

# 2020 Capital Markets Day

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## Beyond 2020

Dr. Dominik von Achten  
CEO



## What we want to achieve today:

- Show what we do differently than in the past
- Demonstrate how we drive value
- Explain how we unlock optimization potential
- Highlight our CO<sub>2</sub>-reduction targets and roadmap
- Describe why Digital Transformation is a step change
- Introduce all HeidelbergCement Board members in action



# Strong fundamentals driving building materials sector growth

## Key global megatrends shaping the building materials sector

### Market dynamics



- **Growth markets:** Further structural construction growth in emerging markets driven by population growth & urbanization
- **Infrastructure stimulus:** Additional push due to Corona crisis, notably in mature markets (US infrastructure, EU green deal, etc.)

### Society



- **Climate change:**
  - Changing consumer preference for sustainable, low carbon construction
  - Further pushing circular economy models
  - Regulation with carbon taxes / emission caps

### Technology

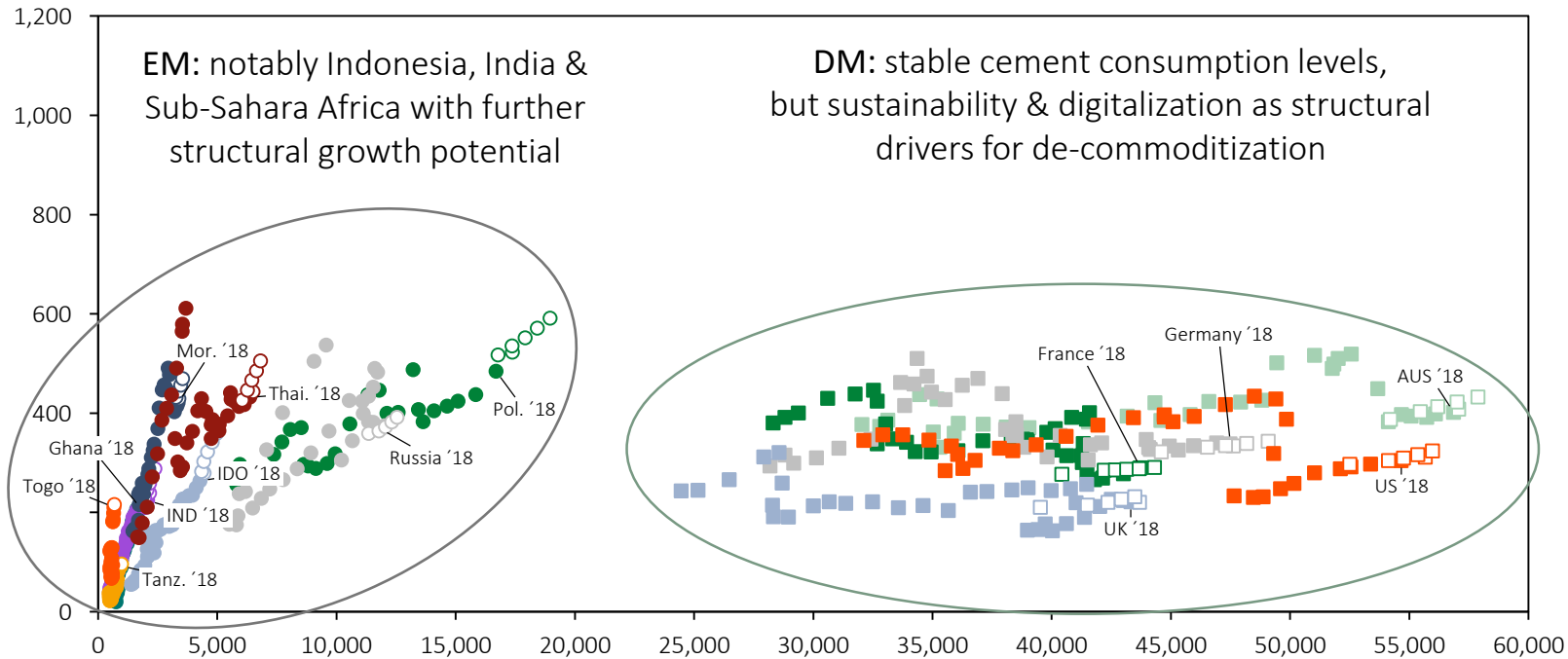


- **New business models:** Digitalization & automation to improve efficiency & reduce cost
- **Innovative and sustainable building materials:** New functionalities and characteristics
- **Carbon reduction technologies:** From CCS/U to re-carbonation

# Cement consumption expected to grow – with focus on EM countries

Per capita cement consumption in relation to GDP per capita, 1985-2024e

CEM consumption per capita (kg)



Hollow symbols represent 2020-24e forecast

- Australia
- France
- Germany
- Ghana
- India
- Indonesia
- Morocco
- Poland
- Russia
- Tanzania
- Thailand
- Togo
- UK
- US

Real GDP per capita (USD, 2010 prices)

HeidelbergCement today –  
The largest vertically integrated building  
materials producer in the world

Leading global market positions

#1 in aggregates

#1 in ready-mixed concrete

#2 in cement

3,100 production sites in more than  
50 countries

Cement capacity 187 mt (incl. JVs)  
Aggregates resources & reserves 19.2 bnt

54,000 employees



## Balanced asset base with good growth perspectives

Current setup as good basis for value enhancement

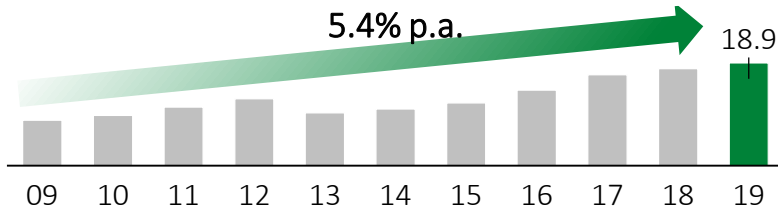
- Strong Group EBITDA exposure (>75%) and leading aggregates business in **developed markets** (Europe/NAM/Australia)
- Vertically integrated positions into RMC in major **metropolitan areas** to support margins in cement and aggregates
- Well positioned in growing **emerging markets** such as Indonesia, Morocco, Tanzania
- High quality reserve positions in AGG & CEM
- Good track record in sustainability



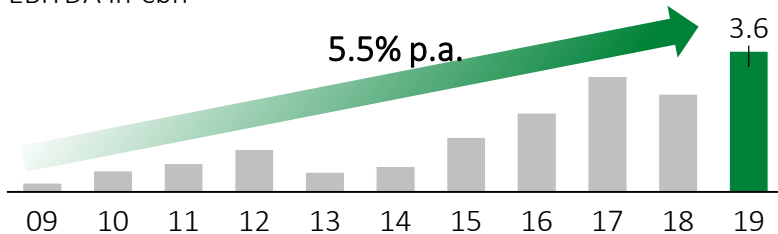
# Turning challenges into opportunities on a solid base

## Solid track record – we build on a strong base

Turnover in €bn



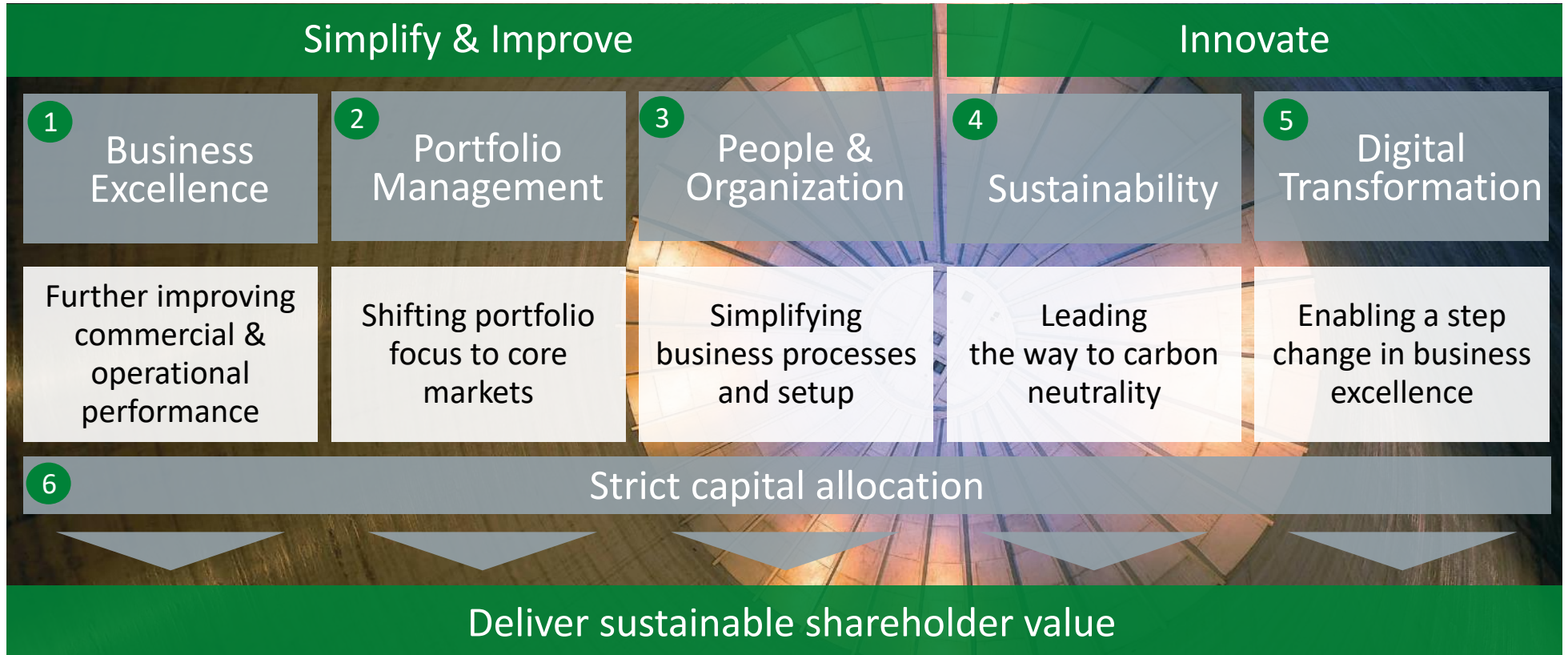
EBITDA in €bn



## External and internal challenges

- Industry with a track record of low ROIC
- Commoditization of the production technology
- Climate change increases need for action
- Digitalization and automation deconstruct many other industries
- Culture change and new ways of working required as younger generations enter workforce

# Our strategic framework “Beyond 2020”





# 1 Business Excellence – Further improving sales and operations

- Sales – local entrepreneurship
  - Organic growth through product & customer portfolio development and new products
  - Margin improvement driven by green products and services
- Operations – global standardization
  - Rigid performance management
  - Asset optimization towards financial targets
  - Global operating model to standardize processes and assets



# 1 Business Excellence – North America targets 400-500 bps margin improvement

	Cement	Aggregates	Ready-mix/Asphalt
Commercial	<ul style="list-style-type: none"> <li>- Accelerated market development in focus areas</li> <li>- Advanced pricing to compensate rising operating costs</li> </ul>	<ul style="list-style-type: none"> <li>- Pricing focus</li> <li>- Logistics optimization of key input costs</li> </ul>	<ul style="list-style-type: none"> <li>- Develop targeted segments and customers</li> <li>- Roll out new sustainable products</li> </ul>
Operational	<ul style="list-style-type: none"> <li>- Improve kiln reliability</li> <li>- Increase alternative fuels</li> <li>- Targeted, cost effective investments</li> </ul>	<ul style="list-style-type: none"> <li>- Improve plant reliability</li> <li>- Drive value from plant upgrades</li> <li>- Automate to lower cost and improve capacity</li> </ul>	<ul style="list-style-type: none"> <li>- Drive performance improvement around raw material and distribution costs</li> </ul>
SG&A	Continuously optimize overhead structure		

Each NAM region has a specific action plan to address current underperformance

## 2 Portfolio Management – Focusing on core asset portfolio: simplify and prioritize

- Committed to balanced portfolio of mature and emerging markets
- Setting clear portfolio criteria:
  - Attractiveness of position
  - Financial returns
  - Be the best owner
- Reiterating strategic focus:
  - Reduce complexity
  - Innovation focused asset base improvement
  - Expand in focus markets
- Reassessing core asset portfolio



### 3 People & Organization – Simplifying business processes and setup

- Committing to zero harm: Safety first!
- Key targets will be regularly measured and tied to incentive schemes on all levels
- Implementing clear business responsibility logic on Board level – one global function per Board member only
- Transformational topics with highest attention
  - ESG allocated to one Board member
  - Digital led by CEO
- Combining global & area functions to simplify business setup
- SG&A reduction on both country and Group level



## 4 Sustainability – Leading the way to carbon neutrality

- Setting new industry leading CO<sub>2</sub> reduction targets for 2025 and 2030, underpinned by a clear roadmap
- Leveraging our strong local low-carbon product portfolio to further reduce emissions
- Driving critical breakthrough CO<sub>2</sub> reduction initiatives to reach carbon neutrality by 2050 at the latest



## 5 Digital Transformation – Enabling a step change in business excellence

- Contributing to our Group margin target through our three digital pillars: *HConnect*, *HProduce* and *HService*
- Focusing on superior customer interaction covering >75% of global sales volumes through our integrated *HConnect* digital products
- Enabling significant efficiency gains and cost reductions in our processes through our *HProduce* and *HService* solutions



## 6 Financials – Focusing on efficient cash generation and allocation

### Capital efficiency

- Active core portfolio management
- Strategic initiatives for business excellence

### Cash generation

- Strong focus on free cash flow
- CapEx with focus on asset base improvement and financial returns

### Cash allocation

- Clear leverage target
- Disciplined use of excess cash
- Committed to shareholder returns



# Our 2025 targets in numbers

EBITDA margin



**+300 bps**

vs 2019

ROIC



Clearly

**>8%**

Leverage ratio



**1.5-2.0x**

Sustainability



**<525 kg**

CO<sub>2</sub>/t cementitious

CO<sub>2</sub> reduction  
target accelerated  
by 5 years:  
-30% vs 1990

Digital transformation



**>75%** of global sales  
volumes covered by HConnect



## “Beyond 2020” – Our commitments

1. We prioritize the improvement in margins and ROIC over growing the top-line
2. We shift our portfolio focus to the optimization of core assets while remaining committed to our balanced global footprint
3. We ensure strict capital discipline:
  - CapEx spending with focus on asset base improvement and financial returns
  - Larger bolt-on M&A to be funded through portfolio disposals
4. We accelerate innovation in CO<sub>2</sub> and Digital as the frontrunner in the building materials industry
5. We offer attractive returns to shareholders including progressive dividends and share buybacks





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