



Results in a Nutshell

23 June 2020 | Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer reported its results for 1Q 2020.

1Q 2020

Arabian cement company's revenues declined by 14% in 1Q 2020 reaching EGP 679 million, compared to EGP 789 Million in the same quarter of 2019. Our Rev/ton decreased by 3% recording EGP 614 versus EGP 635 in 4Q 2019, while it decreased by 8 % y-o-y.

Total cement sales volumes dropped 0.7% Y-o-Y in 1Q 2020 recording 1,105K Tons compared to 1,112K Tons in 1Q 2019 representing a market share of 8.4%. In terms of format 63% of our sales were bagged, 27% was bulk, and the rest was cement exported.

On a quarterly basis our cash cost dropped by 17% reaching EGP 565 million versus EGP 678 million the same period a year ago. While our cash cost per ton stood at EGP 511 versus EGP 573 which represents a 11% decline y-o-y and EGP 62 per ton as cash savings.

This huge improvement was mainly due to our energy mix and the general drop in international prices of coal and petcoke. Moreover, the EGP appreciation also play a good role.

Fuel mix of 1Q 2020 was 55% Pet-coke, 37% Coal and 8% RDF vs. 83% Coal and 17% RDF in 1Q 2019.

Consequently, the company's cash gross profit increased by 3% y-o-y to come in at EGP 114 million with cash gross profit margin of 17%.

EBITDA for the quarter came in at EGP 90 million – a 14% increase compared to EGP 78 million in 1Q 2019 – while the EBITDA margin improved by 3% recording 13.2%.

The appreciation of the EGP against the USD during the quarter was reflected in an FX gain of EGP 14.5 million, mainly from the USD denominated debt and coal payables.

Our SG&A declined by EGP 9 million which represents 28% reduction y-o-y, with SG&A:Sales 3.6%.

The company recorded credit interest of EGP 22 million in 1Q 2020, compared to EGP 36 million in 1Q 2019, a decline of 37% as the Central Bank of Egypt started the easing cycle of interest rates by reducing a total of 4.5% during 2019 to stimulate the economy. The decline in the Libor rate and a 40% y-o-y drop in our utilized credit facility were also factors that helped to achieve this saving.

ACC's total outstanding debt was remarkably reduced on y-o-y basis. The company's total loans and borrowings recorded EGP 725.3 million as of 31 March 2020, down from EGP 1,015.5 million as of 31 March 2019 which represents a 29% decline. Net debt recorded EGP 628.6 million as of 31 March 2020, down from EGP 875.1 million at the of 1Q 2019.

Noticeably, the cement sector is passing through a tough time and most of the cement players are loss makers, yet, ACC is still able to generate a Net Profit of EGP 16 million in 1Q 2020 compared to EGP 4 million in the same period last year.



Outlook

Q1 started well the year but, afterwards, with the COVID 19 crisis, we lost visibility about the near future. It is difficult to judge because we also had Ramadan in Q2 and we don't know how much of the lost demand will be recovered yet.

Moreover, we keep working in ACC to reduce our cost as much as possible, being the most efficient initiative to move towards higher Sulphur content fuel materials. This affects the clinker productivity of the kilns; however, this is not an issue nowadays where the priority is always to save costs to keep the competitive advantage versus other players to achieve higher utilization rates, as we did during 2019.



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 in the Suez Governorate. It has a capacity of 5MM tons of first quality cement, approximately 7% 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.arabiancementcompany.com

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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.

Key Indicators	Unit	1Q 2020	1Q 2019	Variance %
Domestic Sales	K Tons	12,978	12,427	4%
Export Sales	K Tons	232	374	-38%
Total Sales	K Tons	13,210	12,802	3%
ACC Clinker Production	K Tons	951	1,003	-5%
ACC Clinker Utilization Rate	PCT	91%	96%	-5%
ACC Cement Production	K Tons	1,113	1,098	1%
ACC Cement Utilization Rates	PCT	95%	93%	1%
ACC Domestic Sales Volume	K Tons	989	1,040	-5%
ACC Cement Exports Volume	K Tons	115	72	60%
ACC Total Volumes	K Tons	1,105	1,112	-0.7%
Local Market Share	PCT	7.6%	8.4%	-1%
Total Market Share	PCT	8.4%	8.7%	0%
Revenues	MM EGP	679	789	-14%
Rev/Ton	EGP	614	709	-13%
Cash Cost	MM EGP	565	678	-17%
Cash Cost/Ton	EGP	511	610	-16%
EBITDA	MM EGP	90	78	14%
EBITDA/Ton	EGP	81	70	15%
EBITDA Margin	PCT	13.2%	9.9%	3%
Cash Gross Profit	MM EGP	114	111	3%
Cash Gross Profit Margin	PCT	17%	14%	3%
COGS/Sales	PCT	83%	86%	-3%
SG&A	MM EGP	24	32	-25%
SG&A/Sales	PCT	3.6%	4.1%	-1%
Exchange differences	MM EGP	15	24	-39%
Depreciation & Amortization	MM EGP	62	63	-1%
Net Profit	MM EGP	16	4	284%
Net Profit Margin	PCT	2%	1%	2%
Outstanding Debt	MM EGP	725	1016	-29%
Debt/Equity		0.6	0.8	