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# Arabian Cement Company

## 3Q 2018 Investors Presentation

# Highlights

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# Contents

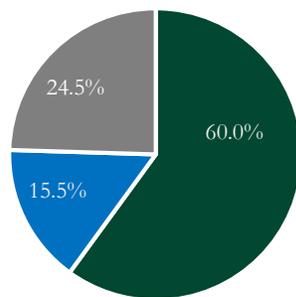
- Introduction to ACC.....4
- Period Highlights .....10
- Egyptian Cement Market .....12
- Sales Overview .....13
- COGS Overview .....15
- CAPEX Overview .....16
- Debt Status .....17
- Financials .....18

# 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.

3Q2018 Shareholding Structure



■ ARIDOS JATIVA ■ El Bourini Family ■ Free Float

## 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

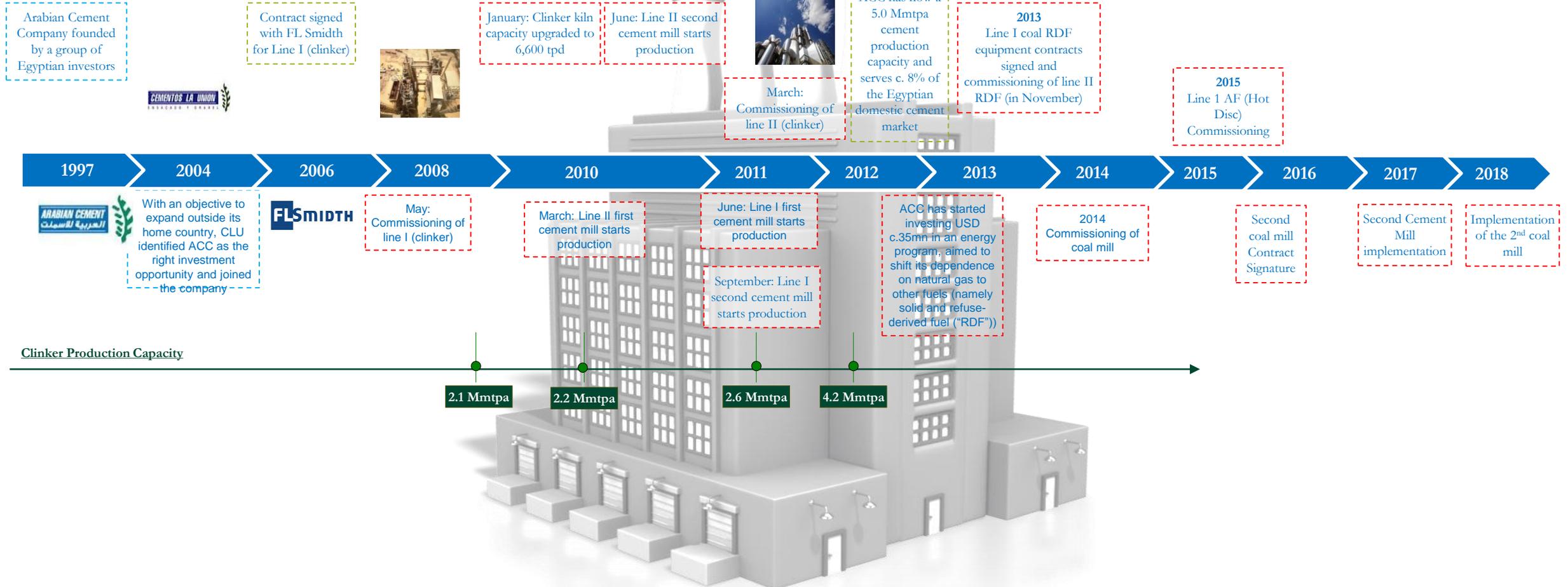
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

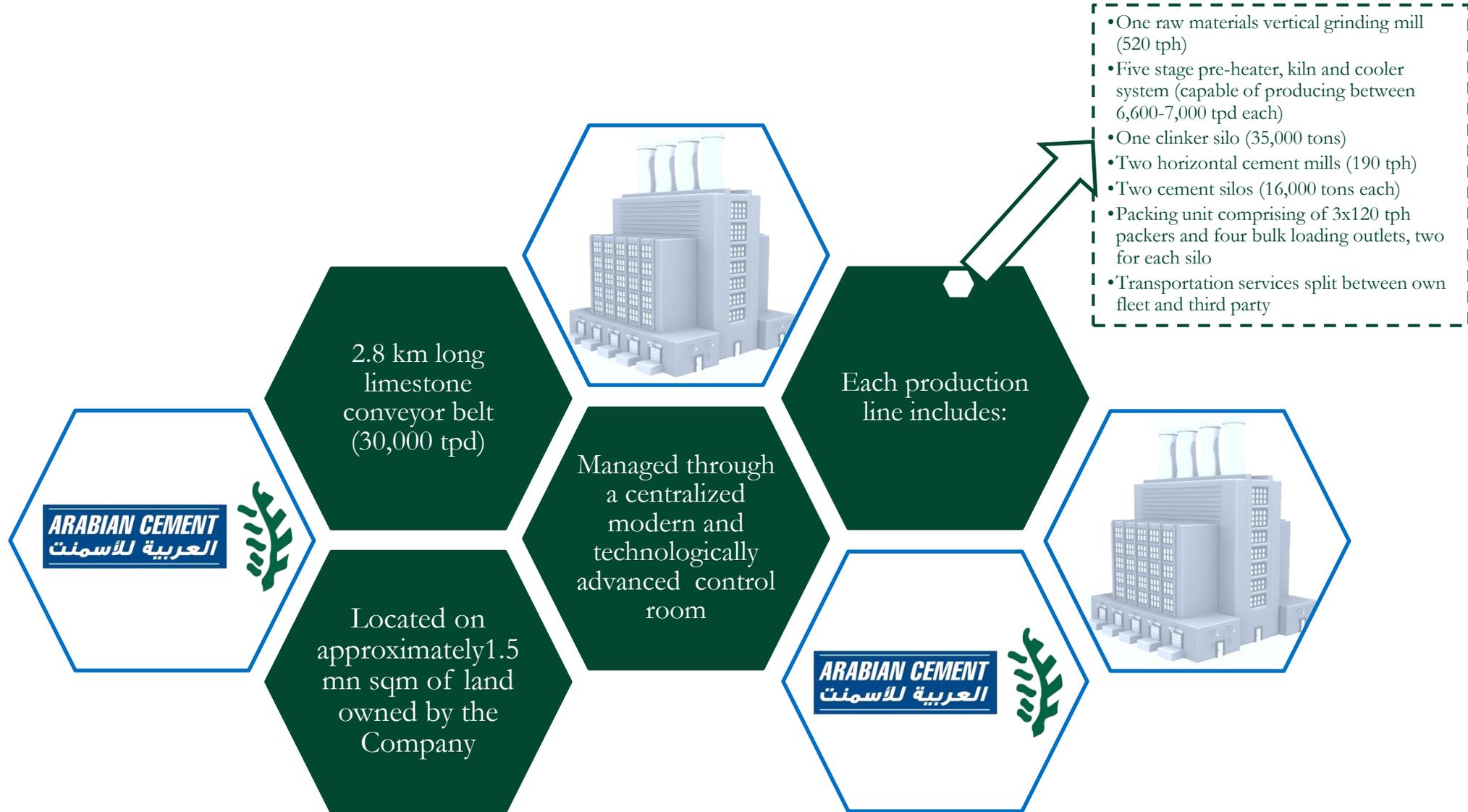
# Introduction to ACC

## 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

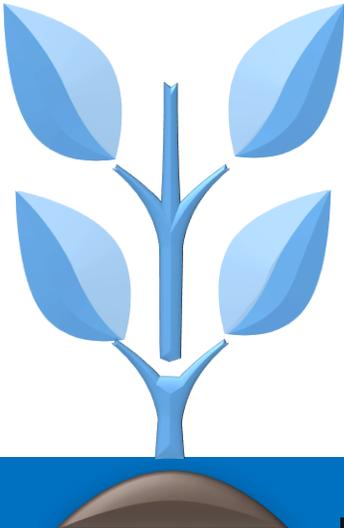
1- Position ACC Among the Top Brands in the Market and Command a Price Premium and the Highest Profitability

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

3- Vertical Expansion:

- Andalus Ready Mix
- RDF Plants

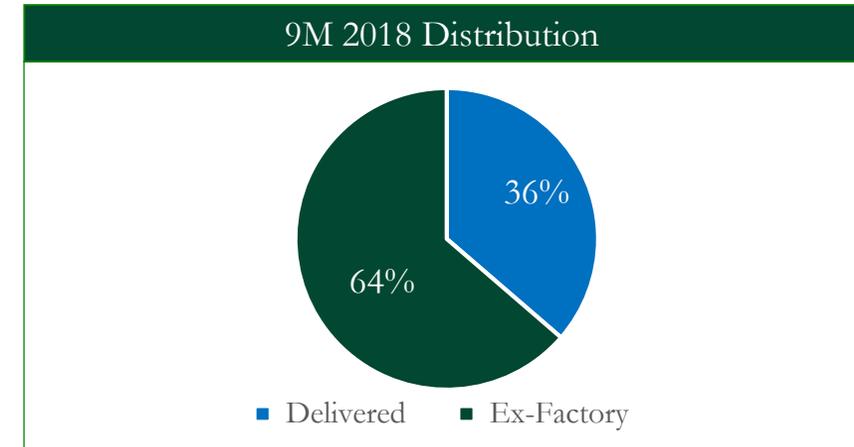
4- Cost saving strategy



# Introduction to ACC

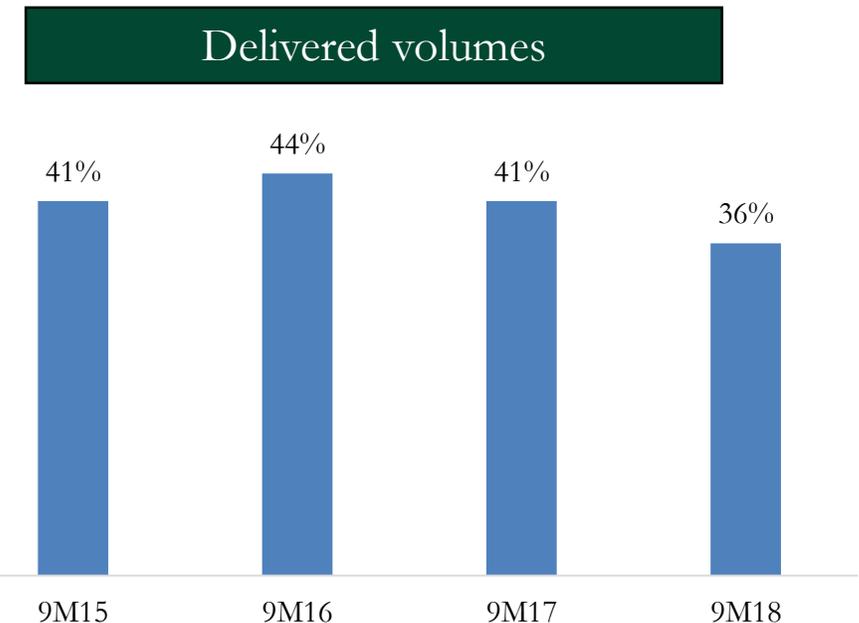
## Distribution Network Overview

- In 9M 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



# Period Highlights

## 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 5.2% in FY 2019.
- Inflation rate declined to 15.4% in Sep. 2018 compared to 32.9% in Sep.2017. GDP annual growth rate stood at 5.3% and expected to reach 5.6% by the end of the year.



- ACC produced 3.039K T of clinker in 9M 2018 compared to 2.578K T in the same period last year.
- Our clinker utilization rate jumped from 82% in 9M2017 to 97% in 9M2018.
- Cement production reached 3.2 mn tons in 9M2018 with utilization rate of 86%, 4% increase y-o-y.

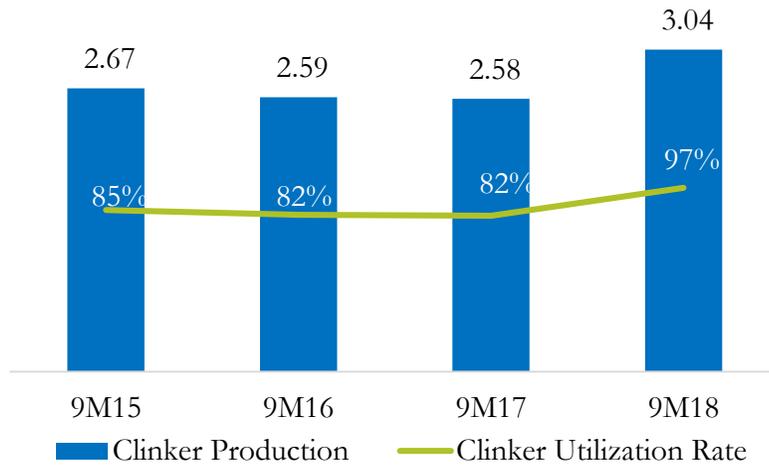


- ACC was able to have the minimal contribution of diesel in 9M2018 fuel mix and depended mainly on coal and RDF after the operation of the 2<sup>nd</sup> coal mill in 2Q2018.
- The fuel mix in 9M2018 was 84% Coal, 14% Alternative Fuel and 2% Diesel vs 76% Coal, 12% AF and 12% Diesel in 9M2017.
- Our 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.

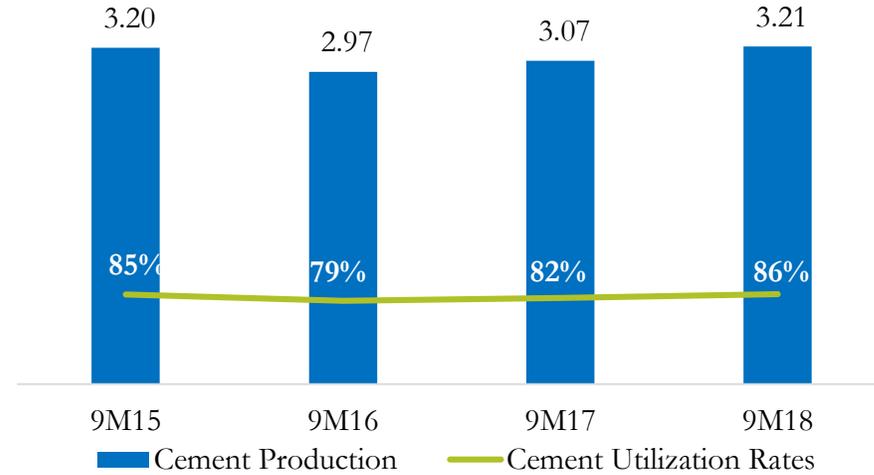
# Period Highlights (continued)

## Main KPIs

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



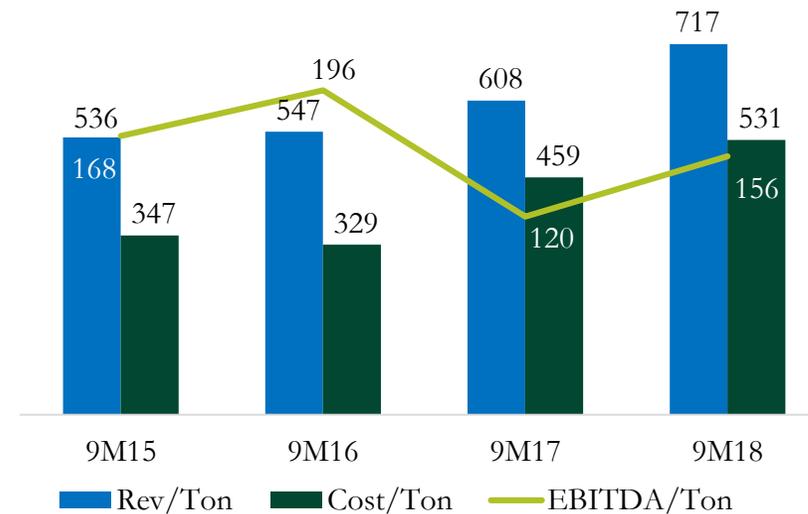
**Cement Production and Utilization Rates**



**Sales Volumes (MN MT)**



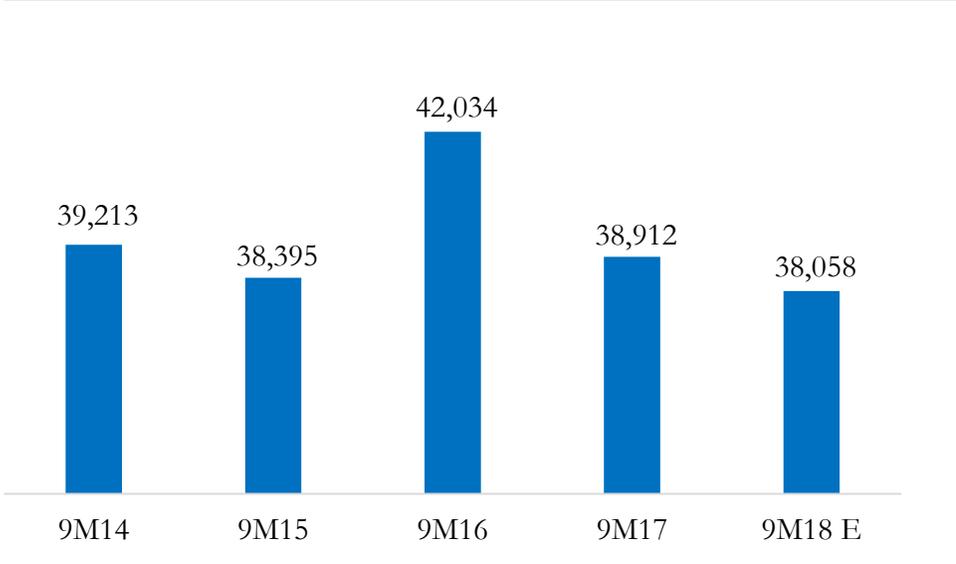
**Revenues, COGS and EBITDA (EGP/ton)**



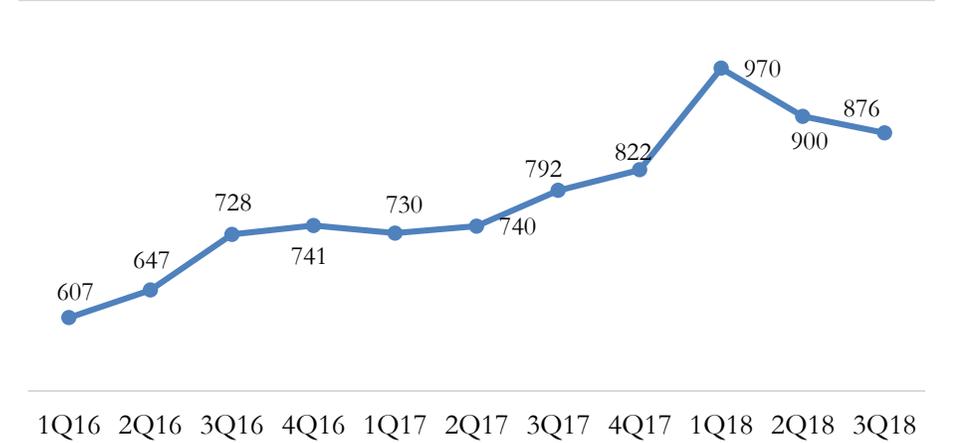
# Egyptian Cement Market

## Demand and Supply Synopsis

**Domestic Consumption (MMT)**



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



**Egyptian Market Overview**

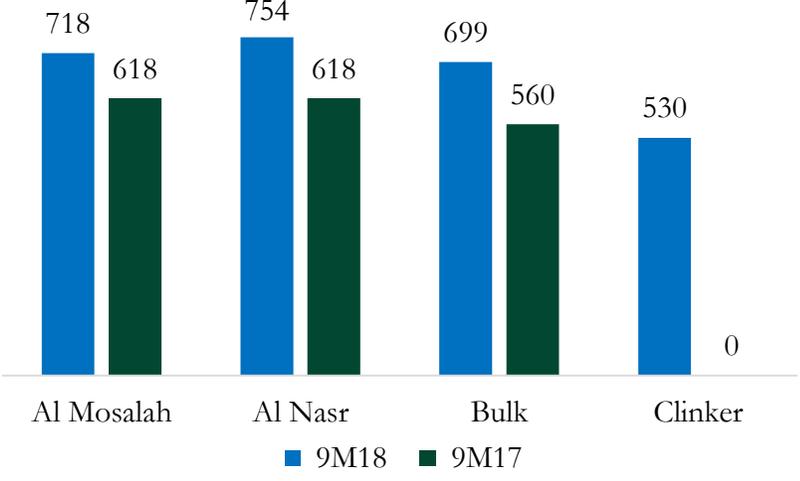
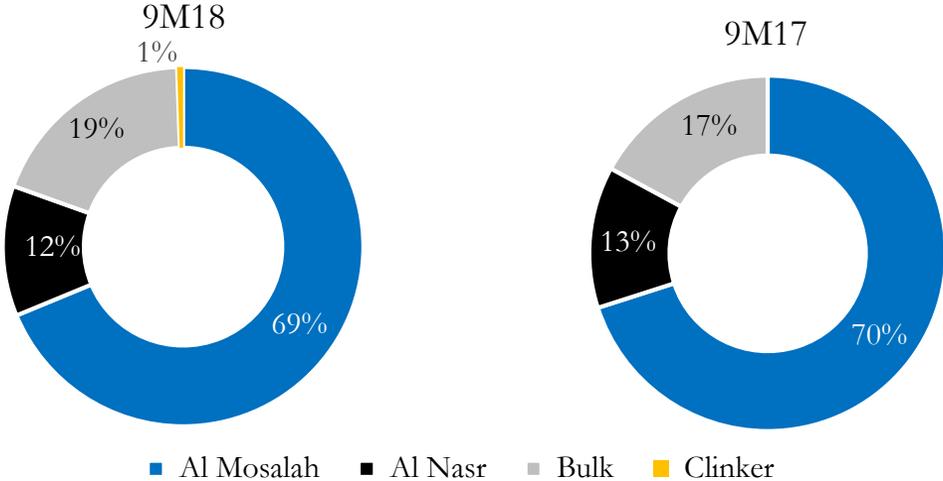
- The Egyptian market consumption for 9M2018 is almost as that of the same period last year. According to our expectations, the market will likely to remain flat y-o-y or 1% lower and close the year 2018 with the same level of FY 2017. After 2018 and going foreword, the market is expected to grow by 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 9M2018 was almost doubled compared to 9M2017.
- 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

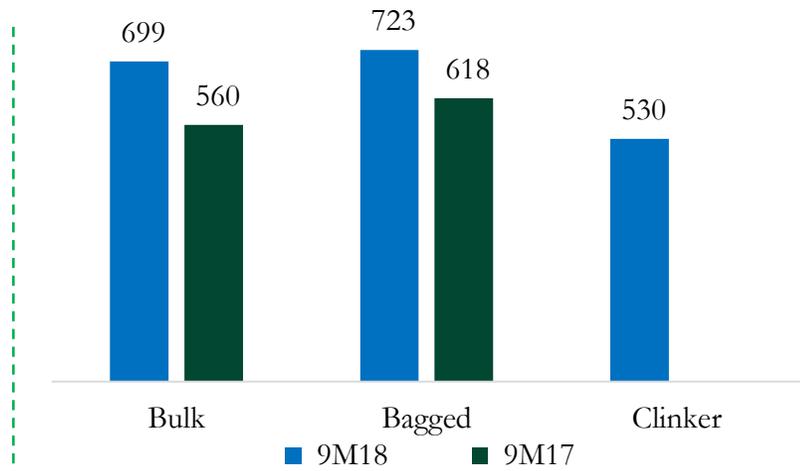
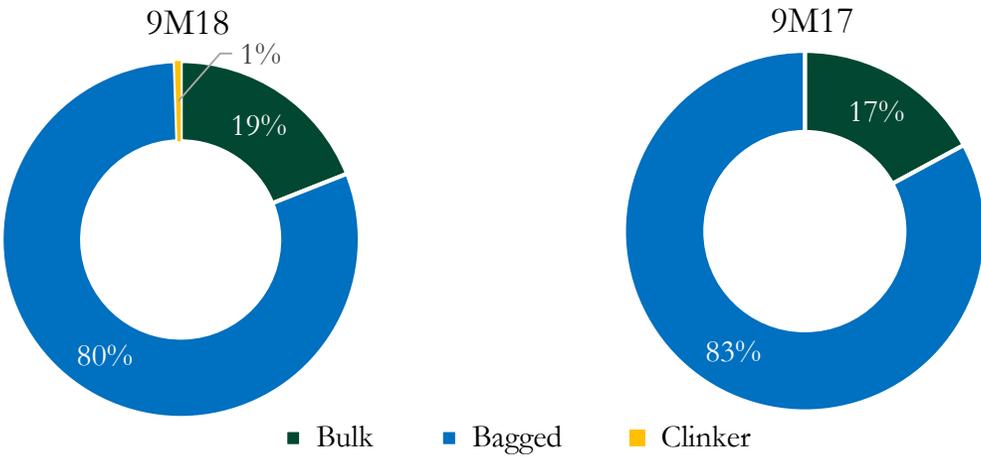
## Quantities Breakdown

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



### Breakdown by Type

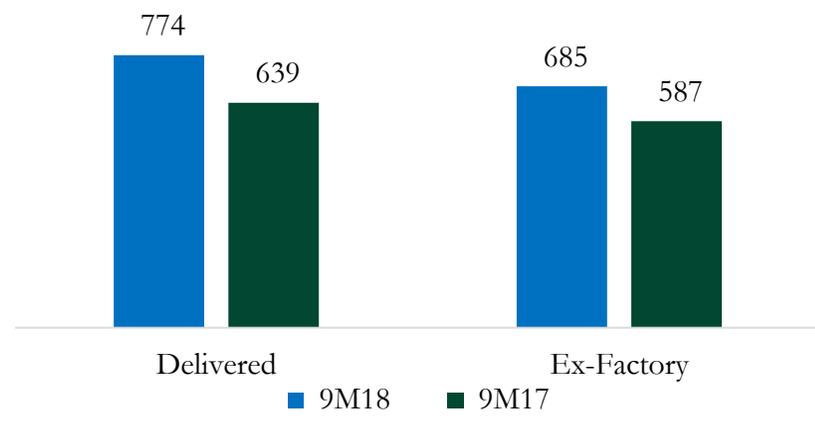
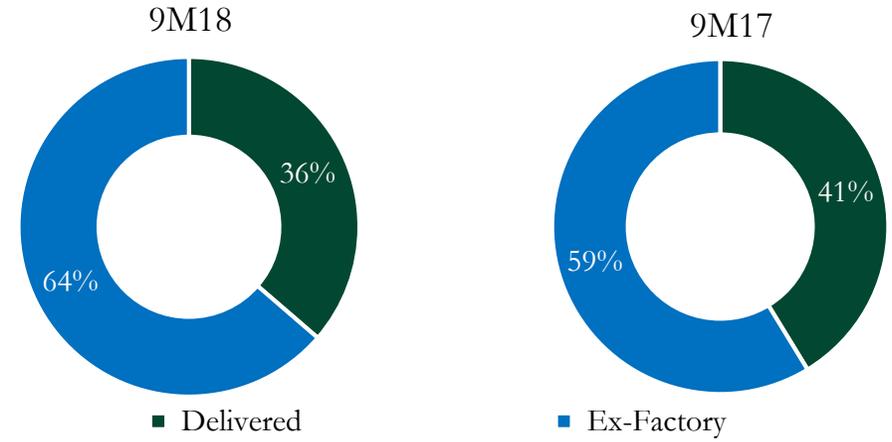


# Sales Overview

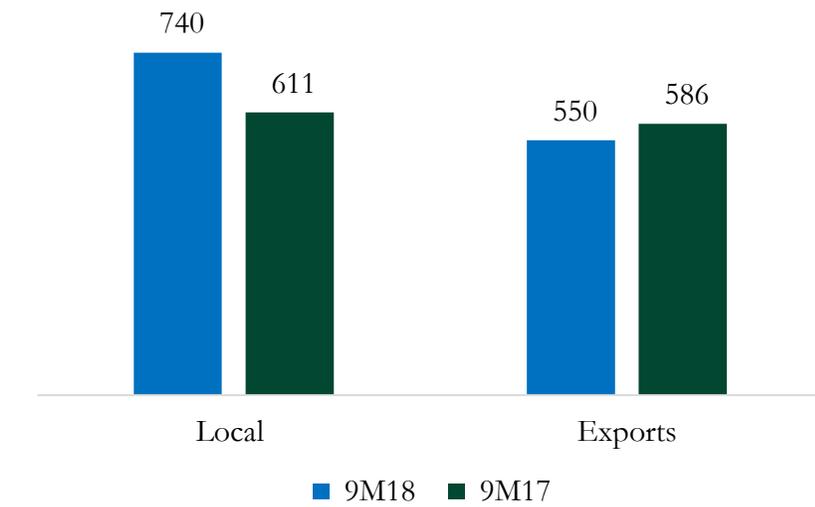
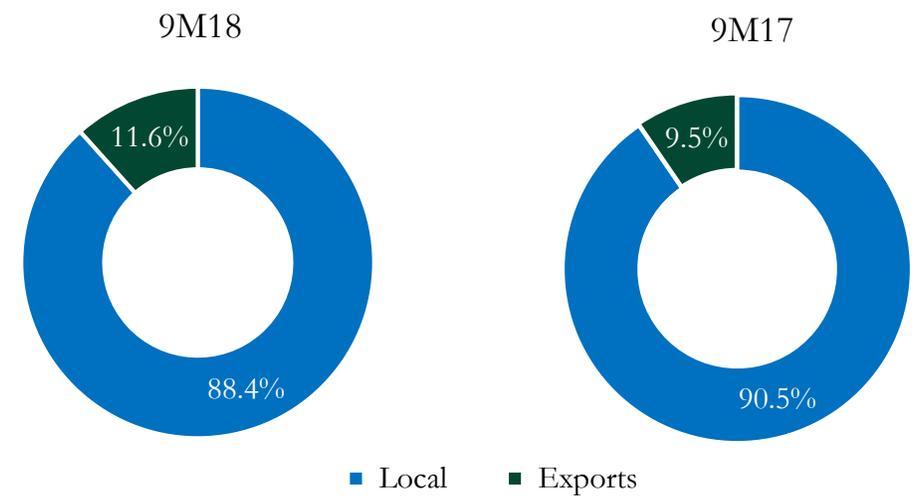
## Quantities Breakdown

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



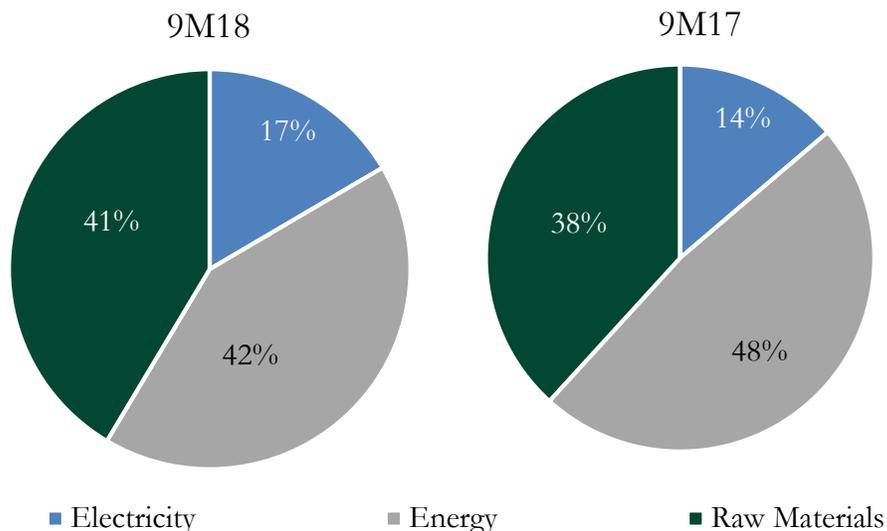
### Breakdown by Market



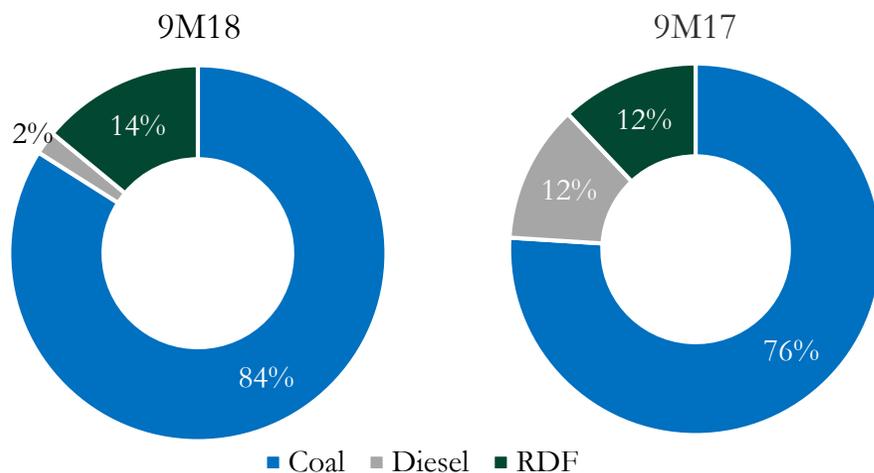
# COGS Overview

## COGS and ACC Cost Advantages

### COGS Breakdown



### Fuel Mix

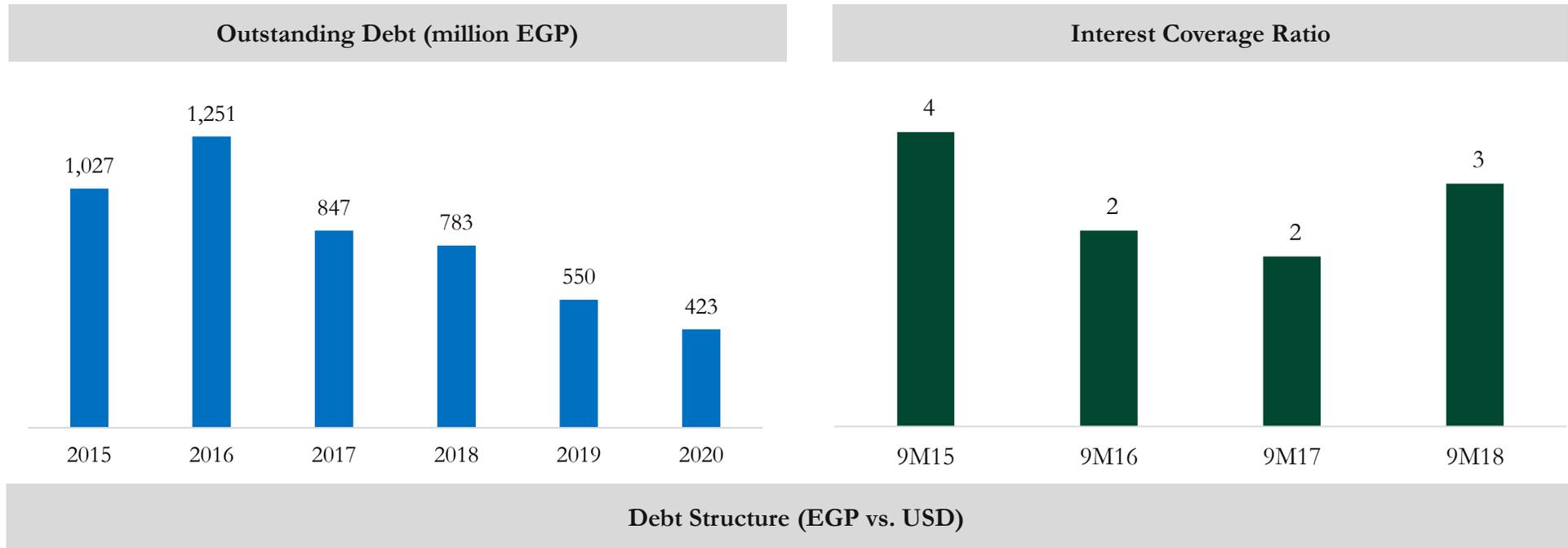


### ACC Cost Advantages

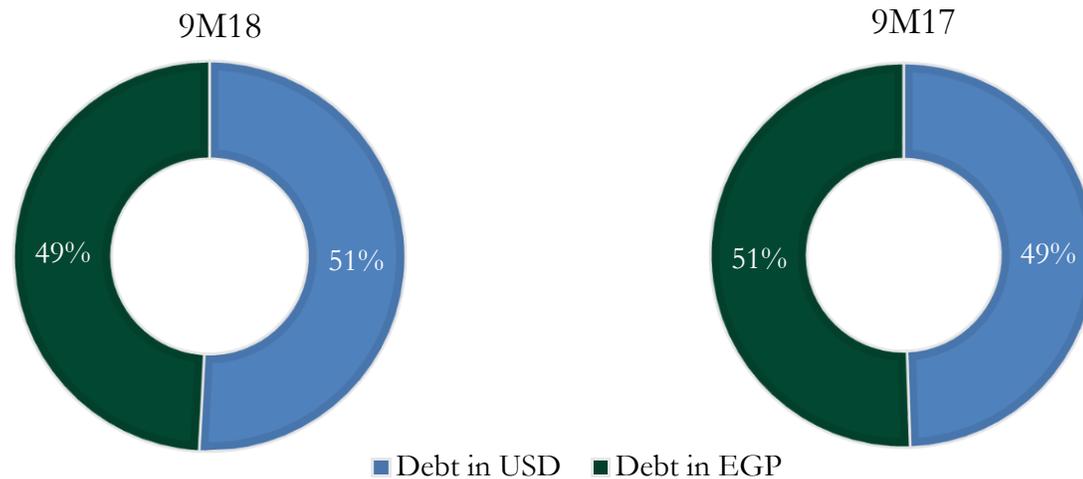
- ACC is always working on controlling its cash cost/ton. After the operation of our second coal mill in 2Q2018, the company was able to get rid of the diesel input, depending only on coal and RDF. We achieved a fuel mix of 84% coal and 14% RDF, and 2% diesel in 3Q2018. Also, production will be persisted 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 3Q2018, the company increased its y-o-y RDF consumption from 12% 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



Debt Structure (EGP vs. USD)

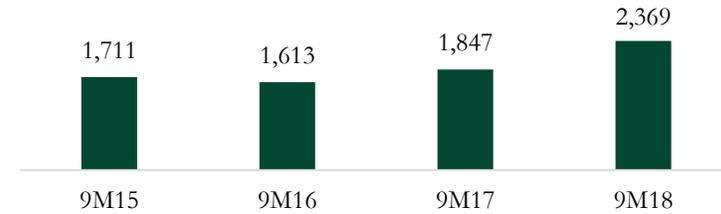


# 9M18 Financials Review

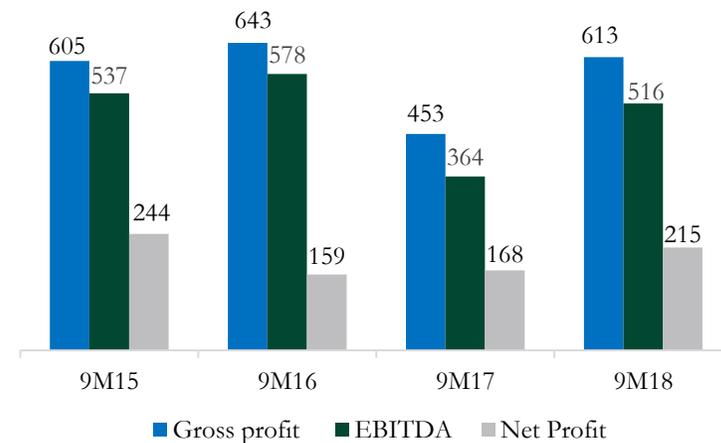
## Income Statement

	9M15	9M16	9M17	9M18
Revenue	1,711	1,613	1,847	2,369
Growth	-4%	-6%	15%	28%
Cost of goods sold	1,105	969	1,394	1,756
Gross profit	605	643	453	613
GPM	35%	40%	25%	26%
SG&A Expenses	68	65	89	97
Provisions	-3	-16	-8	-5
Other income	2	9	6	4
EBITDA	537	578	364	516
EBITDA Margin	31%	36%	20%	22%
Depreciation & Amortization	147	149	175	183
EBIT	389	423	187	333
EBIT Margin	23%	26%	10%	14%
Foreign exchange	44	145	-33	5
Finance cost, net	66	65	79	71
Net Profit Before Tax	278	213	141	257
NPBT Margin	16%	13%	8%	11%
Deferred tax	-24	3	-1	8
Income tax expense	58	51	-25	34
Net Profit	244	159	168	215
NPM	14%	10%	9%	9%

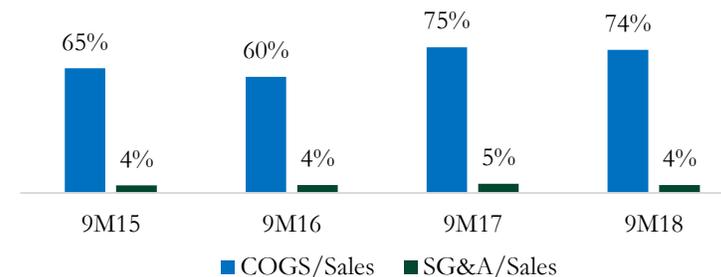
### Revenues (Thousand EGP)



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



### Efficiency Ratios

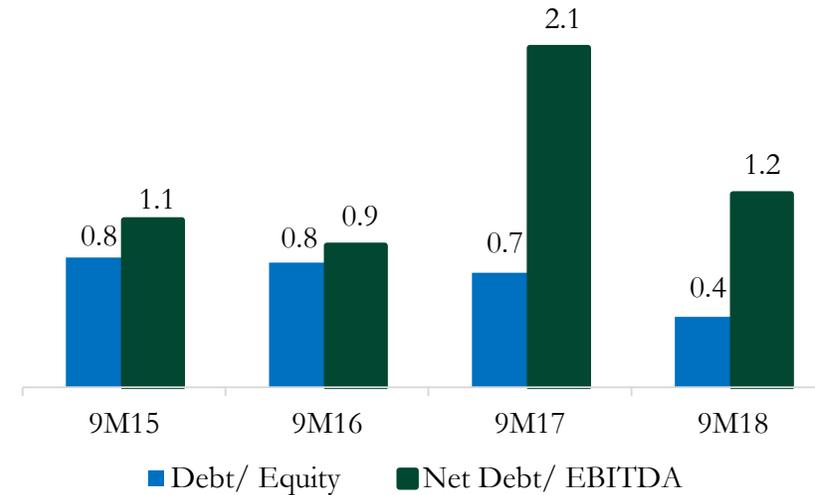


# 9M18 Financials Review

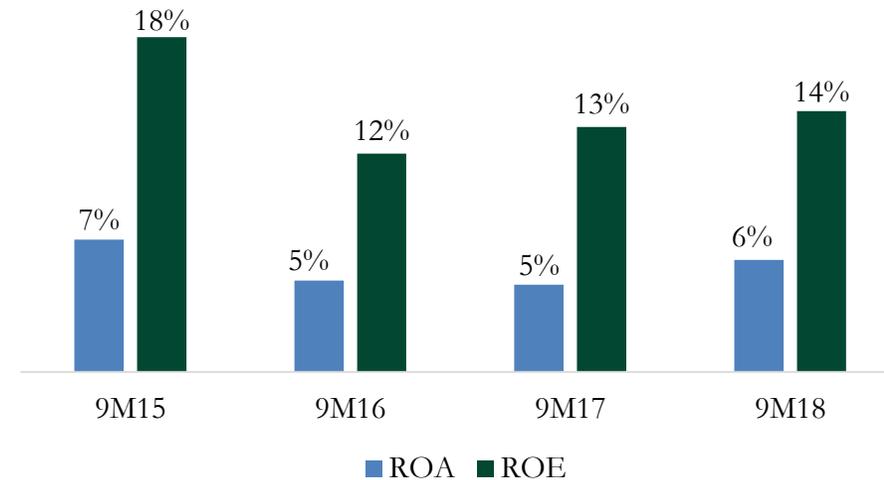
## Balance Sheet

	9M15	9M16	9M17	9M18
<u>Assets</u>	-	-	-	-
Non-current Assets				
Property plant and equipment, net	2,570	2,447	2,727	2,501
Projects under construction	116	122	201	86
Intangible assets	115	92	70	358
Investment in subsidiaries	9	21	38	38
Payments under long-term investment				
Total Non-current Assets	2,811	2,683	3,036	2,984
<u>Current Assets</u>				
Inventory	216	165	303	214
Debtors and other debit balances	50	88	71	81
Due from related parties	17	10	12	11
Cash and bank balances	289	245	106	238
Total Current Assets	572	508	491	544
<u>Current Liabilities</u>				
Provisions	12	31	12	18
Current tax liabilities	58	52		34
Trade payables and other credit balances	573	483	668	768
Due to related parties	3	4	5	3
Borrowings - short term portions	174	237	295	103
Short-term liabilities	82	86	342	174
Total Current Liabilities	902	893	1,322	1,100
Net (Deficit) Surplus in Working Capital	-329	-385	-830	-556
Total Invested Funds	2,481	2,297	2,205	2,427
<u>Equity</u>				
Paid up capital	757	757	757	757
Legal reserve	156	185	210	231
Retained earnings	423	393	288	524
Total Equity	1,336	1,336	1,255	1,513
<u>Non-current Liabilities</u>				
Borrowings - long term portions	394	281	487	528
Deferred income tax liability	328	332	337	343
Long-term liabilities	424	348	127	43
Total Non-current Liabilities	1,145	962	951	914
Total Equity and Non-current Liabilities	2,481	2,297	2,205	2,427

### Gearing



### Return Ratios

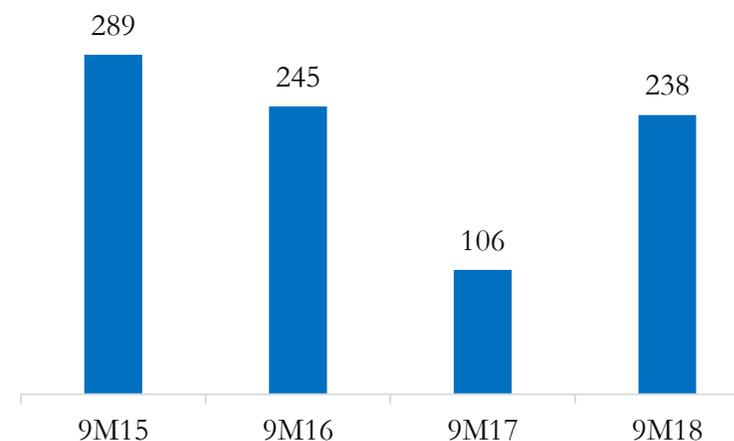


# 9M18 Financials Review

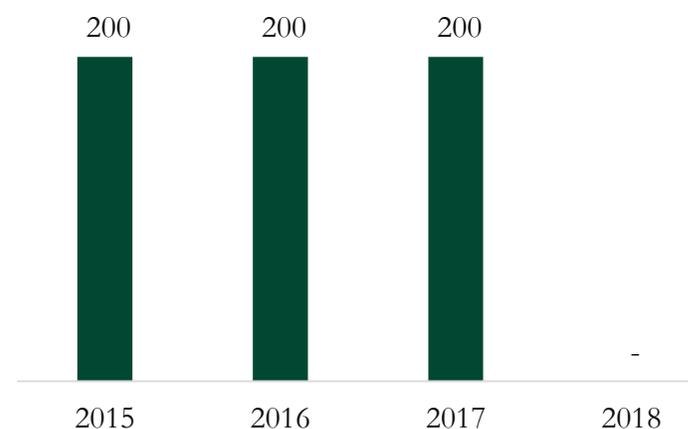
## Cash Flow Statement

MN EGP	9M15	9M16	9M17	9M18
<b>Cash flows from operating activities</b>				
Net profit before tax	278	213	141	257
Interest income	-2	-7	-4	-1
Interest expense	68	65	79	71
Depreciation expense	130	140	159	145
Amortization of intangible assets	17	17	17	38
Gain from sale of property plant and equipment	0	-2	0	0
Foreign exchange (gain)/losses differences		69	-19	5
Dividends from joint venture	0	0	0	
Provision	3	15	3	2
<b>Changes in working capital</b>	<b>493</b>	<b>509</b>	<b>375</b>	<b>516</b>
Debtors and other debit balances	-5	-31	32	-3
Inventory, net	-15	5	-27	17
Trade payables and other credit balances	58	-114	-23.0	103.0
Due from related parties	-2	4	2	-1
Tax paid	-132	-112	-185	-68
Due to related parties		-2	-3.4	-5
<b>Net cash from operating activities</b>	<b>397</b>	<b>260</b>	<b>170</b>	<b>560</b>
<b>Cash flows from investing activities</b>				
Proceeds from dividends from joint venture	0.1	0.0	0	0
Proceeds from sale of assets	0.2	5.7	0	0
Interest income	2	7	4	1
Purchase of property, plant and equipment	-8	-10	-9	-20
Payments for acquiring investments in sub			-16	
Additions in projects under construction	-44	-17	-165	-87
Payments under long-term investments	-0.1	-0.2	0	0
<b>Net cash flows used in investing activities</b>	<b>-51</b>	<b>-15</b>	<b>-186</b>	<b>-105</b>
<b>Cash flows from financing activities</b>				
Payments of license liability	-59	-75	-92	-62
Payments of borrowings	-68	-115	-36	-79
Interest paid	-63			0
Dividends paid	-24	-175	-4.5	-6
Proceeds from bank overdraft	0		124	-188
<b>Net cash flows from financing activities</b>	<b>-214</b>	<b>-365</b>	<b>-9</b>	<b>-335</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>132</b>	<b>-119</b>	<b>-24</b>	<b>121</b>
Cash and cash equivalents at beginning of the year	156	365	130.4	117
<b>Cash and cash equivalents at end of the period</b>	<b>288</b>	<b>245</b>	<b>106</b>	<b>238</b>

Cash (EGP mn)



Dividends (EGP mn)





**For more Information Please Contact:**

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