

July 2020

Europe | Germany | Building Materials

DR. KALLIWODA
RESEARCH GmbH

Comprehensive Update

Rating: only included in our full version

Target Price: € only included in our full version

Industry: Building Materials
Country: Germany
ISIN: DE0006047004
Bloomberg: HEI:GR
Reuters: HEIG.DE
Website: www.heidelbergcement.com

Last Price:		72.90
	High	Low
Price 52 W.:	85.26	51.84
Market Cap. (EURm)		14.472B
No. of Shares (in m)		198,416,477

Shareholders

Float Held by Institutions	59.95%
Shares Held by Institutions	44.37%
Shares Held by All Insider	25.98%

Performance

4 Weeks	11,7%
26 Weeks	28,1%
52 Weeks	-10,5%

Dividend	EUR/Share
2011	0,35
2012	0,47
2013	0,60
2014	0,75
2015	1,30
2016	1,60
2017	1,90
2018	2,10

Analyst

Dr. Norbert Kalliwoda
Email: nk@kalliwoda.com
Phone: +49 69 97 20 58 53
www.kalliwoda.com



Also see our Bloomberg page: **KALL**

Since 2003

HeidelbergCement AG

Low share price due to macroeconomic downturn offers interesting opportunity for long-term investors

- HeidelbergCement is a German building materials company headquartered in Heidelberg, Germany. It is one of the largest building materials companies in the world and is listed on the DAX. The company is involved in the production of building materials such as Cement, Aggregates, Ready-mixed concrete and Asphalt.
- HeidelbergCement recently published its report for Q1 2020, where it was able to increase its result from current operations on a like-for-like basis by 4% to 59 m € compared with 56 m € in Q1 2019 although revenue decreased like-for-like by -8% to 3.930 bn € compared with previous levels of 4.238 bn €. Sales volumes have increased across all business lines during January and February but were severely impacted by the consequences of COVID-19 starting from mid-March. The decline in revenue particularly caused by the trading activities could only be partially offset by the favorable price development particularly in Europe. Despite an uncertain outlook on revenue and earnings for 2020 the government stimulus and significant energy cost deflation should support the construction sector - we believe that this crisis offers a long term opportunity for profitable growth.
- In order to fight the influence of COVID-19 and to strengthen its financial position of 5.7 bn € the company initiated the COPE action plan which includes fixed cost savings and cash savings. Moreover HeidelbergCement has reduced the dividend proposal from originally 2.20 € to 0.60 €.
- Following a 27% decrease in the Group share price during the first half of 2020, we see... The final estimate of implied per share intrinsic value that we expect the market to gravitate toward is € XX,xx per share.

Key Figures

€m	2016	2017	2018	2019	2020E*	2021E
Total Revenue	15,166	17,266	18,075	18,851	XX **	XXX
EBITDA	2,600	3,215	3,221	3,580	XXX	XXX
EBIT	1,641	2,106	2,131	2,008	XXX	XXX
Net income	0,830	1,058	1,286	1,242	XXX	XXX
EPS in Euro	3,4	4,62	5,76	5,50	XXX	XXX

Source: Dr. Kalliwoda Research GmbH, HeidelbergCement AG, Copyright © 2020

*estimates do not take the impairment of 3.4 bn EUR into consideration
** only included in our full version

Contents

1	Company Profile	3
1.1	Company Structure*	3
2	Investment Thesis	3
3	SWOT	4
4	Valuation*	4
5	Outlook*	4
	Disclaimer	6
	Essential information, disclosures and disclaimer	6

*Content only included in our full version, check it out at Bloomberg, Thomson Reuters and FactSet Research

1 Company Profile

HeidelbergCement is a German based company involved in the production of building materials.

The Group has five major geographical Group areas: Western and Southern Europe, Northern and Eastern Europe-Central Asia, North America, Asia-Pacific, and Africa-Eastern Mediterranean Basin.

The company's products are mainly used for the construction of houses as well as for commercial and industrial buildings and infrastructure. The company produces four major products. It is currently active in the following main business segments: Cements, Aggregates, Ready-Mixed Concrete and Asphalt and Service-joint ventures-other category. The "Cements" and "Aggregates" segments are focused on the production of raw materials that are used downstream in the production of Readymix concrete and asphalt. Lastly, the "Service-joint ventures-other" segment covers the activities of the Group's joint ventures. This segment deals with construction products that are still manufactured in few countries. The service-joint ventures-other business line of business also covers the trading activities and the result of the Group joint ventures.

A more detailed description of the Group's structure as well as its business segments will ensue.

1.1 Company Structure

only included in our full version, check it out at Bloomberg, Thomson Reuters and FactSet Research

2 Investment Thesis

During the first 6 weeks of 2020 the share price of HeidelbergCement roughly stagnated at around 65 EUR. However, with the large market panic due to the COVID-19 pandemic, the stock price dropped sharply by over 59% and went below 30 EUR for a very short time. The share price recovered quickly from these lows, rising over 70% and trading again at over 50 EUR by the beginning of June.

Since then the share is trading in a range between about 52 EUR and 45 EUR.

The broader financial markets experienced similar price developments, however, the maximum drawdown and the volatility in general was higher for HeidelbergCement stock. This circumstance can be explained by the highly cyclical nature of HeidelbergCements business and is reflected by the shares one-year levered beta of approximately 1.38.

The Group's management has not provided an outlook with reporting the Q1 results but expects top and bottom line to be impacted negatively by the consequences of COVID-19. Still, with a financial position of 5.7 bn EUR the Group should be able to meet its financial obligations and navigate through this difficult economic environment. Several uncertainties, accelerating infection numbers in the US and new lock downs might cause global equities and HeidelbergCement stock to behave more volatile in the near future. However, ... (only included in our full version, check it out at Bloomberg, Thomson Reuters and FactSet Research)

3 SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Diversified product portfolio • Outstanding position in terms of potential cost savings through various Competence Centers • XXX 	<ul style="list-style-type: none"> • Tight competitive market-condition has impacts on rentability measures • Capital and labor intensity • XXX
Opportunities	Risks
<ul style="list-style-type: none"> • Cost savings are expected to be realized in the near-term future (e.g. through the announced action plan) • R&D investments represent a potential business accelerator • XXX 	<ul style="list-style-type: none"> • Demand fluctuations due to cyclicality of the industry • Climate conditions • XXX

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2020

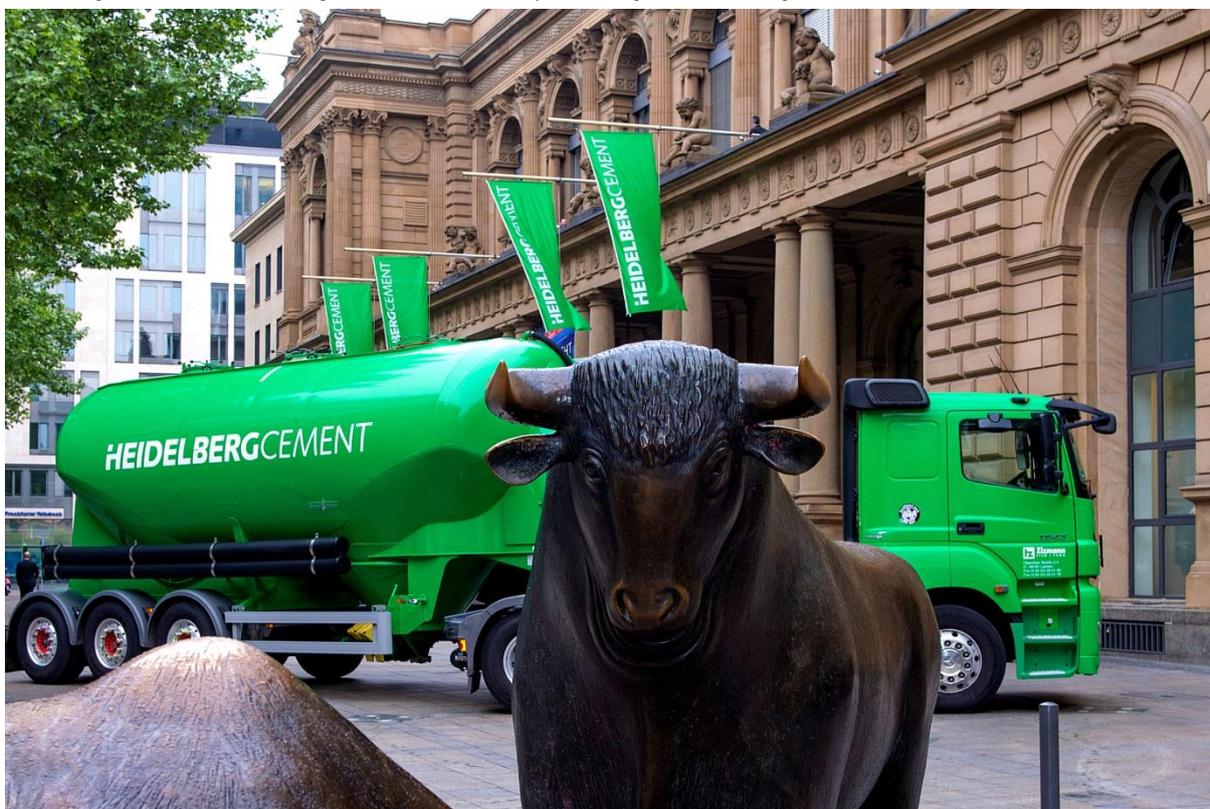
4 Valuation

Only included in our full version, check it out at Bloomberg, Thomson Reuters and FactSet Research

5 Outlook

Only included in our full version, check it out at Bloomberg, Thomson Reuters and FactSet Research

HeidelbergCement AG celebrating its 125th anniversary of being stock exchange listed in Frankfurt back in 2014. Source:



HeidelbergCement AG © Copyright 2020

CONTACT:		
Primary Analysis Fair Value Research International Roadshows International Conferences		Dr. Kalliwoda Research GmbH, www.kalliwoda.com Steinstraße 24, D-64839 Münster, office Frankfurt Arndtstr. 47, 60325 Frankfurt, Tel.: 069-97 20 58 53
Head: Dr. Norbert Kalliwoda E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm., Dipl.-Hdl.	<u>Sectors:</u> IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
Lukas Ankelmann E-Mail: la@kalliwoda.com	Junior-Analyst; University Nuremberg	<u>Sectors:</u> Technology, New Media, Food & Beverage
Dr. Peter Arendarski E-Mail: pa@kalliwoda.com	Senior-Analyst, Msc & Ph. D in Finance (Poznan Univers. of Economics), CFA Level 3 Candidate	<u>Sectors:</u> Technology, Raw Materials, Banks & Insurances, Financial-Modelling (Quant., Buyside)
Noah Barnekow E-Mail: nb@kalliwoda.com	Junior-Analyst (Frankfurt School of Finance & Management)	<u>Sectors:</u> Aviation, Automotive, Technology, Sustainability Approach
Ilias Chahboune E-Mail: ic@kalliwoda.com	Master Economics: Uni Amsterdam	<u>Sectors:</u> Consumer, Retail, Real Estate
Alejandro Cuadros E-Mail: ac@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main, Economics	<u>Sectors:</u> Technology, Video Games, Real Estate
Kilian Dreher E-Mail: kd@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main	<u>Sectors:</u> Consumer, Retail, Food & Beverages, Fashion
Leander Groß E-Mail: lg@kalliwoda.com	Junior-Analyst (University Rotterdam)	<u>Sectors:</u> eSports, Gaming, Consumer, Retail, Fashion
Giuseppe Inserra E-Mail: gi@kalliwoda.com	Junior-Analyst (Università degli Studi di Catania, Economics)	<u>Sectors:</u> Automotive & Zulieferer, Technologie
Michael John E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	<u>Sectors:</u> Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
Ignacio Klimowitz Gumpert E-Mail: ik@kalliwoda.com	Analyst (Pforzheim University of Applied Sciences)	<u>Sectors:</u> Gaming Entertainment, Fintech, Financial Markets, Commodities, Real Estate
Witold Konrad Kosinski E-Mail: wk@kalliwoda.com	Finance & Banking Warsaw School of Econ, Master of Science;	<u>Sectors:</u> Consumer Goods, Trading Companies, Food & Beverages, Technology
Olaf Köster E-Mail: ok@kalliwoda.com	Dipl.-Betriebswirt, EBS	<u>Sectors:</u> Renewable Energy/Technology
Sebastian Krawczyk E-Mail: sk@kalliwoda.com	Bachelor Management, Quant. Meth. Warsaw School/Mannheim, CFA Can.	<u>Sectors:</u> Quantitative Methods, Automotive, Technology
Christoph Löffel E-Mail: cl@kalliwoda.com	Bachelor Betriebswirtschaftslehre Universität Mannheim	<u>Sectors:</u> Financials, Real Estate
Vittoria Lou D. Mawis E-Mail: cl@kalliwoda.com	Architect; University Barcelona	<u>Sectors:</u> Assistant Office & Real Estate Research
Dr. Heinz Müller E-Mail: hm@kalliwoda.com	Dr. agr, Dipl.-agr. (Agrarökonomie)	<u>Sectors:</u> Agrochemicals, Consumer Chemicals, Chemicals
Dr. Christoph Piechaczek E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
Nele Rave E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	<u>Legal adviser</u>
Hellmut Schaarschmidt; E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	<u>Sectors:</u> Oil, Regenerative Energies, Specialities Chemicals, Utilities
Dr. Erik Schneider E-Mail: es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
Leonard Schüppler E-Mail: ls@kalliwoda.com	Junior-Analyst; WHU - Otto Beish. School of Management Vallendar	<u>Sectors:</u> Luxury Goods, Consumers, digital businesses.
Hans-Georg Sutter E-Mail: hsu@kalliwoda.com	Dipl.-Wirtschaftsingenieur University Kaiserslautern	<u>Sectors:</u> IT/e-commerce
Lukas Thiele E-Mail: lt@kalliwoda.com	Bachelor Business Administration, Univers. Frankfurt am Main	<u>Sectors:</u> Automotive, Technology, IT
Beata Wiendl E-Mail: bw@kalliwoda.com	Dipl.-Ökonomin (Hochsch. für Handel & Wirtschaft, Szolnok, Ungarn)	<u>Office-Manager, native polish, fluent hungarian and german.</u>
Also view Sales and Earnings Estimates: DR. KALLIWODA RESEARCH on Terminals of Bloomberg, Thomson Reuters, vwd group and Factset	Analyst of this research: Dr. Norbert Kalliwoda, CEFA	

Disclaimer

Essential information, disclosures and disclaimer

A. Essential information

The investments in financial instruments and securities (e.g. equities, bonds) generally involved on high risks. It is possible that the investors lose some or all of the invested money. Potential investors should be aware of the fact that the prices of securities could fall and rise. The income from such an investment might be considerable fluctuations. Investment strategies are not appropriate at all times and past results are not a guarantee for the future performance. Investors should make their own and independent decisions as to whether a risky investment.

B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and to the German Regulation governing the Analysis of Financial Instruments (FinAnV).

I. Information about author, company held accountable, regulatory authority:

Company responsible for the content of this document: DR. KALLIWODA RESEARCH GmbH, Frankfurt am Main, Germany.

Regulatory authority for DR. KALLIWODA RESEARCH GmbH is the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Author of this research: Dr. Norbert Kalliwoda, Analyst, CEO and founder of DR. KALLIWODA RESEARCH GmbH.

II. Additional Information:

1. Sources of information:

Essential sources of information for the compilation of this document are publications from domestic and international information services and media (e.g. Bloomberg, dpa-AFX, Reuters, VWD, among others), financial press (e.g. *Allgemeine Zeitung Frankfurter*, *Börsenzeitung*, *Financial Times Handelsblatt* and others), specialized trade press, published statistics, rating agencies as well as publications by peer group companies and the company itself. Additionally, conservation has been held with the management of the company. This document was made available to the company before publishing to ensure the correctness of the information provided.

2. Summary of the basis of valuation principles and methods used to prepare this document:

Within the scope of the evaluation of companies the following valuation methods are applied: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITDA), peer group comparisons, historic valuation methods, discounting models, sum-of-the-parts-approaches, substance-valuation methods and swot-analyses. The valuation principles and models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Besides, the market moods and market sentiment affects the valuation of enterprises. The approaches are based on expectations that could change rapidly and without advance warning according on developments specific to individual branch. The valuation results and fair values derived from the models might therefore change accordingly.

The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up general relate to a twelve-months. Nevertheless, evaluation results are subject to changing market conditions and

constitute merely a snapshot. The evaluation results and fair values may be reached faster or slower than expected by the analysts. The results and fair values may to be scale upwards or downwards.

DR. KALLIWODA RESEARCH GmbH uses the following rating model:

BUY:	Based on our analysis, we expect the stock to appreciate and produce a total return of at least 10% over the next twelve months
ACCUMULATE:	Based on our analysis, we expect the stock to appreciate and produce a total return between 5%- 10% over the next twelve months
HOLD:	Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months
REDUCE:	Based on our analysis, we expect the stock to cause a negative return between - 5% and -10% over the next twelve months
SELL:	Based on our analysis, we expect the stock to cause a negative return exceeding - 10% over the next twelve months

3. Date of first publication of this document: 13th of July 2020.

4. Updates:

A specific update of this document has currently not been set. The research reflects the author's judgement on the date of this publication and is subject to change without any notice. The document might be incomplete or reduced and it may not contain all information concerning the company covered. It is in the sole decision of DR. KALLIWODA RESEARCH GmbH whether and when a potential update of this research is made.

III. Disclosures about potential conflicts of interest:

The business model of DR. KALLIWODA RESEARCH GmbH is based on economic relationships with issuer company and equity transactions to be performed relating to the issuer's stock. Dr. Kalliwoda Research has entered into an agreement about the creation of this document with the company which is, or whose financial instruments are the issue of this research.

Conflicts of interest may be in existence with employees of DR. KALLIWODA| RESEARCH GmbH who are the authors of this document as well as other persons that were involved in the preparation of this research or related parties.

Following conflicts of interest might exist:

1. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have a major shareholding (holding more than 5%) of the share capital of the emitter that is, or whose financial instruments are, the subject of the research.
 2. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties are possibly holders of instruments that are mentioned in this research (or that are linked to these instruments) or might become holders and could regularly trade the emitter's securities or securities based on these issues as principal or agent.
 3. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties could have participated in leading a consortium for the emitter via a public offering of the financial instruments that are the subject of this research.
 4. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement on the provision of investment banking services with
-

the emitter which is the subject of this research, or have received services or a pledge to perform under the terms of such an arrangement during the same period.

5. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties may have other substantial economic interests concerning to the emitter which is the subject of this research.
 6. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement with the company, which is the subject of this research, resulting in receiving the compensation for preparation of this research.
 7. DR. KALLIWODA RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties received the feedback concerning the company profile and SWOT from the company, which is the subject of this research, before publishing this report to the public.
-

Important: Please get familiar with possible risks and possible conflicts of interest in the disclosure and disclaimer at the end of this report, especially for this report: 7.

The analysts have limited access to gain information that possibly could constitute a conflict of interest for the institution DR. KALLIWODA RESEARCH GmbH keeps insider registers appropriate to sec. 15 WpHG for assignees that normally have approach to inside information. Insiders' dealings appropriate to sec. 14 WpHG categorically are prohibited.

The analysts that composed this research did not receive or acquire shares in the emitter that is the subject of this document at any time. The analysts mentioned above hereby certify that all of the views expressed accurately reflect the individual views about the emitter. No part of the indemnity was, is or will be, directly or indirectly, linked to the evaluation result or views expressed by the analyst in this research.

C. Disclaimer:

This document is published and being distributed by DR. KALLIWODA RESEARCH GmbH solely for informational purposes and for the personal use by persons in Germany. This research is not intended to be in any form an offer or advice to buy or sell the securities referred to herein. This research is intended to provide information to assist investors in making their own investment decisions. Any decision to purchase any securities of the emitter must be made solely on the basis of the information contained in the offering documents from the emitter relating to such securities and not on the contents hereof. Furthermore, our recommendation may not be fully suitable to every investor, depending on their investment objective, individual financial situation or targeted holding period.

Potential investors should seek professional and individual information and advice before making their investment decisions. This document neither constitutes a contract or any kind of obligation.

Neither this document nor any copy, in whole or in part, thereof may be distributed in any other jurisdiction where its distribution might be restricted by law, and person into whose published this document comes should inform and observe themselves about any such restrictions.

The information within this document has been obtained from sources believed by DR. KALLIWODA RESEARCH GmbH to be reliable. DR. KALLIWODA RESEARCH GmbH does not examine the information to be verify and complete, nor warrants its correctness and completeness. Although due attention has been taken in compilation this document, it cannot be excluded that the information given is not complete or the document contains mistakes.

The liability of DR. KALLIWODA RESEARCH GmbH shall be restricted to gross negligence and wilful misconduct. All aspects penned in this document are those of DR. KALLIWODA RESEARCH GmbH respectively the authors and subject to modify without notice. Possible faults or incompleteness of this document

may be reformed by DR. KALLIWODA RESEARCH GmbH and do not constitute reasons for liability, neither with regard to indirect nor to direct or consequential losses.

Moreover, DR. KALLIWODA RESEARCH GmbH does not accept any responsibility and liability for any damage arising from using of this research or its contents or otherwise arising in relation herewith. In each case, the liability and responsibility of DR. KALLIWODA RESEARCH GmbH is limited to typical, predictable damages and the liability for any direct or indirect losses is excluded.

This document is subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Frankfurt am Main, Germany.

This document or any copy, in whole or in part thereof, may be distributed in any other jurisdiction where its distribution might be restricted by law and persons who have access to this document have to inform and observe themselves about any such restrictions.

In the United Kingdom this document is to be distributed only to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves of any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or transmitted into the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any Failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

By confirming this document the reader or user agrees and accepts to be bound by all of the foregoing provisions and this disclaimer. Besides, the user accepts not to distribute this document to unauthorized persons. The user of this document compensated DR. KALLIWODA RESEARCH GmbH for any disadvantages, damages, claims and losses resulting from or in relation with the unauthorized use of this document.

© 2020 DR. KALLIWODA RESEARCH GmbH, Steinstr. 24, D-64839 Münster und Arndtstraße 47, D-60325 Frankfurt am Main. All rights reserved.