TITLE

NAME OF STUDENT

COURSE/UNIT

INSTITUTION AFFILIATION

HEIDELBERG CEMENT AG

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| --- |
| Ticker Recommendation |
| Price Price target |

Earnings/ share

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| --- | --- | --- | --- | --- | --- |
|  | March | June | September | December | P/E ratio |
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## Highlights

* Key Merits
* Key Risks

## BUSINESS DESCRIPTION

Heidelberg cement group of companies is among the topmost firms in the planet involved in the production and selling of building materials. Its three main products are Cement, aggregates, and concrete that is already mixed. It is current global ranking is, position one in aggregate production, position two in cement and position three in mixed concrete production It was established in 1874 June by Philip Johann in Baden-Württemberg found in Germany. Its growth was accelerated when it acquired other cement production firms within Germany as from 1914 which resulted in the production of more than a million tonnes of cement in a year. In 1972 it expanded its activities beyond the borders (Germany) when it purchased a portion of Vicat cement firm based in France. It expanded its activities to North America by the buying of Lehigh cement and to Belgium by acquiring a portion of SA Cimenteries CBR. The biggest breakthrough of Heidelberg cement occurred when it bought Hanson limited, a British firm in May 2007. This acquisition made Heidelberg dominate the United Kingdom and the United States of America construction markets, causing it to be the world's number one maker of aggregates. In 2016 it acquired 45% of the shares of Italcementi which caused it to be the world's largest producer of construction materials (Heildebergcement, 2016). Currently the presence of Heidelberg is felt globally, its headquarters are based in Germany, Heidelberg, it has plants for producing cement in Northern America, United States, United Kingdom, Western Europe, Northern Europe, Africa, India, Central Asia, and Mediterranean basin. (HeildebergCementAG, 2018). Heidelberg is managed by a board that is made up of a chairman, principal financial officer, and other 5 individuals that manage specific regions of the company.

## INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Heidelberg group of companies specializes in manufacturing and processing of construction materials, as a result, it belongs to the construction industry. Construction is a vital sector of the economy since it is responsible for at least 10% of the gross domestic product in most European countries. (David, 2009). This industry is varied and its projects usually divergent encompassing mining and forestry of building materials, additionally the industry fabricates, manufactures and provides building items to the market. The primary consumer that provides a substantial market to building materials industry is the real estate sector, the government (public sector) also provides a sizable market. (David, 2009). Construction material companies produce 3 major types of building materials which are: cement, concrete and aggregates.

The construction materials industry has numerous opportunities both currently and in the future. Advancement in health-related technologies causing a decline in mortality and optimal nutrition have resulted in rapid population increase over the last 5 decades in the next 10 years the world population is has been projected to rise by 10% (Mckeown, 2011). This implies that the demand of construction materials is projected to rise to cater to the needs of the rapidly growing population.

Currently almost half of the entire world’s population dwells in urban centers (Cohen, 2011) In the previous two decades, cities have undergone exponential growth worldwide. This trend is a consequence of population increase and metamorphosis of the economic activities conducted globally whereby they are centered in urban centers. The demand for construction items is forecasted to swiftly increase because urban dwellers are outstripping the currently available buildings and there is need to construct new ones to satisfy the demand.

The existing infrastructure in most developed countries was constructed over 50 years ago and is currently aging and almost getting obsolete. This provides an opportunity for the increased demand for construction materials in the next ten years because countries won’t continue postponing investment in infrastructural facilities.

The building materials sector has not yet taken advantage of technological advancements since it has under-invested in it. This provides a chance to leverage on technology to improve labor efficiency and productivity. Only a handful of construction firms have taken advantage of Building information modeling technology that can provide a competitive edge over their competitors in the industry.

This industry is facing numerous risks. The global demand of cement is constantly fluctuating and the oversupply of cement is causing the global prices to plunge. Third world countries government officials are constantly demanding for bribes and kickbacks from the construction firms to license their businesses. Bribery is contributing to unfair competition as the incompetent and least deserving firms are getting licensed. Limestone is a non-renewable resource, over-exploitation of the resource due to its high demand can result in depletion of the resource in the nearby future. There has been increasing political instability and terrorism in some Asian, western European and African countries where building materials are mined, which has contributed to the slow growth of the sector in those countries and even warded off multinational companies that could have invested in the construction sector. Increases prices of petroleum and coal used to run the cement processing plants have the capability of reducing the profits earned by the firms. Some of the risks faced by these firms cannot be insured against.

The biggest competitors to Heidelberg group of companies are Lafargeholcim limited, ACC limited and CEMEX which are listed descending order. Currently, Heidelberg has the largest cement producer worldwide with a market share of around 40%. Heidelberg has a competitive advantage as compared to other firms its investments are spread in almost all the continents except in south America. In addition to producing cement, it trades in ready-mixed concrete and aggregates hence it can benefit from the changing demand for construction materials between countries.

# Bibliography

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