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# Arabian Cement Company

1H 2019 Investors Presentation

# Highlights



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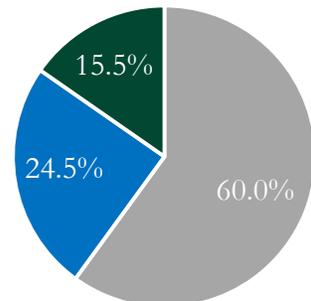
# Introduction to ACC



## ACC in a Snapshot

- The company operations started in 2008 and ACC is currently a leading cement producer. Majority owned by Cementos La Union (“CLU”), a Spanish cement player with operations in several countries such as Chile and Congo.
- ACC has two production lines with a total production capacity of 5.0 Mmpta, making it one of Egypt’s largest cement plants, with a market share of 8.2% as of H1 2018.
- ACC’s operations include the production of clinker, production and sale of high quality cement.
- The Company outsources its manufacturing through an operational management contract with FLSmidth.
- ACC has adopted and implemented quality, environment and safety management systems, complying with the requirements of the international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.
- Through its dedicated sales and marketing teams the Company has managed to position its product amongst the market’s premium price brands.
- ACC pioneered shifting towards diversifying its sources of energy and will substitute 100% of its current energy requirements to use a mix of solid and alternative fuels.
- ACC has been also the first cement company in obtaining the Energy Management certificate ISO 50001:2011 at the beginning of 2016 and not obtained by any other Egyptian competitor yet.

1H2019 Shareholding Structure



■ Aridos Jativa ■ Free Float ■ El Bourini Family

## Investment Highlights

Strong and Dynamic Management Team

New Strategically Located Facility with an Integrated Operation

Outsourcing the Production Process while Maintaining a Highly Qualified Internal Supervision Team

Better Positioned for Diversifying Energy Sources

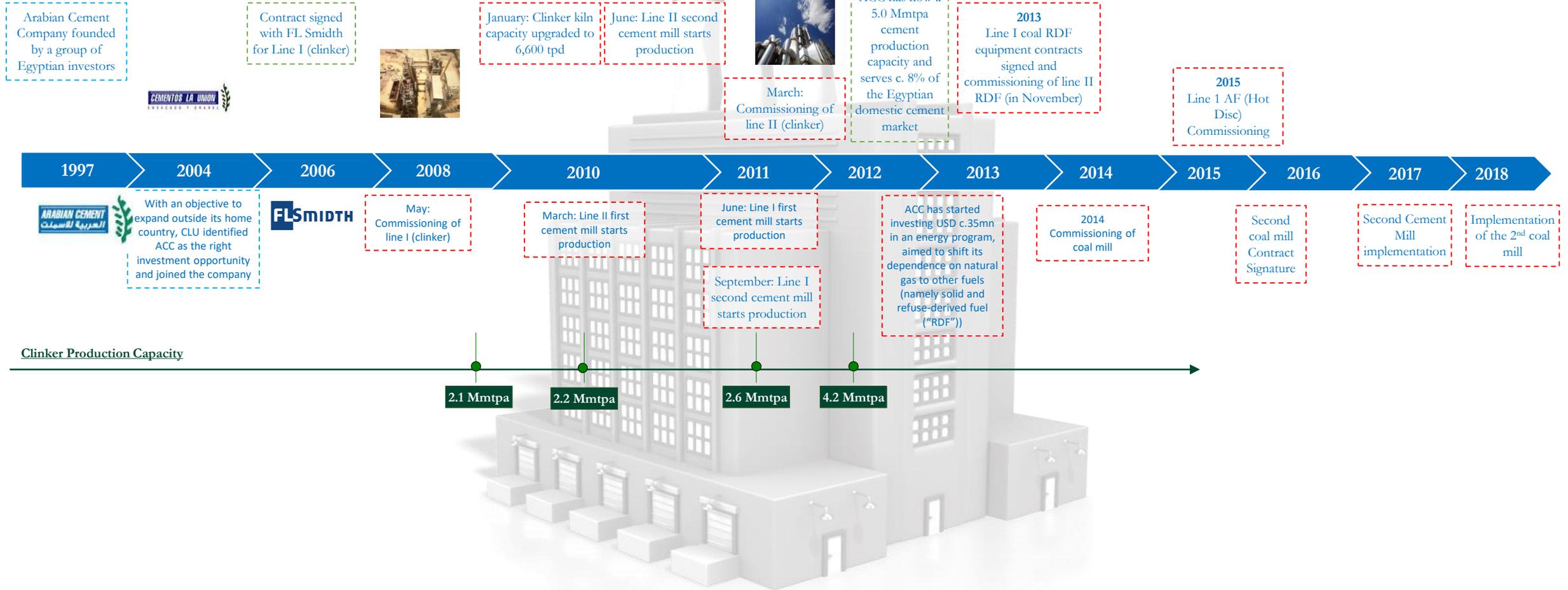
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

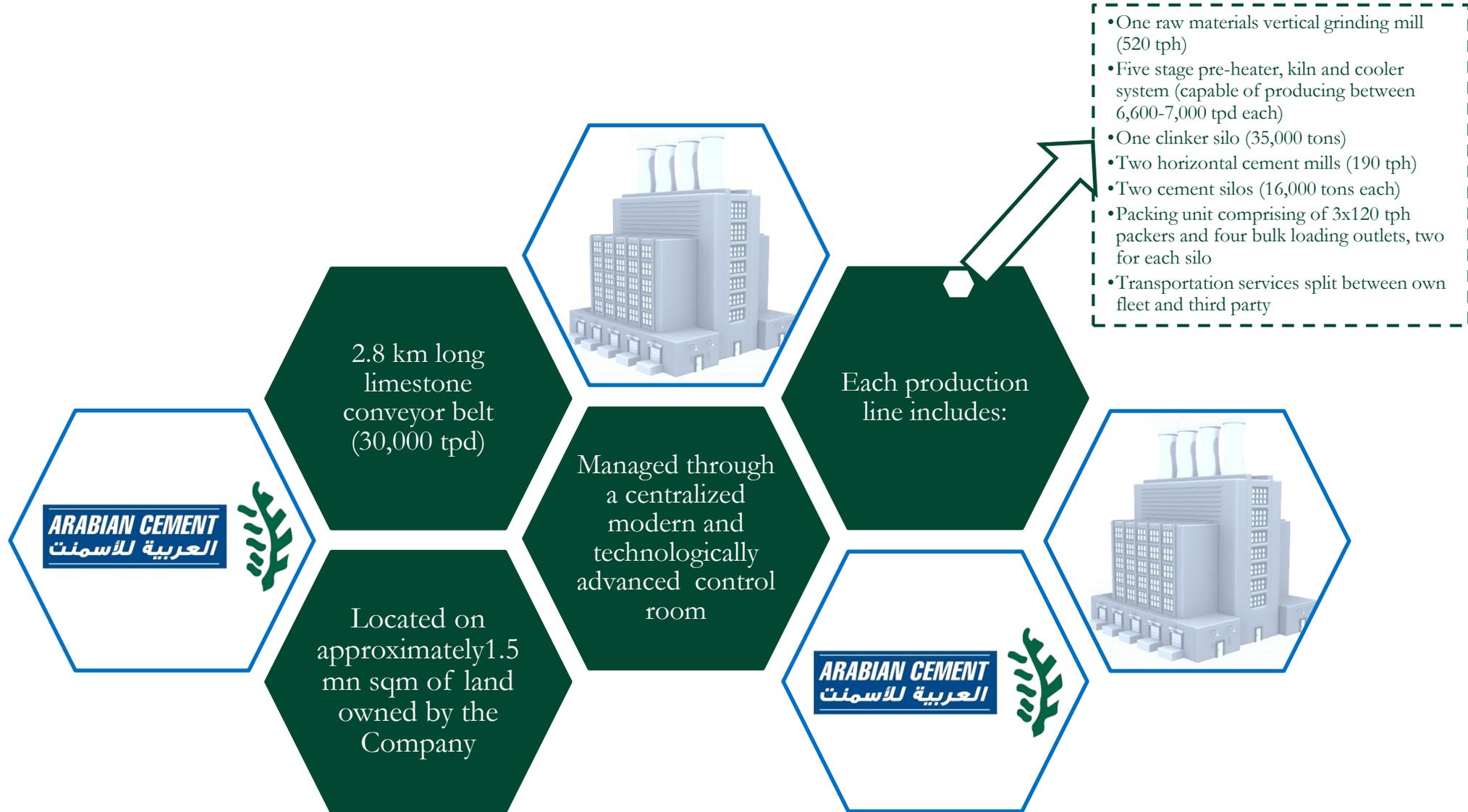
# Introduction to ACC

## Corporate Evolution



# Introduction to ACC

## Plant Information



# Introduction to ACC

## Executive Management Team



### Sergio Alcantarilla

Chief Executive Officer



Mr. Alcantarilla is graduated from the Superior Industrial Engineering School in the University of Seville (Spain). He spent some time sharing his studies and Final Project, passed with Cum Laude, with works in different departments of the Engineering School, where he published articles related to energy generation with biomass in international magazines.  
In 2002, he started his career in the cement industry and, since then, has participated practically in all fields of the business' technical side. After more than five years as Plant Manager in Spain, he moved to Egypt in 2009 to form part of the Company's Management, first as Plant Manager and later on, from mid-2012, as Chief Operation Officer. The Company's strengthening performance since the start of cement commercialization is a direct reflection of his passion for optimization and operational excellence. Mr. Alcantarilla participated actively in the preparation phase of Arabian Cement Company IPO.  
In 2015, Mr. Alcantarilla was Executive MBA graduated, with honors, from the IE Business School, Madrid, and shortly after, in August 2016, became CEO of Arabian Cement Company.



### Hasan Gabry

Chief Commercial Officer

Mr. Gabry is a graduate of the Faculty of Commerce - Ain Shams University - Cairo Egypt, year 1991, with 24 years of Commercial Experience, 11 of which are in the Cement Industry as a Senior Commercial Director. The Cement journey started with Lafarge Sudan, moving to ASEC Algeria, GFH Bahrain, Khalij Holding Qatar, and since 2009 with Arabian Cement Company in Egypt



### Salvador Cabanas

Chief Financial Officer

Mr. Cabañas is a graduate of Industrial Engineering and Executive EMBA, both in Universidad Politécnica de Valencia, Spain. He joined ACC in October 2018 as a Chief Strategy Officer, shortly after, in May 2019 became CFO of Arabian Cement. He started his career in 2007 in a multinational company in the Water & Wastewater industry occupying different senior positions as Technical Director, Sales Director and Commercial Excellence Director of Europe within the Global Marketing and Strategy Department. Mr. Cabañas has led and implemented large projects in the areas of Customer Loyalty, Cost Optimization, Pricing Strategy and Sales & Operational Excellence across international teams.



### Sameh Saleh

Chief Operations Officer

Mr. Saleh has 23 years of experience in the Egyptian cement industry. He joined ACC 2012 as Plant Manager. Prior to that he worked for RHI as ACC consultant for the construction of its green field project starting 2005 till 2012. In 2005 he was a member of ASEC group engineering division. Mr. Saleh has diversified cement industry experience portfolio (i.e. engineering, upgrades and turnkey project management). He graduated from faculty of engineering Cairo University 1992. later on, AUC Project management diploma 2009 and last but not least, AUC Executive Master of Business Administration EMBA 2016.

## Our Strategy

### Medium Term Strategy

### Long Term Strategy

1- Position ACC  
Among the Top Brands  
in the Market and  
Command a Price  
Premium and the  
Highest Profitability

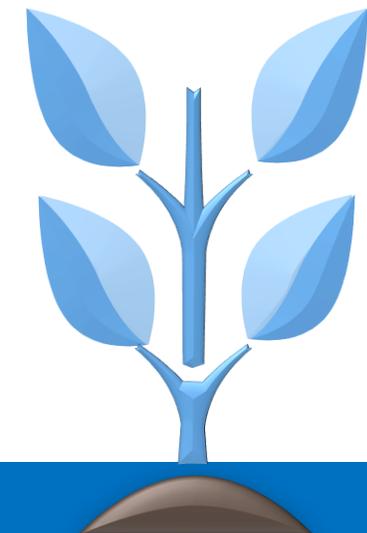
2- Continue to Pay a  
Healthy Dividend  
Stream While  
Optimizing Capital  
Structure

3- Vertical Expansion:

- Andalus Ready Mix
- RDF Plants

4- Cost saving strategy

- Solar Plant
- Local Petcoke



# Introduction to ACC

## Distribution Network Overview

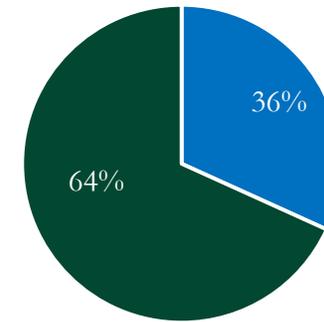


- In 1H 2019 Arabian Cement distributed through direct Ex-Factory sales and Delivery.

### Express Wassal

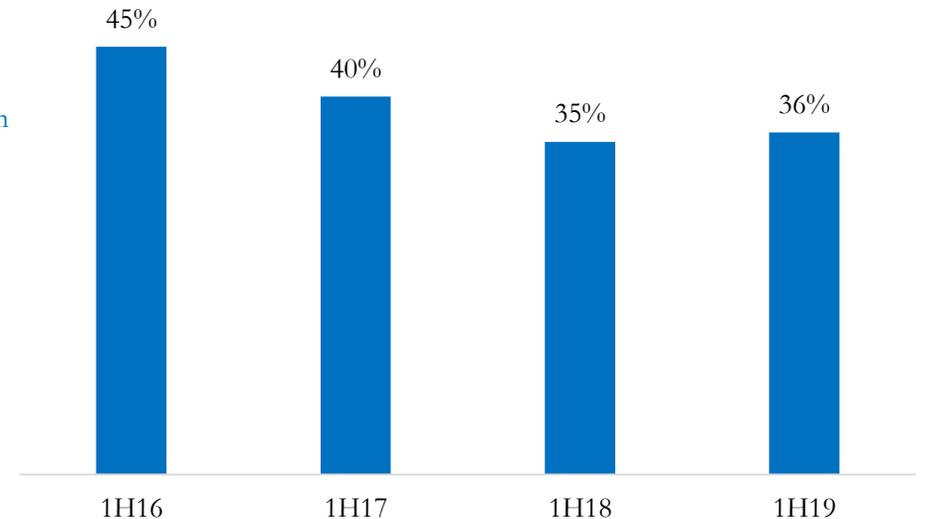
- Express Wassal is a full transportation service for bulk and/or bagged products provided by the company's fleet of 25 trucks as well as by 3rd party business partners. Express Wassal was launched in 2011
- Express Wassal offers ACC a number of benefits such as;
  - Reducing ACC's dependency on external transport providers which is fragmented and can be unreliable
  - Controlling products flow to strategic markets
  - Ensuring price positioning in these markets
  - Penetrating high demand scattered markets
  - The Company's own fleet also provides it with insight with regards to the operational costs associated with transportation, allowing it to better gauge 3rd party transportation rates
- Now ACC operates its Express Wassal's hotline for 24 hours per day, 7 days a week.
- The additional availability has increased customer satisfaction as it allows them fast access to the Company's products at any time

1H 2019 Distribution



■ Delivered ■ Ex-Factory

### Delivered volumes



# Period Highlights

## Main Highlights



### Economy

- Egypt's recovery has turned it into the Middle East's fastest-growing economy following three years of reforms enacted to secure a \$12 billion loan from the International Monetary Fund, Bloomberg said in a report Wednesday.

The Egyptian pound's current stability has combined with high interest rates to make the country a darling among bond investors hunting for yield.

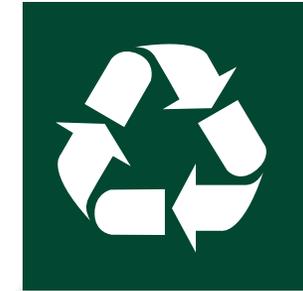
Egypt is poised to cut interest rates for the first time in six months as easing inflation and currency stability look set to override concerns of an emerging-market selloff.

The Monetary Policy Committee is expected to reduce the benchmark overnight deposit rate on Thursday by at least 100 basis points to 14.75%, according to 10 of 12 analysts surveyed by Bloomberg.



### Production

- ACC produced 1,873K T of clinker in H1 2019 compared to 2,007K T in the same period the previous year.
- ACC operated at 89% clinker utilization in H1 2019 VS 96% in H1 2018.
- Cement production reached 2.1 mn tons in 1H 2019 with utilization rate of 90%.



### Energy

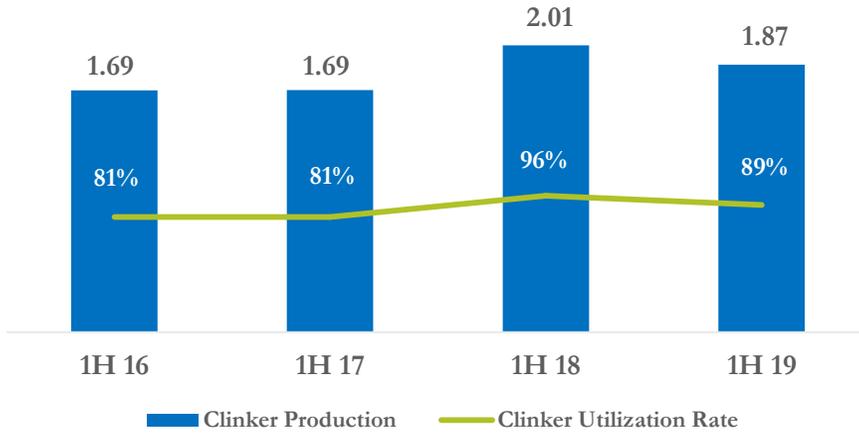
- The fuel mix in 1H19 was 83% Coal and 17% Alternative Fuel vs. 83% Coal, 14% AF and 3% Diesel in 1H18.

# Period Highlights (continued)

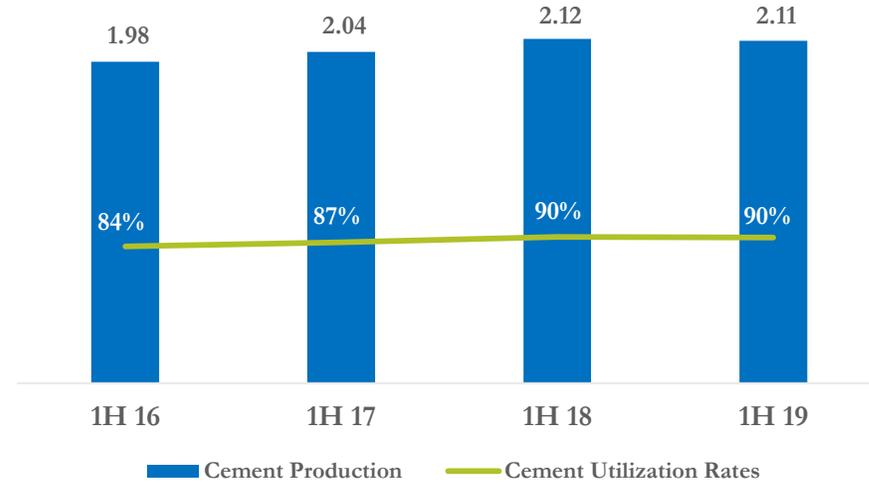


## Main KPIs

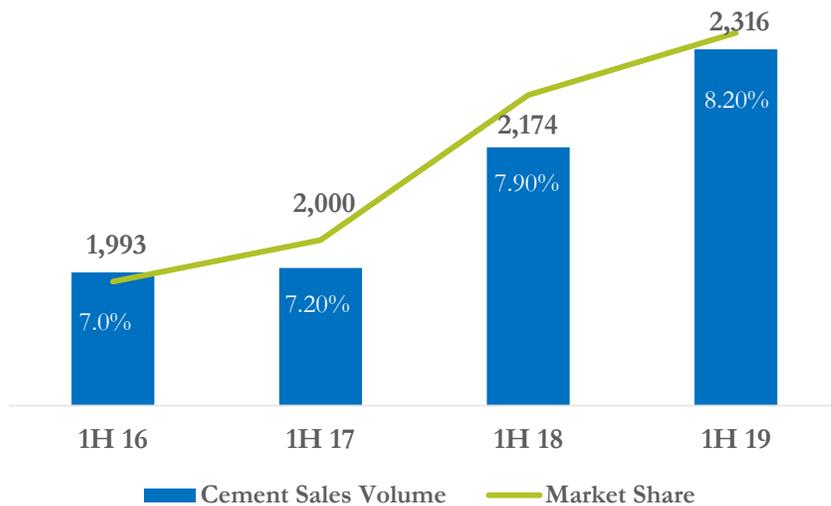
### Clinker Production (MN MT) and Utilization Rates



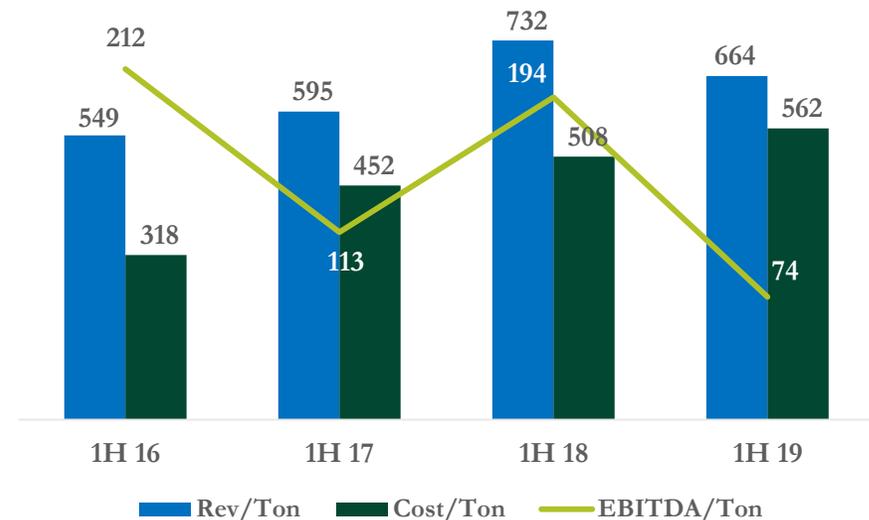
### Cement Production and Utilization Rates



### Sales and Market Share (MN MT)



### Revenues, COGS and EBITDA (EGP/ton)

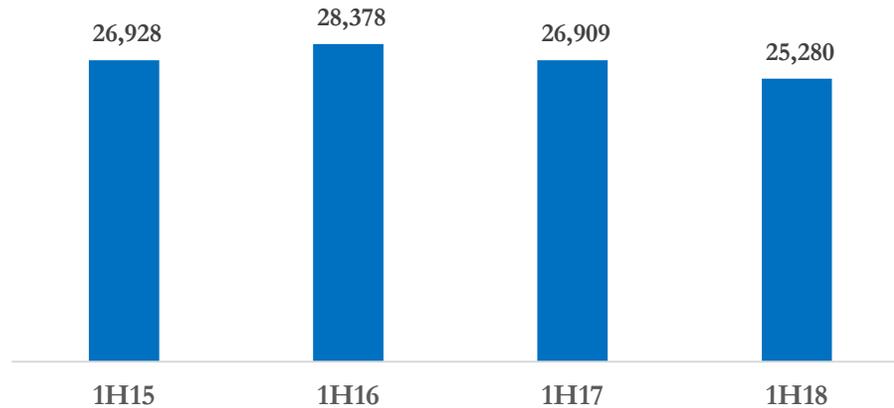


# Egyptian Cement Market

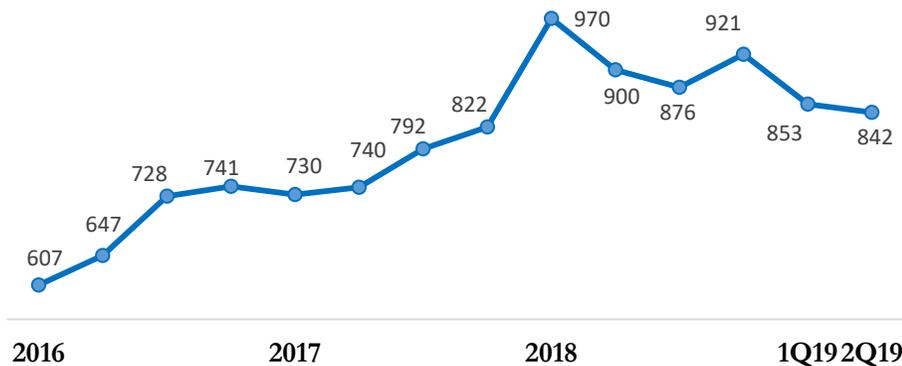
## Demand and Supply Synopsis



### Domestic Consumption (MMT)



### Average Market Retail Prices (EGP/ton)



### Egyptian Market Overview

- The Egyptian market consumption for 1H2019 was down by 6% compared to the same period last year.
- Cement demand is stabilizing and we expect it will start to increase in the coming quarters YoY, which would confirm that 2019 is the worst year for the industry. Only cost-efficient players will be able to keep their volumes and avoid or minimize losses in the bottom line, however, other players will either discontinue operations or keep posting significant losses.
- Residential housing demand is expected to continue to be driven by its growing population and marriage rates, ensuring a consistent demand in one of the most populous countries.
- Government is working on some mega projects like the new capital city, enhancing roads and rail infrastructure, and restructuring the energy sector.

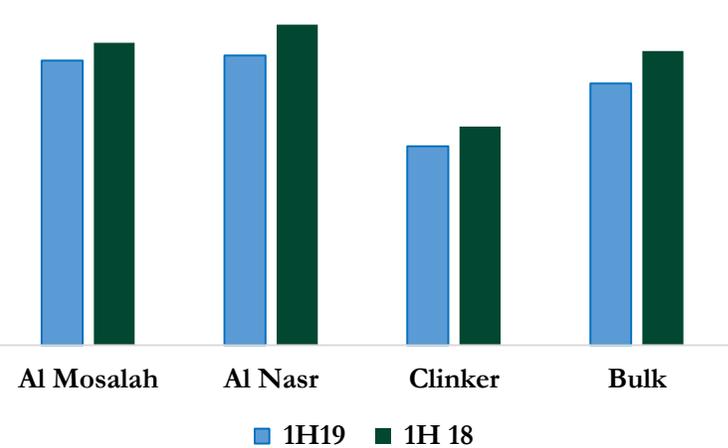
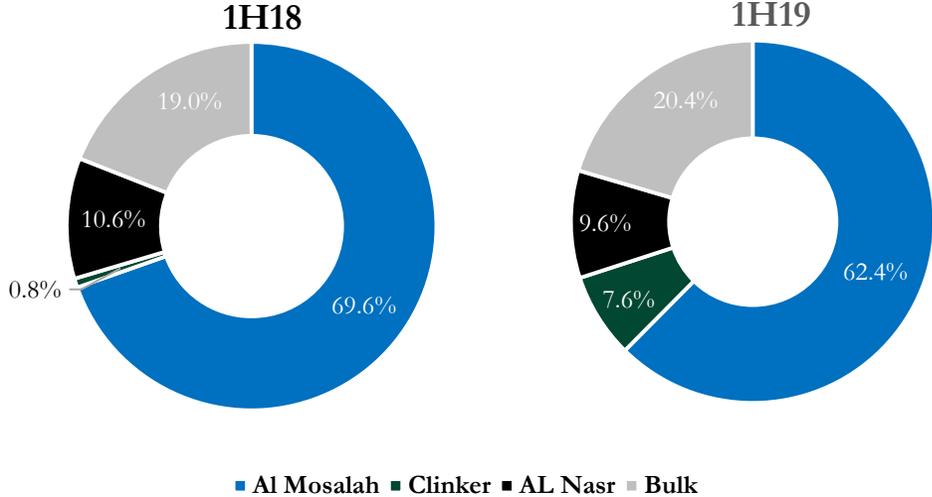
# Sales Overview



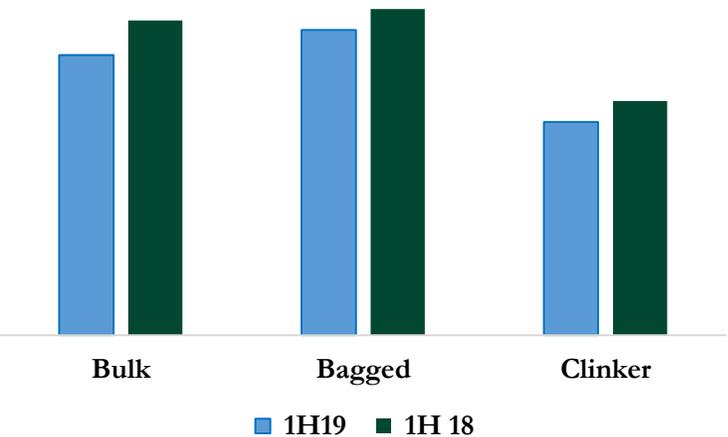
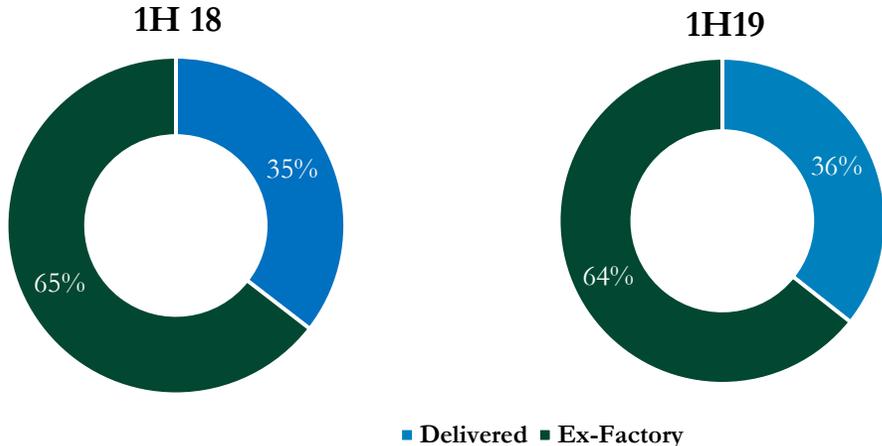
## Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)
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### Breakdown by Brand



### Breakdown by Type



# Sales Overview

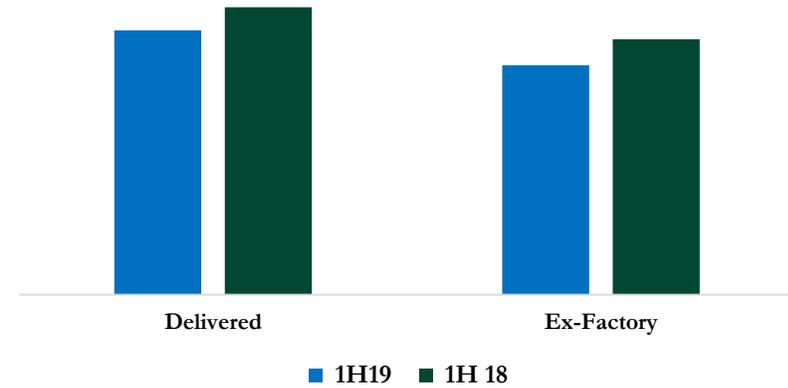
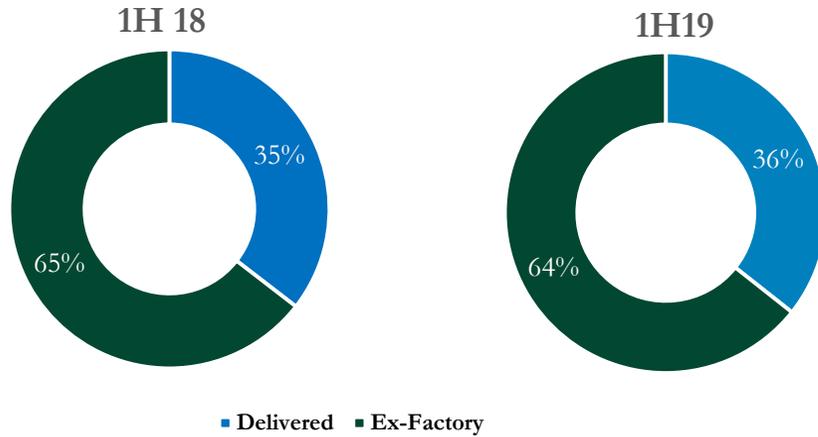


## Quantities Breakdown

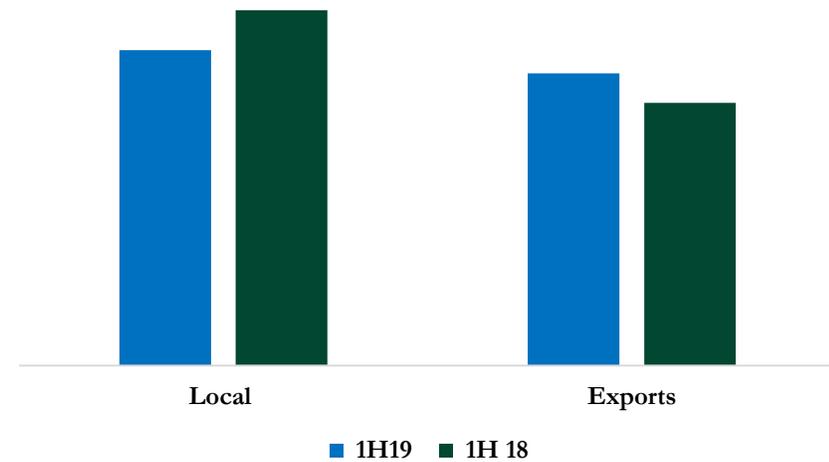
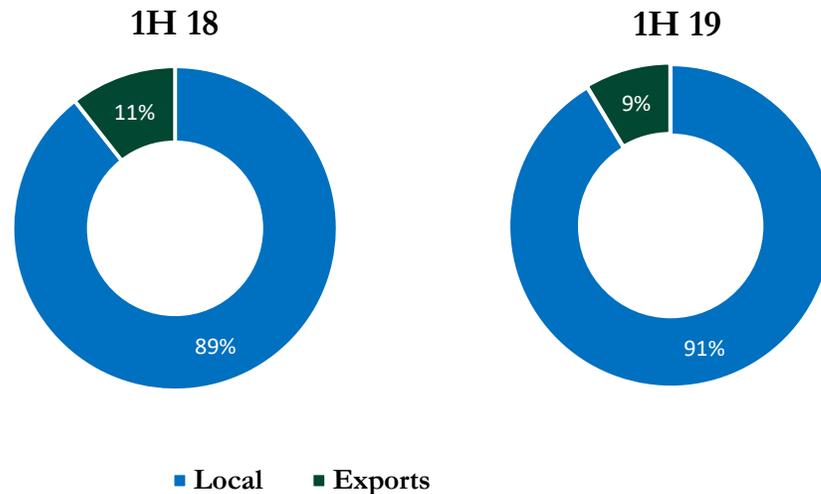
### Quantities Breakdown

### Prices (EGP/ton)

### Breakdown by Point of Sale



### Breakdown by Market

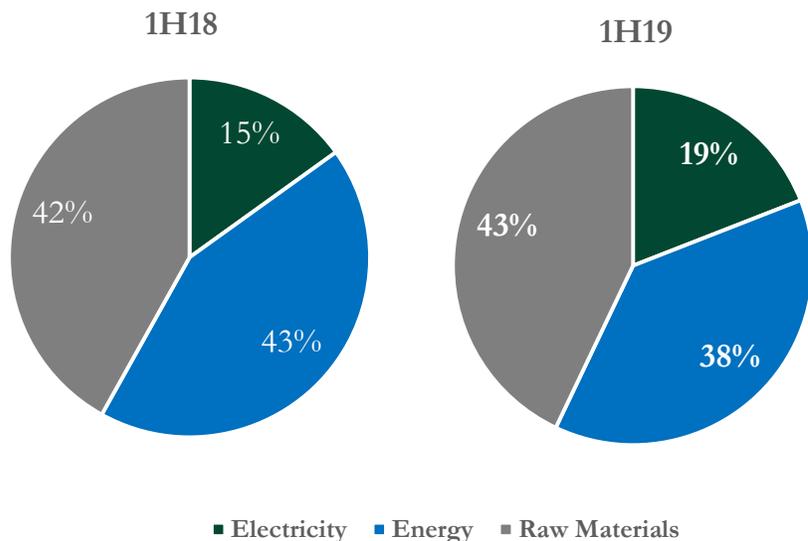


# COGS Overview

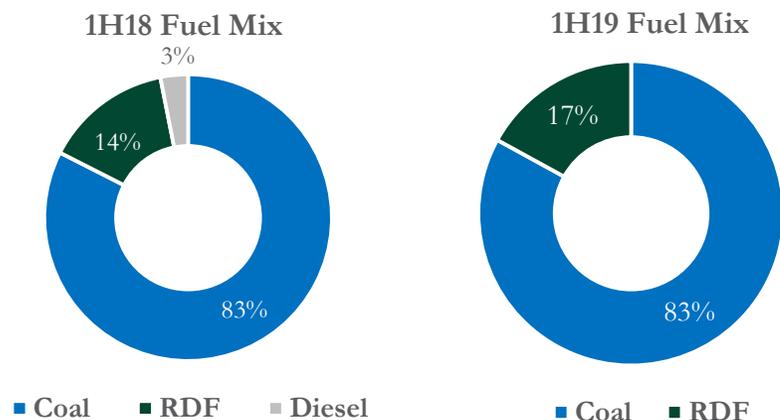
## COGS and ACC Cost Advantages



### COGS Breakdown



### Fuel Mix



### ACC Cost Advantages

- ACC successfully signed an agreement with SolarizEgypt to establish a SPV (Solar Photovoltaic) energy plant at our site financed by QNB AlAhli under EBRD Green Economy Program. The agreement will see SolarizEgypt handling the construction and operation of the unit for a period of 25 years under a BOOT (Build Own Operate Transfer) agreement.

With investments worth EGP 100 million, the solar energy unit is expected to generate over 14 GWh/year, producing up to 4% of the total annual power supply to ACC's plant. The unit is expected to start operating by the beginning of 2019 third quarter, saving significant amounts of the plant's electricity expenses, incrementally every year.

#### ■ RDF:

- ACC started using RDF in November 2013 in Line II.
- Starting June 2015 the company started commissioning the hot disc to enable using a higher percentage of Alternative fuels in Line I, and in the total factory.
- During 1Q2019, the company maintained its y-o-y RDF consumption at 17% of its fuel mix.
- ACC is founding another sister company 'Evolve' to source part of its RDF needs.

#### ■ Coal:

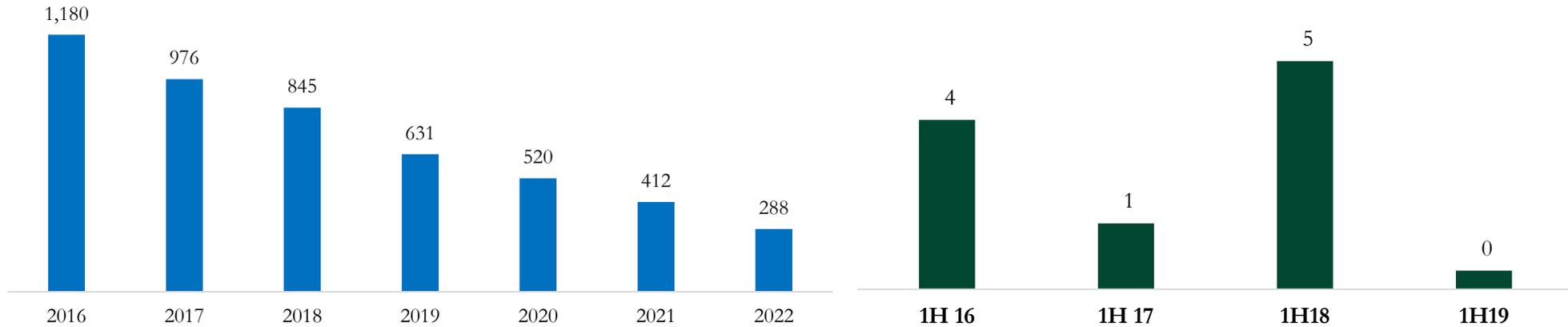
- After the implementation of the second coal mill, the company has the technical capability to substitute > 100% of energy needs through coal however our aim is to reach to 80% Coal and 20% through RDF.

# Debt



## Outstanding Debt & Debt Structure

**Outstanding Debt (Thousand EGP)**      **Interest Coverage Ratio**



**Debt Structure (EGP vs. USD)**



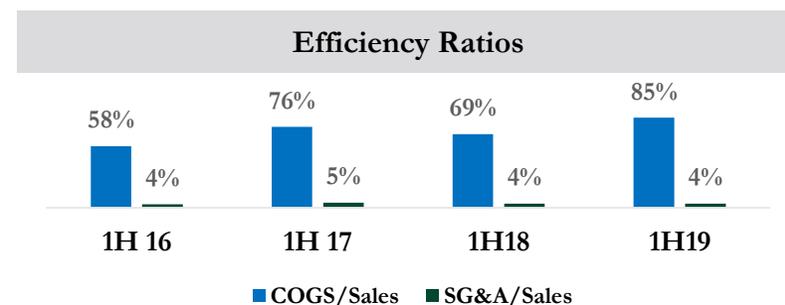
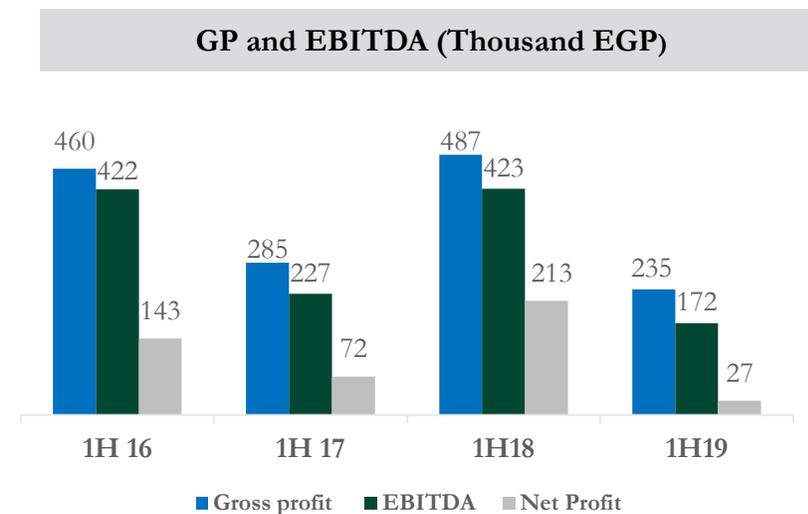
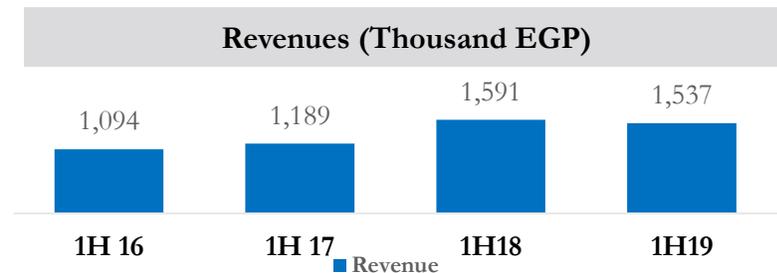
■ Loans in USD   ■ Loans in EGP

# 1H 2019 Financials Review

## Income Statement



MN EGP	1H 16	1H 17	1H18	1H19
Revenue	1,094	1,189	1,591	1,537
Cost of goods sold	633	905	1,105	1,302
<b>Gross profit</b>	<b>460</b>	<b>285</b>	<b>487</b>	<b>235</b>
<b>GPM</b>	<b>42%</b>	<b>24%</b>	<b>31%</b>	<b>15%</b>
SG&A Expenses	39	58	64	63
<b>EBITDA</b>	<b>422</b>	<b>227</b>	<b>423</b>	<b>172</b>
<b>EBITDA Margin</b>	<b>39%</b>	<b>19%</b>	<b>27%</b>	<b>11%</b>
Other income	6	-5	2	-1
Depreciation & Amortization	99	116	120	126
<b>EBIT</b>	<b>330</b>	<b>105</b>	<b>305</b>	<b>44</b>
<b>EBIT Margin</b>	<b>30%</b>	<b>9%</b>	<b>19%</b>	<b>3%</b>
Foreign exchange	103	-16	4	-50
Loss/gain on disposal of PPE				
Finance cost, net	40	52	45	69
<b>Net Profit Before Tax</b>	<b>186</b>	<b>69</b>	<b>257</b>	<b>26</b>
<b>NPBT Margin</b>	<b>17%</b>	<b>6%</b>	<b>16%</b>	<b>2%</b>
Deferred tax	2	-1	5	-1
Income tax expense	42	-1	38	
<b>Net Profit</b>	<b>143</b>	<b>72</b>	<b>213</b>	<b>27</b>
<b>NPM</b>	<b>13%</b>	<b>6%</b>	<b>13%</b>	<b>2%</b>



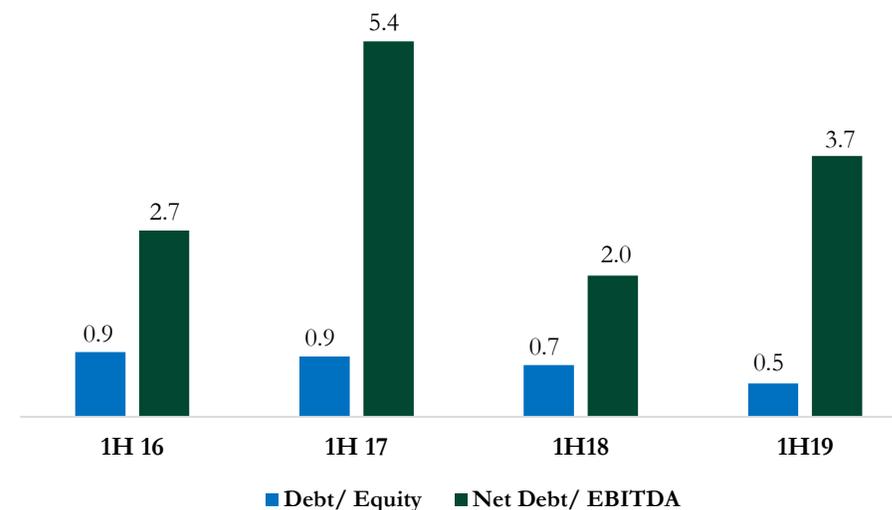
# 1H 2019 Financials Review



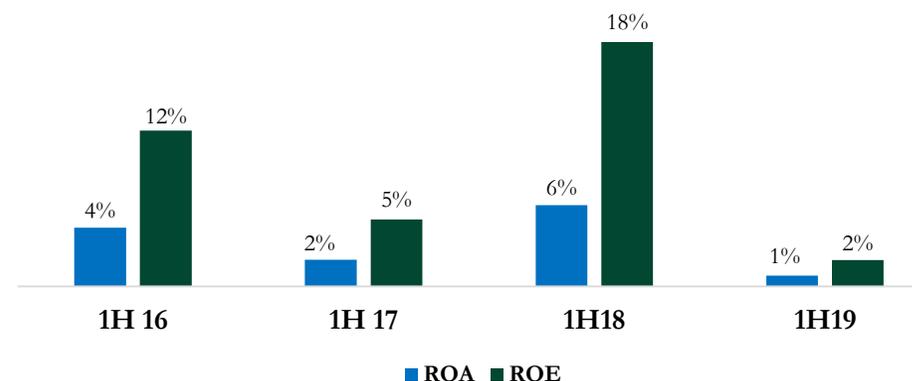
## Balance Sheet

MN EGP	1H 16	1H 17	1H18	1H19
<b>Assets</b>		-	-	-
<b>Non-current Assets</b>				
Property plant and equipment, net	2,477	2,779	2,539	2,435
Projects under construction	138	122	66	43
Intangible assets	98	75	371	320
Investment in subsidiaries	21	21	38	48
Payments under long-term investment				
<b>Total Non-current Assets</b>	<b>2,734</b>	<b>2,997</b>	<b>3,013</b>	<b>2,846</b>
<b>Current Assets</b>		-	-	-
Inventory	169	355	250	223
Debtors and other debit balances	68	94	82	146
Due from related parties	8	13	11	31
Cash and bank balances	249	103	121	84
<b>Total Current Assets</b>	<b>493</b>	<b>565</b>	<b>465</b>	<b>485</b>
<b>Current Liabilities</b>		-	-	-
Provisions	16	11	16	13
Current tax liabilities		201		
Trade payables and other credit balances	46		79	166
Due to related parties		21	38	
Borrowings - short term portions	483	765	601	784
Short-term liabilities	6	6	3	9
<b>Total Current Liabilities</b>	<b>266</b>	<b>312</b>	<b>261</b>	<b>86</b>
<b>Net (Deficit) Surplus in Working Capital</b>	<b>74</b>	<b>158</b>	<b>7</b>	<b>26</b>
<b>Total Invested Funds</b>	<b>890</b>	<b>1,474</b>	<b>1,006</b>	<b>1,083</b>
<b>Represented in:</b>		-	-	-
<b>Equity</b>		-	-	-
Paid up capital	757	757	757	757
Legal reserve	156	156	210	255
Retained earnings	301	501	192	338
<b>Total Equity</b>	<b>1,215</b>	<b>1,415</b>	<b>1,159</b>	<b>1,351</b>
<b>Non-current Liabilities</b>		-	-	-
Borrowings - long term portions	413	520	436	549
Deferred income tax liability	361	331	338	342
Long-term liabilities	443	383	156	5
<b>Total Non-current Liabilities</b>	<b>1,217</b>	<b>1,234</b>	<b>930</b>	<b>897</b>
<b>Total Equity and Non-current Liabilities</b>	<b>2,432</b>	<b>2,649</b>	<b>2,088</b>	<b>2,247</b>

## Gearing



## Return Ratios

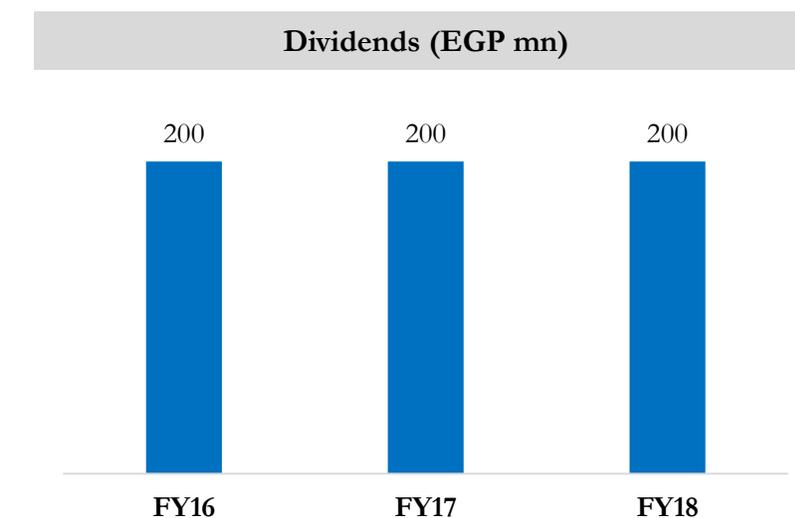
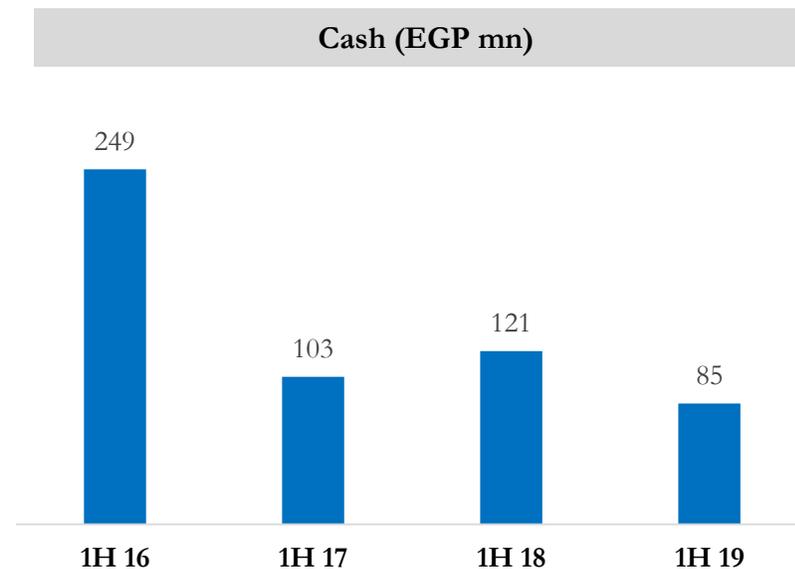


# 1H 2019 Financials Review



## Cash Flow Statement

MN EGP	1H 16	1H 17	1H 18	1H 19
<b>Cash flows from operating activities</b>				
Net profit before tax	186	69	257	26
Interest income	-7	0	-1	-1
Interest expense	40	52	45	69
Depreciation expense	87	105	94	101
Amortization of intangible assets	11	11	25	25
Gain from sale of property plant and equipment	0	0	0	
Foreign exchange (gain)/losses differences	69	-12	3	-26
Dividends from joint venture	0	0	0	
Provision	0	2	0	3
<b>Changes in working capital</b>	<b>387</b>	<b>227</b>	<b>423</b>	<b>197</b>
Debtors and other debit balances	-12	9	-5	-4
Decrease in trade receivables				27
Inventory, net	1	-79	-15	59
Trade payables and other credit balances	-153	54	31	
Due from related parties	7	1	-2	-11
Credit balances				-55
Increase (decrease) in trade payables				48
Interest paid	-116	-149	-30	-62
Due to related parties	-1	-2	-5	2
<b>Net cash from operating activities</b>	<b>114</b>	<b>60</b>	<b>398</b>	<b>201</b>
<b>Cash flows from investing activities</b>				
Proceeds from dividends from joint venture	0	0	0	
Proceeds from sale of assets	0	0	0	
Interest income	7	0	1	1
Purchase of property, plant and equipment	-4	-7	-10	-23
Additions in projects under construction	-14	-82	-66	-3
Payments under long-term investments	0	0	0	
<b>Net cash flows used in investing activities</b>	<b>-11</b>	<b>-89</b>	<b>-75</b>	<b>-25</b>
<b>Cash flows from financing activities</b>				
Payments of license liability	-47	-51	-57	-105
Payments of borrowings	-46	-76	-45	-36
Interest paid	0	0	0	
Dividends paid	-126	-4	-6	-7
Proceeds from bank overdraft	0	132	-211	-108
<b>Net cash flows from financing activities</b>	<b>-219</b>	<b>1</b>	<b>-319</b>	<b>-257</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-116</b>	<b>-27</b>	<b>4</b>	<b>-80</b>
Cash and cash equivalents at beginning of the year	365	130	117	165
<b>Cash and cash equivalents at end of the period</b>	<b>249</b>	<b>103</b>	<b>121</b>	<b>85</b>





# Future Ready

**For more Information Please Contact:**

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[www.arabiancementcompany.com](http://www.arabiancementcompany.com)