



---

# Arabian Cement Company

## 1Q 2018 Investors Presentation

# Highlights

---



# Contents

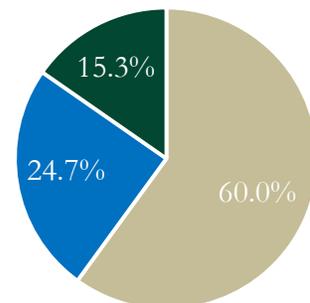
- Introduction to ACC.....4
- Period Highlights .....10
- Egyptian Cement Market .....12
- Sales Overview .....13
- COGS Overview .....15
- CAPEX Overview .....16
- Debt Status .....17
- Financials .....18

# 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, with a market share of 8.0% as of Q1 2018.
- 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.

1Q2018 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

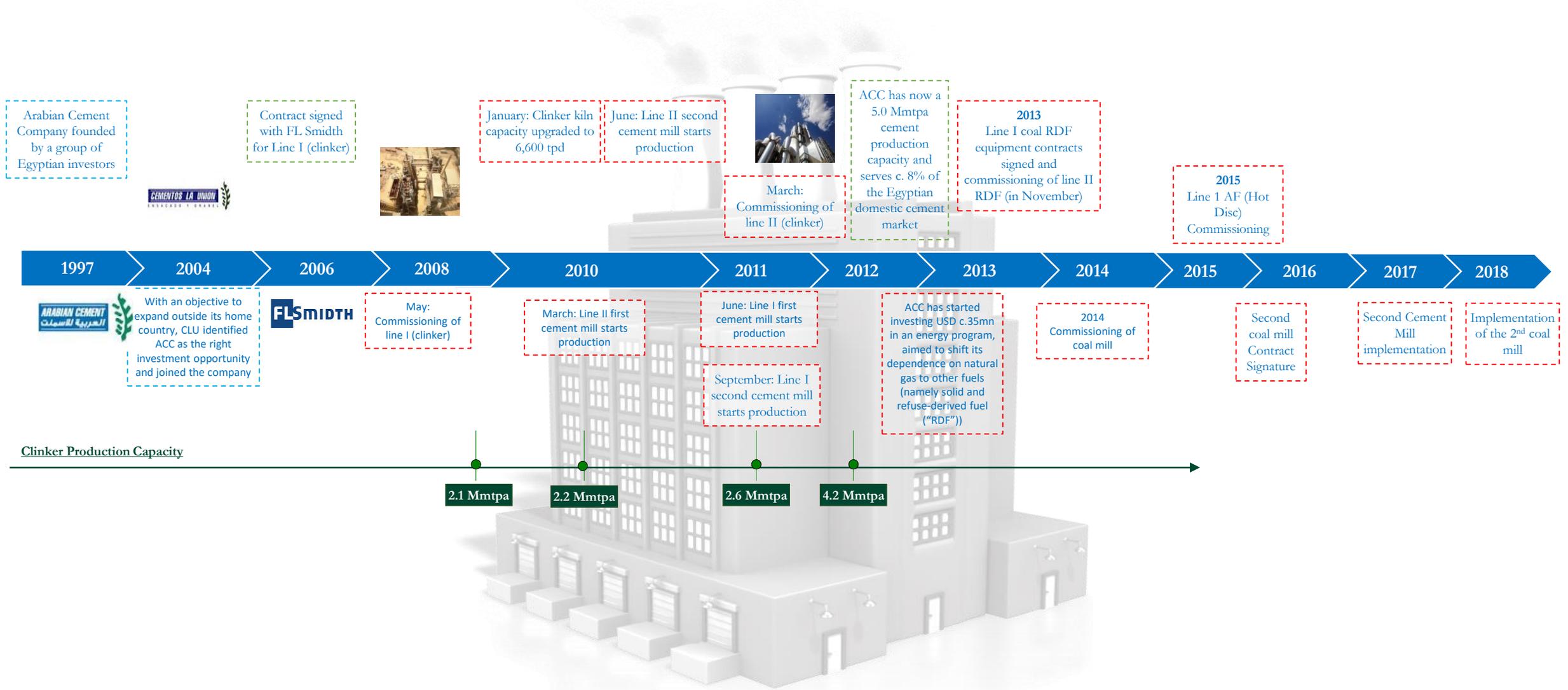
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

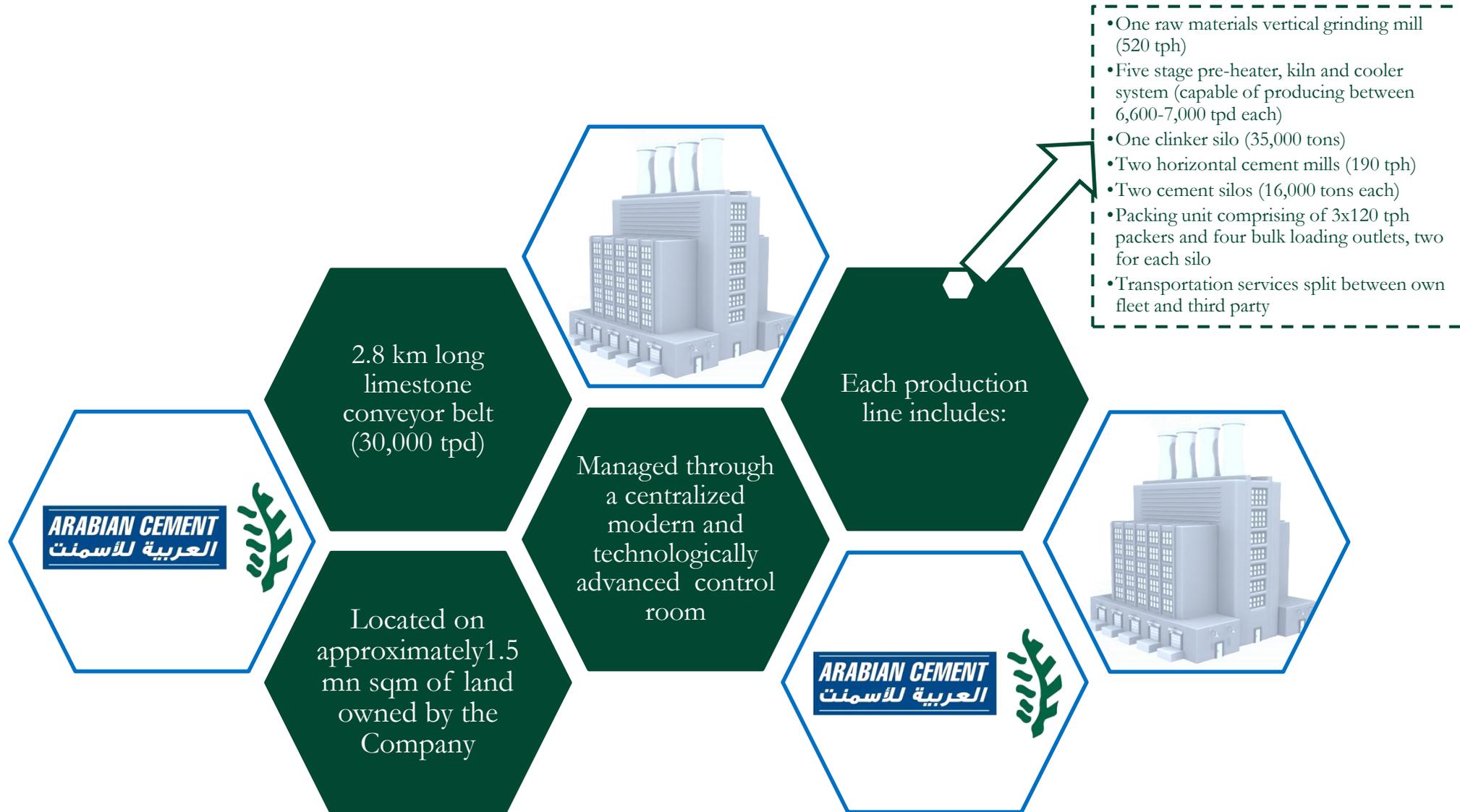
# Introduction to ACC

## 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

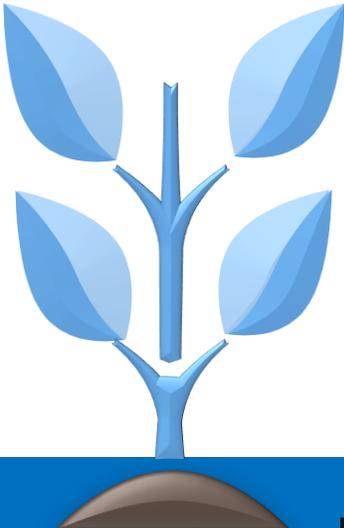
### Long Term Strategy

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



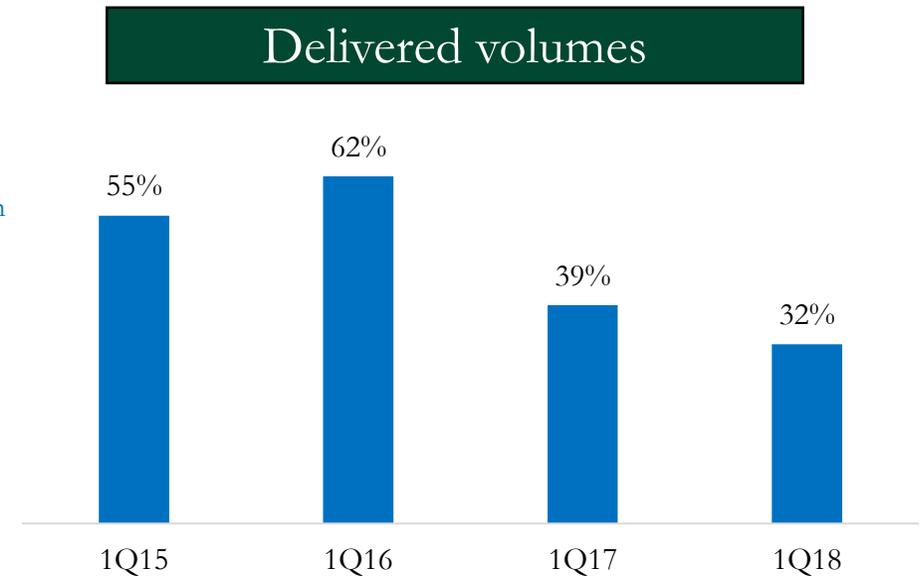
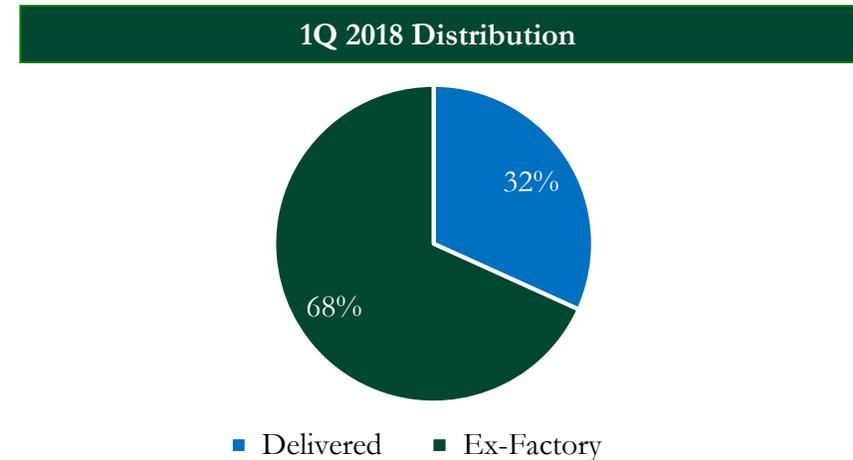
# Introduction to ACC

## Distribution Network Overview

- In Q1 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 5.8% by FY 2020.
- Inflation rate stood at 13.10 in 1Q 2018 with GDP annual growth rate of 5.4%.



- ACC produced 1,011K T of clinker in Q1 2018 compared to 898K T in the same period the previous year.
- ACC operated at 96% clinker utilization in Q1 2018 compared to 85% in the same period last year.
- Cement production reached 1.1 mn tons in 1Q 2018 with utilization rate of 97%.

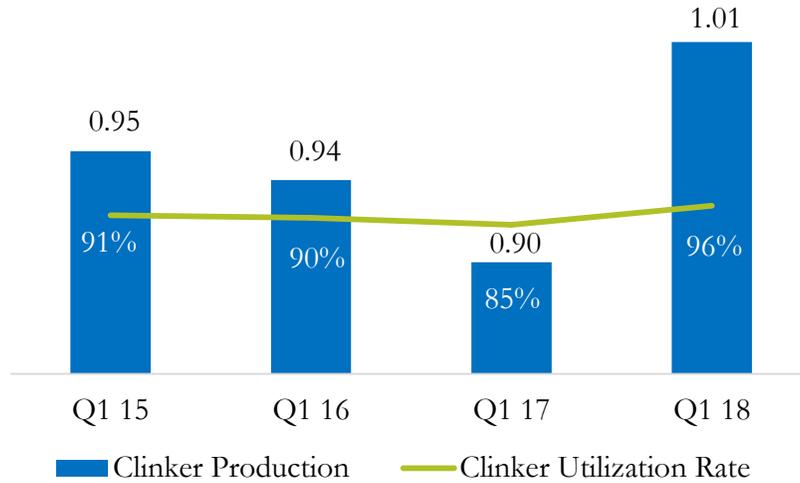


- The fuel mix in 1Q18 was 80% Coal, 14% Alternative Fuel and 6% Diesel vs 72% Coal, 14% AF and 14% Diesel in 1Q17.
- For the rest of 2018, the company is working to reach a fuel mix of 85% coal, 14% RDF and 1% Diesel.
- The company is working on installing second Coal mill that will be operating in 2Q2018 which will allow us to get rid of diesel consumption. This will support our cost advantage after cutting diesel subsidy

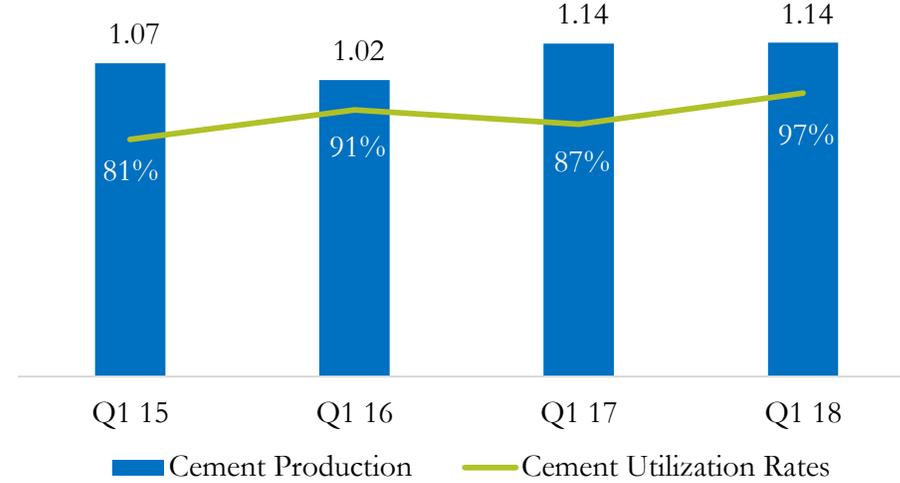
# Period Highlights (continued)

## Main KPIs

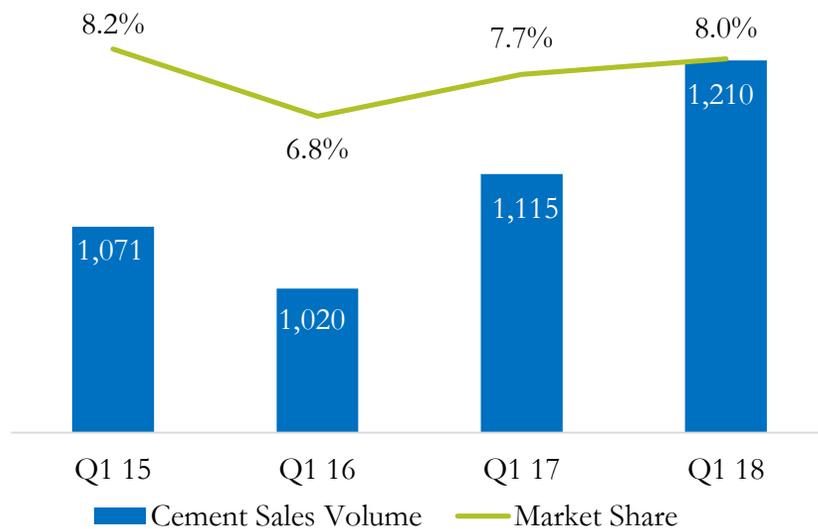
### Clinker Production (MN MT) and Utilization Rates



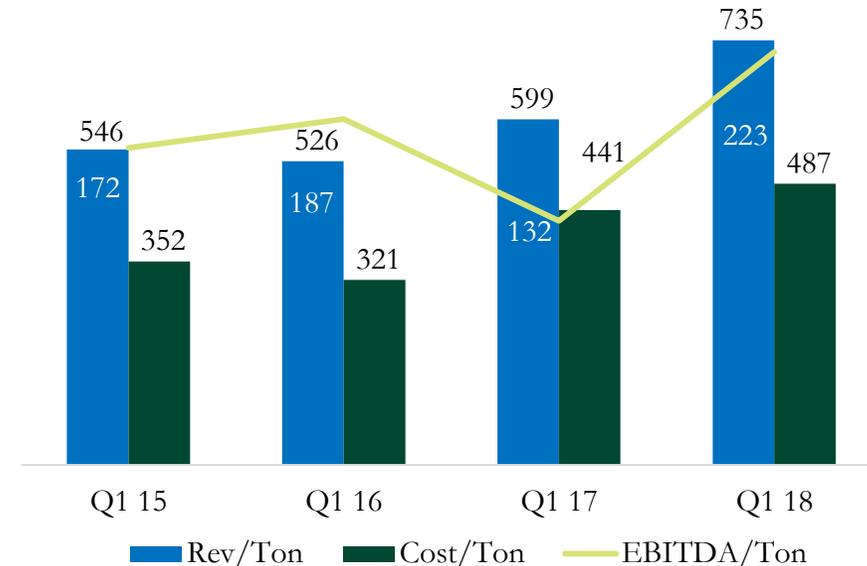
### Cement Production and Utilization Rates



### Sales and Market Share (MN MT)



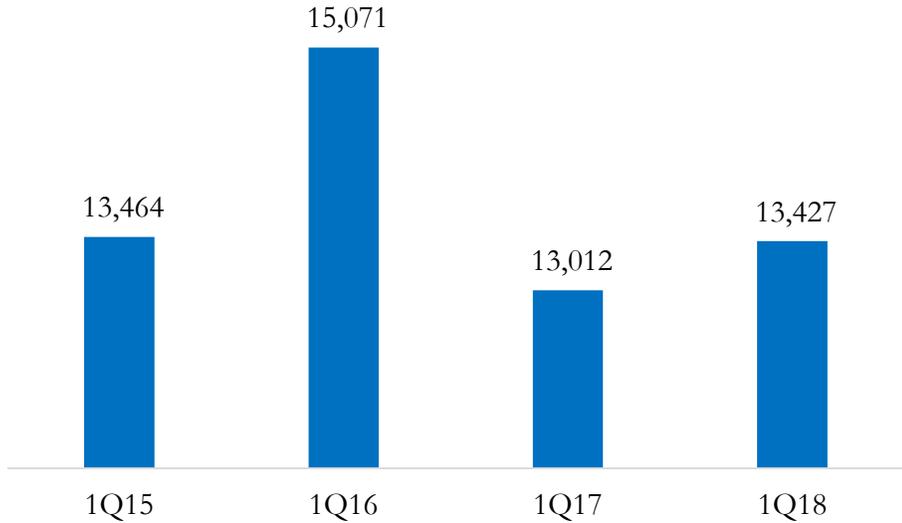
### Revenues, COGS and EBITDA (EGP/ton)



# Egyptian Cement Market

## Demand and Supply Synopsis

**Domestic Consumption (MMT)**



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



**Egyptian Market Overview**

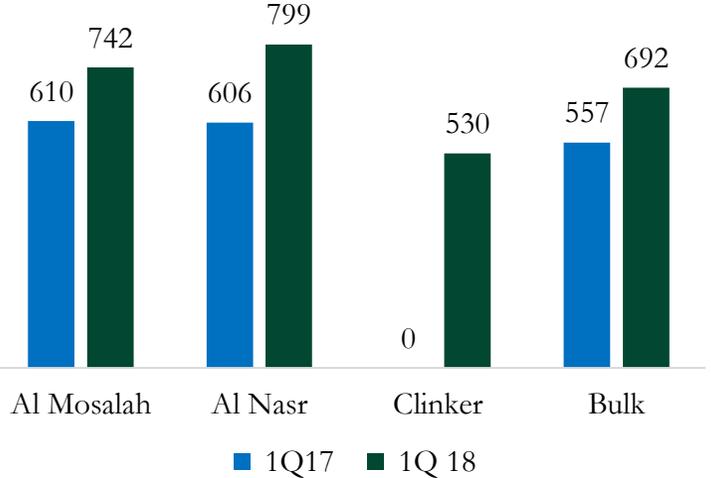
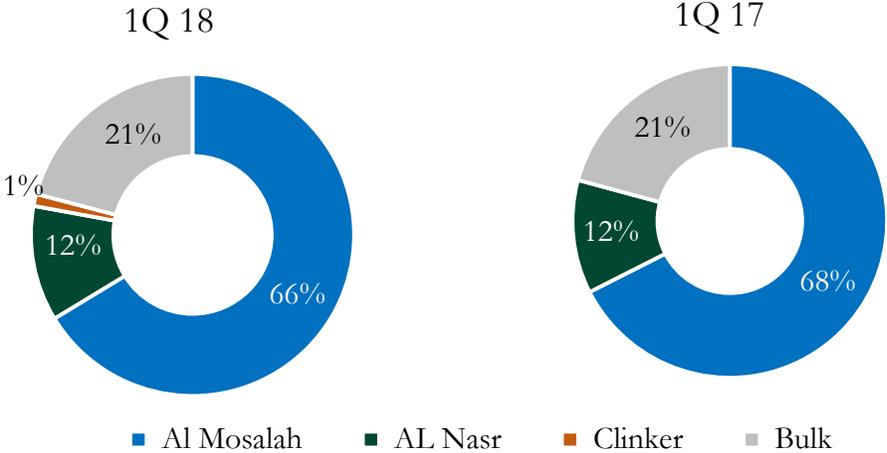
- By the end of 2018, the Egyptian cement market is expected to have a real capacity of 65.3 mn tons. Consumption will predictably grow by 5% y-o-y to reach 57.2 mn tons. It's clear that the cement market is suffering an oversupply with around 12%.
- Post Floation Egyptian cement exports started to have a significant contribution in the market. 1Q2018 recorded 63% y-o-y increase in the Egyptian cement exports. In the same period, exports represented 4% of the total cement sales.
- 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

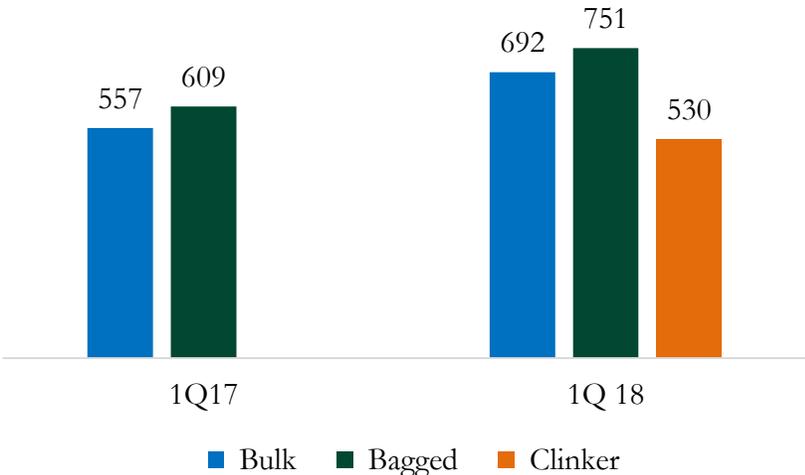
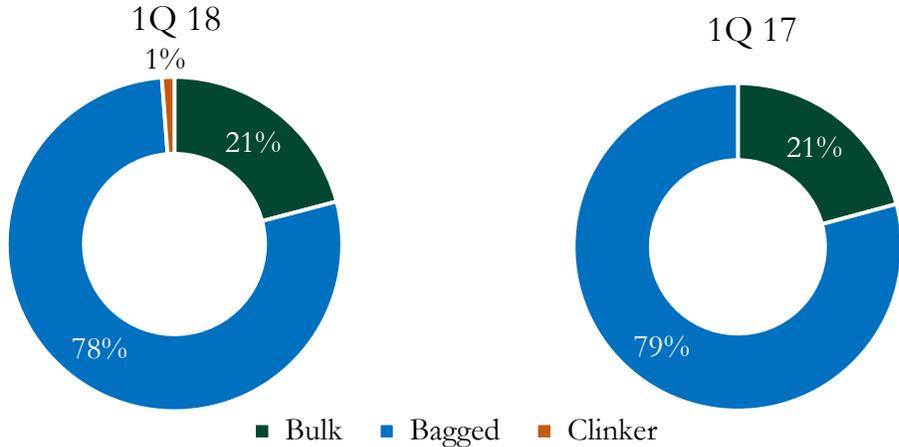
## Quantities Breakdown

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

### Breakdown by Brand



### Breakdown by Type

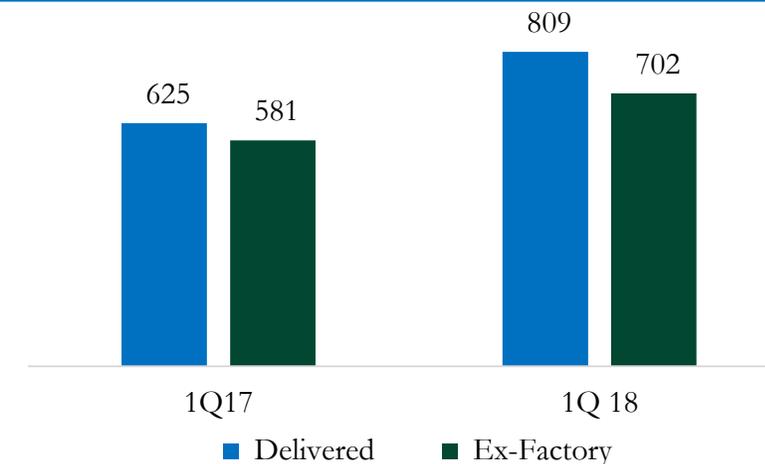
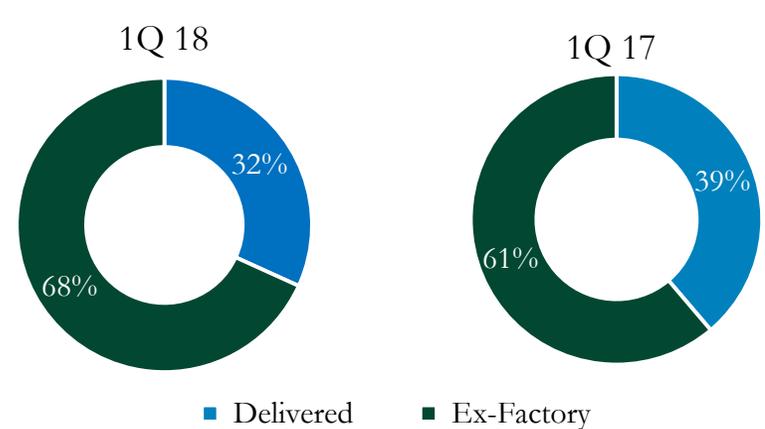


# Sales Overview

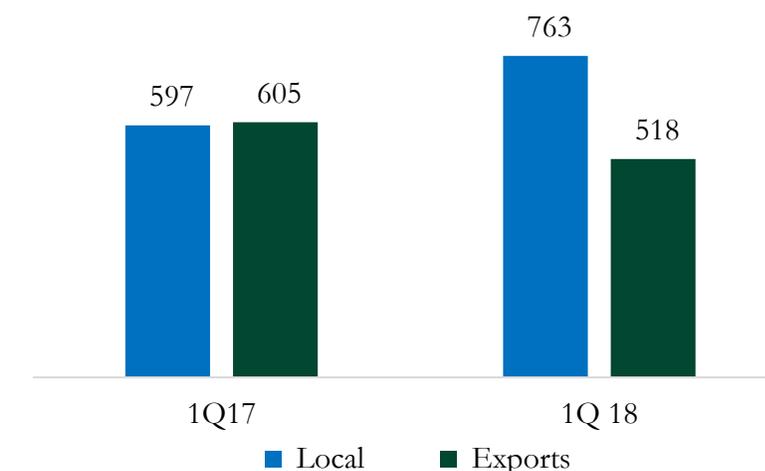
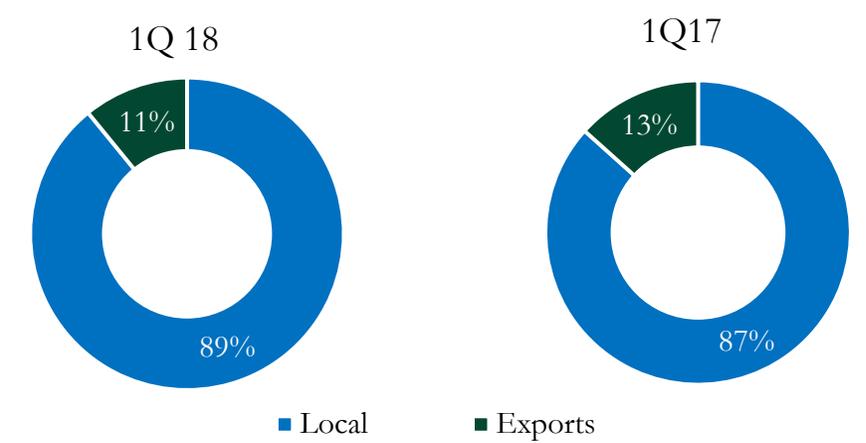
## Quantities Breakdown

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

### Breakdown by Point of Sale



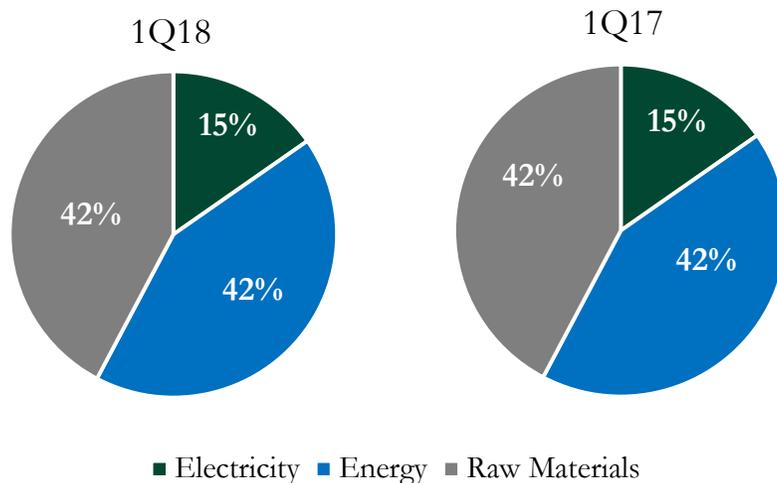
### Breakdown by Market



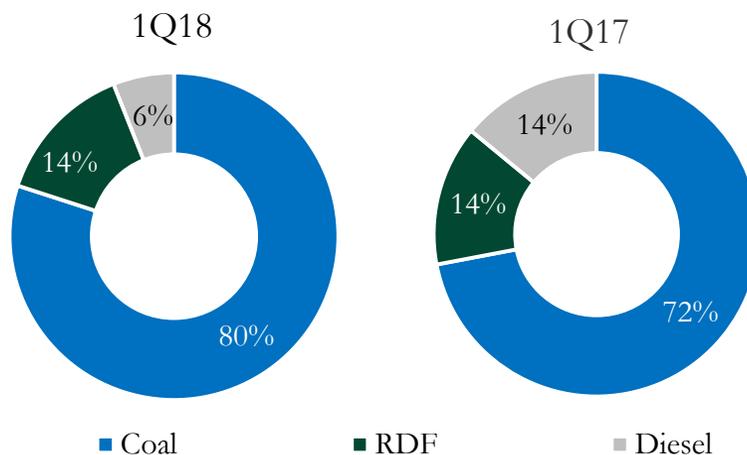
# COGS Overview

## COGS and ACC Cost Advantages

### COGS Breakdown



### Fuel Mix

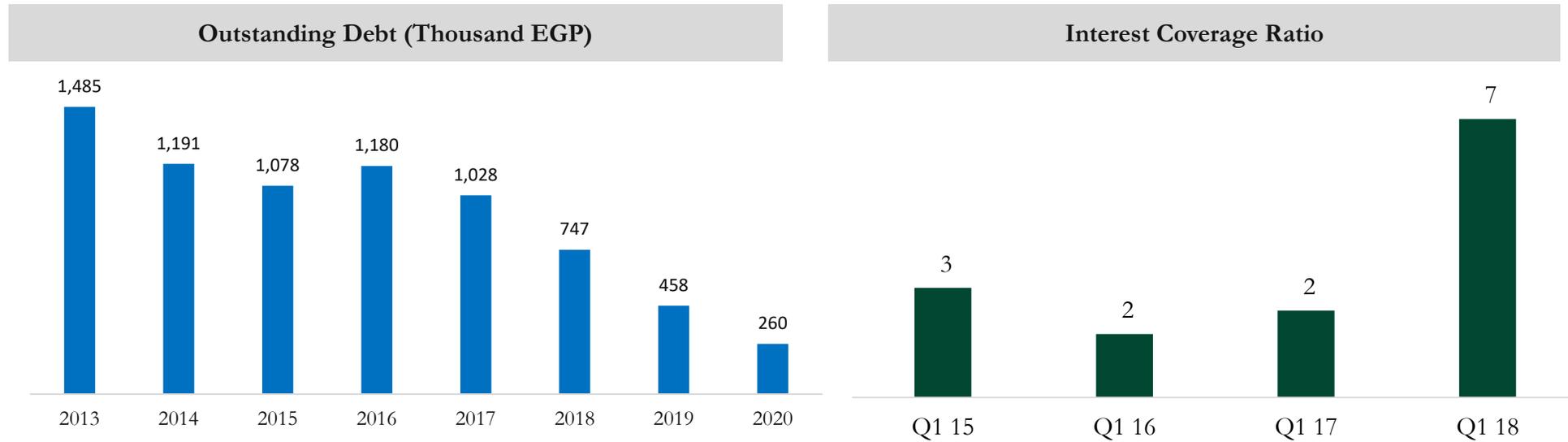


### ACC Cost Advantages

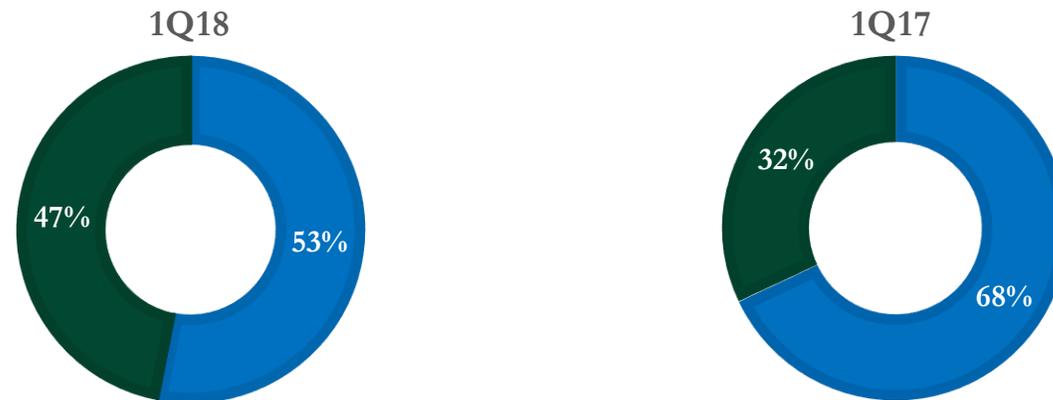
- ACC is showing a good progress in its production cost saving projects. Our second coal mill is now ready for operation in 2Q 2018. This will enable the company to compose its fuel mix from coal and RDF only getting rid of diesel as it is getting more expensive. Also, production will be persisted if 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:**
  - 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 1Q2018, the company maintained its y-o-y RDF consumption at 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)



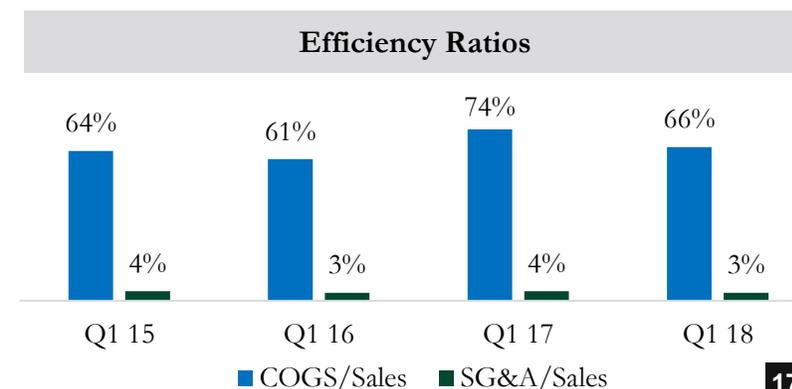
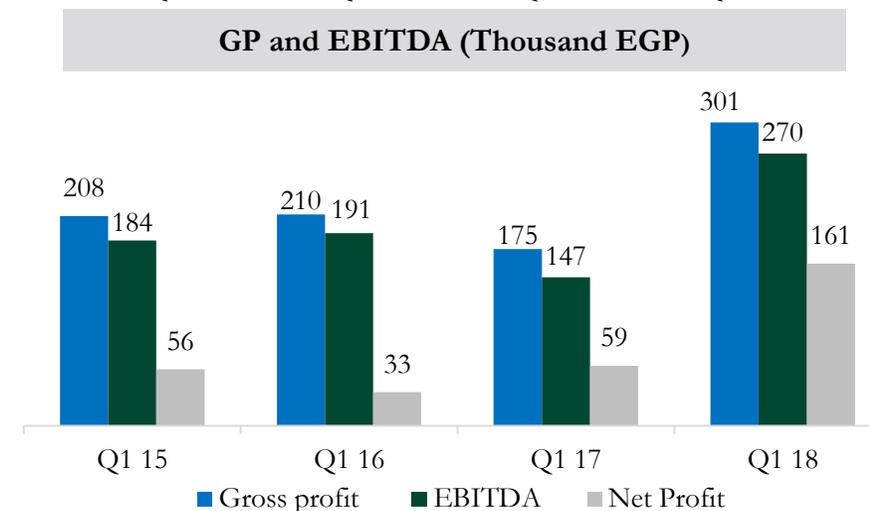
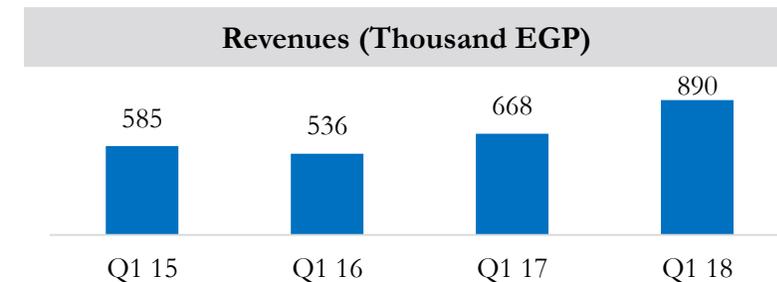
■ Loans in USD ■ Loans in EGP

# 1Q18 Financials Review

## Income Statement



MN EGP	Q1 15	Q1 16	Q1 17	Q1 18
Revenue	585	536	668	890
Cost of goods sold	377	327	492	589
<b>Gross profit</b>	<b>208</b>	<b>210</b>	<b>175</b>	<b>301</b>
<b>GPM</b>	<b>36%</b>	<b>39%</b>	<b>26%</b>	<b>34%</b>
SG&A Expenses	24	19	28	31
<b>EBITDA</b>	<b>184</b>	<b>190.89</b>	<b>147</b>	<b>270</b>
<b>EBITDA Margin</b>	<b>31%</b>	<b>36%</b>	<b>22%</b>	<b>30%</b>
Other income	1		1	1
Depreciation & Amortization	48	49	58	58
<b>EBIT</b>	<b>136</b>	<b>142</b>	<b>90</b>	<b>213</b>
<b>EBIT Margin</b>	<b>23%</b>	<b>26%</b>	<b>14%</b>	<b>24%</b>
Foreign exchange	31	76	10	5
Loss/gain on disposal of PPE				
Finance cost, net	19	20	26	22
<b>Net Profit Before Tax</b>	<b>86</b>	<b>46</b>	<b>74</b>	<b>196</b>
<b>NPBT Margin</b>	<b>15%</b>	<b>9%</b>	<b>11%</b>	<b>22%</b>
Deferred tax	6	2		
Income tax expense	24	11	15	35
<b>Net Profit</b>	<b>56</b>	<b>33</b>	<b>59</b>	<b>161</b>
<b>NPM</b>	<b>10%</b>	<b>6%</b>	<b>9%</b>	<b>18%</b>

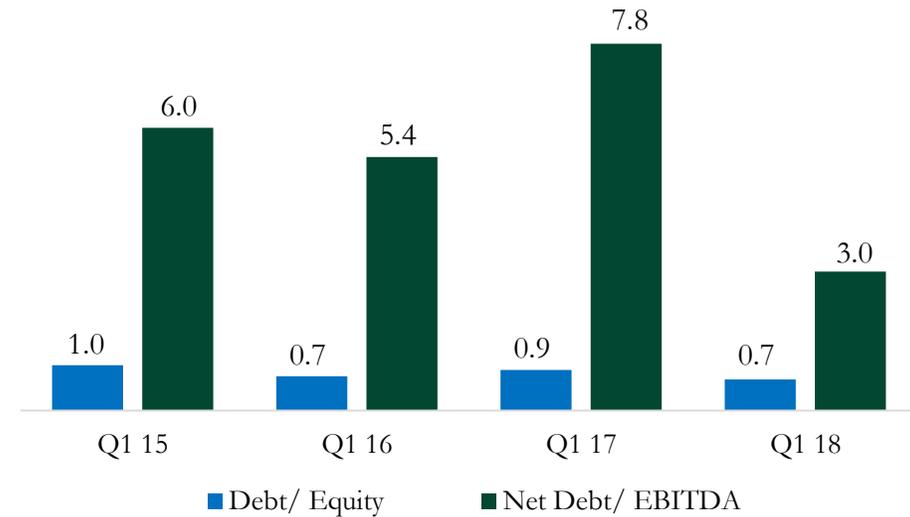


# 1Q18 Financials Review

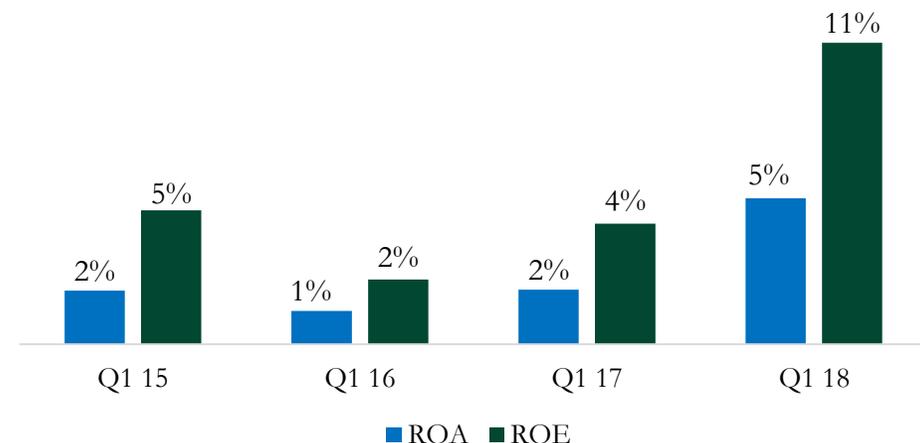
## Balance Sheet

MN EGP	Q1 15	Q1 16	Q1 17	Q1 18
<b>Assets</b>			-	-
<b>Non-current Assets</b>				
Property plant and equipment, net	2,639	2,494	2,829	2,319
Projects under construction	97	128	60	284
Intangible assets	126	104	81	384
Investment in subsidiaries	9	21	21	37
Payments under long-term investment				
<b>Total Non-current Assets</b>	<b>2,872</b>	<b>2,747</b>	<b>2,991</b>	<b>3,024</b>
<b>Current Assets</b>			-	-
Inventory	293	178	290	216
Debtors and other debit balances	94	81	115	139
Due from related parties	17	7	12	10
Cash and bank balances	196	338	184	116
<b>Total Current Assets</b>	<b>600</b>	<b>604</b>	<b>601</b>	<b>481</b>
<b>Current Liabilities</b>			-	-
Provisions	9	16	8	16
Current tax liabilities	159	82	132	34
Trade payables and other credit balances	622	388	593	685
Due to related parties	3	7	6	4
Borrowings - short term portions	353	126	451	163
Short-term liabilities	69	82	16	167
<b>Total Current Liabilities</b>	<b>1,215</b>	<b>702</b>	<b>1,205</b>	<b>1,069</b>
<b>Net (Deficit) Surplus in Working Capital</b>	<b>-615</b>	<b>-98</b>	<b>-604</b>	<b>-588</b>
<b>Total Invested Funds</b>	<b>2,257</b>	<b>2,649</b>	<b>2,388</b>	<b>2,437</b>
<b>Represented in:</b>			-	-
<b>Equity</b>			-	-
Paid up capital	757	757	757	757
Legal reserve	156	156	185	210
Retained earnings	235	501	409	498
<b>Total Equity</b>	<b>1,148</b>	<b>1,415</b>	<b>1,351</b>	<b>1,465</b>
<b>Non-current Liabilities</b>			-	-
Borrowings - long term portions	269	520	513	567
Deferred income tax liability	357	331	338	336
Long-term liabilities	482	383	184	68
<b>Total Non-current Liabilities</b>	<b>1,108</b>	<b>1,234</b>	<b>1,036</b>	<b>971</b>
<b>Total Equity and Non-current Liabilities</b>	<b>2,257</b>	<b>2,649</b>	<b>2,388</b>	<b>2,437</b>

### Gearing



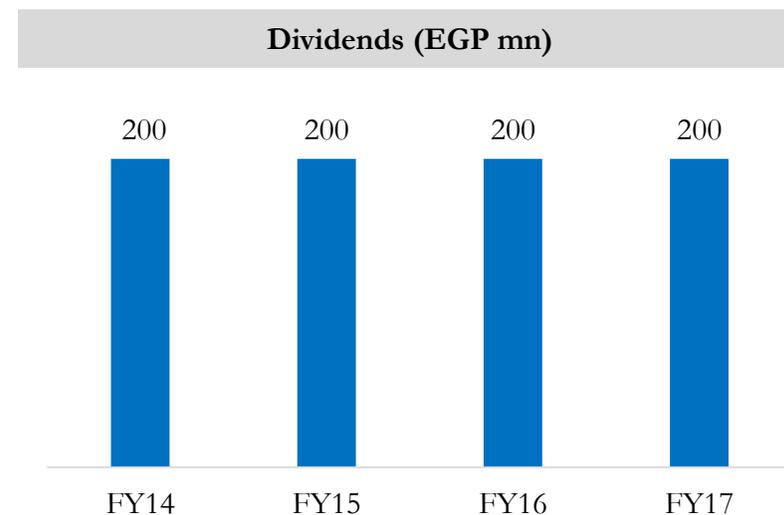
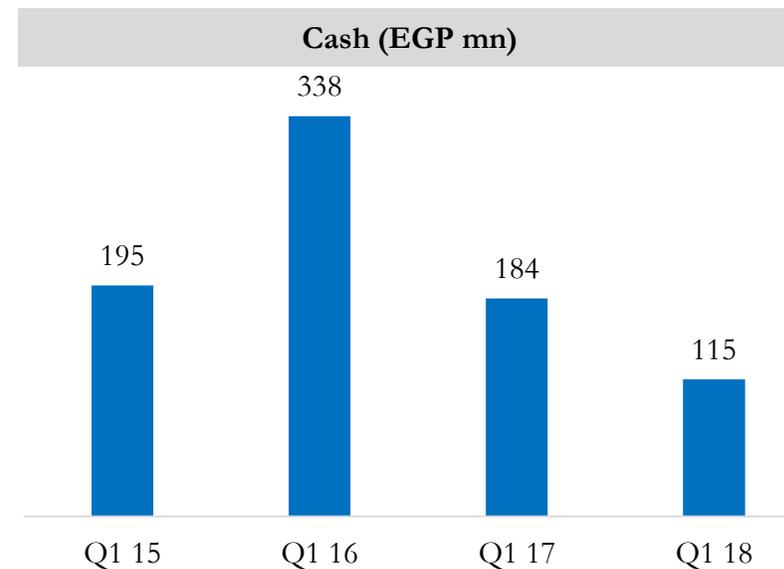
### Return Ratios



# 1Q18 Financials Review

## Cash Flow Statement

MN EGP	Q1 14	Q1 15	Q1 16	Q1 17	Q1 18
<b>Cash flows from operating activities</b>					
Net profit before tax	155.0	86.0	46.0	74.3	195.7
Interest income	23.0	19.0	-0.7	-0.2	-0.2
Interest expense	-0.1	-0.2	20.2	23.7	21.5
Depreciation expense	41.0	43.0	43.6	52.2	45.9
Amortization of intangible assets	6.0	6.0	5.6	5.6	12.5
Foreign exchange (gain)/losses differences	0.0	0.0	69.2	-9.4	-3.5
Provision	0.0	0.0	0.4	-1.1	-0.2
<b>Changes in working capital</b>	<b>224.9</b>	<b>153.8</b>	<b>184.3</b>	<b>145.0</b>	<b>271.8</b>
Debtors and other debit balances	-26.0	-48.0	-22.1	-12.3	-21.0
Inventory, net	-47.0	-92.0	17.8	-13.6	-0.6
Trade payables and other credit balances	-43.0	96.0	-118.0	-47.9	97.2
Due from related parties	2.0	0.4	7.9	1.6	-0.8
Tax paid		0.0	0.0	0.0	0.0
Due to related parties	-0.4	-3.0	1.0	-2.5	-4.1
<b>Net cash from operating activities</b>	<b>110.5</b>	<b>107.2</b>	<b>70.9</b>	<b>70.3</b>	<b>342.4</b>
<b>Cash flows from investing activities</b>					
Interest income	0.1	0.1	0.7	0.2	0.2
Purchase of property, plant and equipment	-3.0	-4.0	0.0	-4.3	-7.5
Additions in projects under construction	-14.0	-10.0	-3.6	-16.1	-36.2
Payments under long-term investments	0.0	0.0	-3.6	0.0	0.0
<b>Net cash flows used in investing activities</b>	<b>-16.9</b>	<b>-13.9</b>	<b>-6.5</b>	<b>-20.2</b>	<b>-43.5</b>
<b>Cash flows from financing activities</b>					
Payments of license liability	-20.0	-21.0	-21.6	-46.2	-28.4
Payments of borrowings	-68.0	-13.0	-6.5	-44.4	-15.5
Interest paid	-23.0	-20.0	-16.7	-23.7	-14.0
Dividends paid	-23.0	0.0	-46.0	0.0	0.0
Proceeds from bank overdraft				118.1	-242.4
<b>Net cash flows from financing activities</b>	<b>-134.0</b>	<b>-54.0</b>	<b>-90.8</b>	<b>3.8</b>	<b>-300.3</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-40.4</b>	<b>39.3</b>	<b>-26.4</b>	<b>53.8</b>	<b>-1.4</b>
Cash and cash equivalents at beginning of the year	158.0	156.0	364.8	130.5	117.2
<b>Cash and cash equivalents at end of the period</b>	<b>117.6</b>	<b>195.3</b>	<b>338.5</b>	<b>184.3</b>	<b>115.8</b>





**For more Information Please Contact:**

Investor Relations: [IR@arabiancementcompany.com](mailto:IR@arabiancementcompany.com)

[www.arabiancementcompany.com](http://www.arabiancementcompany.com)