

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](http://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

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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
<b>Total Revenue</b>	15,166	17,266	18,075	18,851	XX **	XXX
<b>EBITDA</b>	2,600	3,215	3,221	3,580	XXX	XXX
<b>EBIT</b>	1,641	2,106	2,131	2,008	XXX	XXX
<b>Net income</b>	0,830	1,058	1,286	1,242	XXX	XXX
<b>EPS in Euro</b>	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

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

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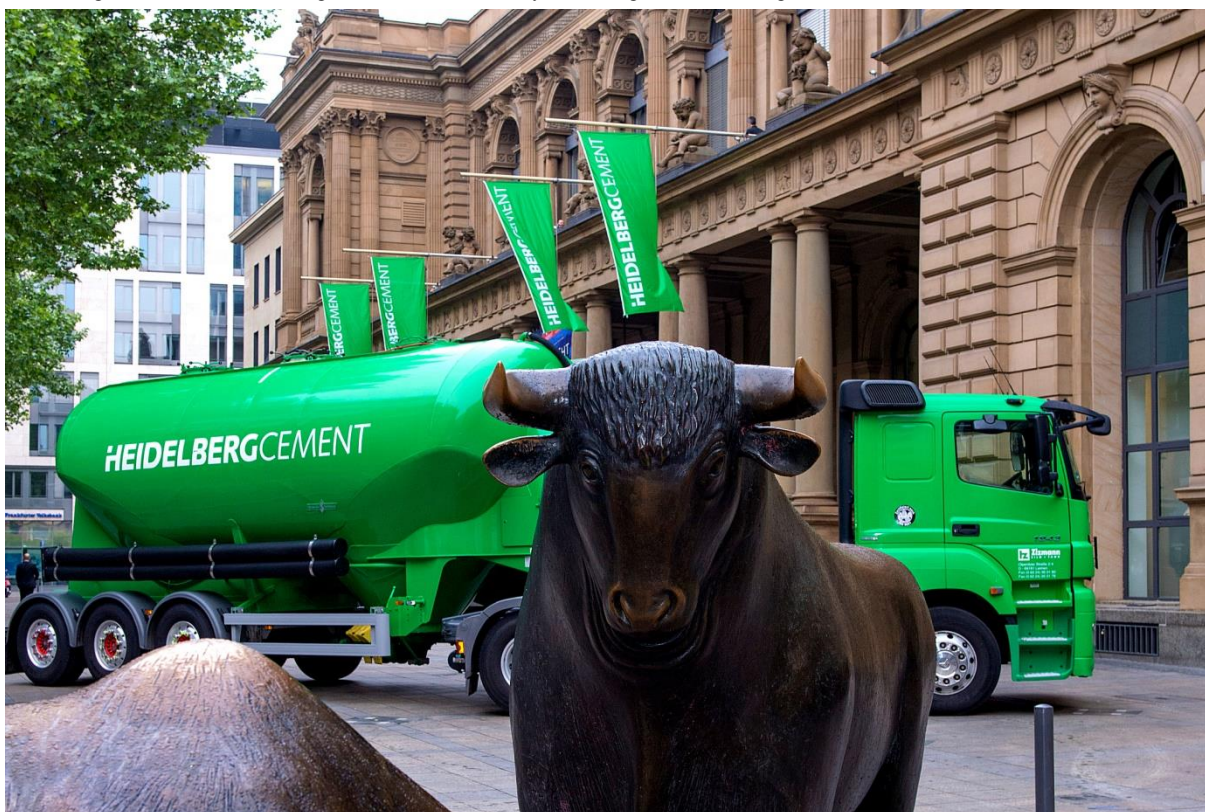
### 4 Valuation

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### 5 Outlook

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



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