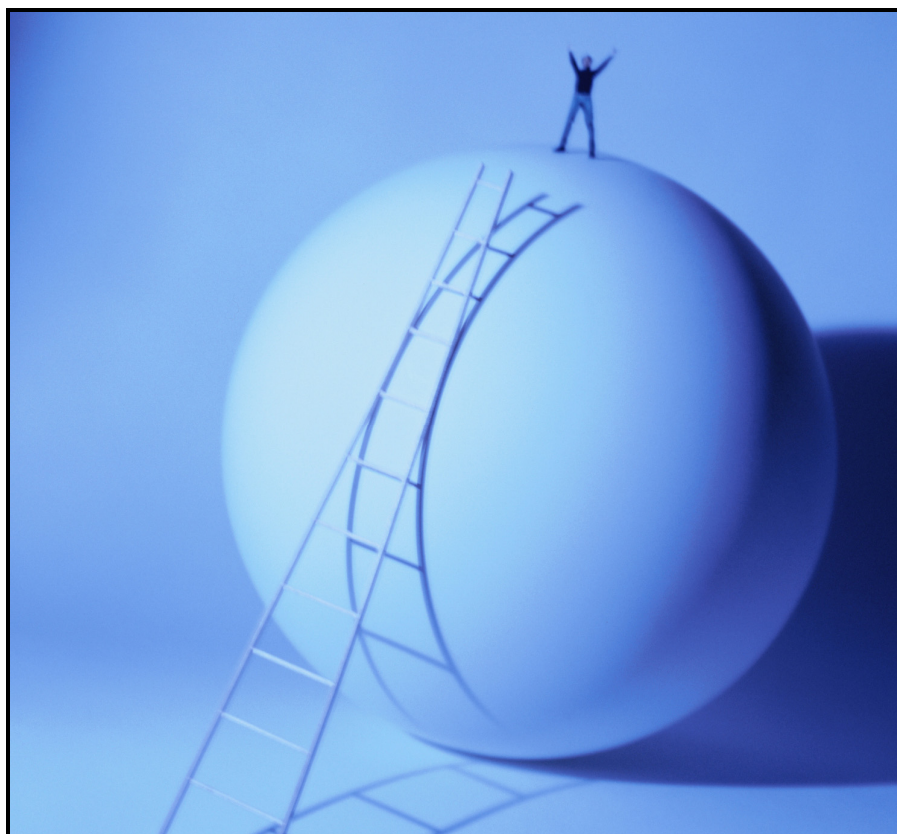


World Champions – Materials

Global Standouts in Turbulent Times

- In this second installment of a new global series of reports from Citi Research, we have identified 25 finalist companies as World Champion Materials selected from nominations by the Citi Research Global Materials team. These finalist companies have been individually profiled in this report and evaluated across an array of performance metrics. In addition, based on quantitative screening with a fundamental overlay, Monsanto, SQM, and Uralkali can each claim the title of "best-of-the-best" World Materials Champions in their respective regions.



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

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Data Summary

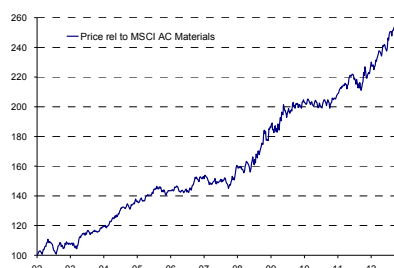
Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Toray	3402	1	1	¥630	¥630	¥39	¥39
Shin-Etsu	4063	1	1	¥4,900	¥4,900	¥266	¥266
Barrick Gold	ABX	1	1	US\$50.00	US\$50.00	US\$4.06	US\$4.06
Air Liquide	AIRP.PA	2	2	€91.00	€91.00	€5.05	€5.05
Allegheny Tech	ATI	1	1	US\$47.00	US\$47.00	US\$1.84	US\$1.84
BASF	BASFn.DE	2	2	€60.00	€60.00	€5.53	€5.53
BHP Billiton	BLT.L	1	1	£21.00	£21.00	US¢241.0	US¢241.0
Crown Hld	CCK	1	1	US\$45.00	US\$45.00	US\$2.96	US\$2.96
DSM	DSMN.AS	1	1	€55.00	€55.00	€3.03	€3.03
Fibria Celulose	FBR	2H	2H	US\$7.80	US\$7.80	R\$-0.01	R\$-0.01
Freeport McMoran	FCX	1	1	US\$43.00	US\$43.00	US\$3.12	US\$3.12
Geberit	GEBN.VX	3	3	SFr175.00	SFr175.00	SFr10.27	SFr10.27
Givaudan	GIVN.VX	3	3	SFr750.00	SFr750.00	SFr49.25	SFr49.25
Holcim	HOLN.VX	3	3	SFr48.00	SFr48.00	SFr3.30	SFr3.30
Johnson Matthey	JMAT.L	1	1	£30.00	£30.00	p165.8	p165.8
Lafarge	LAFF.PA	2	2	€42.00	€42.00	€2.56	€2.56
Monsanto	MON	1	1	US\$93.00	US\$93.00	US\$3.73	US\$3.73
Mosaic	MOS	1	1	US\$71.00	US\$71.00	US\$5.35	US\$5.35
Praxair	PX	1	1	US\$116.00	US\$116.00	US\$5.64	US\$5.64
Saint Gobain	SGOB.PA	1	1	€30.00	€30.00	€2.48	€2.48
Soc Quimic y min	SQM	1	1	US\$68.00	US\$68.00	US\$2.67	US\$2.67
Syngenta	SYNN.VX	1	1	SFr385.00	SFr385.00	US\$21.28	US\$21.28
Umicore	UMI.BR	2	2	€40.00	€40.00	€2.53	€2.53
Uralkali	URKAq.L	1	1	US\$48.00	US\$48.00	US\$2.87	US\$2.87
Weyerhaeuser Co	WY	1	1	US\$28.00	US\$28.00	US\$0.42	US\$0.42

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World Champions – Materials

Figure 1. Citi Materials World Champions
Relative Performance



Source: Citi Research, Datastream

In this second report of Citi's World Champion series, we highlight Citi Research's global coverage of some of the largest and most far-reaching Basic Materials companies in the world (for the initial report in this series, please see [World Champions — Industrials - Industrial Standouts in Global Quality amid Challenging Macro](#)). This report answers key questions on what makes a World Champion, what differentiates them, and how their financial metrics are likely to foster continued global growth. Selecting Champions has been a winning strategy for investors outperforming the MSCI AC Materials Index each year since 2002 (see Figure 1). In profiling the 25 finalists, we included a 'What Investors Are Asking' section to highlight where the debate is on each of these names.

Figure 2. World Champions: Materials – Portfolio Manager's Summary

Company	Analyst	Why a Champion?	Rating	Rationale
Allegheny Technologies	Jonathan Sullivan, CFA	A leader in specialty metals (titanium & nickel alloys)	1	Growth from aerospace & energy markets
Barrick Gold	Brian Yu, CFA	World's largest gold company	1	Low cost position & low valuation vs peers
BASF	Andrew Benson	A leading diversified chemicals company	2	Limited growth potential this year
BHP Billiton	Heath Jansen	Global leader for diversification and market size in metals and mining	1	Growth, cost cutting potential and yield support
Crown Holdings	Anthony Pettinari	Top 3 global beverage can producer	1	BRIC expansion and stable developed market food and beverage platform
DSM	Andrew Benson	Global leader in vitamins & carotenoids with 40-50% share	1	Favorable valuation vs growth & financial position
Fibria	Juan Tavaréz	Leading global market pulp producer	2H	Weakening pulp fundamentals
Freeport McMoRan	Brian Yu, CFA	World's largest public copper producer	1	Recovery in Grasberg operations, asset quality and execution
Geberit	Aynsley Lammin	A leader in building materials with c.26% ROIC	3	Valuation & challenging European end-markets
Givaudan AG	Andrew Benson	Global leader in flavours & fragrances industry	3	Weaker growth outlook & position vs HPC
Holcim	Clyde Lewis	One of top 2 players globally in cement production	3	Valuation & modest ROIC
Johnson Matthey	Dominik Frauendienst	Market leader in emission catalysts	1	Growth from clean energy
L'Air Liquide	Andrew Benson	World's largest industrial gas company	2	Exposure to European markets
Lafarge	Clyde Lewis	One of top 2 players globally in cement production	2	Valuation & modest ROIC
Monsanto	PJ Juvekar	Global leader in biotech seeds with 30% share	1	Volume growth in new products, moving LatAm farmers into higher margin seeds
Mosaic	PJ Juvekar	One of the world leaders in phosphate & potash fertilizers	1	Major stock buybacks and "free" capacity coming in 2013
Praxair	PJ Juvekar	A top 3 producer in the concentrated industrial gas market	1	Increasing emerging market exposure; stable earnings and cash flow
Saint Gobain	Clyde Lewis	A leading building-material conglomerate	1	Valuation & geographical expansion
Shin-Etsu Chemical	Takao Kanai	World leader in PVC & silicon wafers	1	Exposure to "Shale Advantage" in US and recovery in silicon wafers
SQM	Juan Tavaréz	Leader in nitrates, iodine & lithium with high ROIC	1	Strong Ag outlook; production growth
Syngenta	Andrew Benson	Global leader in Ag chemicals and top 3 in seeds	1	Favorable Ag fundamentals and dividend growth
Toray Industries	Atsushi Ikeda	Global leader in performance fiber & reverse osmosis membranes	1	Carbon fiber growth and cost cutting
Umicore	Dominik Frauendienst	Global leader in precious metals recycling	2	Sluggish near-term growth in performance materials
Uralkali	Daniel Yakub	Global leader in potash with lower costs than peers	1	Leverage to potash growth
Weyerhaeuser	Anthony Pettinari	Leader in lumber production	1	Play on US housing recovery

Source: Citi Research

Citi World Champion Series: Materials

Introduction from Rob Buckland, Citi
Head of Global Strategy

According to Citi economists, the macro overhangs are likely to persist. Ongoing debt reduction will continue to be a significant drag on the developed economies. Forecasts for Eurozone GDP are worse than in Japan's two "lost decades". We expect the current Eurozone recession to last until the end of next year. The US government will eventually have to face up to its fiscal problems and our forecasts imply at least another year of sluggish economic growth. In Japan too, the economy lingers under a mountain of government debt. Jittery bond markets may become increasingly reluctant to fund stimulus.

While there will be occasional setbacks, long-term growth prospects look better for the emerging economies. Balance sheets are stronger for governments, households and banks. Also, markets are generally underpenetrated. According to Willem Buiter, Citi's Chief Economist, Asia and Africa are likely to be key "Global Growth Generators" for most of the next three or four decades.

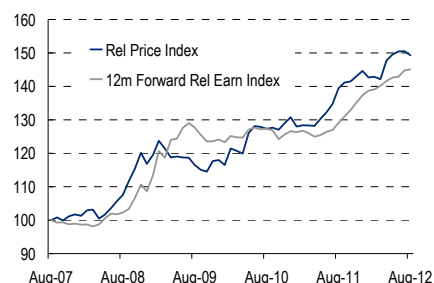
According to MSCI, the investable global stock market is still 88% weighted towards developed markets, where GDP growth is likely to remain subdued. Only 12% of global market cap trades on Emerging Market exchanges. This leaves global equity investors facing a serious challenge. How can they invest in reasonable growth prospects, when the majority of companies in their portfolios are likely to be listed in sluggish economies?

Origins of Citi's World Champions Framework

Citi's European equity strategists have responded by creating a subset of World Champions listed in their markets. These are companies with international businesses and those that our analysts believe are the leaders in their respective sectors. Our European strategists find that these companies have been able to display clear signs of pricing power, enjoy strong balance sheets, are well managed and often have meaningful revenue exposure to faster growing Emerging Economies.

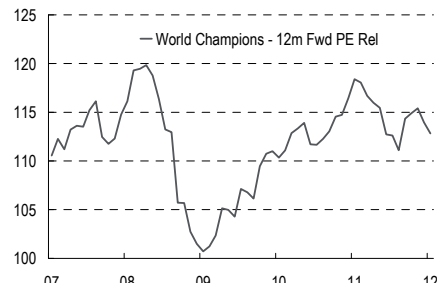
These are typical stock characteristics that have served investors well during previous lost decades around the world. Those companies that survived, and even flourished, during these dark economic episodes were able to offset weaker volume growth with new products or a shift in regional focus, superior pricing power, efficiency advantages or more likely a combination of all the above. Our European team notes that their World Champion basket has been a consistent outperformer over the past five years (Figure 3).

Figure 3. European World Champions Price & EPS Relative To European Market



Source: Citi Research, Datastream

Figure 4. European World Champions PE Relative to European Market



Source: Citi Research, Datastream

Despite the unashamedly qualitative selection criteria, the European World Champion basket rates well on more quantitative measures. Figure 3 shows that much of the outperformance has reflected superior earnings trends, not a relative re-rating (Figure 4). This makes our European strategy team hopeful that their World Champions can keep outperforming. As importantly, they highlight that recent outperformance has occurred against a backdrop of rising *and* falling equity markets.

Kenji Abe, our Japan equity strategist, notes that companies with solid international businesses also tend to be outperformers in his market. The Japanese economy has struggled to grow over the last two decades. Kenji notes that companies that outperformed were the Japanese Global Champions. These were well-run international businesses that generated superior sales and EPS growth, so similar to their European counterparts.

Applying Citi's World Champions Framework to the Global Materials Sector

On the following pages, we have extended our European strategy team's methodology in picking World Champions to the Global Materials sector. Our Citi analysts across the global regions nominated their selections for World Champions across their respective global sectors. The selection criteria were:

- 1) Market cap of at least \$3 billion.
- 2) At least a top 3 market share in a third of their businesses.
- 3) A global reach as measured by significant revenue outside of their respective home market.

The Selection Committee then narrowed down the initial Citi Materials nominations to the 25 World Champions in this report, representing some of the most global and largest materials companies in the world.

We note that Sell-rated Gerberit, Givaudan, and Holcim were all nominated as World Champions, underscoring the idea that global positioning supersedes current valuation or near-term cyclical concerns in this analysis.

Stiff competition among the 25 World Champions. Citi's Materials teams around the world nominated these 25 companies as World Champions in each of their respective industries. This exercise was done irrespective of current Citi investment ratings. On this point, we note that three of the 25 companies designated as World Champion we currently rate Sell, due to valuation or cyclical concerns. However, this thematic report was targeted to highlight companies with significant and enduring business models over the long term.

Figure 5. Citi Materials World Champions

Company	Sub Sector	Analyst	Rating	Share Price	Curr	Target Price	Upside to Target Price	Dividend Yield	ETR
L'Air Liquide SA	Chemicals	Andrew Benson	2	99.49	EUR	91.0	-8.5%	2.4%	-6.2%
Allegheny Technologies Incorporated	Metals & Mining	Jonathan Sullivan, CFA	1	33.95	USD	47.0	38.4%	2.1%	40.6%
Barrick Gold	Metals & Mining	Brian Yu, CFA	1	42.60	USD	50.0	17.4%	1.8%	19.1%
BASF SE	Chemicals	Andrew Benson	2	66.95	EUR	60.0	-10.4%	3.7%	-6.6%
BHP Billiton PLC	Metals & Mining	Heath R Jansen	1	20.00	GBP	21.0	5.0%	3.4%	8.4%
Crown Holdings Inc	Containers & Packaging	Anthony Pettinari	1	37.25	USD	45.0	20.8%	0.0%	20.8%
DSM NV	Chemicals	Andrew Benson	1	40.50	EUR	55.0	35.8%	3.6%	39.4%
Fibra Celulose SA	Paper & Forest Products	Juan G Tavaréz	2H	9.31	USD	7.8	-16.2%	0.0%	-16.2%
Freeport-McMoRan Copper & Gold Inc.	Metals & Mining	Brian Yu, CFA	1	41.59	USD	43.0	3.4%	2.9%	6.2%
Geberit AG	Building Products	Aynsley Lammin	3	205.00	CHF	175.0	-14.6%	3.2%	-11.5%
Givaudan AG	Chemicals	Andrew Benson	3	910.00	CHF	750.0	-17.6%	2.5%	-15.1%
Holcim Ltd	Construction Materials	Clyde Lewis	3	63.75	CHF	48.0	-24.7%	1.7%	-23.0%
Johnson Matthey PLC	Chemicals	Dominik Frauendienst	1	25.19	GBP	30.0	19.1%	2.3%	21.4%
Lafarge SA	Construction Materials	Clyde Lewis	2	42.40	EUR	42.0	-0.9%	1.2%	0.2%
Monsanto Co	Chemicals	P.J. Juvekar	1	91.36	USD	93.0	1.8%	1.3%	3.1%
Mosaic Co	Chemicals	P.J. Juvekar	1	59.71	USD	71.0	18.9%	0.6%	19.5%
Praxair Inc	Chemicals	P.J. Juvekar	1	108.39	USD	116.0	7.0%	2.0%	9.1%
Saint Gobain	Building Products	Clyde Lewis	1	30.00	EUR	30.0	0.0%	4.2%	4.2%
Shin-Etsu Chemical	Chemicals	Takao Kanai	1	4,630.00	JPY	4,900.0	5.8%	2.2%	8.0%
SQM - Soc. Química y Minera de Chile	Chemicals	Juan G Tavaréz	1	64.39	USD	68.0	5.6%	1.6%	7.2%
Syngenta AG	Chemicals	Andrew Benson	1	343.60	CHF	385.0	12.0%	2.4%	14.4%
Toray Industries	Chemicals	Atsushi Ikeda	1	494.00	JPY	630.0	27.5%	2.0%	29.6%
Umicore NV/SA	Metals & Mining	Dominik Frauendienst	2	41.28	EUR	40.0	-3.1%	2.3%	-0.8%
Uralkali OAO	Chemicals	Daniel Yakub	1	43.49	USD	48.0	10.4%	3.3%	13.7%
Weyerhaeuser Co	Real Estate Investment Trusts (REITs)	Anthony Pettinari	1	26.40	USD	28.0	6.1%	2.3%	8.3%
Average							5.6%	2.2%	7.8%
Median							5.6%	2.3%	8.0%

Source: Powered by dataCentral; dataCentral is Citi Research's proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters, Datastream, First Call, IBES and Toyo Keizai. Pricing as of September 19

FAQs that Arise in Selecting World Champions

Q: How can World Champions be chosen from such a disparate group of materials companies addressing different markets like metals, chemicals, paper and agriculture, as well as different operating metrics?

A: We concede that this selection process becomes a bit more art than science as we screen for varying financial metrics and return trends to assess the company's long-term global growth prospects (please see Figure 5). Market share metrics, for example, can lead to different conclusions. A high share might signal a shorter runway for growth rather than reflect dominance in a particular market.

Q: Which Champions offer investors the most significant upside today?

A: Using Citi's ratings, target prices and estimated total returns (ETRs) shows a wide variation in expected returns, with DSM, Toray and Allegheny Technologies leading the group.

Q: Which champions stand out among the rest?

A: All 25 of the companies featured in this report are Champions but on qualitative measures and financial metrics we think Monsanto, SQM and Uralkali stand out as the best of the best in their respective regions.

Our Materials World Champion Methodology

To narrow down the best of the best, we utilized a 3-step, equally-weighted approach: 1) historical financial performance, focused on revenue growth, earnings, returns, and free cash flow to gauge each company's "track record" of delivering (Figure 6); 2) Citi analyst forecasts of these same financial measures from 2012-2014, to gauge the medium-term growth opportunity (Figure 7); and 3) a fundamental overlay, focused on market share, competitive position, global reach, and barriers to entry. For historical and forecasted financial performance, we force ranked the companies based on the average ranking across all 5 financial measures, with the top 10 in each set of metrics located Figure 8.

Figure 6. Historical Performance, 2007-2011

	Sales Growth	EPS Growth	EBIT Margin	ROE	Free Cash Conversion
Company	5-yr Avg	5-yr Avg	5-yr Avg	5-yr Avg	5-yr
L'Air Liquide SA	6%	9%	16%	17%	49%
Allegheny Technologies	5%	37%	11%	16%	-161%
Barrick Gold	20%	20%	34%	5%	57%
BASF SE	8%	41%	11%	19%	116%
BHP Billiton PLC	20%	25%	41%	37%	84%
Crown Holdings Inc	4%	19%	10%	nm	93%
DSM NV	2%	20%	9%	10%	126%
Fibria Celulose SA	16%	-114%	9%	-3%	-47%
Freeport-McMoRan	44%	13%	20%	7%	94%
Geberit AG	1%	4%	26%	31%	94%
Givaudan AG	7%	-4%	13%	7%	129%
Holcim Ltd	-2%	-14%	14%	10%	130%
Johnson Matthey PLC	17%	11%	4%	16%	33%
Lafarge SA	-3%	-20%	16%	9%	187%
Monsanto Co	11%	27%	22%	19%	103%
Mosaic Co	19%	134%	22%	23%	64%
Praxair Inc	7%	13%	21%	27%	47%
Saint Gobain	1%	15%	8%	7%	219%
Shin-Etsu Chemical	0%	2%	17%	10%	47%
SQM	18%	46%	31%	27%	39%
Syngenta AG	11%	19%	17%	21%	77%
Toray Industries	2%	-119%	5%	5%	-31%
Umicore NV/SA	14%	72%	3%	21%	131%
Uralkali OAO	63%	91%	47%	37%	30%
Weyerhaeuser Co	-19%	-63%	-5%	3%	53%
Average	10.9%	11.5%	16.8%	15.8%	70.5%
Median	7.5%	15.3%	15.9%	16.0%	76.9%

Source: Citi Research, dataCentral. Pricing as of September 19

Figure 7. Forecasted Performance, 2012-2014

	Sales Growth	EPS Growth	EBIT Margin	ROE	Free Cash Conversion
Company	3-yr Avg	3-yr Avg	3-yr Avg	3-yr Avg	3-yr Avg
L'Air Liquide SA	7%	7%	16%	16%	52%
Allegheny Technologies	15%	35%	10%	13%	0%
Barrick Gold	5%	3%	44%	16%	-8%
BASF SE	4%	0%	11%	17%	74%
BHP Billiton PLC	3%	-5%	34%	21%	44%
Crown Holdings Inc	4%	12%	11%	nm	85%
DSM NV	6%	8%	8%	9%	80%
Fibria Celulose SA	-1%	nm	7%	-1%	459%
Freeport-McMoRan	5%	2%	36%	20%	35%
Geberit AG	4%	7%	26%	27%	82%
Givaudan AG	5%	10%	15%	11%	97%
Holcim Ltd	5%	22%	13%	8%	103%
Johnson Matthey PLC	6%	18%	4%	22%	80%
Lafarge SA	5%	34%	16%	6%	107%
Monsanto Co	6%	18%	25%	18%	92%
Mosaic Co	5%	13%	28%	17%	46%
Praxair Inc	7%	9%	23%	31%	30%
Saint Gobain	4%	7%	7%	8%	68%
Shin-Etsu Chemical	2%	13%	16%	8%	59%
SQM	12%	17%	40%	32%	55%
Syngenta AG	8%	12%	18%	25%	71%
Toray Industries	5%	9%	7%	10%	-1%
Umicore NV/SA	1%	4%	3%	15%	76%
Uralkali OAO	7%	11%	53%	20%	86%
Weyerhaeuser Co	9%	66%	12%	11%	138%
Average	5.7%	13.8%	19.3%	15.8%	80.4%
Median	5.4%	10.4%	15.8%	16.0%	73.7%

Source: Citi Research, dataCentral. Pricing as of September 19

Figure 8. Materials World Champion Rankings

Historical Financial Metrics		Forecasted Financial Metrics		Overall Financial Ranking	
Rank	Company	Rank	Company	Rank	Company
1	Uralkali OAO	1	SQM	1	Uralkali OAO
2	BHP Billiton PLC	2	Uralkali OAO	2	SQM
3	Mosaic Co	3	Monsanto Co	3	Monsanto Co
4	SQM	4	Weyerhaeuser Co	4	Mosaic Co
5	Monsanto Co	5	Syngenta AG	5	Syngenta AG
6	Umicore NV/SA	6	Johnson Matthey PLC	6	Praxair Inc
7	BASF SE	7	Praxair Inc	7	Geberit AG
8	Barrick Gold	8	Mosaic Co	8	BHP Billiton PLC
9	Freeport-McMoRan	9	Lafarge SA	9	Freeport-McMoRan
10	Syngenta AG	10	Geberit AG	10	Barrick Gold

Source: Citi Research

And the Best-of-the-Best Are...

EMEA: Uralkali – The overall #1 ranking in our quantitative screen, Russian potash producer Uralkali has stood above the rest in sales growth, EBIT margins and ROE. Uralkali is a global leader in potash trade and production. Potash is one of the three essential nutrients required for plant growth, and in 2011 Uralkali sold 10.8mt of potash, which was more than any other company in the world. Two potash export associations control 70% of the export market, while the top 7 producers have a market share approaching 90%. Generally, consumers of potash are highly profitable and fragmented. Uralkali sells 65% of its output to India, China, SE Asia and Brazil, and these markets are among the fastest growing global fertiliser consumption markets where potash application rates are significantly below developed market levels. The company is sitting on some of the most attractive underground potash resources globally (depths of 300-400m vs. >1000 for peers) and its capital expenditures required to maintain current ROCE are c50% lower (per tonne) vs. incumbent peers.

Latin America: SQM – Chile-based SQM is a global leader in several niche markets; specialty fertilizers (potassium nitrate, 50% market share ex China), iodine (37% share) and lithium (31% share). Strong market positions coupled with relatively high entry barriers due to its unique, high quality assets in Chile allow for positive profitability even when demand slows. Despite having its core operations in Chile, roughly 90% of SQM's revenues are derived from export products which benefit from higher fertilizer application rates globally, increased use of lithium batteries, and growth in imaging equipment (x-rays, LCD). SQM remains focused on expanding some core segments (specialty fertilizers, iodine) and improving efficiency; capex spending should not result in balance sheet concerns given healthy leverage (below 1x Net Debt/EBITDA) and solid cash flows.

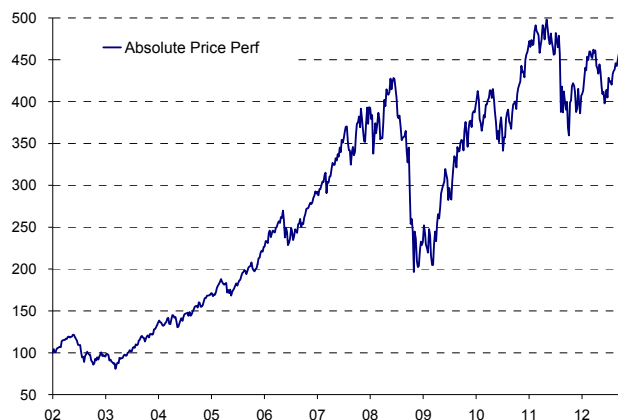
North America: Monsanto – Monsanto is the global leader in biotech seeds with nearly 30% market share. Monsanto was the first company to develop and market biotech seeds and operating income from seeds and genomics doubled between 2007 and 2011, reflecting increasing acres planted and the benefit from selling higher technology (and higher margin) products. Monsanto's R&D pipeline is the strongest in the industry with several major new platforms and traits scheduled to be launched in the coming year. Moreover, barriers to entry in the biotech seeds market are high as seed producers need both the biotech traits (such as herbicide or insect resistance) and strong breeding platforms to provide the germplasm. Monsanto is rapidly growing its Latin American business and sales to Brazil and Argentina were 17% of revenues in 2011.

Acting like World Champions: Outperformance

World Champions have strongly outperformed over 10-year periods. Similar to the European Strategy World Champion list, the 25 Materials World Champions selected have significantly outperformed the MSCI sector over the past 10 years (Figure 10), so selecting Champions has been a winning strategy for investors.

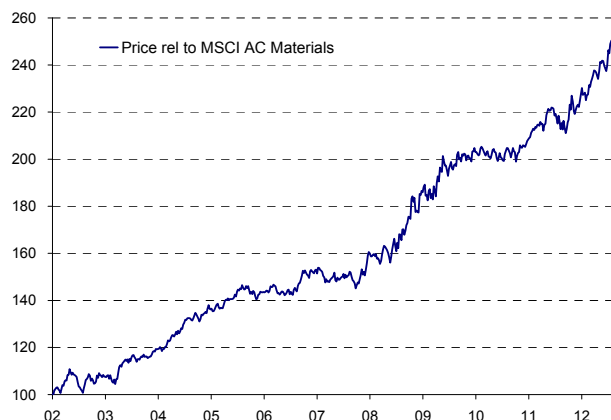
Materials "best in breeds" trading slightly below historical levels but at a premium to the MSCI. Although the Citi Materials World Champions Index remains at a 12% discount to its historical average forward P/E of 16.3x, these 'World Champions' still command a 33% premium to the MSCI Materials. However, Citi Materials World Champions have consistently traded at a premium to MSCI Materials except for a short time in 2009. We attribute this relative premium to the increased global revenue exposure and ability to gain share and expand margins broadly within developing markets.

Figure 9. Citi Basic Materials World Champions Index Absolute Performance



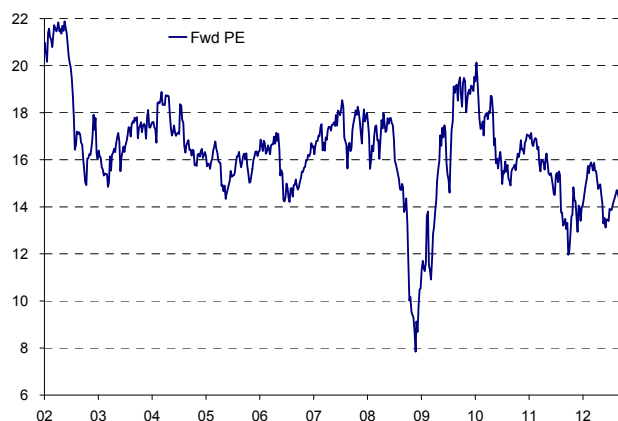
Source: DataStream, Citi Research. Pricing as of September 19

Figure 10. Citi Basic Materials World Champions Index Relative Performance



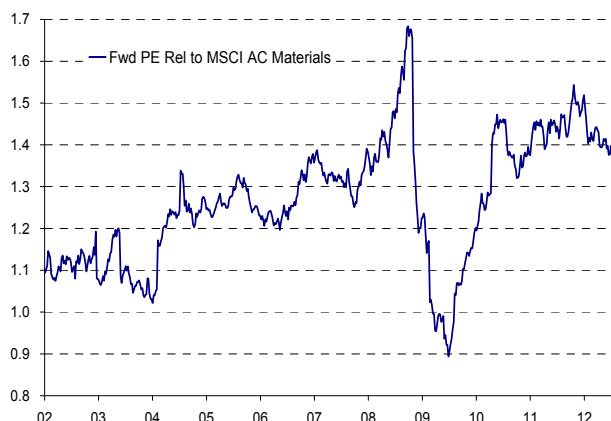
Source: DataStream, Citi Research. Pricing as of September 19

Figure 11. Citi Basic Materials World Champions Index Absolute P/E



Source: DataStream, Citi Research. Pricing as of September 19

Figure 12. Citi Basic Materials World Champions Index Relative P/E



Source: DataStream, Citi Research. Pricing as of September 19

In the following section, Citi Research's Basic Materials analysts have profiled each of the 25 Global Champs.

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Company Focus

■ Company Update

Jonathan Sullivan, CFA
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Buy	1
Price (20 Sep 12)	US\$32.87
Target price	US\$47.00
Expected share price return	43.0%
Expected dividend yield	2.2%
Expected total return	45.2%
Market Cap	US\$3,523M

Price Performance (RIC: ATI.N, BB: ATI US)



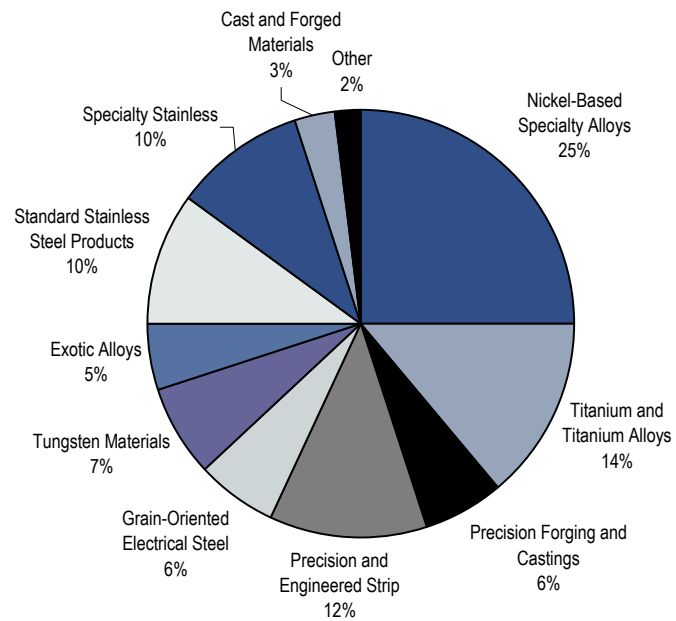
Allegheny Technologies Incorporated (ATI) Aerospace and Diversified Specialty Metals Exposure

- **What Makes ATI a Champion** — Specialty metals producer ATI is a global top 3 producer in titanium, nickel-based, exotic and specialty alloys which combined accounted for 44% of the company's '11 revenues. ATI provides customers with a diversified range of specialty metals products in addition to vertical integration which should support the company's competitive position as key commercial aerospace customers look to reduce the number of suppliers. In addition, ATI's proprietary alloys provide further competitive advantage.
- **What Makes ATI a World Champion** — International sales accounted for 35% of ATI's total revenues in '11 up from 22% in '09. Europe is the largest export market for ATI (20% of '11 revenues) followed by the Far East (10% of '11 revenues). ATI has international production capabilities with melting and mill operations in the UK, forging and machining operations in Poland and precision rolled strip production from ATI's STAL JV in China.
- **ATI's Growth Outlook** — We project ATI's revenues will grow by 14% annually from 2011-2014 driven by increased demand from the aerospace and energy sectors and higher pricing. Profits should increase even faster; we estimate EBITDA growth of 25% and EPS growth of 28% over the same period.
- **ATI's Cash Usage** — In the medium term, the company's \$1.1 bln specialty metals hot-rolling and processing facility in Brackenridge, PA will be the primary use of cash with construction expected to be completed by the end of '13. This facility should allow ATI to produce thinner and wider products in addition to reducing costs and working capital requirements. Over the past three years, R&D has averaged 0.5% of revenues with High Performance Metals accounting for the majority of R&D spending. The company has a \$0.72/sh annual dividend and had a 32% payout ratio in '11.
- **Current Recommendation** — Buy ATI. We believe ATI's shares provide investors with a compelling value based on the company's exposure to growing markets such as commercial aerospace and energy as well as the company's diversified specialty metals production. The stock looks attractive from a valuation perspective trading well below the 10-year median FY2 P/E multiple of 12.8x.
- **Top 3 Investor Questions** — **1) Titanium Market Outlook?** – We see the titanium spot market tightening in '13 driven by increased demand from the aerospace sector. **2) Hot-mill Impact?** – We believe the company's planned hot-rolling mill should materially boost FRP margins. **3) Stainless market outlook?** – While we do not foresee a significant improvement in the company's commodity stainless business near term, we believe future risk is biased to the upside as US stainless market conditions are near trough levels.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.59A	0.70A	0.63A	0.31A	2.23A	2.23A
2012E	0.49A	0.50A	0.34E	0.49E	1.84E	1.94E
Previous	0.49A	0.50A	0.34E	0.49E	1.84E	na
2013E	na	na	na	na	3.30E	3.06E
Previous	na	na	na	na	3.30E	na
2014E	na	na	na	na	4.70E	4.36E
Previous	na	na	na	na	4.70E	na

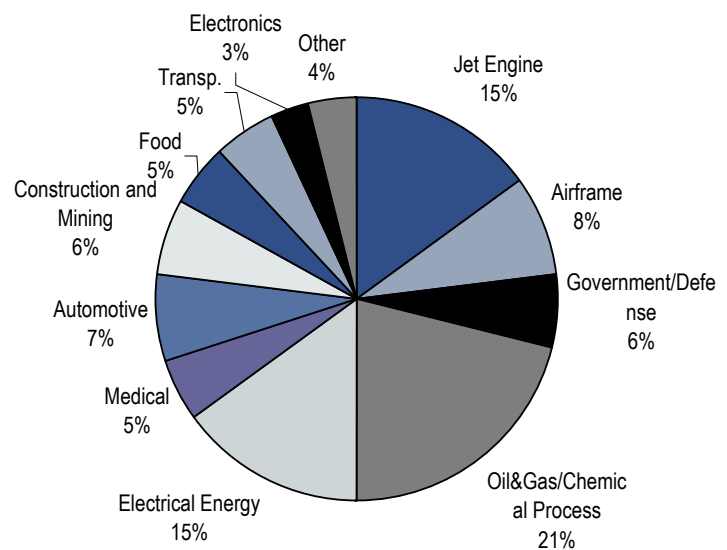
Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Figure 13. ATI Sales by Product 2011



Source: Company Reports and Citi Research

Figure 14. ATI Sales by End Market 2011



Source: Company Reports and Citi Research

Company Focus

■ Company Update

Brian Yu, CFA

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Buy	1
Price (20 Sep 12)	US\$42.02
Target price	US\$50.00
Expected share price return	19.0%
Expected dividend yield	1.9%
Expected total return	20.9%
Market Cap	US\$42,045M

Price Performance

(RIC: ABX.N, BB: ABX US)



Barrick Gold (ABX) Geographically Diversified and Low Cost

■ **What Makes ABX a Champion** — Barrick is the largest gold company in the world based on production (7.7 mln ozs in 2011), market cap (\$45 bln at year-end 2011) and reserves (140 mln P&P Au ozs) with 26 mines currently in operation across five continents. They also produced 450 mln lbs of copper and 5 mln ozs of silver in 2011. A low-cost producer, ABX sits in the bottom quartile of the global gold cost curve and is the lowest cost amongst the top 5 producers. Among mining companies, their investment grade BBB+ is one of the strongest. Coupled with the company's promise of capital discipline and our forecast for continued operating cash flow generation in excess \$5 bln per year for the next 5 years, we see ABX continuing to invest in production growth towards their 8 mln oz/year by 2015 target.

■ **What Makes ABX a World Champion** — The company has a diversified production mix consisting of 43% North America, 25% South America, 25% Australia Pacific and 7% Africa. Barrick's project pipeline includes projects in 9 different countries across four continents.

■ **ABX's Growth Outlook** — In 2012, the company will deliver one new project, Pueblo Viejo (net 650k Au oz/year). The next projects in-line are Pascua-Lama (825k Au oz/year and 35 mln Ag oz/year) expected in mid-2014 and Jabal Sayid (115 mln Cu lbs/year) expected to start production in 2014. We forecast a CAGR of 15% for revenues, 13% for EBITDA and 16% for gold production over the next 5 years.

■ **ABX's Cash Usage** — Capex will remain high through 2014, consuming the majority of operating cash flows to fund projects. We expect the current \$0.20/sh quarterly dividend to remain stable along with the payout ratio near the trailing 5-year average of 15%, provided that current capex plans remain unchanged. Debt/cap stood at 36.4% at the end of 2011 which we forecast will decline gradually into the mid-20s% over the next 5 years, all else equal, as the company reduces its debt levels.

■ **Current Recommendation** — We favor Barrick for its relatively low-cost position among senior gold producers and because we believe its base-metal multiple of 8x on our 2012E estimate vs. a peer group median 11x represents an attractive valuation.

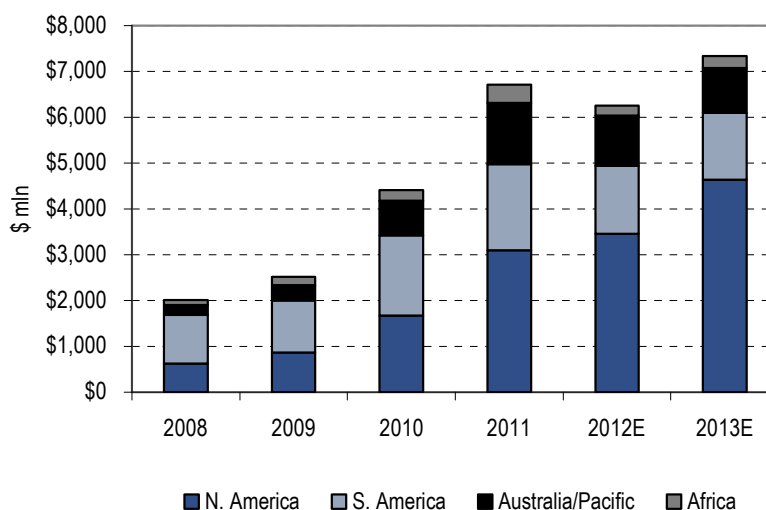
EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	1.00A	1.12A	1.36A	1.18A	4.67A	4.67A
2012E	1.09A	0.78A	1.05E	1.14E	4.06E	4.20E
Previous	1.09A	0.78A	1.05E	1.14E	4.06E	na
2013E	na	na	na	na	4.67E	4.90E
Previous	na	na	na	na	4.67E	na
2014E	na	na	na	na	4.98E	4.83E
Previous	na	na	na	na	4.98E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

■ Top 3 Investor Questions

- **When can investors see some capital returns?** We believe that following the \$7.5-\$8.0 bln in capex spending for Pascua-Lama through 2014, ABX will begin to generate meaningful FCF in the back half of 2014 and be in a position to increase their dividend or buy back stock.
- **Why buy gold miners instead of the metal?** While gold equities have underperformed the commodity in recent years, this has largely been due to contracting multiples and discounting of high commodity prices. In our view, the multiple compression is mostly over if we compare the trading multiple of ABX vs base-metal producers. ABX shares should appreciate going forward when they deliver on their growth promise.
- **Margins look alright now but what about cost pressures?** In the absence of a corresponding rise in the gold price, the impact of cost inflation on margins remains a major concern. However, their diversified geographic production mix limits their exposure to cost pressures specific to any one particular region and Pascua-Lama is expected to add low-cost ounces when it comes online.

Figure 15. ABX Operating Income by Segment



Source: Company reports, Citi Research

Company Focus

■ Company Update

Andrew Benson

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Neutral	2
Price (20 Sep 12)	€66.82
Target price	€60.00
Expected share price return	-10.2%
Expected dividend yield	3.7%
Expected total return	-6.5%
Market Cap	€61,373M US\$80,079M

Price Performance

(RIC: BASFn.DE, BB: BAS GR)



BASF SE (BASFn.DE)

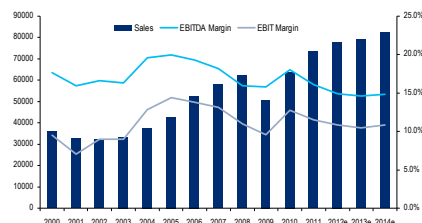
Global Leader in Chemicals with Increasing EM Exposure

- **What Makes BASF a Champion** — BASF is one of the largest chemical companies in the world, with business portfolio ranging from chemicals and plastics to agrochemicals, home and care chemicals, oil and gas production and distribution. Its highly integrated operations allow for significant cost savings. BASF occupies leading positions in majority of its businesses. BASF aims to earn a premium on its cost of capital of at least €2.5bn per year. 2015 goals include sales of approximately €85bn and EBITDA of approximately €15bn (17.6% vs Citi expectations of normalized EBITDA margin of 15%). Full delivery of its cost-cutting program STEP implies €1bn of cost savings by 2015.
- **What Makes BASF a World Champion** — BASF now generates c27% of sales outside North America and Europe, its increasing emerging markets exposure is one of the key growth drivers for the company. The company plans to increase the share of emerging markets sales to 45% in 2020. BASF has one of the highest dividend yields in the industrial chemical space (4% in the next 3 years based on Citi estimates) as well as strong free cash flow generation (7.6-8% in the next 3 years).
- **BASF's Growth Outlook** — We expect 3-year CAGR for revenues of c4%, EBITDA c 1.2% and EPS c1.5%. This is based on some deterioration of the commodity cycle, which negatively affects the margins and slow recovery of the global economy.
- **BASF's Cash Usage** — At the end of 2011, Net Debt was below 1xEBITDA and we do not expect considerable deterioration in 2012. The company offers its shareholders much higher FCF generation than industrial chemical sub-sector, which results in higher dividend yield. As organic growth stays one of the top priorities for BASF, we expect the capex program to accelerate in the next 5 years. Majority of growth capex is related to the Oil and Gas sector but also includes capacity expansion in plastics. We think that the company is likely to restart its share buyback program once the economic situation improves.
- **Current Recommendation** — We have a Neutral rating on the stock. These are a mixed set of numbers and do not yet fully reflect the slower activity that hit in June. Equally, BASF appears to have been very fast to react to these tougher markets. Given limited EPS growth potential this year and the macroeconomic uncertainties, we believe the shares are set for a period of consolidation.

BASF SE (EUR)

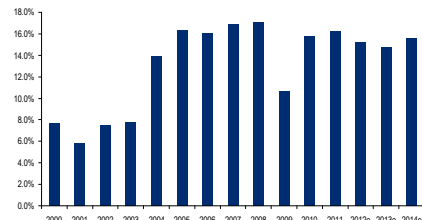
Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (€M)	63,873.0	73,497.0	77,848.7	79,142.3	82,500.1
Net Income (€M)	5,261.0	5,749.0	5,083.5	5,075.6	5,652.5
Diluted EPS (€)	5.73	6.26	5.53	5.53	6.15
Diluted EPS (Old) (€)	5.73	6.26	5.53	5.53	6.15
PE (x)	11.7	10.7	12.1	12.1	10.9
EV/EBITDA (x)	7.0	6.8	6.8	6.8	6.3
DPS (€)	2.20	2.50	2.50	2.50	2.60
Net Div Yield (%)	3.3	3.7	3.7	3.7	3.9

Figure 16. BASF Sales, EBITDA and EBIT margin



Source: Citi Research, company reports

Figure 17. BASF ROCE



Source: Citi Research, company reports

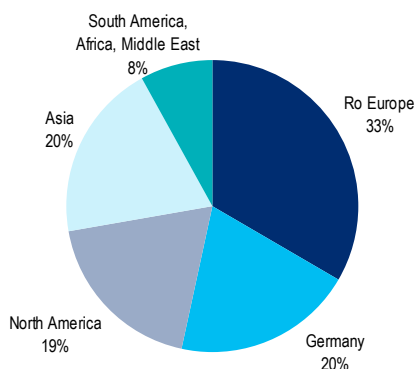
- **Top 3 Investor Questions** — 1) What is the earnings risk in H2 2012? 2) Competitive position of BASF vs industrial chemical companies in the US, which have access to cheap feedstock? 3) Do we expect further portfolio changes?

1) Earnings risks in H2 2012? German chemical association has recently cut its 2012 outlook for sales from +2% to 0%. Volumes are now seen down 3% (from flat), which reflects deterioration of the global economy, and prices up 2.5% (from 2%), which reflects Raw Materials price inflation (in particular recent rebound in the oil price). We see earnings risks mainly for Chemicals and Plastics divisions, however recent results show that traditionally downstream divisions – Functional Solutions and Performance Products – continue to underperform peers.

2) Competitive position of BASF vs industrial chemical companies in the US, which have access to cheap feedstock? Our US colleagues think that current weakness in propane prices will cause the shift cracking to propane feedstock. If the shift is limited to the current excess propane production, then the global propylene supply would rise by c. 0.4% due to this shift. We estimate that approximately 13% of BASF's EBIT is driven by propylene-chain business. In the longer term assuming all of the future incremental propane output is used as cracking feedstock, the increase in propylene supply would be c. 1%, still not enough to materially change the competitive landscape.

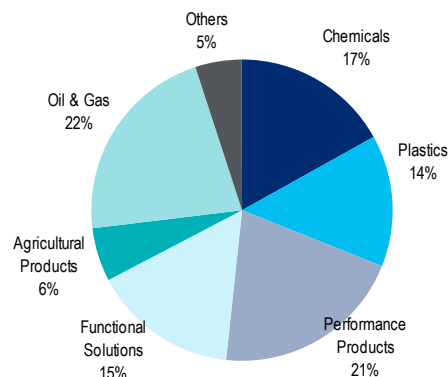
3) Do we expect further portfolio changes? As the company's investment strategy implies sales growth above industry average, we expect both acceleration of the capex program (predominantly in the field of Oil and Gas) and some small to medium size acquisitions in the downstream segments (for instance water treatment). We do expect further evolution of the BASF portfolio.

Figure 18. BASF: breakdown of sales by region, 2011



Source: Citi Research, company reports

Figure 19. BASF: breakdown of sales by division, 2012E



Source: Citi Research, company reports

Company Focus

■ Company Update

Heath R Jansen
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Buy	1
Price (20 Sep 12)	£19.47
Target price	£21.00
Expected share price return	7.9%
Expected dividend yield	3.9%
Expected total return	11.7%
Market Cap	£111,043M US\$180,139M

Price Performance (RIC: BLT.L, BB: BLT LN)



BHP Billiton PLC (BLT.L)

Solid as a Rock

- **What Makes BHP Billiton a Champion** — BHPB has a proven track record of generating shareholder returns, delivering a CAGR of 27% for total shareholder returns over the past ten years. BHPB does this through a disciplined approach of owning and operating large, long-life, low-cost, expandable, upstream assets diversified by commodity, geography and market. The company does this in a framework which is committed to health and safety, the environment and community in which it operates.
- **What Makes BHPB a World Champion** — BHPB is the world's largest global diversified natural resources company. BHPB is among the world's largest producers of major commodities, including aluminium, copper, energy coal, iron ore, manganese, metallurgical coal, nickel, silver and titanium minerals, and uranium along with substantial interests in oil and gas. BHPB is truly global with operating in over 100 locations throughout the world, and is underpinned by the 100,000 employees and contractors that work at the company.
- **BHPB's Growth Outlook** — We forecast volume growth of between 4-5% per annum for the coming decade, delivering a CAGR of 4.6% growth in revenue and 6.6% growth earnings until 2020. BHPB posted an annualised ROE of 22% in the first half of calendar year, which is above its peers in the order of 3-10%, we are forecasting a normalisation of these returns over the next decade to 15%.
- **BHPB Cash Usage** — Over the last 10 years, the group has generated c\$158bn in free cash flow, of this \$79bn was invested in capex, \$39bn in M&A, and around \$50bn has been returned to shareholders in the form of dividends and buybacks. The company has a mantra of living within its needs and this has recently resulted in them delaying a number of critical growth projects; namely Outer Harbour and Olympic Dam expansion.
- **Current Recommendation** — BHPB is part of Citi Focus List Europe and a global top pick within the metals and mining sector. We have a Buy rating and a £21 price target.

BHP Billiton PLC (USD)

Year to 30 Jun	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	71,739.0	72,226.0	68,073.4	77,488.3	84,260.5
Profit Before Tax (\$M)	31,255.0	23,022.0	19,601.4	25,507.5	28,972.5
Diluted EPS (¢)	407.4	321.6	241.0	313.6	356.9
Diluted EPS (Old) (¢)	407.4	321.6	241.0	313.6	356.9
PE (x)	7.8	9.8	13.1	10.1	8.9
EV/EBITDA (x)	4.8	5.5	6.9	5.6	4.8
DPS (¢)	101.0	112.0	123.0	136.0	146.0
Net Div Yield (%)	3.2	3.5	3.9	4.3	4.6

■ Top 3 Investor Questions

- **Why Buy BHP?** The sector faces headwinds of higher inflation, oil prices, operating costs, taxation, royalties and capex which is likely to result in falling margins and returns. We recommend investors seek alpha in the sector and we believe that companies with proven management teams and asset portfolios will deliver higher shareholder returns. Our investment strategy for the sector is based on Sweating for Success against the Super Cycle Sunset. BHP ticks most of the boxes, in our view. BHP is also one of the highest dividend yield stocks in the sector.
- **Likelihood of capital return?** Low probability outcome at least in the short term. While the company has suspended Outer Harbour and Olympic Dam for the time being, that just means scaling back the long-dated capex while near-term capex remains too high, e.g. \$22bn capex for FY13 is record number. On our estimates, BHP will increase net debt by US\$4+b in FY13 to fund growth and pay dividend, with debt reduction only material in FY15+ as cash flow increases and capex falls. At spot commodity prices, debt reduction would not begin until FY17+, unless capex falls faster than our forecasts.
- **Is the dividend yield sustainable?** We think dividend yield is likely to be a key valuation metric for the sector going forward, and could arguably be more important than the traditional valuations metrics of PE or Price to NPV multiples as traditional approaches suffer from a range of shortcomings. The value creation in the mining industry over the past eight years has been driven by ever increasing commodity prices; we believe this environment is now over and mining managements are therefore going to have to balance a growth versus yield outcome. While shareholders have been advocates of higher cash payments, mining managements are focused on growth. In our opinion, the market has forced this issue and de-rated the mining sector to PE multiples on which the companies offer an attractive yield.

Company Focus

■ Company Update

Anthony Pettinari

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Buy	1
Price (20 Sep 12)	US\$37.20
Target price	US\$45.00
Expected share price return	21.0%
Expected dividend yield	0.0%
Expected total return	21.0%
Market Cap	US\$5,542M

Price Performance

(RIC: CCK.N, BB: CCK US)



Crown Holdings Inc (CCK)

Balance of Defense and Offense as Capex Turns to Cash

■ **What Makes CCK a Champion** — Crown Holdings is the third-largest beverage can maker globally with 2011 sales over \$8.6 billion. In our view, CCK offers the best combination of global offense (BRICs expansion capacity in beverage and aerosol cans) and defense (developed market food and beverage) in the packaging sector. Despite the company's aggressive BRICs growth program, capital allocation has been disciplined as witnessed by the recent decision to pull back on Brazilian and Chinese capacity expansions. We regard CCK as a strong operator that delivers "few surprises." CCK has the lowest percentage of earnings misses in the packaging sector over the past five years, and the company is an industry leader in cash conversion and fixed asset turnover. CCK has consistently improved its conversion performance over the past decade, using EVA-based compensation metrics that encourage capital efficiency. CCK's 5-year ROA of 9.8% is over 200bp higher than the packaging group, and the company has been able to drive significant improvement in working capital management.

■ **What Makes CCK a World Champion** — CCK has the most balanced global portfolio in the packaging industry with 33% coming from North America and 38% from Western Europe. CCK is also a leading manufacturer of beverage and food cans as well as aerosol cans in the emerging markets of Eastern Europe and the Middle East (12% of sales), Asia (10% of sales) and Latin America (7% of sales). In the last two years, CCK has been spending the majority of their capex on investments in these emerging markets.

■ **CCK's Growth Outlook** — We expect free cash to jump almost 3x in 2013 as the company's expansions in China, SE Asia and Turkey flow through to the bottom line. Moreover, we forecast EPS growing at a robust 3-year CAGR of 12% through 2014 as the company's BRICs capital expansions come online.

■ **CCK's Cash Usage** — CCK has invested the bulk of their cash into themselves over the past five years, with capex accounting for 46% of their operating cash flow. More importantly, CCK has been able to generate significantly higher returns than their cost of capital (ROIC of 16% vs. WACC of 6.1%). CCK has also been shareholder friendly over the past five years, spending ~30% of their operating cash flow on repurchases. We expect this to continue going forward and our model assumes CCK could repurchase \$725mm of its shares in 2013-14, or roughly 13% of the existing share base at current prices. We believe buybacks could represent up to one-third of EPS growth over the next two years. While CCK currently pays no dividend, although we think one could be on the table in 2013 assuming longer-term resolution of dividend tax treatment.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.48A	0.84A	1.01A	0.48A	2.81A	2.81A
2012E	0.46A	0.84A	1.00E	0.60E	2.96E	2.92E
Previous	0.46A	0.84A	1.00E	0.60E	2.96E	na
2013E	0.60E	1.08E	1.14E	0.63E	3.45E	3.35E
Previous	0.60E	1.08E	1.14E	0.63E	3.45E	na
2014E	0.72E	1.27E	1.33E	0.58E	3.90E	3.77E
Previous	0.72E	1.27E	1.33E	0.58E	3.90E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

■ **Current Recommendation** — CCK is our top pick in the Packaging group as the company's BRICs capital expansions come online and flow to the bottom line. In our view, CCK offers the best combination of offense (BRICs expansion capacity in beverage and aerosol cans) and defense (developed market food and beverage). We see upside in the stock as 2013 EPS is expected to grow 17% on the back of capacity expansions. Over the past 12 months, CCK has traded at a ~0.5x EBITDA discount to BLL (BLL.N; US\$42.68; 1); we view this discount as partially due to the operational risk related to the start-up of capacity expansions. As that risk recedes, that discount should narrow.

■ **Top 3 Investor Questions:**

- **What is the Cash Generation Potential?** — Cash is the catalyst for CCK, and we expect the company to generate ~\$500mm in free cash in 2013, implying the stock trades at ~9.5% cash flow yield. CCK's cash generation is poised to step-up as capacity from its capex program come online. Due to the recent expansions, CCK's capex has been elevated, peaking at \$400mm in 2011, with \$300mm of that spend devoted to capacity additions mostly in emerging markets. The company's expansion program has been aggressive, with initial plans to build 9 plants with more than 8 billion units of capacity (or 15% of CCK's existing capacity). However, the company has shown capital discipline in scaling back projects that don't deliver EVA in a weaker macro environment.
- **What is the Primary Risk?** — The primary risk to CCK is that declining volumes in developed markets lead to share erosion and deteriorating contract terms, in our view. CCK derives 38% of its sales from the mature Western European market, with large businesses in France, Italy and UK. Although its end markets are generally defensive, it has seen some volume pressure (2Q shipments -3% Y/Y), with CCK recently mentioning customers have been waiting until the last minute to order cans just before their seasonal packs. We forecast ~3% revenue growth in the European businesses in 2013 driven by stronger pricing and mix. If volume weakness persists, we think it is possible that CCK would extend its cash restructuring program to include some of its 55 plants in Western Europe.
- **What Are the Key Catalysts?** — CCK is expected to bring 4 new plants online and add an additional line at their Fujian plant before the end of 2013 that will add ~3.6B cans to their annual capacity. CCK also currently pays no dividend, although we think one could be on the table in 2013 assuming longer-term resolution of dividend tax treatment. Implementation of a small dividend could open CCK to new shareholders.

Company Focus

■ Company Update

Andrew Benson

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Buy	1
Price (20 Sep 12)	€40.45
Target price	€55.00
Expected share price return	36.0%
Expected dividend yield	2.0%
Expected total return	38.0%
Market Cap	€7,338M
	US\$9,574M

Price Performance

(RIC: DSMN.AS, BB: DSM NA)



DSM NV (DSMN.AS)

Transformed Portfolio and Leader in Vitamins

- **What Makes DSM a Champion** — After successfully competing both its 2005 and 2010 “Vision” programs, DSM has substantially transformed its portfolio. Now more than 60% of the company’s earnings come from the Nutrition segment. DSM aims to sustain EBITDA margins for Nutrition in the range of 20-23%, the mechanism for high margins is adding value for food processors. Above-average market share in many fragmented markets helps to achieve economies of scale and cost advantages.
- **What Makes DSM a World Champion** — DSM competes in Vitamins, carotenoids, nutritional lipids, enzymes and some other ingredients. It is the global leader in vitamins and carotenoids with approaching a 40% global share of the former and possibly a 50% share of the latter. In 2009, Vitamins was approximately a €6bn market, carotenoids about a €1.3bn and nutritional lipids about €2.9bn. These markets are growing at about 6%. DSM Nutritional lipids represents roughly 15% of the global nutritional lipid segment (omega3 and omega6 fatty acids) but dominates the recombinant market. Most of this €1.5bn market is supplied from fish oils. Demand is growing at about 13% for the segment overall but at about 20% for the recombinant version due to the demand for high purity product notably into infant formulae in emerging regions. DSM is the dominant supplier.
- **DSM's Growth Outlook** — We expect 3-year CAGR for revenues of c5.8%, EBITDA c 4% and EPS c6.2%. This is based on contribution from recent acquisitions (Martek, Tortuga, Ocean Nutrition etc), stable 2% above GDP growth in the rest of Nutrition business and some recovery in the cycle in Materials business.
- **DSM's Cash Usage** — DSM has a solid dividend yield of around 4% in the next 3 years (Citi estimates) and strong FCF generation (FCF yield of on average 7.5% in the next 3 years). DSM has spent €2.2bn on acquisitions in the last 2 years, the majority in the Nutrition segment. Taking into account the company's strategy and c€1bn of cash on the balance sheet, we expect acquisitions to stay the first priority for the company. However, we expect dividend yield to stay strong.
- **Current Recommendation** — We are Buyers of DSM. We think, with a resilient outlook, undemanding rating, strong financial position and the probability of EPS enhancing acquisitions (noting the €1bn of acquisition firepower and the current, low geared balance sheet), the potential for outperformance is significant.

DSM NV (EUR)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (€M)	8,176.0	9,048.0	9,287.4	10,113.9	10,707.7
Net Income (€M)	537.0	605.0	501.1	626.3	724.3
Diluted EPS (€)	3.27	3.65	3.03	3.78	4.37
Diluted EPS (Old) (€)	3.27	3.65	3.03	3.78	4.37
PE (x)	12.4	11.1	13.4	10.7	9.2
EV/EBITDA (x)	6.3	5.7	8.1	6.7	6.1
DPS (€)	1.35	1.45	1.45	1.50	1.60
Net Div Yield (%)	3.3	3.6	3.6	3.7	4.0

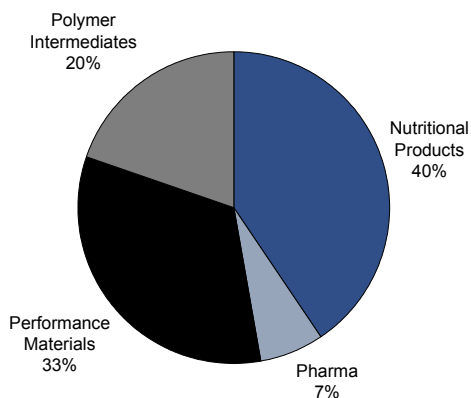
- **Top 3 Investor Questions** — 1) What is the effect of Material segment cycle deterioration on the company's earnings? 2) Why do you expect the company to outperform the market? 3) Key risks to our investment case?

1) What are the earnings effects of caprolactam cycle deterioration? Is their earnings risk going to H2? Q2 12 results showed that caprolactam profitability collapsed faster than expected. This also affected the Performance Materials division; caprolactam used by this division is passed through on a cost plus basis so the margin uplift in 2011 from high prices helps this division and is now reversing. Following Q2 results, we trimmed our estimates by 3% in 2012 and 4% in 2013. There is some further risk to Material segment earnings, but the cost-cutting program should partially offset those risks. DSM has initiated a new cost-saving program, which will be implemented over the next 18 months and is expected to deliver structural annual EBITDA benefits of € 150 million by 2014.

2) Why do we expect the company to outperform the market? We believe the repositioning of DSM is delivering results. While the industrial weakness dominated the headlines of Q2 results, the relative resilience of the life science area was an important feature and the determination of management to minimize costs is also encouraging. Nutrition is a steady growth division that represents close to 60% of EBIT. The company has the strategic intent to invest up to €1bn on acquisitions to develop its life science/materials science strategy. While DSM is likely to see some EPS erosion in 2012, the mid-term growth drivers look strong.

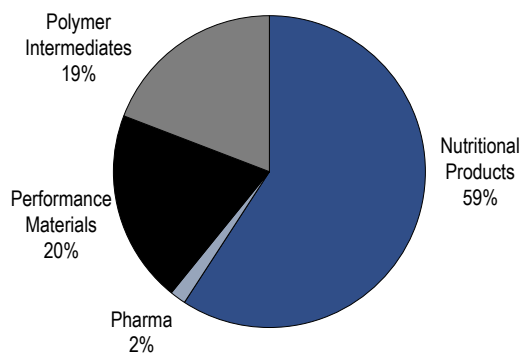
3) What are the key risks to our thesis? We view the Nutrition segment as the key to future performance of DSM and its ROCE improvement. We do not see any major risks for sharp deterioration in the segment growth profile and profitability. However, current high prices for soft commodities can cause some temporary setback in the demand for animal feed.

Figure 20. DSM: breakdown of sales by division, 2012E



Source: Citi Research

Figure 21. DSM: breakdown of EBIT by division, 2012E



Source: Citi Research

Company Focus

Fibria Celulose SA (FBR) The Pulp Sector Bellwether

Company Update

Juan G Tavaréz
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Neutral/High Risk	2H
Price (20 Sep 12)	US\$9.26
Target price	US\$7.80
Expected share price return	-15.8%
Expected dividend yield	0.0%
Expected total return	-15.8%
Market Cap	US\$5,054M

Price Performance (RIC: FBR.N, BB: FBR US)



■ **What Makes Fibria a Champion** — Fibria is the leading global market pulp producer with 5.25 mln tonnes of capacity (10% market share) and among the lowest-cost producers globally (35% EBITDA Margin vs. 24% global average). Fibria's key competitive advantage comes from the favorable climate/ soil conditions in Brazil and its expertise in forestry management, which drives its high forestry yields (~50 m3/ha) and low harvesting cycle (6 years vs. 25 years in the US). We expect the company to maintain its top position in the sector given 1) *superior productivity* – cloned forestry/ replanting system should continue to drive higher yields; and 2) *Pulp growth potential* - available land/forestry for future growth – three brownfield possibilities; Tres Lagoas II, Veracel II, Aracruz line 4.

■ **What Makes Fibria a World Champion** — Fibria exports 100% of its production with a well-diversified presence globally – 26% North America, 43% Europe, 20% Asia, 11% LatAm. Roughly half of Fibria's pulp is directed towards the tissue market, a much more inelastic market with growth potential from emerging markets. We expect a shift towards EM in the coming decade as paper consumption in the developed regions (US and Europe) continue to undergo a secular decline, and consumer-driven growth in the emerging markets (i.e. China, India) drive an increase in paper and tissue consumption per capita (fig. 4).

■ **Fibria's Growth Outlook** — Over the medium term, we expect pressure on Fibria's earnings profile as pulp overcapacity triggers a downcycle in prices during 2013-14; we forecast a 3-year CAGR of -7% for sales and -6% for EBITDA. However, once Fibria navigates through the cycle and improves its balance sheet (currently 4.7x Net Debt/EBITDA), growth opportunities could be activated smoothly via Brownfield projects (Veracel II, Tres Lagoas II, and Aracruz line 4) which could increase Fibria's capacity by 3.75mln tones (+69%).

■ **Fibria's Cash Usage** — We expect management to remain focused on using incremental cash flows to deleverage the balance sheet before pursuing growth. As such, capex should reflect only its maintenance needs of R\$1.0b (or ~US\$500m) until it reaches a more comfortable leverage position – below 3.5x.

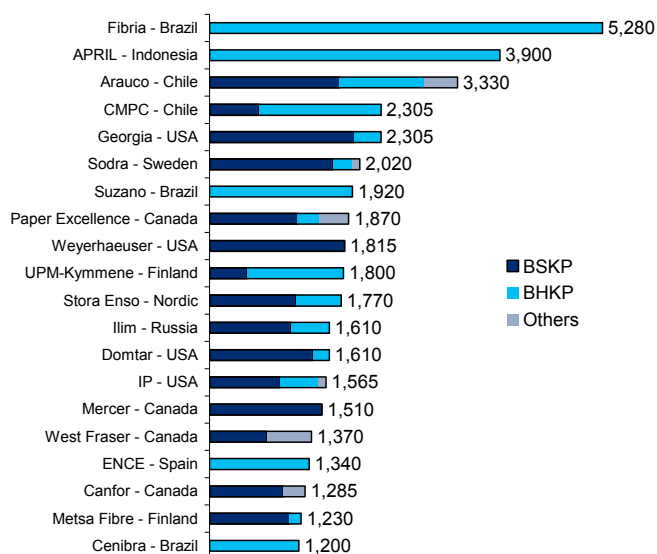
■ **Current Recommendation** — We rate FBR Neutral/High Risk given 1) weakening pulp fundamentals – capacity additions, high inventories, and weak underlying paper demand should begin to place pressure on pulp prices; 2) a stretched balance sheet – 4.7x Net Debt/EBITDA; and 3) fair valuation – stock trading at 8.5x 2012E EV/EBITDA, in line with history.

Estimates	2011A	2012E	2013E	2014E	Q112A	Q212A	Q312E	Q412E
Sales (R\$M)	5,855	5,759	5,738	5,754	1,274	1,491	1,410	1,583
EBITDA adj (R\$M)	1,981	2,010	1,964	2,013	377	550	497	586
EBITDA margin adj (%)	33.8	34.9	34.2	35.0	29.6	36.9	35.2	37.0
Net income (R\$M)	-868	-461	-112	40	-10	-526	100	-25
EPS (R\$)	0.36	-0.01	-0.13	0.07	0.03	-0.01	-0.04	0.03
Valuation					Ratios		2011A	2012E
EV/EBITDA adj	9.9	9.6	9.4	8.9	ROE adj (%)		1.1	0.0
PE	51.9	nm	nm	nm	ROIC adj (%)		3.5	4.0
FCF (%)	0.1	7.4	3.6	7.2	Debt to Capital (%)		44.2	43.3

Source: Company Reports and dataCentral, Citi Research.

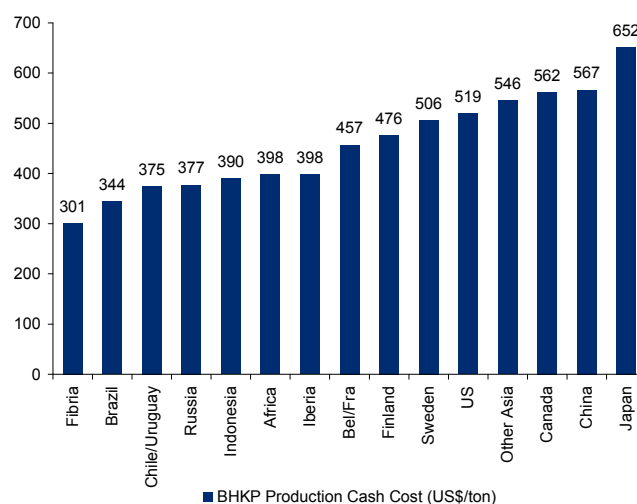
- **Top 3 Investor Questions — 1) Pulp price outlook?** We expect the entrance of three new pulp mills in the next 18 months to create an imbalance in supply/ demand and pressure prices by -9% in 2013, and -7% in 2014 to \$650/mt; **2) Accelerated deleveraging phase?** We expect the company to sell its Losango forestry asset by year-end, which we value at ~R\$600mln. However, in our analysis, the company still needs another R\$400mln to fully fix its leverage profile (earnings could gradually fill this gap); and **3) When will growth return to Fibria's investment thesis?** Assuming leverage falls below 3x by 2015, Fibria could consider pursuing growth once again in 2016.

Figure 22. Fibria – #1 Market Pulp Producer



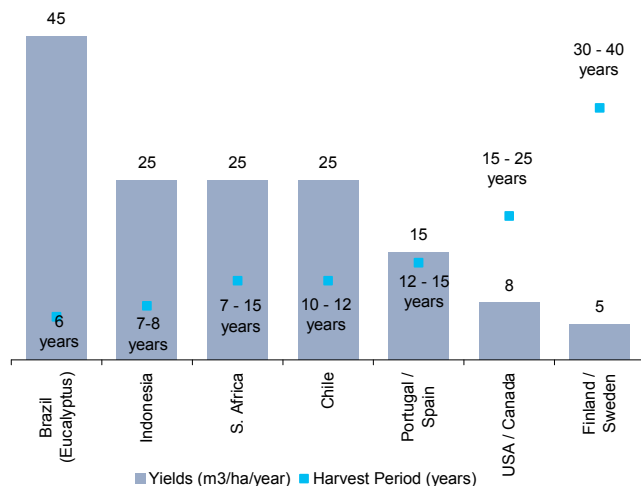
Source: Fibria, Hawkins Wright

Figure 23. Fibria – Among the Lowest Cash Cost Producer



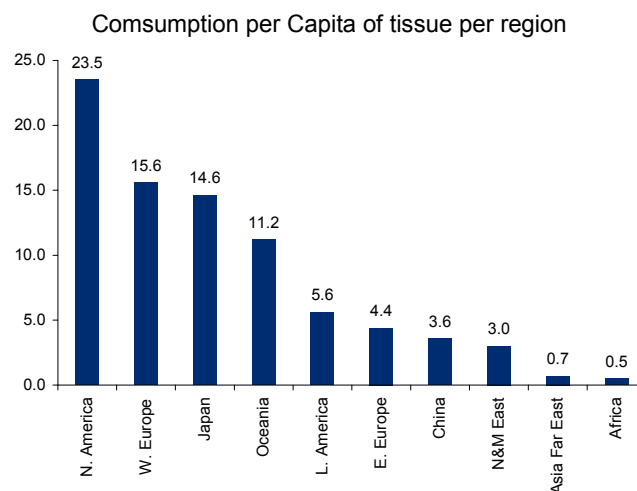
Source: Fibria, Hawkins Wright, Citi Research

Figure 24. Competitive Advantage – Production Yield /Harvest Period



Source: ABRAF, STCP, Poyry, Citi Research

Figure 25. Significant Growth Potential in Emerging Countries



Source: RISI, Fibria, Citi Research

Company Focus

Freeport-McMoRan Copper & Gold Inc. (FCX)

Scale and Cost Advantage with a Healthy Balance Sheet

Company Update

Brian Yu, CFA

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Buy	1
Price (20 Sep 12)	US\$40.25
Target price	US\$43.00
Expected share price return	6.8%
Expected dividend yield	3.1%
Expected total return	9.9%
Market Cap	US\$38,207M

Price Performance (RIC: FCX.N, BB: FCX US)



■ **What Makes FCX a Champion** — FCX is the world's second-largest global producer of copper behind the Chilean state-owned Codelco and in 2011 accounted for ~9% of global supply. FCX is also a global leader in the production of molybdenum with 15% market share based on production of 83 mln lbs. Copper revenues accounted for 78% of FCX's total revenues while molybdenum contributed a further 6%. From a copper cash cost perspective, FCX is in the 2nd quartile globally which has allowed the company to post an average ROE of over 30% between '09-'11.

■ **What Makes FCX a World Champion** — Roughly 66% of sales are outside of the United States and copper production is divided between South America (35%), North America (34%), Indonesia (23%) and Africa (8%). Production from the company's key Grasberg operations in Indonesia was reduced in '11 due to labor disruptions; however, we see production fully recovering to 1.2 bln lbs in 2013.

■ **FCX's Growth Outlook** — We project FCX's revenues growing by 10% between 2012-2015 as higher copper volumes, particular from Indonesia offset a slightly lower copper pricing outlook. Over the same period, we see EBITDA growing by 16% annually and EPS rising 18%. Though FCX has historically traded similar to copper (correlation > 90%), the company offers significant growth potential from projects including Tenke Phase II (+150 mln lbs Cu), the Morenci mill expansion (+225 mln lbs Cu) and Cerro Verde (+600 mln lbs Cu).

■ **FCX's Cash Usage** — Given FCX's significant growth opportunities, capex will be the main use of free cash flow over the near term with projected capex of \$4.0-\$4.5 bln annually between 2012-14. FCX's current dividend is \$1.25/sh (3.5% yield) on an annualized basis which represents a payout ratio of 27% on our '12 estimate. Historically, management has also used special dividends (most recently in 2Q11) to return capital back to shareholders.

■ **Current Recommendation** — Buy FCX. We remain positive on FCX based on the company's high quality assets, history of solid execution and a recovery in copper production volumes as Grasberg ramps providing a volume catalyst for the company's shares. In addition, FCX's meaningful growth projects are notable in light of limited copper supply growth opportunities globally.

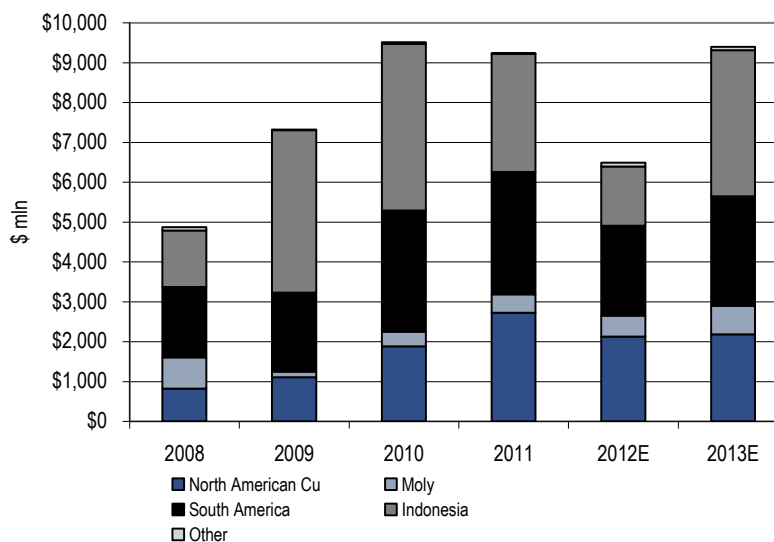
EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	1.58A	1.53A	1.10A	0.67A	4.88A	4.84A
2012E	0.96A	0.80A	0.56E	0.80E	3.12E	3.35E
Previous	0.96A	0.80A	0.56E	0.80E	3.12E	na
2013E	na	na	na	na	4.55E	4.80E
Previous	na	na	na	na	4.55E	na
2014E	na	na	na	na	4.40E	4.99E
Previous	na	na	na	na	4.40E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

■ Top 3 Investor Questions

- **Why have copper prices held up significantly better than other commodities such as aluminium, iron ore, coal and steel; and could copper prices be at risk of seeing a similar downturn?** While we would not rule out the possibility of a significant price correction, our supply and demand model suggests that copper markets are expected to remain tight through 2013 as supply growth lags demand based on a 2013 global GDP growth of 2.8%.
- **What ability does FCX have to cut capex and maintain their dividend distribution if global economic difficulties worsen?** We believe FCX can reduce capex outlays if necessary, and the company also has a buffer with 2Q12 attributable cash balance of \$3.6 bln.
- **How much of a risk is the Indonesian government's review of the Contract-of-Work?** This review is not expected to be completed until later in 2013, and our belief is that the current Contract-of-Work does not give FCX an advantageous royalty/tax treatment. Thus any revision is unlikely to have a material impact on after-tax profits.

Figure 26. FCX Operating Income by Segment



Source: Company reports, Citi Research

Company Focus

■ Company Update

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Clyde Lewis

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Sell	3
Price (20 Sep 12)	SFr206.00
Target price	SFr175.00
Expected share price return	-15.0%
Expected dividend yield	3.1%
Expected total return	-12.0%
Market Cap	SFr7,997M US\$8,625M

Price Performance

(RIC: GEBN.VX, BB: GEBN VX)



Geberit AG (GEBN.VX) Watertight

■ **What Makes Geberit a Champion** — Geberit's return on invested capital, expected to be c.26% in 2012E, is significantly in excess of the building materials sector average. Their concealed systems are a leading product in European plumbing markets and have a growing presence in markets outside Europe. They provide superior support and marketing to the industry installers and specifiers with significant investment having been made in this area. For example, they have unparalleled training support and technical assistance within the industry. Their recent outperformance of the wider building market demonstrates market share gains driven by their quality product and targeting of the installers and specifiers. The group has consistently earned a ROIC in excess of 25% over the last five years.

■ **What Makes Geberit a World Champion** — Geberit has strong and growing positions in North America and Asia. Its sales outside of Europe are c.10% and its concealed systems have significant scope to take market share in these markets.

■ **Geberit's Growth Outlook** — We expect the group to deliver CAGR in revenue and EBITDA of 4% and 7% respectively over the next three years. Despite lacklustre European markets, the market share gains and good pricing power should support growth.

■ **Geberit's Cash Usage** — Geberit is expected to generate strong levels of FCF after capex of CHF313m this year and CHF368m in 2013. We expect net cash of over CHF420m at the end of this year. The group continues to spend c.4-5% of sales on marketing expenses. It is also continuing its CHF400m share buyback programme which should be complete by the end of this year. It then will have capacity to initiate a new share buyback programme, increase the dividend and acquisitions potentially.

■ **Current Recommendation** — Despite Geberit being well managed, having a strong balance sheet and gaining market share, valuation looks stretched. The recent bounce in the share price has led us to downgrade our rating back to Sell. Although Q2 results were decent overall, we expect European end-markets to be challenging in 2012 with risks on the downside. In this context and due to the stretched valuation, we have a Sell rating on Geberit. The shares currently reside on a 2012E EV/EBITDA multiple of c.14x versus a sector average of c.8x.

Geberit AG (CHF)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (SFrM)	1,900.0	1,867.6	1,918.1	2,000.6	2,115.2
Net Income (SFrM)	406.8	384.0	401.0	429.2	466.4
Diluted EPS (SFr)	10.32	9.83	10.27	10.98	11.94
Diluted EPS (Old) (SFr)	10.32	9.83	10.27	10.98	11.94
PE (x)	20.0	21.0	20.1	18.8	17.3
EV/EBITDA (x)	13.6	14.5	14.0	13.1	11.7
DPS (SFr)	6.00	6.30	6.50	6.90	7.50
Net Div Yield (%)	2.9	3.1	3.2	3.3	3.6

■ **Top 3 Investor Questions**

- **Sustainability of Return on Invested Capital** — How sustainable the superior returns are remains a key question. It is very rare for a building materials company to sustain such superior returns over long periods of time. It will really come down to how effective the group is at maintaining the competitive advantage and how determined other players, particularly Asian companies, will be in targeting the more premium end of the market served by Geberit.
- **Cash uses** — The group will soon complete its share buyback programme and the balance sheet still has a significant amount of cash. How the group will use this cash will be a key issue going forward.
- **Market share gains and margin resilience** — Margins have held up towards the top end of management's target range as pricing power has been good. Will the pricing power start to fade if underlying markets remain lackluster and to what extent can the group continue to take market share.

Company Focus

■ Company Update

Andrew Benson

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Sell	3
Price (20 Sep 12)	SFr905.00
Target price	SFr750.00
Expected share price return	-17.1%
Expected dividend yield	3.5%
Expected total return	-13.6%
Market Cap	SFr8,356M US\$9,013M

Price Performance

(RIC: GIVN.VX, BB: GIVN VX)



Givaudan AG (GIVN.VX) Scents and Sensibility

■ **What Makes Givaudan a Champion** — Givaudan is the global market leader in the flavors and fragrances industry with an estimated share of c25%. Leading international and local food, beverage, consumer goods and fragrance companies are among its customers. Givaudan was spun off from Roche in 2000 and among others made 2 large acquisitions – the flavors division of Nestle in 2002 and Quest international in 2006. Givaudan has leading positions in fine fragrances market – the company claims that its perfumers are responsible for almost one-third of the fragrances in the market today. Its five-year strategic plan includes the following targets: 4.5%-5.5% organic sales growth per annum (which is above market growth rate of 2-3%), best in class EBITDA, FCF 14-16% of sales by 2015, 60% FCF return to shareholders once the leverage ratio of 25% has been reached.

■ **What Makes Givaudan a World Champion** — Givaudan is the largest F&F player, with the next closest competitor (Firmenich) having much less significant market share of 13%. 42% of sales currently are derived from emerging markets and this is expected to reach 50% as part of the group's long-term strategy. Faster organic growth than the industry average, in our view, means that Givaudan is gaining market share from smaller local players.

■ **Givaudan's Growth Outlook** — We expect 3-year CAGR for revenues of c3.9%, EBITDA c 12% and EPS c15%. This is based on gradual margin improvement and gaining market share from regional competitors

■ **Givaudan's Cash Usage** — We expect recovery in a balance sheet, as the company's profitability is improving and capex going down. On average, Givaudan converted approximately 35% of its EBITDA to pre-divided free cash flow in the last 5 years. As large acquisitions in Givaudan's major product areas (F&F) are difficult due to already high market share of the company, we expect the majority of the FCF to be returned to the company shareholders in the form of dividends or share buybacks. We think the company will not be able to reach 25% gearing ratio this year. Based on H1 results, in order to reach 25% gearing ratio by the end of the year, Givaudan's EBITDA margin for H2 2012 should go up by c800 bps, which we see as highly unrealistic

■ **Current Recommendation** — We have Sell rating on the stock. There is anecdotal and other data that suggests downtrading by consumers is underway as austerity bites in Europe and growth slows elsewhere. We expect this trend to contain the potential for mid-term growth. Raw material costs and currencies, by contrast, should become less of a challenge. We see the shares as having an unfavourable risk/reward ratio with underperformance likely.

Givaudan AG (CHF)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (SFrM)	4,239.0	3,915.0	4,160.7	4,317.4	4,490.1
Net Income (SFrM)	536.8	426.0	447.8	516.9	565.1
Diluted EPS (SFr)	59.32	46.67	49.25	56.84	62.15
Diluted EPS (Old) (SFr)	59.32	46.67	49.25	56.84	62.15
PE (x)	15.3	19.4	18.4	15.9	14.6
EV/EBITDA (x)	10.7	12.5	12.0	10.5	9.8
DPS (SFr)	21.50	22.00	23.00	23.50	28.00
Net Div Yield (%)	2.4	2.4	2.5	2.6	3.1

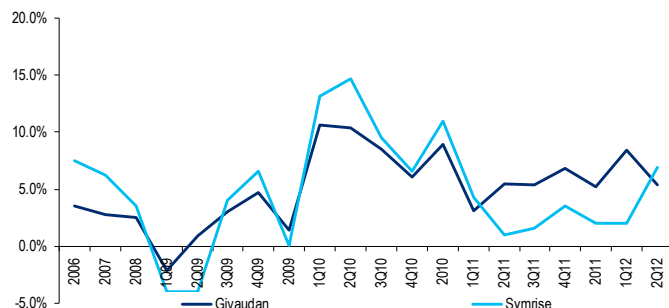
■ **Top 3 Investor Questions** — 1) Why do you think Givaudan will underperform the chemicals? 2) Is vertical integration an option for Givaudan? 3) Is pricing power in the industry improving?

1) Flavours and fragrances industry outlook — We think that the current position of F&F industry does not justify a valuation similar to the consumer sector. Symrise (SY1G.DE; €25.60; 3) and Givaudan are trading on the same valuation as the consumer sector; however, the F&F industry has lower ROCE, dividend yield and FCF yield. Cash conversion of F&F sector is considerably worse than that of HPC sector. Though the F&F industry often creates the selling proposition of consumer products, it doesn't have strong brands of HPC producers or patent protection to support its pricing power. One of the major issues that F&F companies encountered since 2008 is the absence of the pricing mechanism, which would allow them to deal with raw materials price volatility in a fast and efficient manner.

2) Importance of the supply chain — Due to increased raw materials price volatility, the importance of supply chain became evident. Though backward integration can be an answer for some large quantity raw materials, we do not see F&F companies owning farms and building petrochemical plants in the future. This lies outside of area of the expertise of F&F companies and taking into account the diversity of raw materials (for instance, Givaudan uses over 10,000 different ingredients sourced from more than 98 countries), we do not see this as feasible. We think that all the measures, taken by flavors and fragrances companies will help to improve security of supply. However, we expect cash conversion cycle to stay poor relative to HPC companies and probably to get worse, as high volatility in raw material prices negatively impacts F&F inventories.

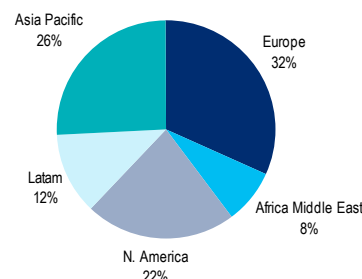
3) Industry in a strong need for change — The consumer goods industry has undergone considerable changes. We think that the balance of power has moved considerably towards HPC companies and F&F companies were not fast enough to react. They are no longer enjoying strong pricing power vis-à-vis their clients and unless they change their business models and adapt to the current conditions, the F&F industry should de-rate and trade at discount to consumer goods industry.

Figure 27. F&F sales growth in local currency



Source: Company reports Citi Research

Figure 28. 2011 Givaudan's sales split



Source: Company reports Citi Research

Company Focus

■ Company Update

Clyde Lewis

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Sell	3
Price (20 Sep 12)	SFr63.70
Target price	SFr48.00
Expected share price return	-24.6%
Expected dividend yield	1.7%
Expected total return	-22.9%
Market Cap	SFr20,835M
	US\$22,471M

Price Performance

(RIC: HOLN.VX, BB: HOLN VX)



Holcim Ltd (HOLN.VX) Asian and Latin America Strengths

- **What Makes Holcim a Champion** — Holcim is one of the top two players globally in terms of cement production albeit it remains more of a national-based market than a global one. Excluding China, it has around 9-10% market share globally of what is a very fragmented market.
- **What Makes Holcim a World Champion** — Holcim's activities are global – only c. 30% of its turnover is in Europe while the rest is spread across the Americas, Asia/Oceania and Africa. In total, it is active in c. 70 countries and is regularly in the top three players in its market places. It is particularly strong in India and other parts of SE Asia as well as Latin America.
- **Holcim's Growth Outlook** — Revenues are expected to grow by 4-5% per annum in the next couple of years with the bulk of the growth coming from Emerging markets. EBITDA should grow faster – at 10-12% per annum after a relatively slow period in 2012E. EPS CAGR is expected to be c. 20% in the next three years.
- **Holcim's Cash Usage** — Over the last 11 years, the group has generated c. CHF57bn of free cash flow. Of this total it has invested CHF27bn on capex, spent CHF19bn on acquisitions and returned CHF5.7bn via dividends.
- **Current Recommendation** — While we think Holcim is a decently run business with an attractive geographic spread, the valuation continues to look too stretched for us given our anticipated returns over the next few years. As a result, we have a Sell recommendation.

Holcim Ltd (CHF)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (SFrM)	21,653.0	20,744.0	21,521.5	22,621.3	24,107.7
Net Income (SFrM)	1,047.0	996.0	1,058.9	1,422.4	1,800.3
Diluted EPS (SFr)	3.27	3.10	3.30	4.42	5.59
Diluted EPS (Old) (SFr)	3.27	3.10	3.30	4.42	5.59
PE (x)	19.5	20.5	19.3	14.4	11.4
EV/EBITDA (x)	8.9	9.5	9.3	8.2	7.2
DPS (SFr)	1.50	1.00	1.10	1.30	1.60
Net Div Yield (%)	2.4	1.6	1.7	2.0	2.5

■ Top 3 Investor Questions

- **Holcim Leadership Journey** — This is the name of the improvement program the new CEO has instigated which is tasked with improving profitability by CHF1.5bn by the end of 2014. CHF1bn of these gains are set to come from better cost performance namely in logistics, procurement, energy and fixed costs, while the other CHF0.5bn is to come from serving customers better. At present, the market remains sceptical on the scale and timing of these improvements and they are likely to be the key swing factor for sentiment in the next 12-18 months next to macro issues.
- **Investment Returns** — The cement industry has not got a great track record in terms of investment returns. Holcim's ten-year average ROIC is 7.2% post tax. It has struggled primarily because of high acquisition prices that it has paid, combined with more volatile returns from Emerging Markets where the barriers to entry are more erratic, and more recently the sharp downturn in cement volumes in mature markets.
- **Mature market recovery** — In 2007, the group made CHF2.3bn in Europe and N. America, by 2011 this had dropped to CHF0.4bn. While there are signs of improvement in N. America, the outlook in most of W. Europe remains bleak and the timescale of recovery is uncertain at best. Emerging markets are expected to continue expanding but the mature markets are the ones that throw off the most cash flow.

Company Focus

Company Update

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Andrew Benson

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Buy	1
Price (20 Sep 12)	£24.98
Target price	£30.00
Expected share price return	20.1%
Expected dividend yield	2.4%
Expected total return	22.5%
Market Cap	£5,119M
	US\$8,304M

Price Performance

(RIC: JMAT.L, BB: JMAT LN)



Johnson Matthey PLC (JMAT.L)

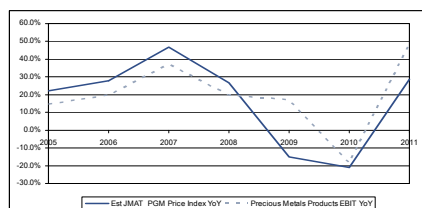
Leader in Catalysts and Metal Refining

- What Makes JMAT a Champion** — Johnson Matthey is a market leader in emission catalysts; precious metal products and fine chemicals. The company has c30% market share in the oligopolistic light duty emission catalyst market and c65% market share in fast-growing heavy duty diesel (HDD) catalysts market. JMAT is also the world's largest refiner of gold and silver (c.3,000 t p.a) and has a strong marketing desk for PGM. This has helped JMAT to become sole marketing agent for Anglo American Platinum. Future prospects are appealing and we do not see any substantial increase in competition from new players. There are high barriers for entry in the industry; advanced technology and raw material (PGMs) integration being the key.
- What Makes JMAT a World Champion** — JMAT is market leader in the oligopolistic emission catalyst market and has exclusive contracts with global automobile players. In process catalysts, it has strong presence in China and other emerging region. Its Davy process technology is globally acknowledged and is one of the major beneficiaries of surge in investments in petrochemical plants in Middle East and China.
- JMAT's Growth Outlook** — We expect 3-year CAGR for sales (ex Precious metals) of c9.2%, EBITDA c9.2% and EPS c12%. These expectations are based on implementation on tightening emission legislation such as Euro VI and development of HDD market in medium term.
- JMAT's Cash Usage** — We forecast that JMAT will generate around £1.6bn cash from operations in next three years. We see c50% of this will be used for funding future expansion plans while c27% of this will be used for dividend payments. This leaves the company with more than £350m in cash, which we believe can be used for further de-leveraging the balance sheet.
- Current Recommendation** — We have a Buy rating on JMAT. It is a structural growth story; play on clean energy megatrend with strong underlying fundamentals. Dividend yield is around 2.5% and we expect dividends will grow about 16% CAGR for next three years driven by strong earnings momentum. Balance sheet is also healthy with gearing around 29%. As such, we see valuation of JMAT as undemanding at PE13E of 12.6x, below its historic average of 15.5x. This company fits well into any portfolio which aspires for good yields and high capital appreciation prospects.
- Top 3 Investor Questions** — 1) Automobile growth is slowing, how will JMAT's business develop in this environment? 2) What is the company's PGM price sensitivity to earnings? 3) What is the outlook for HDD and how will the company cope with increasing competition from Umicore and BASF?

Johnson Matthey PLC (GBP)

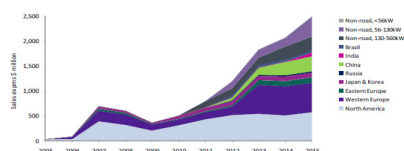
Year to 31 Mar	2011A	2012A	2013E	2014E	2015E
Sales (£M)	9,984.8	12,023.2	11,117.0	11,759.7	12,622.8
Profit Before Tax (£M)	345.5	426.0	433.4	526.6	591.6
Diluted EPS (p)	123.7	161.0	165.8	201.4	226.3
Diluted EPS (Old) (p)	123.7	161.0	165.8	201.4	226.3
PE (x)	20.2	15.5	15.1	12.4	11.0
EV/EBITDA (x)	11.0	9.8	9.4	7.9	7.0
DPS (p)	41.9	57.6	61.4	74.6	85.4
Net Div Yield (%)	1.7	2.3	2.5	3.0	3.4

Figure 29. JMAT – PM price YoY vs. Refining EBIT YoY



Source: Citi Research, company reports

Figure 30. Global HDD Catalyst Market



Source: JD Power, JMAT

1) Automobile growth — Auto production is slowing and is expected to be down c7% in Europe this year, according to Citi. However, global production is seen up c3.7% this year and as a globally operating company, we expect JMAT's autocat business still to make progress this year especially given the strong US market. Also JMAT's cost structure is more variable than for the average car maker mitigating the earnings impact from slowing volumes. In the medium term, tightening emission legislation (Euro VI) should drive growth. For instance under Euro VI, each truck will be 4-5x more valuable to JMAT. This will start by the end of 2012.

2) PGM sensitivity — JMAT's Precious Metals Services business is sensitive to swings in PGM prices (a 10% move impacts earnings by about £8-10). Prices have been weak most of 2012 given the weak macro environment, but have started to recover on the back of production outages at Lonmin. Hence we think recycling volumes will rebound. In addition, JMAT's trading business should benefit from higher price volatility;

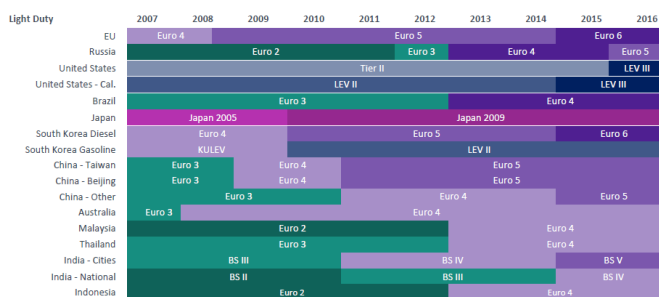
3) Outlook for HDD — JMAT has over 65% market share in HDD, we estimate, and we expect this market to grow from \$800m to \$2.5bn by 2015/2016, driven by tightening emission legislation such as Euro VI. We estimate JMAT's market share to fall to about 56% as we assume a lower market share in the EM going forward as entry barriers there are lower. During the same period, we expect HDD related EBIT to increase from 2% of group EBIT to 12%. Umicore is investing heavily in its HDD platform, but is only a small player at this point with a market share of c. 3% we estimate. BASF with about 25% market share does not seem to embark on an aggressive expansion route at this point. Hence we expect JMAT to remain the dominant player in this field.

Figure 31. Citi light vehicle production forecast by region (Mn units)

	2009	2010	2011	2012E	2013E	2014E
Europe	16.7	19.2	20.4	19.2	20.0	21.0
growth	-21%	15%	6%	-6%	4%	5%
N. America	8.5	11.9	13.1	14.5	14.9	15.7
growth	-32%	40%	10%	11%	3%	5%
Japan	7.6	9.2	8.1	9.5	9.5	9.5
growth	-31%	21%	-12%	17%	0%	0%
China	12.8	16.7	17.2	18.2	19.3	21.1
growth	50%	30%	3%	6%	6%	9%
Latam	3.4	3.9	4	3.95	4.2	4.7
growth	-1%	15%	3%	-1%	6%	12%
ROW	10.5	13.5	14	14.3	15.3	16
Global	59.5	74.4	76.8	79.7	83.2	88.0
growth	-12%	25%	3%	4%	4%	6%

Source: Company reports, Citi Research

Figure 32. Light duty vehicles emission legislation is getting stricter



Source: Johnson Matthey

Company Focus

L'Air Liquide SA (AIRP.PA)

Global Leader in Industrial Gases

■ Company Update

Andrew Benson

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Neutral	2
Price (20 Sep 12)	€99.04
Target price	€91.00
Expected share price return	-8.1%
Expected dividend yield	2.0%
Expected total return	-6.1%
Market Cap	€30,907M
	US\$40,328M

Price Performance

(RIC: AIRP.PA, BB: AI FP)



■ **What Makes Air Liquide a Champion** — Air Liquide is the world's largest industrial gas company, and following its €7bn acquisition of Messer in the US and Europe, has a market share of about 20%. It has an outstanding track record of delivering consistent growth. It is well placed to develop its tonnage, healthcare and hydrogen business. The company is targeting €10bn of capex in the next five years and might invest upwards of €2bn in acquisitions. We see Air Liquide to generate enough cash from operations itself to fund its capital-intensive plans. The balance sheet is also healthy to fund any attractive growth beyond internal cash generation.

■ **What Makes Air Liquide a World Champion** — Air Liquide is market leader in consolidated market (4 players accounts for c66% of market). It has a diversified portfolio with c22% of sales coming from emerging markets, c8% of sales from Northern America and c63% from Europe and Japan. The company has strong focus on quality tonnage business. For next five years, we expect around 65% of the EBIT growth will be generated through tonnage business. Air Liquide also has a strong engineering business where it predominantly supplies captive ASUs for large scale projects.

■ **Air Liquide's Growth Outlook** — We expect 3-year CAGR for revenues of c6.7%, EBITDA c6.0% and EPS c7.4%. These expectations are based on strong prospects for engineering division and growth of large scale industrial projects driven by megatrends of clean and cheap energy. This includes energy applications such as CTL, GTL, CTC and development of hydrogen markets (as legislation demands cleaner, desulphurised fuels).

■ **Air Liquide's Cash Usage** — We estimate that Air Liquide will generate around €9.2bn cash from operations in next three years. Around 66% of this will be spent on capital expenditures to fund future growth and c27% will be spent to return cash to shareholders in the form of dividends. The company has ample investment opportunities (close to €4.0bn in 2012) to fund growth. As such any excess cash is likely to be directed towards capex rather than cash returns. The company has already reduced its debt to pre-Messer acquisition levels (around 48%), as such there is no need to deleverage its balance sheet further, we believe.

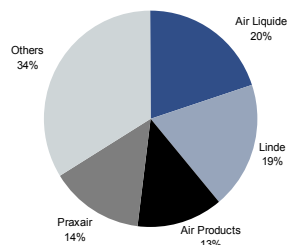
■ **Current Recommendation** — We have a Neutral rating on Air Liquide. Its relatively higher exposure to continental European markets and lower exposure to emerging markets will likely be a drag on company performance, especially in the near term. The shares trade at 19.1x 2012E PE vs its European peers at 15.4x. We think at current growth outlook for the company, the shares are fairly valued.

■ **Top 3 Investor Questions** — 1) What are the prospects for the Industry in medium term? 2) What will be the impact of shale gas boom in the US on industry and company? 3) Why will Air Liquide underperform the industry?

L'Air Liquide SA (EUR)

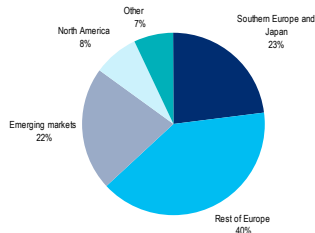
Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (€M)	13,488.0	14,456.0	15,198.3	16,321.6	17,564.3
Net Income (€M)	1,401.9	1,514.5	1,572.0	1,713.4	1,875.7
Diluted EPS (€)	4.53	4.87	5.05	5.51	6.02
Diluted EPS (Old) (€)	4.53	4.87	5.05	5.51	6.02
PE (x)	21.9	20.3	19.6	18.0	16.4
EV/EBITDA (x)	10.8	10.3	9.9	9.2	8.6
DPS (€)	2.14	2.27	2.36	2.55	2.76
Net Div Yield (%)	2.2	2.3	2.4	2.6	2.8

Figure 33. Breakdown of Global Industrial Gas market by producer



Source: Citi Research, company reports

Figure 34. Air Liquide Gases division sales regional split



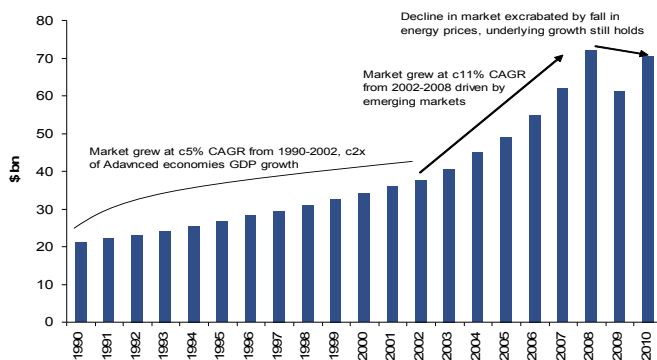
Source: Citi Research, company reports

1) Industry prospects — We believe industrial gases market will witness growth of around c2.0x of world GDP for the next 4-5 years. This pace of growth is consistent with the historical trends of the industrial gas market. We estimate the market will be worth c\$93bn by 2013, up c26% from 2010 levels, driven mainly by demand from emerging economics. Demand from these countries is driven by the need to develop cheap and clean energy alternatives to crude oil, to improve manufacturing processes and use local energy (very often coal) resources more efficiently. China is a key growth region. High energy costs and the clean fuel drive are creating new markets like coal gasification which consume vast quantities of industrial gases. Clean fuel drive is substantially increasing hydrogen demand globally; we expect this market for industrial gases to grow by c15% CAGR for the next five years. However, the European credit crisis is likely to put pressure on volumes for the near term.

2) Impact of shale gas boom — The US shale gas revolution is a significant factor for industrial gases growth potential. Cheap natural gas has led to spurt in orders for new ethylene plant; petrochemical plants and gas cleaning opportunities. The potential creation of additional carbon dioxide supply schemes or nitrogen supply schemes for fracking and the potential of winning gas to liquids supply contracts presents major growth opportunity for industrial gases name.

3) Air Liquide underperformance — Air Liquide has an outstanding track record of delivering consistent growth. However, we believe the near-term outlook is set for underperformance, key reason being its gases division geographic exposure. Air Liquide has c13% exposure to Southern Europe; c40% exposure to rest of Europe and c10% exposure to mature market of Japan. These are the regions where Industrial Production growth will stay challenging in 2012. Its exposure to fast-growing emerging markets is also low (c22%) compared to its peers. These factors are well reflected in slowing organic growth rate of the company.

Figure 35. Industrial gas market - \$ bn



Source: Citi Research, IMF

Figure 36. Industrial gases growth is driven by refining, energy and metals industries

Sector	2010	2015e	CAGR 2010-15e	Component of growth 2010-15e
Metal Fabrication	17000	21000	4.30%	11%
Refining	12000	24000	14.90%	34%
Chemicals	8200	12000	7.90%	11%
Electronics	6300	9700	9.00%	10%
Food	5,700	7,000	4.20%	4%
Healthcare	5,000	6,700	6.00%	5%
Primary metals	8000	12500	9.30%	13%
Gasification	2000	4500	17.60%	7%
Others	6800	8600	4.80%	5%
Total	71000	106000	8.30%	100%

Source: Citi Research, company reports

Company Focus

■ Company Update

Clyde Lewis

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Neutral	2
Price (20 Sep 12)	€42.57
Target price	€42.00
Expected share price return	-1.3%
Expected dividend yield	1.2%
Expected total return	-0.2%
Market Cap	€12,227M US\$15,953M

Price Performance (RIC: LAFP.PA, BB: LG FP)



Lafarge SA (LAFP.PA) Emerging Market Attractions

- **What Makes Lafarge a Champion** — Lafarge is one of the top two players globally in terms of cement production albeit it remains more of a national-based market than a global one. Excluding China, it has around 9-10% market share globally of what is a very fragmented market.
- **What Makes Lafarge a World Champion** — Lafarge's activities are global – only c. 20-22% of its business is in W. Europe while the rest is spread across the Americas, Asia, Africa and E. Europe. In total, it is active in c. 60 countries and is regularly in the top three players in its market places. Margins vary significantly by market but the group is rarely far from the country leaders, while the group also has a good reputation in terms of product performance, development and environmental standards.
- **Lafarge's Growth Outlook** — Turnover growth is expected to average c. 4-6% in the next few years with operating profits growing closer to 10% CAGR. This translates into the group delivering compound EPS growth of 25-30% p.a. until 2014.
- **Lafarge's Cash Usage** — The group has been an active acquirer over the last ten years consuming a lot of the group's free cash flow. In addition, it has also been expanding its footprint organically through building new plants in Emerging markets.
- **Current Recommendation** — We currently have a Neutral recommendation on Lafarge having downgraded the stock from Buy following a strong run up to the middle of the year.

Lafarge SA (EUR)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (€M)	16,169.0	15,284.0	15,918.0	16,773.1	17,875.5
Net Income (€M)	884.3	547.0	734.8	1,021.8	1,322.3
Diluted EPS (€)	3.09	1.91	2.56	3.56	4.61
Diluted EPS (Old) (€)	3.09	1.91	2.56	3.56	4.61
PE (x)	13.8	22.3	16.6	12.0	9.2
EV/EBITDA (x)	7.7	8.1	7.0	6.2	5.5
DPS (€)	1.00	0.50	0.50	1.00	1.10
Net Div Yield (%)	2.3	1.2	1.2	2.3	2.6

■ Top 3 Investor Questions

- **Investment Returns** — The cement industry has not got a great track record in terms of investment returns. Lafarge's ten-year average ROIC is less than 7% post tax. It has struggled primarily because of high acquisition prices that it has paid combined with more volatile returns from Emerging Markets where the barriers to entry are more erratic.
- **Health of the balance sheet** — While the group has made improvements in the last couple of years, the net debt/EBITDA ratio was still 3.7x at the end of 2011. This has limited the group's ability to be aggressive in terms of organic plant expansion as well as restricting any bolt-on opportunities. In fact the group has been forced to exit certain markets in order to boost the balance sheet.
- **Mature market recovery** — In 2007, the group made €2.35bn in W. Europe and N. America, by 2011 this had dropped to €1.1bn. While there are signs of improvement in N. America, the outlook in W. Europe remains bleak and the timescale of recovery is uncertain at best. Emerging markets are expected to continue expanding but the mature markets are the ones that throw off the most cash flow.

Company Focus

■ Company Update

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Buy	1
Price (20 Sep 12)	US\$90.01
Target price	US\$93.00
Expected share price return	3.3%
Expected dividend yield	1.3%
Expected total return	4.7%
Market Cap	US\$47,971M

Price Performance (RIC: MON.N, BB: MON US)



Monsanto Co (MON) Leader in the Agricultural Biotech Revolution

■ **What Makes Monsanto a Champion** — Monsanto is the global leader in biotech seeds with nearly 30% market share. Monsanto was the first company to develop and market biotech seeds and operating income from seeds and genomics doubled between 2007 and 2011, reflecting increasing acres planted and the benefit from selling higher technology (and higher margin) products. We think that Monsanto's R&D pipeline is the strongest in the industry with several major new platforms and traits scheduled to be launched in the coming year. Moreover, barriers to entry in the biotech seeds market are high as seed producers need both the biotech traits (such as herbicide or insect resistance) and strong breeding platforms to provide the germplasm. We think the company gained market share in the US corn and soybean markets in 2012 and is well positioned to benefit from another expected large corn and soybean planting in the US in 2013.

■ **What Makes Monsanto a World Champion** — Monsanto is rapidly growing its Latin American business and sales to Brazil and Argentina were 17% of revenues in 2011. The focus in the region is on new products and improving the price mix. This year the company launched new corn products in Brazil (VT Pro 2) and Argentina (VT Triple Pro), but the company plans for a major ramp-up in 2013, which will improve pricing materially. In 2013, Monsanto will introduce Intacta in Brazil, a stacked soybean that provides farmers ~\$80/acre of value from higher yields and lower insecticide and machinery usage. Longer term, Monsanto sees opportunities for expanding in Eastern Europe and China.

■ **Monsanto's Growth Outlook** — Tight global stockpiles of soybeans and corn highlight the need for farmers to continue to boost yields. Biotech seeds are now planted on ~400mm acres globally and grew at a ~10% CAGR over the past five years. The fastest-growing region was Latin America where planted acres have increased ~47% since 2008. While we conservatively model slower growth in Monsanto's acreage growth over the next 2 years, Monsanto's operating income is still expected to grow ~12%, on average, as strong growth in higher priced seeds more than offsets the "steady state" Roundup business.

■ **Monsanto's Cash Usage** — Monsanto is focused on maintaining its lead in biotech and we expect the company to spend \$1.5B on R&D this year, or 11% of sales, which is in line with the long-term average. In addition, we expect the company to ramp up investment in two new long-term growth platforms, Integrated Farming Systems (a technology-driven "yield prescription" which helps farmers boost yields through precision planting) and Biologicals (naturally-derived chemical solutions based on RNAi technology). Also, the company is investing in new seed production facilities in Latin America. Monsanto recently announced a \$1B stock buyback program, which we model to be completed by fiscal 2014, and also increased its quarterly dividend by 25% (~1.7% yield).

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.03A	1.88A	1.28A	-0.22A	2.96A	2.96A
2012E	0.23A	2.28A	1.63A	-0.42E	3.73E	3.71E
Previous	0.23A	2.28A	1.63A	-0.42E	3.73E	na
2013E	na	na	na	na	4.33E	4.35E
Previous	na	na	na	na	4.33E	na
2014E	na	na	na	na	4.89E	4.94E
Previous	na	na	na	na	4.89E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

■ **Current Recommendation** — We currently rate Monsanto as Buy. In the next few years, the company will take small steps in North America rounding out its near-term product pipeline, while the company will take large steps in Latin America by introducing new traits and enriching the product mix to improve pricing. We think Monsanto is well positioned from a product development perspective, while the ongoing drought in the US is poised to keep seed volumes high in 2013. We currently value the company using a sum-of-the-parts methodology, using 23x 2013E Seeds and Genomics EPS and 12x Ag Productivity EPS to arrive at a price target of \$93 (blended ~21x forward P/E). This multiple basically in line with the long-term average trading multiple.

■ **Top 3 Investor Questions**

- **What is the next big product?** Monsanto's R&D pipeline is positioning the company for its next leg of growth. Monsanto is expected to launch the Droughtgard trait, a drought-resistance biotech trait for corn, during 2013. This will be the first biotech trait for drought and will compete with Pioneer's Aquamax (non-GMO) seed. Droughtgard will be targeted to the US western cornbelt, a region which historically has not been Monsanto's core market. Longer term, Roundup Ready Xtend, a stacked soybean with dicamba tolerance could enter Monsanto's field trials program in 2013, and Integrated Farming Systems will be launched commercially in 2014.
- **What happens when the Roundup Ready Soybean patent expires?** Monsanto's patent protecting Roundup Ready trait in soybeans expires in 2014, and 2015 will be the first season farmers can plant Roundup Ready soybeans without paying Monsanto royalties. However, the company is well ahead of the curve planning for a replacement product. This year ~30mm acres of Roundup Ready 2 Yield, the next generation soybean platform, were planted. With this platform established we think Monsanto is well positioned for the Roundup Ready patent expiration.
- **What are seed prices likely to be in 2013?** Given the US drought and risks to seed production this year, Monsanto recently reiterated their view that seed prices are likely to increase 5-10% next year. We think management has learned from strategic missteps around pricing in the past and will continue to utilize a steady and predictable pricing strategy ongoing forward.

Company Focus

■ Company Update

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Buy	1
Price (20 Sep 12)	US\$59.12
Target price	US\$71.00
Expected share price return	20.1%
Expected dividend yield	1.7%
Expected total return	21.8%
Market Cap	US\$25,875M

Price Performance (RIC: MOS.N, BB: MOS US)



Mosaic Co (MOS) A Key Beneficiary of Global Agricultural Development

■ **What Makes Mosaic a Champion** — Mosaic is one of the largest global fertilizer producers and is a top 3 producer of both phosphate and potash. During its most recent fiscal year, the company accounted for 13% of global finished phosphate and 12% of global potash shipments. Phosphate producers operate in a consolidated industry structure, while potash is an oligopoly, with the top 10 companies globally accounting for ~45% and ~85% of capacity, respectively. Mosaic is in the midst of a major potash growth program with 2.8mmt of expansions currently under construction, and another 1.3mmt of capacity reverting to the company as a tolling agreement expires at the end of this year. Once the current expansion projects are completed in 2018, MOS will have expanded its potash capacity by nearly ~40% to 14mmt. Finally, the company's current and planned phosphate mines amount to nearly 550mmt of phosphate rock reserves, approximately 40% of the US total.

■ **What Makes Mosaic a World Champion** — The company has one of the most geographically diverse sales composition of any company in our coverage universe. Less than 35% of revenues come from the US, with Brazil (20% of sales), India (14%) and Canada (7%) other major markets. Over the past four years, international revenue growth has averaged ~3.5% annually, while growth in sales in the US has been closer to ~2.5%.

■ **Mosaic's Growth Outlook** — The severe US drought has lifted crop prices and has extended the agriculture cycle. Currently tight global grain stockpiles will take more than one year to rebuild, and coupled with strong farm income, are poised to lift fertilizer demand. Looking back at past droughts, US phosphate and potash volumes grew on average by 8% and 2%, respectively, during years following drought. Plus, a strong growing season in Latin America should also lift fertilizer demand. We model ~10% CAGR EBITDA growth over the next 3 years.

■ **Mosaic's Cash Usage** — Mosaic's cash usage has been partially restricted due to the Cargill split-off transaction and the company currently has \$3.8B of cash on the balance sheet. Our understanding is that the restrictions begin to role off in May 2013 and we expect the company to announce a major buyback program next year. In addition, Mosaic is in the middle of deploying \$3.2B for its potash expansion program, and we estimate about \$1.6B of investment remains over the next five years. Finally, the company is investigating constructing an ammonia plant to support its phosphate operations and to take advantage of the US shale gas advantage.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.18A	1.40A	0.69A	1.25A	4.54A	4.42A
2013E	1.17E	1.39E	1.20E	1.59E	5.35E	5.04E
Previous	1.17E	1.39E	1.20E	1.59E	5.35E	na
2014E	1.45E	1.67E	1.33E	1.77E	6.21E	5.59E
Previous	1.45E	1.67E	1.33E	1.77E	6.21E	na
2015E	1.48E	1.69E	1.32E	1.76E	6.24E	5.69E
Previous	1.48E	1.69E	1.32E	1.76E	6.24E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

■ **Current Recommendation** — We rate Mosaic as Buy. The company's shares have lagged the sharp increase in corn prices since the start of the summer, despite a long-term strong correlation. Longer term, we think investor concern that farmers will significantly ratchet down their fertilizer usage due to low yields is overblown. While application rates per acre may fall, overall planted acres could increase in the US and are likely to increase in Latin America, providing a possibly bigger offset. Finally, the company's \$3.8B cash hoard on the balance could be a catalyst, as we expect the company to launch a buyback program in 2013.

■ **Top 3 Investor Questions**

- **Are farmers going to skip phosphate and potash application this season?** The fears that lower crop yields and ploughed down acres (following an insurance claim) are likely to result in farmers lowering their fertilization programs due to less nutrient removal from the soil are overblown, according to our analysis of past droughts in 1983 and 1988. After talking with industry participants and analyzing farmer fertilizer usage following several recent droughts, we think demand should hold up or even improve in 2013. Overall North American phosphate demand actually increased in both 1984 and 1989 (the year after each drought), by an average of 8%, while potash demand increased 2%, on average. We acknowledge that US farmers may delay some application this fall but we are confident that 2013 will be a strong year.
- **When will India sign a new potash contract?** India is historically a key market for potash exports, typically accounting for 10-15% of global trade. However, demand in the country has been negatively impacted due to reduced farmer subsidies and a weaker rupee, which collectively have reduced demand by about ~30% this year. With crop yields lower than in other developing countries and no domestic potash production, we think the country will need to ramp up buying again soon.
- **How much new phosphate capacity is coming online globally?** We do not expect meaningful capacity growth in the phosphate market over the several years. The major near-term uncertainty on the supply side is the ramp-up of the Ma'aden project in Saudi Arabia (~3mmt of DAP production). Trade publications currently report that the project is running at 50-70% utilization rates, and we think the facility could be fully operational next year. Longer term, OCP in Morocco has announced several major expansions, but the timing of completion remains unclear.

Company Focus

■ Company Update

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Buy	1
Price (20 Sep 12)	US\$107.76
Target price	US\$116.00
Expected share price return	7.6%
Expected dividend yield	2.0%
Expected total return	9.7%
Market Cap	US\$32,131M

Price Performance (RIC: PX.N, BB: PX US)



Praxair Inc (PX)

Consistent Execution in a Structural Growth Market

■ **What Makes Praxair a Champion** — PX is an extremely well-managed company in an attractive industry. With an estimated ~15% global market share, PX is a top three producer in a consolidated industrial gas industry where the top four producers account for about 2/3 of the global market. PX generates about 25% of its sales through on-site product delivery, the fastest growing delivery method within the global industrial gas market. On-site projects utilize favourable long-term take-or-pay contracts, usually 15-20 years in length, which provide volume protection and ultimately help mitigate earnings volatility. The company itself is a disciplined, consistent operator as margins and returns on capital have steadily improved over the past decade.

■ **What Makes Praxair a World Champion** — With over 50% of sales derived outside North America and a growing presence in developing markets, PX is becoming more of an emerging markets play. PX has a dominant position and is the market leader in South America (20% of company sales), including a 70% market share in Brazil. A reflection of its leadership position, PX has grown organic sales in South America at a 12% CAGR over the past 10 years. In Asia, PX's volumes have grown at a 12% clip since the early 2000s, while operating margins have expanded by nearly 200bps.

■ **Praxair's Growth Outlook** — Industrial gas producers benefit from what we refer to as the "3 E's": energy, environment, and emerging markets. Increasingly stringent fuel standards require more hydrogen to reduce the toxicity of emissions. Additionally, the crude oil mix is shifting towards more heavy, sour crude oil, which also requires more hydrogen to reduce the sulfur content. PX is targeting a total of \$3B in revenue through 2015 in refinery hydrogen. Given the company's strong market presence in South America, particularly Brazil, we think PX has a great opportunity to win future business from companies like Petrobras. Bolstered by growth in the 3 E's, we expect top-line growth of 8-10% over the next two years despite near-term sluggishness in Europe (only ~13% of PX's sales). The company's solid project backlog of \$2.5B supports this growth outlook, with new projects expected to contribute ~\$800mm in sales in 2013, or ~7% growth Y/Y. Further, we expect EBITDA / EPS to increase 11.7%/15.2% in 2013 and 7.5%/9.3% in 2014.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	1.29A	1.38A	1.40A	1.36A	5.43A	5.43A
2012E	1.38A	1.42A	1.40E	1.43E	5.64E	5.64E
Previous	1.38A	1.42A	1.40E	1.43E	5.64E	na
2013E	na	na	na	na	6.49E	6.38E
Previous	na	na	na	na	6.49E	na
2014E	na	na	na	na	7.10E	7.15E
Previous	na	na	na	na	7.10E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

- **Praxair's Cash Usage** — Industrial gas companies are capital intensive, and PX's capex/sales ratio has averaged ~15% over the past five years. However, PX is a disciplined user of capital; management has remained committed to its IRR hurdle rate and has not sacrificed returns for the sake of growth. To be sure, returns have steadily risen over the past decade, from less than 11% in 2001 to 15% in 2011. Similarly, operating margins have risen from below 17% to nearly 21% over the same timeframe. While technical expertise is important to running an efficient global industrial gas company, the business is not particularly R&D intensive (<1% of sales). Like its earnings stream, PX's cash flows are relatively stable as well. Consequently, PX has increased its dividend every year since going public in 1992. Additionally, PX has consistently repurchased stock, and has reduced its share count ~7% over the past decade.
- **Current Recommendation** — PX is one of our favorite long-term holdings given solid long-term growth prospects, an attractive business model, and consistent, steady execution. New project wins accelerated over the past year, with PX's backlog increasing 23% in 2011 compared to an 11% CAGR from 2008-2010. This should translate to an acceleration of new plant startups over the next 1-2 years and support EPS growth even if macroeconomic growth remains sluggish. With consistent operational reliability and solid cost management, we expect operating margins to increase from 21.9% in 2011 to 22.6% in 2014.
- **Top 3 Investor Questions**
 - **Why does PX trade at such a high multiple?** Although PX has traded at a relatively high multiple compared to the majority of other chemical companies, in our view, the premium multiple is warranted due to: 1) the steady growth nature of the industrial gas business; 2) relatively defensive earnings and cash flow streams thanks to long-term take-or-pay contracts in the on-site business; and 3) a consolidated market structure with high barriers to entry. The bottom line: industrial gas producers offer a unique combination of defense and offense. PX's earnings are far less cyclical when compared to other chemical producers despite the company's exposure to manufacturing and general industrial markets. PX's earnings declined only 5% Y/Y in 2009 amid one of the worst recessions in history.
 - **Is competition heating up in China?** As producers increasingly look to emerging markets for growth, this has fostered more questions about the competitive landscape in China particularly given the emergence of Yingde as a leading local producer. However, the per capita industrial gas consumption in China is a fraction of that of the US, suggesting there is ample growth left for producers to pursue. In addition, industrial gases is an industry governed by regional dominance. Therefore, although numerous industrial gas providers have operations in China, each producer may not compete with one another for every new project. While a viable competitor, Yingde is a much smaller player and has a consolidated customer base. To PX's advantage, it has a long history of operational reliability and strong technical expertise which the company can leverage to win new business in the region.
 - **Why are Praxair's margins and returns above its peers?** PX is more of a pure play in industrial gases, while some competitors have more diverse portfolios. Plus, PX is a highly efficient operator with a dedicated focus on cost management. The difference in margins is also partly a function of lower refinery hydrogen exposure versus some competitors, which results in less top-line sales inflation as a consequence of natural gas cost pass-through.

Company Focus

■ Company Update

Clyde Lewis

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Buy	1
Price (20 Sep 12)	€29.60
Target price	€30.00
Expected share price return	1.4%
Expected dividend yield	4.2%
Expected total return	5.6%
Market Cap	€15,720M US\$20,511M

Price Performance

(RIC: SGOB.PA, BB: SGO FP)



Saint Gobain (SGOB.PA)

Diversified Leader

■ **What Makes Saint Gobain a Champion** — Saint Gobain has six main divisions covering a raft of different businesses and industries across a whole range of geographies. While a number of its businesses are very much local – such as Distribution and Packaging in particular, a number are very global (High Performance materials) and a number are regional (Flat Glass, Building Materials, Pipe). In virtually all of its relevant markets it is a top three operator.

■ **What Makes Saint Gobain a World Champion** — While France is the biggest market for the group at c. 27% of turnover, the group has c. 40% of revenue coming from other European markets, c. 13% from N. America and 20% from RoW. Its exposure to the RoW has continued to grow steadily over the last decade as it has expanded mainly organically into more and more markets. We expect this process to continue as it takes its strong technological skills into new countries.

■ **Saint Gobain's Growth Outlook** — We expect to see the group deliver 4% CAGR growth in turnover, flat EBITDA performance and 4-5% EPS growth. The lack of profit growth comes from the sharp drop in profit performance from the group's Flat Glass division which is suffering from excess capacity within Europe.

■ **Saint Gobain's Cash Usage** — In the last 11 years, the group has generated €36bn of free cash flow and spent €23.5bn on capex, €17bn on acquisitions and returned €5.6bn on dividends and raised €4bn from new equity.

■ **Current Recommendation** — On our current forecasts, we believe Saint Gobain looks undervalued – it is on c. 11x PE for 2012E and 9x for 2013E with EV/EBITDA ratios of 6.2x and 5.9x respectively.

Saint Gobain (EUR)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (€M)	40,119.0	42,115.8	43,124.6	44,912.4	47,367.2
Net Income (€M)	1,329.5	1,699.3	1,306.6	1,592.9	1,941.0
Diluted EPS (€)	2.57	3.23	2.48	3.03	3.69
Diluted EPS (Old) (€)	2.57	3.23	2.48	3.03	3.69
PE (x)	11.5	9.2	11.9	9.8	8.0
EV/EBITDA (x)	5.9	5.8	6.5	6.2	5.7
DPS (€)	1.15	1.24	1.25	1.30	1.40
Net Div Yield (%)	3.9	4.2	4.2	4.4	4.7

■ Top 3 Investor Questions

- **Flat Glass Division Performance** — Having made over €700m in 2008, this division looks set to make only c. €100m in 2012e as a result of the drop in demand in European construction and automotive markets. Traditionally, this has been a very cyclical business but the speed of the decline (it made €478m of EBIT in 2011) has been far faster than the market has experienced before. While traditionally profitability has rebounded on a two-year view, the unusual decline has spooked investors.
- **Shape of the group** — Saint Gobain is a diversified business in terms of products it makes and industries it serves. Many investors have argued for a more streamlined group with a tighter focus but management prefers the diversified portfolio approach. While the Packaging/Verallia IPO, which was abandoned last year, may well return, the timing does not look imminent.
- **French exposure** — At c. 27% of sales, the group is more exposed to the French economy than any of our other major companies. With the construction market looking tricky, this is unlikely to be a helpful factor in the coming 12-18 months unless the government embarks on a fiscal stimulus approach to reviewing economic fortunes.

Company Focus

■ Company Update

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Buy	1
Price (20 Sep 12)	¥4,535
Target price	¥4,900
Expected share price return	8.0%
Expected dividend yield	2.2%
Expected total return	10.3%
Market Cap	¥1,925,541M
	US\$24,567M

Price Performance

(RIC: 4063.T, BB: 4063 JP)



Shin-Etsu Chemical (4063)

Core Businesses Tops Globally in Scale and Profitability

■ **What Makes Shin-Etsu a Champion** — Shin-Etsu is the top company globally in PVC (c10% share) and silicon wafers (c30% share). It is also No. 3-4 in silicone with a c15% share. The US subsidiary Shintech forms the core of PVC operations, and its unparalleled cost competitiveness gives it sector-leading profitability. As a result, Shin-Etsu's PVC market share is growing. Shin-Etsu's profitability is also unparalleled in silicon wafers, thanks to its considerable technological abilities and high productivity. We think it will increase its competitive advantage in this area. We note that Shin-Etsu is also in the top three in terms of cellulose, rare earth magnets, and photoresists.

■ **What Makes Shin-Etsu a World Champion** — Shin-Etsu produces PVC in Japan, the US, and Europe. It boasts top-of-the-line facilities in the US, but Shin-Etsu has a high market share in Europe as well. Shin-Etsu supplies more or less the entire world from its US facilities. We also note that Shin-Etsu has a global supply system for silicon wafers with facilities in Japan, other parts of Asia, the US, and Europe. It uses these facilities to supply pretty much all of the semiconductor majors. The company also produces silicone in China and Thailand.

■ **Shin-Etsu's Growth Outlook** — We believe earnings from PVC in the US will continue to expand as the housing market there recovers and shale gas boosts cost competitiveness further. In silicon wafers, supply/demand for core 300mm wafers should improve, and price hikes is likely to appear to be boosting profitability. Going forward, we believe Shin-Etsu's surplus capital will enable it to beat peers to the punch in increasing capacity when demand rises. Over the next three years, we model EPS CAGR of 16%.

■ **Shin-Etsu's Cash Usage** — The current payout ratio is 38%, high for a Japanese company. Major spending projects (to boost PVC capacity in the US, for instance) have ended, and for now we think capex will stay below cash flow. Shin-Etsu has effectively ¥400bn in cash, and we think it has retained this cash to use for future growth (M&A, etc.). The company tends to be conservative about share buybacks.

■ **Current Recommendation** — Our rating is Buy. Since the global financial crisis in 2008, Shin-Etsu earnings have been somewhat sluggish, but we anticipate a significant recovery for earnings in FY3/14. In our view, earnings from PVC in the US should rise further due to the shale gas "revolution" and a recovery for the housing market, and we also expect a significant recovery for silicon wafers as supply/demand tightens. We also note that the range of earnings sources is expanding to include products like photoresists and LED materials. Therefore, we expect Shin-Etsu's valuations will grow.

Consol.	Sales		OP			RP		NP		EPS		PE
	¥M	YOY (%)	¥M	YOY (%)	OPM(%)	¥M	YOY (%)	¥M	YOY (%)	¥	X	
3/11A	1,058,257	15.4	149,221	27.3	14.1	160,337	26.2	100,119	19.4	236		19.2
3/12A	1,047,731	-1.0	149,632	0.3	14.3	165,237	3.1	100,642	0.5	237		19.1
3/13CE	1,060,000	1.2	160,000	6.9	15.1	170,000	2.9	105,000	4.3	247		18.3
3/13E	1,065,000	1.6	166,000	10.9	15.6	176,000	6.5	113,000	12.3	266		17.0
3/14E	1,121,000	5.3	208,000	25.3	18.6	219,000	24.4	141,000	24.8	332		13.7
3/15E	1,175,000	4.8	247,000	18.8	21.0	259,000	18.3	166,000	17.7	391		11.6

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

- **Top 3 Investor Questions — 1) Won't 300mm wafer production capacity increase?** Increasing capacity is not profitable at current prices, and many other companies in the sector have seen finances deteriorate, so they have no capital to spare. **2) Isn't the strong performance for the US PVC business a temporary thing?** We believe the US housing market will gradually bottom out, and that shale gas will continue to mean lower fuel costs. As such, Shin-Etsu should be able to maintain exports thanks to its cost competitiveness, thus ensuring it continues to operate at full capacity. **3) Aren't Shin-Etsu valuations high?** We model EPS CAGR of 16% over the next three years, so we believe that high valuations are justified.

Shin-Etsu Chemical (JPY)

Year to 31 Mar	2011A	2012A	2013E	2014E	2015E
Sales (¥bn)	1,058.3	1,047.7	1,065.0	1,121.0	1,175.0
Net Income (¥bn)	100.1	100.6	113.0	141.0	166.0
Diluted EPS (¥)	236	237	266	332	391
Diluted EPS (Old) (¥)	236	237	266	332	391
PE (x)	17.5	17.4	15.5	12.4	10.5
EV/EBITDA (x)	4.9	5.1	4.8	3.9	3.1
DPS (¥)	100	100	100	110	110
Net Div Yield (%)	2.4	2.4	2.4	2.7	2.7

Source: Company reports, Citi research

Figure 37. Contribution and market position of main products (FY2011)

	Sales	Composition	OP	Composition	OPM	Ranking	Market share	Competitors	Profitability
PVC	324.0	31%	23.7	14%	7%	1	7%	Georgia Gulf West Lake- Vinyls	OPM 4% OPM 0%
Silicon wafer	229.7	22%	34.3	23%	15%	1	30%	SUMCO Siltronic	OPM 0% OPM -1%
Silicone	135.5	13%	33.7	23%	25%	3~4	15%	Dow Corning Wacker Chemie	NPM 10% OPM 6%

Source: Company data, Citi Research

Figure 38. Segment trends

(lbn)	3/10 FY	3/11 FY	3/12 FY	3/13 FYE	3/14 FYE	3/15 FYE
Sales						
PVC/Chlor-Alkali	237.7	283.5	324.0	342.0	351.0	365.0
Silicone	122.3	143.1	135.5	132.0	141.0	150.0
Specialty Chemicals	80.5	83.5	87.1	89.0	92.0	96.0
Semiconductor Silicon	254.0	283.8	229.7	227.0	258.0	277.0
Electronics & Functional Materials	113.8	141.4	177.8	185.0	187.0	194.0
Diversified	108.5	123.0	93.7	90.0	92.0	93.0
Total	916.8	1,058.3	1,047.7	1,065.0	1,121.0	1,175.0
OP						
PVC/Chlor-Alkali	19.6	19.7	23.7	40.0	46.0	54.0
Silicone	24.9	34.1	33.7	30.0	36.0	43.0
Specialty Chemicals	13.9	12.9	14.7	16.5	19.0	21.5
Semiconductor Silicon	22.6	38.9	34.3	29.5	51.0	66.0
Electronics & Functional Materials	30.7	36.1	38.2	45.0	50.0	55.0
Diversified	6.8	7.3	5.0	5.0	6.0	7.5
Elimination	-1.3	0.3	0.1	0.0	0.0	0.0
Total	117.2	149.2	149.6	166.0	208.0	247.0

Source: Company data, Citi Research

Company Focus

SQM - Soc. Quimica y Minera de Chile (SQM)

Top Player in Niche Markets; Specialty Plant Nutrients, Iodine, Lithium

Company Update

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Buy	1
Price (20 Sep 12)	US\$64.27
Target price	US\$68.00
Expected share price return	5.8%
Expected dividend yield	1.6%
Expected total return	7.4%
Market Cap	US\$16,916M

Price Performance (RIC: SQM.N, BB: SQM US)



■ **What Makes SQM a Champion** — We attribute SQM's top tier returns (ROIC >20%) and strong positioning in specialty fertilizers (potassium nitrates) and industrial chemicals (iodine, lithium) to three key elements; 1) Access to unique assets – high quality natural resources in Chile (caliche ore and salar brine) with +30 yrs of proven reserves provide a low-cost advantage with growth. 2) Leading market share in consolidated markets – 50% in potassium nitrate (ex China), 37% in iodine, 31% in lithium; this market share coupled with relatively high entry barriers allows for positive profitability even when demand slows, and 3) Disciplined mgmt – conservative financial positioning has prepared SQM for strategic/ value adding growth initiatives.

■ **What Makes SQM a World Champion** — Despite having its core operations in Chile, roughly 90% of SQM's revenues are derived from exports with sales in more than 100 countries and commercial branches in all major markets. While the use of SQM's products stretch across several different sectors, we highlight the following key developments as drivers of demand; Need for higher agriculture productivity globally (positive for fertilizer demand - Specialty Plant Nutrients and Potash segment), Higher health care expenditures in emerging markets (Medical equipment/X-ray imaging - positive for Iodine), and increased demand for portable electronic devices (Rechargeable batteries - positive for Lithium).

■ **SQM's Growth Outlook** — We expect SQM to reap the benefits from both attractive prices in tight markets (lithium, iodine) and capacity additions in its potash related division (as well as in iodine). This should translate into 3-yr CAGR of 12%, 15% and 17% for revenues, EBITDA and EPS, respectively.

■ **SQM's Cash Usage** — While SQM remains focused on expanding some core segments (potash, iodine) and improving efficiency, capex spending should not result in balance sheet concerns given healthy leverage (below 1x Net Debt/EBITDA) and solid cash flows. We expect capex of US\$550 million in 2012 (\$350m growth, \$200m maintenance including \$8m in R&D). SQM distributes 50% of its net income as dividends (above the minimum 30% under the Chilean Law). As such, we expect an avg dividend yield of 2% in 2012-2014.

■ **Current Recommendation** — We rate SQM Buy as strong fertilizer fundamentals, improved sales mix and recent production growth should drive solid earnings momentum over the coming quarters. SQM shares are currently trading at 13x 2013E EV/EBITDA, below the 5-yr average of 17x.

■ **Top 3 Investor Questions — Rich Valuations vs. Peers?** We believe a premium is justified given greater profitability, lower tax rates (positive for returns), and the historical Chile effect (pension fund investor base). **JVs, M&A activity?** SQM has been developing several small industrial JVs in Europe, Asia and the Middle East. While we do not rule out the possibility of a larger acquisition, we believe the company will continue to grow together with local

Estimates	2011A	2012E	2013E	2014E	Q112A	Q212E	Q312E	Q412E
Sales (US\$M)	2,145	2,525	2,860	3,045	530	585	699	712
EBITDA adj (US\$M)	959	1,215	1,333	1,446	260	270	337	347
EBITDA margin adj (%)	44.7	48.1	46.6	47.5	49.1	46.2	48.3	48.8
Net income (US\$M)	546	702	762	866	150	153	198	202
EPS (US\$)	2.07	2.67	2.90	3.29	0.57	0.58	0.75	0.77

Valuation				Ratios		2011A	2012E
EV/EBITDA adj	18.5	14.9	13.5	12.2	ROE adj (%)	31.8	34.6
PE	31.0	24.1	22.2	19.5	ROIC adj (%)	21.6	22.9
FCF (%)	0.4	-0.9	4.3	4.6	Debt to Capital (%)	42.9	38.7

Source: Company Reports and dataCentral, Citi Research.

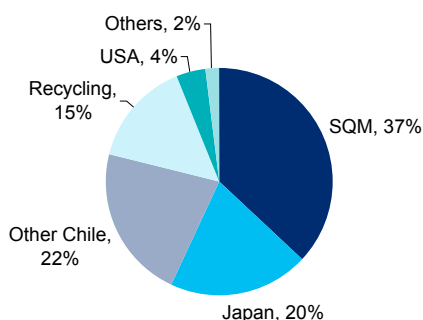
partners (via JVs). **Potential competition in lithium?** Higher capacity could trigger margin risk, yet given SQM's leading position, low-cost status, strong demand growth and mgm't discipline of protecting its margins, we see minimal impact on long-term profitability.

SQM (US\$)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (US\$M)	1,831	2,145	2,525	2,860	3,045
Net Income (US\$M)	387	546	702	762	866
Diluted EPS (US\$)	1.45	2.07	2.67	2.90	3.29
Diluted EPS (Old) (US\$)	1.45	2.07	2.67	2.90	3.29
PE (x)	42.4	29.7	23.1	21.2	18.7
EV/EBITDA (x)	23.3	17.8	14.3	13.0	11.7
DPS (US\$)	0.24	0.73	1.04	1.33	1.45
Net Div Yield (%)	0.4	1.3	1.7	2.2	2.4

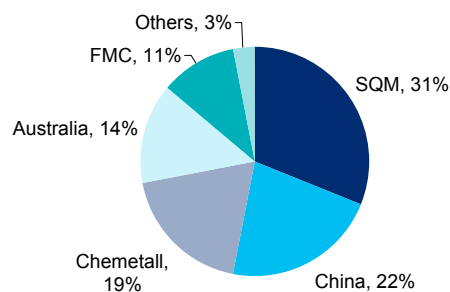
Source: Company reports, Citi Research

Figure 39. SQM – Iodine Market Share



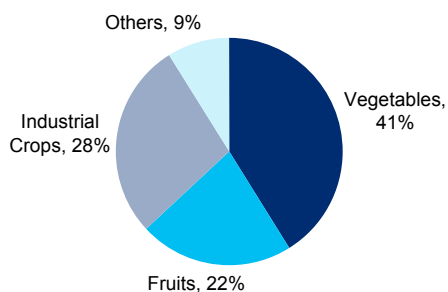
Source: SQM, Citi Research

Figure 40. SQM – Lithium Market Share



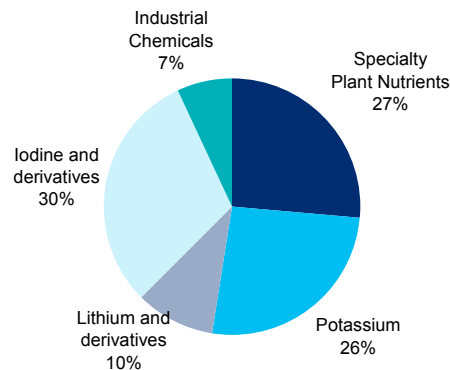
Source: SQM, Citi Research

Figure 41. SQM – SPN (Specialty Plant Nutrition) Main Uses



Source: SQM, Citi Research

Figure 42. SQM – 2011 Gross Profit Breakdown by Segment



Source: SQM, Citi Research

Company Focus

■ Company Update

Andrew Benson

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Buy	1
Price (20 Sep 12)	SFr343.50
Target price	SFr385.00
Expected share price return	12.1%
Expected dividend yield	2.5%
Expected total return	14.6%
Market Cap	SFr31,989M
	US\$34,500M

Price Performance (RIC: SYNN.VX, BB: SYNN VX)



Syngenta AG (SYNN.VX) Agriculture Play in Harvest Mode

■ **What Makes Syngenta a Champion** — Syngenta is No.1 in the agrochemical sector and is a leading player (top 3) in the seeds/biotech industry. The company has a wide range of blockbuster products and has consistently gained market share in the last 5 years through innovation. Corporate target is to maintain this momentum and gain further market share (c50bps p.a for next 5 years) by: **1)** Focusing on emerging markets like Latin America, Eastern Europe and Asia; **2)** Leveraging blockbuster chemistry to seeds and seed care business; **3)** focusing on strategic crops like sugarcane and rice. We believe these are the right steps towards gaining market share. The company is also targeting cost savings of c\$650mn by 2015, which should further improve its best in class ROCE of c28%.

■ **What Makes Syngenta a World Champion** — Syngenta has a good diversified portfolio with c40% of its sales coming from emerging markets. It has market leading positions (in agrochemicals) in Asia, LatAm. It is also No.1 in NAFTA region. In domestic European market, it is No.2 and is focusing on growing agro economics of Eastern Europe to gain further ground.

■ **Syngenta's Growth Outlook** — We expect 3-year CAGR for revenues of c6.4%, EBITDA c7% and EPS c12%. These expectations are based on commercialization of company research pipeline and prospects of margin expansion through new integrated business model.

■ **Syngenta's Cash Usage** — Syngenta has invested heavily in the last three years to expand capacity and restructure the group. We believe the next three years are "harvest mode" for Syngenta and the company is entering a period of strong cash generation. We see around 40% of this cash generated will be used for dividends. Capex and other investments will be around 32% of cash generated. This leaves Syngenta with about \$1.0bn p.a. for share buybacks and acquisitions. Historically, Syngenta has leaned towards share buybacks (c24% of 07-11 cash from operations).

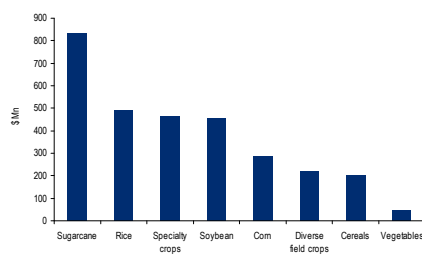
■ **Current Recommendation** — We have a Buy rating on Syngenta. The company has a stable earnings profile and healthy balance sheet with gearing around 20%. Current dividend yield is around 2.6%. Management appears committed to progressively increase the dividend roughly in line with earnings; as such we expect dividends will grow by 10% CAGR for next three years. At P/E of 14.4x 2013E vs 10-year average of 19.9x, we believe this is an undervalued script. The stock fits well into any portfolio which aspires for high quality asset with good yield and strong capital appreciation prospect.

■ **Top 3 Investor Questions** — 1) Why Syngenta will outperform the industry? 2) Research pipeline prospects? 3) Impact of the new US farm bill?

Syngenta AG (USD)

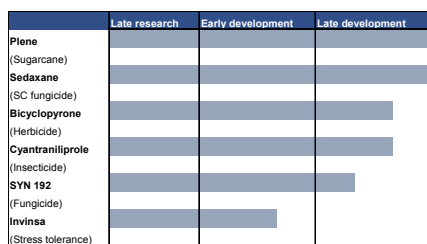
Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (\$M)	11,641.0	13,268.0	14,515.2	15,661.0	16,776.8
Net Income (\$M)	1,534.5	1,789.0	1,945.9	2,201.9	2,489.9
Diluted EPS (\$)	16.44	19.36	21.28	24.20	27.36
Diluted EPS (Old) (\$)	16.44	19.36	21.28	24.20	27.36
PE (x)	22.5	19.1	17.4	15.3	13.5
EV/EBITDA (x)	14.5	12.4	11.4	10.3	9.1
DPS (\$)	7.00	8.00	8.70	9.85	11.04
Net Div Yield (%)	1.9	2.2	2.3	2.7	3.0

Figure 43. Syngenta sales growth potential by crop -2011-15E



Source: Citi Research, company reports

Figure 44. Crop Protection pipeline 2011-14E – Peak sales > \$1.7bn



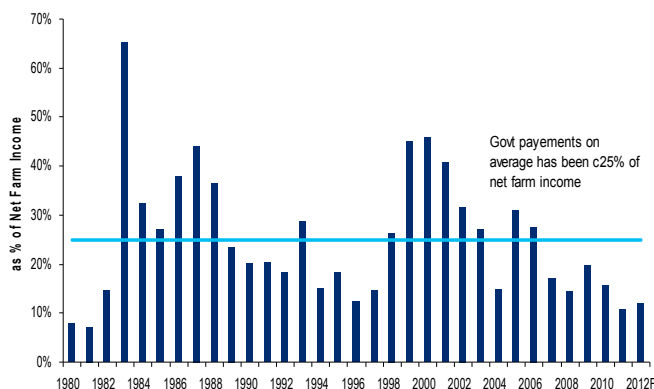
Source: Citi Research, company reports

1) Industry outperformance: Gaining market share in highly consolidated market (7 companies account for c75% global crop protection market) requires highly competitive product portfolio with execution of right strategies. We believe Syngenta possesses both. They have very popular compounds like Amistar, Cruiser, Avicta, Vibrance and Seguris in agrochemical space. These compounds have proven their competitive advantage over years and we believe this will help Syngenta to outperform the market over years to come. Similarly its Viptera brand for corn seeds is highly competitive and is fast gaining ground with addition of new input and output traits. Moreover, company strategy to leverage its popular products through integrated platform (which includes seeds, seed care and agrochemical products in a bundle) with focus on farmer's productivity and net gain is highly convincing and impressive. It presents a win-win situation for both supplier and customer. Syngenta also has leadership position in emerging markets and has focused on strategic crops like sugarcane and rice to gain further ground. These markets have historically outperformed mature markets and will continue to do so in foreseeable future. All this bodes well for Syngenta's ambition to outperform industry.

2) Research pipeline prospects: Strong research pipeline is an absolute necessity in agrochemical space to maintain competitive edge. Syngenta scores well on this parameter. 5 out of its 6 products in research pipeline are in late development stage and are slated for launch by 2012-13. This research pipeline should account for c50%-60% of total growth for Syngenta in next 3-4 years. Notable of these new products are PLENE, TEGRA, Sedaxane and Bicyclopyrone, which according to the company have peak sales potential of >\$1.7bn. These products have showed encouraging results compared to peers and offers significant benefits for farmers to capture their fancy. These products are also well targeted towards strategic crops like sugarcane and rice. We are bullish on sugarcane prospects driven by Brazil's biofuel thrust. Similarly, rice is increasingly a strategic crop for Southeast Asia where demand is high and yields are low compared to world. As such, integrated platforms like PLENE and TEGRA for sugarcane and rice should become major growth engines for Syngenta in the medium term.

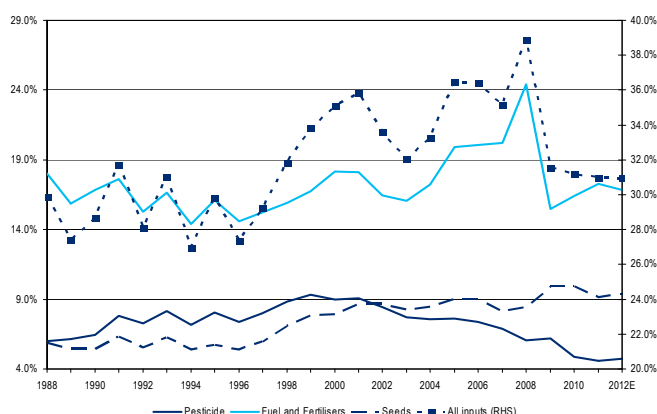
3) Impact of the new US farm bill: It is almost certain that new US farm bill will include subsidy cuts on direct payments to farmers. We believe these subsidiary cuts are likely to be a non-event for agriculture sector fundamentals. Our US team estimates that these cuts will be a 3-4% cut to the USDA's estimate of projected farm income for 2012. Current farm fundamentals are strong and farmers are most able to withstand such cuts. Seeds and Pesticides form small portion of farm sales anyway, so any cutback on their application is unlikely.

Figure 45. Government Payments as % of Net Farm Income



Source: : USDA and Citi Research estimates

Figure 46. US farm input costs as % of forecast farm sales



Source: : USDA and Citi Research estimates

Company Focus

■ Company Update

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Takao Kanai

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Buy	1
Price (20 Sep 12)	¥487
Target price	¥630
Expected share price return	29.4%
Expected dividend yield	2.1%
Expected total return	31.4%
Market Cap	¥793,526M
	US\$10,124M

Price Performance

(RIC: 3402.T, BB: 3402 JP)



Toray Industries (3402) A Global Champion in High-Performance Fibers

■ **What Makes Toray a Champion** — Toray is overwhelmingly the global number one in fibers by size of profits and the world's leading company in high-performance fibers, with a global market share of around 40%. In the water processing arena, Toray has a global market share of around 30% in reverse osmosis membranes, with its strength being a full line-up of all types of films, including nano-filtration. It is also in our view commandingly better than peers at cost-cutting, thanks to its TC-II project, which aims to boost total cost competitiveness. We find its ability to cut not only fixed but variable costs remarkable. In the medium-term plan, which starts in FY3/12, Toray expects to cut 3% or more in variable costs annually and 10% over three years (c¥70bn) but recently it has been cutting by much more than this, which is leading through to earnings stability.

■ **What Makes Toray a World Champion** — While US and European rivals in fiber only engage in threads and fibers, Toray has a full presence in downstream operations such as spinning, weaving, knitting, and dyeing and has built a global supply chain based on facilities in countries and territories including Japan, South Korea, China, Hong Kong, Indonesia, Malaysia, the Czech Republic, and Italy. It also has outstanding new material and new product development technologies. Hence it has won the overwhelming support of major specialty private-label apparel chains, Uniqlo in particular. In carbon fiber, Toray boasts a high market share in aircraft applications, especially with Boeing and it is the exclusive supplier of composite materials for the Boeing 787.

■ **Toray's Growth Outlook** — We think the earnings uptrend in fiber will continue, with growth in high-performance fibers for major overseas sports apparel firms as well as major specialty private-label apparel chains and the drivers of high-value-added products such as polypropylene spunbond for diapers, artificial leather for tablet PCs, and fabrics for airbags. In carbon fiber, we forecast earnings growth on expansion in production for the Boeing 787 and growth in demand for CNG tanks on expansion of shale gas production in North America. The South Korean facility, which is slated to start operations at the start of 2013, should far outstrip peers in cost competitiveness. On these factors, therefore, we model an EPS CAGR of 8% over the next three years.

■ **Toray's Cash Usage** — In the current three-year plan, Toray is planning a fairly aggressive capex program of ¥350bn over three years. Of this, a third is to be allocated to strengthening and improving the platform and two-thirds to growth. Of the investment in growth, Toray plans to commit about 60% to its green innovation businesses (carbon fiber, water treatment, batteries, and biomass materials). Toray says it is aiming at sustained dividend growth, with the dividend linked to earnings, and with the payout ratio tracking at around 25% in the absence of crises.

Consol.	Sales		OP			RP		NP		EPS		PE
	¥M	YOY (%)	¥M	YOY (%)	OPM (%)	¥M	YOY (%)	¥M	YOY (%)	¥	X	
3/11A	1,539,693	13.2	100,087	149.5	6.5	98,888	998.0	57,925	nm	36		13.7
3/12A	1,588,604	3.2	107,721	7.6	6.8	109,849	11.1	64,218	10.9	39		12.4
3/13CE	1,730,000	8.9	115,000	6.8	6.6	114,000	3.8	66,000	2.8	41		12.0
3/13E	1,695,600	6.7	108,000	0.3	6.4	109,000	-0.8	63,200	-1.6	39		12.6
3/14E	1,802,000	6.3	121,000	12.0	6.7	122,500	12.4	73,900	16.9	45		10.7
3/15E	1,872,300	3.9	130,500	7.9	7.0	132,000	7.8	80,100	8.4	49		9.9

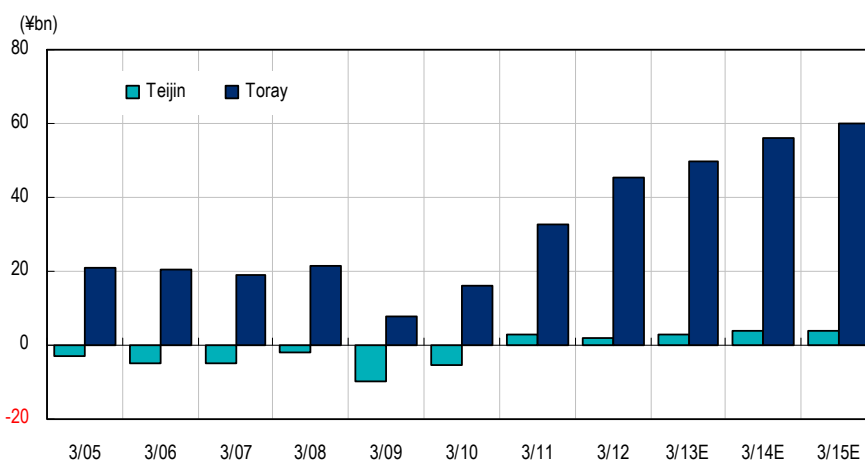
A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

■ **Current Recommendation** — We rate the shares Buy. We model FY3/13 OP roughly flat YoY, on slackness in FPD materials and a decline in technology license revenues. In FY3/14 and out, we expect earnings to resume their uptrend, on expansion in carbon fiber and fibers as well as cost-cutting benefits. We think the shares have been oversold of late.

■ **Top 3 Investor Questions — 1) What is the risk of weak demand for LCDs?**

We expect the profit contribution of LCD materials to fall to around 17% in FY3/13, versus around 40% in FY3/11. We see the risks as relatively slight; however, as Toray has good connections with industry winners, especially Samsung, and we think it will benefit from the exits of other firms. **2) Aren't Uniqlo's domestic same-store sales struggling?** Toray is benefiting from Uniqlo's global expansion and is expanding to embrace other firms, so we see growth continuing. **3) Aren't domestic carbon fiber inventories rising?** We suspect that Toray is being forced into an inventory correction mainly in commoditized areas such as sports and general industrial applications. Demand is strong in areas that are its forte, such as aircraft applications and pressure vessels.

Figure 47. OP profit of Fibers and Textiles



Source: Company data, Citi Research estimates.

Company Focus

Company Update

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Neutral	2
Price (20 Sep 12)	€41.58
Target price	€40.00
Expected share price return	-3.8%
Expected dividend yield	2.2%
Expected total return	-1.6%
Market Cap	€4,990M
	US\$6,510M

Price Performance

(RIC: UMI.BR, BB: UMI BB)



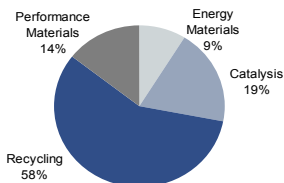
Umicore NV/SA (UMI.BR) Leading Metal Recycler

- **What makes Umicore a Champion** — Umicore holds unique position in metal recycling. Its Hoboken asset is one of the world's largest and most complex precious metals (PMs) recycling plant. This plant has capability to recycle 17 different metals. This includes Umicore's niche presence in rechargeable batteries where it built a new 7,000t p.a pilot plant using ultra-high temperature technology (UHT), enough to recycle all scrapped rechargeable car batteries in the world at the moment. Umicore also has a leadership position in LDV catalysts. Finally it is a world leader in germanium materials used in substrates for photovoltaic.
- **What Makes Umicore a World Champion** — Umicore's Hoboken plant is expensive to build (c. over €1bn replacement value). Moreover, economies of scale do not permit presence of this kind of plant in every country. Hence while its recycling business is based in Belgium, the company procures scrap material from all over the world. Umicore also has a global presence in the light duty vehicle emission catalyst market with manufacturing plants across the world.
- **Umicore's Growth Outlook** — We expect a 3-year CAGR for revenues of c7.0%, EBITDA c4.8% and EPS c3.5%. These expectations are based on implementation of tightening emission legislation such as Euro VI. We also expect positive impact on recycling from WEEE legislation but only post 2015E.
- **Umicore's Cash Usage** — We estimate that Umicore will generate around €1.3bn cash from operations in next three years. Around 55% of this will be spent on capital expenditures as the company is entering a phase where they need to build new capacities for growing HDD market. We believe shareholders will get around 27% of cash generated in form of dividends. We expect muted growth in dividends as Umicore is likely to preserve cash for future expansion like Battery recycling, battery materials business etc. Gearing stands at 12.5%, so the balance sheet is healthy with no need for deleveraging.
- **Current Recommendation** — We have a Neutral rating on Umicore. Umicore is well positioned to benefit from the long-term structural growth in emission control, recycling and rechargeable battery markets. However, the near-term growth outlook is sluggish as weaker demand for performance materials, energy materials and higher costs weigh on earnings this year. This looks priced in at PE12E of 15.5.x.
- **Top 3 Investor Questions** — 1) What is the growth outlook for Umicore's recycling business, especially from WEEE and battery recycling? 2) What is the impact of PGM prices on recycling earnings? 3) What is the company's standing in HDD and what are the prospects of battery materials?

Umicore NV/SA (EUR)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (€M)	9,691.0	14,481.0	13,446.7	15,033.7	14,878.7
Net Income (€M)	265.0	304.8	281.6	305.0	332.2
Diluted EPS (€)	2.35	2.69	2.53	2.74	2.98
Diluted EPS (Old) (€)	2.35	2.69	2.53	2.74	2.98
PE (x)	17.7	15.5	16.4	15.2	13.9
EV/EBITDA (x)	10.9	9.3	9.6	8.6	7.8
DPS (€)	0.80	1.00	0.95	1.00	1.05
Net Div Yield (%)	1.9	2.4	2.3	2.4	2.5

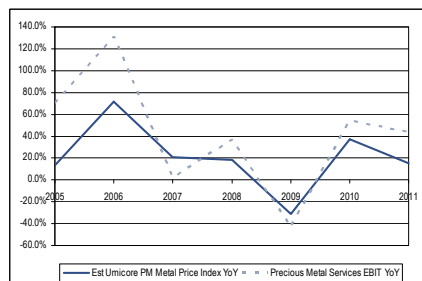
Figure 48. Umicore – EBIT split by division



Source: Citi Research, company reports

1) Recycling outlook — Umicore's smelter/furnace in Hoboken is running at 100% utilisation and de-bottlenecking further downstream should allow for c. 2-3% volume growth going forward. The company is currently running a 7,000t (equivalent to some 150,000 hybrid electric vehicle batteries) pilot plant using new plasma technology which allows for more effective battery recycling, predominantly car batteries from HEVs, EVs etc. The company plans to test this pilot plant for 12-24 months and in case the technology proves successful it will build a world-scale plant. This plant would then be supplied with car batteries which contain c. 20-30kg of recyclable metal per unit. Electronic scrap and portable electronics recycling as outlined in WEEE directive is less likely to be a meaningful contributor we think given: 1) lack of recycling incentives and effective collection mechanism; and 2) small size of recyclable metal per unit, eg 10gr in a mobile phone. While car battery recycling is an attractive venture, it will still take about 4-5 years for this to become a more significant contributor to sales and earnings.

Figure 49. Umicore – PGM price basket YoY vs. Recycling EBIT YoY

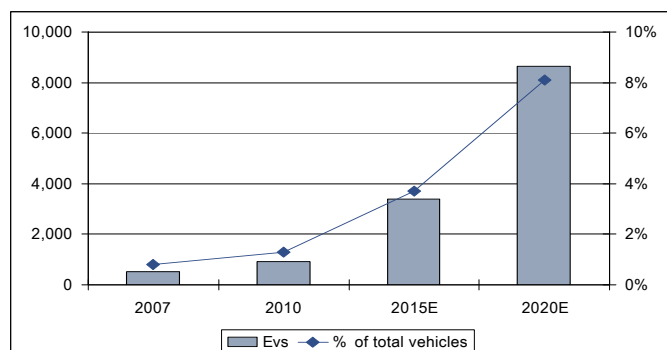


Source: Citi Research, company reports

2) PGM price impact — PGM prices underperformed YTD and just recently staged a bit of a comeback. There is a strong correlation between metal prices and recycling profitability. Especially weaker special metal prices which are non-hedgeable for the group hurt margins. Overall volumes seem to have held up ok given the long-term nature of the supply contracts. Umicore has about 6-month visibility. We think profitability peaked somewhat and lower metal prices and higher costs (D&A, R&D, de-bottlenecking) weigh on the earnings outlook.

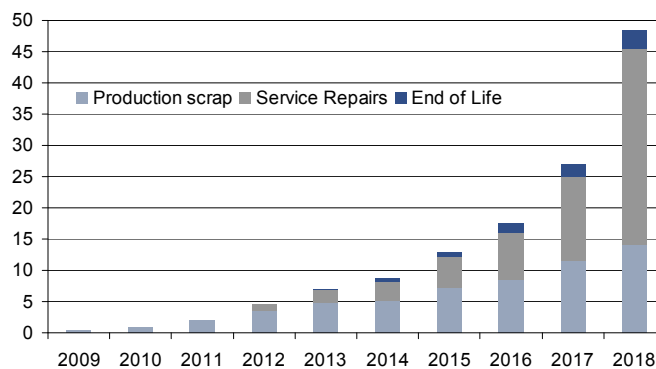
3) HDD outlook — Umicore is one of the 3 key players in the LDV catalyst market with about 25% market share, we estimate. However, it only has c3%-4% market share in HDD and is facing competition from JMAT and BASF as both dominate this segment at the moment. Umicore intends to gain market share via a superior technology offering which however requires significant investments in the coming years. This weighs on the earnings outlook. The company is also a market leader in cathode battery materials. Main drivers for this business are the portable electronics market and more importantly increasing penetration of electric vehicles. We see the company well placed in this market. However, costs and competitive pressure weigh on margins for the time being.

Figure 50. World Market Share of Electric Vehicles (thousands of units)*



Source: Global Insight; *numbers include BEVs, PHEVs, HEVs

Figure 51. Potential recyclable (H) EV battery material (indexed to 2009))



Source: Umicore, Citi Research

Company Focus

■ Company Update

Daniel Yakub

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Buy	1
Price (20 Sep 12)	US\$43.62
Target price	US\$48.00
Expected share price return	10.0%
Expected dividend yield	4.1%
Expected total return	14.2%
Market Cap	US\$24,908M

Price Performance

(RIC: URKAq.L, BB: URKA LI)



Uralkali OAO (URKAq.L) Pure Play Potash Champion

■ **What Makes Uralkali a Champion** — Uralkali is a global leader in potash trade and production. Potash is one of the three essential nutrients required for plant growth, total market size is cUS\$25bn. In 2011, Uralkali sold 10.8mt of potash which is more than any other company in the world. Domestic market accounts for 18% of sales, while international sales are going through a 50%/50% joint venture trading company which controls 43% of the global export market for potash and leads price negotiations in all major geographies. We expect that the company will generate average ROCE of 23% in the next three years vs. 19% global chemicals peers.

■ **What Makes Uralkali a World Champion** — Uralkali sells 65% of its output to India, China, SE Asia and Brazil and these markets are among the fastest growing global fertiliser consumption markets where potash application rates are significantly below developed markets levels.

■ **Uralkali's Growth Outlook** — We expect a 3-year CAGR for revenues of 7.1%, EBITDA 7.8% and EPS 8.2%. This is based on expectation of minor retrenchment of potash prices and 4.1% CAGR growth in sales volumes from a normalised base of 2011. Global potash market grew at c4% between 1981-present.

■ **Uralkali's Cash Usage** — Uralkali is spending 15% of EBITDA on capex and able to secure potash resource base replenishment without investing more than currently. The company is sitting on some of the most attractive underground potash resources globally (depths of 300-400m vs. >1000 for peers) and its capital expenditures required to maintain current ROCE are c50% lower (per tonne) vs. incumbent peers. The company is spending 25% on taxes and interest expenses and aims to return remaining 60% of EBITDA to shareholders via combination of buybacks and dividends. Minimum payout ratio is 50% of IFRS net income.

■ **Current Recommendation** — We have a Buy rating on Uralkali. The company is fit for most portfolios globally be it Russia, CEEMEA, total return or Ag dedicated. Average daily value traded is US\$90m/day in London and Moscow, EBITDA margins in excess of 60% and trading at 10x 12m forward PE using our base case downward sloping potash price forecasts. Uralkali also screens well globally among peers in terms of FCF yield, and is the most operationally leveraged to price increases as a pure-play potash producer.

■ **Top 3 Investor Questions** — 1. Can overcapacity in global potash industry lead to softer pricing? 2. Can India and China (24% of import demand globally) afford to pay higher potash prices without damaging consumption? 3. Has the link between higher grain prices and higher potash prices been broken?

Uralkali OAO (USD)

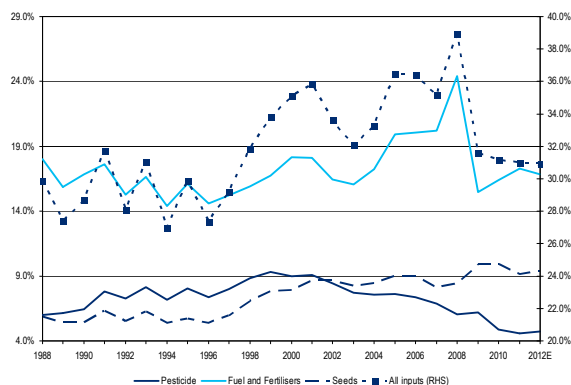
Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (\$M)	3,010.5	4,206.2	4,430.3	5,009.5	5,176.2
Net Income (\$M)	1,130.7	1,550.8	1,671.4	1,782.3	1,978.8
Diluted EPS (\$)	1.83	2.51	2.87	3.06	3.40
Diluted EPS (Old) (\$)	1.83	2.51	2.87	3.06	3.40
PE (x)	23.9	17.4	15.2	14.2	12.8
EV/EBITDA (x)	16.8	10.8	9.7	8.4	7.7
DPS (\$)	0.00	1.25	1.44	1.53	1.70
Net Div Yield (%)	0.0	2.9	3.3	3.5	3.9

1. Overcapacity. Global potash industry is currently operating at 70-80% utilization rates, but we note that this capacity is tightly controlled. Two alliances control 70% of the export market and 7 producers control 90%. Consumers of potash are highly profitable and fragmented (see farmer profitability and affordability indicators). Prices are mostly driven by incentive levels that are required to build new supply. Large-scale potash project delays and capex trends suggest that spot prices are below incentive.

2. China and India. Chinese and Indian markets are the only importing regions where prices are set based on annual contract negotiations heavily influenced by the sovereign. Potash application rates in these countries are lagging developed market long-term accepted practices. In effect, Indian and Chinese governments decide whether to import expensive grains or stimulate yields by buying fertilizers; we believe ultimately decision will be taken in favor of farmers at home rather than abroad. However, any decision will bode well for global demand for grains or potash or both.

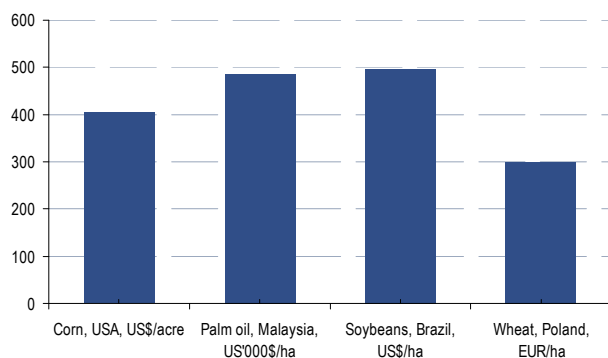
3. The link between grain prices and potash prices. Farmers across the globe are seeking to maximize profits and in order to maximize profits they are seeking to maximize yields of cash crops per hectare of land and apply fertilizers more fully. We therefore believe that higher grain prices will have a strengthening effect on demand. Given the historically high farmer profitability currently, demand becomes price inelastic. For instance, a 20% increase in potash prices in our view will not lead to demand destruction in market-driven economies given that potash is essential to yield maximization and potash is c2-3% of total operating costs for farmers globally.

Figure 52. US farm input costs as % of forecast farm sales



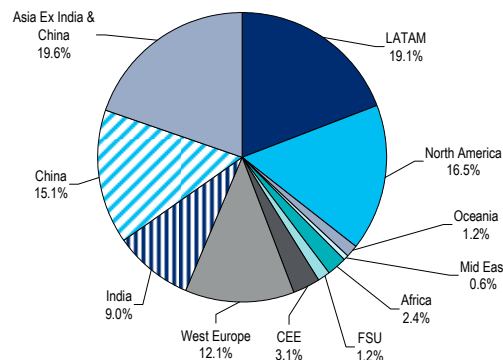
Source: : USDA and Citi Research estimates

Figure 54. Global farmer profitability in July 2012



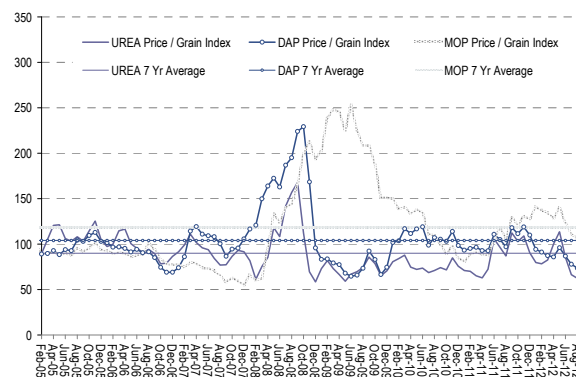
Source: Citi Research, IPNI

Figure 53. Potash importers in 2012E, contract markets highlighted



Source: Citi Research, Fertecon

Figure 55. Fertiliser affordability indicators Jan-05 to Aug-12



Source: Citi Research, FMB, CBOT

Company Focus

Weyerhaeuser Co (WY) Non-Consensus, but Not For Long

■ Company Update

Anthony Pettinari

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Buy	1
Price (20 Sep 12)	US\$25.97
Target price	US\$28.00
Expected share price return	7.8%
Expected dividend yield	2.3%
Expected total return	10.1%
Market Cap	US\$13,966M

Price Performance

(RIC: WY.N, BB: WY US)



■ **What Makes WY a Champion** — The United States is the dominant global leader in industrial roundwood production (20% market share vs. Russia with 9%) and WY is the largest lumber producer in the US, with an annual production of 3.5 billion board feet. WY further holds a best-in-class timberland portfolio, differentiated by 2 million acres of US Pacific Northwest forestland consisting of high value Douglas Fir. In total, the company owns or has renewable long-term licenses on 18 million acres of forestland. WY balances exposure to both near-term US housing strength as well as long-term secular trends that benefit US lumber producers. Near-term upside comes from the rebuilding of the domestic supply-chain to support housing starts, which are only roughly half of their 30-year average (75% of WY's EBITDA comes from housing-related businesses). The long-term upside comes from increasing Asian demand coupled with a Canadian supply reduction. Going forward, we expect WY to solidify its position as a global leader by capturing both domestic and export market share as Canadian lumber capacity declines.

■ **What Makes WY a World Champion** — WY's position on the US West Coast gives them excellent access to Asian export markets and helped expand international sales as a percentage of net revenues to 36% in 2011 sales (+600bp vs. 2009). Strong Asian demand has been an impressive tailwind for WY with Asian export revenues growing at a 3-year CAGR of +20%. While we expect a modest deceleration in 2012, we remain constructive on overall exports and expect them to be ~2x previous cycles with China alone possibly accounting for 3-5% of North American supply. Given the expected 7-12% reduction in Canadian supply, there is considerable share gain potential for US producers such as WY.

■ **WY's Growth Outlook** — Unlike most of the materials sector, we think WY is set for a multi-year volume and price recovery, with current housing starts at less than half of historical averages and WY's Wood Products segment recently turning a profit for the first time in over 5 years. Even with a lukewarm housing recovery over the past 3 years, WY has been able modestly grow revenues (2% 3-year CAGR) and more importantly, carry that down the income statement to expand EBITDA (9% 3-year CAGR). We expect to see volume acceleration in 2013-14 as US housing activity normalizes and while our 2014 EPS estimates may carry some sticker shock (+60% 3-year CAGR), we would point out that our forecasted income levels are still well below pre-recession levels (2014 estimate is 31% below 2005 earnings).

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.00A	0.06A	0.12A	0.14A	0.32A	0.33A
2012E	0.02A	0.09A	0.16E	0.15E	0.42E	0.41E
Previous	0.02A	0.09A	0.16E	0.15E	0.42E	na
2013E	0.15E	0.27E	0.28E	0.25E	0.95E	0.87E
Previous	0.15E	0.27E	0.28E	0.25E	0.95E	na
2014E	na	na	na	na	1.32E	1.32E
Previous	na	na	na	na	1.32E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

■ **WY's Cash Usage** — WY has been shareholder friendly over the past 10 years returning ~50% of their operating income to investors through dividends. We believe WY has attractive long-term dividend growth potential given their payout target of 75% of Funds Available for Distribution (FAD) coupled with our forecasted rebound in starts. Our 2013-14 estimates imply WY could comfortably raise its dividend payout by 50% by 2014 and move more in-line with historical levels. While we don't see a 2013 dividend hike as a necessary catalyst to move the stock, the long-term potential to increase the dividend is unmatched in the sector.

■ **Current Recommendation** — WY is our favoured name based on our view that: 1) 2H lumber prices will be stronger than expected as dealers have not built adequate inventories to meet housing construction demand; 2) WY is most likely to see upwards earnings revisions in a sector where estimates are generally drifting lower; and 3) WY is positioned for long-term dividend growth given a multi-year US housing recovery.

■ **Top 3 Investor Questions**

- **What are the Near-Term Catalysts?** — We see 2H earnings upside driven by our view that the lumber dealer inventory ratio will fall below 1.5 months in 3Q (a 5 year low), allowing producers to keep prices firm while industry operating rates remain near 5-year highs (80%). We expect dealers to buy at elevated prices given their lean inventories and fear of future price increases and see the cycle continuing until dealer inventories are back to the 2-2.5 month's supply range. Accordingly, we are forecasting 2H lumber prices jumping ~10% Y/Y and expect the street to play catch-up as momentum carries over from an impressive 2Q. We see analyst upgrades as a potential catalyst in 2H 2012. The street has underestimated the earnings power of Forest Products companies year-to-date, with 2Q EPS beating consensus estimates by 26%.
- **What is the Street Missing?** — We think that the street is underestimating the favorable supply/demand fundamentals in the US lumber market and that WY is most likely to see upwards earnings revisions in a sector where estimates are generally drifting lower. We see the lumber demand/capacity ratio continuing to tighten through mid-decade with operating rates exceeding 80% (5-year high) on a sustainable basis late next year. Looking at end markets for the Paper, Packaging and Forest Products space, over the next year, we see the greatest relative upside in North American housing. While Paper & Packaging demand has grown at sub-GDP levels and struggled with overcapacity issues, we forecast Wood Products volumes will accelerate in 2013-14 as US housing activity normalizes.
- **What is WY's Exposure to an Asian Slowdown?** — While we expect a modest deceleration in Asian demand in 2012, we remain constructive on overall exports and expect any Chinese weakness (we forecast demand down 5-10% Y/Y) to be offset by other buyers, including Japan (WY's largest importer) as it undertakes post-earthquake rebuilding.

Additional Information – Materials World Champions

Figure 56. Materials World Champions – Financial Summary

Company	Sales			Revenue Growth Rate 2012-14	EPS Growth Rate 2012-14	Operating Margin 2012	ROE 2012	Net Debt to EBITDA 2012	Payout Ratio 2012
	2012	2013	2014						
Allegheny Technologies Incorporated	5,306	6,807	7,740	45.9%	155.3%	6.1%	8.0%	201.6%	37.3%
Barrick Gold	14,567	16,099	16,699	14.6%	22.7%	40.4%	16.1%	167.8%	18.9%
BASF SE	77,849	79,142	82,500	6.0%	11.2%	10.4%	17.7%	87.5%	56.7%
BHP Billiton PLC	72,226	68,073	77,488	7.3%	-2.5%	31.9%	25.1%	68.9%	38.5%
Crown Holdings Inc	8,826	9,360	9,778	10.8%	31.9%	8.4%	nm	294.0%	19.5%
DSM NV	9,287	10,114	10,708	15.3%	44.6%	5.6%	7.1%	77.9%	56.2%
Fibra Celulose SA	5,759	5,738	5,754	-0.1%	nm	7.7%	-3.1%	416.0%	0.0%
Freeport-McMoRan Copper & Gold Inc.	18,794	23,310	23,318	24.1%	41.1%	29.5%	16.8%	5.2%	59.0%
Geberit AG	1,918	2,001	2,115	10.3%	16.3%	24.3%	27.3%	-76.5%	62.4%
Givaudan AG	4,161	4,317	4,490	7.9%	26.2%	10.5%	10.0%	171.1%	55.6%
Holcim Ltd	21,522	22,621	24,108	12.0%	69.5%	9.9%	6.2%	267.1%	30.2%
Johnson Matthey PLC	12,023	11,117	11,760	-2.2%	25.1%	3.4%	21.5%	83.3%	32.6%
Lafarge SA	15,918	16,773	17,876	12.3%	79.9%	6.1%	3.2%	270.3%	27.4%
L'Air Liquide SA	15,198	16,322	17,564	15.6%	19.4%	14.7%	15.5%	139.6%	47.8%
Monsanto Co	13,123	13,628	14,094	7.4%	31.1%	22.9%	17.5%	-15.6%	34.7%
Mosaic Co	11,108	11,169	11,623	4.6%	36.8%	24.3%	16.8%	-86.8%	6.0%
Praxair Inc	11,430	12,392	13,664	19.5%	26.0%	21.2%	30.3%	209.6%	39.0%
Saint Gobain	43,125	44,912	47,367	9.8%	48.6%	4.0%	6.4%	180.5%	55.5%
Shin-Etsu Chemical	1,047,731	1,065,000	1,121,000	7.0%	40.1%	14.8%	7.0%	-135.6%	42.2%
SQM - Soc. Química y Minera de Chile	2,525	2,860	3,045	20.6%	23.3%	38.1%	34.6%	112.0%	38.9%
Syngenta AG	14,515	15,661	16,777	15.6%	28.6%	16.3%	23.8%	51.4%	46.0%
Toray Industries	1,588,604	1,695,600	1,802,000	13.4%	15.1%	6.4%	10.5%	227.0%	25.4%
Umicore NV/SA	13,447	15,034	14,879	10.6%	18.0%	2.4%	15.0%	30.9%	48.2%
Uralkali OAO	4,430	5,010	5,176	16.8%	18.4%	44.6%	20.5%	78.9%	50.0%
Weyerhaeuser Co	6,670	7,334	8,142	22.1%	217.2%	5.0%	6.9%	320.7%	110.6%
Average				13.1%	43.5%	16.4%	15.0%	125.9%	41.5%
Median				12.0%	27.4%	10.5%	15.8%	112.0%	39.0%

Source: Citi Research, dataCentral. Pricing as of September 19

Figure 57. Materials World Champions – Valuation

Company	PE (x)			EV / Sales (x)			EV / EDITDA (x)			PEG Ratio	Dividend Yield
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2014	2012
Allegheny Technologies Incorporated	18.4	10.3	7.2	1.0	0.8	0.7	9.0	6.1	4.6	0.05	2.1%
Barrick Gold	10.5	9.1	8.6	4.0	3.7	3.6	7.8	6.5	6.2	0.38	1.8%
BASF SE	12.1	12.1	10.9	1.0	1.0	0.9	6.7	6.9	6.5	0.97	3.7%
BHP Billiton PLC	10.1	13.5	10.4	2.6	2.9	2.6	5.6	7.1	5.7	-4.19	3.4%
Crown Holdings Inc	12.6	10.8	9.6	1.0	1.0	0.9	8.0	7.2	6.7	0.30	0.0%
DSM NV	13.4	10.7	9.3	0.9	0.9	0.8	7.4	6.7	6.1	0.21	3.6%
Fibria Celulose SA	nm	nm	261.8	2.0	1.9	1.8	5.2	5.4	5.0	-0.29	0.0%
Freeport-McMoRan Copper & Gold Inc.	13.3	9.1	9.5	2.4	2.0	2.0	6.3	4.5	4.6	0.23	2.9%
Geberit AG	20.0	18.7	17.2	4.0	3.8	3.6	13.9	13.0	11.6	1.05	3.2%
Givaudan AG	18.5	16.0	14.6	2.4	2.3	2.1	12.1	10.6	9.8	0.56	2.5%
Holcim Ltd	19.3	14.4	11.4	1.6	1.5	1.3	8.0	6.9	6.0	0.16	1.7%
Johnson Matthey PLC	15.6	15.2	12.5	0.5	0.5	0.5	10.1	9.4	7.9	0.50	2.3%
Lafarge SA	16.6	11.9	9.2	1.5	1.4	1.2	7.0	6.2	5.5	0.12	1.2%
L'Air Liquide SA	19.7	18.1	16.5	2.4	2.3	2.1	9.9	9.3	8.6	0.85	2.4%
Monsanto Co	24.5	21.1	18.7	3.7	3.5	3.4	12.9	12.0	10.9	0.60	1.3%
Mosaic Co	13.1	11.2	9.6	2.1	2.0	1.9	7.2	6.1	5.3	0.26	0.6%
Praxair Inc	19.2	16.7	15.3	3.5	3.3	3.0	11.2	10.2	9.6	0.59	2.0%
Saint Gobain	12.1	9.9	8.1	0.7	0.7	0.6	6.6	6.3	5.8	0.17	4.2%
Shin-Etsu Chemical	19.5	17.4	13.9	1.4	1.3	1.2	6.1	5.7	4.6	0.35	2.2%
SQM - Soc. Quimica y Minera de Chile	24.1	22.2	19.6	7.2	6.3	5.8	14.9	13.6	12.2	0.84	1.6%
Syngenta AG	17.4	15.3	13.5	2.5	2.3	2.1	11.4	10.2	9.1	0.47	2.4%
Toray Industries	12.5	12.7	10.9	0.6	0.6	0.5	5.4	5.4	5.0	0.72	2.0%
Umicore NV/SA	16.3	15.1	13.8	0.4	0.3	0.3	10.3	8.9	8.1	0.77	2.3%
Uralkali OAO	15.1	14.2	12.8	6.1	5.2	4.8	9.7	8.3	7.7	0.70	3.3%
Weyerhaeuser Co	63.5	27.7	20.0	2.4	2.1	1.8	14.6	11.1	9.1	0.09	2.3%
Average	18.2	14.7	22.6	2.3	2.1	2.0	9.1	8.1	7.3	0.3	2.2%
Median	16.4	14.3	12.5	2.1	2.0	1.8	8.0	7.1	6.5	0.4	2.3%

Source: Citi Research, dataCentral. Pricing as of September 19

Figure 58. Materials World Champions – Stock Performance

Company	Price Performance				
	6M	1Yr	3Yr	5Yr	10Yr
L'Air Liquide SA	9.6%	27.1%	48.9%	36.8%	156.9%
Allegheny Technologies Incorporated	-23.1%	-27.3%	-2.6%	-67.1%	385.0%
Barrick Gold	-2.4%	-20.3%	15.0%	10.0%	144.3%
BASF SE	-0.7%	44.1%	81.0%	38.9%	247.8%
BHP Billiton PLC	-2.3%	3.4%	14.3%	22.9%	589.7%
Crown Holdings Inc	-1.5%	19.0%	41.2%	56.6%	574.8%
DSM NV	-7.4%	25.7%	44.4%	11.1%	87.6%
Fibria Celulose SA	9.9%	-7.5%	-41.1%	-68.8%	43.2%
Freeport-McMoRan Copper & Gold Inc.	6.3%	3.4%	18.6%	-21.2%	514.8%
Geberit AG	5.7%	23.2%	28.1%	33.6%	423.0%
Givaudan AG	5.9%	24.4%	14.0%	-13.0%	43.7%
Holcim Ltd	2.2%	40.2%	-13.7%	-44.7%	55.4%
Johnson Matthey PLC	1.8%	48.2%	66.4%	46.1%	186.6%
Lafarge SA	15.1%	67.7%	-34.2%	-56.6%	-40.3%
Monsanto Co	14.2%	31.9%	14.3%	13.7%	1066.8%
Mosaic Co	3.9%	-12.8%	10.1%	27.2%	n/a
Praxair Inc	-2.5%	8.3%	33.7%	35.0%	307%
Saint Gobain	-18.4%	0.7%	-16.3%	-56.0%	35%
Shin-Etsu Chemical	-1.9%	16.6%	-19.6%	-40.9%	12.4%
SQM - Soc. Quimica y Minera de Chile	8.8%	18.5%	60.4%	292.9%	3003.1%
Syngenta AG	15.2%	37.0%	33.4%	33.7%	336.8%
Toray Industries	-20.5%	-8.3%	-8.7%	-41.7%	63.0%
Umicore NV/SA	2.2%	38.1%	103.8%	26.4%	565.7%
Uralkali OAO	13.0%	-5.3%	134.4%	n/a	n/a
Weyerhaeuser Co	18.5%	50.8%	-33.4%	-63.7%	-45.8%
Average	2.1%	17.9%	23.7%	8.8%	380.7%
Median	2.2%	19.0%	15.0%	12.4%	186.6%

Source: Citi Research, dataCentral. Pricing as of September 19

Allegheny Technologies Incorporated

Company description

Allegheny Technologies Incorporated is a North American producer of a broad range of specialty metals. The company's primary products are nickel based alloys, titanium and titanium alloys, precision and engineered strip, electrical steel and stainless steel. ATI's has a variety of customers including companies in the aerospace, automotive, chemical processing, oil and gas, power generation, food appliance and equipment and medical device industries. ATI is headquartered in Pittsburgh, PA.

ATI traces its history back to the incorporation of Allegheny Steel and Iron in 1901. In 1938, Allegheny Steel expanded its operations via a merger with Ludlum Steel creating the Allegheny Ludlum Steel Corporation. Allegheny Ludlum then joined with Teledyne, Inc. in 1996 forming Allegheny Teledyne. In 1999, the company spun off Teledyne and Water Pik as two separate public companies and the remaining entity assumed the name Allegheny Technologies Incorporated.

Investment strategy

Allegheny Technologies is Buy (1) rated due to the company's attractive valuation, aerospace leverage and diversified metal exposure (no metal accounted for more than 25% of '11 revenues). While increased jet engine market sales via the '10 acquisition of Ladish should support '12 results, longer term the company's titanium supply agreement with BA should boost results as titanium markets tighten. Investments through the cycle have positioned ATI to benefit from anticipated demand growth with notable additions including the Rowley, UT titanium sponge plant, the superalloy forging and melting capacity as well as the planned hot-rolling mill in Brackenridge, NC.

Valuation

Our \$47 target price for ATI is based on an equal weighted split between P/E, EV/EBITDA and DCF valuations.

P/E - Between '04 and '09, the past cycle, ATI traded at a median multiple of 12.2x on FY2 estimates, with a minimum of 4.0x in October '08. Between '10 and the present ATI has traded at a median multiple 15.4x. Due to the attractive growth prospects of ATI's end markets and the potential for multiple expansion if the company achieves guidance targets, we apply a 14.0x multiple on our '13 estimate for a target price of \$46/sh.

EV/EBITDA - On EV/EBITDA basis, between '04-'09 ATI traded at a median of 9.3x with a maximum of 32.2x and a minimum of 1.7x. Since '10, ATI has traded at a median multiple of 15.8x with a low of 8.7x. Similar to our P/E rationale, we apply a 10.0x multiple on our '12 estimate to yield a target price of \$41/sh.

DCF - DCF modeling yields a target price of \$54. Our DCF model incorporates our EBIT estimates through 2016, 12% growth in '17 followed by a 3.0% longer term growth rate. Our WACC of 11.2% is based on a beta of 2.0, and from the CIRA strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%. Terminal value accounts for 74% of the overall DCF valuation.

Risks

The key risks to our investment thesis on ATI are:

Cyclicality: ATI is highly dependent on revenues from the cyclical aerospace and oil and gas industries. The '01/'02 decline in the aerospace industry had a significant impact on ATI's results, the company's total revenues in '02 fell 22% from '00. A significant change in the specialty metals demand from either of these industries could have a material positive or negative impact on ATI's results.

ATI's U.S. defined benefit pension was 85% funded as of the end of '11, but a pullback in asset values and/or rising interest rates could affect the assumptions used in valuing pension assets.

Raw Materials: ATI uses a variety of raw inputs in the production of its specialty metals. Market prices for nickel, titanium scrap and iron ore have historically been quite volatile. Although the company attempts to pass on the costs of these materials through surcharges and pricing indices, sudden increases in raw materials pricing can depress the company's margins (but on the positive side, decreases in pricing can expand margins).

If the impact from the above risk factors turns out to be greater/less than we anticipate, ATI shares could fail to achieve/exceed our target price.

Barrick Gold

Company description

Barrick Gold Corp is the world's largest gold producer, operating 26 mines in the North America, South America and Australia Pacific operating regions and also holds 73.9% interest in African Barrick Gold. The company holds the largest amount of gold reserves with 139.9 mln ozs of proved and probable reserves as of the end of 2011. The company is also a major producer of silver and copper with P&P reserves of 1,068 mln ozs of silver and 18.5 bln lbs of copper. In 2011, Barrick produced 7.7 mln ozs of gold, 3.4 mln ozs silver by-product and 451 mln lbs of copper.

Barrick was founded in 1983 and is based in Toronto, Ontario, Canada. The company has over 20,000 employees at operations around the world.

Investment strategy

We rate Barrick a Buy (1). Positive factors in our investment thesis include: 1. strong base of production and reserves, 2. the largest base of resources and reserves in the industry, 3. gold prices are more sustainable than those for industrial metals during recessionary periods. Negative factors include: 1. gold is close to all time highs on a nominal basis, 2 a weak history of ROIC generation in the sector, 3. M+A risk. Currently, we believe the positive factors outweigh the negative and the ETR to our target price supports a Buy rating under our rating system.

Valuation

Our \$50 target price is based on a combination of forward P/E and DCF modeling with respective weightings of 80/20.

Forward P/E – Shares of ABX have traded down to a low of 8.6x during the peak with a median multiple of 29.4x, and a trough multiple of 8.6x. More recently, ABX hit a low multiple of 8.6x in October '08 with a median of 15.6x over the past 5 years. To reflect short mine lives we apply an 11x to our 2013 estimate to arrive at a target price of \$51/sh.

DCF - DCF modeling yields a target price of \$44. Our DCF model incorporates our production, realized pricing and cost estimates through 2016, followed by long term pricing assumptions of \$1,400/oz for gold and \$3.50/lb for copper. Our WACC of 6.0% is based on a beta of 0.8, and from the CIRA strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%.

Risks

The keys risks to our investment thesis on ABX include commodity exposure, political risk and monetary and fiscal policy somewhat offset by the company's geographic diversification and broad range of assets.

Gold Pricing – Barrick's financial performance is highly levered to the price of Gold, with all future production unhedged. The market price of gold can be volatile and is highly sensitive to macroeconomic factors including economic confidence and growth rates, central bank policy, and government fiscal policy.

Project Development – Barrick aims to advance multiple new projects to drive future growth. The process to bring a development project to production has many hurdles including project financing, permitting, regulatory compliance, staffing and construction. Any unexpected issues or delays could effect project delivery, increase project development and operating costs, and reduce the NPV of projects.

Mining Operations - The company's mining operations are subject to variability in ore quality and structural issues which could potentially decrease production volumes and increase unit costs.

Foreign Currency – Non-USD denominated costs represent 40% of production costs and are affected by USD exchange rates with the largest exposure being towards the AUD. ABX also has significant exposure to the CAD through its Canadian mine operations and corporate administrative costs as well as increasing exposure to the Chilean peso. The company aims to mitigate exposure to foreign currencies fluctuations through its hedging program. A significant strengthening of foreign currencies vs. the USD would negatively impact mine operating and capital costs though the effect on profitability would be uncertain and depend on changes in realized gold prices which tends to be inversely correlated with the USD as it is a monetary metal.

Political Risk – While approximately 61% of ABX's reserves are located in investment grade countries government intervention, taxation, or regulation and the threat of civil unrest do present risks and could negatively impact production and operating costs. ABX attempts to mitigate this risk through a diverse portfolio of global assets.

If the impact from any of these factors proves to be greater than we anticipate, the stock could have difficulty achieving our target price; alternatively if the effect is less than expected the share price could exceed our target.

BASF SE

Company description

BASF is an integrated commodity chemical company with agrochemical and oil & gas interests. Chemicals (65% group) focuses on basic petrochemical and inorganic intermediates. Crop Protection (10% group) forms the bulk of its Agriculture and Nutrition division. Oil & Gas (25% group) focuses on oil production in Libya, on gas production in the North Sea, Argentina and increasingly Russia, and on gas distribution in Europe.

Investment strategy

We rate BASF Neutral (2). BASF is a three-pillared conglomerate. Looking at the three parts and their medium-term outlook: 1) the industrial businesses, where we forecast lower earnings in 2012 but a recovery thereafter; 2) Oil & Gas should do significantly better at the EBIT level in 2012E due to the higher oil price and the resumption of Libyan production, but c 90% of this rise will turn into taxes and minority charges; and 3) Crop Science should improve in 2012E given the high grain price environment. Overall, therefore, we expect a solid EBIT performance but somewhat lower EPS. The shares have rallied strongly since the height of the sovereign debt crisis and have significantly outperformed in the past year as a result. Looking at our view of fair value and the uncertainties caused by the weak European economic environment and the high oil price, we believe the recent outperformance will now give way to more in line performance. Hence our Neutral rating.

Valuation

We set our €60 target price at a discount to our DCF valuation (€71). We expect slower economic growth in the Eurozone and a lower expected oil price in 2012 (down to US\$110 from to US\$100) to impact BASF's earnings. Our DCF valuation uses a 7.5% discount rate and a long-term growth rate for the businesses ex Oil & Gas of 2.5%. We then value BASF's Oil & Gas business, also using an NPV analysis, at c. €12/share.

Risks

We would highlight the following risks to our valuation and target price.

We highlight volatility and the relatively low visibility of petrochemicals earnings as significant risks. Supply-demand balances can change quickly, which can be difficult to predict. BASF also has an Oil & Gas division and the shares have historically shown greater correlation with the European oil sector than BASF's closest global chemical peer Dow Chemical. Changes in the oil price therefore have significant effect on BASF shares. For BASF's Agrochemical division, the market is dependent on the vagaries of weather patterns. Finally, BASF is a European-based producer. A strengthening of the euro is a significant headwind.

If the impact of the above risk factors turns out to be greater than we expect, the shares could fail to achieve our target price.

BHP Billiton PLC

Company description

BHP Billiton is the world's largest mining company, formed by the merger of BHP Ltd and Billiton plc in 2001. The group comprises six major business units, Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Energy Coal and Stainless Steel Materials. The company retains a dual listed corporate structure between the UK and Australian markets.

Investment strategy

We rate BHP Billiton a Buy. Key positive drivers include the following. 1) Production growth - we forecast strong organic production growth across the group's petroleum, coal and iron ore assets as projects are delivered, subject to market conditions. 2) Strong balance sheet - BHP has a strong balance sheet that could be used to acquire assets at the bottom of the cycle, or return it to shareholders through the reactivation of the buyback programme.

Valuation

Our target price is £21.00 (which rounded converts to R275 at a one-year forward forecast ZAR/GBP FX rate of 13). Our BHP valuation (NPV) of £21.4 per share is partly based on DCF analysis, using a 7.8% real, after-tax, unlevered discount rate and a beta of 1.1. Our long-term equilibrium commodity prices and other key assumptions are available in our Metals & Mining Strategy reports. We calculate a one-year target price using a combination of: 1) a target price based on a 0% discount to NPV; 2) a multiple-based target price of £19.7 per share using FY13E (10x P/E and 6x EV/EBITDA); and 3) a 50% weighting for each method.

Risks

Key risks to our projected earnings, cash flows and valuation relate to weaker than expected commodity prices/economic growth and currency fluctuations.

Country risk is a significant consideration with about 40% by NPV of operations in Africa, South America and Asia. Operating risk is lower than in smaller metals and mining companies with fewer operations.

The ongoing global economic slowdown could deteriorate further, providing further downside risk to commodity prices.

If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

Crown Holdings Inc

Company description

Crown Holdings is a global packaging company with a primary focus in metal containers used for both food and beverages, as well as aerosol containers used primarily in consumer products like paints, sprays, etc. The company holds a leading position in the global food and aerosol can markets, and is the third-largest beverage can maker globally. Crown has a truly global footprint, deriving almost 75% of its net sales in 2011 from outside the U.S. Its largest single presence is in Europe, due primarily to the mid-1990s merger with CarnaudMetalbox (CMB), Europe's leading manufacturer of metal and plastic packaging. The company also has operations in Canada/South America, Middle East and Asia, with increased focus on growth in emerging markets.

Investment strategy

We rate shares of Crown Holdings a Buy. In our view, CCK offers the best risk-adjusted return due to a balanced combination of offense (BRICs expansion capacity in beverage and aerosol cans) and defense (developed market food and beverage). We see the company delivering high single-digit earnings growth in 2012 before returning to solid double-digit growth in 2013 and beyond, driven by improving fundamentals in its key markets, emerging market growth, and the benefits from lower interest expense and shares outstanding. While the food and beverage can markets (e.g. North America and Western Europe) are more mature, the company has been expanding into under-penetrated overseas markets that offer more attractive growth opportunities, such as Asia and the Middle East. We see equity holders benefiting from the company's aggressive focus towards generating cash and returning value to shareholders through debt pay-down and share buybacks. In 2013, we are targeting free cash flow of about \$500 million, which translates into high single-digit free cash flow yields at current levels.

Valuation

We believe shares of CCK should reach our \$45 target price in the next 12 months based on an EV/EBITDA valuation. This return consists entirely of capital appreciation, as we do not assume the company reinstitutes a dividend within the next 12 months.

We assume CCK trades slightly above its average multiple of ~8.0x during the next 12 months, driven by increasing emerging markets growth, improved industry structure, and reduced leverage / increased FCF generation all driving this revaluation. Applying an 9x multiple to our NTM EBITDA equates to an equity value of ~\$45 per share after impairing for pension underfunding and our estimated asbestos liability.

We utilize forward P/E and P/CF as useful secondary checks for our EBITDA-derived price target. Our price target of \$45 implies a NTM target P/E of 11.2x; our work shows CCK has traded within an adjusted P/E range of roughly 6x-24x over the past ten years. Similarly, our price target of \$45 implies a NTM P/CF multiple of 5.8x, which is towards the bottom of CCK's historical adjusted range of ~2-16x.

Risks

We see the following risks for Crown to the stock achieving our target price:

Developed Market Volume Decline – North American and European demand for beverage cans has experienced modest ~1% decline in recent years, especially in carbonated soft drinks (CSD). While producers have generally matched supply to demand to maintain price, a steeper rate of decline could cause producers to cut price in order to protect market share, which could pressure CCK's margins.

Raw Material Prices & Substitution – Metal can producers do an excellent job of passing through rising aluminum and tinplate steel costs, however rising metal prices may encourage beverage and food producers to switch to alternative packaging materials. Substitution out of metal into plastics, glass or paper-based packaging could pressure CCK's volumes.

Large Customer Share Shift – Due to the concentrated nature of food and beverage producers, 28% of CCK's sales come from their top ten customers. While CCK's contracts are generally long-term in nature, the market remains competitive and share shift does occur. Loss of a customer or large piece of business may negatively impact CCK's earnings.

Asbestos Liability – CCK carries asbestos liabilities on its balance sheet, and is the subject to numerous lawsuits. If the number of lawsuits increases, or the trend of case settlements moves against asbestos plaintiffs, CCK's earnings could be negatively impacted.

Currency risk – With two-thirds of CCK's earnings coming from outside of the US, a strengthening of the US dollar relative to the other currencies could negatively impact the company's earnings.

If the impact from the above risks turns out to be greater than we expect, the shares could fail to achieve our target price.

DSM NV

Company description

DSM is in the process of reinventing itself as a mid-sized specialty chemicals company, having successfully exited now from all of its non-core activities. The focus is now to develop its two core franchise area - nutrition ingredients and materials. It sees opportunities in developing activities that span its technology base, notably biofuel production technology. The disposal programme meant that it would end up with a minor net debt position of roughly €50m. Following the Martek acquisition, the company is likely to look for further external growth opportunities.

Investment strategy

We rate DSM Buy (1). The fundamentals of the company look strong, with strong earnings growth from the successful acquisition/integration of Roche's vitamins business, cost-reduction efforts and the cyclical upturn of its industrial activities. The earnings momentum looks positive, with vitamin prices starting to turn up and solid, if volatile, trading in the industrial activities. The stock also remains among the cheapest in the sector, which should provide some support.

Valuation

Our DCF analysis, which assumes a WACC of 8.4%, sustainable ROCE of 12%, long-term restructuring costs of 0.8% of sales and mid-term growth of 3%, indicates a fair value of €60. We see the potential to sustain growth and strong cash generation in the Nutrition businesses as good, but there is a risk to earnings from volatility in the industrial activities given their sensitivity to broader economic factors, notably the rising oil price. Hence we see it as prudent to set our target price at a discount to the value suggested by our DCF, at €55.

Risks

We would highlight the following risks to our valuation and target price.

The key risks include price pressures in Vitamins, and overcapacity in pharmaceutical intermediate markets. Margins in its Industrial Chemicals division have historically been very volatile. Finally, DSM has a significant bias towards European-based production. While it does hedge some of its currency exposure, a significant weakening of the US dollar could have a material impact on the group's earnings. If the impact from these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. If the impact proves to be less than we anticipate, the stock could materially outperform our target price.

Fibria Celulose SA

Company description

Fibria is an integrated pulp and paper company in Brazil, the result of the merger between Aracruz and VCP in 2009. With 5.4 million tonnes of market pulp capacity, Fibria is the largest market pulp producer globally, holding 35% market share in Eucalyptus and 11% of total market pulp globally. Paper capacity has been declining as Fibria is concentrating on the pulp market; the company currently has 330,000 tonnes of paper production.

Investment strategy

We rate FBR Neutral/High Risk (2H) as we believe current valuations offer limited upside as we await the inflection of the pulp cycle. We expect pulp prices to undergo pressure in 2013 as the market adds 4.8 million tonnes of new capacity (8% of the global market), resulting in a supply/demand imbalance. Additionally, Fibria's balance sheet leverage remains high and would require additional asset sales in order to prepare the balance sheet for the expected cycle pressure ahead.

Aside from a share price correction we would await evidence of 1) tighter pulp fundamentals – we await evidence of a recovery in China demand and ST supply discipline, and 2) further liquidity events, before becoming positive on the shares.

Valuation

Our target price of US\$7.8/ADR (R\$15.5/share) is based on our multiple valuation (EV/EBITDA). We apply an EV/EBITDA multiple of 8.5x to our 2012E EBITDA forecast and derive a value of US\$7.8/ADR for Fibria. Our 8.5x target multiple is in line with Fibria's historical multiple.

Risks

We rate Fibria shares High Risk due to its highly leveraged balance sheet, which may limit its ability to invest in growth, exposure to volatile pulp markets and FX movements. Below we highlight some risks to our earnings estimates and the achievement of our target price:

1) Pulp Price Outlook: With almost 100% of its revenues generated from market pulp sales, Fibria's earnings are highly sensitive to pulp prices. Higher pulp prices would result in higher earnings and target price, while lower pulp prices would result in lower earnings and target price.

2) Exchange Rate Fluctuations: With 100% of revenues linked to US dollar and only 20% of its costs in US dollar, profitability declines when the Brazilian Real appreciates, but increases when the currency depreciates.

3) Brazilian Risk: Higher/lower Brazilian risk could negatively/positively affect FBR. The performance of Fibria shares is exposed to Brazilian risk in two main ways:

-Through its operations: 100% of Fibria's operations are located in Brazil.

-Through Market Sentiment: High Brazilian risk could negatively affect Fibria's cost of capital and share price performance.

Freeport-McMoRan Copper & Gold Inc.

Company description

Freeport-McMoRan Copper & Gold Inc. is a major international mining company with assets in North and South America, Indonesia and the Democratic Republic of the Congo (DRC). The company's main products are copper, gold and molybdenum.

The company's Grasberg complex in Indonesia has the largest single recoverable reserve of both copper and gold in the world. The company has five operating divisions: North America Copper Mines, South American Copper Mines, Indonesia Mining, Africa Mining and Molybdenum operations. Freeport's headquarters are in Phoenix, AZ.

In 1988, FCX's parent company Freeport McMoRan spun off 20% of FCX following the discovery of the Grasberg copper and gold deposit in Indonesia. In 1993, the company acquired the copper smelter Atlantic Copper. In 1995, the remaining 80% of FCX's shares were sold to the public on the NYSE. FCX made the significant acquisition of Phelps Dodge in 2007, gaining control of the company's substantial US and South American copper assets.

Investment strategy

We rate FCX Buy (1). FCX is a global copper mining company with additional production of gold, molybdenum and silver. The strong relationship between FCX's earnings power and copper prices has only been heightened by the 2007 acquisition of Phelps Dodge. We have a constructive view on copper pricing and FCX's recent share price divergence vs the commodity creates an opportunity for investors.

Valuation

Our \$43 target price is based on a combination of forward P/E, EV/EBITDA and DCF modeling with respective weightings of 40/40/20.

Forward P/E - In 1995-2005, the shares of FCX traded down to a low of 7.3x during the peak with a median multiple of 18.2x, and a trough multiple of 33.5x. More recently, FCX hit a low multiple of 3.5x in October 2008 with a median of 10.8x since 2005. We apply a P/E of 10x on our 2013E to arrive at a target price of \$46.

Trailing EV/EBITDA - In 1995-2005, FCX traded down to 4.3x with a median multiple of 7.1x and a high multiple of 15.6x. In October 2008, FCX hit a new low of 1.6x and has had a median of 5.8x since 2005. We apply a 6.0x multiple on 2012E EBITDA to arrive at a target price of \$42.

DCF - DCF modeling yields a target price of \$41. Our DCF model incorporates our forward production, realized pricing and cost estimates through 2016, followed by long-term pricing assumptions of \$2.60/lb for Cu, \$1,100/oz for Au, \$15.50/lb for Moly and \$12.00/lb for Co. Our WACC of 11.5% is based on a beta of 1.6, and from the CIRA strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%.

Risks

The keys risks to our investment thesis on FCX include commodity exposure, political risk and relatively high leverage somewhat offset by the company's cost and geographic diversification and broad range of assets.

Economy and Demand: Demand for copper is largely driven by the strength of the global economy. If depressed economic conditions persist, FCX's realized pricing and sales volumes could be limited which would impair the company's earnings power. Conversely, stronger than expected demand could cause the shares to exceed our target price.

Balance Sheet: FCX employed significant leverage to complete the Phelps Dodge acquisition in 2007. Future interest and principal payments could limit the company's ability to invest in operating facilities or expansion projects. In addition, an inability to comply with the covenants on FCX's senior credit facilities could impact the company's available liquidity.

Foreign Currency: While the majority of FCX's revenues are in USD, a significant amount of the company's costs are in foreign currencies including Indonesian

rupiah, Chilean pesos, Peruvian nuevo soles and Australian dollars among others. A significant devaluation of the US dollar relative to one or more of these currencies could cause a decrease in FCX's profitability.

If the impact from any of these factors proves to be greater than we anticipate, the stock could have difficulty achieving our target price, alternatively if the effect is less than expected the share price could exceed our target.

Geberit AG

Company description

Geberit is the European market leader in sanitary technology with global operations. It is in the business of allowing water to flow to, in and from buildings and achieves this through supply systems to application and drainage systems. It provides a system of compatible and complementary products and services focused on the sanitary technology business, developing products for which the decision makers are plumbers, installers and specifiers, rather than the end users.

Investment strategy

We rate Geberit Sell. We believe the group offers an attractive business model with superior a return on capital and scope for further growth supported by a strong balance sheet. Our Sell rating on the shares is due mainly to valuation and a lacklustre macro outlook for construction output in Europe. The shares have recently enjoyed a strong bounce which has further stretched valuation. However, we believe the company is well managed and has a strong market position as well as a very solid balance sheet.

Valuation

In line with our methodology used across the building materials sector, we calculate our price target by using a number of valuation metrics including P/E, EV/EBITDA, dividend yield and DCF. We weight each metric equally. For Geberit our price target is CHF 175 with a range of CHF 152-CHF 217 depending on the methodology used. In terms of target multiples, in line with Geberit's recent averages (to reflect the company's strong balance sheet and high margins) we use a P/E target multiple of 16.5x and an EV/EBITDA target multiple of 10x. Our 3% target dividend yield is in line with long-run average yields. Our DCF uses a range of discount rates from 6.5% to 8.5%, and assumes long-term sales growth of 5%.

Risks

We highlight the most important company-specific risks:

- The residential and commercial construction market is a major end customer for Geberit's products. Any further deterioration in these markets or a deferred recovery would adversely impact profitability.
- Geberit is subject to various environmental laws and other regulation and any move by the authorities to take action could disrupt the group's operations.
- Material costs incurred as a consequence of warranty and product liability claims could negatively impact profitability.
- Margins could be adversely affected by volatility in input costs such as copper, brass and PVC products.

- Any damage to the brand that impacts the group's reputation for manufacturing reliable products would negatively impact sales.
- Other general risks such as currency translation, competition and local economic conditions are also present.
- On the positive side, the strong balance sheet gives the group the capability of buying back shares or increasing the dividend more than we expect.
- Markets in Europe could also recover more than we expect which would also be a positive surprise.

If these risk factors have a more/less negative impact than we currently anticipate, then the share price could deviate from our target price.

Givaudan AG

Company description

Givaudan is the world's largest supplier of flavours and fragrances. Its key end-markets are food, household products such as soaps and detergents, personal care products and fine fragrances. While Givaudan is a strong cash generator, its end-markets are mature. The company aims to grow ahead of the market by focusing its efforts on the growing Asian markets and food service industries. It acquired Quest in 2007, which has consolidated its leading position.

Investment strategy

We rate Givaudan Sell (3). Through the acquisition of Quest in 2007, Givaudan has created for itself a commanding global number one position in the Flavours & Fragrance industry. We believe this industry is attractive for investors given its characteristics of stable mid-single digit growth, high margins and strong cash flow.

Short-term, rising raw material costs and the strong Swiss franc provide headwinds and in 2011 EPS progress will likely be challenging. For 2012, we anticipate slowing economic activity and falling consumer spending leaving their mark on the companies earnings.

We think the scale of headwinds from currencies and raw material costs in combination with slowing demand need to be reflected in a lower valuation, despite attractive long-term fundamentals. In face of these challenges, we think the current record premium valuation of the shares vs. the sector is not justified.

Valuation

The prime method we employ to set our fair value for Givaudan is a DCF analysis. On our estimates, this implies a fair value for Givaudan's shares of c.SFr790. Our analysis assumes a cost of capital of 7.8%, a long-term growth rate of 3% and a competitive advantage period of 25 years. Our SFr700 target price is set at a discount to this DCF valuation to reflect limited visibility and ongoing market volatility. We further believe that the current premium valuation of the stock vs. the sector is not justified in light of slowing consumer spending.

Risks

We would highlight the following risks to our valuation and target price.

Givaudan's risk is raised somewhat given the current economic climate, strong SFr and rising raw material costs. The main risk to our investment case and target price is either a rebound in US retail sales and consumer confidence or a rebound in the US\$. If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

Holcim Ltd

Company description

Holcim is the world's largest supplier of cement, and a leading supplier of aggregates (gravel and sand) and readymix concrete. From its origins in Switzerland, the group has grown into a global player with strong market presence in over 70 countries on all continents. Its biggest markets are India, Mexico, the US, Brazil, Vietnam and France. The group employs more than 80,000 people.

Investment strategy

We have a Sell rating on Holcim.

While emerging market demand for cement is expected to continue growing, we remain a little wary of the impact of new capacity that is being brought on stream and the impact that this may have on prices. The group's Indian business, which is by far the largest in the company, is not expected to deliver big profit growth due to cost pressures while margins remain at somewhat depressed levels. In the group's mature markets, we expect to see little volume recovery in the next 12-24 months and, with only modest changes in prices or costs expected, there is unlikely to be dramatic developments on the profit front.

We think the strength of the Swiss Franc will continue to impact the group's translated profits in 2012, albeit at a lower rate (4-5%) than in 2011.

The group's recent announcement to improve its performance through a mixture of measures is a positive sign of change and should be applauded although the difficulty in retaining the savings/benefits remains a big challenge.

Valuation

Our CHF48 target price is derived by using a weighted valuation approach, which uses a variety of different valuation metrics, now concentrating on four core methods - PE (CHF46, 40% weighting), EV/EBITDA (CHF48, 40% weighting), free cash flow yield (CHF44, 15% weighting), DCF (CHF74, 5% weighting). The target multiples we use are PE 14x, EV/EBITDA 8.0x and free cash flow yield 12.5%, applied to our 2012 forecasts. The target ratios for each metric are set according to the historical ranges for the group as well as the current sector averages. Our DCF calculation is the average value for a range of discount rates from 7.5-9.0%.

Risks

Of the major European cement producers, we would see Holcim as having the lowest risk. Although its emerging market exposure is substantial, it has improved its management and corporate governance substantially in recent years.

We would highlight the most important company-specific risks:

- One of the largest risks is that the recent strength in the Swiss franc is reversed - over 95% of Holcim's earnings come in currencies other than its reporting one. The impact though is essentially all translational;
- Lower energy costs relative to 2011;
- A quicker economic recovery in the US, and Western Europe;
- Emerging market risks - economic, political, etc.

If the impact of these risk factors is less negative than we currently anticipate, then the share price might not decline to our target price.

Johnson Matthey PLC

Company description

JMAT's core strength is platinum group metal (PGM) processing know-how. Half the profits come from Catalysts & Chemicals and the largest component within this (and about 30% of group profits) is the emission-control catalyst business, where it is a global leader. It is also a leader in PGM refining, and has a strong position in process catalysts.

Investment strategy

We rate Johnson Matthey shares Buy (1). The company looks well positioned to benefit from the long-term structural growth driver of tightening emission control legislation through its #1 market share in autocatalyst manufacture. It also has above-average pricing power given the strong market positions it holds across its activities. The outlook for the company is strong, and we believe further re-rating of the stock is possible post FY12 results.

Valuation

Johnson Matthey on average has traded at a 20% premium to the Pan European Chemicals P/E over the last five years. We believe a premium valuation is justified by JM's strong long-term growth and cash generation outlook and its leading positions in markets with high barriers to entry. Our DCF is the prime methodology of valuing Johnson Matthey. We use a WACC of 7.4%, long-term growth rate of 4.5%, beta of 1 and ongoing restructuring charges as c0.2% of sales every year. This suggests a fair value for the shares of 3,277p. We apply c10% discount to be conservative and set our target price at 3,000p.

Risks

We would highlight the following risks to our valuation and target price.

The macroeconomic uncertainty and volatility in PGM prices present risk to short-term earnings and over the next 12 months the share price may be primarily driven by how these two key drivers develop. If the impact of these factors is more or less negative than we anticipate, the share price could deviate significantly from our target price.

L'Air Liquide SA

Company description

Air Liquide is the world's largest industrial gas company, and following its €7bn acquisition of Messer in the US and Europe, has a market share of about 23%. It has an outstanding track record of delivering consistent growth. The main gases sold are oxygen, nitrogen, argon, hydrogen and carbon dioxide. 93% of its operating profits come from the industrial gases and services division. It is well placed to develop its tonnage business, healthcare and hydrogen operations and is accelerating growth via its services businesses.

Investment strategy

We have a Neutral recommendation on Air Liquide. Air Liquide has one of the most outstanding earnings growth records in the chemicals industry. We expect its earnings momentum to be sustained over the next four years at more than 10% with the development of hydrogen markets (as legislation demands cleaner, desulphurised fuels) and cyclical demand for its low capital-intensive service offerings. Key growth markets are petrochemicals and refinery schemes in Asia and the Middle East, modernisation of steel in emerging regions, and coal to chemicals. These drivers and the potential for EPS growth we believe are now reasonably fully accounted in the share price and therefore we rate Air Liquide Neutral.

Valuation

Our DCF analysis, assuming long-term growth of about 4% and a WACC of 7.1%, implies a fair value for the shares of €98. The benefits of tonnage contracts secured mean that the ROCE should rise by about 1% over the next three years. Remaining conservative, we apply a discount to our DCF to arrive at a target price of €91.

Risks

We would highlight the following risks to our valuation and target price.

Sales growth is reasonably visible for the next three years, underpinned by newly installed capacity and environmental legislation (leading to increased demand for hydrogen in oil refineries) that is already in place. The main risk factors : 1) customers cancelling projects or delaying them; 2) price pressures proving worse than expected in merchant and cylinder markets, 3) cost pressures rising more strongly than it is possible to pass them on, 4) forex movements. There is a high correlation between capex and growth so delays to projects will be the main factor reducing the growth potential and hence affecting sentiment towards the shares.

Lafarge SA

Company description

Lafarge is a global building products group and is one of the top two global cement producers. It has significant cement operations across Europe, the Americas, Africa and Asia. The group also has a large business in aggregates and concrete (primarily in Europe and North America).

Investment strategy

We have a Neutral rating on Lafarge as we believe the current valuation now fairly reflects current and medium term trading expectations.

The group's international diversity means that no one market dominates its performance. Its end-market spread also means that sector risk is spread out. Historically, the group has grown as much through acquisition as through organic methods, and this is likely to continue once market conditions stabilise. For 2012, the industry faces higher costs driven by fuel and power prices. The group will be trying to push prices up in most markets but success will vary by country and local conditions.

The group remains heavily exposed to Africa and the Middle East. Consequently, the shares will remain sensitive to the political and social changes occurring in a number of these markets during the coming months.

The macro economic situation in Europe is also unsettling and is likely to have a detrimental impact on the demand for its products if the uncertainty persists. Net debt continues to edge down.

Valuation

We have a price target of €42 for Lafarge. This is generated using a weighted average approach of different valuation metrics including PE, EV/EBITDA, FCF Yield and DCF. We are using long run averages as a guide for these metrics as well as taking into account the current stage of the cycle and the outlook for the next couple of years. At present we are using the following metrics - PE of 16x (€41) , EV/EBITDA of 7.5x (€48) , FCF yield of 12% (€25) while our DCF is calculated using long term sales growth rate of 2.5% and is an average of a range of discount rates from 7%-10% (€55). We are applying the most weights to the PE and EV/EBITDA metrics (both 40%) while we have 15% for our FCF and 5% for our DCF valuations.

Risks

The risks the group faces are a mixture of factors including industry and market risks, financial risks, management competence and the historical volatility of the share price. Lafarge mainly operates in an industry that we term 'Heavyside' (c.90% of 2010 group sales and profits). We would highlight the most important company-specific risks, which could prevent achievement of our target price, as:

Weaker-than-expected economic activity in the group's main markets

Energy costs have fluctuated sharply in the last couple of years. We believe that every 10% change in fuel costs impacts profits by 5.0%-7.0%, ceteris paribus.

The key swing markets for the group are the US, Malaysia, UK, France, Brazil, Nigeria, Algeria, Egypt and Iraq following the Orascom acquisition - any marked deterioration in performance from these markets would hit the group relatively hard.

The group is not especially currency sensitive from a transactional viewpoint, but we estimate that a 10% movement in the euro would impact group profits by 6-8% from a translational standpoint.

Following the Orascom acquisition, the group is now more exposed to oil producing economies and a fall in the oil price, while positive for costs, would hit the prospects for these economies over the longer term.

The group's balance sheet remains stretched and the risks of further tightening in credit markets could impact the group's finance costs.

Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target price.

Monsanto Co

Company description

Monsanto Company is a leading global provider of technology-based solutions and agricultural products for growers and downstream customers in the agricultural markets. Monsanto is divided into two segments: Agricultural Productivity (crop protection products, animal productivity, and environmental technologies) and Seeds & Genomics (seeds and related traits and genetic technology platforms). The Roundup herbicide is the core of Monsanto's Agricultural Productivity segment. Monsanto has led the agricultural industry in the integration of its biotechnology, genomics, and molecular breeding capabilities to create the world's strongest system for producing improved plants of high commercial value.

Investment strategy

We rate the shares of Monsanto Buy. We are positive on the company's growth prospects as Monsanto's pipeline of agricultural biotech products is unrivaled by competitors. We believe Monsanto's heritage agricultural chemical business, comprised mostly of Roundup herbicide, is bottoming. We like MON's technology leadership position in seeds and believe the risk/reward is favorable.

Valuation

We use a sum-of-the-parts approach to value Monsanto at \$93/share. We apply a 23x forward P/E multiple to FY 2013E Seeds EPS of \$3.76, deriving a Seed value per share of \$86. The 23x multiple reflects MON's leadership position in seeds & traits R&D and the future value of the pipeline. Applying a 12x forward P/E multiple to FY 2013E Ag Productivity EPS of \$0.57, we derive an Ag Productivity value per share of \$7.

Our \$93 price target incorporates the value of the Seeds (\$86) and Ag Productivity (\$7) businesses.

Risks

The following considerations may prevent the shares from reaching our target price:

Weather Fluctuations — Agricultural demand is significantly impacted by weather conditions that can be unpredictable. Persistent rains/drought could negatively impact crop plantings and Ag chemical use. Conversely, good weather and a strong season could fuel demand for high-margin Ag products, a boon for MON.

Pace of Roundup Decline — MON's flagship herbicide, Roundup, is off patent around the world. MON's Ag Productivity business, which is primarily Roundup, represented roughly half of company EBIT in FY '08. MON has been losing share to generic competition in the lower-priced "burn-down" application. If the Roundup decline eases or reverses, MON would be positioned to benefit.

Regulatory Approval — MON's products have to undergo a similar approval process as new drugs. New traits must be approved by the FDA and the USDA. Any failure to win such approvals for new products could result in a material loss of value. Conversely, rapid approvals of new products would allow MON to bring offerings to market faster.

If the negative impact of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. Likewise, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Mosaic Co

Company description

The Mosaic Company was incorporated in Delaware in January 2004 to serve as the parent of the combined business operations of IMC Global Inc. and fertilizer business of Cargill, Incorporated. Although the company is a relatively new business entity, its predecessor companies have been operating since 1909. Mosaic sells potash and phosphate to over 40 countries.

The company is the largest phosphate fertilizer producer accounting for 13% of global production and 56% of North American production. The company's primary phosphate fertilizer and feed phosphate facilities are located in Florida and Louisiana. Mosaic's phosphate mines and associated operations are located in central Florida. Mosaic is the third largest producer of potash in the world accounting for roughly 12% of global production. Annual capacity from the company's 5 potash mines in 2010 was equivalent to 10.4mm tonnes.

Investment strategy

We rate Mosaic shares Buy. The severe drought in the US has greatly reduced projected crop production and has extended the current agriculture cycle for another year. In addition, we think the company is poised to return significant amounts of capital to shareholders following the Cargill transaction restrictions. Longer-term, we continue to see favorable positive fundamentals including tight grain inventories, elevated crop prices, robust farmer income and increased fertilizer application rates in developing markets.

Valuation

Our \$71 target price is based on a price/forward earnings methodology. We apply a 12x target forward P/E multiple to our calendarized FY 2013E EPS of \$5.90 to arrive at a price of \$71. Mosaic has traded in a normalized range of 2.3x to 20x forward EPS, with an average of 13x, over the past five years. Our target multiple is below the five-year average, reflecting the cyclical strength of current Ag fundamentals, partially offset by near-term demand uncertainty.

Risks

The following considerations may impact the company in achieving our target price:

Crop prices: Crop prices influence farm plantings and fertilizer demand. Should crop prices revert to historical average due to moderating consumption or rising crop inventory, fertilizer demand/pricing is also likely to decline with farm revenues. However, prices going up is an upside risk that could cause the shares to exceed our target.

Mine failure: Mining is an inherently risky activity characterized by high fixed costs, dependence on reserves, and operational uncertainties.

Industry production capacity: Fertilizers are commodity inputs serving commodity crop markets, and supply-demand balances ultimately determine profitability. While industry conditions remain relatively tight, if production outpaces demand growth, prices are likely to decline.

If the impact from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. Likewise, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Praxair Inc

Company description

Praxair is one of the largest industrial gas companies in the world. The company produces gases for the health care, food and beverage, chemicals, metal-fabrication, and semiconductor industries. Praxair Surface Technologies, a subsidiary, supplies high temperature and corrosion-resistant coatings to the aircraft, plastics, and primary metals industries, in addition to producing aircraft engine and airframe component overhaul services.

Investment strategy

We rate the shares of Praxair (PX) Buy. We believe the company's business model is attractive with defensive growth characteristics through long-term take-or-pay contracts in its tonnage business. In addition, the company operates in an oligopoly that has contributed to a substantial backlog of high return projects leveraged to energy and emerging markets that should continue to drive earnings going forward. Industrial gases provide defensiveness and long-term growth, an attractive combination in the current slow-growth environment.

Valuation

Our target price of \$116 is an average of the prices derived from our two valuation methodologies: price/earnings and enterprise value/EBITDA.

Price/Earnings

We have derived a target price of \$123 by applying a 19x price/earnings multiple on our 2013 EPS estimate of \$6.49. This multiple is above the one we apply to Praxair's principal US competitor, Air Products, as Praxair has higher margins and higher ROC. We find that Praxair's forward price/earnings multiple has historically (past 10 years) ranged between 10x-26x, with an average of approximately 19x.

Enterprise Value/EBITDA

Additionally, we value Praxair using an EV/Forward EBITDA multiple, as it has shown a consistent trading range over the cycle. We derive a target price of \$109 by applying an EV/EBITDA multiple of 10x to our 2013 EBITDA estimate of \$4 billion, and subtracting net debt of \$6.9 billion. We note that Praxair has historically (past 10 years) traded at an EV/EBITDA range of 7x-14x. This multiple is above the one we apply to Praxair's principal US competitor, Air Products, as Praxair has higher margins and higher ROC.

Saint Gobain

Company description

Saint Gobain is a building-based conglomerate with six different divisions - Flat glass, Glass packaging (Verallia), High performance materials (specialist ceramics, plastics, abrasives), Interior Building Products (insulation and gypsum), Exterior Building Products (pipe and mortars) and Building distribution. The group is widely spread geographically with big exposures to France, other European countries, North America, Brazil and parts of Asia.

Investment strategy

Saint Gobain is the most diverse company in the building materials sector, with large exposure to both construction and industrial activities. As a result of this diversity, the group is less exposed to single events than some of the purer play companies in the sector. The largest exposure for the group, though, remains the new housing and renovation cycle within Europe.

While the economic uncertainty, especially in Europe, continues to cause problems, we believe the latest reduction to forecasts takes into account some further slowdown. On this basis the valuation looks undemanding and so we retain our Buy rating.

Valuation

We calculate our €30 target price by using a weighted-average calculation that takes into account a number of different valuation methodologies. For Saint Gobain, we use P/E (€30, 35% weighting), EV/EBITDA (€33, 30% weighting) and free cash flow yield (€26, 30% weighting) multiples derived from comparisons with current sector averages, as well as the medium- to long-run averages for Saint Gobain itself. Our working assumptions are: 12.0x P/E, 6.75x EV/EBITDA and 11% FCF. In addition, we also use a sum-of-the-parts (€34, 5% weighting) calculation.

Risks

Saint Gobain's operating risks are relatively high given the big exposure to construction while the risk profile on asbestos now looks relatively modest. The group's broad spread means it is less exposed than most companies in the sector to individual risks.

The key negative risks which may prevent achievement of our target price include the following:

- Failure to pass through higher energy costs in higher prices.
- Further deterioration in macroeconomic conditions which affect the European housing and construction markets and therefore its sales volumes.
- Weakness in the US dollar, sterling and the Brazilian real versus the euro exchange rate.
- An increase in asbestos claims and/or cost of settlement.
- Deterioration in global industrial production trends.

However, if any of these factors proves to have less of an effect than we anticipate, the stock could outperform our target.

Shin-Etsu Chemical

Investment strategy

We rate the shares of Shin-Etsu Chemical Buy (1), with a ¥4,900 target price. Silicon wafer demand is recovering. Prices had been falling, but improvement in the supply/demand balance appears to have stopped the decline. We see strong earnings expansion in PVC in the US, on enhanced competitiveness in North America and firm export markets. We also expect a steady increase in the earnings contribution from photoresists, mask blanks, and LED materials. Earnings had been rather weak since the global financial crisis in 2008, due to a sluggish US housing market and deterioration in the supply/demand balance for silicon wafers, but we expect Shin-Etsu will enter a recovery phase in FY3/13 with real recovery likely from FY3/14. Therefore, we see significant upside potential for the shares over the medium term.

Valuation

We set our target price for Shin-Etsu Chemical referencing the following. 1) Five-year historical valuations: Shin-Etsu's five-year average historical PER is 18x and its average EV/EBITDA multiple 8x (excluding outliers). 2) Sum-of-the-parts valuations: We assign fair-value PER multiples to the various businesses as follows: 15x for PVC and chemical products, 16x for silicone, 16x for high-performance chemicals, 17x for semiconductor silicon, 18x for electronic and high-performance materials, and 10x for other businesses. This results in a theoretical PER of 16x. 3) RoIC and RoIC less WACC: We expect Shin-Etsu to log RoIC of 8% in FY3/13, slightly above the 7% average for electronic material makers, and forecast excess earnings (RoIC less WACC) of 1%, in line with the industry average. 4) Earnings momentum: We anticipate a mixed bag among Shin-Etsu businesses in the short term. Given that earnings appear to be in a medium-term recovery cycle, we use 18x for our target valuation, higher than the 16x theoretical PER derived from our sum-of-the-parts valuation. We apply this target PER to our FY3/13 EPS forecast, resulting in a target price of ¥4,900.

Risks

Key earnings-related risks are demand and price trends for silicon wafers as well as demand in the US for PVC. The company also has relatively high forex sensitivity. If these or other factors are significantly different from our earnings forecast assumptions, the share price may differ from our target price.

SQM - Soc. Quimica y Minera de Chile

Company description

SQM is an integrated producer of fertilizers (potash and specialty plant nutrients), iodine, lithium, and industrial chemicals sourced from high quality Chilean natural resources (salar brines & caliche ore). The company has a leading global market share in potassium nitrate, iodine and lithium. SQM has its mining operations in the north region of Chile and an international distribution network in more than 100 countries.

SQM is controlled by Sociedad de Inversiones Pampa Calichera S.A. (controlled by Mr. Julio Ponce L.), which along with Kowa Company Ltd. control 32.2% of SQM shares. Another important shareholder is Potash Corp, which owns 32% of SQM shares. The company has class A and class B shares. We cover the ADR class B shares, which are the most liquid and trade on the Chilean stock market and the NYSE.

Investment strategy

We rate SQM Buy as strong fertilizer fundamentals and recent production growth should drive solid earnings momentum over the coming quarters.

With a leading market share in specialty fertilizers (SPN - Specialty Plant Nutrients) and a growing presence in commodity fertilizers (potash), SQM is well positioned to benefit from the current upcycle in fertilizer prices. We expect more than 65% of SQM's EBITDA to be generated from the sale of fertilizers in 2012.

We are positive on the 2012 price outlook for potash, as continued demand growth and tight market conditions should fuel strong pricing in the coming quarters. Strong farmer income coupled with elevated grain prices should drive increased application of fertilizers as farmers look to improve crop yields.

Valuation

Our target price of \$68/ADR is based on our DCF model (50% weight), a 13.5x EV/EBITDA multiple (25% weight) and 21x P/E multiple (25% weight).

DCF Valuation (\$75/ADR) - 50% weight

We discount SQM's free cash flows to the firm (FCFF) in U.S. dollar terms at an average cost of capital of 8.2% to determine the DCF value of the shares. Our base case scenario includes 4% terminal growth and a Chilean risk-free rate of 4.5%. Once we determine the present value of SQM in year-end 2012, we subtract its net debt to determine the fair value of the shares. We arrive at a DCF value of US\$75/share.

EV/EBITDA multiple (\$61/ADR) - 25% weight

We apply a 13.5x target forward EV/EBITDA multiple to our 2012E EBITDA forecast to derive a target price of \$61/ADR. SQM has traded in a range of 7x to 22x over the past five years with an average of 13.5x. We assume a slight premium to SQM's historical multiple given greater capacity vs. five years ago and the current upcycle in fertilizer prices.

P/E multiple (\$61.5/ADR) - 25% weight

Our forward P/E valuation derives a target price of \$61.5/ADR. We apply a 22x target forward P/E multiple to our 2012E EPS forecast. We assume a slight premium to SQM's historical multiple given greater capacity vs. five years ago and the current upcycle in fertilizer prices.

Risks

Below we provide the main risks to our SQM investment case:

Price Volatility - The prices of the majority of SQM products are linked to international prices which vary significantly due to supply and demand dynamics in each of the markets. As SQM expands its potash production capacity (a commodity fertilizer), price volatility is likely to increase. If prices are lower than our forecast, we could see lower returns.

Chilean Exchange Rate - SQM exports most of its production (84% of its revenues). On the other hand, a portion of its costs are linked to the Chilean peso (about 20%). Currency appreciation in Chile could have a negative impact on operating margins. An appreciation/depreciation of the Chilean peso would negatively/positively affect the company's results.

Environmental Laws - Changes in the Chilean Environmental Framework Law could result in higher production costs, liabilities, claims and mining approval, which could compromise SQM performance and our estimates for the company.

Concessions & Rights - SQM operations are mainly based on grants from the Chilean government through concession agreements including mining exploitation and exploration as well as water use rights. Expirations or more restrictive legislation in these concessions/rights could impact negatively company's cash generation affecting negatively earnings.

Royalty taxes - A change in regulation including an increase/decrease of royalty tax could affect positively/negatively earnings.

Syngenta AG

Company description

Syngenta is the global leader in agrochemicals, with a broad portfolio of herbicides, insecticides and fungicides. Company has a strong innovation culture and its product pipeline developments have additional sales potential of <\$4.4bn. It is No3 in seeds with a 9% global share, up from 7% in 2004. It is poised to deliver substantial value from its research efforts with a Seeds research pipeline peak sales potential of over \$2.7bn in addition to the potential value in crop protection of over \$1.7bn.

Investment strategy

We rate Syngenta Buy as we see the company as capable of delivering strong earnings growth and superior dividend yield compared to its peers. The company is likely to expand its margins through further restructuring of the group by merging its Seeds and crop protection activities. This new strategy will bring cost saving of c\$650mn by 2015 and help the company to leverage its blockbuster chemistry for its seeds and seed care business. The long-term prospects for the group are also encouraging, driven by the need for sustained yield growth globally (due to population growth, changing diets and a political determination to harness the potential of biofuels). These trends favour innovative crop protection chemistry and a transformation of the value of seeds. We believe current favorable farming conditions will help drive volume growth in 2013 as well as farmers' focus on productivity. We see this as likely to support sentiment now.

Valuation

The main measure to determine our target price is a DCF analysis with key assumptions being a WACC of 7.5%, long-term growth rate of 3.5%, and competitive advantage period of 30 years, which generates a value of SFr408. For conservatism, we set our target price of SFr385 at a slight discount to our DCF valuation, to reflect the uncertainties inherent in long-term forecasting.

Risks

We would highlight the following risks to our valuation and target price.

The main risk is the pressure to the top line in a structurally low-growth market from the transfer of value from traditional chemicals to seeds and biotechnology. Unless the top line stabilises, the cost-cutting efforts will likely not impact the bottom line. Long-term consumer resistance to GMOs could hamper growth potential in that arena, company invests c9% of sales proceeds in R&D annually. Syngenta is also

subject to weather-related risks that are difficult to forecast. If the impact of these risk factors is more/less negative than we anticipate, then the share price could fail to reach/rise above our target price.

Toray Industries

Investment strategy

We rate the shares of Toray Buy (1), with a ¥630 target price. In carbon fiber, the largest earnings driver, the prospects are in sight for further volume expansion in woven products. Also, the build rate for the Boeing 787 is a key factor in Toray's share price, and we expect it to rise. LCDs are on a recovery trajectory, and growth in new demand for products such as touchscreen films and separator films for capacitors used in smartphones is positive. Furthermore, the recent surges in crude oil and iron ore prices are likely to accelerate the trend toward lighter-weight vehicles, and we therefore expect growth in demand for carbon fiber for automotive applications.

Valuation

We reference the following factors in setting our target price for Toray. (1) Historical average valuations: Over the last five years, the shares have traded on an average PER of 19x and an average EV/EBITDA multiple of 8x (excluding outliers). (2) Sum-of-the-parts: Referencing industry PERs and other metrics, we set fair value target PERs at 17x for fibers and textiles, 13x for plastics and chemicals, 12x for electronics and IT-related products, 18x for carbon fiber and composite materials, 15x for environment and engineering, and 14x for life science and other businesses. Weighting these by OP, we arrive at a companywide target PER of 15x (on our FY3/13 forecasts). (3) Earnings momentum: Carbon fiber earnings are recovering and we expect high earnings levels to be maintained in fibers. Referencing historical valuations and our SoTP approach, we think an FY3/13E PER of 16x is reasonable, and we set a target price of ¥630.

Risks

We believe risks to our target price include the following: 1) the demand environment, input costs, and other factors diverging from our assumptions for the fiber & textiles and plastics segment; 2) demand and price volatility for displays and semiconductors affecting electronics & IT products segment earnings; and 3) changes in demand trends and supply capacity expansion causing the carbon fiber supply-demand balance to diverge from our assumption.

Umicore NV/SA

Company description

Umicore operates in four divisions, all with roots in metallic chemistry. The most important metals for Umicore are cobalt, germanium, platinum, palladium, gold, silver and zinc. The biggest profit generator is the Recycling division, where Umicore recycles 17 different metals from industrial waste and autocatalyst and electronic scrap. This division has very high returns with an earnings stream highly dependent on the metal price environment. The second largest division is Catalysis where Umicore is a global leader in autocatalysts. Energy Materials is based on cobalt and germanium with its main activity being materials for rechargeable batteries. Finally, Performance Materials is a group of industrial, mainly European, businesses such as Zinc Specialties, Contact Materials and electroplating.

Investment strategy

We rate Umicore shares Neutral (2). Umicore's transformation from a low-ROCE, cyclical base metals portfolio to a higher-ROCE precious metals processing company has been completed. The company is now accelerating investments into future growth drivers such as renewables, recycling and catalysis. However, tangible benefits from these investments are at least 2-3 years away. Also we believe the future value of these investments is fully priced in and correctly represents Umicore's long-term growth prospects.

Valuation

Our €40 target price is set at c10% discount to our DCF-derived fair value (€45) for the sake of conservatism. The assumptions used in our DCF are a LT growth rate of 3.5%, a sustainable advantage period of 30 years when the average ROCE is 13.7%, and ongoing restructuring costs at c0.2%p.a. of sales. Our weighted average cost of capital is 7.8% due to a higher equity risk premium.

Risks

We would highlight the following risks to our valuation and target price.

Umicore businesses are sensitive to movements in metal prices, in particular to platinum, palladium, cobalt and germanium, and profits are also sensitive to the Euro/US\$ exchange rate. Its largest business is its autocatalyst business, so weak current conditions in the global automotive industry are a risk. That said, environmental legislation already in place should drive demand for catalysts ahead of automotive production. We also highlight risks associated with its rechargeable battery activities, where end-use demand can be volatile. If the impact of these risk factors is more or less negative than we anticipate, then the share price could fail to reach or exceed our target price.

Uralkali OAO

Company description

Uralkali is one of the largest global pure-play potash companies, with 2012E sales of 10.2m tonnes KCl and plant design capacity of 13m tonnes in 2012E. The mining and refining operations are in Berezniki and Solikams cities in the Perm region, while key logistical/port operations are in St Petersburg, Russia. Uralkali and Silvinit shareholders recently approved merger of the two companies creating the world's top three producer of potash.

Investment strategy

We have a Buy rating on Uralkali. Future benefits of an improving domestic and international potash price environment are not fully captured by the value the market assigns to Uralkali. Uralkali is a highly profitable company (adjusted ROIC in excess of 50%) and is generous to its shareholders with minimum dividend payout ratio of 50% of IFRS net income. We expect a strong improvement in capacity utilization rates in 2013E vs. 2012E to 86% from 78%. In addition, we note US\$100m of synergies stemming from Silvinit merger (per annum) would create c.US\$800m of value post implementation costs.

Valuation

We use peer 2012-13E P/E and EV/EBITDA multiples and DCF as our valuation methodologies. Using peer 2011-12E multiples, we arrive US\$35.7/GDR, we benchmark Uralkali equally to a selection of fertiliser peers globally. Our DCF model is based on explicit FCF forecasts in 2012-14E (FCF = operating cash flow less capex), which are discounted at 8% WACC with a terminal growth rate of 3%. 2015E is our terminal year (FCF in that year is calculated on the assumption of US\$500/tonne CFR potash price, US\$230/tonne CFR cash costs and 12mt shipments). We see US\$550/t CFR as the incentive price required to bring on new capacity. We equally weight our multiple-driven valuation against our DCF valuation of US\$60.3/GDR, which results in an average valuation of US\$47.9/GDR. Our target price of US\$48/GDR is based on this average, rounded to the nearest dollar.

Risks

Key industry-specific risks that could cause the shares to deviate from our target price include the weather, potash pricing terms, customer base concentration, and government policies, such as licensing and taxation. The main company-specific risks are those associated with the flooding of Mine-1. We also note the uncertainty related to the recently completed investigation by Rostekhnadzor, the tax commission, prosecutor's office and audit chamber. Although political risk stemming from the investigation has abated, the re-investigation of the Mine-5 incident was never fully explained and leaves residual company risk overhang. If the impact of these risk factors is more negative than we anticipate, then the share price might fail to reach our target price.

Weyerhaeuser Co

Company description

Weyerhaeuser (WY) is a leading forest products company, owning roughly 6mm acres of timberland and maintaining licenses on another 14mm acres. The company was founded in 1900, and grew organically and through acquisition to become the largest global integrated producer of timber, wood products, pulp and paper. Looking to sharpen its portfolio focus, WY shed its Fine Paper and Containerboard businesses in 2006 and 2008, respectively. The company converted to a full REIT in 2010, and now consists of four key business segments – Timberlands, Wood Products, Cellulose Fibers, and Real Estate. WY is headquartered in Federal Way, Washington, and has roughly 14,000 employees.

Investment strategy

We are Buy-rated on WY given our expectations that: 1) 2012 lumber prices will be stronger-than-expected as dealers have not built adequate inventories to meet housing construction demand; 2) WY is most likely to see upwards earnings revisions in a sector where estimates are generally drifting lower; 3) WY is positioned for long-term dividend growth given a multi-year US housing recovery.

Valuation

Our \$28 target price for WY is based on the average of two valuation methodologies: sum-of-the parts (SOTP) and Price/FFO. We believe the SOTP methodology captures the underlying value of WY's portfolio through the cycle, while the P/FFO multiple reflects the likelihood that WY stock will perform based on near-term earnings momentum.

With our SOTP methodology, we derive a \$25 price target by estimating the market value of WY's timberlands and applying a 15% discount to reflect illiquidity. In our estimate, we assign a \$3,200/acre value to the company's Western timberlands and a \$1,600/acre value to the company's Southern timberlands, and attribute roughly \$500mm of value to the company's Uruguay properties, leased timberlands, and JV and corporate assets. We derive these values by an analysis of timberland transactions that occurred between 2001-2012. We further apply a 5x EV/EBITDA multiple to estimate the value of the peaking Cellulose Fibers business (~\$4/share) and the near-trough Wood Products business (~\$2/share), as well as a 2x price-to-book multiple to estimate the value of WRECO (~\$4/share).

With our Price/FFO methodology, we derive a \$30 price target by applying a 16x multiple to our 2013E FFO estimate for WY. This target multiple is roughly in-line with the trading average of a group of fifty large REITs; we believe the multiple is conservative given 2013 should still be a below-average year for North American Wood Products demand.

Risks

Residential construction exposure – Demand for WY's logs and wood products is driven by residential construction activity. Weaker-than-expected new construction could negatively impact WY's earnings.

Natural disaster risks – WY's ability to harvest timber may be negatively impacted by adverse weather, fire, disease, or other natural disasters. WY does not maintain insurance coverage against damage to its timberlands.

Homebuilding end markets – Earnings in WY's Real Estate segment are influenced by economic conditions in the five regions in which it operates. High interest rates, weak local demand for new homes, and strict financing conditions may negatively impact WY's earnings. Conversely stronger than expected conditions may cause WY to exceed our estimates.

Cyclical pulp exposure – While WY's specialty pulp products are more defensive than commodity pulp and maintain their price better in downturns, the market remains characterized by cyclical swings in price. Weaker than expected pulp pricing may cause WY to miss our estimates, while stronger prices may cause it to exceed our estimates.

REIT tax status – In order to maintain its REIT status WY must meet a number of tests, including distributing 90% of ordinary taxable income to shareholders and deriving 75% of gross income from real property sources. If WY were unable to meet these tests, it would be disqualified from REIT status.

If the impact from the above turns out to be greater/less than we anticipate, the shares could fail to achieve/exceed our target price.

Appendix A-1

Analyst Certification

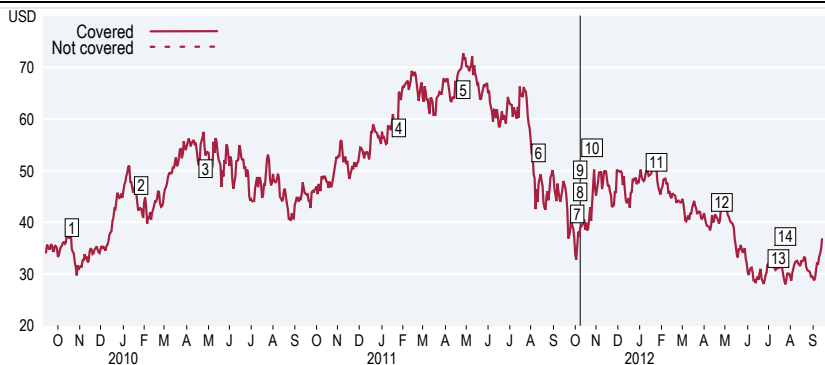
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Allegheny Technologies Incorporated (ATI)

Ratings and Target Price History Fundamental Research

Analyst: Jonathan Sullivan, CFA
Covered since April 27 2012



	Date	Rating	Target Price	Closing Price
1	21-Oct-09	3S	*25.00	34.81
2	27-Jan-10	3S	*30.00	42.75
3	28-Apr-10	*3H	*37.00	52.93
4	26-Jan-11	3H	*44.00	65.29
5	27-Apr-11	3H	*49.00	72.74

* Indicates change

	Date	Rating	Target Price	Closing Price
6	11-Aug-11	*2H	49.00	47.52
7	5-Oct-11	2H	*36.00	35.40
8	8-Oct-11	Stock rating system changed		
9	8-Oct-11	*2	36.00	37.23
10	26-Oct-11	2	*45.00	43.66

	Date	Rating	Target Price	Closing Price
11	25-Jan-12	2	*50.00	50.03
12	26-Apr-12	*1	*55.00	42.59
13	16-Jul-12	1	*52.00	31.16
14	25-Jul-12	1	*47.00	27.97

Rating/target price changes above reflect Eastern Standard Time

Allegheny Technologies Incorporated (ATI)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Jonathan Sullivan, CFA
Covered since April 27 2012



	Date	Rating	Target Price	Closing Price
1	20-Jan-11	*ADD LP	-	59.10

* Indicates change

	Date	Rating	Target Price	Closing Price
2	13-Oct-11	*ADD MP	-	40.04

	Date	Rating	Target Price	Closing Price
3	10-Feb-12	*REM MP	-	45.58

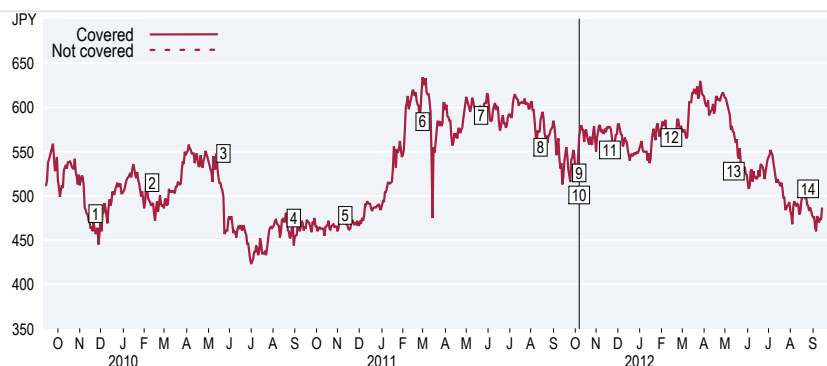
Rating/target price changes above reflect Eastern Standard Time

Toray Industries (3402)

Ratings and Target Price History

Fundamental Research

Analyst: Atsushi Ikeda
Covered since December 22 2009



	Date	Rating	Target Price	Closing Price
1	24-Nov-09	2M	*500	457
2	11-Feb-10	2M	*530	489
3	24-May-10	2M	*510	499
4	31-Aug-10	2M	*520	444
5	11-Nov-10	2M	*530	470

* Indicates change

	Date	Rating	Target Price	Closing Price
6	1-Mar-11	*1M	*750	634
7	23-May-11	1M	*770	599
8	14-Aug-11	1M	*700	572
9	7-Oct-11	Stock rating system changed		
10	7-Oct-11	*1	700	568

	Date	Rating	Target Price	Closing Price
11	21-Nov-11	1	*660	578
12	15-Feb-12	1	*680	573
13	14-May-12	1	*690	572
14	27-Aug-12	1	*630	489

Rating/target price changes above reflect Eastern Standard Time

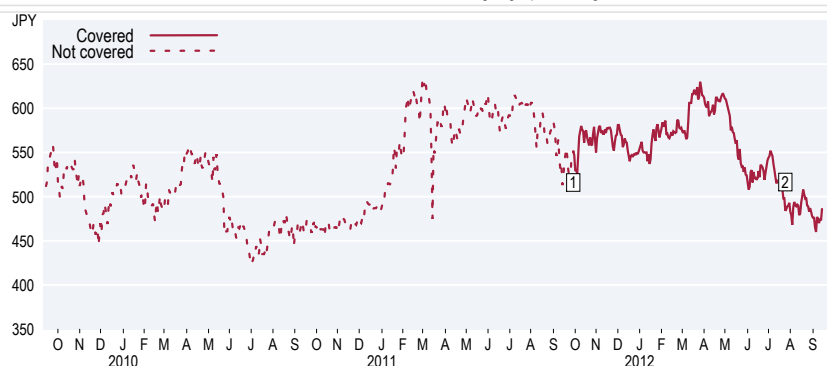
Toray Industries (3402)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Atsushi Ikeda
Covered since December 22 2009



	Date	Rating	Target Price	Closing Price
1	29-Sep-11	*ADD MP	-	552

* Indicates change

	Date	Rating	Target Price	Closing Price
2	25-Jul-12	*REM MP	-	484

Rating/target price changes above reflect Eastern Standard Time

Shin-Etsu Chemical (4063)

Ratings and Target Price History

Fundamental Research

Analyst: Takao Kanai



	Date	Rating	Target Price	Closing Price
1	21-Jan-10	1M	*6,000	5,260
2	1-Nov-10	1M	*5,300	3,980
3	2-May-11	1M	*5,000	4,510

* Indicates change

	Date	Rating	Target Price	Closing Price
4	7-Oct-11	Stock rating system changed		
5	7-Oct-11	*1	5,000	3,895
6	10-Oct-11	1	*4,600	3,895

	Date	Rating	Target Price	Closing Price
7	7-Mar-12	1	*5,200	4,325
8	18-Jul-12	1	*4,900	4,190

Rating/target price changes above reflect Eastern Standard Time

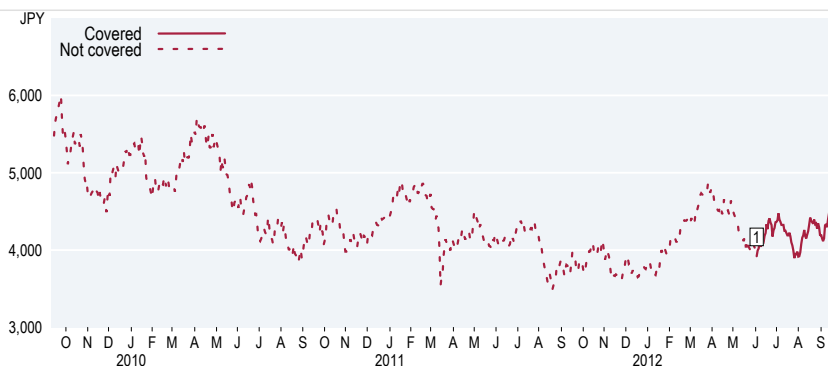
Shin-Etsu Chemical (4063)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Takao Kanai



	Date	Rating	Target Price	Closing Price
1	4-Jun-12	*ADD MP	-	3,920

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

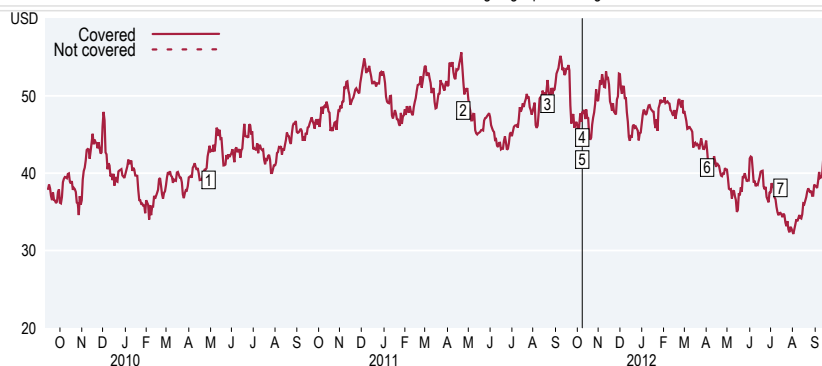
Barrick Gold (ABX)

Ratings and Target Price History

Fundamental Research

Analyst: Brian Yu, CFA

Covered since April 3 2012



	Date	Rating	Target Price	Closing Price
1	29-Apr-10	1M	*50.00	42.87
2	25-Apr-11	1M	*60.00	51.86
3	22-Aug-11	1M	*78.00	52.05

* Indicates change

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	Stock rating system changed		
5	8-Oct-11	*1	78.00	46.64
6	3-Apr-12	1	*57.00	42.94

	Date	Rating	Target Price	Closing Price
7	16-Jul-12	1	*50.00	34.87

Rating/target price changes above reflect Eastern Standard Time

Barrick Gold (ABX)

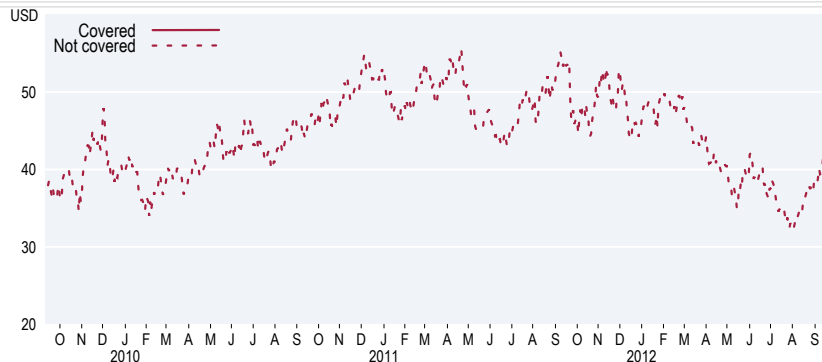
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Brian Yu, CFA

Covered since April 3 2012



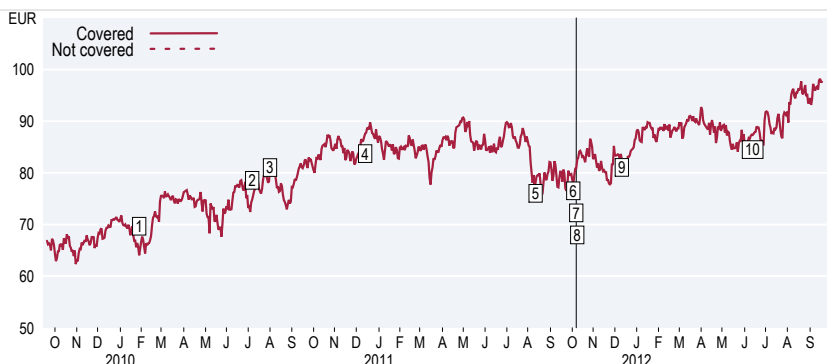
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

L'Air Liquide SA (AIRP.PA)

Ratings and Target Price History Fundamental Research

Analyst: Andrew Benson



	Date	Rating	Target Price	Closing Price
1	28-Jan-10	*2L	72.17	64.03
2	7-Jul-10	2L	*72.56	74.82
3	2-Aug-10	2L	*77.09	81.02
4	14-Dec-10	2L	*90.70	87.59

* Indicates change

	Date	Rating	Target Price	Closing Price
5	11-Aug-11	2L	*87.98	78.26
6	4-Oct-11	2L	*86.16	77.78
7	7-Oct-11	Stock rating system changed		
8	8-Oct-11	*2	86.16	80.89

	Date	Rating	Target Price	Closing Price
9	12-Dec-11	2	*90.70	82.54
10	13-Jun-12	2	*91.00	87.32

Rating/target price changes above reflect Eastern Standard Time

L'Air Liquide SA (AIRP.PA)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Andrew Benson



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	85.18

* Indicates change

	Date	Rating	Target Price	Closing Price
2	9-Jun-11	*REM LP	-	85.26

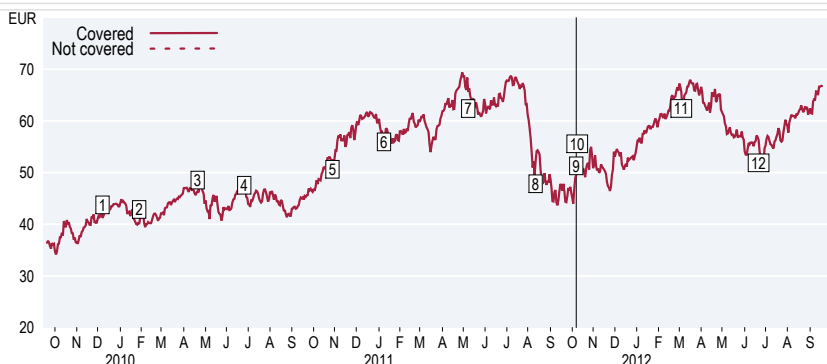
Rating/target price changes above reflect Eastern Standard Time

BASF SE (BASFn.DE)

Ratings and Target Price History Fundamental Research

Analyst: Andrew Benson

Covered since June 9 2011



	Date	Rating	Target Price	Closing Price
1	8-Dec-09	3M	*35.00	41.22
2	28-Jan-10	*2M	*40.00	40.03
3	21-Apr-10	*1M	*51.00	46.42
4	25-Jun-10	1M	*53.00	46.16

* Indicates change

	Date	Rating	Target Price	Closing Price
5	28-Oct-10	1M	*60.00	52.37
6	10-Jan-11	1M	*67.00	56.78
7	9-May-11	1M	*75.00	65.64
8	11-Aug-11	1M	*72.00	52.23

	Date	Rating	Target Price	Closing Price
9	7-Oct-11	Stock rating system changed		
10	8-Oct-11	*1	72.00	49.49
11	5-Mar-12	*2	*70.00	65.65
12	21-Jun-12	2	*60.00	56.35

Rating/target price changes above reflect Eastern Standard Time

BASF SE (BASFn.DE)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Andrew Benson

Covered since June 9 2011



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	58.04
2	9-Jun-11	*REM MP	-	64.00

	Date	Rating	Target Price	Closing Price
3	29-Nov-11	*ADD MP	-	50.56
4	12-Jan-12	*REM MP	-	58.20

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

BHP Billiton PLC (BLT.L)

Ratings and Target Price History

Fundamental Research

Analyst: Heath R Jansen

Covered since May 24 2010



	Date	Rating	Target Price	Closing Price
1	22-Sep-09	1M	*20.00	17.19
2	1-Feb-10	1M	*25.00	18.96
3	12-Apr-10	1M	*30.00	22.71
4	3-Jun-10	1M	*27.00	18.40

	Date	Rating	Target Price	Closing Price
5	16-Feb-11	1M	*30.00	24.64
6	5-Sep-11	1M	*24.05	19.54
7	7-Oct-11	Stock rating system changed		
8	7-Oct-11	*1	24.05	18.68

	Date	Rating	Target Price	Closing Price
9	9-Jan-12	1	*23.00	19.48
10	16-Jul-12	1	*22.00	17.95
11	3-Sep-12	1	*21.00	18.55

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

BHP Billiton PLC (BLT.L)

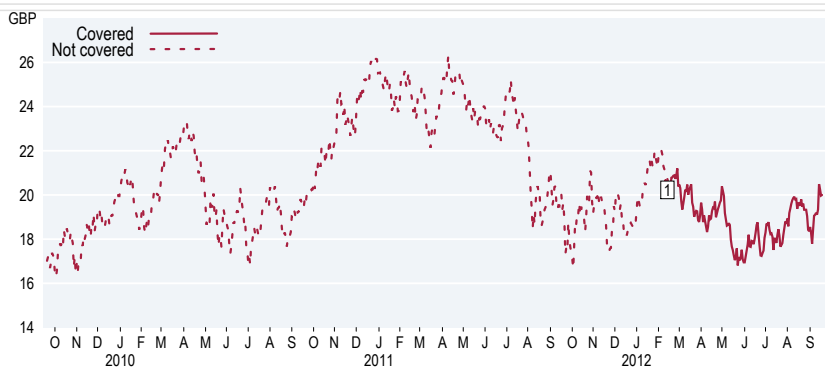
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Heath R Jansen

Covered since May 24 2010



	Date	Rating	Target Price	Closing Price
1	14-Feb-12	*ADD MP	-	20.72

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Crown Holdings Inc (CCK)

Ratings and Target Price History

Fundamental Research

Analyst: Anthony Pettinari
Covered since September 12 2012



	Date	Rating	Target Price	Closing Price
1	2-Feb-10	1M	*\$31.00	25.93
2	20-Apr-10	1M	*\$33.00	27.17
3	12-Jul-10	1M	*\$31.00	25.29
4	20-Jul-10	1M	*\$32.00	26.56

* Indicates change

	Date	Rating	Target Price	Closing Price
5	19-Oct-10	1M	*\$36.00	30.62
6	10-Dec-10	1M	*\$38.00	32.93
7	2-Feb-11	1M	*\$42.00	35.64
8	8-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
9	8-Oct-11	*1	42.00	30.88
10	11-Sep-12	1	*\$45.00	36.97

Rating/target price changes above reflect Eastern Standard Time

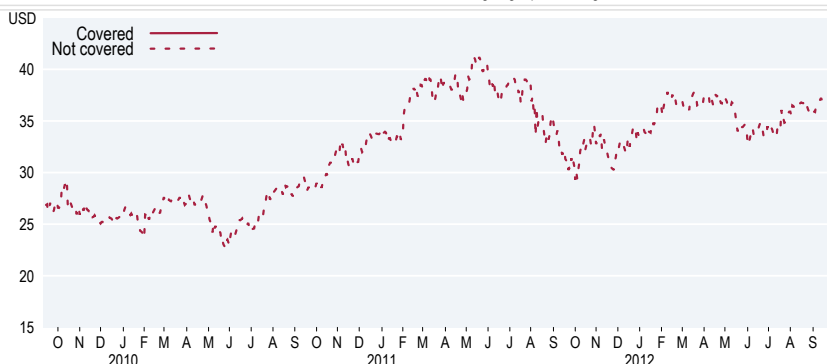
Crown Holdings Inc (CCK)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Anthony Pettinari
Covered since September 12 2012



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

DSM NV (DSMN.AS)

Ratings and Target Price History

Fundamental Research

Analyst: Andrew Benson



	Date	Rating	Target Price	Closing Price
1	4-Nov-09	2H	*\$31.00	30.76
2	25-Feb-10	2H	*\$33.00	30.96
3	20-Apr-10	2H	*\$38.00	33.85
4	25-May-10	*1H	*\$40.00	30.43
5	22-Jun-10	1H	*\$42.00	35.08

* Indicates change

	Date	Rating	Target Price	Closing Price
6	21-Dec-10	*1M	*\$47.00	42.60
7	5-Jan-11	1M	*\$50.00	42.88
8	24-Feb-11	1M	*\$52.00	42.12
9	27-Apr-11	1M	*\$55.00	45.55
10	11-Aug-11	1M	*\$50.00	33.68

	Date	Rating	Target Price	Closing Price
11	7-Oct-11	Stock rating system changed		
12	8-Oct-11	*1	50.00	35.21
13	2-Mar-12	1	*\$55.00	42.81

Rating/target price changes above reflect Eastern Standard Time

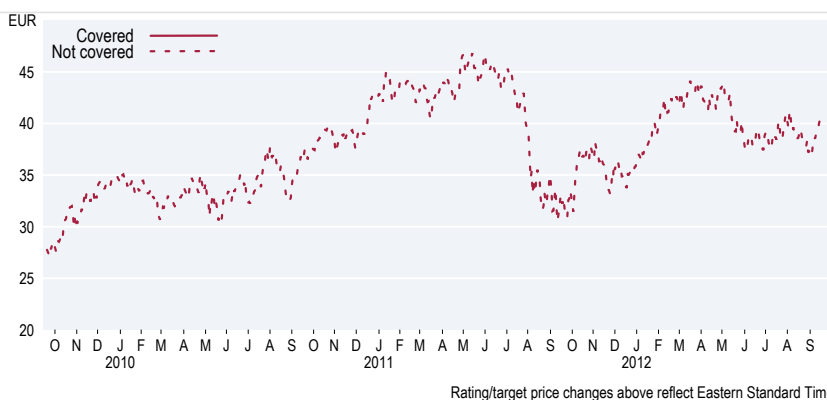
DSM NV (DSMN.AS)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Andrew Benson



* Indicates change

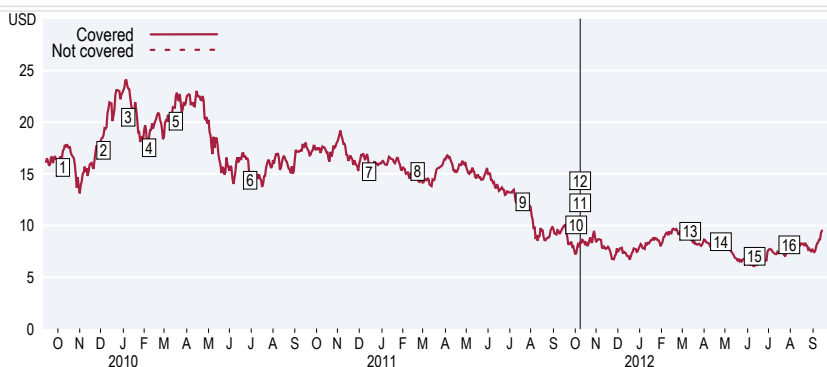
Fibria Celulose SA (FBR.N)

Ratings and Target Price History

Fundamental Research

Analyst: Juan G Tavaréz

Covered since December 5 2009



Date	Rating	Target Price	Closing Price
1 8-Oct-09	3H	*14.00	17.24
2 4-Dec-09	3H	*18.00	18.74
3 8-Jan-10	*3M	*21.00	23.26
4 8-Feb-10	*1M	*21.50	18.61
5 17-Mar-10	1M	*26.00	22.53
6 30-Jun-10	1M	*21.00	14.80

* Indicates change

Date	Rating	Target Price	Closing Price
7 15-Dec-10	1M	*20.50	15.72
8 22-Feb-11	1M	*19.00	14.50
9 20-Jul-11	*2M	*13.80	11.55
10 4-Oct-11	2M	*8.90	7.32
11 8-Oct-11	Stock rating system changed		
12 8-Oct-11	*2H	8.90	7.90

Date	Rating	Target Price	Closing Price
13 13-Mar-12	*3H	*8.20	8.85
14 25-Apr-12	3H	*8.30	7.94
15 12-Jun-12	*2H	*7.10	6.18
16 31-Jul-12	2H	*7.80	7.69

Rating/target price changes above reflect Eastern Standard Time

Fibria Celulose SA (FBR.N)

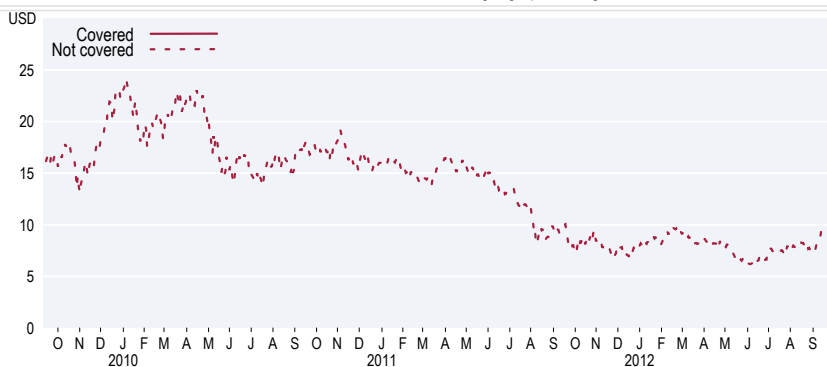
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Juan G Tavaréz

Covered since December 5 2009

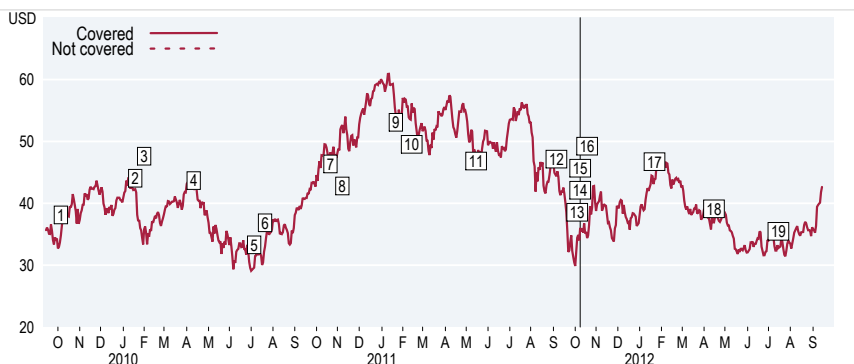


* Indicates change

Freeport-McMoRan Copper & Gold Inc. (FCX)

Ratings and Target Price History Fundamental Research

Analyst: Brian Yu, CFA



	Date	Rating	Target Price	Closing Price
1	6-Oct-09	2H	*35.50	34.81
2	19-Jan-10	2H	*42.50	42.30
3	1-Feb-10	*1H	*47.50	35.80
4	12-Apr-10	1H	*51.50	42.20
5	6-Jul-10	1H	*46.50	29.60
6	21-Jul-10	1H	*46.00	33.03
7	21-Oct-10	1H	*57.00	48.22

* Indicates change

	Date	Rating	Target Price	Closing Price
8	8-Nov-10	1H	*62.00	52.64
9	21-Jan-11	*2H	*59.00	54.20
10	13-Feb-11	2H	*60.00	53.52
11	15-May-11	2H	*56.00	48.27
12	6-Sep-11	2H	*52.00	44.36
13	5-Oct-11	2H	*34.00	34.43
14	8-Oct-11	Stock rating system changed		

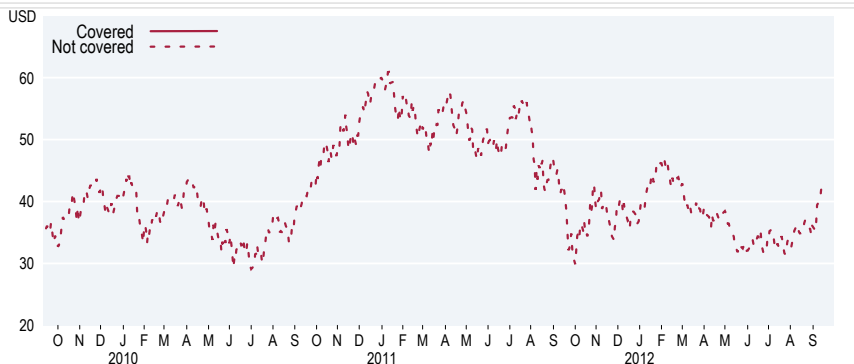
	Date	Rating	Target Price	Closing Price
15	8-Oct-11	*2	34.00	34.01
16	19-Oct-11	2	*38.00	34.38
17	23-Jan-12	2	*43.00	43.88
18	16-Apr-12	*1	*45.00	36.92
19	16-Jul-12	1	*43.00	32.77

Rating/target price changes above reflect Eastern Standard Time

Freeport-McMoRan Copper & Gold Inc. (FCX)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Brian Yu, CFA



* Indicates change

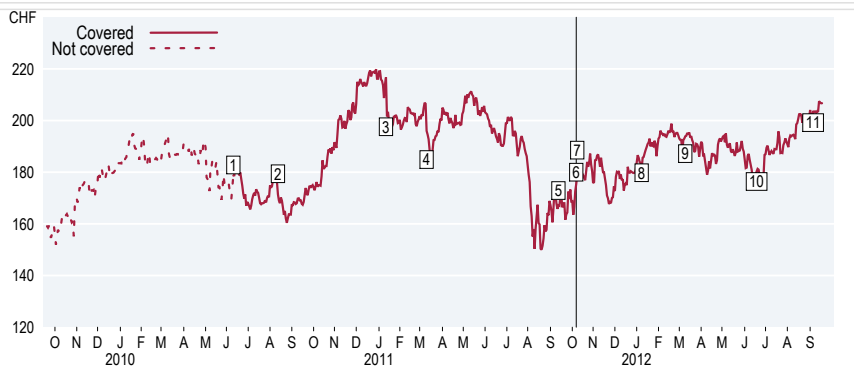
Rating/target price changes above reflect Eastern Standard Time

Geberit AG (GEBN.VX)

Ratings and Target Price History Fundamental Research

Analyst: Aynsley Lammin

Covered since June 10 2010



	Date	Rating	Target Price	Closing Price
1	10-Jun-10	*2M	*185.00	178.70
2	12-Aug-10	2M	*180.00	171.40
3	12-Jan-11	*3M	*185.00	216.70
4	10-Mar-11	*2M	*190.00	196.00

* Indicates change

	Date	Rating	Target Price	Closing Price
5	13-Sep-11	2M	*160.00	167.20
6	7-Oct-11	Stock rating system changed		
7	8-Oct-11	*2	160.00	175.50
8	9-Jan-12	*3	*165.00	181.20

	Date	Rating	Target Price	Closing Price
9	9-Mar-12	3	*175.00	193.90
10	19-Jun-12	*2	175.00	180.30
11	6-Sep-12	*3	175.00	203.70

Rating/target price changes above reflect Eastern Standard Time

Geberit AG (GEBN.VX)

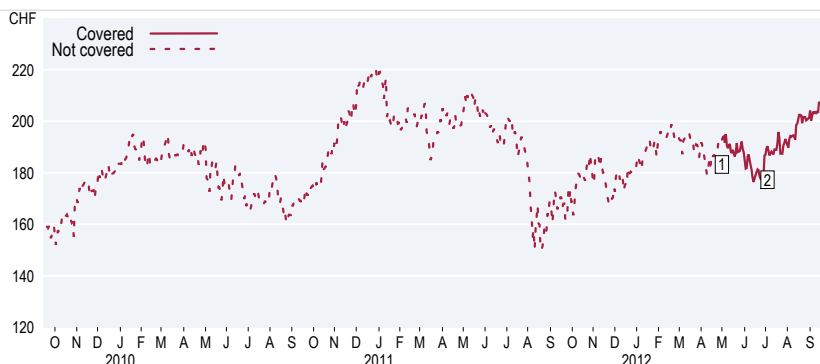
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Aynsley Lammin

Covered since June 10 2010



	Date	Rating	Target Price	Closing Price
[1]	1-May-12	*ADD LP	-	191.90

* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	4-Jul-12	*REM LP	-	190.30

Rating/target price changes above reflect Eastern Standard Time

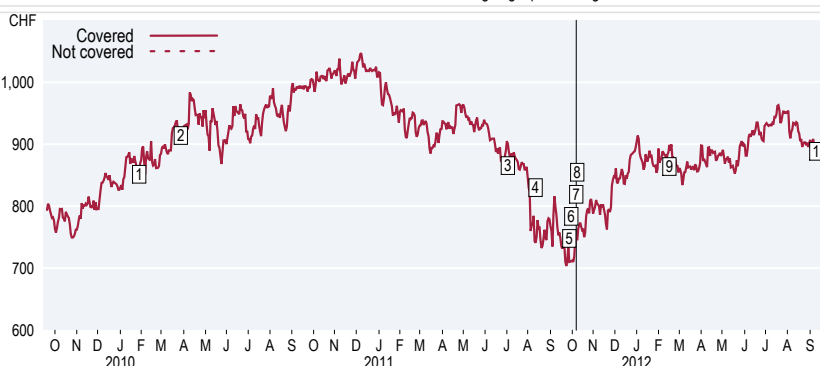
Givaudan AG (GIVN.VX)

Ratings and Target Price History

Fundamental Research

Analyst: Andrew Benson

Covered since June 9 2011



	Date	Rating	Target Price	Closing Price
[1]	28-Jan-10	*1M	*1,000.00	856.00
[2]	29-Mar-10	1M	*1,050.00	914.00
[3]	4-Jul-11	*2M	*1,000.00	900.50
[4]	11-Aug-11	2M	*900.00	741.00

* Indicates change

	Date	Rating	Target Price	Closing Price
[5]	28-Sep-11	*3M	*690.00	710.00
[6]	30-Sep-11	3M	*630.00	711.00
[7]	7-Oct-11	Stock rating system changed		
[8]	8-Oct-11	*3	630.00	748.00

	Date	Rating	Target Price	Closing Price
[9]	16-Feb-12	3	*700.00	899.00
[10]	17-Sep-12	3	*750.00	896.50

Rating/target price changes above reflect Eastern Standard Time

Givaudan AG (GIVN.VX)

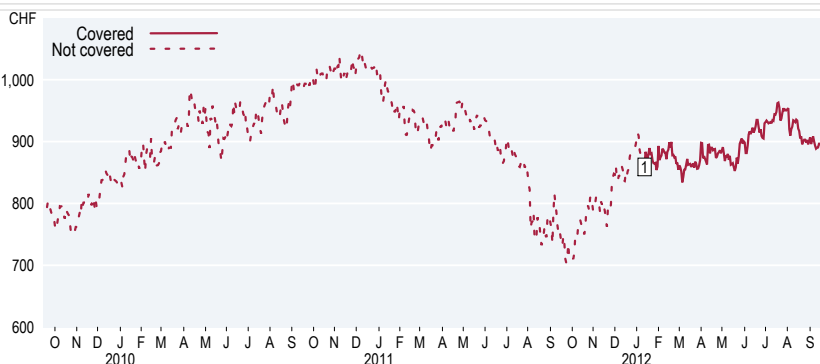
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Andrew Benson

Covered since June 9 2011



	Date	Rating	Target Price	Closing Price
[1]	12-Jan-12	*ADD LP	-	864.00

* Indicates change

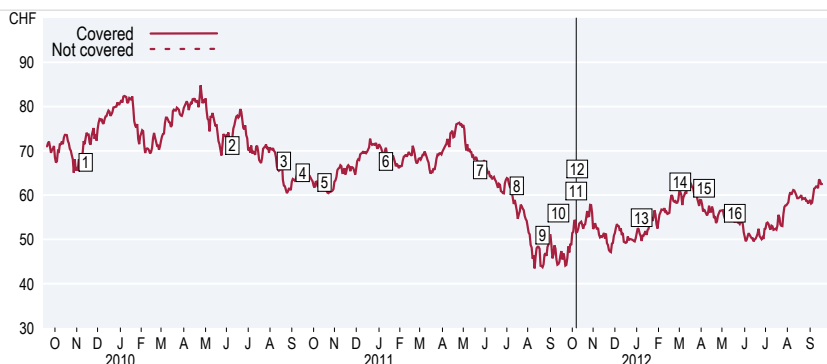
Rating/target price changes above reflect Eastern Standard Time

Holcim Ltd (HOLN.VX)

Ratings and Target Price History

Fundamental Research

Analyst: Clyde Lewis



	Date	Rating	Target Price	Closing Price
1	13-Nov-09	2M	*76.00	72.95
2	9-Jun-10	2M	*80.00	73.05
3	20-Aug-10	2M	*71.00	62.15
4	16-Sep-10	2M	*70.00	63.35
5	18-Oct-10	2M	*65.00	61.30
6	12-Jan-11	*3M	*63.00	70.70

* Indicates change

	Date	Rating	Target Price	Closing Price
7	25-May-11	*2M	63.00	66.45
8	15-Jul-11	2M	*60.00	56.50
9	22-Aug-11	2M	*48.00	43.72
10	13-Sep-11	*3M	*41.00	44.42
11	7-Oct-11	Stock rating system changed		
12	8-Oct-11	*3	41.00	51.55

	Date	Rating	Target Price	Closing Price
13	9-Jan-12	3	*40.00	49.64
14	2-Mar-12	3	*44.00	60.75
15	5-Apr-12	3	*46.00	56.80
16	18-May-12	3	*48.00	53.95

Rating/target price changes above reflect Eastern Standard Time

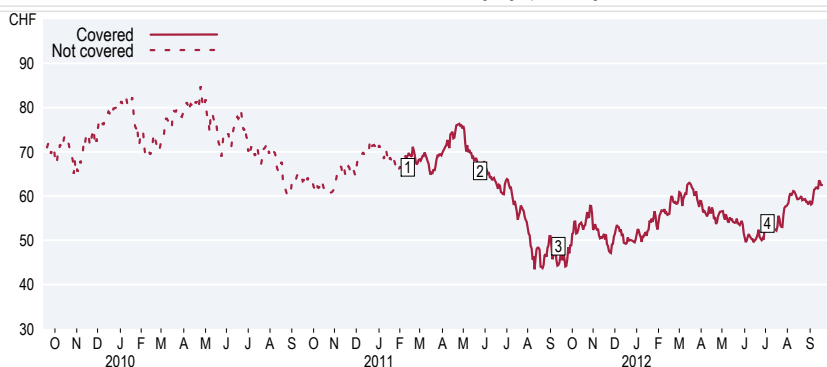
Holcim Ltd (HOLN.VX)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Clyde Lewis



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	69.10
2	25-May-11	*REM LP	-	66.45

* Indicates change

	Date	Rating	Target Price	Closing Price
3	13-Sep-11	*ADD LP	-	44.42
4	4-Jul-12	*REM LP	-	53.80

Rating/target price changes above reflect Eastern Standard Time

Johnson Matthey PLC (JMAT.L)

Ratings and Target Price History

Fundamental Research

Analyst: Dominik Frauendienst
Covered since April 4 2012



	Date	Rating	Target Price	Closing Price
1	13-Oct-09	2M	*14.14	14.55
2	25-Nov-09	2M	*15.71	16.02
3	20-Apr-10	2M	*18.33	18.46
4	31-May-10	*1M	18.33	16.06
5	16-Nov-10	*2M	*20.95	19.16

* Indicates change

	Date	Rating	Target Price	Closing Price
6	2-Feb-11	2M	*21.48	20.77
7	30-Sep-11	2M	*18.86	16.63
8	4-Oct-11	2M	*17.29	15.96
9	7-Oct-11	Stock rating system changed		
10	8-Oct-11	*2	17.29	17.62

	Date	Rating	Target Price	Closing Price
11	21-Nov-11	2	*19.38	18.69
12	3-Apr-12	*1	*31.43	25.02
13	4-Sep-12	1	*30.00	23.65

Rating/target price changes above reflect Eastern Standard Time

Johnson Matthey PLC (JMAT.L)

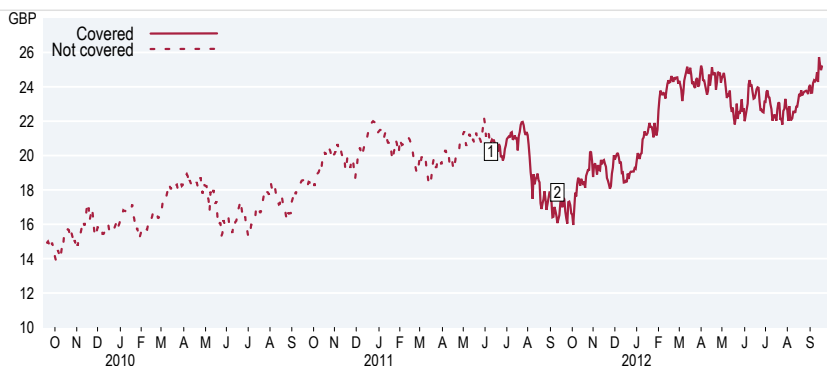
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Dominik Frauendienst

Covered since April 4 2012



	Date	Rating	Target Price	Closing Price
[1]	9-Jun-11	*ADD LP	-	20.78

* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	12-Sep-11	*REM LP	-	16.07

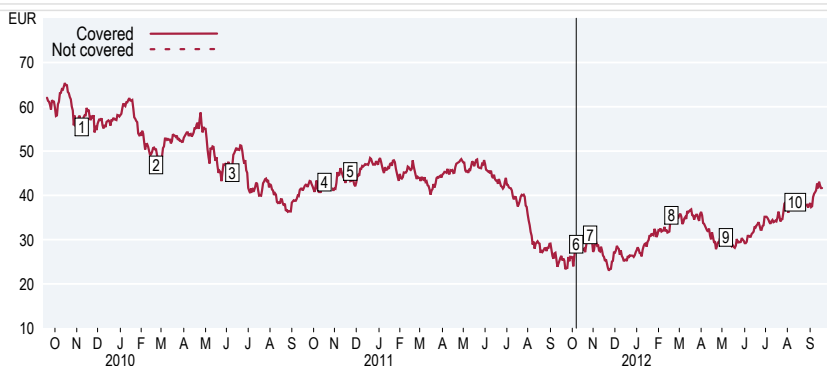
Rating/target price changes above reflect Eastern Standard Time

Lafarge SA (LAFP.PA)

Ratings and Target Price History

Fundamental Research

Analyst: Clyde Lewis



	Date	Rating	Target Price	Closing Price
[1]	9-Nov-09	*2H	62.00	56.83
[2]	22-Feb-10	2H	*54.00	50.38
[3]	9-Jun-10	*1H	54.00	46.75
[4]	18-Oct-10	1H	*50.00	41.48

* Indicates change

	Date	Rating	Target Price	Closing Price
[5]	23-Nov-10	*2H	50.00	43.19
[6]	7-Oct-11	Stock rating system changed		
[7]	27-Oct-11	*2	*30.00	31.08
[8]	20-Feb-12	2	*37.00	35.49

	Date	Rating	Target Price	Closing Price
[9]	7-May-12	*1	37.00	30.50
[10]	13-Aug-12	*2	*42.00	37.26

Rating/target price changes above reflect Eastern Standard Time

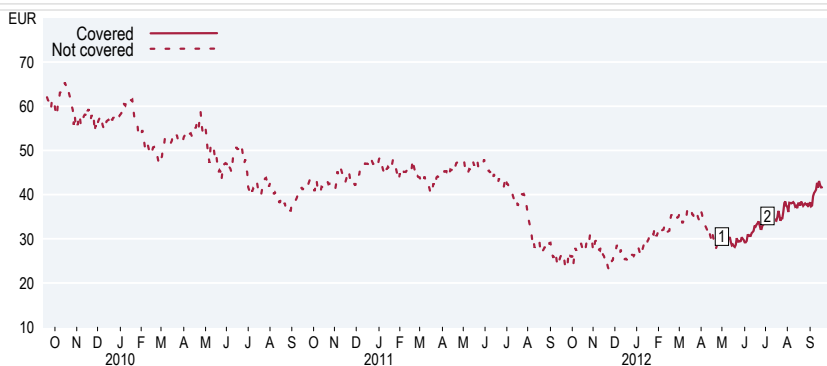
Lafarge SA (LAFP.PA)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Clyde Lewis



	Date	Rating	Target Price	Closing Price
[1]	1-May-12	*ADD MP	-	29.46

* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	4-Jul-12	*REM MP	-	34.88

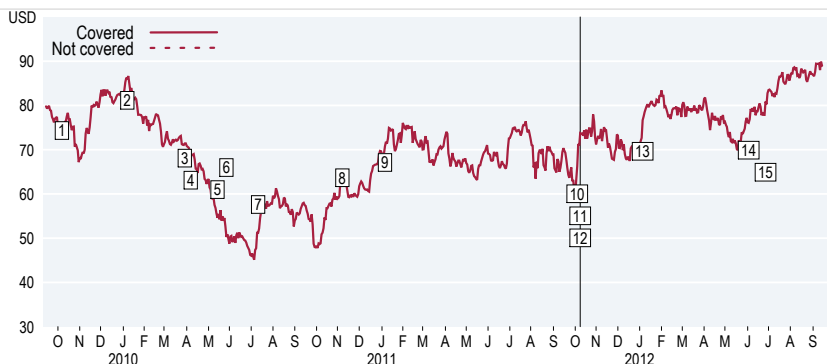
Rating/target price changes above reflect Eastern Standard Time

Monsanto Co (MON)

Ratings and Target Price History

Fundamental Research

Analyst: P.J. Juvekar



	Date	Rating	Target Price	Closing Price
1	7-Oct-09	2M	*\$82.00	74.33
2	7-Jan-10	2M	*\$91.00	85.96
3	30-Mar-10	2M	*\$80.00	71.41
4	7-Apr-10	2M	*\$76.00	68.09
5	14-May-10	2M	*\$60.00	54.61

* Indicates change

	Date	Rating	Target Price	Closing Price
6	27-May-10	2M	*\$56.00	50.27
7	12-Jul-10	*1M	*\$62.00	51.20
8	8-Nov-10	1M	*\$72.00	62.30
9	6-Jan-11	1M	*\$82.00	70.79
10	5-Oct-11	1M	*\$81.00	66.25

	Date	Rating	Target Price	Closing Price
11	8-Oct-11	Stock rating system changed		
12	8-Oct-11	*1	81.00	70.93
13	5-Jan-12	1	*\$89.00	76.68
14	4-Jun-12	1	*\$90.00	76.06
15	27-Jun-12	1	*\$93.00	80.89

Rating/target price changes above reflect Eastern Standard Time

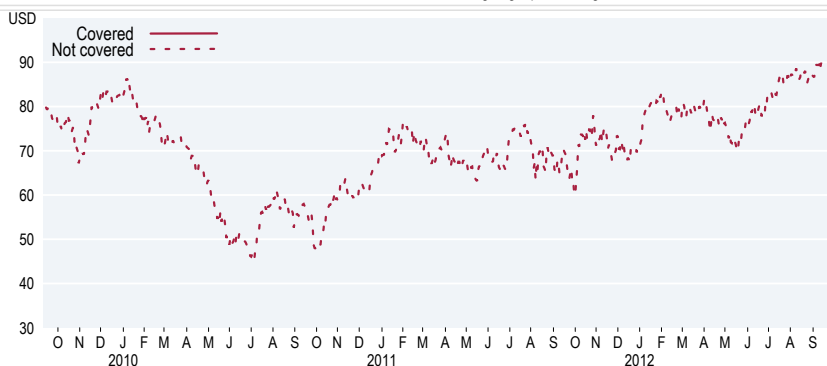
Monsanto Co (MON)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: P.J. Juvekar



* Indicates change

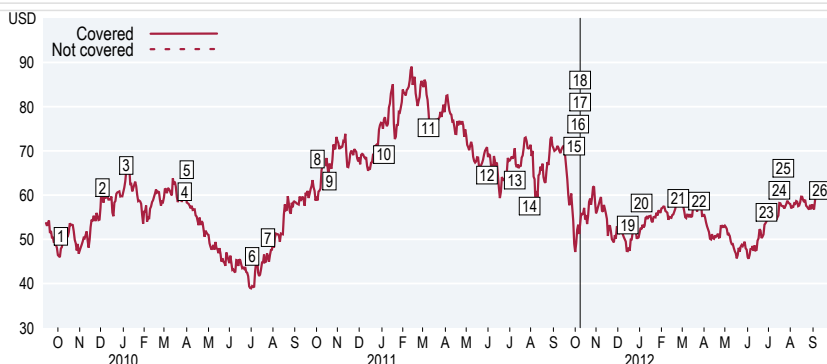
Rating/target price changes above reflect Eastern Standard Time

Mosaic Co (MOS)

Ratings and Target Price History

Fundamental Research

Analyst: P.J. Juvekar



	Date	Rating	Target Price	Closing Price
1	6-Oct-09	2H	*\$52.00	47.89
2	3-Dec-09	2H	*\$63.00	60.58
3	6-Jan-10	2H	*\$70.00	65.57
4	30-Mar-10	2H	*\$68.00	60.05
5	1-Apr-10	2H	*\$66.00	58.33
6	2-Jul-10	2H	*\$45.00	39.43
7	25-Jul-10	2H	*\$50.00	46.80
8	4-Oct-10	2H	*\$64.00	58.79
9	20-Oct-10	*1H	*\$78.00	67.12

* Indicates change

	Date	Rating	Target Price	Closing Price
10	5-Jan-11	1H	*\$92.00	77.13
11	9-Mar-11	*2H	*\$84.00	78.84
12	31-May-11	*1H	*\$85.00	70.85
13	8-Jul-11	1H	*\$88.00	70.58
14	29-Jul-11	1H	*\$89.00	70.72
15	30-Sep-11	1H	*\$82.00	48.97
16	6-Oct-11	1H	*\$70.00	53.30
17	8-Oct-11	Stock rating system changed		
18	8-Oct-11	*1	70.00	51.19

	Date	Rating	Target Price	Closing Price
19	15-Dec-11	1	*\$60.00	47.32
20	4-Jan-12	*2	*\$57.00	52.30
21	24-Feb-12	2	*\$60.00	58.68
22	26-Mar-12	2	*\$63.00	58.64
23	28-Jun-12	2	*\$58.00	54.05
24	17-Jul-12	2	*\$62.00	58.21
25	23-Jul-12	*1	*\$66.00	57.49
26	12-Sep-12	1	*\$71.00	59.84

Rating/target price changes above reflect Eastern Standard Time

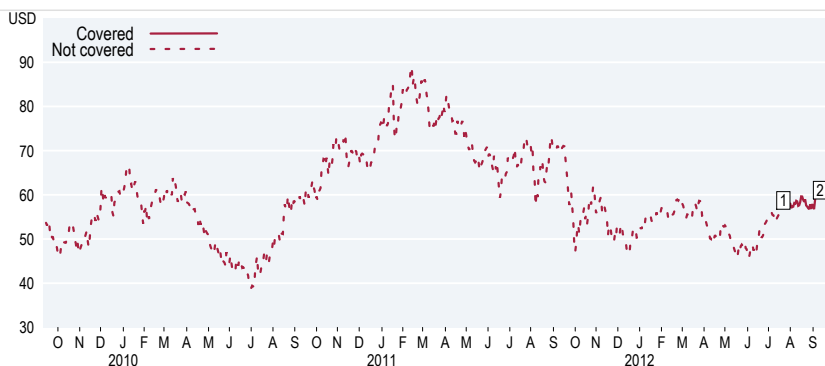
Mosaic Co (MOS)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: P.J. Juvekar



	Date	Rating	Target Price	Closing Price
1	23-Jul-12	*ADD MP	-	57.49

* Indicates change

	Date	Rating	Target Price	Closing Price
2	12-Sep-12	*REM MP	-	59.84

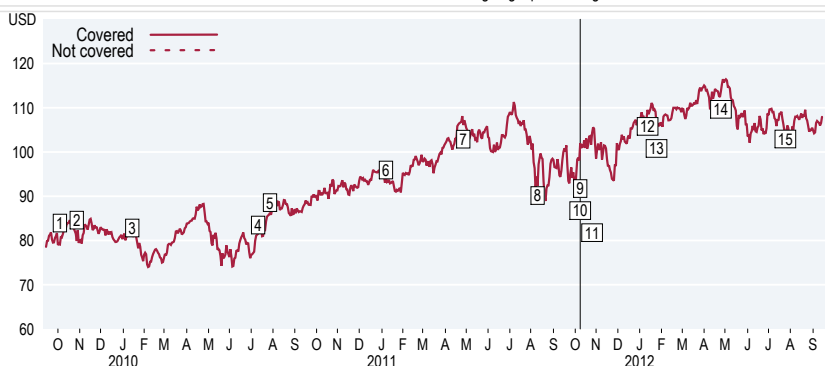
Rating/target price changes above reflect Eastern Standard Time

Praxair Inc (PX)

Ratings and Target Price History

Fundamental Research

Analyst: P.J. Juvekar



	Date	Rating	Target Price	Closing Price
1	4-Oct-09	1M	*93.00	79.21
2	28-Oct-09	1M	*92.00	79.89
3	14-Jan-10	1M	*99.00	81.01
4	12-Jul-10	1M	*94.00	81.50
5	28-Jul-10	1M	*99.00	86.28

* Indicates change

	Date	Rating	Target Price	Closing Price
6	7-Jan-11	1M	*112.00	94.29
7	27-Apr-11	1M	*120.00	106.10
8	10-Aug-11	1M	*111.00	92.38
9	8-Oct-11	Stock rating system changed		
10	8-Oct-11	*1	111.00	98.09

	Date	Rating	Target Price	Closing Price
11	26-Oct-11	1	*118.00	104.32
12	12-Jan-12	1	*125.00	109.53
13	25-Jan-12	1	*120.00	106.07
14	25-Apr-12	1	*130.00	113.77
15	25-Jul-12	1	*116.00	102.94

Rating/target price changes above reflect Eastern Standard Time

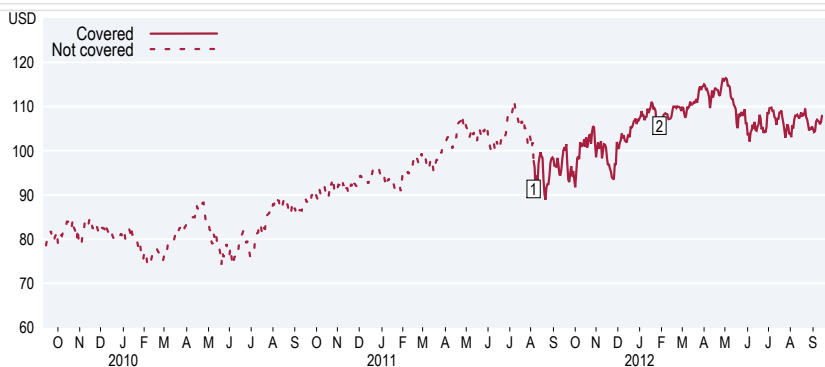
Praxair Inc (PX)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: P.J. Juvekar



	Date	Rating	Target Price	Closing Price
1	4-Aug-11	*ADD MP	-	97.70

* Indicates change

	Date	Rating	Target Price	Closing Price
2	30-Jan-12	*REM MP	-	106.39

Rating/target price changes above reflect Eastern Standard Time

Saint Gobain (SGOB.PA)

Ratings and Target Price History

Fundamental Research

Analyst: Clyde Lewis



	Date	Rating	Target Price	Closing Price
1	26-Feb-10	2M	*37.00	34.52
2	9-Jun-10	*1M	37.00	30.27
3	30-Jul-10	1M	*40.00	32.67
4	23-Nov-10	1M	*43.00	36.00
5	16-Feb-11	1M	*50.00	42.44

* Indicates change

	Date	Rating	Target Price	Closing Price
6	29-Jul-11	1M	*52.00	40.40
7	13-Sep-11	1M	*45.00	29.04
8	7-Oct-11	Stock rating system changed		
9	8-Oct-11	*1	45.00	31.94
10	9-Jan-12	1	*40.00	29.16

	Date	Rating	Target Price	Closing Price
11	17-Feb-12	1	*42.00	36.70
12	24-Jul-12	1	*37.00	26.06
13	27-Jul-12	1	*30.00	24.55

Rating/target price changes above reflect Eastern Standard Time

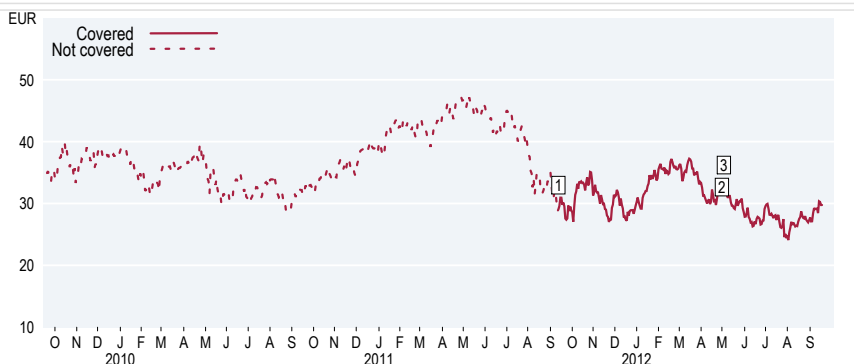
Saint Gobain (SGOB.PA)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Clyde Lewis



	Date	Rating	Target Price	Closing Price
1	13-Sep-11	*ADD MP	-	29.04

* Indicates change

	Date	Rating	Target Price	Closing Price
2	1-May-12	*REM MP	-	31.65

	Date	Rating	Target Price	Closing Price
3	3-May-12	*ADD MP	-	31.87

Rating/target price changes above reflect Eastern Standard Time

SQM - Soc. Quimica y Minera de Chile (SQM.N)

Ratings and Target Price History

Fundamental Research

Analyst: Juan G Tavaréz
Covered since April 1 2011



	Date	Rating	Target Price	Closing Price
1	25-Sep-09	1H	*50.00	38.62
2	4-Jan-10	*2H	*45.00	38.61
3	3-Aug-10	Coverage terminated		

* Indicates change

	Date	Rating	Target Price	Closing Price
4	31-Mar-11	2H	*63.00	55.26
5	25-May-11	2H	*68.00	59.13
6	27-Sep-11	*1H	*66.00	51.39

	Date	Rating	Target Price	Closing Price
7	8-Oct-11	Stock rating system changed		
8	8-Oct-11	*1	66.00	49.48
9	12-Jul-12	1	*68.00	57.52

Rating/target price changes above reflect Eastern Standard Time

SQM - Soc. Quimica y Minera de Chile (SQM.N)

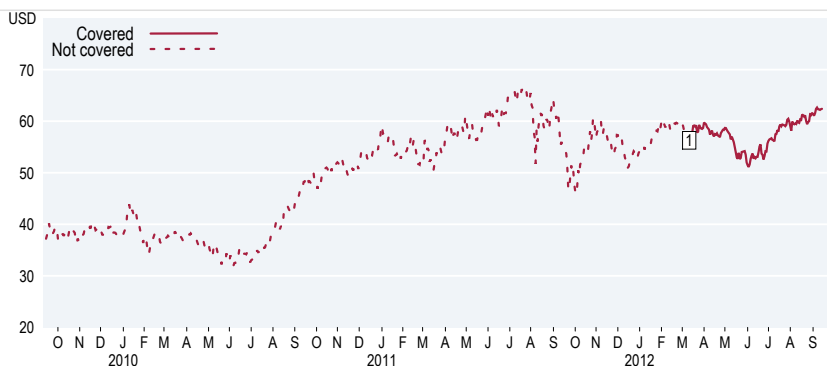
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Juan G Tavaréz

Covered since April 1 2011



	Date	Rating	Target Price	Closing Price
1	12-Mar-12	*ADD MP	-	57.02

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Syngenta AG (SYNN.VX)

Ratings and Target Price History

Fundamental Research

Analyst: Andrew Benson



	Date	Rating	Target Price	Closing Price
1	20-Apr-10	*2L	*300.00	279.20
2	7-Jun-10	2L	*275.00	258.50
3	6-Aug-10	*1L	275.00	250.90
4	24-Sep-10	1L	*310.00	254.90
5	10-Jan-11	1L	*350.00	297.20

* Indicates change

	Date	Rating	Target Price	Closing Price
6	26-Jul-11	1L	*320.00	262.20
7	11-Aug-11	1L	*310.00	228.40
8	22-Sep-11	*2L	*280.00	236.70
9	3-Oct-11	2L	*260.00	235.40
10	5-Oct-11	2L	*250.00	238.80

	Date	Rating	Target Price	Closing Price
11	7-Oct-11	Stock rating system changed		
12	8-Oct-11	*2	250.00	250.00
13	9-Feb-12	2	*285.00	296.40
14	19-Apr-12	2	*330.00	320.00
15	16-Jul-12	*1	*385.00	323.00

Rating/target price changes above reflect Eastern Standard Time

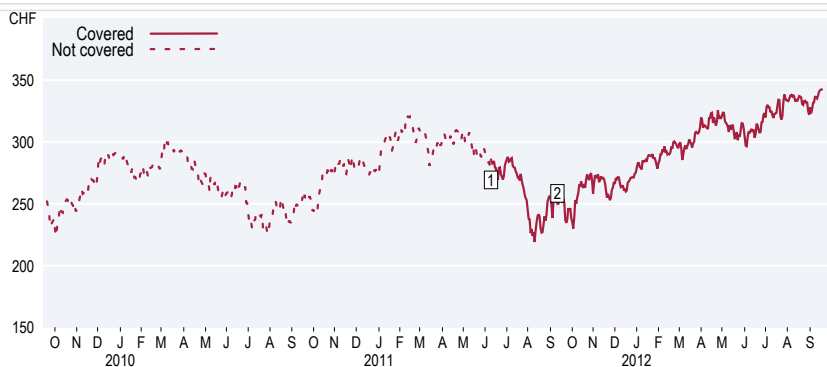
Syngenta AG (SYNN.VX)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Andrew Benson



	Date	Rating	Target Price	Closing Price
1	9-Jun-11	*ADD MP	-	285.90

* Indicates change

	Date	Rating	Target Price	Closing Price
2	12-Sep-11	*REM MP	-	250.00

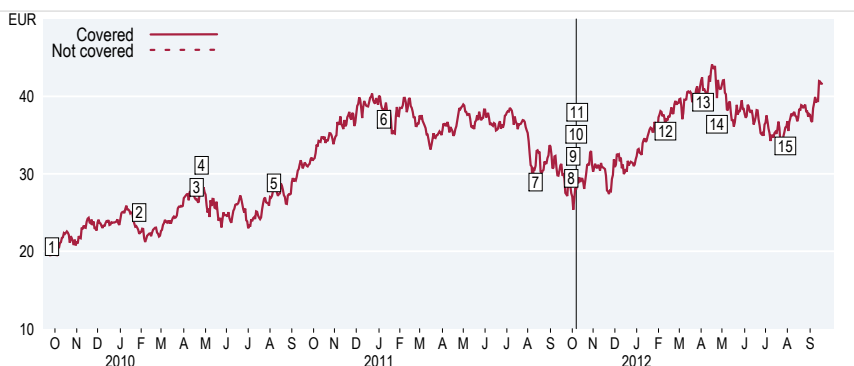
Rating/target price changes above reflect Eastern Standard Time

Umicore NV/SA (UMI.BR)

Ratings and Target Price History

Fundamental Research

Analyst: Dominik Frauendienst
Covered since April 4 2012



	Date	Rating	Target Price	Closing Price
1	28-Sep-09	*1M	*23.00	20.26
2	28-Jan-10	*2M	*25.00	22.25
3	20-Apr-10	2M	*27.00	26.75
4	27-Apr-10	2M	*28.00	27.70
5	6-Aug-10	2M	*30.00	28.73

* Indicates change

	Date	Rating	Target Price	Closing Price
6	10-Jan-11	2M	*38.00	37.96
7	11-Aug-11	2M	*35.00	31.05
8	30-Sep-11	2M	*29.00	27.47
9	4-Oct-11	2M	*27.00	25.35
10	7-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
11	8-Oct-11	*2	27.00	27.98
12	10-Feb-12	2	*40.00	36.00
13	4-Apr-12	2	*45.00	40.74
14	24-Apr-12	2	*42.00	39.78
15	30-Jul-12	2	*40.00	35.98

Rating/target price changes above reflect Eastern Standard Time

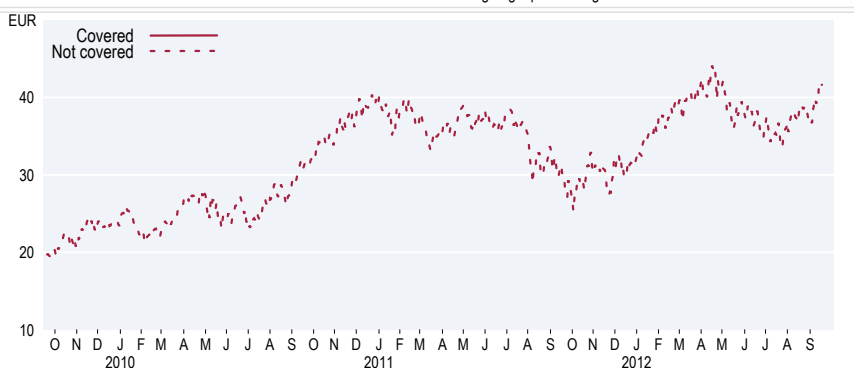
Umicore NV/SA (UMI.BR)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Dominik Frauendienst
Covered since April 4 2012



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Uralkali OAO (URKAq.L)

Ratings and Target Price History

Fundamental Research

Analyst: Daniel Yakub



	Date	Rating	Target Price	Closing Price
1	18-Dec-09	*3H	22.00	20.40
2	23-Dec-09	3H	*19.00	21.00
3	3-Feb-10	*1H	*26.00	22.99
4	10-Aug-10	1H	*30.00	22.72

* Indicates change

	Date	Rating	Target Price	Closing Price
5	28-Oct-10	1H	*35.00	24.68
6	14-Feb-11	1H	*52.00	37.37
7	28-Sep-11	1H	*49.00	39.33
8	7-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
9	7-Oct-11	*1	49.00	37.34
10	10-Oct-11	*2	*41.00	38.25
11	18-Jul-12	*1	*48.00	41.30

Rating/target price changes above reflect Eastern Standard Time

Uralkali OAO (URKAq.L)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Daniel Yakub



* Indicates change

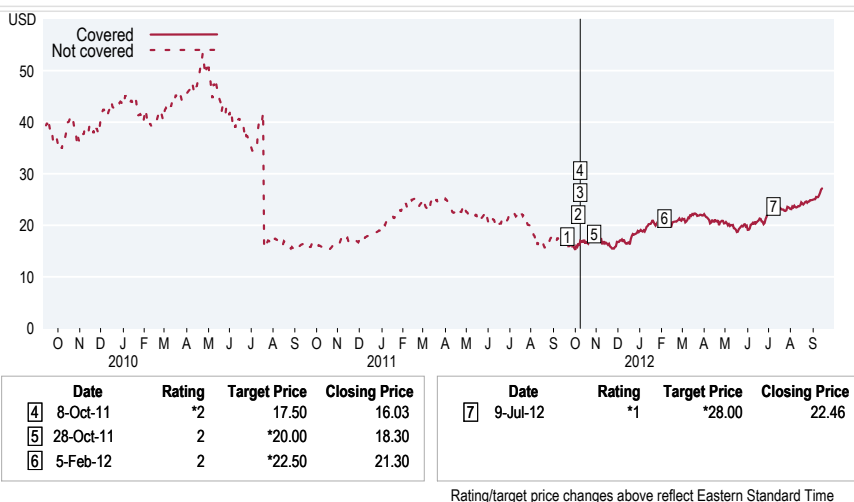
Weyerhaeuser Co (WY)

Ratings and Target Price History

Fundamental Research

Analyst: Anthony Pettinari

Covered since September 21 2011



* Indicates change

Date	Rating	Target Price	Closing Price
1 21-Sep-11	*2M	*19.00	16.90
2 6-Oct-11	2M	*17.50	16.47
3 8-Oct-11	Stock rating system changed		

Date	Rating	Target Price	Closing Price
4 8-Oct-11	*2	17.50	16.03
5 28-Oct-11	2	*20.00	18.30
6 5-Feb-12	2	*22.50	21.30

Date	Rating	Target Price	Closing Price
7 9-Jul-12	*1	*28.00	22.46

Rating/target price changes above reflect Eastern Standard Time

Weyerhaeuser Co (WY)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Anthony Pettinari

Covered since September 21 2011



* Indicates change

Date	Rating	Target Price	Closing Price
1 9-Jul-12	*ADD MP	-	22.46

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 1 Jul 2012

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