

## Strategy

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### Our purpose

Building leading companies through long-term engaged and responsible ownership

We strive to invest in and support European industry leaders with strong market positions and exposure to positive global long-term trends. As an engaged owner, we partner with our portfolio companies and their management teams to create value over the long term for all stakeholders in a sustainable manner.

### Seeking exposure to major long-term growth trends

GBL's investment mandate is broad and flexible, making it possible to build a high-quality portfolio of companies that can take advantage of long-term tailwinds and be less vulnerable to upcoming disruptions.



Health awareness



Growing middle class in emerging countries, leading to a global demographic and economic shift



Digital opportunities & disruptions



Sustainability & resource scarcity

Messages

Strategy

Net asset value

Portfolio

ESG

Risks

Share

Economic presentation

Accounts

Governance

**GBL**

Grpe Bruxelles Lambert



## Our strategic objective

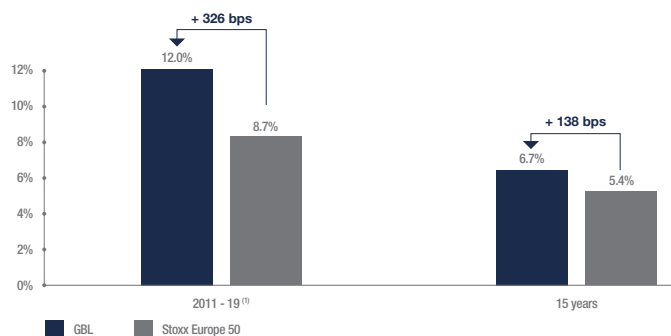
Creating value over the long term through continuous and sustainable growth of our intrinsic value and dividend distribution

Our objective is to continue to deliver a Total Shareholder Return outperforming our reference index, the Stoxx Europe 50, over the long term through the increase in the net asset value and an attractive dividend yield.

Over the 2012-2019 period following the initiation of the portfolio rebalancing strategy, GBL has outperformed its reference index by 326 basis points in terms of annualized Total Shareholder Return ("TSR").

The 12.0% TSR has to be analyzed on a risk-adjusted basis, taking into account the high quality and the strong creditworthiness of GBL's portfolio assets, as highlighted in this section.

**Annualized Total Shareholder Return as of December 31, 2019**  
(with reinvested dividends)



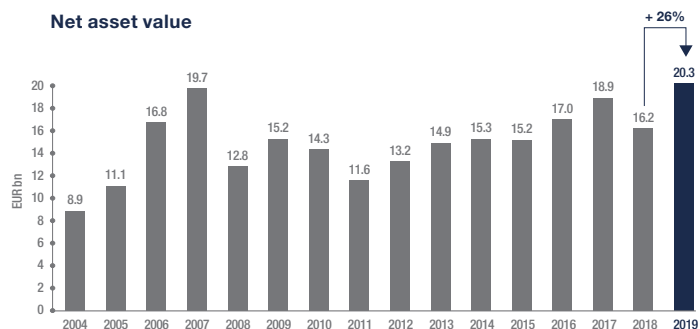
(1) Calculated as from year-end 2011

## Delivering continuous and sustainable growth of our intrinsic value over the long term

Growth of intrinsic value is pursued by GBL through an efficient portfolio management leading to value creation over the long term.

Since the initiation of the rebalancing strategy in 2012, GBL's net asset value has increased by 7.3% per year which supported the 12.0% Total Shareholder Return over the same period.

**Net asset value**



## Deploying capital in high-quality assets, leaders in their sector

GBL has initiated the rebalancing of its portfolio in 2012 with an objective to diversify and strengthen its portfolio's growth and resilience profile, optimizing its long-term value creation potential.

This transformation has been pursued through a significant portfolio rotation, with disposals and acquisitions totaling EUR 19 billion. It has led to a substantial shift from high-yielding cyclical assets in the energy and utilities sectors into growth assets in the consumer goods, industry and business services sectors.

GBL seeks to invest in high-quality companies with a leading positioning in their sector, primarily investment grade profiles and robust business models:

- focused on both organic and external growth as an important lever to long-term value creation;
- developed in a sustainable manner by high-quality management teams driven by a strategic vision; and
- supported by a sound cash generation profile and a solid financial structure.

Besides, GBL aims at diversifying further its investment universe, portfolio and dividend contributors by expanding its alternative asset platform, Sienna Capital (see more details in the Sienna Capital section in pages 52 to 59).



Sector ranking <sup>(1)</sup>	#2	#2	#1	#1	Top 3	#1	European leader	#1	Top 5	#2 in Europe
Public rating (S&P / Moody's) <sup>(2)</sup>	Unrated	BBB+ / Baa1	Unrated / A3	BBB / Baa2	Unrated	BBB- / Baa2	B / B2	Unrated / Baa2	BB- / Ba3	Unrated
Net leverage <sup>(3)</sup>	-	2.6x	0.9x	1.4x	1.9x	2.2x	n.d.	-	3.5x	n.d.

Note: information as of December 31, 2019

Source: (1) GBL, (2) Bloomberg and (3) net financial debt to EBITDA ratios disclosed by the portfolio companies and restated in accordance with IFRS 16 (with exception of LafargeHolcim)

### Being an engaged and responsible investor contributing to long-term value creation



Year of first investment	2015	2006	2013	2005	2013	1987	2017	2015	2019	2017
GBL's ranking in the shareholding	#1	#3	#1	#1	#1	#1	#3	#1	#1	#3
Board of Directors	1/16	2/14	3/10	2/11	2/10	3/13	1/12	2/8	3/5	1/9
Audit Committee	1/4	0/3	1/4	1/4	1/3	1/4	0/5	1/3	n.a.	1/4
Nomination and / or Remuneration Committee	0/3	0/3 - 1/5	1/4	1/5	0/3	2/5 - 2/6	0/4	1/4	n.a.	n.a.
Strategic Committee	n.a.	1/6	n.a.	n.a.	n.a.	3/7	1/7	n.a.	n.a.	n.a.

GBL is an engaged investor which deploys permanent capital with a long-term horizon. GBL's objective is to contribute to unlocking value through its involvement in the key decision-making governance bodies of its portfolio companies. Acting like an owner in its capacity as an engaged board member, GBL focuses on:

- the strategic roadmap of its portfolio companies, and more specifically on organic growth and M&A;
- the selection, nomination and remuneration of their key executive management; and
- the shareholder remuneration (dividend policy and share buyback programs) and the capital allocation adequacy.

In this context, GBL contributes to value creation notably by sharing its experience, expertise and network across its participations. Being an engaged shareholder, GBL however does not get involved in the daily management of its portfolio companies.

In accordance with its objective of long-term and sustainable value creation and acting as a responsible investor, GBL requires ESG practices to be ensured at portfolio companies' level, consistently with international standards (see more details in the ESG section in pages 60 to 79).

### Maintaining continued dividend growth and an attractive dividend yield over the long term

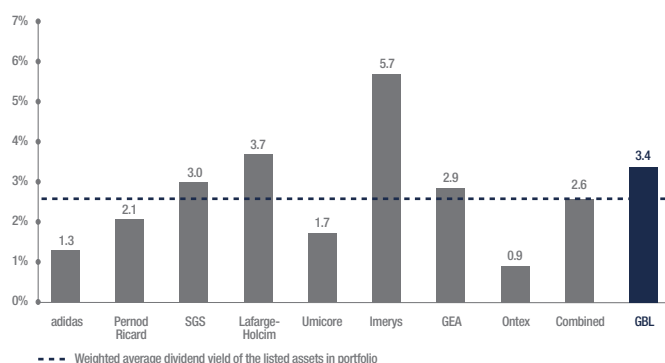
GBL serves an attractive dividend yield to its shareholders.

GBL has generated a dividend yield of 3.6%, on average over the past 15 years.

Based on the FY19 dividend distribution proposed by the Board of Directors at EUR 3.15 per share, GBL's dividend yield stands at 3.4% and outperforms by 75 bps the weighted average dividend yield of the listed assets in portfolio <sup>(1)</sup>.

This outperformance results from:

- the mechanically positive impact of the discount (25.5% as of December 31, 2019);
- the dividends distributed by Sienna Capital, GBL's platform of unlisted alternative assets.

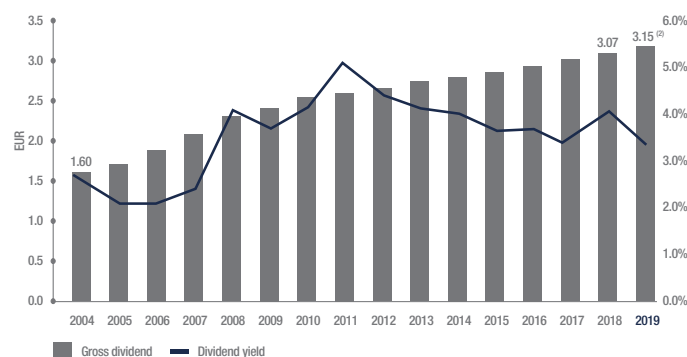


GBL's dividend policy is to deliver stable or gradually increasing dividends over time.

Over the past 15 years, GBL has:

- nearly doubled its gross dividend per share, which corresponds to a 4.6% CAGR over this period; and
- returned EUR 5.9 billion to its shareholders.

Distributable reserves amounted to EUR 10.9 billion <sup>(2)</sup> at year-end 2019.



(1) Gross dividend yield as of December 31, 2019 (Source: gross dividend as per Bloomberg consensus as of March 6, 2020) and combined dividend yield calculated on a weighted average basis based on the assets' value as of December 31, 2019

(2) Before FY19 dividend distribution remaining subject to the approval of the General Shareholders' Meeting to be held on April 28, 2020

# Portfolio management strategy

GBL's asset rotation is based on a continuous assessment of the long-term return potential of the existing investments in portfolio, in comparison with new investment alternatives.

## Clear investment criteria

GBL performs extensive analysis on the way in, focusing as much on the potential upside as on the downside protection.

GBL's investment assessment aims at performing a strict selection of opportunities based on the following grid of qualitative and quantitative investment criteria:



### Compliance with our ESG criteria

- ESG strategy and commitments (with reporting and relevant governance bodies being in place for listed investment opportunities)



### Attractive end-markets with long-term tailwinds

- Further growth / consolidation potential
- Resilience to economic cycles
- Exposure to long-term growth drivers
- Favorable competitive industry dynamics
- Barriers to entry



### Leading market position with a clear and sustainable business model

- Foreseeable organic growth
- Strong cash flow generation capabilities
- Return on capital employed higher than WACC
- Low financial gearing for listed investments
- Appropriate positioning vis-à-vis digital disruption



### Core shareholder position, with adequate governance

- Potential to become first shareholder, with influence
- Potential for Board representation
- Strong management team



### Valuation

- Double-digit TSR objective over the long term
- Satisfactory dividend yield for listed investments

## Divestment guidelines

As an investment vehicle deploying permanent capital, GBL is not constrained by an investment horizon. Investments are therefore held for as long as needed to optimize their value.

Continuous assessment of the portfolio assets is conducted in order to monitor risks in a rigorous and constant manner and potentially define a disposal strategy. This assessment focuses on capital preservation and limiting the downside risk by analyzing the following areas:

### Potential for further value creation

#### Valuation risk

- Multiples above historical average
- Prospective TSR below internal targets

#### Specific company risk

- Business model's disruption risk related to digital or technological evolutions
- Other company risks including competition, geopolitics and ESG

#### Portfolio concentration risk

- Objective not to exceed around 20-25% in terms of:
- portfolio's exposure to a single asset; and/or
  - cash earnings' contribution from a single asset.

## Investment universe

GBL carries out investments within the following universe:

- targeted companies are headquartered in Europe and may be listed or private;
- GBL aspires to hold a position of core shareholder in the capital of its portfolio companies and play an engaged role in the governance, through majority stakes or minority positions with influence;
- equity investments range primarily between EUR 250 million and EUR 2 billion, and may potentially be conducted in co-investment alongside other leading investment institutions;
- GBL intends to reinforce the diversification of its portfolio by pursuing the development of its alternative investments through its platform Sienna Capital.

## Sector peers

Given (i) its geographical mandate, (ii) its positioning as an engaged owner deploying permanent capital, (iii) its portfolio being primarily exposed to Investment Grade listed global companies, (iv) its size, GBL evolves in a limited sector universe in which it identifies the following peers:

	Country of headquarters	Net asset value <sup>(1)</sup>	Market capitalisation as of year-end 2019 <sup>(2)</sup>	Raw beta <sup>(3)</sup>	Listed assets <sup>(1)</sup> (in % of the last disclosed portfolio value)	Public credit rating S&P / Moody's <sup>(2)</sup>	LTV <sup>(1)</sup>
Investor AB	Sweden	EUR 46.2 billion	EUR 37.4 billion	1.08	69%	AA- / Aa3	2.8%
EXOR	Italy	EUR 21.0 billion	EUR 16.6 billion	1.56	69%	BBB+ / unrated	10.8%
Industrivärden	Sweden	EUR 10.7 billion	EUR 9.6 billion	1.08	100%	A+ / unrated	3.5%
Kinnevik	Sweden	EUR 7.0 billion	EUR 6.1 billion	1.14	83%	Unrated / unrated	1.3%
Wendel	France	EUR 7.4 billion	EUR 5.4 billion	0.97	48%	BBB / Baa2	6.0%
<b>GBL</b>	<b>Belgium</b>	<b>EUR 20.3 billion</b>	<b>EUR 15.2 billion</b>	<b>0.95</b>	<b>86%</b>	<b>Unrated / unrated</b>	<b>3.7%</b>

(1) Source: Public disclosures by GBL's peers in EUR (or converted in EUR) for the reporting date as of year-end 2019 (with exception of EXOR: as of 06/30/2019)

(2) Source: Bloomberg

(3) Source: Bloomberg (2-year average calculated as of 12/31/2019 based on daily data and vs. GBL's reference index for comparison purposes)

# Operational excellence

We deliver operational efficiency in support to GBL's value creation

## Solid and flexible financial structure

GBL's objective is to maintain a sound financial structure, with:

- a solid liquidity profile; and
- a limited net indebtedness in comparison to its portfolio value.

The financial strength derived from the liquidity profile ensures readily available resources enabling to quickly seize investment opportunities throughout the economic cycle and allowing to pay a stable or growing dividend over the long term.

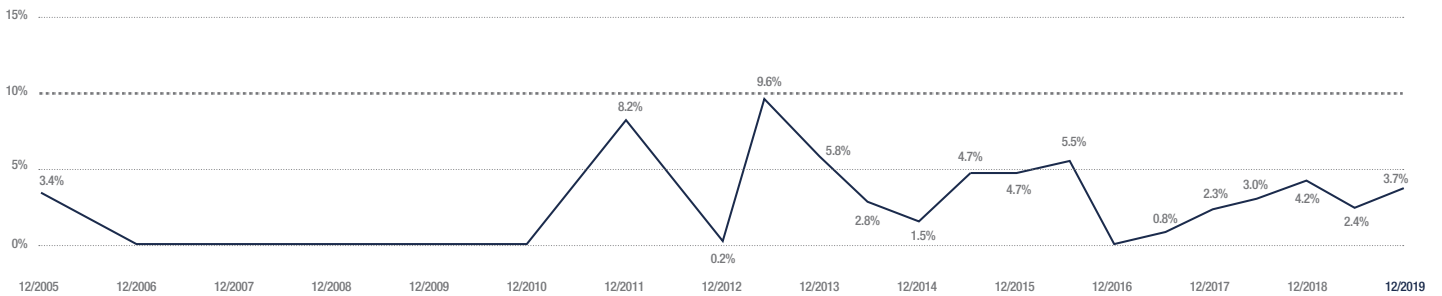
The evolution of the Loan To Value ratio results from the crystallisation of investment opportunities for significant stakes in the capital of companies meeting GBL's investment criteria, in the framework of the portfolio rotation strategy.

This ratio is continuously monitored and has been permanently maintained below 10% over the last 15 years. This conservative vision is consistent with GBL's patrimonial approach and allows to weather potential market downsides throughout the cycle.

At year-end 2019, GBL had:

- a Loan To Value ratio of 3.7%; and
- a liquidity profile of EUR 4.0 billion, consisting of both cash and cash equivalents for EUR 1.8 billion and undrawn committed credit lines (having no financial covenants) for EUR 2.1 billion maturing in 2024 and 2025.

### Loan To Value



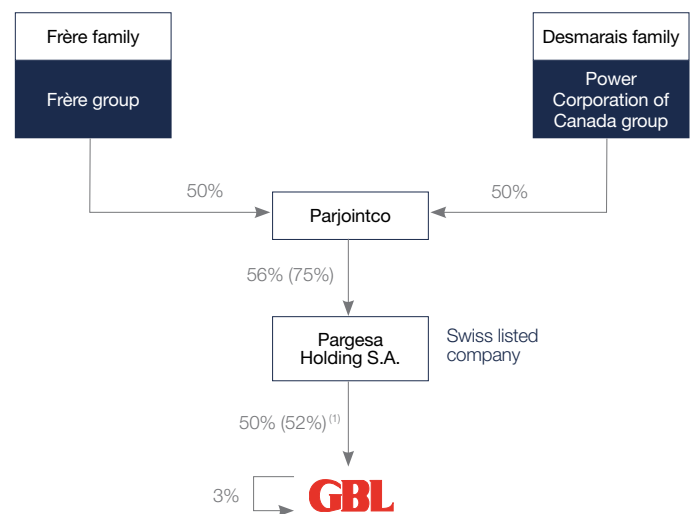
## Adequate governance

GBL has a stable and solid family shareholder base and is supported by the partnership between the Frère and Desmarais families, which has been in place for several decades. The current shareholders' agreement between the two families is effective until 2029, with the possibility of extension, and establishes parity control in Pargesa Holding S.A. and GBL.

GBL has a solid governance in place, as detailed in the Governance section in pages 176 to 206, and its strong relations with its controlling shareholders enable it to move quickly to seize investment opportunities.

The remuneration policy defined for GBL's CEO, detailed in page 190, aligns his salary package with the shareholders' interests through the absence of variable cash component and a long-term incentive plan being subject to Total Shareholder Return performance.

### Simplified shareholding structure as of December 31, 2019



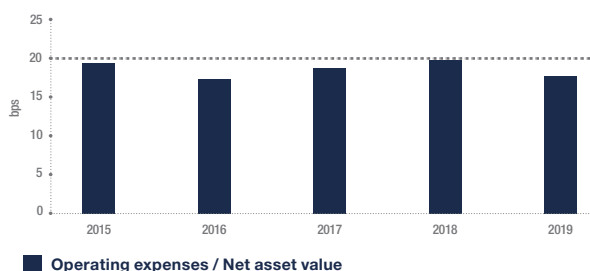
% ownership  
(% voting right)  
(1) Taking into account the suspended voting rights relating to treasury shares

### Cost efficiency

GBL pursues operational excellence, maintaining a strong focus on cost discipline.

This allows it to record low operating expenses<sup>(1)</sup> in comparison to its net asset value, which have historically remained below 20 bps.

Operating expenses<sup>(1)</sup> / Net asset value

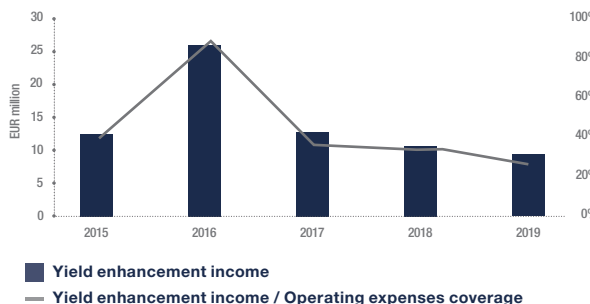


### Yield enhancement

As an additional lever of value creation, GBL has historically developed yield enhancement activities. They consist primarily in the trading of derivatives conducted in a highly conservative manner. Those transactions are executed by a dedicated team exclusively in vanilla products, with very short maturities and low delta levels, and based on the in-depth knowledge of the underlying assets in portfolio.

The income generated by this activity fluctuates depending on market conditions. Over the past 5 years, it has covered on average 46% of GBL's operating expenses<sup>(1)</sup>.

Yield enhancement income<sup>(1)</sup> / Operating expenses<sup>(1)</sup> coverage



(1) As presented in the cash earnings

### Balanced business model

GBL's dividend distribution is primarily derived from the net dividend contribution of its portfolio companies and Sienna Capital, after deduction of its cost structure.

GBL's payout ratio is computed based on the cash earnings. The payout computation consequently does not take into account the cash inflows from asset disposals (including the capital gains).

As a result of (i) the redeployment of the proceeds from the disposal of the high-yielding assets of the energy and utilities sectors and (ii) an exceptional inflow for an amount of EUR 127 million (see more details in pages 95 and 96 of the economic presentation of the net consolidated result), GBL's dividend distribution in relation to FY19 is lower than its cash earnings, resulting in a positive dividend gap.

GBL has a solid liquidity profile ensuring the availability of resources to implement its investment strategy throughout the economic cycle.

