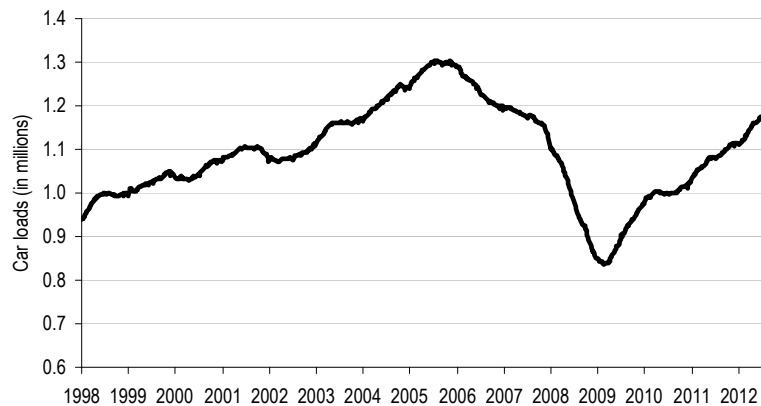
Aggregates

Figure 67. Aggregates Producers by Volume (in million tonnes), 2012



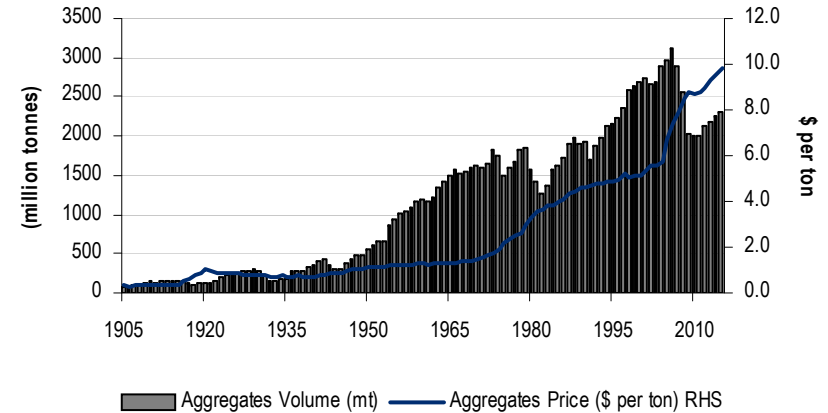
Source: Company data, Citi Research

Figure 69. US Carloads of Aggregates Shipments Rolling Annual



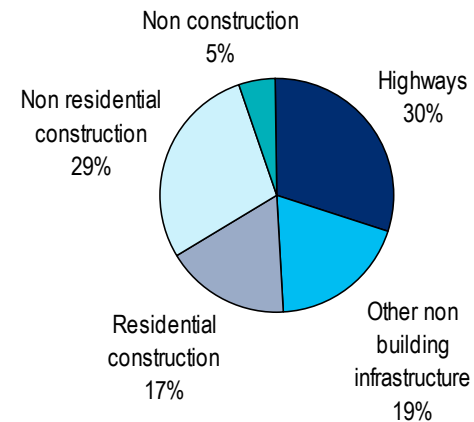
Source: DataStream, Citi Research

Figure 68. US Aggregates Volume and Price Trends, 1905-2012



Source: US Geological Survey, Citi Research

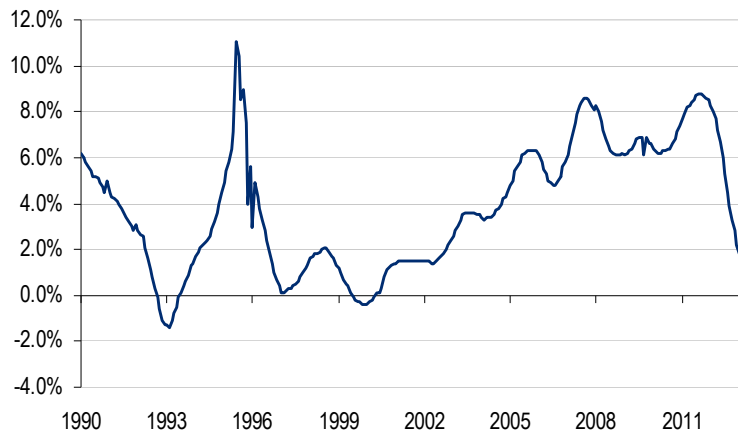
Figure 70. US Aggregates by End Use (2012)



Source: Company data, Citi Research

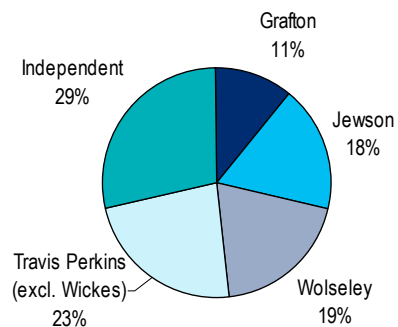
Builders' Merchants

Figure 71. Annual UK Inflation for BMF Members, %



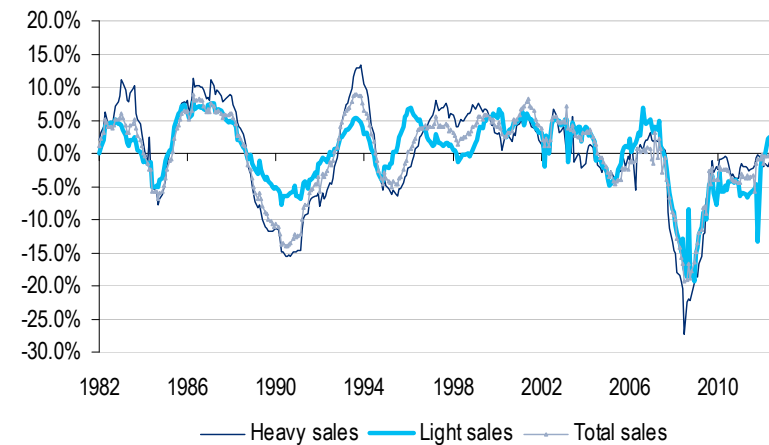
Source: BMF, Citi Research

Figure 73. UK Merchenting Market Share (%)



Source: Company data, Citi Research

Figure 72. Rolling Annual UK Sales Growth for BMF Members (%)



Source: BMF, Citi Research

Figure 74. Average Sales Growth of 3 US distribution suppliers – Fastenal, WW Grainger & MSC



Source: Company data, Citi Research

Valuation

Figure 75. P/E (Average historic prices) (All valuations priced on 10 Jul)

Calendarised	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Buzzi Unicem	10.7	9.7	7.4	15.9	16.3	84.5	n.m.	25.7	16.0	11.5
Cemex	n.m.	9.3	34.8	78.6	n.m.	n.m.	n.m.	n.m.	58.3	18.1
CRH PLC	15.8	15.0	9.5	19.1	26.6	17.1	19.5	24.6	16.6	12.8
Geberit AG	16.6	18.7	12.0	13.7	17.8	19.2	18.8	22.0	20.4	19.2
Grafton Group PLC	13.4	11.8	12.3	18.2	8.8	20.0	16.1	22.0	17.5	14.4
HeidelbergCement AG	10.9	9.9	8.3	8.9	16.3	12.6	11.0	12.8	10.1	7.9
Holcim Ltd	11.8	12.0	10.3	13.8	21.8	18.9	21.9	14.6	11.3	9.3
Howdens	16.7	14.8	5.7	5.5	7.2	8.4	9.7	17.6	16.4	14.8
Italcementi Group	12.0	13.2	9.7	21.6	30.0	n.m.	n.m.	32.8	14.0	8.9
Kingspan	15.7	16.5	9.3	14.7	19.7	15.5	16.8	20.5	17.2	13.4
Lafarge SA	11.1	11.8	11.4	15.6	15.3	19.5	14.7	14.6	10.0	8.2
Marshalls PLC	16.0	15.6	8.3	17.3	25.7	17.1	18.7	22.7	21.8	18.4
Rockwool	17.3	15.9	13.8	28.5	24.5	19.6	15.2	23.2	20.4	16.5
SIG PLC	14.2	14.8	6.8	13.4	15.5	12.7	10.6	17.2	14.7	12.6
Titan Cement Co SA	12.9	13.8	9.6	12.6	13.6	55.5	n.m.	n.m.	36.9	14.9
Travis Perkins PLC	12.5	11.9	5.9	8.1	10.9	10.3	10.8	16.1	14.2	12.3
Vicat	10.1	12.4	8.3	9.7	12.1	14.1	14.9	15.0	12.4	10.6
Wienerberger AG	12.9	14.9	13.5	n.m.	n.m.	n.m.	n.m.	n.m.	23.6	12.9
Wolseley PLC	13.2	12.7	10.4	11.2	12.6	13.2	15.7	16.1	14.2	12.0
Weighted Average	14.0	12.6	10.5	17.1	22.1	22.7	20.2	18.0	13.2	12.9

Source: dataCentral, Company data, Citi Research

Figure 76. EV/EBITDA (Average historic prices)

Calendarised	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Buzzi Unicem	5.1	5.0	4.0	5.8	7.4	6.9	6.7	7.2	6.0	5.0
Cemex	n.m.	n.m.	8.5	10.5	11.4	10.3	9.5	9.9	8.5	7.3
CRH PLC	9.2	9.1	6.5	8.9	8.9	7.8	8.3	9.1	7.7	6.6
Geberit AG	10.8	11.5	9.4	9.6	12.9	13.9	13.5	15.7	14.3	13.2
Grafton Group PLC	10.3	9.0	8.3	13.9	10.4	9.9	8.7	11.9	10.0	8.3
HeidelbergCement AG	7.7	9.2	8.3	8.3	8.1	7.6	7.0	7.2	6.4	5.5
Holcim Ltd	7.7	8.3	8.2	8.7	9.5	9.2	8.5	8.1	7.2	6.4
Howdens	n.m.	9.5	5.6	6.0	5.7	6.3	7.0	12.0	10.8	9.5
Italcementi Group	5.9	6.0	5.9	6.0	6.4	7.9	8.0	8.3	7.1	6.1
Kingspan	10.8	11.8	7.0	9.6	10.9	9.3	9.7	11.6	10.1	8.3
Lafarge SA	6.8	7.2	6.5	9.2	8.1	7.6	6.3	6.4	5.4	4.8
Marshall's PLC	8.4	8.3	7.0	7.2	8.6	7.8	8.1	10.0	9.1	8.3
Rockwool	7.7	9.1	6.0	6.4	7.3	7.4	5.4	8.1	7.5	6.5
SIG PLC	9.4	10.6	7.3	17.3	8.1	9.8	7.9	9.5	8.4	7.4
Titan Cement Co SA	7.5	8.7	7.5	7.9	7.4	8.5	9.5	8.9	7.6	5.8
Travis Perkins PLC	9.1	8.4	5.8	6.8	8.0	7.7	7.6	10.4	9.2	8.1
Vicat	6.1	7.7	5.7	6.2	7.3	7.9	8.0	7.7	6.7	5.8
Wienerberger AG	8.4	8.6	7.0	10.2	11.3	9.5	7.7	7.7	6.4	5.4
Wolseley PLC	9.0	8.8	6.9	6.8	8.3	8.1	9.1	10.3	9.3	8.0
Weighted Average	7.4	7.0	6.9	8.4	8.2	8.1	7.7	8.1	7.1	6.4

Source: dataCentral, Company data, Citi Research

Figure 77. EV/Invested Capital (Average historic prices)

Calendarised	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Buzzi Unicem	1.16	1.34	0.84	0.68	0.63	0.61	0.63	0.74	0.71	0.68
Cemex	n.m.	n.m.	0.96	0.70	0.72	0.72	0.79	0.88	0.88	0.86
CRH PLC	1.73	1.78	1.10	1.08	0.96	0.84	0.91	0.96	0.98	0.97
Geberit AG	4.36	5.45	4.08	3.82	6.01	6.19	5.98	7.09	6.71	6.25
Grafton Group PLC	1.90	1.75	1.05	0.79	0.77	0.75	0.76	1.15	1.10	1.04
HeidelbergCement AG	1.60	0.99	1.14	0.79	0.77	0.74	0.75	0.81	0.78	0.75
Holcim Ltd	1.15	1.29	1.14	0.92	1.14	1.01	1.02	1.06	1.02	0.97
Howdens	n.m.	5.97	2.06	2.73	3.85	4.35	4.84	7.77	7.30	6.66
Italcementi Group	1.18	1.15	0.86	0.80	0.71	0.68	0.68	0.71	0.70	0.68
Kingspan	3.37	3.63	1.68	1.28	1.45	1.34	1.39	1.83	1.74	1.65
Lafarge SA	1.34	1.40	0.93	1.06	0.88	0.85	0.79	0.88	0.83	0.80
Marshall's PLC	1.86	1.69	1.15	0.87	0.93	0.94	0.94	1.32	1.30	1.31
Rockwool	2.93	4.51	1.65	1.21	1.38	1.40	1.24	1.82	1.74	1.66
SIG PLC	2.15	1.77	0.89	0.91	0.92	0.99	0.87	1.26	1.23	1.17
Titan Cement Co SA	2.22	1.91	1.03	0.97	0.84	0.78	0.75	0.68	0.67	0.65
Travis Perkins PLC	1.59	1.51	0.91	0.98	0.86	1.08	1.07	1.52	1.44	1.37
Vicat	1.57	1.80	1.04	0.99	0.97	1.02	0.87	0.92	0.89	0.86
Wienerberger AG	1.40	1.40	0.92	0.69	0.78	0.77	0.60	0.70	0.68	0.66
Wolseley PLC	1.73	1.36	0.99	1.01	1.22	1.42	1.92	2.34	2.38	2.22
Average	1.44	1.46	1.22	1.11	1.09	1.08	1.08	1.19	1.15	1.18

Source: dataCentral, Company data, Citi Research

Figure 78. ROIC (%)

Calendarised	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Buzzi Unicem	11.5%	13.8%	12.5%	5.8%	5.1%	3.1%	3.1%	4.6%	5.6%	6.9%
Cemex	n.m.	n.m.	10.3%	4.9%	1.3%	0.8%	2.6%	4.4%	5.5%	5.9%
CRH PLC	11.6%	11.9%	9.9%	5.5%	4.1%	5.0%	4.8%	4.5%	5.9%	7.3%
Geberit AG	26.7%	29.5%	31.3%	27.2%	30.5%	32.3%	33.0%	33.9%	35.2%	35.7%
Grafton Group PLC	13.6%	14.2%	7.2%	1.4%	6.8%	3.7%	6.2%	5.1%	6.0%	7.1%
HeidelbergCement AG	11.2%	9.6%	7.9%	6.8%	6.0%	5.2%	6.2%	6.3%	7.0%	7.8%
Holcim Ltd	10.5%	10.6%	8.3%	6.4%	5.8%	5.8%	6.4%	7.1%	8.3%	9.4%
Howdens	n.m.	59.4%	24.6%	26.2%	36.8%	45.5%	49.3%	47.5%	46.7%	49.3%
Italcementi Group	10.3%	9.9%	6.8%	4.7%	3.9%	2.1%	0.4%	2.5%	3.4%	4.4%
Kingspan	23.9%	24.0%	15.2%	6.7%	7.7%	8.7%	9.1%	9.6%	10.6%	12.7%
Lafarge SA	10.7%	12.1%	11.3%	6.9%	6.6%	5.6%	7.5%	8.1%	9.2%	9.9%
Marshall's PLC	11.9%	11.4%	8.8%	5.9%	3.4%	5.2%	7.0%	5.9%	6.2%	7.1%
Rockwool	19.7%	32.6%	14.5%	5.6%	6.5%	6.4%	9.2%	8.4%	8.9%	10.5%
SIG PLC	15.5%	12.7%	8.5%	2.5%	7.4%	5.6%	6.4%	8.1%	8.8%	9.6%
Titan Cement Co SA	18.1%	15.4%	11.5%	6.6%	6.4%	3.9%	2.1%	2.6%	3.6%	5.2%
Travis Perkins PLC	11.1%	12.2%	10.9%	8.8%	7.6%	8.6%	9.5%	8.9%	9.6%	10.5%
Vicat	15.5%	15.7%	11.4%	9.3%	8.6%	6.4%	4.7%	5.1%	6.1%	7.2%
Wienerberger AG	9.1%	9.4%	6.4%	1.7%	0.5%	1.3%	0.9%	2.0%	3.2%	4.5%
Wolseley PLC	14.1%	10.9%	8.3%	8.5%	9.6%	11.4%	13.1%	15.3%	16.7%	18.5%
Average	14.4%	17.5%	11.9%	8.0%	8.7%	8.8%	9.6%	10.0%	10.9%	12.1%

Source: dataCentral, Company data, Citi Research

Figure 79. Gearing (%)

Calendarised	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Buzzi Unicem	29%	20%	34%	41%	44%	40%	47%	36%	30%	22%
Cemex	n.m.	102%	106%	77%	88%	119%	125%	118%	108%	91%
CRH PLC	68%	68%	80%	40%	35%	35%	29%	30%	28%	25%
Geberit AG	13%	-13%	-3%	-13%	-34%	-33%	-29%	-34%	-37%	-39%
Grafton Group PLC	52%	50%	55%	37%	27%	24%	21%	16%	10%	4%
HeidelbergCement AG	55%	195%	141%	77%	63%	57%	51%	44%	36%	28%
Holcim Ltd	69%	59%	84%	63%	54%	59%	52%	48%	41%	33%
Howdens	n.m.	15%	n.m.	n.m.	-151%	-81%	-85%	-60%	-56%	-52%
Italcementi Group	47%	50%	59%	51%	45%	45%	51%	50%	48%	44%
Kingspan	31%	32%	55%	25%	19%	25%	22%	14%	7%	-2%
Lafarge SA	61%	72%	116%	83%	78%	55%	51%	42%	36%	29%
Marshall's PLC	29%	48%	58%	38%	34%	37%	35%	23%	23%	22%
Rockwool	-10%	-15%	6%	-2%	5%	9%	2%	1%	-2%	-6%
SIG PLC	65%	60%	101%	32%	29%	16%	21%	23%	21%	18%
Titan Cement Co SA	30%	48%	78%	67%	45%	42%	36%	32%	27%	20%
Travis Perkins PLC	86%	91%	100%	32%	40%	28%	20%	13%	10%	5%
Vicat	15%	30%	35%	31%	39%	45%	48%	43%	36%	27%
Wienerberger AG	74%	53%	69%	48%	47%	48%	59%	54%	49%	42%
Wolseley PLC	71%	70%	54%	23%	15%	11%	8%	16%	9%	3%
Weighted Average	69%	84%	98%	65%	58%	57%	54%	49%	42%	35%

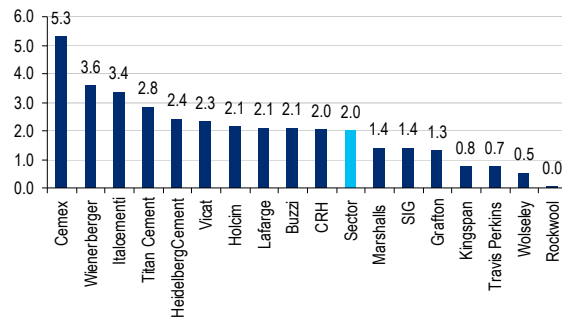
Source: dataCentral, Company data, Citi Research

Figure 80. Net Debt to EBITDA (x)

Calendarised	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Buzzi Unicem	0.8	0.5	1.0	2.0	3.1	2.7	2.7	2.1	1.6	1.1
Cemex		4.3	4.1	5.7	6.6	7.5	5.8	5.3	4.4	3.5
CRH PLC	2.0	1.9	2.5	2.2	2.2	2.2	1.9	2.0	1.6	1.3
Geberit AG	0.2	nm	nm	nm	nm	nm	nm	nm	nm	nm
Grafton Group PLC	1.8	1.7	2.7	4.6	2.8	2.4	1.8	1.3	0.8	0.3
HeidelbergCement AG	1.6	5.8	3.8	4.0	3.6	3.3	2.8	2.4	1.9	1.4
Holcim Ltd	2.1	1.9	2.8	3.1	2.5	2.9	2.5	2.1	1.8	1.4
Howdens	0.1	0.1	0.7	nm	nm	nm	nm	nm	nm	nm
Italcementi Group	1.5	1.7	2.4	2.5	2.7	3.1	3.4	3.4	2.8	2.3
Kingspan	0.7	0.8	1.4	1.4	1.1	1.4	1.2	0.8	0.4	nm
Lafarge SA	1.8	2.1	3.7	3.9	3.9	3.1	2.6	2.1	1.7	1.3
Marshall's PLC	0.8	1.4	2.1	1.9	2.1	2.2	2.1	1.4	1.3	1.2
Rockwool	nm	nm	0.2	nm	0.2	0.4	0.1	0.0	nm	nm
SIG PLC	1.6	2.0	3.7	4.3	1.9	1.3	1.6	1.4	1.2	1.0
Titan Cement Co SA	0.7	1.3	2.9	2.9	2.5	2.9	3.0	2.8	2.1	1.4
Travis Perkins PLC	2.4	2.5	3.0	1.6	2.6	1.5	1.1	0.7	0.5	0.3
Vicat	0.5	0.9	1.3	1.4	2.0	2.2	2.7	2.3	1.8	1.3
Wienerberger AG	2.5	2.1	3.0	4.8	4.5	3.9	4.5	3.6	2.9	2.2
Wolseley PLC	2.0	2.5	2.2	1.0	0.7	0.5	0.3	0.5	0.3	0.1
Weighted Average	1.8	2.5	2.7	3.1	2.8	2.6	2.4	2.1	1.7	1.4

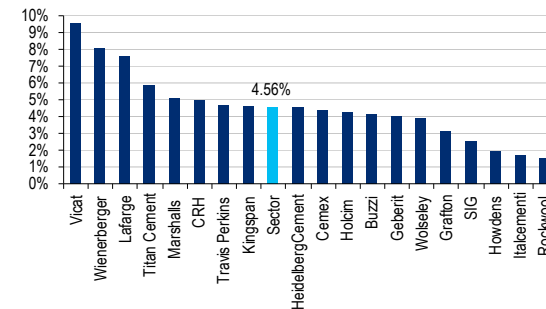
Source: dataCentral, Company data, Citi Research

Figure 81. Net Debt to EBITDA (x) – 2013E



Source: dataCentral, Citi Research

Figure 82. FCF Yield (%) – 2013E



Source: dataCentral, Citi Research

Company Section

Buzzi Unicem – Sell, Price Target €9.00

- Markets such as the US, Germany & Russia are expected to be okay while Italy & Mexico are likely to remain weak
- While pricing in Italy has recovered from the low points, how it behaves in 2013 remains a concern with the risk of price weakness if volumes are significantly weaker in 2013. Restructuring in the Italian cement market should help.
- The stock has recently had a good run and valuation looks full. We retain our price target of €9 and Sell rating.

Figure 83. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 84. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	2,787	422	76	0.1	119.8	8.4	1.28	0.4%	3.1%	44.0%
Dec-12A	2,813	447	105	0.0	6,031.7	8.2	1.30	0.4%	3.1%	50.0%
Dec-13E	2,916	497	177	0.5	25.7	7.2	1.23	1.0%	4.6%	38.2%
Dec-14E	3,083	571	258	0.7	16.0	6.0	1.11	1.5%	5.6%	31.8%
Dec-15E	3,256	655	342	1.0	11.5	5.0	1.00	1.5%	6.9%	23.4%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-23.40%	Shares O/S		205m	Absolute		11%	-11%	1%	59%
Expected Dividend Yield	0.43%	Market Cap. €m		1943	Relative to Local		16%	-6%	3%	47%
Expected Total Return	-22.98%	ROE (Curr Yr)		3.6%	Relative to STOXX		6%	-11%	1%	44%

Source: dataCentral, Citi Research

CRH – Sell, Price Target €15.00

- Looking more interesting but valuation and end market exposure holds us back still.
- Unless we see another macro leg down, we believe earnings downgrades may soon come to an end
- While the cost savings plan should help profits in 2013, underlying markets in Europe are expected to be flat at best overall. We expect the US to continue to deliver growth albeit at a slower pace. Balance sheet remains relatively good.
- New CEO to be announced

Figure 85. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 86. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	18,081	1,656	656	82.6	18.8	8.5	0.78	4.0%	5.0%	35.1%
Dec-12A	18,659	1,640	444	76.4	20.4	8.7	0.76	4.0%	4.8%	29.6%
Dec-13E	18,300	1,564	545	63.2	24.6	9.1	0.78	4.0%	4.5%	30.2%
Dec-14E	19,217	1,840	850	93.7	16.6	7.7	0.74	4.1%	5.9%	28.0%
Dec-15E	20,333	2,119	1,144	121.5	12.8	6.6	0.69	4.1%	7.3%	24.8%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-3.56%	Shares O/S		721m	Absolute		7%	-1%	-6%	13%
Expected Dividend Yield	4.02%	Market Cap. €m		11345	Relative to Local		-11%	-2%	-10%	-13%
Expected Total Return	0.46%	ROE (Curr Yr)		4.3%	Relative to STOXX		2%	-1%	-7%	-2%

Source: dataCentral, Citi Research

Geberit – Sell, Price Target CHF 210.00

- While the group is likely to continue to enjoy a premium rating in 2013, valuation continues to hold us back.
- Geberit has delivered enviable sales growth and margin performance during the recent recession.
- We expect European end markets to be challenging in 2013 with risks on the downside. Some form of capital return programme or special dividend is possible in 2013 given the strength of the balance sheet but we continue to see the stock as being fully valued with little room for any disappointing volume performance next year

Figure 87. Share Price Performance (CHF)



Source: DataStream, Citi Research

Figure 88. Key Data, 2011-15E (CHF in Millions)

Year to	Sales (SFr m)	EBITDA (SFr m)	PBT (SFr m)	EPS (SFr)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	1,868	532	442	9.8	25.0	16.9	4.81	2.6%	32.3%	-32.9%
Dec-12A	1,920	542	455	10.3	23.9	16.6	4.70	2.7%	33.0%	-28.5%
Dec-13E	2,011	572	493	11.2	22.0	15.7	4.46	2.9%	33.9%	-33.6%
Dec-14E	2,116	617	538	12.0	20.4	14.3	4.18	3.1%	35.2%	-37.2%
Dec-15E	2,214	661	580	12.8	19.2	13.2	3.93	3.3%	35.7%	-39.4%
Performance						Ytd (%)	-1m (%)	-3m (%)	-12m (%)	
Expected Share Price Return	-14.53%	Shares O/S		38m	Absolute	22%	5%	11%	31%	
Expected Dividend Yield	2.93%	Market Cap. €m		7471	Relative to Local	5%	2%	8%	2%	
Expected Total Return	-11.60%	ROE (Curr Yr)		27.9%	Relative to STOXX	17%	5%	10%	15%	

Source: dataCentral, Citi Research

Grafton – Neutral, Price Target €4.90

- We expect good margin progress in the UK merchanting business supported by the group's efficiency measures.
- We retain our Neutral stance on the stock as the valuation looks relatively full after a strong run in the last 12 months. However, we believe balance sheet remains in solid shape and the group is well positioned to see steady progress in its UK business and some stability in Ireland.

Figure 89. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 90. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	2,054	97	45	15.4	35.5	15.6	0.74	1.4%	3.7%	24.0%
Dec-12A	2,171	115	62	19.5	28.0	13.4	0.71	1.6%	6.2%	20.6%
Dec-13E	2,222	127	74	24.8	22.0	11.9	0.68	1.6%	5.1%	15.8%
Dec-14E	2,307	146	94	31.2	17.5	10.0	0.63	1.7%	6.0%	10.4%
Dec-15E	2,427	168	116	38.1	14.4	8.3	0.58	1.8%	7.1%	4.3%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-10.40%	Shares O/S		232m	Absolute		42%	-3%	9%	103%
Expected Dividend Yield	1.59%	Market Cap. €m		1269	Relative to Local		24%	-4%	6%	77%
Expected Total Return	-8.81%	ROE (Curr Yr)		5.5%	Relative to STOXX		37%	-3%	9%	87%

Source: dataCentral, Citi Research

HeidelbergCement – Buy, Price Target €61.00

- Geographically, it has fewer difficult markets with little exposure to Southern Europe or tricky Asian or African markets.
- The group's Indonesian and Sub Saharan African activities continue to perform well.
- In the near term its larger-than-average exposure to the US should benefit the group as the recovery there continues. The balance sheet continues to be relatively stretched but is improving and the group still has a number of assets to sell off which would help a bit.

Figure 91. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 92. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	12,902	2,321	1,022	3.2	15.7	8.4	1.52	0.7%	5.2%	61.6%
Dec-12A	14,020	2,477	1,086	3.6	13.8	7.8	1.37	0.9%	6.2%	55.9%
Dec-13E	14,579	2,620	1,282	3.9	12.8	7.2	1.30	1.5%	6.3%	48.2%
Dec-14E	15,428	2,905	1,604	5.0	10.1	6.4	1.20	2.2%	7.0%	39.9%
Dec-15E	16,338	3,260	2,055	6.3	7.9	5.5	1.10	2.2%	7.8%	31.2%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	22.00%	Shares O/S	188m	Absolute			9%	-14%	-7%	31%
Expected Dividend Yield	2.20%	Market Cap. €m	9375	Relative to Local			3%	-11%	-11%	6%
Expected Total Return	24.20%	ROE (Curr Yr)	5.7%	Relative to STOXX			4%	-14%	-8%	15%

Source: dataCentral, Citi Research

Holcim – Neutral, Price Target CHF74.00

- Cost savings continue to dominate the investment story with the group delivering gains of CHF158m in 2012, a bit better than its guidance of CHF150m (though a bit behind on the “excellence” component).
- Management continues to target total savings of CHF1.5bn by 2014.
- India continues to be a major market for the group and it seems that volumes & pricing there have recently been a bit disappointing.
- Mexico, Australia & Morocco also seem tricky
- Positive US trends

Figure 93. Share Price Performance (CHF)



Source: DataStream, Citi Research

Figure 94. Key Data, 2011-15E (CHF in Millions)

Year to	Sales (SFr m)	EBITDA (SFr m)	PBT (SFr m)	EPS (SFr)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	20,744	3,975	1,132	3.2	21.0	9.7	1.86	1.5%	5.8%	68.6%
Dec-12A	21,544	4,223	1,585	2.7	24.9	9.1	1.78	1.7%	6.4%	61.1%
Dec-13E	22,026	4,697	2,842	4.5	14.6	8.1	1.73	2.1%	7.1%	55.6%
Dec-14E	23,369	5,344	3,323	5.9	11.3	7.2	1.64	2.7%	8.3%	48.2%
Dec-15E	25,148	5,972	3,952	7.1	9.3	6.4	1.52	3.2%	9.4%	38.4%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	11.78%	Shares O/S		324m	Absolute		-1%	-9%	-9%	25%
Expected Dividend Yield	2.11%	Market Cap. €m		17419	Relative to Local		-18%	-11%	-11%	-4%
Expected Total Return	13.90%	ROE (Curr Yr)		9.2%	Relative to STOXX		-6%	-8%	-9%	9%

Source: dataCentral, Citi Research

Howdens – Neutral, Price Target £2.40

- A strong niche position servicing the local builder/joiner continues to deliver good pricing power and margins. This should ensure that it performs relatively well in 2013 too.
- Valuation looks stretched currently
- Howdens' stronger cash position is also starting to look interesting and supports potentially additional capital being returned at some point. It expects to continue to grow the depot network this year by c.20-30 depots (20 were opened in 2012) from the 529 currently and believe 700 is a reasonable target.

Figure 95. Share Price Performance (£)



Source: DataStream, Citi Research

Figure 96. Key Data, 2011-15E (GBP in Millions)

Year to	Sales (£ m)	EBITDA (£ m)	PBT (£ m)	EPS (p)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	854	132	110	13.0	20.1	13.8	2.13	0.2%	45.5%	-81.3%
Dec-12A	887	137	112	13.9	18.8	13.0	2.01	1.1%	49.3%	-84.6%
Dec-13E	926	145	120	14.8	17.6	12.0	1.88	1.6%	47.5%	-60.3%
Dec-14E	979	156	132	16.0	16.4	10.8	1.72	1.9%	46.7%	-55.5%
Dec-15E	1,040	170	147	17.7	14.8	9.5	1.55	2.3%	49.3%	-52.2%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-8.22%	Shares O/S		633m	Absolute		51%	10%	18%	101%
Expected Dividend Yield	1.57%	Market Cap. €m		1955	Relative to Local		40%	9%	16%	85%
Expected Total Return	-6.65%	ROE (Curr Yr)		60.0%	Relative to STOXX		46%	10%	17%	86%

Source: dataCentral, Citi Research

Italcementi – Neutral, Price Target €5.10

- Restructuring and pricing support profits in a difficult volume environment
- While there remains medium-term recovery potential in Western Europe, 2013 continues to look tricky.
- Net debt remains relatively high.
- EBITDA margins in Italy are expected to benefit from the group's recent restructuring plan (Project 2015), with targeted savings of c.€40m.

Figure 97. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 98. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	4,721	697	113	-0.2	-30.5	7.8	1.15	2.2%	2.1%	62.5%
Dec-12A	4,480	632	47	-0.1	-55.9	8.5	1.19	1.1%	0.4%	72.2%
Dec-13E	4,387	637	108	0.2	32.8	8.3	1.20	1.1%	2.5%	71.7%
Dec-14E	4,591	738	212	0.4	14.0	7.1	1.14	1.5%	3.4%	67.4%
Dec-15E	4,840	849	322	0.6	8.9	6.1	1.06	2.0%	4.4%	61.3%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-6.08%	Shares O/S		279m	Absolute		28%	-6%	21%	48%
Expected Dividend Yield	1.10%	Market Cap. €m		962	Relative to Local		32%	0%	23%	35%
Expected Total Return	-4.97%	ROE (Curr Yr)		1.6%	Relative to STOXX		23%	-5%	20%	33%

Source: dataCentral, Citi Research

Kingspan – Neutral, Price Target €9.20

- We believe that the group offers an attractive business model that is well positioned to deliver superior growth to the wider sector.
- Earnings in 2013 should also be boosted by the recent acquisition which should see its losses starting turn into profits as it is restructured. We believe the balance sheet remains relatively sound giving the group scope to make further bolt-on acquisitions and/or invest in capex.
- However, we remain Neutral given the uncertain trading outlook in Europe combined with the relatively strong share price performance.

Figure 99. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 100. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	1,547	134	83	0.4	24.4	14.2	1.23	1.1%	8.7%	25.7%
Dec-12A	1,629	148	93	0.4	23.1	13.0	1.18	1.2%	9.1%	22.1%
Dec-13E	1,847	164	104	0.5	20.5	11.6	1.03	1.3%	9.6%	14.3%
Dec-14E	1,917	183	126	0.6	17.2	10.1	0.96	1.5%	10.6%	7.2%
Dec-15E	2,021	214	161	0.8	13.4	8.3	0.88	1.5%	12.7%	-1.7%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-10.46%	Shares O/S		168m	Absolute		23%	3%	9%	59%
Expected Dividend Yield	1.31%	Market Cap. €m		1743	Relative to Local		5%	2%	6%	33%
Expected Total Return	-9.15%	ROE (Curr Yr)		9.8%	Relative to STOXX		18%	4%	9%	44%

Source: dataCentral, Citi Research

Lafarge – Buy, Price Target €59.00

- We maintain our Buy due to what we see as an attractive valuation
- Middle East remains a focus
- Management continues to target net debt below €10bn as soon as possible in 2013 with the recent disposals helping achieve this.
- Cost savings programme was recently accelerated with the full target of €1.75bn now expected by end of 2014, a year ahead of the earlier target and it's targeting to deliver savings of €650m in 2013

Figure 101. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 102. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	15,284	3,217	676	1.9	24.7	8.5	1.80	1.1%	5.6%	62.0%
Dec-12A	15,816	3,450	921	2.5	18.9	7.2	1.57	2.1%	7.5%	58.3%
Dec-13E	16,054	3,713	1,600	3.2	14.6	6.4	1.49	2.3%	8.1%	47.8%
Dec-14E	17,054	4,214	2,255	4.7	10.0	5.4	1.35	2.6%	9.2%	40.9%
Dec-15E	18,235	4,608	2,710	5.7	8.2	4.8	1.22	2.9%	9.9%	32.4%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	25.39%	Shares O/S		287m	Absolute		-2%	-12%	-5%	38%
Expected Dividend Yield	2.34%	Market Cap. €m		13517	Relative to Local		-7%	-11%	-7%	17%
Expected Total Return	27.72%	ROE (Curr Yr)		5.7%	Relative to STOXX		-8%	-12%	-5%	22%

Source: dataCentral, Citi Research

Marshalls – Neutral, Price Target 120p

- We see Marshalls as the clear leader in its field of UK hard landscaping in costs & product development
- We believe the group continues to gain share from its peers, which underinvested historically, while the recent modest expansion into Belgium/W. Europe highlights management's drive to continue looking for opportunities.
- The market will likely remain focused on UK volume recovery. So, while the dividend remains attractive, we believe the shares need some better news on the economy and the knock-on trading to justify the current share price.

Figure 103. Share Price Performance (p)



Source: DataStream, Citi Research

Figure 104. Key Data, 2011-15E (GBP in Millions)

Year to	Sales (£ m)	EBITDA (£ m)	PBT (£ m)	EPS (p)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	334	35	14	6.2	21.6	9.3	0.98	3.9%	5.2%	38.0%
Dec-12A	310	30	10	4.9	27.1	10.8	1.05	3.9%	7.0%	35.4%
Dec-13E	310	31	13	5.9	22.7	10.0	1.00	3.9%	5.9%	23.8%
Dec-14E	320	33	15	6.1	21.8	9.1	0.94	3.9%	6.2%	23.0%
Dec-15E	336	36	18	7.2	18.4	8.3	0.89	4.0%	7.1%	22.1%
Performance						Ytd (%)	-1m (%)	-3m (%)	-12m (%)	
Expected Share Price Return	-9.79%	Shares O/S		196m	Absolute	36%	-2%	8%	64%	
Expected Dividend Yield	3.95%	Market Cap. €m		305	Relative to Local	26%	-3%	6%	47%	
Expected Total Return	-5.85%	ROE (Curr Yr)		7.6%	Relative to STOXX	31%	-2%	8%	49%	

Source: dataCentral, Citi Research

Rockwool – Neutral, Price Target DKK780

- On valuation, the shares do not look stretched, with a strong balance sheet (virtually no debt) also supportive, but given the cautious outlook and subdued earnings outlook we maintain a Neutral rating after a relatively strong run in the share price since Q3 2012.
- Volumes in Europe combined with what input costs do will be the key issue for 2013. Longer term, the product continues to offer positive growth dynamics in excess of the wider building market driven by increased regulation related to energy efficiency

Figure 105. Share Price Performance (DKK)



Source: DataStream, Citi Research

Figure 106. Key Data, 2011-15E (DKr in Millions)

Year to	Sales (DKr m)	EBITDA (DKr m)	PBT (DKr m)	EPS (DKr)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	13,906	1,821	899	29.6	28.9	10.6	1.39	1.1%	6.4%	8.7%
Dec-12A	14,853	2,240	1,098	35.7	23.9	8.5	1.28	1.2%	9.2%	1.8%
Dec-13E	15,272	2,297	1,149	36.9	23.2	8.1	1.23	1.3%	8.4%	1.0%
Dec-14E	15,956	2,467	1,323	41.9	20.4	7.5	1.16	1.4%	8.9%	-1.7%
Dec-15E	16,966	2,793	1,647	51.9	16.5	6.5	1.07	1.6%	10.5%	-6.0%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	-8.77%	Shares O/S		22m	Absolute		35%	8%	19%	59%
Expected Dividend Yield	1.26%	Market Cap. €m		1231	Relative to Local		28%	8%	20%	44%
Expected Total Return	-7.51%	ROE (Curr Yr)		8.2%	Relative to STOXX		30%	9%	18%	44%

Source: dataCentral, Citi Research

SIG – Buy, Price Target £1.90

- The group delivered a decent set of results for 2012 in difficult markets. We remains Buyers of the stock as we continue to see medium term value in the shares as returns improve on the back of management action as well as volume recovery at some point.
- The new CEO will present his ideas on how to enhance returns and growth more fully later this year, but we expect the momentum in the structural improvement of the group to continue as there remains scope for more gains.

Figure 107. Share Price Performance (p)



Source: DataStream, Citi Research

Figure 108. Key Data, 2011-15E (GBP in Millions)

Year to	Sales (£ m)	EBITDA (£ m)	PBT (£ m)	EPS (p)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	2,808	90	82	9.5	17.9	13.1	0.42	1.3%	5.6%	16.4%
Dec-12A	2,636	97	84	9.7	17.4	11.9	0.44	1.8%	6.4%	21.4%
Dec-13E	2,626	122	85	9.9	17.2	9.5	0.44	2.2%	8.1%	23.0%
Dec-14E	2,733	138	100	11.5	14.7	8.4	0.43	2.4%	8.8%	20.8%
Dec-15E	2,828	155	117	13.4	12.6	7.4	0.41	2.4%	9.6%	17.8%
Performance						Ytd (%)	-1m (%)	-3m (%)	-12m (%)	
Expected Share Price Return	12.16%	Shares O/S	592m	Absolute		40%	1%	11%	85%	
Expected Dividend Yield	2.42%	Market Cap. €m	1164	Relative to Local		29%	-1%	9%	68%	
Expected Total Return	14.58%	ROE (Curr Yr)	7.7%	Relative to STOXX		35%	1%	11%	70%	

Source: dataCentral, Citi Research

Titan Cement – Sell, High Risk, Price Target €12.00

- Titan has seen its profits collapse over the last few years as it has been exposed to some very difficult markets.
- Greece has continued to be very difficult this year with sharp falls in volumes and volumes are expected to fall again in 2013. Egypt and the Balkans are also likely to remain difficult into 2013 with poor visibility.
- The US should deliver further growth.
- Significant profit recovery potential over the medium to long term.

Figure 109. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 110. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	1,091	243	56	0.3	47.0	7.8	1.72	0.0%	3.9%	45.4%
Dec-12A	1,131	196	5	0.0	-394.6	9.1	1.58	0.0%	2.1%	38.8%
Dec-13E	1,109	190	15	0.0	433.0	8.9	1.53	0.0%	2.6%	34.8%
Dec-14E	1,183	217	48	0.3	36.9	7.6	1.39	1.6%	3.6%	29.5%
Dec-15E	1,276	270	104	0.8	14.9	5.8	1.23	2.0%	5.2%	22.5%
Performance						Ytd (%)	-1m (%)	-3m (%)	-12m (%)	
Expected Share Price Return	-4.00%	Shares O/S		82m	Absolute	-10%	-4%	-9%	-5%	
Expected Dividend Yield	0.00%	Market Cap. €m		963	Relative to Local	0%	10%	0%	-36%	
Expected Total Return	-4.00%	ROE (Curr Yr)		0.2%	Relative to STOXX	-16%	-4%	-10%	-21%	

Source: dataCentral, Citi Research

Travis Perkins – Buy, Price Target 1645p

- The group has a strong improving balance sheet, is well managed and should see its margins and returns recover over time as volumes see a gradual recovery back to more normal levels.
- In the near term, we would not be surprised to see them pause until trends for H2 become clearer. Recent changes in the Budget should support the housing transactions and drive demand
- The group is expected to provide the market with an update on its strategy later this year which could be a catalyst for the shares if they decide to return capital for example

Figure 111. Share Price Performance (p)



Source: DataStream, Citi Research

Figure 112. Key Data, 2011-15E (GBP in Millions)

Year to	Sales (£ m)	EBITDA (£ m)	PBT (£ m)	EPS (p)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	4,779	391	270	90.1	17.9	12.0	0.98	1.2%	8.6%	27.5%
Dec-12A	4,845	413	313	95.1	16.9	11.1	0.95	1.6%	9.5%	19.6%
Dec-13E	4,928	434	298	100.3	16.1	10.4	0.92	1.9%	8.9%	13.1%
Dec-14E	5,175	482	348	113.7	14.2	9.2	0.85	2.2%	9.6%	9.8%
Dec-15E	5,496	538	403	130.6	12.3	8.1	0.79	2.6%	10.5%	5.5%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	2.17%	Shares O/S		238m	Absolute		48%	5%	12%	60%
Expected Dividend Yield	2.24%	Market Cap. €m		4590	Relative to Local		37%	4%	10%	43%
Expected Total Return	4.41%	ROE (Curr Yr)		9.3%	Relative to STOXX		43%	5%	11%	45%

Source: dataCentral, Citi Research

Vicat – Neutral, Price Target €48.00

- We recently lowered our estimates for 2013 and 2014 in light of poor trends in West Africa, uncertain outlook in Egypt, and continued demand weakness in France.
- We retain our Neutral rating on the stock as it is held back by the near-term challenges, but on a 2-3 year view we see strong growth potential from a recovery in profitability in the US, gradual stability in France, strong recovery of profits in Egypt and West Africa from a stable security environment, and increased utilisation from its nascent footprint in India.

Figure 113. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 114. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	2,265	491	267	3.8	12.3	7.3	1.58	3.2%	6.4%	52.0%
Dec-12A	2,292	437	208	2.9	16.1	8.3	1.59	3.2%	4.7%	56.0%
Dec-13E	2,348	470	237	3.1	15.0	7.7	1.55	3.2%	5.1%	49.1%
Dec-14E	2,472	529	295	3.7	12.4	6.7	1.43	3.5%	6.1%	41.4%
Dec-15E	2,594	590	353	4.4	10.6	5.8	1.31	3.7%	7.2%	31.8%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	3.54%	Shares O/S		44m	Absolute		-2%	-4%	2%	27%
Expected Dividend Yield	3.24%	Market Cap. €m		2082	Relative to Local		-7%	-3%	0%	7%
Expected Total Return	6.77%	ROE (Curr Yr)		6.4%	Relative to STOXX		-7%	-4%	1%	12%

Source: dataCentral, Citi Research

Wienerberger – Neutral, Price Target €11.00

- In 2012 volumes fell more than expected in several of the group's key European markets including Poland, Benelux and France. How the volume trends in these markets evolve will be a key issue this year.
- Pricing developments have been more favourable in Western Europe with cost inflation being covered by price increases recently and we expect this to continue in 2014. CEE seems a bit trickier.
- There remains significant recovery potential in profitability over the medium term, in our view. A more significant fall in volumes than we expect is the key risk for valuation this year, in our view.

Figure 115. Share Price Performance (€)



Source: DataStream, Citi Research

Figure 116. Key Data, 2011-15E (EUR in Millions)

Year to	Sales (€ m)	EBITDA (€ m)	PBT (€ m)	EPS (€)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Dec-11A	2,024	242	50	-0.1	-65.3	8.2	0.99	1.3%	1.3%	47.7%
Dec-12A	2,354	246	-36	-0.4	-22.4	8.5	0.88	1.3%	0.9%	58.6%
Dec-13E	2,698	280	46	0.1	163.7	7.7	0.80	1.3%	2.0%	54.1%
Dec-14E	2,840	320	89	0.4	23.6	6.4	0.73	1.4%	3.2%	49.0%
Dec-15E	2,991	364	133	0.7	12.9	5.4	0.66	1.5%	4.5%	41.7%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	21.52%	Shares O/S		118m	Absolute		31%	-11%	-2%	22%
Expected Dividend Yield	1.44%	Market Cap. €m		1064	Relative to Local		38%	-4%	7%	10%
Expected Total Return	22.96%	ROE (Curr Yr)		0.3%	Relative to STOXX		25%	-11%	-3%	7%

Source: dataCentral, Citi Research

Wolseley – Neutral, Price Target 3400p

- We continue to see positives in the medium term given: the strong balance sheet, opportunity to expand margins and significant attractive exposure to US recovery (offers a relatively unique play on US recovery in the sector).
- Falling value of sterling against US\$ helps
- Potential for more special dividends
- Europe remains a bit of a drag factor

Figure 117. Share Price Performance (p)



Source: DataStream, Citi Research

Figure 118. Key Data, 2011-15E (GBP in Millions)

Year to	Sales (£ m)	EBITDA (£ m)	PBT (£ m)	EPS (p)	P/E	EV/ EBITDA	EV/ Sales	Div Yield (%)	ROIC	Net debt/ Equity
Jul-11A	13,558	761	556	157.8	19.5	12.5	0.70	1.5%	11.0%	17.4%
Jul-12A	13,421	790	635	137.1	22.5	11.7	0.69	1.9%	11.9%	0.9%
Jul-13E	13,124	849	675	177.7	17.3	10.8	0.70	6.3%	14.9%	18.8%
Jul-14E	13,962	970	791	209.3	14.7	9.6	0.67	2.8%	15.8%	12.0%
Jul-15E	15,011	1,139	967	256.0	12.0	8.0	0.61	3.2%	18.1%	4.6%
Performance							Ytd (%)	-1m (%)	-3m (%)	-12m (%)
Expected Share Price Return	10.39%	Shares O/S		283m	Absolute		6%	-9%	-6%	35%
Expected Dividend Yield	2.76%	Market Cap. €m		9885	Relative to Local		-1%	-2%	-4%	18%
Expected Total Return	13.15%	ROE (Curr Yr)		11.2%	Relative to STOXX		4%	-2%	-3%	18%

Source: dataCentral, Citi Research

Appendix A-1

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