

# Groupe Bruxelles Lambert SA GBLB (XBRU) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
74.85 EUR	68.00 EUR	47.60 EUR	91.80 EUR	Medium	None	Stable	Standard	Asset Management

GBL is a holding company acting as an owner to improve the performance of its investments.

Updated Forecasts and Estimates from 25 Jun 2016

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The primary analyst covering this company does not own its stock.

Research as of 27 Jun 2016  
Estimates as of 25 Jun 2016  
Pricing data through 21 Jul 2016  
Rating updated as of 21 Jul 2016

Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

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## Investment Thesis 27 Jun 2016

GBL is one of the world's largest publicly traded holding companies, and its investment strategy has traditionally been to make sizable investments in large European industrial firms and use its sway as a significant shareholder to improve the companies' underlying operations. Among GBL's successful investments were Belgian firms Banque Bruxelles Lambert, Petrofina, and Royale Belge—all of which were eventually acquired by European firms based outside of Belgium. Indeed, GBL benefited mightily from a reduction of European trade barriers that allowed for cross-border acquisitions.

The top three positions for the company are now LafargeHolcim, Total, and Imerys. After the LafargeHolcim merger, GBL now holds 10% of the new firm. LafargeHolcim was created in 2015 after the merger of the two largest cement producers in the world, Lafarge and Holcim. The company is one of the world's largest producers of cement, aggregates, and concrete. Because cement's low value/weight ratio creates localized markets, LafargeHolcim's segments depend entirely on regional dynamics, with minimal cross-regional impacts.

The holding company also controls 60 million shares of Total, a French multinational integrated oil and gas company and one of the six "supermajor" oil companies in the world. Its businesses cover the entire oil and gas chain, from crude oil and natural gas exploration and production to power generation, transportation, refining, petroleum product marketing, and international crude oil and product trading. In a very difficult energy price environment, Total has benefited from its revenue dollar exposure and strong earnings on the refining side.

Finally, GBL controls 43 millions shares of Imerys. Active in almost 50 countries with more than 230 industrial locations, Imerys operates 121 mines and extracts 30 different minerals or families of minerals. The company focuses on kaolin and perlite.

GBL's current portfolio remains largely consistent with its traditional Eurocentric strategy, though we expect its focus to shift over the next decade to include more non-European and nonindustrial firms.

## Vital Statistics

Market Cap (EUR Mil)	11,623
52-Week High (EUR)	79.17
52-Week Low (EUR)	63.51
52-Week Total Return %	1.6
YTD Total Return %	-1.4
Last Fiscal Year End	31 Dec 2015
5-Yr Forward Revenue CAGR %	—
5-Yr Forward EPS CAGR %	-7.9
Price/Fair Value	1.10

## Valuation Summary and Forecasts

	Fiscal Year:			
	2014	2015	2016(E)	2017(E)
Price/Earnings	10.7	13.1	24.3	23.6
EV/EBITDA	18.6	32.3	12.4	12.2
EV/EBIT	28.5	74.0	16.2	15.8
Free Cash Flow Yield %	2.0	7.6	3.9	4.3
Dividend Yield %	3.8	3.5	3.7	3.7

## Financial Summary and Forecasts (EUR Mil)

	Fiscal Year:			
	2014	2015	2016(E)	2017(E)
Revenue	3,919	4,392	4,392	4,392
Revenue YoY %	0.4	12.1	—	—
EBIT	441	200	847	867
EBIT YoY %	10.1	-54.7	323.5	2.4
Net Income, Adjusted	1,026	935	477	491
Net Income YoY %	25.5	-8.9	-49.0	3.0
Diluted EPS	6.61	6.02	3.08	3.17
Diluted EPS YoY %	25.5	-8.9	-48.9	3.0
Free Cash Flow	-8	201	478	525
Free Cash Flow YoY %	-104.5	-2,571.1	137.6	9.8

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

## Profile

Group Bruxelles Lambert is a Belgian holding company that owns influential stakes in a number of large European firms with international exposure. It aims to enhance the value of those underlying companies by actively participating in strategic decisions, offering resources, and engaging in corporate governance matters. Major holdings include Total, LafargeHolcim, Imerys, Adidas, Ontex, Umicore, and SGS, in addition to some private equity investments.

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## Morningstar Analysis

### Valuation, Growth and Profitability 27 Jun 2016

Based on our sum-of-the-parts valuation model for GBL, our fair value estimate is EUR 68 per share. We are maintaining our medium uncertainty rating, considering GBL's new investment strategy and dependence on a handful of capital allocators.

### Scenario Analysis

In our base-case sum-of-the-parts valuation, we split GBL's current investment portfolio into individual pieces. We then employ Morningstar analysts' base-case fair value estimates for securities followed by Morningstar and use market prices for securities not currently under coverage. We first compute a net asset value per share; after that, we apply the average discount over the past three years, which is currently 25%.

In our bull-case scenario, our fair value estimate is EUR 95. We employ Morningstar analysts' bull-case fair value estimates for the publicly traded firms we cover. We assume a premium over the market price for securities not covered and the latest reported value for GBL's private equity investments to estimate the net asset value. In this scenario we apply a 21% discount to NAV, which is the 10th percentile of GBL's average discount over the past three years, to estimate our fair value estimate.

In our bear-case scenario, our fair value estimate is EUR 45. We employ Morningstar analysts' bear-case fair value estimates for the publicly traded firms we cover. We assume a discount to the market price for securities not covered and the latest reported value for GBL's private equity investments to estimate the net asset value. In this scenario, we apply a 28% discount to NAV, which is the 90th percentile of GBL's average discount over the past three years, to estimate our fair value estimate.

### Economic Moat

We do not believe that GBL possesses an economic moat.

Given a change to the company's investment strategy, we no longer have enough confidence that the majority of its holdings will be in narrow-moat companies 10 years from now. A primary driver in our prior case for a narrow economic moat was the enviable multidecade track record of CEO Albert Frere making shrewd investments and improving the fundamental position of underlying businesses. However, Frere is almost 90 years old, and GBL's underperformance over the last business cycle raises concerns about the company's ability to replace a capital allocator of Frere's caliber in the longer term. Furthermore, in recent years, GBL has shifted its investment strategy from one that's focused on a few European companies to a more globally and sector-diversified mandate. It's also adding more private equity investments to the portfolio. The new strategy is a departure from what has worked for GBL in the past; therefore, Frere's track record and approach matter less in the new paradigm.

In recent years, GBL has underperformed broader European and developed market indexes, and its trailing three-year average discount to NAV is more than 25%. By comparison, from 1998 to 2007, the average discount to NAV was 20%. We believe this wider average discount is an indication that investors have become increasingly skeptical of GBL's ability to generate excess longer-term returns.

### Moat Trend

We believe GBL's moat trend is stable. In our view, it would be very difficult for GBL to generate excess returns in the long run, and we see no reason for an improvement or deterioration in its ability to do so on the horizon. The extension of the Frere-Desmarais family agreement and the addition of two new GBL managing directors should promote internal consistency in the medium term.

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### Bulls Say/Bears Say

#### Bulls Say

- ▶ GBL will continue to benefit from a recovery in the European construction markets.
- ▶ GBL is the "Berkshire of Europe" and has the capital resources, leadership, and long-term focus to capitalize on opportunities that other investors either miss or can't take.
- ▶ GBL has a distinguished dividend record has increased its payout consistently during the past 10 years.

#### Bears Say

- ▶ GBL's best days are behind it, as evidenced by poor relative performance during the past five to seven years.
- ▶ Minority shareholders have little influence in this tightly controlled holding company, and GBL primarily serves the interests of the Frere and Desmarais families.
- ▶ Investors looking to gain exposure to the European markets would be better served investing in a broad European index fund.

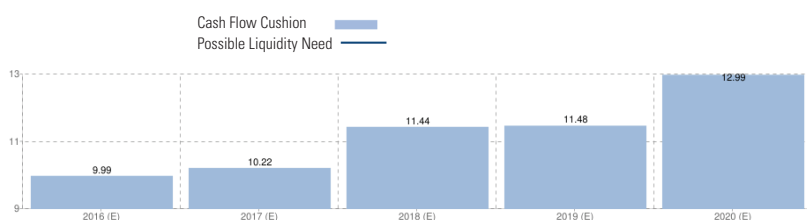
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## Five Year Adjusted Cash Flow Forecast (EUR Mil)

	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)
Cash and Equivalents (beginning of period)	898	874	898	1,019	1,022
Adjusted Available Cash Flow	92	139	237	119	266
Total Cash Available before Debt Service	990	1,013	1,134	1,138	1,288
Principal Payments	—	—	—	—	—
Interest Payments	-99	-99	-99	-99	-99
Other Cash Obligations and Commitments	—	—	—	—	—
Total Cash Obligations and Commitments	-99	-99	-99	-99	-99

## Cumulative Annual Cash Flow Cushion



## Adjusted Cash Flow Summary

	EUR Millions	% of Commitments
Beginning Cash Balance	898	181.2
Sum of 5-Year Adjusted Free Cash Flow	853	172.1
Sum of Cash and 5-Year Cash Generation	1,751	353.3
Revolver Availability	—	—
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	1,751	353.3
Sum of 5-Year Cash Commitments	-496	—

## Financial Health

GBL is financially healthy. The firm usually maintains a net cash position and has quickly reduced additional debt incurred from acquisition activity using consistent cash earnings. Further, with the implicit backing of two of the world's wealthiest families, we do not think GBL is at risk for deteriorating financial health.

GBL has an established dividend track record and has raised its payout each year for more than a decade, earning the company a spot on the exclusive list of about 40 firms on the S&P Europe 350 Dividend Aristocrats Index. We expect GBL to continue its streak of annual dividend increases, but note that its new investment strategy favors growth over income and could result in slower dividend increases than has historically been the case.

## Enterprise Risk

A number of important changes are occurring at GBL. The primary risk is a relatively new investment strategy that marks a departure from what's worked for the company in the past. Traditionally, GBL focused on making influential investments in a select group of European industrial firms and enhancing their competitive positions. In 2012, however, GBL decided to augment its universe of investable assets to include non-European and nonindustrial firms, as well as shifting from higher-yielding investments to higher-growth firms. GBL's private equity holdings (Ergon and Sagard) are less transparent than its publicly traded investments. With only a few dozen employees, GBL relies almost exclusively on intellectual capital. Baron Frere is likely nearing the end of his career, and there is a risk that his successors will not be as prodigious at capital allocation. Succession plans for Frere likely include son-in-law Ian Gallienne, who has a background in private equity and is currently a managing director at GBL. We believe the backing of the Frere and Desmarais families is a net positive for GBL, and a renewed agreement to continue their joint

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investment company (Pargesa) through at least 2029 is a long-term positive for the company, as it should provide a stable shareholder structure.

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## Management & Ownership

### Management Activity

Name	Position	Shares Held	Report Date*	Insider Activity
NA	NA	NA	NA	NA

\*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

### Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Artisan International Value Fund	2.10	2.42	80	30 Jun 2016
First Eagle Global Fund	1.79	0.50	—	31 May 2016
FPA Crescent Fund	1.85	1.44	—	30 Jun 2016
First Eagle Overseas Fund	0.58	0.54	—	31 May 2016
First Eagle Amundi International Fund	0.53	0.99	15	31 May 2016
Concentrated Holders				
LOYS Sicav - LOYS Global	0.20	6.40	-3	30 Apr 2016
KBC Multi Track Belgium	0.03	5.95	—	29 Feb 2016
London Life European Equity (S)	0.02	5.67	—	30 Jun 2016
GWL European Equity (S) 75/75	0.01	5.60	0	30 Jun 2016
LL International Equity (Setanta)	0.18	5.56	—	30 Jun 2016

### Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Artisan Partners Limited Partnership	2.48	2.29	97	30 Jun 2016
Transamerica Asset Management, Inc	0.23	1.11	66	31 Mar 2016
Thompson, Siegel & Walmsley LLC	0.02	1.19	37	31 Dec 2015
Erie Ins Exchange	0.13	0.15	29	31 Dec 2015
Bansabadell Inversión SGIC	0.01	0.42	21	31 Dec 2015
Top 5 Sellers				
KLP Kapitalforvaltning AS	0.01	0.03	-120	30 Jun 2016
Axxion SA	0.01	1.88	-95	30 Jun 2016
Credi-Invest SA	0.02	3.36	-64	31 Mar 2016
Lincoln Investment Advisors Corporation	0.02	0.07	-59	31 Mar 2016
BNP Paribas Investment Partners Lux	0.04	0.65	-57	31 May 2016

### Management 08 Jan 2016

Overall, we think GBL has Standard stewardship. GBL's ownership structure is a bit complex, but the key is to understand that GBL's controlling shareholder is Pargesa Holding, which is owned by the Frere and Desmarais families. Albert Frere and Paul Desmarais were longtime business partners, but despite the death of Desmarais in 2013, the two families have extended their partnership in Pargesa until 2029. Desmarais' grandson, Paul Desmarais III, is expected to take over as director at GBL. Frere remains CEO of GBL and in 2012 added son-in-law Ian Gallienne and Gerard Lamarche as group managing directors to assist him in the daily management of GBL. We think Gallienne is Frere's likely successor, and his background in global private equity implies that more multinational and nonpublic deals will occur at GBL in the coming years.

The company does not offer any variable short-term financial incentives to its executives, as it believes short-term investment performance is not an accurate measure of success. Longer-term incentives are primarily linked to GBL's long-term market performance relative to the BEL 20 (Belgium) and CAC 40 (France) indexes. We agree that GBL's status as a holding company should encourage longer-term performance, but we'd prefer that GBL compare its performance with that of a broader European index such as MSCI Europe, rather than the narrower group of Belgian and French companies, especially since it is broadening its investable universe.

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## Analyst Notes

### GBL Reports Acceptable First Quarter; Continues to Reduce Total Stake 03 May 2016

GBL's first-quarter results were acceptable, as it wisely continues to reduce its overvalued Total stake and redeploy the cash elsewhere. We plan to review our EUR 77 fair value estimate to reflect recent fair value estimate changes among its holdings we cover, while maintaining its no-moat rating. The best news out of the quarter is GBL sold another 27.5 million shares of Total for proceeds of EUR 1.1 billion at prices well above our current EUR 31 fair value estimate for Total. Total is now the fifth largest holding in its portfolio, representing about 9% of the portfolio, and we hope that the firm will continue to reduce its stake in the coming quarters. The other major holdings we cover, LafargeHolcim and Pernod Ricard, trade below our fair value estimates, so we see value in GBL retaining its stakes for now. The company also continued to acquire shares of Adidas, crossing the EUR 1 billion mark from an investment perspective and making it a strategic investment, unfortunately at prices well above our current fair value estimate for the firm. Other purchases include Umicore and Ontex, and we wouldn't be surprised to see Umicore (currently worth about EUR 833 million) become a strategic investment at some point. Looking forward, we expect cash earnings to be negatively affected by the disposal of the Total stake due to the reduced dividend inflows, but it appears like GBL is seeking dividend-yielding and attractively priced investments to replace the lost cash flow.

### GBL Continues to Shift Away From Energy and Commodities but Still Remains Heavily Exposed 18 Mar 2016

GBL reported full-year 2015 results and announced a 2.5% increase in the dividend to EUR 2.86 per share. While the cash earnings and the dividend income both increased slightly, the consolidated net result for GBL saw an increase of 17.3%. However, this was primarily the result of an

accounting technicality, as the merging of Holcim and Lafarge caused GBL's holding in the shares to change in classification from an equity stake to an asset available for sale. Despite the accounting gain, LafargeHolcim shares have struggled throughout 2015 as global demand for cement, notably from China, Brazil, France, and Switzerland, has decreased, and the overall net asset value of the investment decreased 24% on the year. We have a fair value estimate of CHF 52 for the shares of LafargeHolcim, more than 20% above current prices, so there may be upside in the future. However, LafargeHolcim is still subject to the swings of cyclical commodity demand and uncertainty remains high. GBL has also continued to sell off its holdings in Total in a continued attempt to realign the portfolio away from the heavy concentration in energy and commodities. The sales of Total continue to generate significant realized capital gains for GBL. We currently view Total shares as overvalued and believe it is smart to continue to harvest this investment. Pernod Ricard and SGS also remained key holdings with no significant moves made by GBL. Finally, GBL also continued to increase holdings in its incubator investment portfolio, which primarily consists of stakes in Adidas, Umicore, and Ontex. We continue to view Adidas as overvalued.

We are maintaining our fair value estimate of EUR 77 for GBL as well as a no-moat rating. We will also note that, while share prices increased during 2015 for GBL, adjusted net assets remained virtually the same, while the discount to asset value narrowed from 25.2% to 16.3%, meaning shares only become relatively more expensive when compared with assets.

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## Morningstar Analyst Forecasts

### Financial Summary and Forecasts

Fiscal Year Ends in December

	3-Year Hist. CAGR	Forecast					5-Year Proj. CAGR
		2013	2014	2015	2016	2017	
Growth (% YoY)							
Revenue	2.5	-4.3	0.4	12.1	—	—	—
EBIT	-24.6	-14.2	10.1	-54.7	323.5	2.4	39.3
EBITDA	-13.3	-10.2	7.0	-32.2	141.0	1.8	23.3
Net Income	50.2	196.4	25.5	-8.9	-49.0	3.0	-8.0
Diluted EPS	50.2	196.4	25.5	-8.9	-48.9	3.0	-7.9
Earnings Before Interest, after Tax	29.0	215.1	-11.3	-23.2	71.7	2.6	16.7
Free Cash Flow	—	-133.9	-104.5	-2,571.1	137.6	9.8	26.5

	3-Year Hist. Avg	Forecast					5-Year Proj. Avg
		2013	2014	2015	2016	2017	
Profitability							
Operating Margin %	8.7	10.3	11.3	4.6	19.3	19.8	21.0
EBITDA Margin %	14.6	16.2	17.3	10.4	25.2	25.6	26.9
Net Margin %	22.8	21.0	26.2	21.3	10.9	11.2	12.1
Free Cash Flow Margin %	3.0	4.6	-0.2	4.6	10.9	12.0	12.7
ROIC %	6.5	7.7	8.5	3.4	13.0	13.2	13.9
Adjusted ROIC %	9.6	11.0	12.4	5.3	21.1	21.2	22.3
Return on Assets %	4.0	3.7	4.5	3.9	2.3	2.4	2.6
Return on Equity %	6.0	5.3	6.8	5.9	3.6	3.7	3.9

	3-Year Hist. Avg	Forecast					5-Year Proj. Avg
		2013	2014	2015	2016	2017	
Leverage							
Debt/Capital	0.22	0.22	0.21	0.23	0.23	0.23	0.23
Total Debt/EBITDA	6.53	5.65	5.29	8.64	3.59	3.52	3.38
EBITDA/Interest Expense	10.14	10.53	13.26	6.63	11.15	11.36	11.91

### Valuation Summary and Forecasts

	2014	2015	2016(E)	2017(E)
Price/Fair Value	0.80	—	—	—
Price/Earnings	10.7	13.1	24.3	23.6
EV/EBITDA	18.6	32.3	12.4	12.2
EV/EBIT	28.5	74.0	16.2	15.8
Free Cash Flow Yield %	2.0	7.6	3.9	4.3
Dividend Yield %	3.8	3.5	3.7	3.7

### Key Valuation Drivers

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	5.3
Weighted Average Cost of Capital %	7.6
Long-Run Tax Rate %	30.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	20.0
Perpetuity Year	10

Additional estimates and scenarios available for download at <http://select.morningstar.com>.

### Discounted Cash Flow Valuation

	EUR Mil	Firm Value (%)	Per Share Value
Present Value Stage I	2,225	24.6	13.79
Present Value Stage II	1,671	18.5	10.35
Present Value Stage III	5,149	56.9	31.91
<b>Total Firm Value</b>	<b>9,044</b>	<b>100.0</b>	<b>56.05</b>
Cash and Equivalents	1,556	—	9.64
Debt	-3,965	—	-24.57
Preferred Stock	—	—	—
Other Adjustments	4,349	—	26.95
<b>Equity Value</b>	<b>10,985</b>	<b>—</b>	<b>68.08</b>
Projected Diluted Shares	161		
<b>Fair Value per Share (EUR)</b>	<b>—</b>		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.



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## Morningstar Analyst Forecasts

### Income Statement (EUR Mil)

Fiscal Year Ends in December

	2013	2014	2015	Forecast	
				2016	2017
<b>Revenue</b>	<b>3,905</b>	<b>3,919</b>	<b>4,392</b>	<b>4,392</b>	<b>4,392</b>
Cost of Goods Sold	1,356	1,284	1,416	1,581	1,581
<b>Gross Profit</b>	<b>2,549</b>	<b>2,635</b>	<b>2,976</b>	<b>2,811</b>	<b>2,811</b>
Selling, General & Administrative Expenses	807	806	949	887	887
Other Operating Expense (Income)	1,111	1,154	1,571	1,230	1,230
Other Operating Expense (Income)	—	—	—	-408	-428
Depreciation & Amortization (if reported separately)	230	233	256	255	255
<b>Operating Income (ex charges)</b>	<b>401</b>	<b>441</b>	<b>200</b>	<b>847</b>	<b>867</b>
Restructuring & Other Cash Charges	—	—	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
<b>Operating Income (incl charges)</b>	<b>401</b>	<b>441</b>	<b>200</b>	<b>847</b>	<b>867</b>
Interest Expense	60	51	69	99	99
Interest Income	—	—	—	—	—
<b>Pre-Tax Income</b>	<b>341</b>	<b>390</b>	<b>131</b>	<b>748</b>	<b>768</b>
Income Tax Expense	105	121	65	224	230
Other After-Tax Cash Gains (Losses)	463	765	765	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	-32	-159	-46	-46	-46
(Preferred Dividends)	—	—	—	—	—
<b>Net Income</b>	<b>667</b>	<b>875</b>	<b>784</b>	<b>477</b>	<b>491</b>
Weighted Average Diluted Shares Outstanding	155	155	155	155	155
<b>Diluted Earnings Per Share</b>	<b>4.29</b>	<b>5.64</b>	<b>5.05</b>	<b>3.08</b>	<b>3.17</b>
Adjusted Net Income	818	1,026	935	477	491
<b>Diluted Earnings Per Share (Adjusted)</b>	<b>5.27</b>	<b>6.61</b>	<b>6.02</b>	<b>3.08</b>	<b>3.17</b>
Dividends Per Common Share	2.65	2.72	2.79	2.79	2.79
<b>EBITDA</b>	<b>632</b>	<b>676</b>	<b>459</b>	<b>1,106</b>	<b>1,126</b>
<b>Adjusted EBITDA</b>	<b>632</b>	<b>676</b>	<b>459</b>	<b>1,106</b>	<b>1,126</b>

# Groupe Bruxelles Lambert SA GBLB (XBRU) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
74.85 EUR	68.00 EUR	47.60 EUR	91.80 EUR	Medium	None	Stable	Standard	Asset Management

## Morningstar Analyst Forecasts

### Balance Sheet (EUR Mil)

Fiscal Year Ends in December

	2013	2014	2015	Forecast	
				2016	2017
Cash and Equivalents	1,075	1,421	898	874	898
Investments	575	829	658	658	658
Accounts Receivable	564	593	644	644	644
Inventory	620	698	776	867	867
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	393	437	305	305	305
<b>Current Assets</b>	<b>3,227</b>	<b>3,977</b>	<b>3,282</b>	<b>3,348</b>	<b>3,372</b>
Net Property Plant, and Equipment	1,865	2,008	2,192	2,228	2,263
Goodwill	1,122	1,182	1,743	1,743	1,743
Other Intangibles	169	203	339	339	339
Deferred Tax Assets (Long-Term)	38	42	110	110	110
Other Long-Term Operating Assets	—	—	—	—	—
Long-Term Non-Operating Assets	12,538	12,273	12,740	12,740	12,740
<b>Total Assets</b>	<b>18,958</b>	<b>19,685</b>	<b>20,406</b>	<b>20,508</b>	<b>20,567</b>
Accounts Payable	411	450	496	554	554
Short-Term Debt	144	207	477	477	477
Deferred Tax Liabilities (Current)	88	63	71	71	71
Other Short-Term Liabilities	357	443	439	439	439
<b>Current Liabilities</b>	<b>1,000</b>	<b>1,164</b>	<b>1,483</b>	<b>1,540</b>	<b>1,540</b>
Long-Term Debt	3,427	3,372	3,489	3,489	3,489
Deferred Tax Liabilities (Long-Term)	76	77	119	119	119
Other Long-Term Operating Liabilities	477	592	636	636	636
Long-Term Non-Operating Liabilities	286	196	136	136	136
<b>Total Liabilities</b>	<b>5,267</b>	<b>5,401</b>	<b>5,862</b>	<b>5,920</b>	<b>5,920</b>
Preferred Stock	—	—	—	—	—
Common Stock	653	653	653	653	653
Additional Paid-in Capital	3,816	3,816	3,816	3,816	3,816
Retained Earnings (Deficit)	8,196	8,704	8,777	8,821	8,880
(Treasury Stock)	—	—	—	—	—
Other Equity	—	—	—	—	—
<b>Shareholder's Equity</b>	<b>12,665</b>	<b>13,173</b>	<b>13,246</b>	<b>13,290</b>	<b>13,349</b>
Minority Interest	1,026	1,112	1,298	1,298	1,298
<b>Total Equity</b>	<b>13,691</b>	<b>14,284</b>	<b>14,544</b>	<b>14,588</b>	<b>14,647</b>

# Groupe Bruxelles Lambert SA GBLB (XBRU) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
74.85 EUR	68.00 EUR	47.60 EUR	91.80 EUR	Medium	None	Stable	Standard	Asset Management

## Morningstar Analyst Forecasts

### Cash Flow (EUR Mil)

Fiscal Year Ends in December

	2013	2014	2015	Forecast	
				2016	2017
Net Income	830	1,114	1,121	523	538
Depreciation	231	235	259	259	259
Amortization	—	—	—	—	—
Stock-Based Compensation	—	—	—	—	—
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	—	—	—	—	—
Other Non-Cash Adjustments	-241	-496	-500	—	—
(Increase) Decrease in Accounts Receivable	-19	-19	54	—	—
(Increase) Decrease in Inventory	38	-55	5	-91	—
Change in Other Short-Term Assets	—	—	—	—	—
Increase (Decrease) in Accounts Payable	29	28	-22	58	—
Change in Other Short-Term Liabilities	-187	-319	307	—	—
<b>Cash From Operations</b>	<b>680</b>	<b>488</b>	<b>1,224</b>	<b>750</b>	<b>796</b>
(Capital Expenditures)	-280	-266	-296	-294	-294
Net (Acquisitions), Asset Sales, and Disposals	-99	-27	-423	—	—
Net Sales (Purchases) of Investments	-877	316	-565	—	—
Other Investing Cash Flows	—	—	—	—	—
<b>Cash From Investing</b>	<b>-1,255</b>	<b>23</b>	<b>-1,284</b>	<b>-294</b>	<b>-294</b>
Common Stock Issuance (or Repurchase)	—	—	—	—	—
Common Stock (Dividends)	-411	-422	-433	-432	-432
Short-Term Debt Issuance (or Retirement)	-238	-351	-417	—	—
Long-Term Debt Issuance (or Retirement)	1,760	686	454	—	—
Other Financing Cash Flows	-28	-89	-42	-46	-46
<b>Cash From Financing</b>	<b>1,084</b>	<b>-176</b>	<b>-439</b>	<b>-479</b>	<b>-479</b>
Exchange Rates, Discontinued Ops, etc. (net)	-27	10	-23	—	—
<b>Net Change in Cash</b>	<b>481</b>	<b>345</b>	<b>-523</b>	<b>-24</b>	<b>23</b>

# Groupe Bruxelles Lambert SA GBLB (XBRU) | ★★★

<b>Last Price</b>	<b>Fair Value</b>	<b>Consider Buy</b>	<b>Consider Sell</b>	<b>Uncertainty</b>	<b>Economic Moat™</b>	<b>Moat Trend™</b>	<b>Stewardship</b>	<b>Industry Group</b>
74.85 EUR	68.00 EUR	47.60 EUR	91.80 EUR	Medium	None	Stable	Standard	Asset Management

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
<b>Groupe Bruxelles Lambert SA</b>	<b>1.10</b>	<b>13.1</b>	<b>24.3</b>	<b>23.6</b>	<b>32.3</b>	<b>12.4</b>	<b>12.2</b>	<b>13.2</b>	<b>25.5</b>	<b>23.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.6</b>

### Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
<b>Groupe Bruxelles Lambert SA</b>	<b>20,406 EUR</b>	<b>3.4</b>	<b>13.0</b>	<b>13.2</b>	<b>5.3</b>	<b>21.1</b>	<b>21.2</b>	<b>5.9</b>	<b>3.6</b>	<b>3.7</b>	<b>3.9</b>	<b>2.3</b>	<b>2.4</b>	<b>3.5</b>	<b>3.7</b>	<b>3.7</b>

### Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
<b>Groupe Bruxelles Lambert SA</b>	<b>4,392 EUR</b>	<b>12.1</b>	<b>—</b>	<b>—</b>	<b>-54.7</b>	<b>323.5</b>	<b>2.4</b>	<b>-8.9</b>	<b>-48.9</b>	<b>3.0</b>	<b>-2,571.1</b>	<b>137.6</b>	<b>9.8</b>	<b>2.7</b>	<b>—</b>	<b>—</b>

# Groupe Bruxelles Lambert SA GBLB (XBRU) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
74.85 EUR	68.00 EUR	47.60 EUR	91.80 EUR	Medium	None	Stable	Standard	Asset Management

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
<b>Groupe Bruxelles Lambert SA</b>	<b>935</b> EUR	<b>67.8</b>	<b>64.0</b>	<b>64.0</b>	<b>10.4</b>	<b>25.2</b>	<b>25.6</b>	<b>4.6</b>	<b>19.3</b>	<b>19.8</b>	<b>21.3</b>	<b>10.9</b>	<b>11.2</b>	<b>21.1</b>	<b>10.4</b>	<b>11.4</b>

### Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
<b>Groupe Bruxelles Lambert SA</b>	<b>3,965</b> EUR	<b>29.9</b>	<b>29.8</b>	<b>29.7</b>	<b>23.0</b>	<b>23.0</b>	<b>22.9</b>	<b>6.6</b>	<b>11.2</b>	<b>11.4</b>	<b>8.6</b>	<b>3.6</b>	<b>3.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>

### Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
<b>Groupe Bruxelles Lambert SA</b>	<b>11,623</b> EUR	<b>5.78</b>	<b>5.64</b>	<b>5.79</b>	<b>2.21</b>	<b>2.17</b>	<b>2.19</b>	<b>1.69</b>	<b>1.61</b>	<b>1.63</b>	<b>1.88</b>	<b>1.83</b>	<b>1.88</b>	<b>55.3</b>	<b>90.7</b>	<b>88.0</b>

## Research Methodology for Valuing Companies

### Components of Our Methodology

- ▶ Economic Moat™ Rating
- ▶ Moat Trend™ Rating
- ▶ Moat Valuation
- ▶ Three-Stage Discounted Cash Flow
- ▶ Weighted Average Cost of Capital
- ▶ Fair Value Estimate
- ▶ Scenario Analysis
- ▶ Uncertainty Ratings
- ▶ Margin of Safety
- ▶ Consider Buying/Selling
- ▶ Stewardship Rating

We believe that a company's intrinsic worth results from the future cash flows it can generate.

The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts.

The concept of the Morningstar Economic Moat™ Rating plays a vital role not only in our qualitative assessment of a firm's investment potential, but also in our actual calculation of our fair value estimates. We assign three moat ratings—none, narrow, or wide—as well as the Morningstar Moat Trend™ Rating—positive, stable, or negative—to each company we cover. Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns on invested capital over at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for

10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. The assumptions that we make about a firm's economic moat play a vital role in determining the length of "economic outperformance" that we assume in the terminal sections of our valuation model. To assess the sustainability of excess profits, analysts perform ongoing assessments of what we call the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

At the heart of our valuation system is a detailed projection of a company's future cash flows. The first stage of our three-stage discounted cash flow model can last from 5 to 10 years and contains numerous detailed assumptions about various financial and operating items. The second stage of our model—where a firm's return on new invested capital (RONIC) and earnings growth rate implicitly fade until the perpetuity year—can last anywhere from one year (for companies with no economic moat) to 10-15 years (for wide-moat companies). In our third stage, we assume the firm's RONIC equals its weighted average cost of capital, and we calculate a continuing value using a standard perpetuity formula. In deciding on the rate at which to discount future cash flows, we use a building block approach,

### Morningstar Research Methodology for Valuing Companies



Source: Morningstar, Inc.

**Detailed Methodology Documents and Materials\***

- ▶ Comprehensive Equity Research Methodology
- ▶ Uncertainty Methodology
- ▶ Cost of Equity Methodology
- ▶ Morningstar DCF Valuation Model
- ▶ Stewardship Rating Methodology

\*Please contact a sales representative for more information.

which takes into account expectations for market real return, inflation, country risk premia, corporate credit spread, and any additional systematic risk.

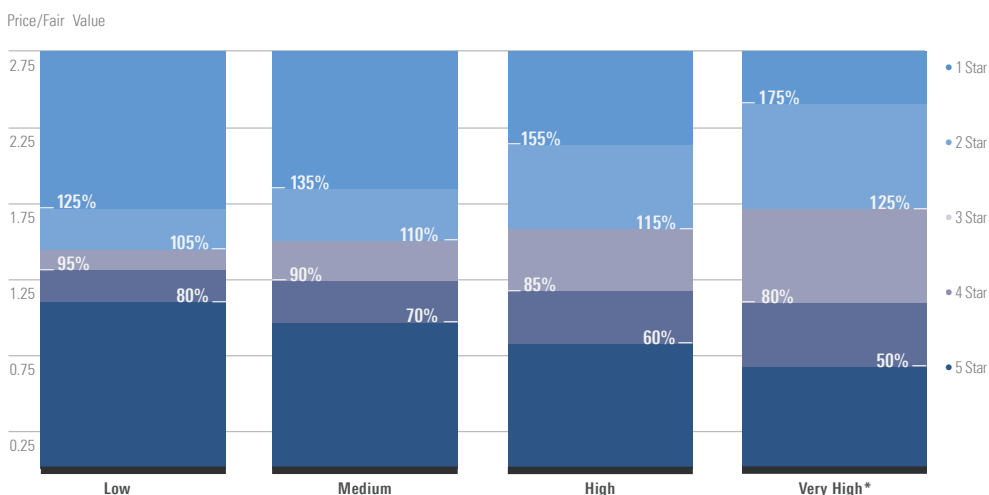
We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts model three scenarios for each company we cover, stress-testing the model and examining the distribution of resulting fair values.

The Morningstar Uncertainty Rating captures the range of likely potential fair values and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including

operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Our corporate Stewardship Rating represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions. ■■■

**Morningstar Margin of Safety and Star Rating Bands**

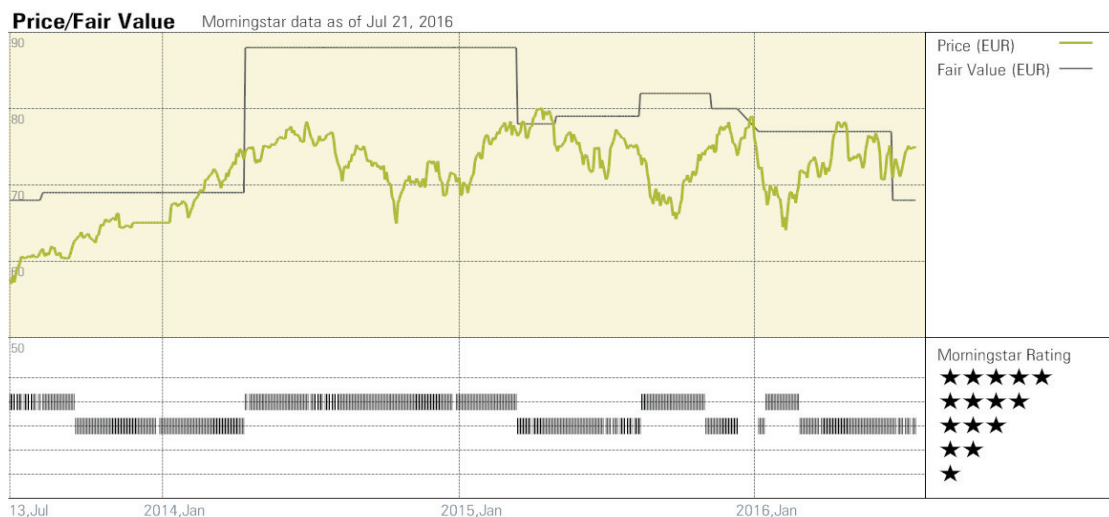


\* Occasionally a stock's uncertainty will be too high for us to estimate, in which case we label it Extreme.

Source: Morningstar, Inc.

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