

Monday, August 10, 2009

## Cement giant chips away at debt



Mexican cement maker Cemex went from operating one small plant to becoming a multinational success story. But huge growth came at a high price, and the company is now trying to refinance \$15 billion of debt. Dan Grech reports.

Mexican cement company Cemex's plant in Maracaibo, Venezuela (Wilmer Reina/AFP/Getty Images)

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### TEXT OF STORY

**Kai Ryssdal:** Leaders of the three largest North American economies crammed a lot into their 24-hour summit meeting yesterday and today. President Obama, Canadian Prime Minister Stephen Harper and Mexican President Felipe Calderon talked about drug wars, swine flu, international trade, too. The recession has hit companies in all three countries. Manufacturing has slowed. Exports are down. And construction projects have been delayed. That last one is of special concern to North America's biggest cement maker, the Mexican firm Cemex. From the Americas Desk at WLRN, Marketplace's Dan Grech reports.

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Nasdaq	1985.52	+0.00	(+0.00%)
S&P 500	1004.09	+0.00	(+0.00%)
Russell 2000	563.90	+0.00	(+0.00%)
NYSE	6537.82	+0.00	(+0.00%)
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**DAN GRECH:** Cemex stands for Cementos Mexicanos. It started a century ago with a small plant in northern Mexico and has grown into a global giant operating in five continents. The company is Mexico's pride.

Cemex is best known for its precise delivery of wet cement. It uses satellites and specialized software to dispatch trucks within half an hour of getting an order. Ricardo Ernst is a professor at the Georgetown Business School.

**RICARDO ERNST:** Cemex was able to move beyond selling commodities, into selling a commodity with value added. And that is a significant departure from the traditional business that most companies have been doing in Latin America, which was only to sell commodities.

Cemex borrowed billions for big takeovers in the U.S., Europe and Asia. That strategy paid off: revenues and profits soared. In its biggest deal yet, Cemex took on a mountain of debt to buy rival cement maker Rinker in late 2007.

Cemex became the third largest cement maker in the world. Abraham Lowenthal is a professor at the University of Southern California. He said Cemex's bold takeovers and cutting-edge technology defy the stereotype of family-run firms in Latin America.

**ABRAHAM LOWENTHAL:** There's a sort of lingering, general perception of Latin America as somewhat slow, always thinking about 'manana.' But in the last several years, they have really shown an ability to compete in a variety of different industries and services.

Latin America began opening itself to global competition in the 90s. Companies from the U.S. and Europe swept in and took business from many local firms.

But a select group, like Cemex, survived and thrived. Lowenthal says these Latin American businesses have become international players in meat processing, iron ore and oil.

**LOWENTHAL:** There's a big glass company in Mexico, Vitro. Telecommunications companies, Telmex and America Movil. Girdau is a huge steel company from Brazil.

According to Forbes Magazine, 49 of the world's 2,000 largest companies are headquartered in Mexico or Brazil. That's more than India has on the list.

But the global recession and the credit crunch have hobbled many Latin American multinationals, including Cemex. The housing downturn has caused cement and concrete shipments to plummet in the U.S., Cemex's largest market.

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That reduced cash flow has made it much harder for Cemex to pay its loans on time. Cemex also lost millions in foreign-exchange contracts tied to the U.S. dollar.

Jerry Haar with Florida International University says Cemex was gambling that the dollar would stay weak. It didn't.

**JERRY HARR:** Truthfully, it's foolish to bet against the dollar.

Cemex has closed kilns and sold off plants to stay afloat. It's now trying to refinance \$15 billion in debt. Haar says with these moves, Cemex is looking to buy time.

**HARR:** If they can get over this rough patch, and it's very rough, the future's very bright for them, because they still have the things that made them great.

Cemex declined to comment. But with its credit rating downgraded to junk status, and \$6 billion in debt coming due this year, Cemex's very survival is in question.

I'm Dan Grech for Marketplace.

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By Hector Huerta  
08/10/2009

Thanks for sharing some mixed news on Latin America. Although Cemex became a formidable force to reckon with, its current value and debt make it look more like an edifice about to collapse. However, Cemex is known for its futuristic view and it will very likely survive the current world economic collapse due to its strong foundations.

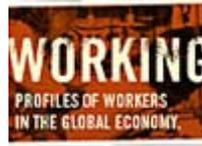
The other MBA (Mexico, Brazil and Argentina) country in the story, Brazil, has done remarkably well abroad, particularly in oil exploration and export of meat in key markets like Angola and Saudi Arabia. Kudos to Latin America!

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