



## Arabian Cement Company Report Sales volumes Growth in the midst of a price war

Key Income Statement Highlights of 1H 2019			
59% Decline in EBITDA EGP 172 MN	4.1% SG&A:Sales	87% Decline in Net Profit EGP 27 MN	11% Upsurge in cash cost/ton to EGP 562
8.2% Local Market share	1.8% Net Profit Margin	11.2% EBITDA Margin	FX gain in P&L EGP 50MN

### Results in a Nutshell

28 August, 2019 | Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer, reported its results for 2Q 2019.

### 2Q 2019

ACC recorded a 7% revenue growth totaling EGP 748 million in 2Q 2019 compared to EGP 702 million in 2Q 2018 with a 9% decline in the average Rev/ton of EGP 660/ton versus EGP 728/ton in the same period last year.

Our local revenues stood at EGP 619 million which is a -4% decrease Y-o-Y, however our export revenues grew 116% reaching EGP 129 million.

Total sales volumes grew 18% Y-o-Y in 2Q 2019 recording 1,133K Tons compared to 964K Tons in 2Q 2018. Despite the local market demand decreased 1%, ACC was able to achieve local sales of 902K tons which represents a 4% increase Y-o-Y. On the export volumes side, ACC reported a 134% increase in 2Q 2019 recording 232K Tons compared to 99K tons in 2Q2018. In terms of format 72% of our sales volumes were bagged, 20% was bulk and the rest in clinker exported.



## ARABIAN CEMENT COMPANY Earnings Release 2Q 2019

ACC's market share increased from 7.8% in 2Q 2018 to 8.0% in 2Q 2019. Moreover, our exports represented 62% in 2Q 2019 of the markets' total exports compared to 23% in 2Q 2018.

Cash cost for the quarter increased by 21% Y-o-Y, which was mainly due to selling more volumes, and declined by 8% Q-o-Q to EGP 624 million. Cash cost stood at EGP 551/ton, 3% higher than 2Q 2018 but 4% lower than 1Q 2019. The cost reduction was mainly due to better energy mix as ACC used more Petcoke than 1Q 2019 and moreover an inventory adjustment. Fuel mix of 2Q 2019 was 83% Coal and Petcoke and 17% RDF.

Consequently, the company's cash gross profit dropped by 33% y-o-y to come in at EGP 124 million with gross profit margin of 17%.

EBITDA for 2Q 2019 came in at EGP 93 million, affected by the hiking cash cost and the slight increase in revenues. EBITDA margin stood at 12.4%.

ACC closed its income statement with a bottom line of EGP 23 million, 57% lower than the same period last year.

### **The following are our comments for the 1<sup>st</sup> Half of 2019**

Revenues for 1H 2019 were 3% lower than last year at 1,537 million EGP. ACC was able to increase its total sales volumes by 7% Y-o-Y recording 2,316K Tons compared to 2,172K Tons in 1H 2018, local sales volumes remained almost flat but the export sales grew by 62%.

Sales prices dropped by 9% to reach an average net price per ton of EGP 664 versus EGP 732 in the same period last year.

The Egyptian market suffered a 6% decrease in sales volumes in 1H 2019 however, ACC was able to maintain its sales volumes for the period.



## ARABIAN CEMENT COMPANY Earnings Release 2Q 2019

ACC's market share increased from 7.9% in 1H 2018 to 8.2% in 2019. Moreover, we were able to sustain our position as a leading player in the Egyptian cement export market with 50% export market share. As for the company, exports contributed by 16% of the total sales volumes. In terms of format 72% of our sales were bagged, 20% was bulk, and the rest was clinker exported abroad.

Total cash cost increased by 18% y-o-y to EGP 1,302 million and cost per ton increased by 11% to reach EGP 562/Ton compared to EGP 508/Ton in 1H 2018.

Fuel mix for 1H 2019 was 84% coal and Petcoke and 16% RDF.

On a six-month basis, EBITDA was EGP 172 million, down 59% y-o-y. EBITDA margin was 11.2% compared to 27% in the same period last year.

The appreciation of the EGP against the USD during the first half was reflected in an FX gain of EGP 50 million, mainly from the USD denominated debt and coal payables. Some of it has been realized already in our loan installments and coal payments.

ACC reported an accumulated net profit of EGP 27 million for the first half, 87% lower than the same period last year.

ACC has reduced the debt significantly in the first half of 2019. The USD loan has dropped from 25 million dollars at the beginning of the year to USD 23 million and its EGP debt balance from EGP 653 million to EGP 446 million during the first half of the year.

### **Outlook**

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.



## About Arabian Cement Company

Arabian Cement Company (ACC) was first established in 1997 by a group of Egyptian entrepreneurs, who aspired to establish a leading Egyptian cement company. The cement factory is located in the Suez Governorate. It has a capacity of 5MM tons of first quality cement, approximately 6% of Egypt's production capacity. ACC is held by Cementos La Union, a Spanish investor with 60% stake, 15.5% is held by El Bourini family and 24.5% is traded on the EGX.

Its brand "Al Mosallah" enjoys undisputed prestige and is considered among the best cements produced in Egypt. For further information, please refer to [www.arabiancement.com](http://www.arabiancement.com)

### INVESTOR RELATIONS CONTACT

For further information, please contact:

Karim Naguib  
Budgeting & Investor Relations Manager  
Tel: +202 25371184/79/76 (Ext. 302)  
E-mail: [knaguib@arabiancementcompany.com](mailto:knaguib@arabiancementcompany.com)  
[IR@arabiancementcompany.com](mailto:IR@arabiancementcompany.com)

### Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Arabian Cement Company (ACC). Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes "targets" or "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of ACC may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of ACC is subject to risks and uncertainties.



ARABIAN CEMENT COMPANY  
Earnings Release 2Q 2019

Summary Performance EGP

Key Indicators	Unit	2Q 2019	2Q 2018	Variance %	1H 2019	1H 2018	Variance %
Domestic Sales	K Tons	11,299	11,415	-1%	23,725	25,280	-6%
Export Sales	K Tons	376	436	-14%	751	1,147	-35%
Total Sales	K Tons	11,675	11,851	-1%	24,476	26,427	-7%
ACC Clinker Production	K Tons	870	996	-13%	1,873	2,007	-7%
ACC Clinker Utilization Rate	PCT	83%	95%	-12%	89%	96%	-6%
ACC Cement Production	K Tons	1,010	975	4%	2,109	2,007	5%
ACC Cement Utilization Rates	PCT	86%	83%	3%	90%	85%	4%
ACC Domestic Sales Volume	K Tons	902	866	4%	1,942	1,941	0%
ACC Exports Volume	K Tons	232	98	135%	375	231	62%
ACC Total Volumes	K Tons	1,133	964	18%	2,316	2,172	7%
Local Market Share	PCT	8.0%	7.8%	0.3%	8.2%	7.9%	0.3%
Total Market Share	PCT	9.7%	8.1%	1.4%	9.5%	8.2%	1%
Revenues	MM EGP	748	702	7%	1,537	1,591	-3%
Rev/Ton	EGP	660	728	-9%	664	733	-9%
Cash Cost	MM EGP	624	516	21%	1,302	1,105	18%
Cash Cost/Ton	EGP	551	535	3%	562	509	11%
EBITDA	MM EGP	93	153	-39%	172	423	-59%
EBITDA/Ton	EGP	82	158	-48%	74	195	-62%
EBITDA Margin	PCT	12%	22%	-9%	11%	27%	-15%
Cash Gross Profit	MM EGP	124	186	-33%	235	487	-52%
Cash Gross Profit Margin	PCT	17%	26%	-10%	15%	31%	-15%
COGS/Sales	PCT	83%	74%	10%	85%	69%	15%
SG&A	MM EGP	31	33	-8%	63	64	-1%
SG&A/Sales	PCT	4%	5%	-1%	4%	4%	0%
Exchange differences	MM EGP	26	-9		50	-4	
Depreciation & Amortization	MM EGP	63	61	4%	126	120	5%
Net Profit	MM EGP	23	52	-57%	27	213	-87%
Net Profit Margin	PCT	3%	7%	-4%	2%	13%	-12%
Outstanding Debt	MM EGP	832	957	-13%	832	957	-13%
Debt/Equity		0.6	0.7		0.6	0.7	