

# Bit Market Services

Informazione Regolamentata n. 0165-22-2016	Data/Ora Ricezione 01 Agosto 2016 21:50:38	MTA
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Societa' : ITALCEMENTI

Identificativo : 77763

Informazione  
Regolamentata

Nome utilizzatore : ITALCEMN01 - SABELLI

Tipologia : IROP 04

Data/Ora Ricezione : 01 Agosto 2016 21:50:38

Data/Ora Inizio : 01 Agosto 2016 22:05:39

Diffusione presunta

Oggetto : Italcementi: OPA su azioni Italcementi:  
Comunicato dell'emittente - 3/10

*Testo del comunicato*

Vedi allegato.

**Allegato A**

**Fairness Opinion rilasciata da JP Morgan.**

STRICTLY CONFIDENTIAL

July 29<sup>th</sup>, 2016

Independent Directors of Italcementi S.p.A.

Italcementi S.p.A.  
Via Camozzi, 124  
24121 Bergamo  
Italy

*Independent Directors of the Board of Directors:*

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the ordinary shares (the “**Company Shares**”) in the share capital of Italcementi S.p.A. (the “**Company**”) of the proposed Consideration (as defined below) to be paid to such holders in the mandatory tender offer for approximately 55% of the Company’s share capital (the “**Mandatory Tender Offer**” or the “**Transaction**”) to be launched on or about the date hereof by HeidelbergCement France S.A.S. (the “**Offeror**”), a company entirely and indirectly controlled by HeidelbergCement AG (“**HeidelbergCement**”).

As indicated in the notice published by the Offeror on July 1<sup>st</sup>, 2016 (the “**Notice**”), the obligation of the Offeror to proceed with the Mandatory Tender Offer occurred on July 1<sup>st</sup>, 2016 upon the completion of the acquisition by the Offeror and HeidelbergCement of n.157,171,807 Company Shares from Italmobiliare S.p.A., such shares representing approximately 45% of the Company’s share capital, at a price of €10.60 per share (the “**Initial Acquisition**”). In particular, (a) the Offeror acquired n.82,819,920 Company Shares for a cash consideration of €10.60 per share and (b) HeidelbergCement acquired n.74,351,887 Company Shares against the issuance of n.10,500,000 HeidelbergCement’s shares for a total value equal to approximately €788 million or €10.60 per share (such n.74,351,887 Company Shares were immediately resold at the same price per share to the Offeror, which, as of the date of the Notice, then directly owned n.157,171,807 Company Shares).

**J.P. Morgan Limited**

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Authorised and regulated by the Financial Conduct Authority.

Pursuant to the Notice and the offer document dated July 28<sup>th</sup>, 2016 (the “**Offer Document**”) prepared by the Offeror, the Offeror has calculated that it shall pay to each holder of Company Shares under the Mandatory Tender Offer a cash consideration equal to €10.60 for each Company Share tendered in the Mandatory Tender Offer (the “**Consideration**”). We also note that in the Notice and the Offer Document, the Offeror stated that (a) considering the mandatory nature of the Transaction and taking into account the structure of the transaction triggering the obligation of the Offeror to launch a Mandatory Tender Offer, the Consideration was set by the Offeror at the minimum level pursuant to the provisions of art. 106, paragraph 2, of the Legislative Decree n.58 as of February 24<sup>th</sup>, 1998 as subsequently amended (the “**TUF**”) and (b) the Consideration is the same as the per share price paid by HeidelbergCement and the Offeror for the purchase of the Company Shares pursuant to the Initial Acquisition.

Please be advised that while certain provisions of the Mandatory Tender Offer are summarised above, the terms of the Initial Acquisition and the Mandatory Tender Offer are more fully described in the Offer Document. As a result, the description of the Mandatory Tender Offer and certain other information contained herein is qualified in its entirety by reference to the more detailed information appearing or incorporated by reference in the Offer Document.

We understand that our opinion hereunder is being requested pursuant to section 39-*bis* of the Consob regulation n.11971/1999, as subsequently amended.

In arriving at our opinion, we have:

- (i) reviewed the Notice;
- (ii) reviewed the Offer Document;
- (iii) reviewed certain publicly available business and financial information concerning the Company and HeidelbergCement, the industries in which they operate and certain other companies engaged in businesses comparable to them;
- (iv) compared the financial and operating performance of the Company with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Company Shares and certain publicly traded securities of such other companies;
- (v) reviewed the audited financial statements of the Company for the fiscal year ended December 31<sup>st</sup>, 2015;
- (vi) reviewed certain internal, unaudited financial analyses, projections, assumptions and forecasts prepared by or at the direction of the management of the Company relating to its business for the first half of 2016 and the fiscal year 2016 as well as long-term financial assumptions and projections beyond 2016 and information on net financial indebtedness and other provisions adjustments;

- (vii) reviewed certain publicly available broker-based financial projections of the Company and discussed with the management of the Company (a) its updated long-term financial projections guidance and assumptions *vis-à-vis* such broker-based forecasts and (b) the extrapolation of financial projections on a standalone basis from the fiscal year 2017 until the fiscal year 2026, which the management of the Company has vetted, confirmed to be reasonable and has authorised us to use for the purposes of this opinion (the “**Financial Projections**”);
- (viii) compared the proposed financial terms of the Transaction with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration paid for such companies; and
- (ix) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company and the Independent Directors with respect to certain aspects of the Transaction, and the past and current business operations of the Company, the financial condition and future prospects and operations of the Company, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Company, the Independent Directors or otherwise reviewed by or for us. We have not independently verified any such information or its accuracy or completeness and, pursuant to our engagement letter with the Independent Directors, we did not assume any obligation to undertake any such independent verification. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Offeror, HeidelbergCement or the Company under any laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses, projections, assumptions and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management of the Company as to the expected future results of operations and financial condition of the company or business to which such analyses, projections, assumptions and forecasts relate. We express no view as to such analyses, projections or forecasts or the assumptions on which they were based and we understand that such analyses, projections, assumptions and forecasts, including the Financial Projections, have been vetted and confirmed to be reasonable by the management of the Company. We have also assumed that the Transaction and the other transactions contemplated by or mentioned in the Offer Document will have the tax consequences described in the Offer Document and in discussions with, and materials furnished to us by, representatives and advisors of the Company, and will be consummated as described in the Offer Document. We have also assumed that the representations and statements made by the Offeror in the Offer Document (including but not limited to the Consideration being set by the Offeror at the minimum level payable under Italian law pursuant the provisions of art.

106, paragraph 2, of the TUF) are and will be true, accurate and correct in all respects material to our analysis and we have performed no independent verification thereof. We are not legal, regulatory, accounting or tax experts and we have not conducted any enquiry on such matters but instead have relied on the assessments made by such experts with respect to such issues in the Offer Document and the other documentation relating to the Transaction. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction (as well as the implementation of any antitrust remedy already agreed by the Offeror or HeidelbergCement with the relevant authorities) will be obtained (or completed) without any adverse effect on the Company or on the contemplated benefits of the Transaction. In giving our opinion, we have relied on the Company's commercial assessments of the Transaction and we express no view as to, and our opinion does not address, the underlying business decision of the parties to enter into the Transaction. The decision as to whether or not the Company enters into, and/or the Independent Directors recommend, a Transaction is one that can only be taken by each of the Company and/or the Independent Directors, respectively.

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We have set out below an overview of such analyses and valuation methodologies that we have deemed necessary or appropriate for the purposes of this opinion. Such summary is not deemed to be an exhaustive description of all detailed analyses carried out in the context of arriving at our opinion. The order of the analyses described and the results of the analyses do not reflect the relative importance or the relative weight attributed by us to such analyses. The preparation of this opinion required a complex valuation process based on a number of elements and valuation methodologies and we have not attributed any particular significance or relevance to any one of them. As a result, the valuation methodologies described below and the results derived from the application of such valuation methodologies cannot be considered on an individual basis and separate from each other since they are part of a complex and unitary valuation process.

In arriving at our opinion and to derive ranges of the value per share of the Company Shares we have (i) followed a standalone valuation approach, *i.e.* before taking into account any potential synergies that the Offeror might extract upon completion of the Initial Acquisition and the contemplated delisting following the Mandatory Tender Offer and (ii) used both an analytical valuation methodology based on a DCF sum-of-the-parts approach (which derived equity values as of the date of this opinion on the basis of net adjusted debt positions estimated as of June 30<sup>th</sup>, 2016) and empirical methods or analyses.

It has to be noted that our valuation process also presents the following limitations and difficulties:

- (a) a number of forecasts, financial projections and other information used for the purposes of the valuation analyses have not been audited or reviewed by independent third-parties.

In addition, the Company did not have a recent business plan to be used for the purposes of deriving the Financial Projections on a standalone basis;

- (b) the current high volatility of financial markets, which might impact the price of the securities of the Company in the market, might also have an impact on the future operating, economic and financial performance, including the Financial Projections used for the purpose of the analyses and valuation carried out;
- (c) the use of the DCF method with a “*sum of the parts*” approach has required the use of a variety of economic, financial and capital structure information related to the various business units / countries where the Company operates and thus required a complex allocation of the relevant projections or financial information to each business unit / country considered; and
- (d) the analyses based on the historical market share prices of the Company Shares and on the target prices as published by brokers had to be applied with reference to time horizons until the considered “*unaffected*” date, *i.e.* the last trading day before the announcement of the Initial Acquisition, and therefore do not necessarily incorporate the most recent conditions of the financial markets or of the business of the Company. Such analyses should be considered for reference purposes only.

Standalone valuation methodologies and analyses of the Company and summary results

In arriving at our opinion, taking into account the specific characteristics of the Company, we selected a variety of valuation methodologies and criteria (analytical and empirical). Such methodologies and analyses should not be considered individually, but only as an integral part of a combined valuation process.

**(a) Historical market share prices analysis – for reference purposes only**

Analysis of the market price evolution of the Company Shares on the basis of the official prices (as published by Bloomberg) during the year before the Initial Acquisition announcement date (*i.e.* July 27<sup>th</sup>, 2015, the unaffected date assumed is the day before the Initial Acquisition announcement). We have considered the minimum and maximum price recorded during the period analysed as well as the arithmetic and volume-weighted averages, in addition to the official price on the unaffected date.

**(b) Broker target prices analysis – for reference purposes only**

Analysis of a sample of the target prices as published by brokers before the Initial Acquisition announcement date (*i.e.* July 27<sup>th</sup>, 2015). We have considered the minimum and maximum target price of the sample as well as its average and median.

**(c) DCF Sum-of-the-Parts valuation**

The Discounted Cash Flow analysis of Italcementi on a standalone basis estimates the implied value of the Company by calculating the present value of the estimated future unlevered free cash flows over the projection period assumed (10 years, in addition to H2-2016) and the terminal value at the end of such projection period. The analysis has

been conducted on a business unit / country basis using the Financial Projections vetted by the management of the Company. By their nature, such forecasts include subjective elements, which may be inaccurate and do not take into account the recent change of ownership of the Company following the consummation of the Initial Acquisition. The implied estimated terminal value for the Company was based on perpetuity growth rates ranging from 1.75% to 2.25%. The estimated unlevered free cash flows by business unit / country and the estimated terminal value have been discounted to present value (as of June 30<sup>th</sup>, 2016). The implied blended discount rate ranges from approximately 8.3% to 8.8%, reflecting the estimated weighted average cost of capital of the Company.

For the purposes of determining the estimated implied value per Company Share, the firm value range derived from this analysis has then been adjusted to take into account the estimated (as of June 30<sup>th</sup>, 2016) adjusted net debt position, minorities, associates and certain other items, based on information provided by the Company or included in the financial assumptions or forecasts provided to us by the management of the Company. The value of the economic capital derived has then been capitalised to the date thereof (i.e. the DCF valuation date).

**(d) Trading multiples valuation**

An estimate of the implied value of the Company through the analysis of the public valuation and trading multiples of a sample of companies operating in the same industry and which have been selected on the basis of certain factors (such as size, geographic presence, etc.). The selected companies we have considered are Lafarge Holcim, Cemex, Buzzi Unicem, Vicat, Titan and Cimentir. The multiple FV / EBITDA to calendar year 2016 and 2017 has also been considered, implying a median of the sample of 8.2x and 7.3x, respectively. A range of 7.5x to 8.5x FV / EBITDA 2016E has been selected and applied to the relevant Financial Projections to determine the estimated firm value of the Company. The estimated (as of June 30<sup>th</sup>, 2016) adjusted net debt position, minorities, associates and certain other items, based on information provided by the Company or included in the financial assumptions or forecasts provided to us by the management of the Company, has then been used to calculate the estimated value per Company Share.

**(e) Transaction multiples valuation**

An estimate of the implied value of the Company through the analysis of the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration paid for such companies. The selected transaction multiples fall in a range for the sample of transactions between 7.7x to 10.6x FV/EBITDA last reported fiscal year, to which the relevant 2015 estimated recurring pro-forma EBITDA has been applied. The estimated (as of June 30<sup>th</sup>, 2016) adjusted net debt position, minorities, associates and certain other items, based on information provided by the Company or included in the financial assumptions or forecasts provided to us by the management of the Company, has then been used to calculate the estimated value per Company Share.



The table below summarises the results obtained by applying the various valuation methods and analyses used to determine value ranges of Company Shares, as more particularly described above.

	Value per Company Share (€)
<b>Historical market share prices analysis</b> <i>for reference purposes only</i>	4.14 – 7.45
<b>Broker target prices analysis</b> <i>for reference purposes only</i>	5.70 – 10.00
<b>DCF Sum-of-the-Parts valuation</b>	6.91 – 8.76
<b>Trading multiples valuation</b>	4.94 – 6.78
<b>Transaction multiples valuation</b>	4.83 – 9.98

In arriving at our opinion, we took furthermore into consideration the premium analysis as implied in example transactions compared with the parameters resulting valuing the Company Shares equal to the proposed Consideration.

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Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is limited to the fairness, from a financial point of view, of the Consideration to be paid to the holders of the Company Shares in the proposed Mandatory Tender Offer and we express no opinion as to the fairness of the Mandatory Tender Offer to, or any consideration paid in connection therewith by, the holders of any other class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company and/or the Independent Directors to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Consideration to be paid to the holders of the Company Shares in the Transaction or with respect to the fairness of any such compensation. As a result, other factors after the date hereof may affect the value of the Company (and its business, assets or properties) after consummation of the Transaction, including but not limited to (i) the total or partial disposition of the share capital of the Company by shareholders of the Company within a short period of time after the expiration of the tender period of the Mandatory Tender Offer

(including any re-opening of the Mandatory Tender Offer and/or sell-out procedure), (ii) changes in prevailing interest rates and other factors which generally influence the price of securities, (iii) adverse changes in the current capital markets, (iv) the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of the Company, (v) any necessary actions by or restrictions of governmental agencies or regulatory authorities, (vi) timely execution to complete the Transaction on terms and conditions that are acceptable to all parties at interest, and (vii) reduction of liquidity of the Company Shares due to lower free float as a result of the Mandatory Tender Offer (should the Offeror not reach the squeeze-out threshold under applicable regulation) and/or delisting of the Company Shares should the Offeror not restore the required free float under applicable CONSOB and Borsa Italiana S.p.A. regulation or requirements. No opinion is expressed as to whether any alternative transaction might be more beneficial to the Company or the holders of the Company Shares.

In addition, we were not requested to and did not provide advice concerning the structure, the specific amount of the Consideration, or any other aspects of the Initial Acquisition or the Transaction, or to provide services other than the delivery of this opinion. We were not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of the Company or any other alternative transaction. We also note that we did not participate in negotiations with respect to the terms of the Initial Acquisition, the Transaction and related transactions. Consequently, we have assumed that such terms are the most beneficial terms from the Company's perspective that could under the circumstances be negotiated among the parties to such transactions.

We will receive a fee from the Company for the delivery of this opinion. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other significant financial advisory or other significant commercial or investment banking relationships with the Company, Italmobiliare S.p.A. or HeidelbergCement. In addition, we and our affiliates hold, on a proprietary basis, less than 2% of the outstanding common stock of the Company and less than 1% of the outstanding common stock of Italmobiliare S.p.A. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company, HeidelbergCement or Italmobiliare S.p.A. for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Consideration to be paid to the holders of the Company Shares in the proposed Transaction is fair, from a financial point of view, to such holders.

This letter is provided to the Independent Directors of the Board of Directors of the Company in connection with and for the purposes of their evaluation of the Transaction. We are not advising nor have we provided any financial advice to the non-independent members of the Board of Directors, who we understand are being advised by Credit Suisse Securities Europe Limited. This opinion does not constitute a recommendation to any shareholder of

the Company in the context of the Mandatory Tender Offer or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company but may not otherwise be disclosed publicly in any manner without our prior written approval.

This opinion is rendered in the English language. If this opinion is translated into any language other than English and in the event of any discrepancy between the English language and any such other language version, the English language version shall always prevail. This opinion is given on the basis that it shall be governed by, and construed in accordance with English law.

Very truly yours,

J.P. MORGAN LIMITED

*J.P. Morgan Limited*

Fine Comunicato n.0165-22

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