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# Arabian Cement Company

## 2Q 2018 Investors Presentation

# Highlights

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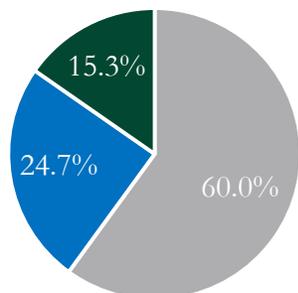
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# Introduction to ACC

## 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.
- 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.

2Q2018 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

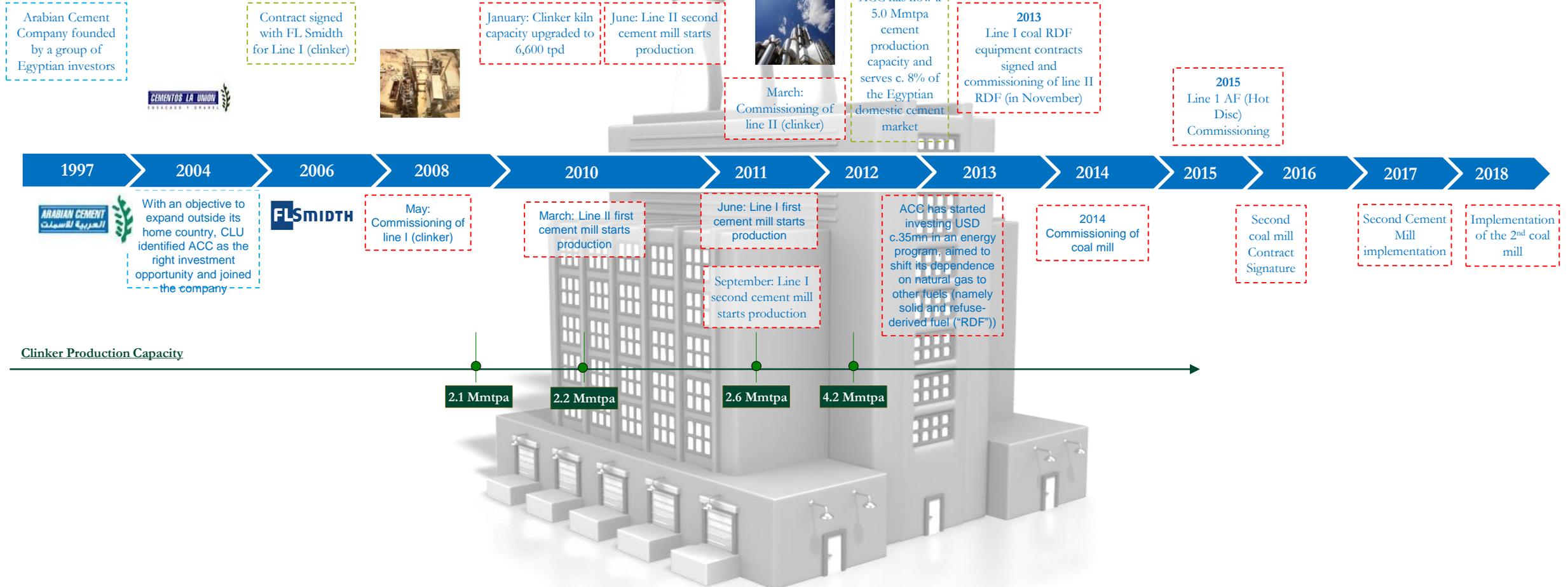
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

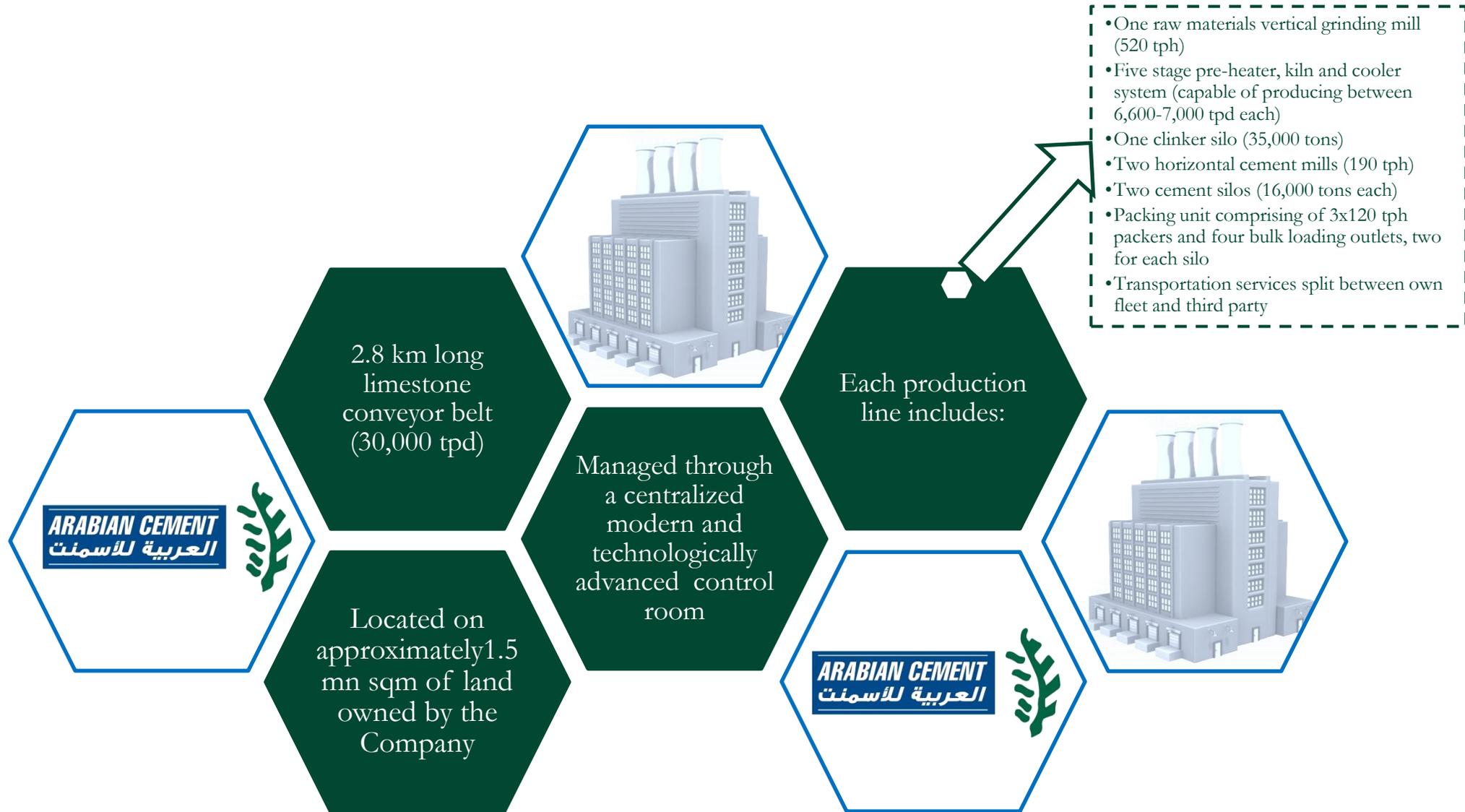
# Introduction to ACC

## Corporate Evolution



# Introduction to ACC

## Plant Information



## 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

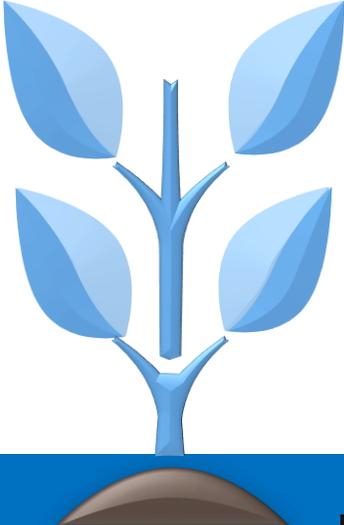
### Long Term Strategy

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

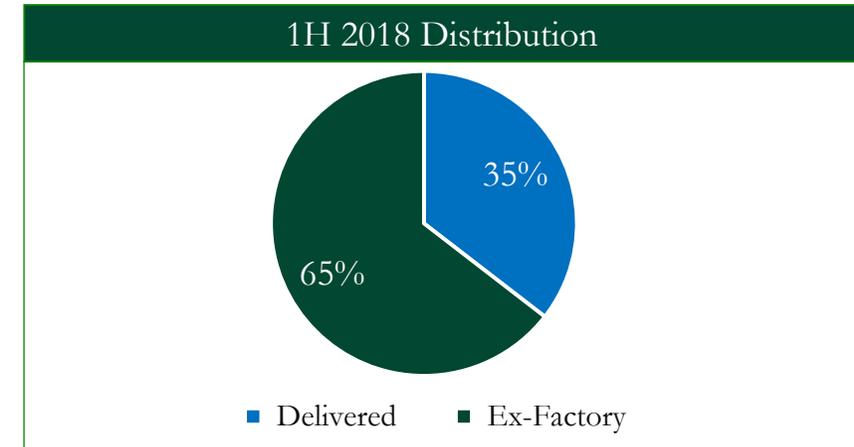
4- Cost saving strategy



# Introduction to ACC

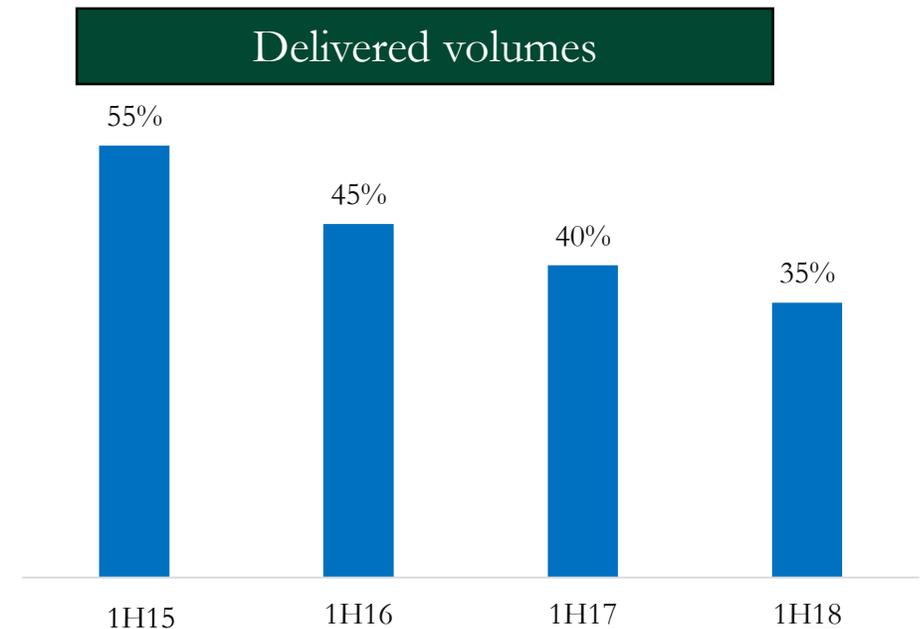
## Distribution Network Overview

- In 1H 2018 Arabian Cement distributed through direct Ex-Factory sales and Delivery.



### Express Wassal

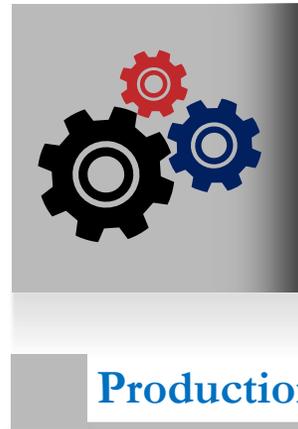
- Express Wassal is a full transportation service for bulk and/or bagged products provided by the company's fleet of 25 trucks as well as by 3rd party business partners. Express Wassal was launched in 2011
- Express Wassal offers ACC a number of benefits such as;
  - Reducing ACC's dependency on external 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



## Main Highlights



- By the end of 2016, Egypt has floated its currency in a move that has reduced its value by almost 50% against the dollar.
- According to The World Bank, the real Egyptian GDP is expected to grow by 5.0% in FY 2018 and increase gradually to 5.8% by FY 2020.
- Inflation rate climbed from 11.4% in May to 14.4% by the end of 2Q2018, one of the highest YTD. GDP annual growth rate stood at 5.4% and expected to reach 5.6% by the end of the year.



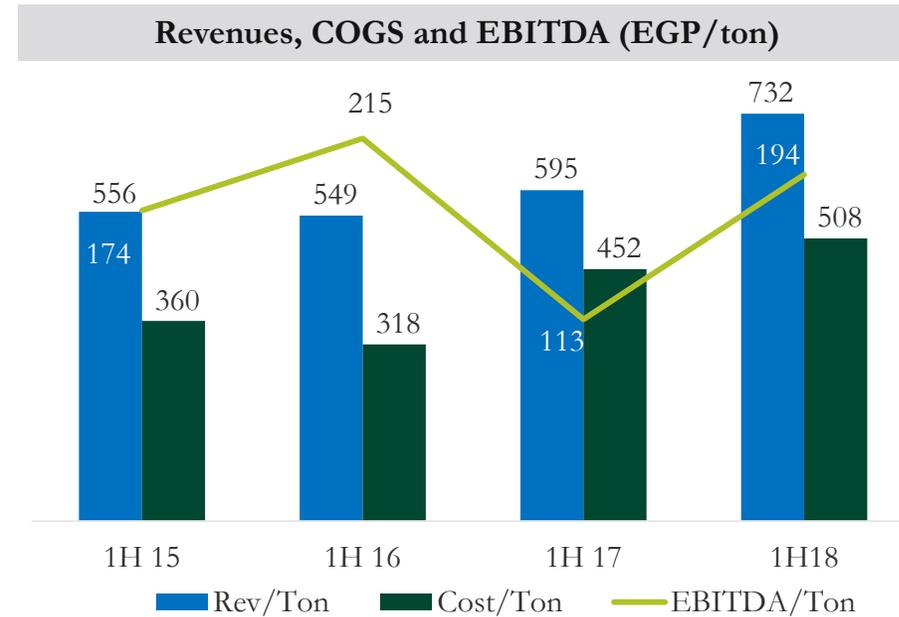
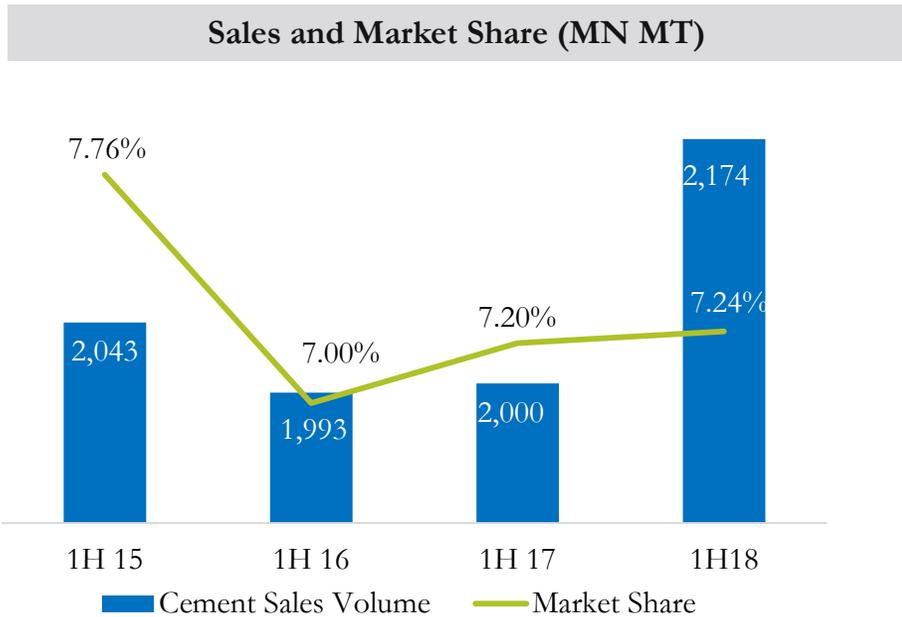
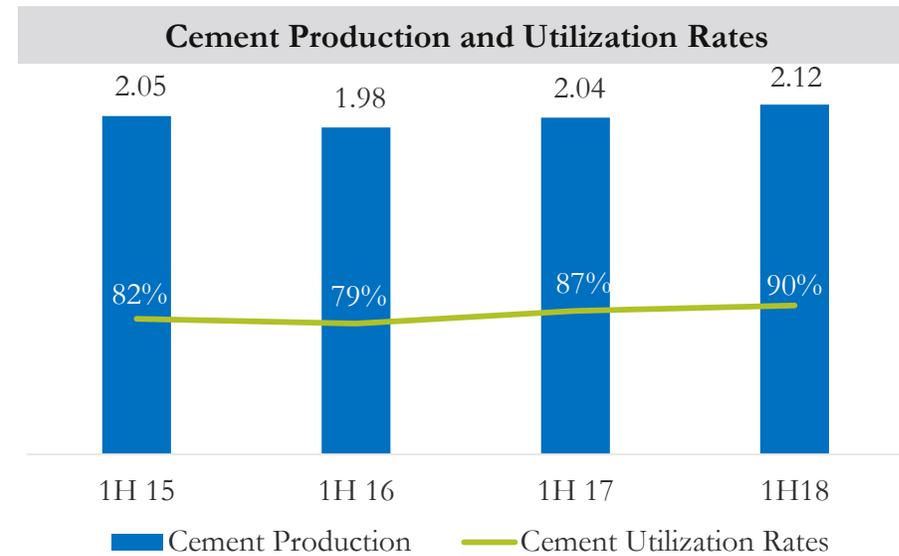
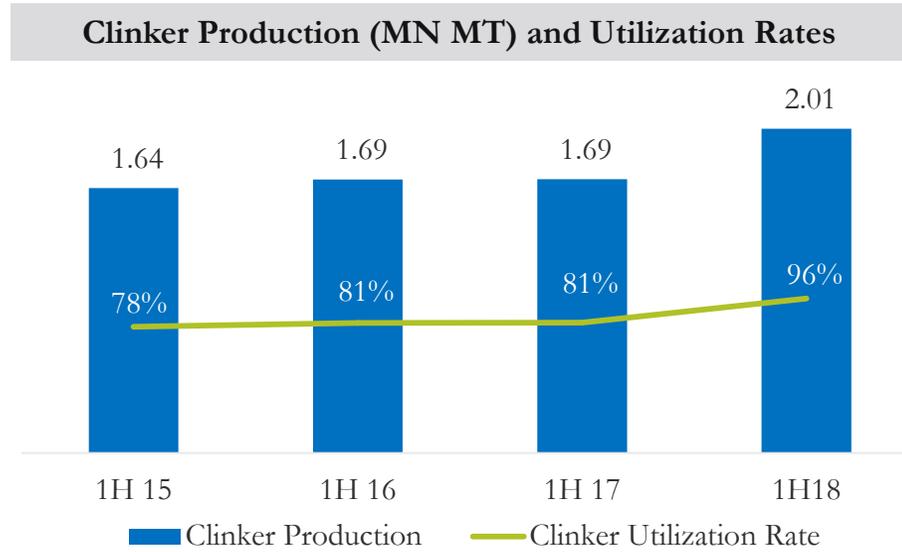
- ACC produced 2.007K T of clinker in 1H 2018 compared to 1,694K T at the same period the previous year.
- Our clinker utilization rate jumped from 81% in 1H 2017 to 96% in 1H2018.
- Cement production reached 2.1 mn tons in 1H 2018 with utilization rate of 90%, 3% increase y-o-y.



- ACC was able to have the minimal contribution of diesel in 1H2018 fuel mix and depend mainly on coal and RDF after the operation of the 2<sup>nd</sup> coal mill in 2Q2018.
- The fuel mix in 1H 2018 was 83% Coal, 14% Alternative Fuel and 3% Diesel vs 71% Coal, 12% AF and 18% Diesel in 1H 2017.
- Our new fuel mix for the rest of 2018 will depend only on coal and AF, which will strengthen our cost advantage after cutting the diesel subsidy.

# Period Highlights (continued)

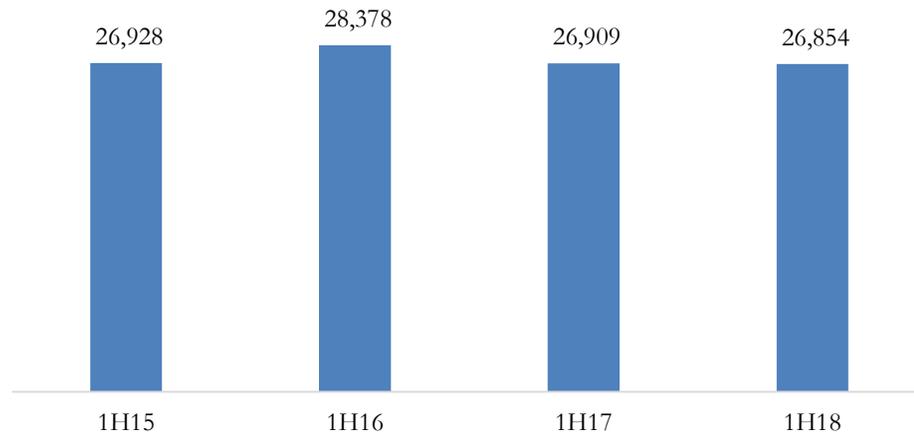
## Main KPIs



# Egyptian Cement Market

## Demand and Supply Synopsis

Domestic Consumption (MMT)



Average Market Retail Prices (EGP/ton)



Egyptian Market Overview

- The Egyptian market consumption for 1H2018 is almost as that of the same period last year. According to our expectations, the market will likely to remain flat y-o-y and close the year 2018 with the same level of FY 2017. After 2018 and going foreword, the market is expected to grow by 5% annually.

- 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 .

- Post Floatation Egyptian cement exports started to have a significant contribution in the market. The Egyptian companies are working to increase their exports considerably. The Egyptian cement exports for 1H2018 was almost doubled compared to 1H2017.

- 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.

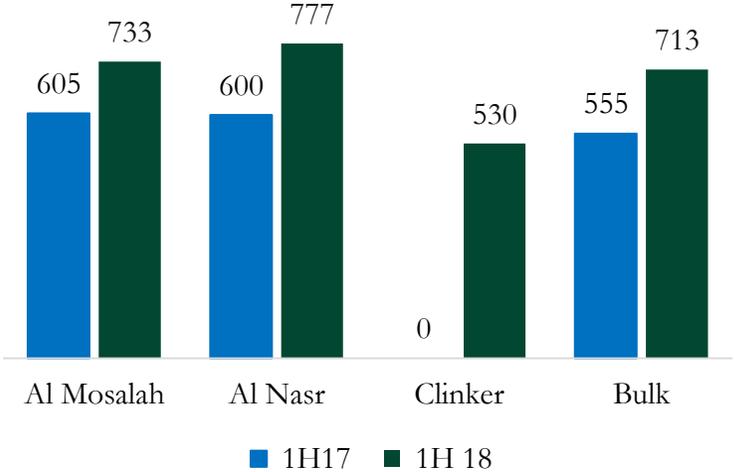
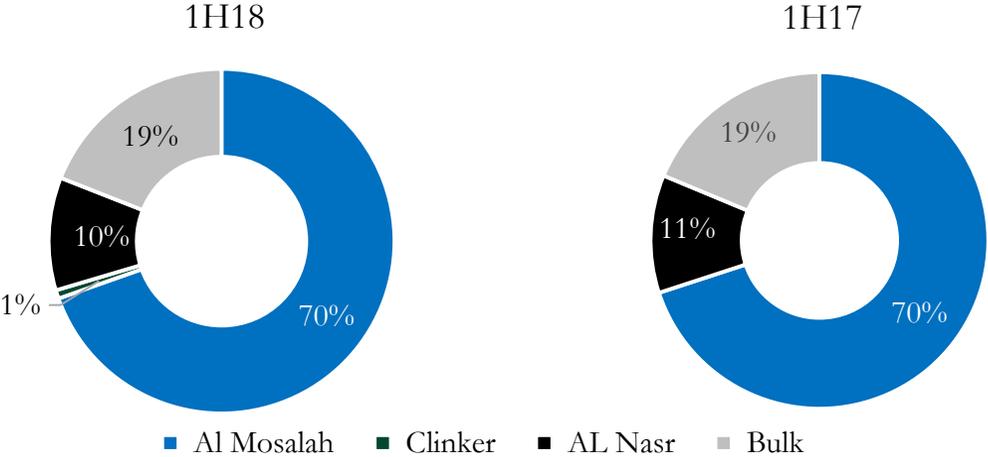
- Government is working on some mega projects like the new capital city, enhancing roads and rail infrastructure, and restructuring the energy sector.

# Sales Overview

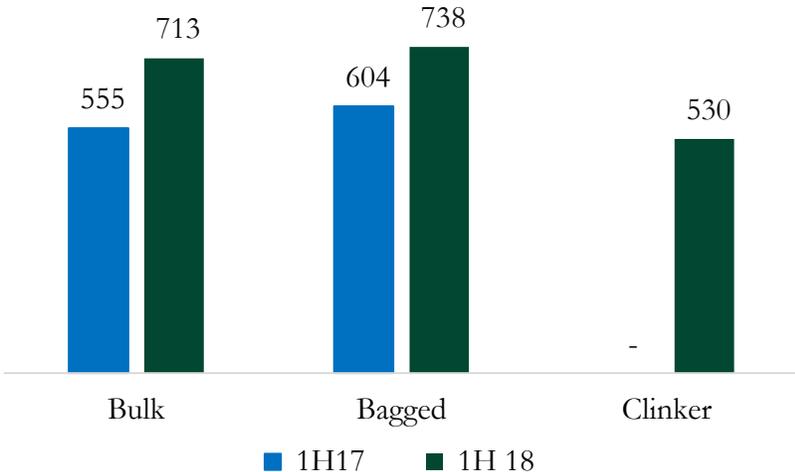
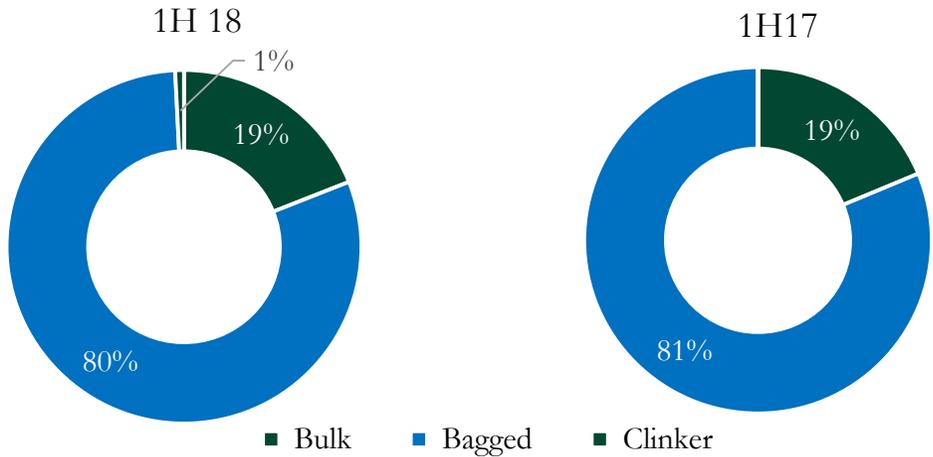
## Quantities Breakdown

Quantities Breakdown | Prices (EGP/ton)

### Breakdown by Brand



### Breakdown by Type

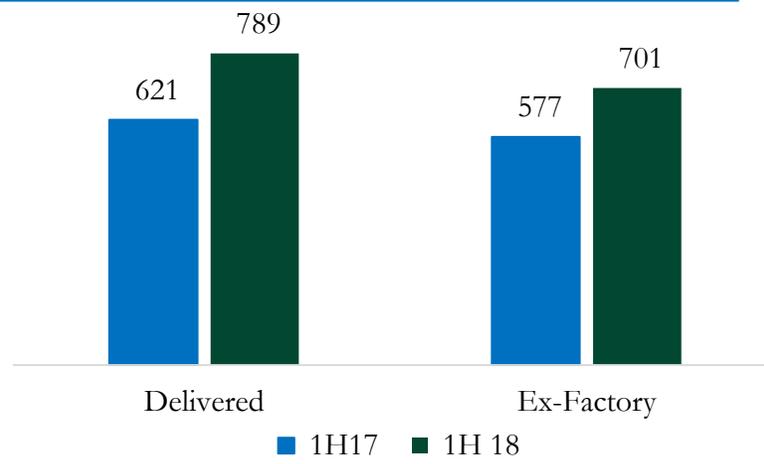
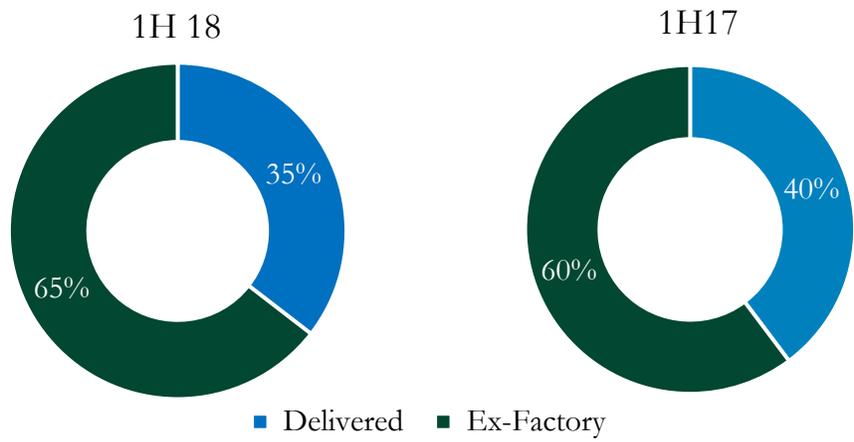


# Sales Overview

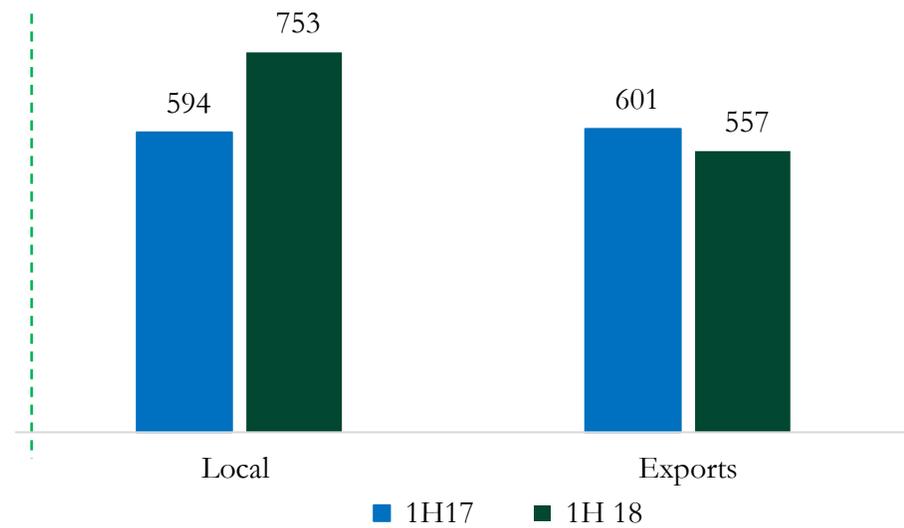
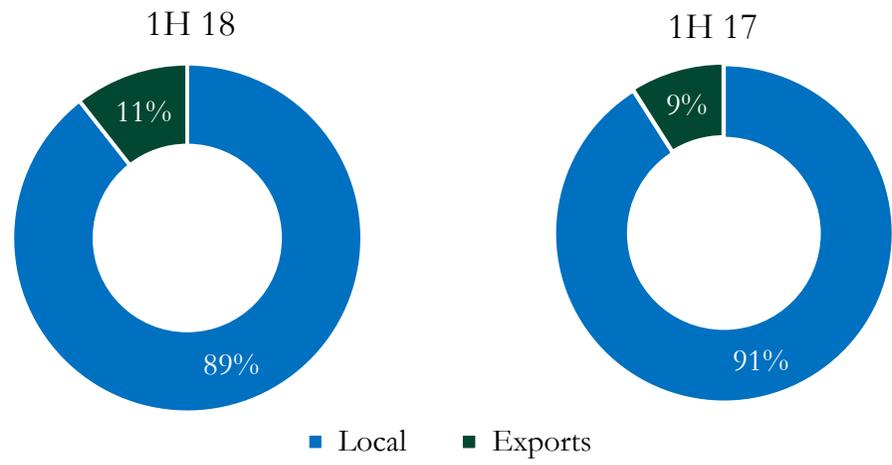
## Quantities Breakdown

| Quantities Breakdown | Prices (EGP/ton) |
|----------------------|------------------|
|----------------------|------------------|

### Breakdown by Point of Sale



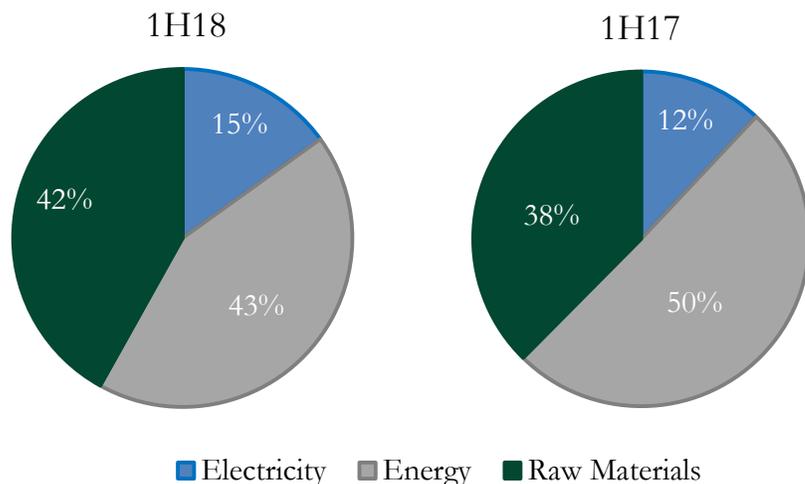
### Breakdown by Market



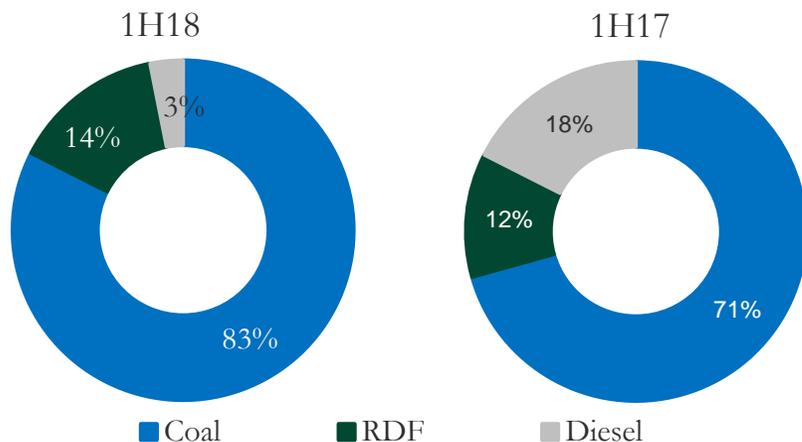
# COGS Overview

## COGS and ACC Cost Advantages

### COGS Breakdown



### Fuel Mix



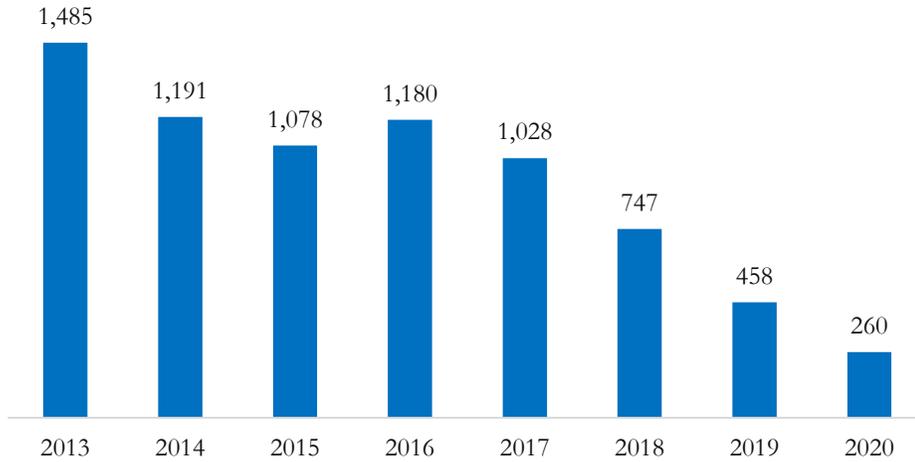
### ACC Cost Advantages

- ACC is always working on controlling its cash cost/ton. After the operation of our second coal mill in 2Q2018, the company was able to get rid of the diesel input, depending only on coal and RDF. We achieved a fuel mix of 86% coal and 14% RDF in 2Q2018. 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:**
  - 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 2Q2018, the company increased its y-o-y RDF consumption from 10% to 14% 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 82% Coal and 18% through RDF.

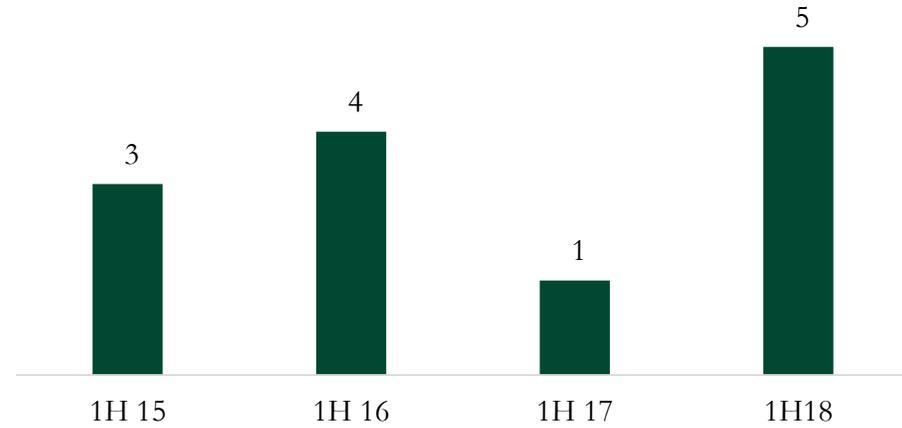
# Debt

## Outstanding Debt & Debt Structure

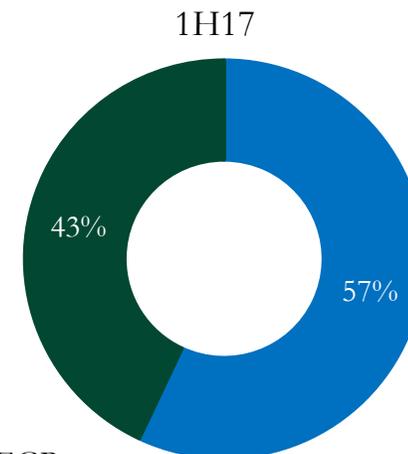
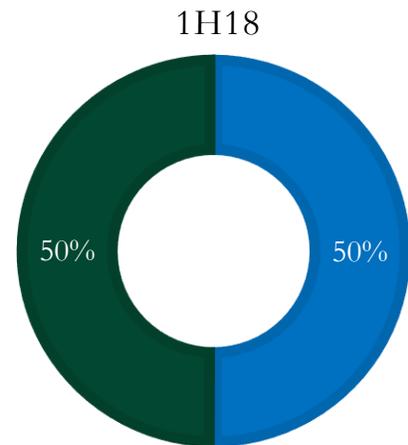
Outstanding Debt (Thousand EGP)



Interest Coverage Ratio



Debt Structure (EGP vs. USD)



Loans in USD

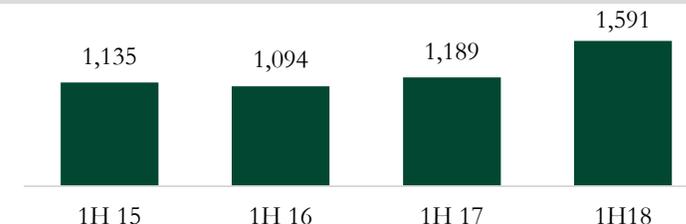
Loans in EGP

# 1H18 Financials Review

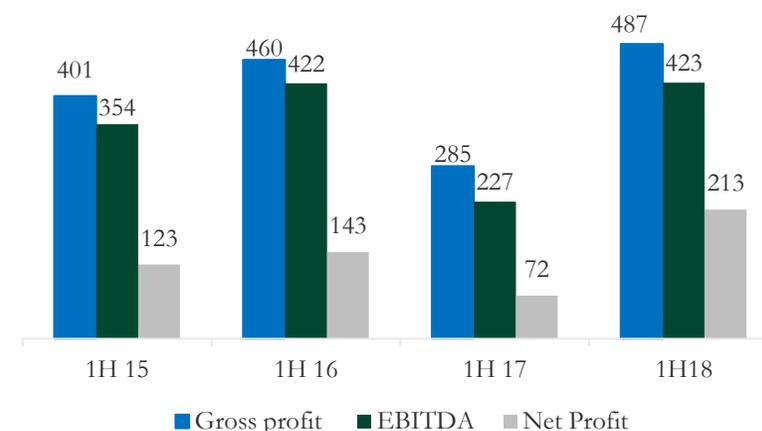
## Income Statement

| MN EGP                       | 1H 15 | 1H 16 | 1H 17 | 1H18  |
|------------------------------|-------|-------|-------|-------|
| Revenue                      | 1,135 | 1,094 | 1189  | 1591  |
| Cost of goods sold           | 735   | 633   | 905   | 1,105 |
| Gross profit                 | 401   | 460   | 285   | 487   |
| GPM                          | 35%   | 42%   | 24%   | 31%   |
| SG&A Expenses                | 47    | 39    | 58    | 64    |
| EBITDA                       | 354   | 422   | 227   | 423   |
| EBITDA Margin                | 31%   | 39%   | 19%   | 27%   |
| Other income                 | 2     | 6     | -5    | 2     |
| Depreciation & Amortization  | 97    | 99    | 116   | 120   |
| EBIT                         | 259   | 330   | 105   | 305   |
| EBIT Margin                  | 23%   | 30%   | 9%    | 19%   |
| Foreign exchange             | 31    | 103   | -16   | 4     |
| Loss/gain on disposal of PPE |       |       |       |       |
| Finance cost, net            | 44    | 40    | 52    | 45    |
| Net Profit Before Tax        | 184   | 186   | 69    | 257   |
| NPBT Margin                  | 16%   | 17%   | 6%    | 16%   |
| Deferred tax                 | 10    | 2     | -1    | 5     |
| Income tax expense           | 52    | 42    | -1    | 38    |
| Net Profit                   | 123   | 143   | 72    | 213   |
| NPM                          | 11%   | 13%   | 6%    | 13%   |

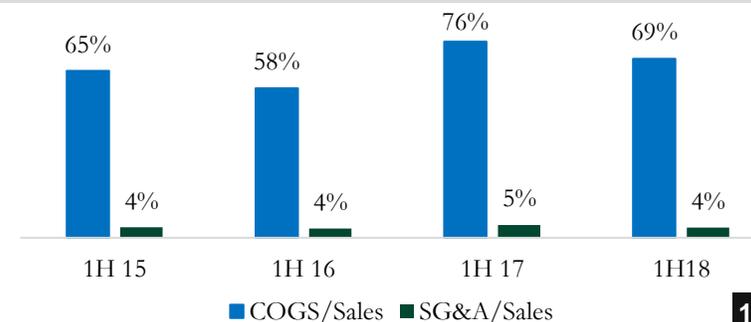
### Revenues (Thousand EGP)



### GP, EBITDA & Net Profit (Thousand EGP)



### Efficiency Ratios

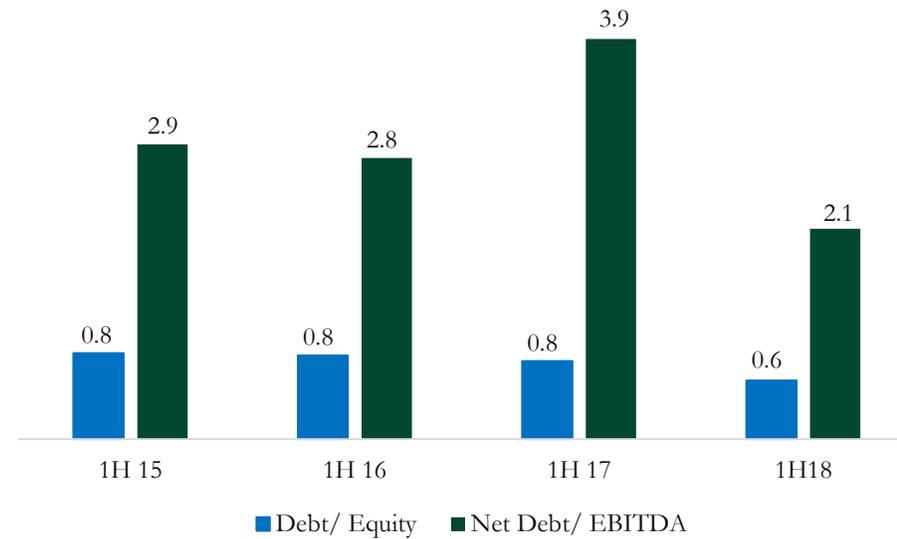


# 1H18 Financials Review

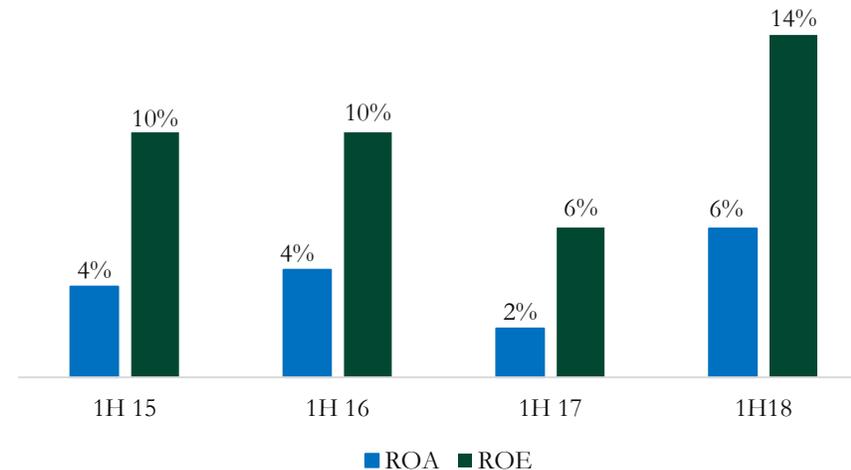
## Balance Sheet

| MN EGP  | 1H 15        | 1H 16        | 1H 17        | 1H18         |
|---|--------------|--------------|--------------|--------------|
| <b>Assets</b>                                   |              |              |              |              |
| <b>Non-current Assets</b>                       |              |              |              |              |
| Property plant and equipment, net               | 2,597        | 2,477        | 2,779        | 2,539        |
| Projects under construction                     | 123          | 138          | 122          | 66           |
| Intangible assets                               | 120          | 98           | 75           | 371          |
| Investment in subsidiaries                      | 9            | 21           | 21           | 38           |
| Payments under long-term investment             |              |              |              |              |
| <b>Total Non-current Assets</b>                 | <b>2,850</b> | <b>2,734</b> | <b>2,997</b> | <b>3,013</b> |
| <b>Current Assets</b>                           |              |              |              |              |
| Inventory                                       | 204          | 169          | 355          | 250          |
| Debtors and other debit balances                | 57           | 68           | 94           | 82           |
| Due from related parties                        | 16           | 8            | 13           | 11           |
| Cash and bank balances                          | 156          | 249          | 103          | 121          |
| <b>Total Current Assets</b>                     | <b>433</b>   | <b>493</b>   | <b>565</b>   | <b>465</b>   |
| <b>Current Liabilities</b>                      |              |              |              |              |
| Provisions                                      | 8            | 16           | 11           | 16           |
| Dividends Payable                               |              |              | 201          |              |
| Bank overdraft                                  | 95           | 46           |              | 79           |
| Current tax liabilities                         | 52           |              | 21           | 38           |
| Trade payables and other credit balances        | 437          | 483          | 765          | 601          |
| Due to related parties                          | 3            | 6            | 6            | 3            |
| Borrowings - short term portions                | 174          | 266          | 312          | 261          |
| Short-term liabilities                          | 82           | 74           | 158          | 7            |
| <b>Total Current Liabilities</b>                | <b>851</b>   | <b>890</b>   | <b>1,474</b> | <b>1,006</b> |
| Net (Deficit) Surplus in Working Capital        | -418         | -397         | -909         | -541         |
| <b>Total Invested Funds</b>                     | <b>2,432</b> | <b>2,337</b> | <b>2,088</b> | <b>2,472</b> |
| <b>Represented in:</b>                          |              |              |              |              |
| <b>Equity</b>                                   |              |              |              |              |
| Paid up capital                                 | 757          | 757          | 757          | 757          |
| Legal reserve                                   | 156          | 156          | 210          | 231          |
| Retained earnings                               | 301          | 501          | 192          | 523          |
| <b>Total Equity</b>                             | <b>1,215</b> | <b>1,415</b> | <b>1,159</b> | <b>1,511</b> |
| <b>Non-current Liabilities</b>                  |              |              |              |              |
| Notes Payable                                   |              |              | 11           | 3            |
| Borrowings - long term portions                 | 413          | 520          | 436          | 557          |
| Deferred income tax liability                   | 361          | 331          | 338          | 341          |
| Long-term liabilities                           | 443          | 383          | 145          | 59           |
| <b>Total Non-current Liabilities</b>            | <b>1,217</b> | <b>1,234</b> | <b>930</b>   | <b>961</b>   |
| <b>Total Equity and Non-current Liabilities</b> | <b>2,432</b> | <b>2,649</b> | <b>2,088</b> | <b>2,472</b> |

### Gearing



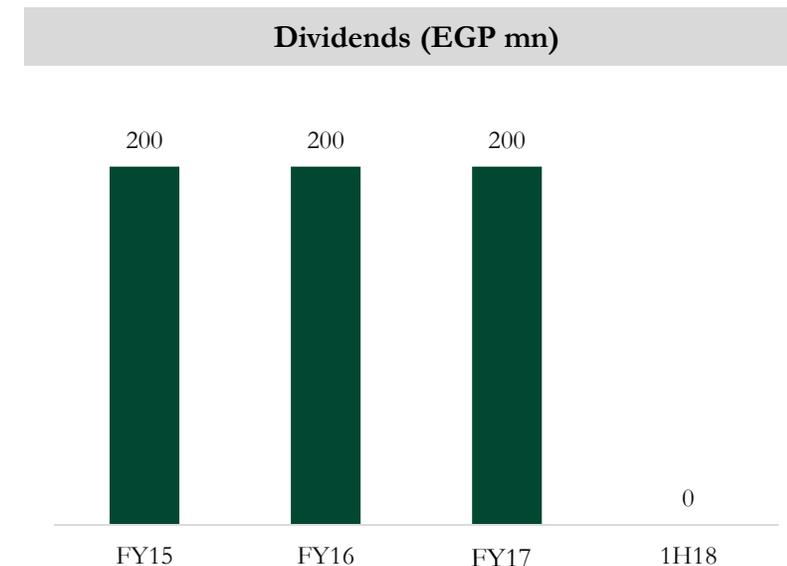
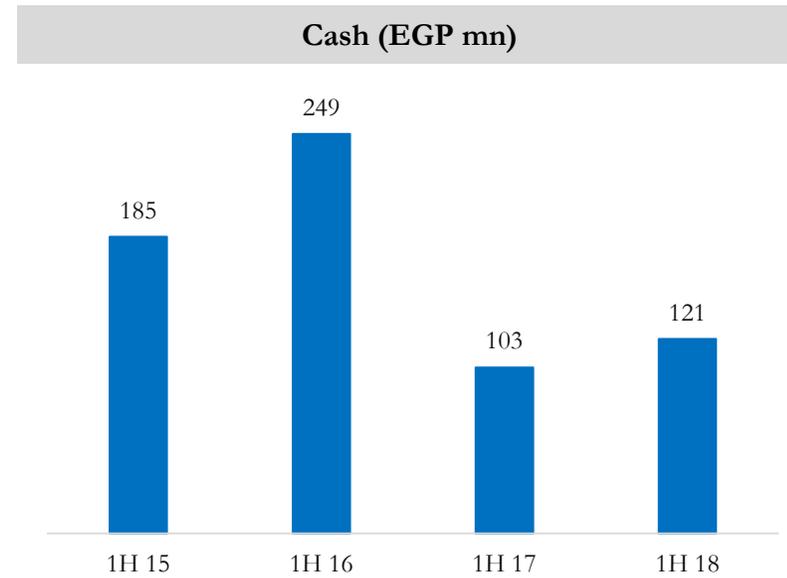
### Return Ratios



# 1H18 Financials Review

## Cash Flow Statement

| MN EGP  | 1H 15        | 1H 16       | 1H 17      | 1H 18       |
|---|--------------|-------------|------------|-------------|
| <b>Cash flows from operating activities</b>                 |              |             |            |             |
| Net profit before tax                                       | 183          | 186         | 69         | 257         |
| Interest income   | -1           | -7          | 0          | -1          |
| Interest expense  | 44           | 40          | 52         | 45          |
| Depreciation expense  | 86           | 87          | 105        | 94          |
| Amortization of intangible assets                           | 11           | 11          | 11         | 25          |
| Gain from sale of property plant and equipment              | 0            | 0           | 0          | 0           |
| Foreign exchange (gain)/losses differences                  | -0.1         | 69          | -12        | 3           |
| Dividends from joint venture                                | 29           | 0           | 0          | 0           |
| Provision   | -0.4         | 0           | 2          | 0           |
| <b>Changes in working capital</b>                           | <b>350.9</b> | <b>387</b>  | <b>227</b> | <b>423</b>  |
| Debtors and other debit balances                            | -12          | -12         | 9          | -5          |
| Inventory, net  | -3           | 1           | -79        | -15         |
| Trade payables and other credit balances                    | -71          | -153        | 54         | 31          |
| Due from related parties                                    | 1            | 7           | 1          | -2          |
| Tax paid  | -132         | -116        | -149       | -30         |
| Due to related parties                                      | -3           | -1          | -2         | -5          |
| <b>Net cash from operating activities</b>                   | <b>131.9</b> | <b>114</b>  | <b>60</b>  | <b>398</b>  |
| <b>Cash flows from investing activities</b>                 |              |             |            |             |
| Proceeds from dividends from joint venture                  | 0.1          | 0           | 0          | 0           |
| Proceeds from sale of assets                                | 0            | 0           | 0          | 0           |
| Interest income   | 1            | 7           | 0          | 1           |
| Purchase of property, plant and equipment                   | -7           | -4          | -7         | -10         |
| Additions in projects under construction                    | -36          | -14         | -82        | -66         |
| Payments under long-term investments                        | -0.1         | 0           | 0          | 0           |
| <b>Net cash flows used in investing activities</b>          | <b>-41.5</b> | <b>-11</b>  | <b>-89</b> | <b>-75</b>  |
| <b>Cash flows from financing activities</b>                 |              |             |            |             |
| Payments of license liability                               | -39          | -47         | -51        | -57         |
| Payments of borrowings                                      | -49          | -46         | -76        | -45         |
| Interest paid   | -46          | 0           | 0          | 0           |
| Dividends paid  | -23          | -126        | -4         | -6          |
| Proceeds from bank overdraft                                | 95           | 0           | 132        | -211        |
| <b>Net cash flows from financing activities</b>             | <b>-61.7</b> | <b>-219</b> | <b>1</b>   | <b>-319</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>28.7</b>  | <b>-116</b> | <b>-27</b> | <b>4</b>    |
| Cash and cash equivalents at beginning of the year          | 156          | 365         | 130        | 117         |
| <b>Cash and cash equivalents at end of the period</b>       | <b>185</b>   | <b>249</b>  | <b>103</b> | <b>121</b>  |





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