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# Arabian Cement Company

## 2Q 2017 Investors Presentation

# Highlights

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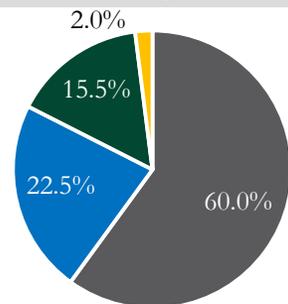
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# Introduction to ACC

## 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 7.2% as of 1H 2017.
- 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.

Shareholding Structure



■ Aridos Jativa ■ Free Float ■ El Bourini Family ■ Mena Building Material

## 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

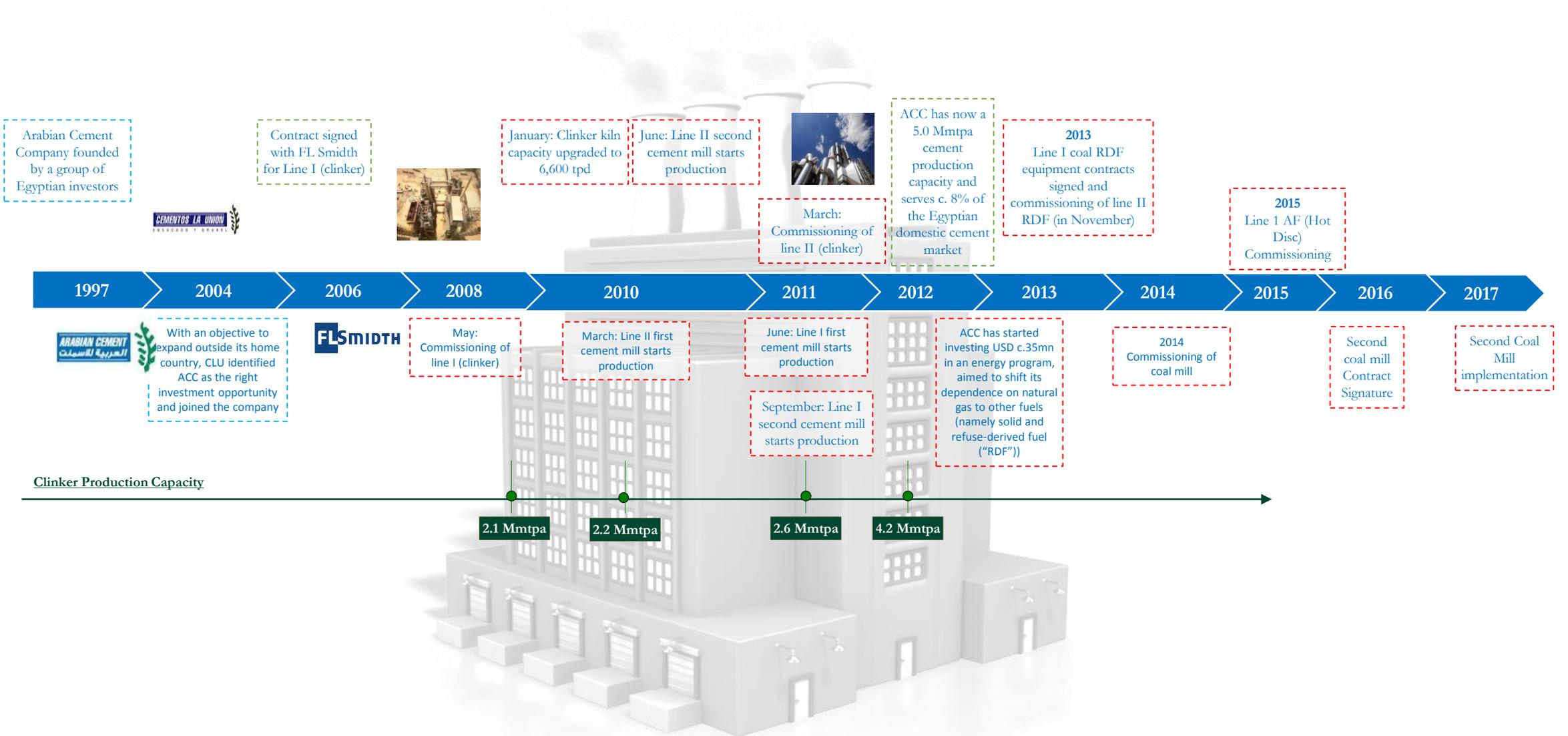
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

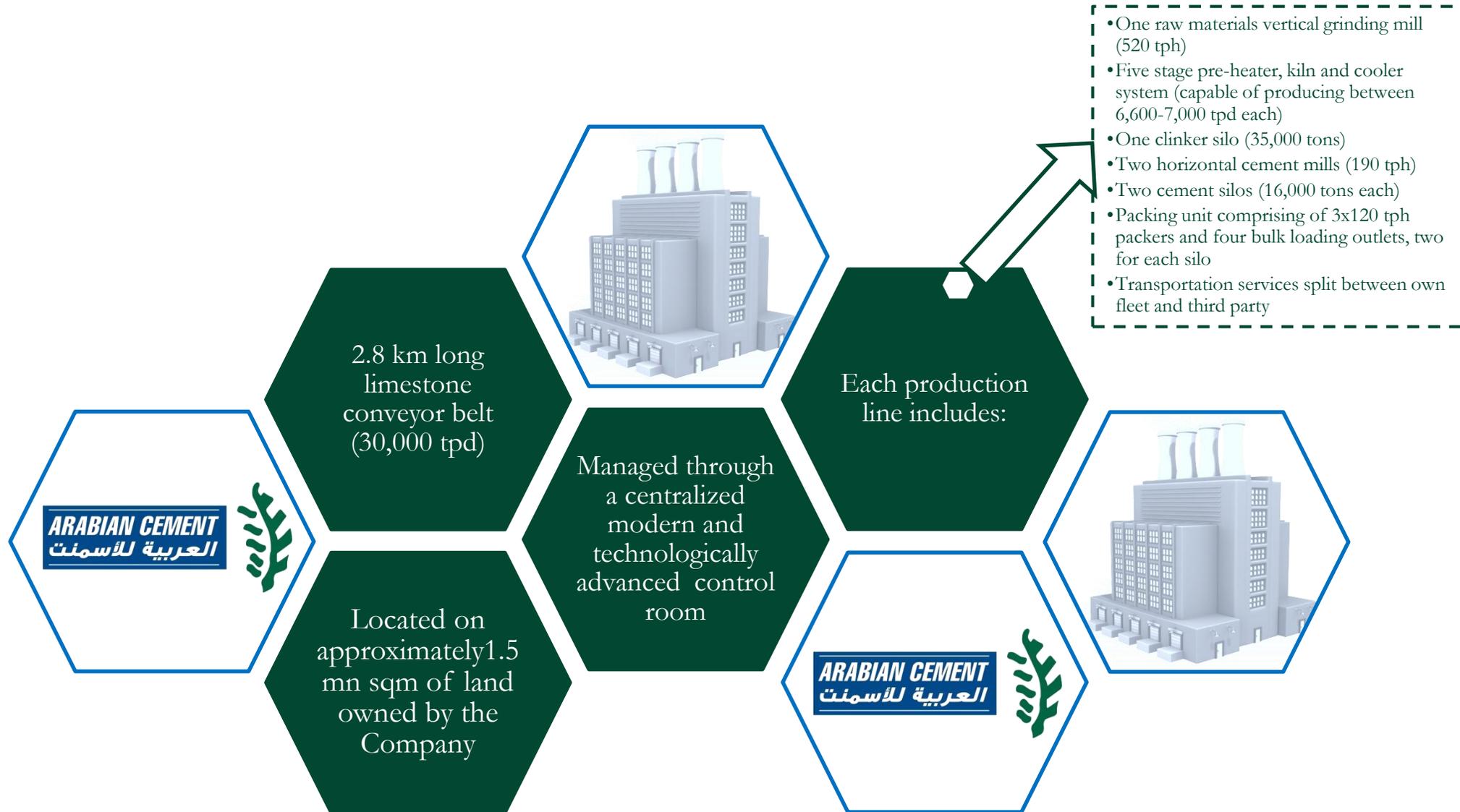
# Introduction to ACC

## Corporate Evolution



# Introduction to ACC

## Plant Information





## 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



### Allan Hestbech

Chief Financial Officer

Mr. Hestbech has 14 years of experience in the Egyptian cement industry. He joined ACC in 2014. Before joining ACC, Mr. Hestbech assumed the role of Financial Director of Sinai White Cement. He has experience in financial management of cement companies, including cost optimization, reduction of financial costs and working capital as well as the financial management of plant erection projects.



### 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

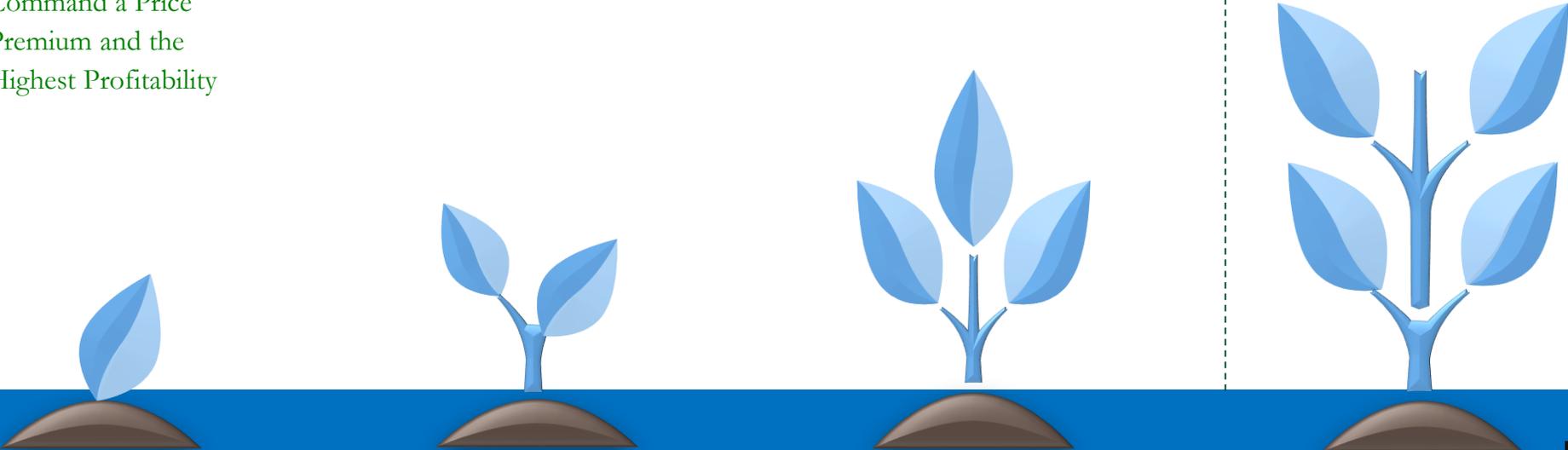
### Long Term Strategy

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

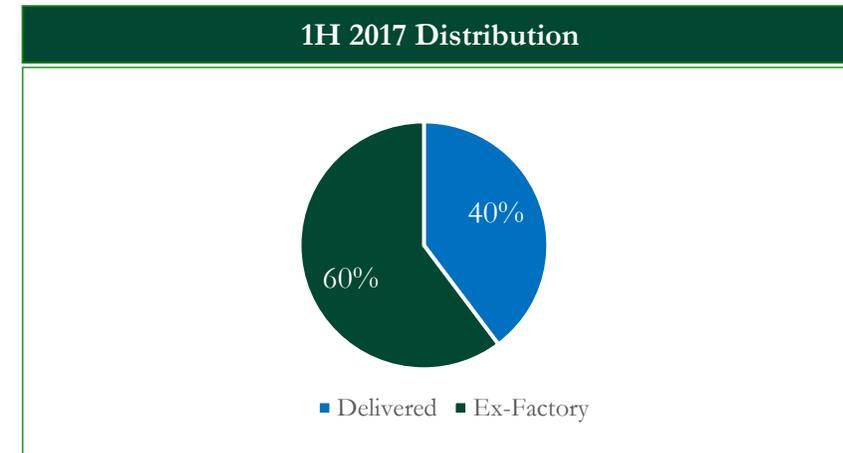
4- Expanding production in Egypt or abroad



# Introduction to ACC

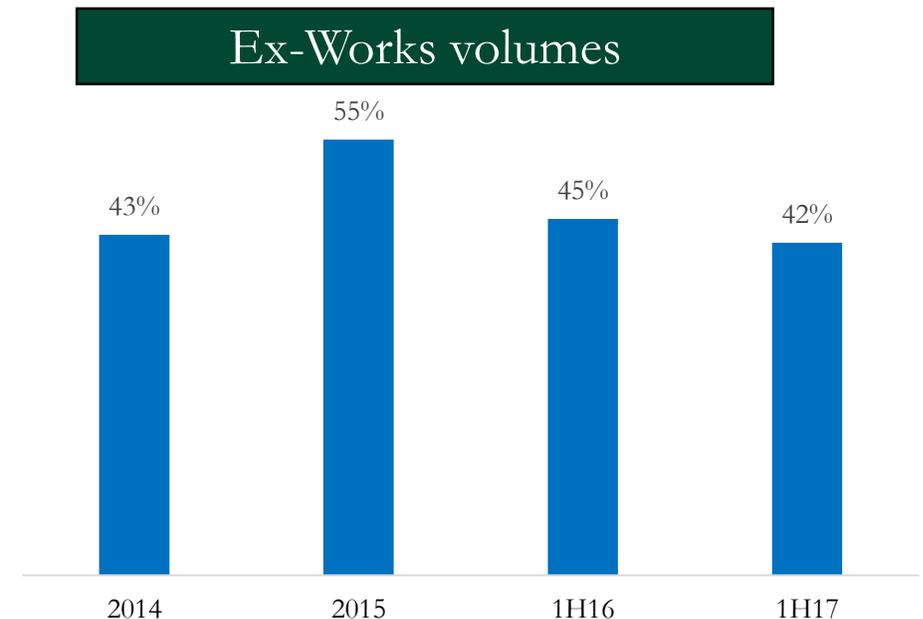
## Distribution Network Overview

- In 1H 2017 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



# Period Highlights

## Main Highlights



- By the end of 2016, Egypt has floated its currency in a move that has reduced its value by about 50% against the dollar.
- 1H 2017 witnessed a slowdown in its growth rate to reach 3.6% compared to 4.3% for the same period last year.
- Private investment is expected to increase in the second half of 2017 with exports to upsurge as well.
- On the other hand, growth will be undermined by lower consumption as a result of higher inflation rates and lower purchasing power.



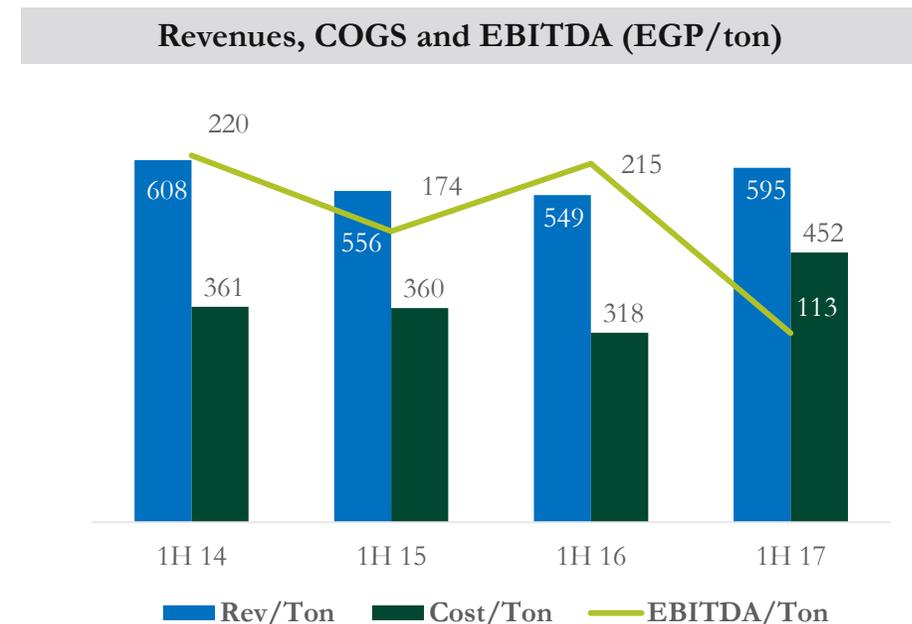
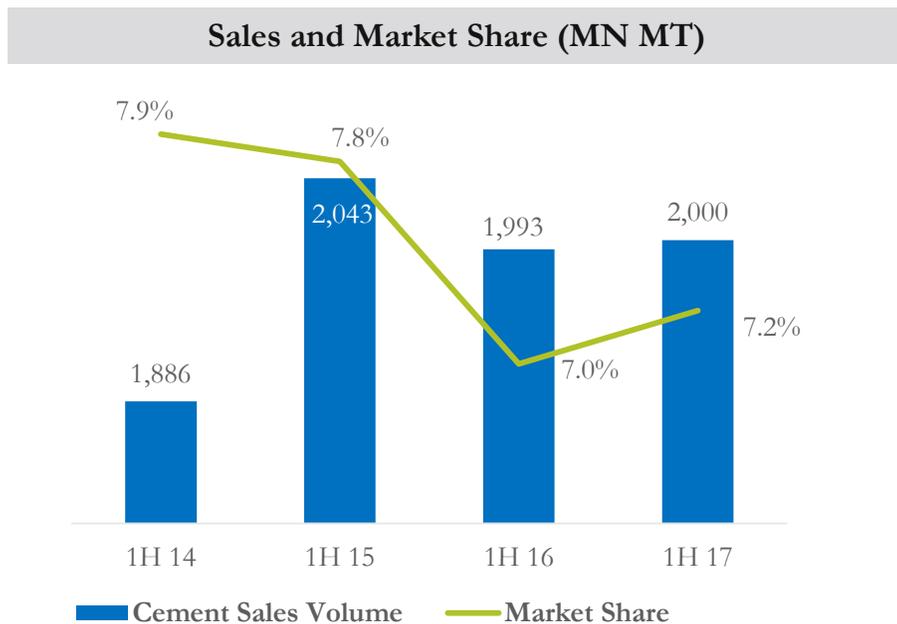
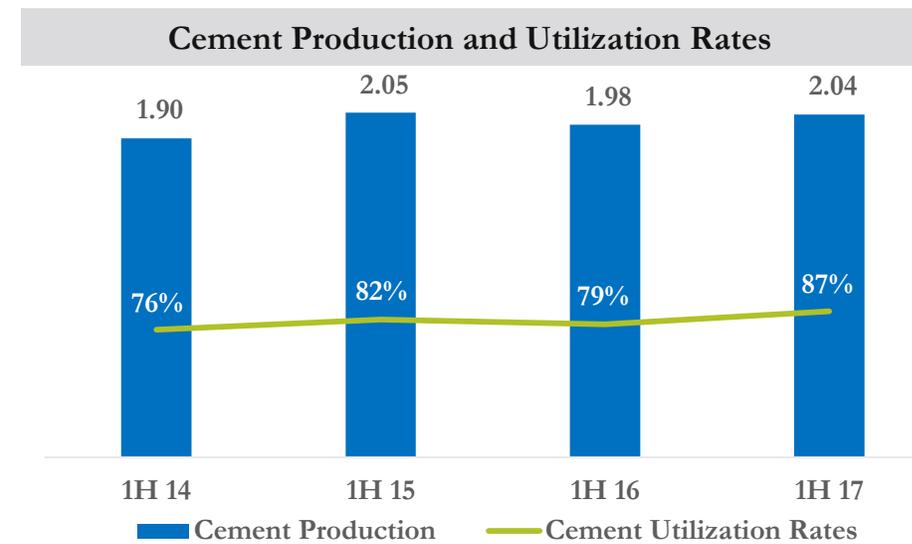
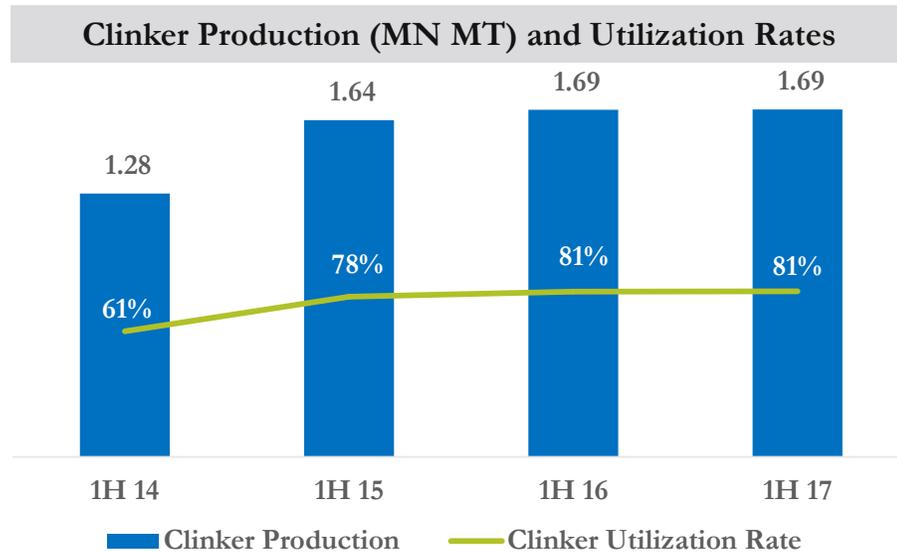
- ACC produced 1,694K T of clinker in 1H 2017 compared to 1,692K T at the same period the previous year.
- ACC operated at 80.7% clinker utilization in 1H 2017 compared to 80.6% in the same period last year.
- Cement production reached 2.0 mn tons in 1H 2017 with utilization rate of 86.8%, 3% increase y-o-y.



- ACC was able to run its maximum coal capacity for both lines. On the back of the availability of diesel and AF as a complimentary source of fuel.
- The fuel mix in 1H 2017 was 71% Coal, 12% Alternative Fuel and 18% Diesel vs 74% Coal, 10% AF and 16% Diesel in 1H 2016.
- With the current installations in place, ACC expects to operate at the maximum clinker utilization rate in 2017.

# Period Highlights (continued)

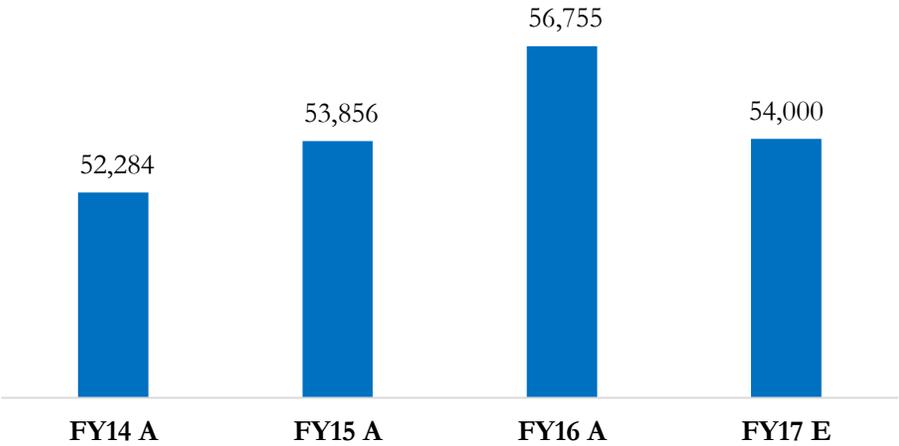
## Main KPIs



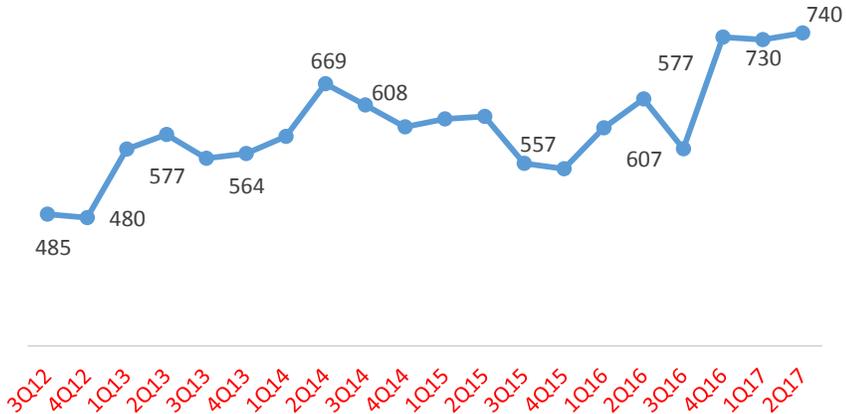
# Egyptian Cement Market

## Demand and Supply Synopsis

### Domestic Consumption (MMT)



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



### Egyptian Market Overview

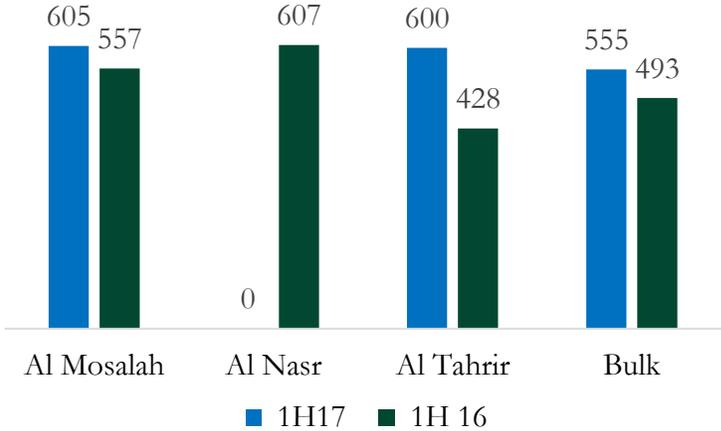
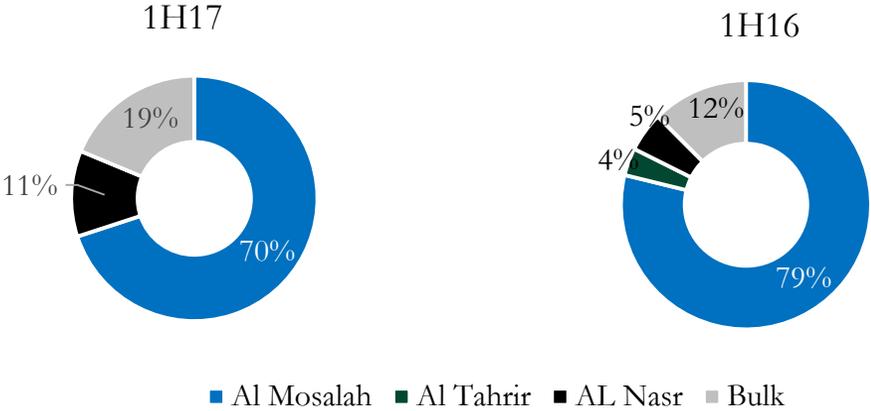
- The market is driven by local consumption, which has decreased over the first half of 2017 by 9% y-o-y.
- Egypt’s current installed capacity is 73 mm tons cement and the consumption in 2017 is expected to stay the same as 2016. It’s expected that by 2018, the army will add its 6 new lines to the market with capacity of 12 mm tons and IDA awarded 3 new licenses with 6 mm tons capacity, however some investment banks estimate cement demand will grow by a CAGR of 8.1% over 2016-19 vs. 2.4% over 2011-15a, driven mainly by strong GDP growth and recovery of top/down investment dynamics post-EGP flotation .
- Residential housing demand is expected to continue to be driven by its growing population and marriage rates, ensuring a consistent demand.

# Sales Overview

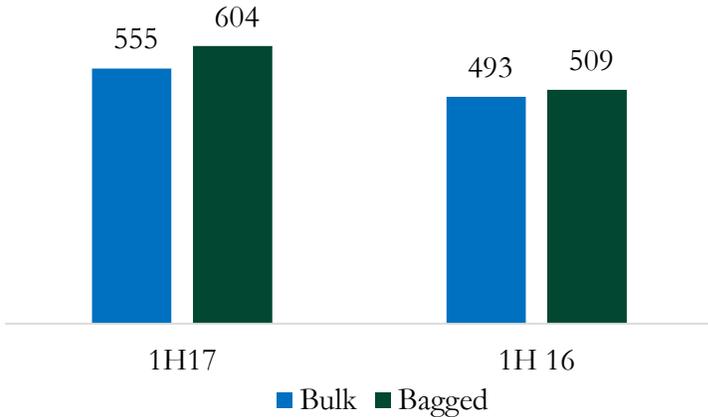
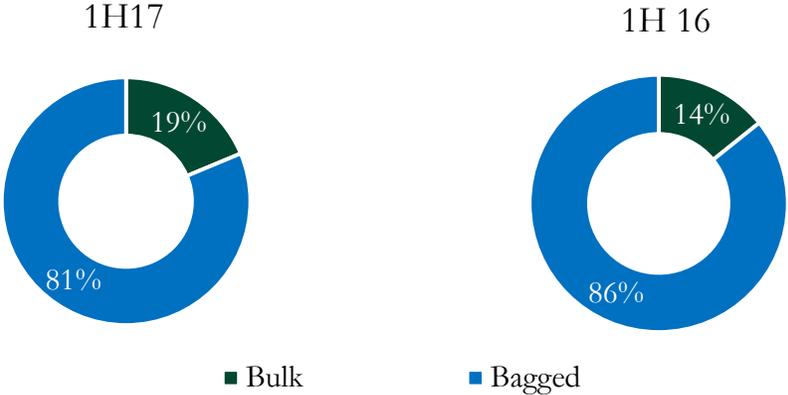
## Quantities Breakdown

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



### Breakdown by Type

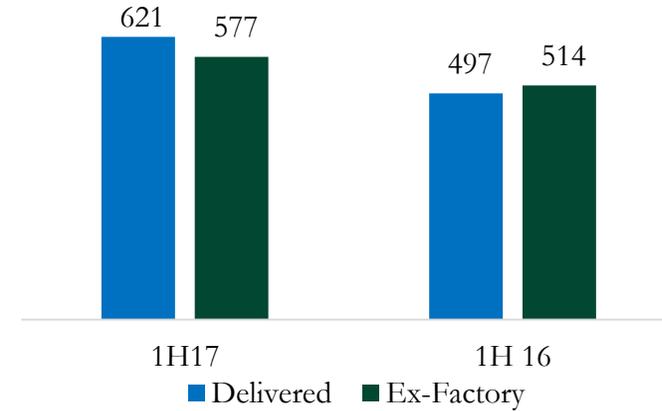
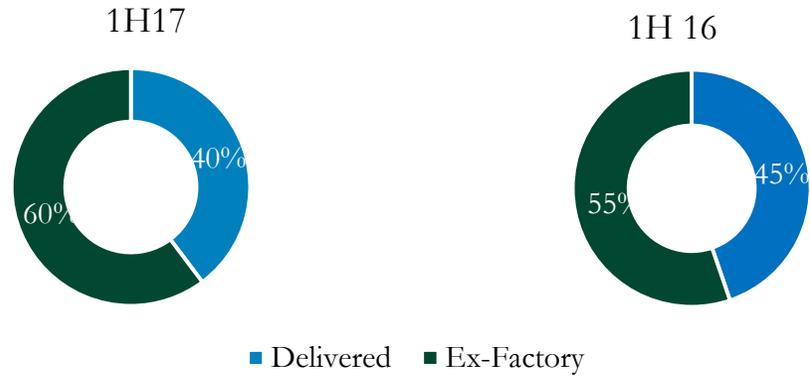


# Sales Overview

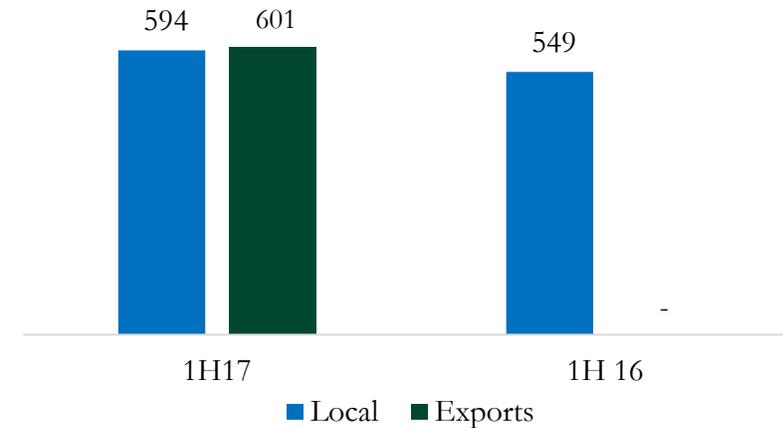
## Quantities Breakdown

Quantities Breakdown	Prices (EGP/ton)
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### Breakdown by Point of Sale



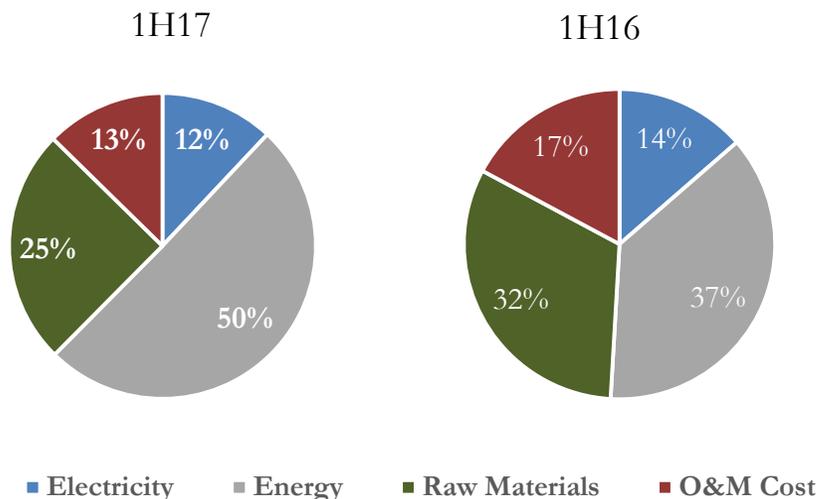
### Breakdown by Market



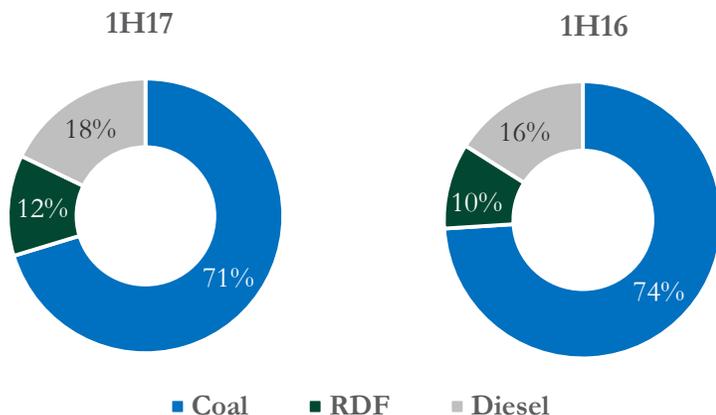
# COGS Overview

## COGS and ACC Cost Advantages

### COGS Breakdown



### Fuel Mix

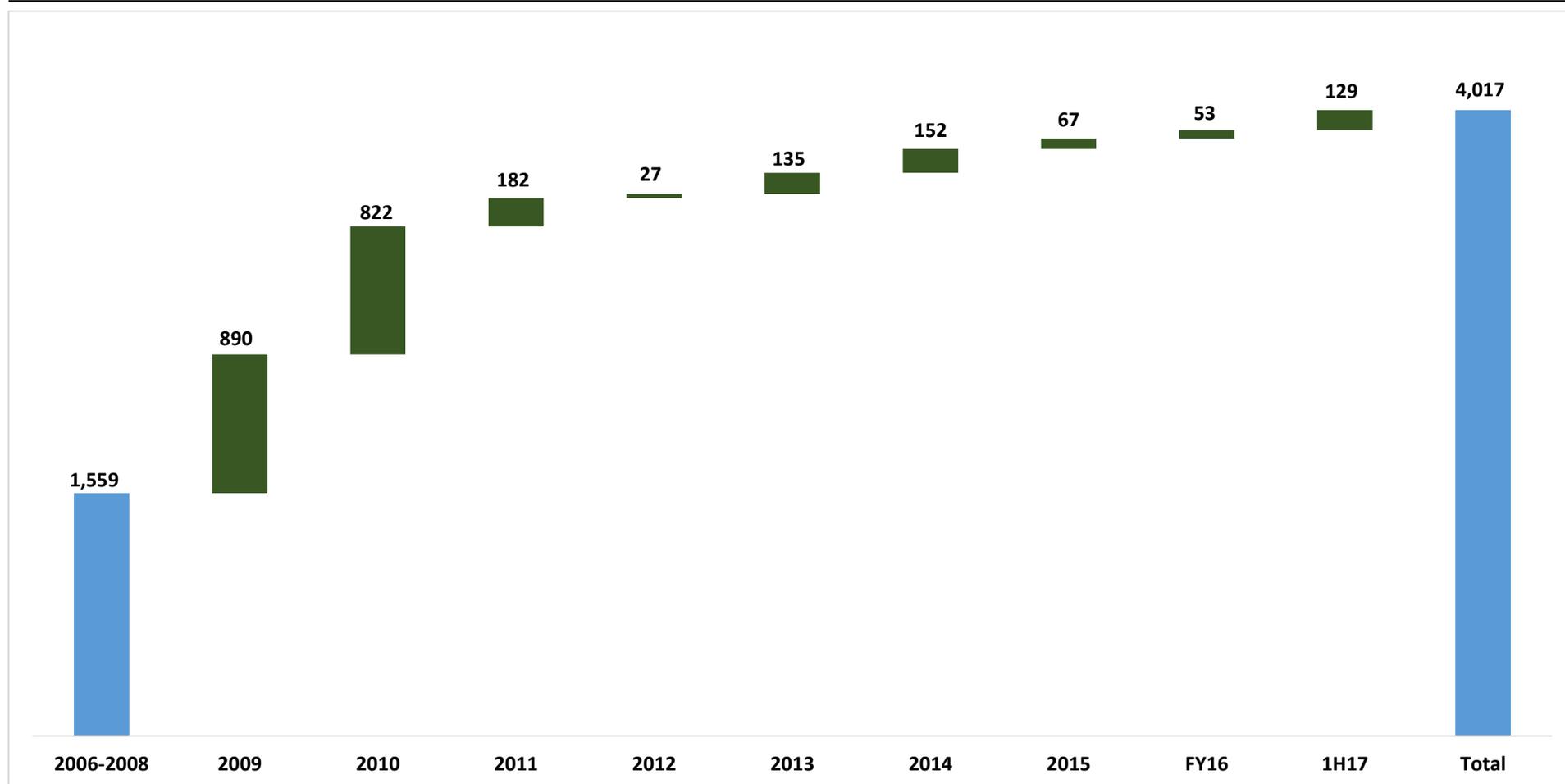


### ACC Cost Advantages

- ACC started its production cost saving projects that include a second coal mill. This will enable the company to compose its fuel mix from coal and RDF only getting rid of diesel as it is getting more expensive. Also, production will be persisted if one of the coal mills is subjected to a technical problem. The company is carrying on other 2 projects; bypass dusting system project and bucket elevator. All these projects will improve our margins over the coming years.
- RDF:**
  - The Company 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 1H, 2017, the company increased its RDF consumption to 12% of its fuel mix, 2% higher than the same period last year.
  - 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 > 80% of energy needs through coal and 20% through RDF.

# CAPEX Overview

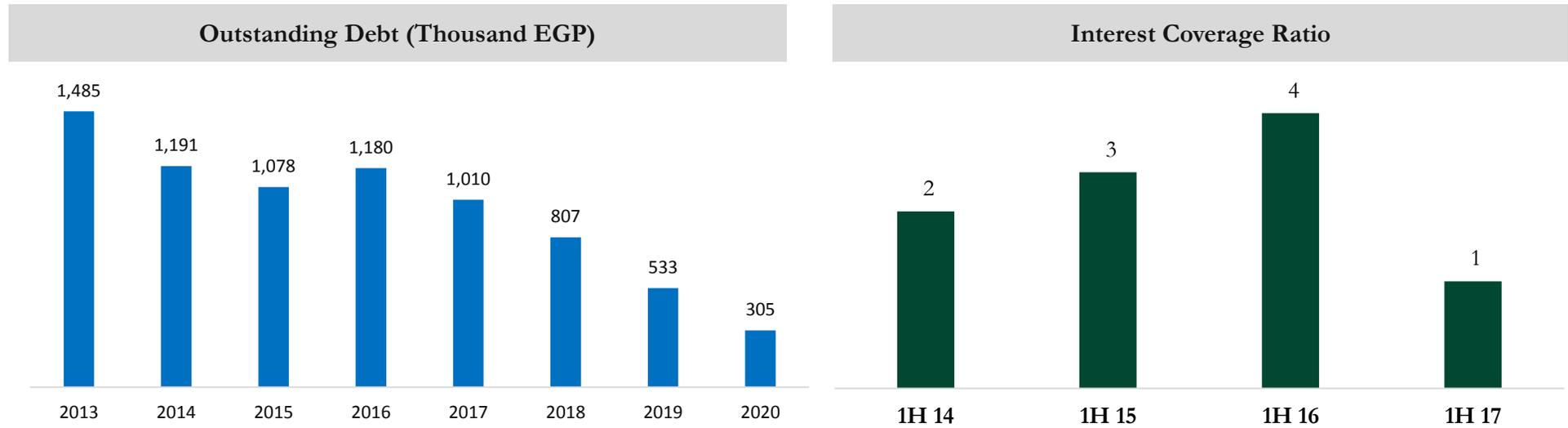
CAPEX (MN EGP)



- CAPEX in 1H2017 increased by 129 mm EGP which is mainly coming from starting constructing the New Coal mill.

# Debt

## Outstanding Debt & Debt Structure



Debt in EGP increased due to the flotation, however in USD terms during 1H the debt was reduced from 44 to 40 MMUSD

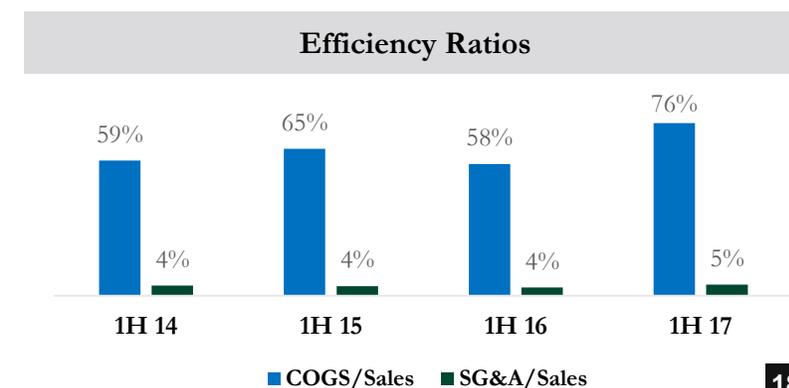
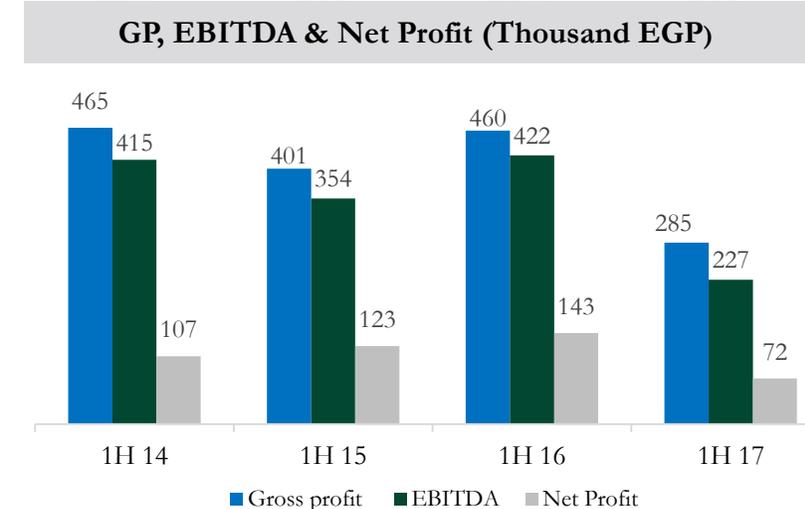
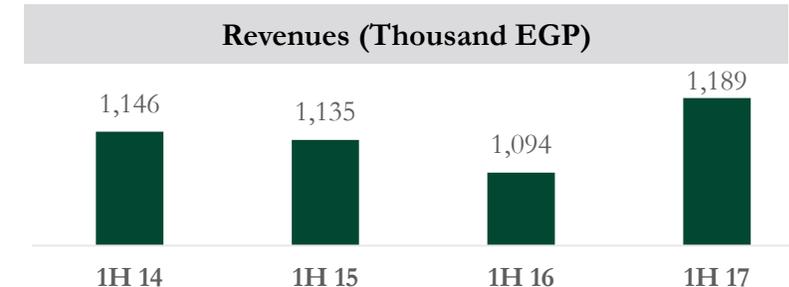
## Debt Structure (EGP vs. USD)



# 1H17 Financials Review

## Income Statement

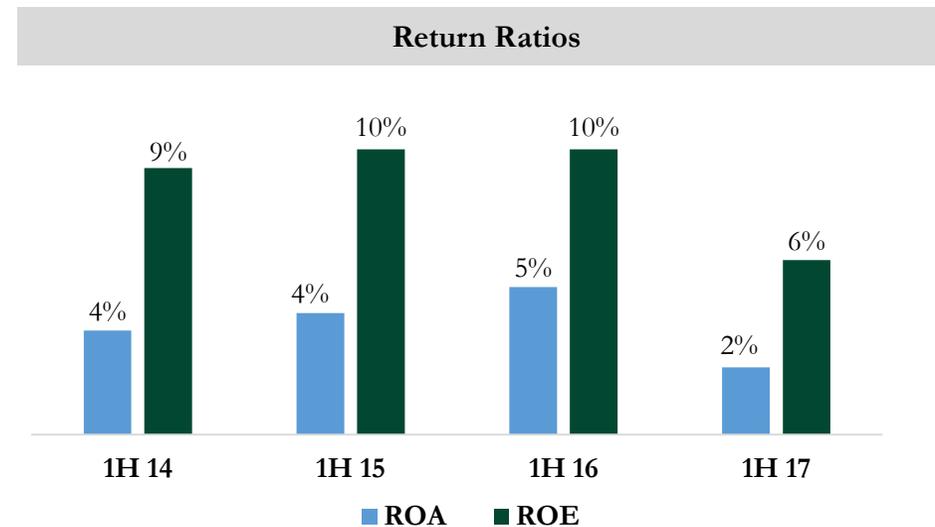
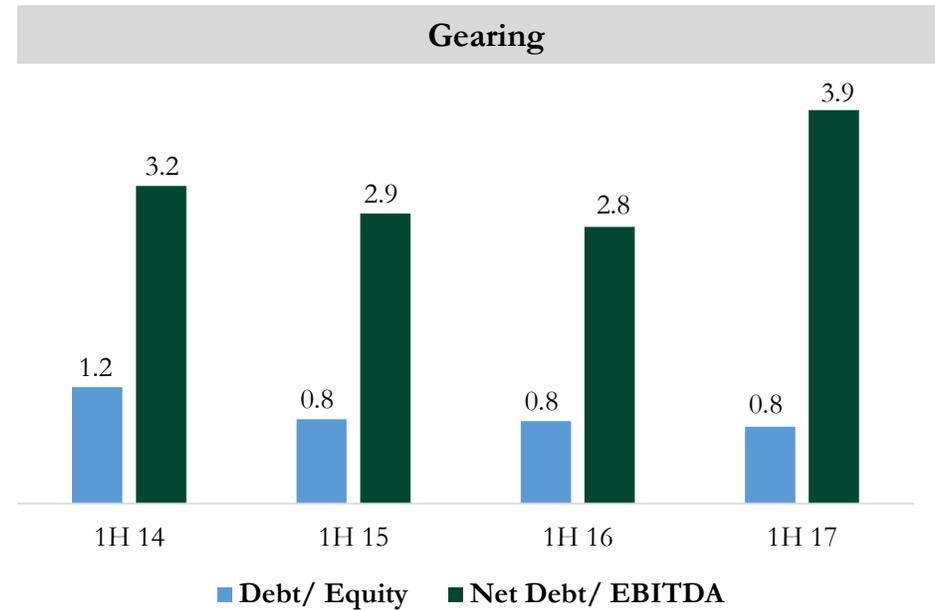
MN EGP	1H 14	1H 15	1H 16	1H 17
Revenue	1,146	1,135	1,094	1189
Cost of goods sold	681	735	633	905
Gross profit	465	401	460	285
GPM	41%	35%	42%	24%
SG&A Expenses	50	47	39	58
EBITDA	415	354	421.63	227
EBITDA Margin	36%	31%	39%	19%
Other income		2	6	-5
Depreciation & Amortization	94	97	99	116
EBIT	320	259	330	105
EBIT Margin	28%	23%	30%	9%
Foreign exchange	25	31	103	-16
Finance cost, net	47	44	40	52
Net Profit Before Tax	249	184	186	69
NPBT Margin	22%	16%	17%	6%
Deferred tax	74	10	2	-1
Income tax expense	68	52	42	-1
Net Profit	107	123	143	72
NPM	9%	11%	13%	6%



# 1H17 Financials Review

## Balance Sheet

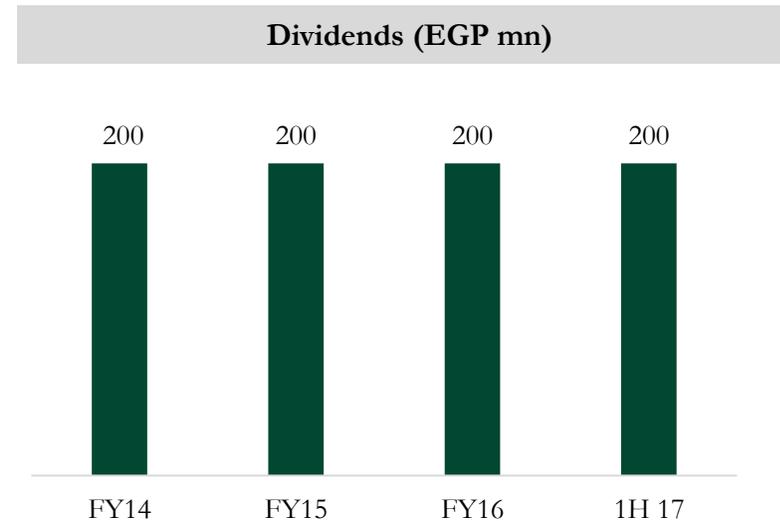
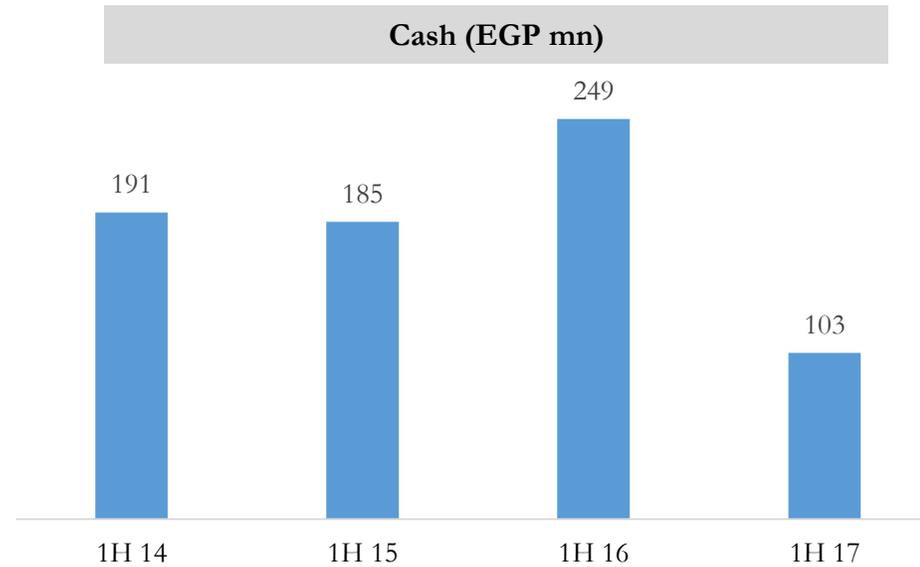
MN EGP	1H 14	1H 15	1H 16	1H 17
<u>Assets</u>				-
<u>Non-current Assets</u>				
Property plant and equipment, net	2,618	2,597	2,477	2,779
Projects under construction	123	123	138	122
Intangible assets	143	120	98	75
Investment in subsidiaries	9	9	21	21
Payments under long-term investment				
Total Non-current Assets	2,894	2,850	2,734	2,997
<u>Current Assets</u>				-
Inventory	137	204	169	355
Debtors and other debit balances	92	57	68	94
Due from related parties	18	16	8	13
Cash and bank balances	191	156	249	103
Total Current Assets	437	433	493	565
<u>Current Liabilities</u>				-
Provisions	8	8	16	11
Dividends Payable				201
Bank overdraft		95	46	
Current tax liabilities	68	52		21
Trade payables and other credit balances	317	437	483	765
Due to related parties	5	3	6	6
Borrowings - short term portions	338	174	266	312
Short-term liabilities	69	82	74	158
Total Current Liabilities	806	851	890	1,474
Net (Deficit) Surplus in Working Capital	-369	-418	-397	-909
Total Invested Funds	2,524	2,432	2,337	2,088
<u>Represented in:</u>				-
<u>Equity</u>				
Paid up capital	757	757	757	757
Legal reserve	130	156	156	210
Retained earnings	243	301	501	192
Total Equity	1,131	1,215	1,415	1,159
<u>Non-current Liabilities</u>				-
Notes Payable				11
Borrowings - long term portions	449	413	520	436
Deferred income tax liability	411	361	331	338
Long-term liabilities	533	443	383	145
Total Non-current Liabilities	1,393	1,217	1,234	930
Total Equity and Non-current Liabilities	2,524	2,432	2,649	2,088



# 1H17 Financials Review

## Cash Flow Statement

MN EGP	1H 14	1H 15	1H 16	1H 17
<b>Cash flows from operating activities</b>				
Net profit before tax	249	183	186	69
Interest income	-0.4	-1	-7	0
Interest expense	47	44	40	52
Depreciation expense	83	86	87	105
Amortization of intangible assets	11	11	11	11
Gain from sale of property plant and equipment	0	0	0	0
Foreign exchange (gain)/losses differences	0	-0.1	69	-12
Dividends from joint venture	0	29	0	0
Provision	1	-0.4	0	2
Changes in working capital	390.6	350.9	387	227
Debtors and other debit balances	-44	-12	-12	9
Inventory, net	-41	-3	1	-79
Trade payables and other credit balances	7	-71	-153	54
Due from related parties	-0.4	1	7	1
Tax paid	-1	-132	-116	-149
Due to related parties	3	-3	-1	-2
Net cash from operating activities	314.4	131.9	114	60
<b>Cash flows from investing activities</b>				
Proceeds from dividends from joint venture	0	0.1	0	0
Proceeds from sale of assets	-5	0	0	0
Interest income	0.4	1	7	0
Purchase of property, plant and equipment	0	-7	-4	-7
Additions in projects under construction	-34	-36	-14	-82
Payments under long-term investments	0	-0.1	0	0
Net cash flows used in investing activities	-38.8	-41.5	-11	-89
<b>Cash flows from financing activities</b>				
Payments of license liability	-44	-39	-47	-51
Payments of borrowings	-71	-49	-46	-76
Interest paid	-64	-46	0	0
Dividends paid	-63	-23	-126	-4
Proceeds from bank overdraft	0	95	0	132
Net cash flows from financing activities	-242.9	-61.7	-219	1
Net increase (decrease) in cash and cash equivalents	32.7	28.7	-116	-27
Cash and cash equivalents at beginning of the year	158	156	365	130
Cash and cash equivalents at end of the period	191	185	249	103





**For more Information Please Contact:**

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