



Arabian Cement Company

1Q 2019 Investors Presentation

Highlights



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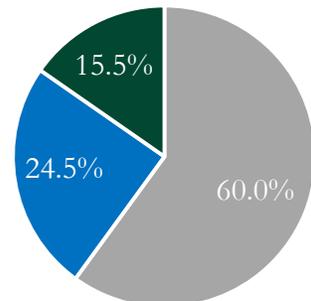
Introduction to ACC



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 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.

1Q2019 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

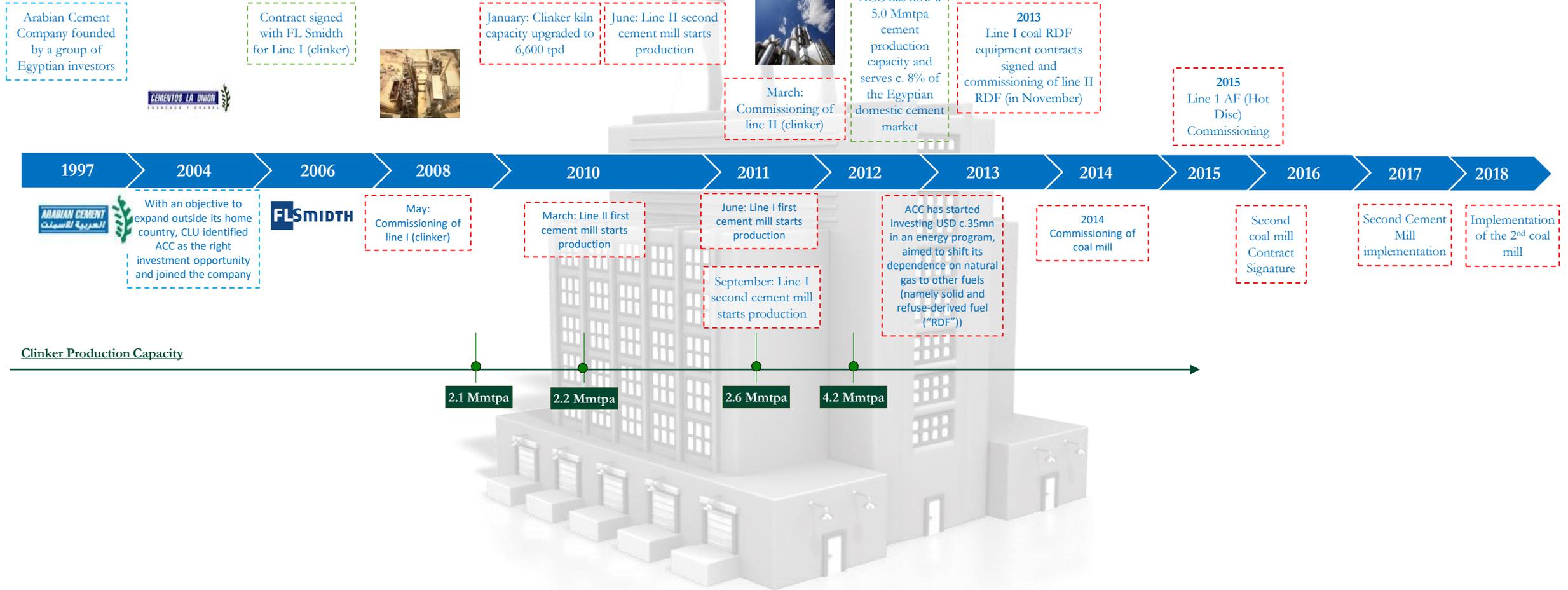
An Excellent Sales & Marketing Team

In-House Distribution Platform

Low Customer Concentration

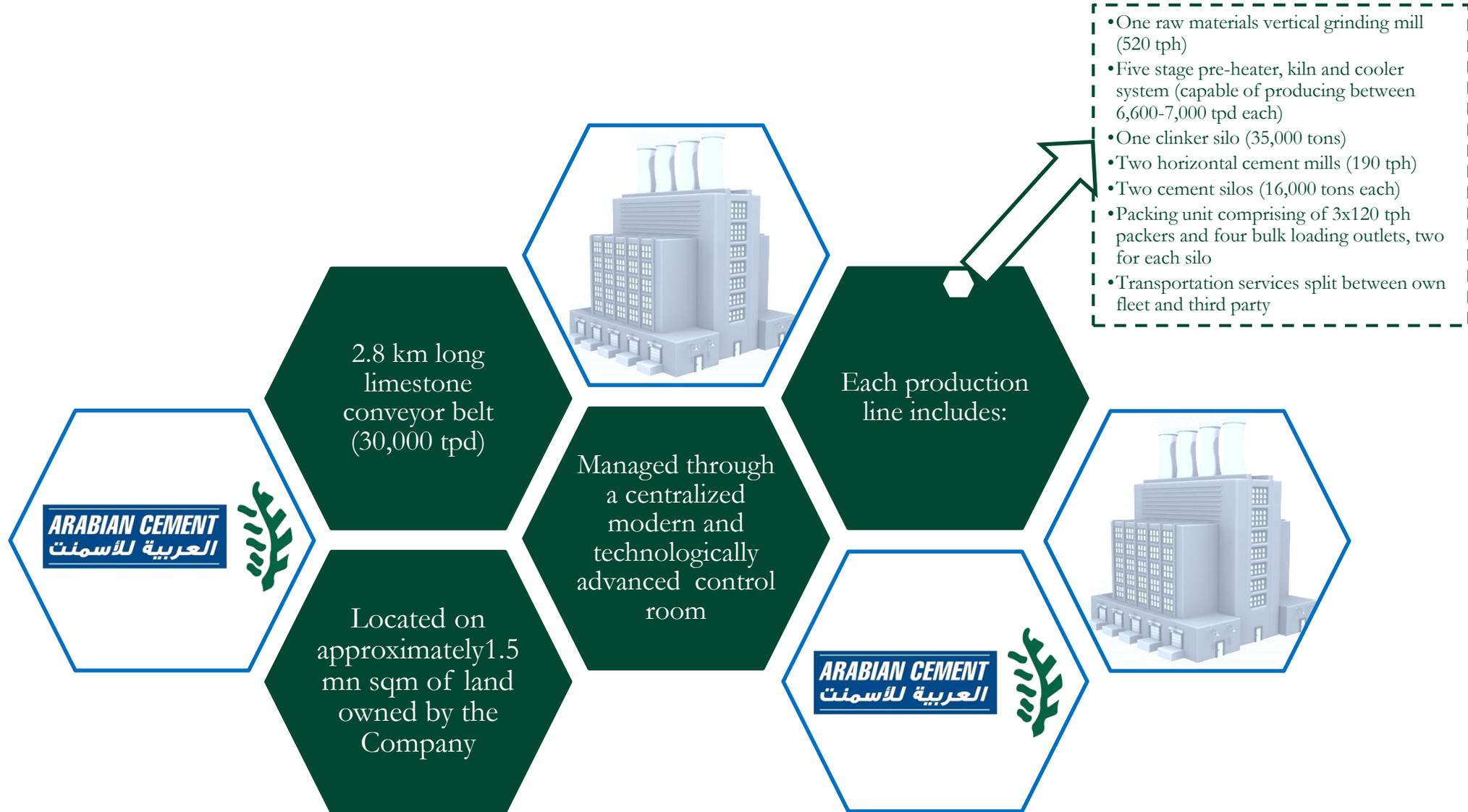
Introduction to ACC

Corporate Evolution



Introduction to ACC

Plant Information



Introduction to ACC

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

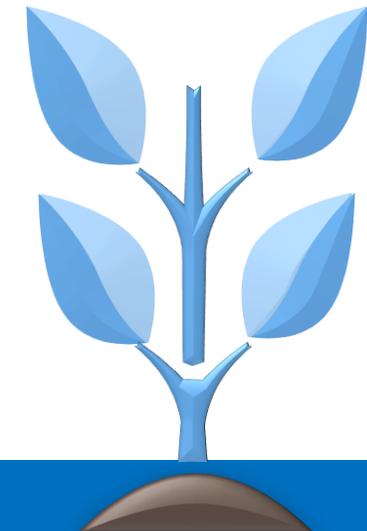
Long Term Strategy

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

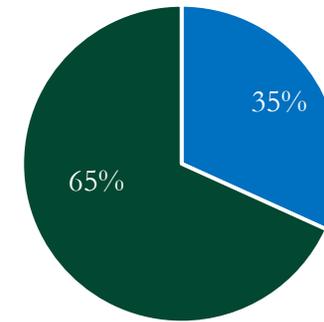


- In Q1 2019 Arabian Cement distributed through direct Ex-Factory sales and Delivery.

Express Wassal

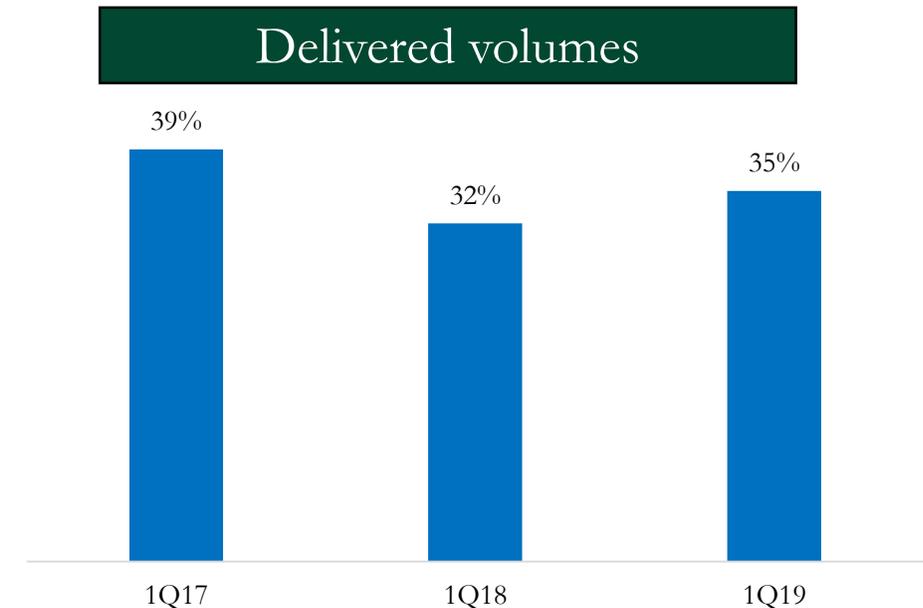
- Express Wassal is a full transportation service for bulk and/or bagged products provided by the company's fleet of 25 trucks as well as by 3rd party business partners. Express Wassal was launched in 2011
- Express Wassal offers ACC a number of benefits such as;
 - Reducing ACC's dependency on external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

1Q 2019 Distribution



■ Delivered ■ Ex-Factory

Delivered volumes

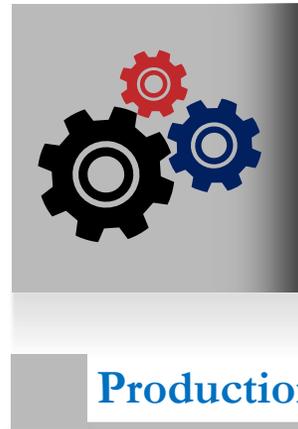


Period Highlights

Main Highlights



- Egypt's economic growth has been robust, averaging 5.3 percent in FY2017/18; a rate that was sustained through Q1-FY2018/19, driven by an expansion in the gas extractives, tourism, manufacturing, construction and ICT sectors. Private investment is picking up and net exports are improving.
- The GDP in Egypt expanded 5.40 percent year-on-year in the second quarter of 2018, the same as in the previous period.
- Headline inflation jumps to 14.1% in May versus 13% in April as monthly inflation surges to 1.1%



- ACC produced 1,002K T of clinker in Q1 2019 compared to 1,011K T in the same period the previous year.
- ACC operated at 96% clinker utilization in Q1 2019 which is the same percentage of Q1 2018.
- Cement production reached 1.0 mn tons in 1Q 2019 with utilization rate of 93%.



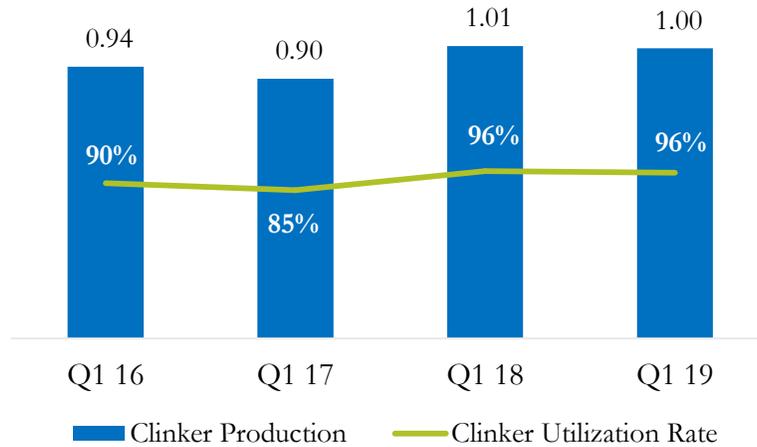
- The fuel mix in 1Q19 was 83% Coal and 17% Alternative Fuel vs. 80% Coal, 14% AF and 6% Diesel in 1Q18.
- For the rest of 2019, the company is working to reach a fuel mix of 80% coal, 19% RDF and 1% Diesel.

Period Highlights (continued)

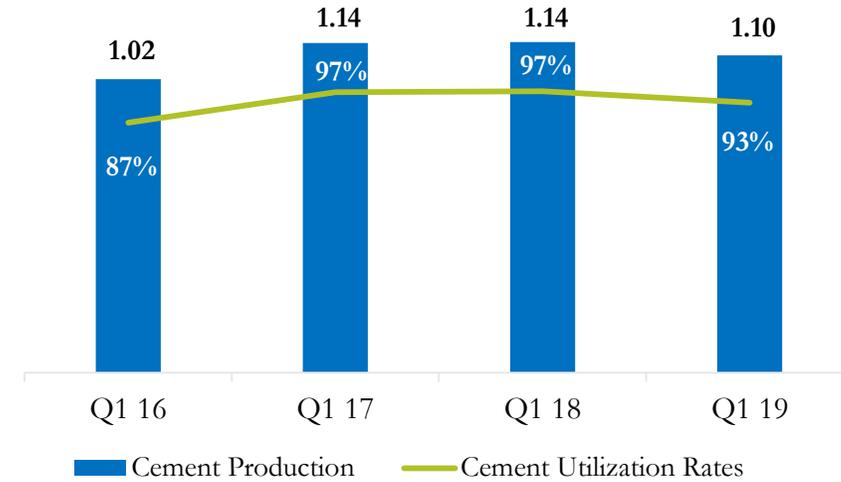


Main KPIs

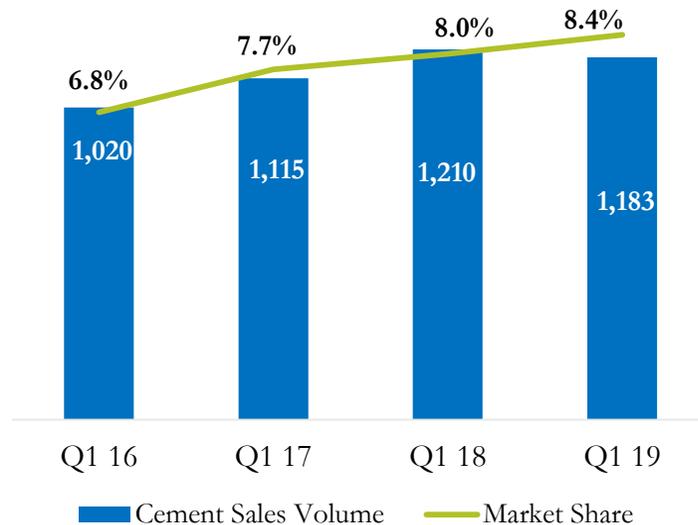
Clinker Production (MN MT) and Utilization Rates



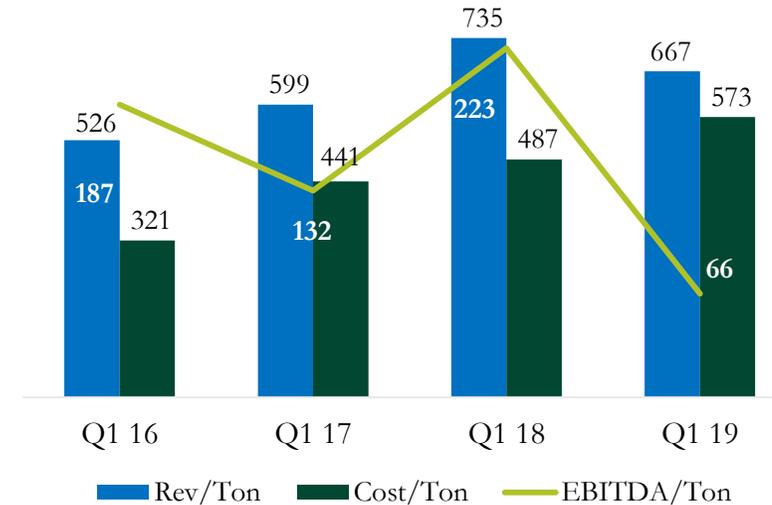
Cement Production and Utilization Rates



Sales and Market Share (MN MT)



Revenues, COGS and EBITDA (EGP/ton)

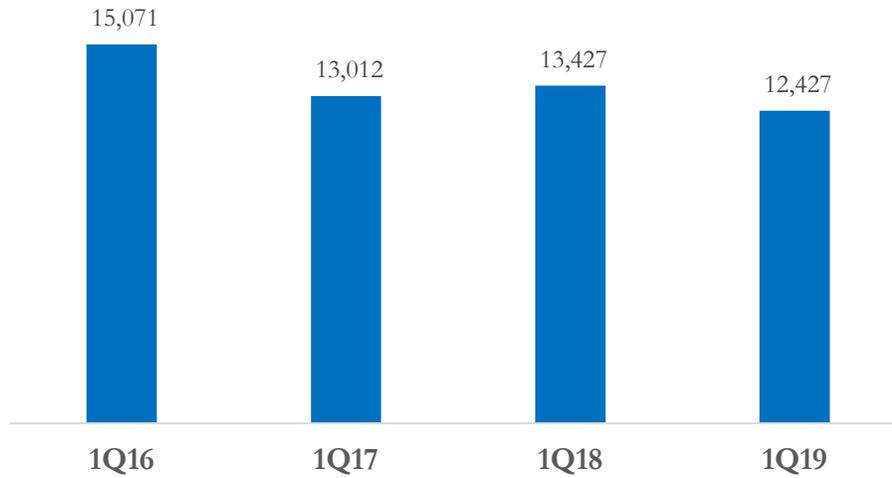


Egyptian Cement Market

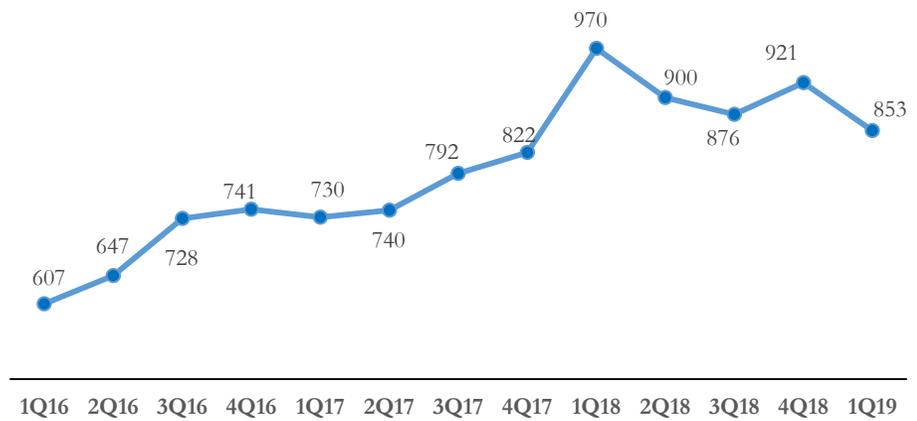
Demand and Supply Synopsis



Domestic Consumption (MMT)



Average Market Retail Prices (EGP/ton)



Egyptian Market Overview

- The Egyptian market consumption for 1Q2019 was down by 7% compared to the same period last year. According to our expectations, the market will likely to be flat y-o-y or 1% lower and close the year 2019 with the same level of FY 2018. After 2019 and going forward, the market is expected to grow by 5% annually.

- We expect that 2019 will be one of the toughest years in the industry and cement prices in the market will remain depressed, keeping gross margin per ton low, similar to this quarter. Only cost-efficient players will be able to keep their volumes and avoid or minimize losses in the bottom line, however, other players will either exit the market or keep posting significant losses.

- 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

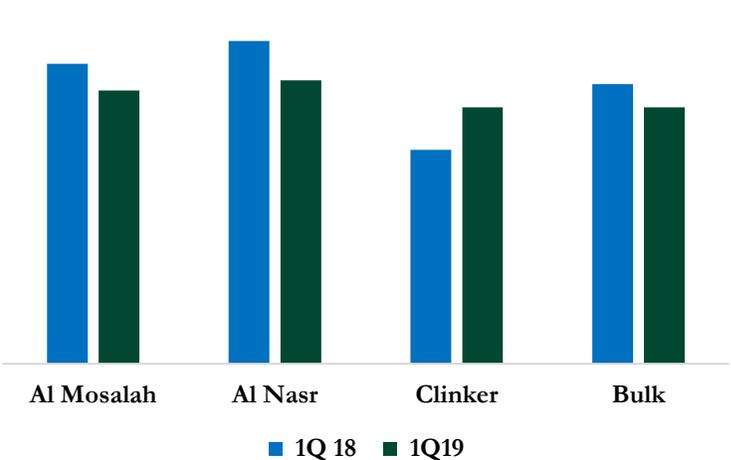
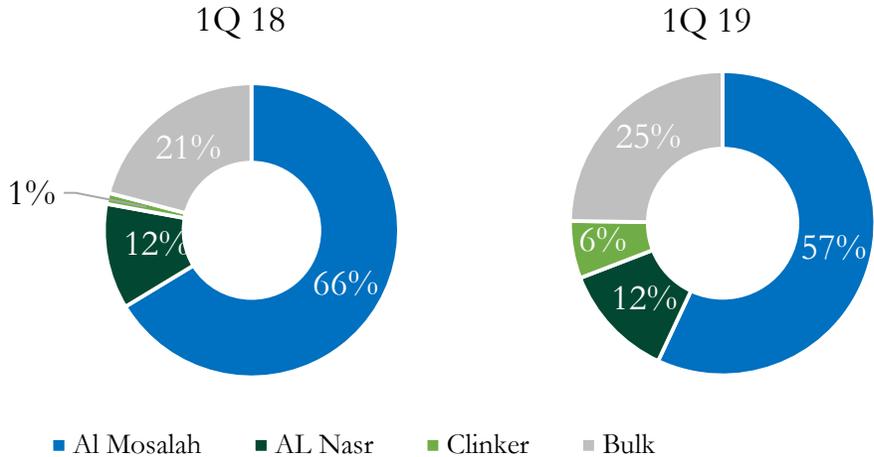


Quantities Breakdown

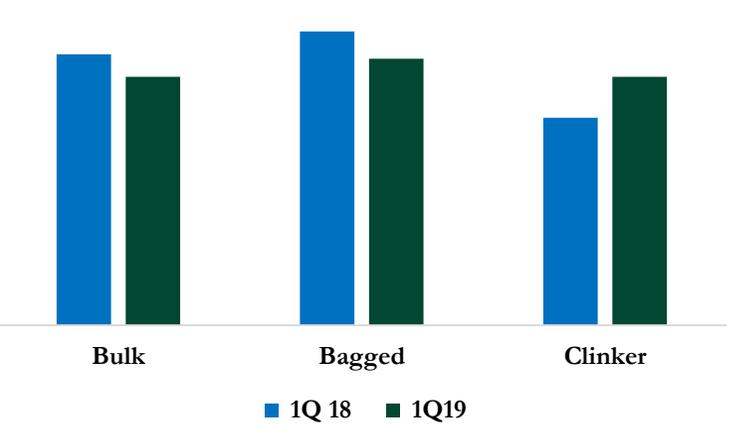
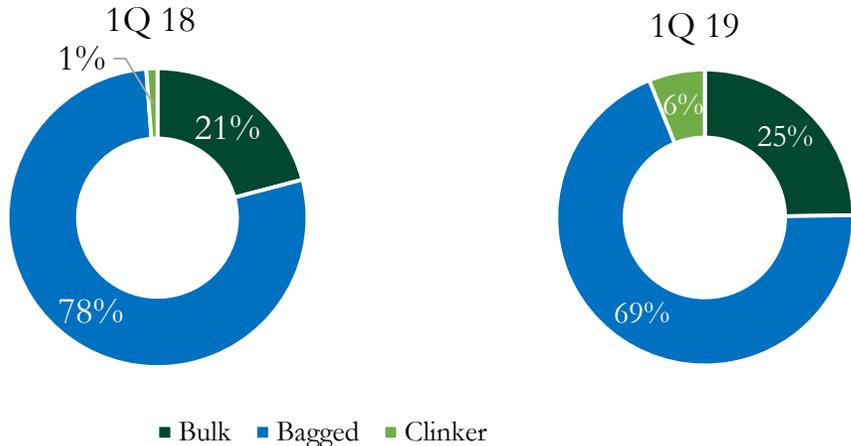
Quantities Breakdown

Prices (EGP/ton)

Breakdown by Brand



Breakdown by Type



Sales Overview

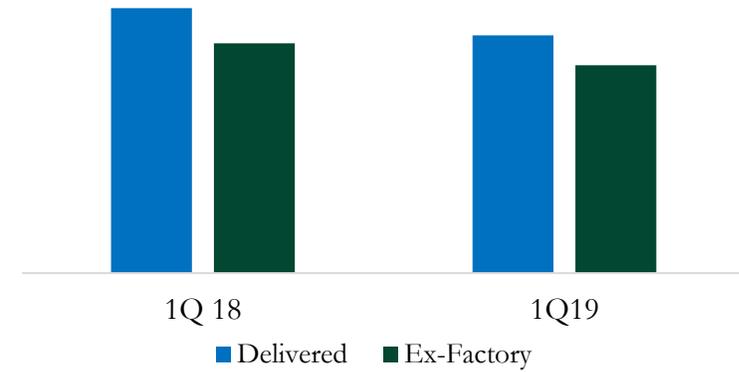
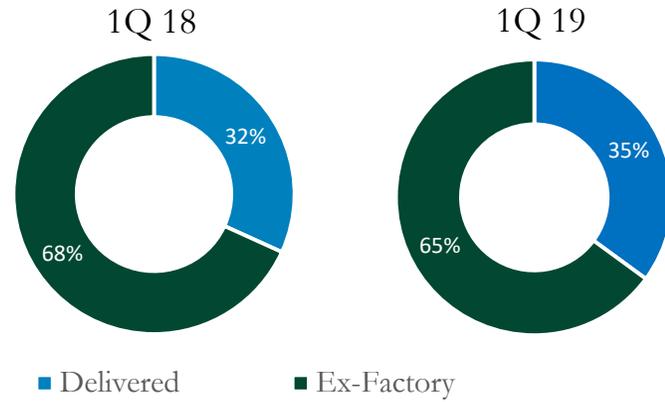


Quantities Breakdown

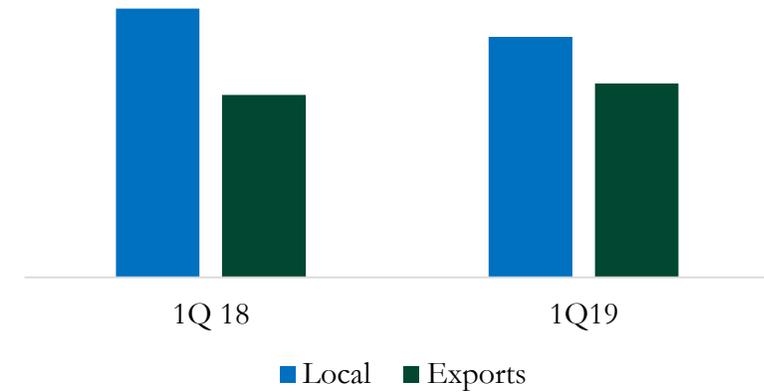
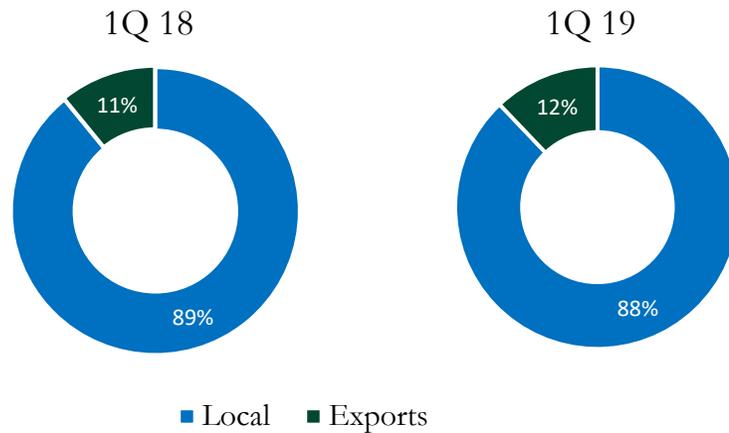
Quantities Breakdown

Prices (EGP/ton)

Breakdown by Point of Sale



Breakdown by Market

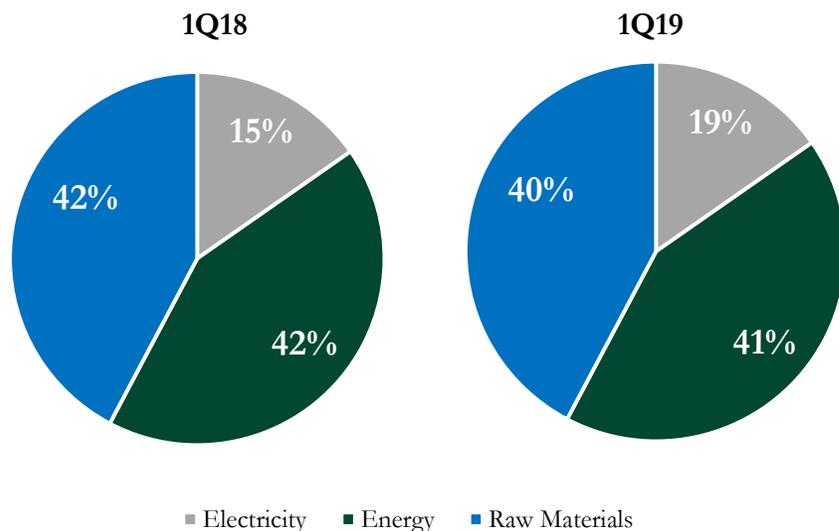


COGS Overview

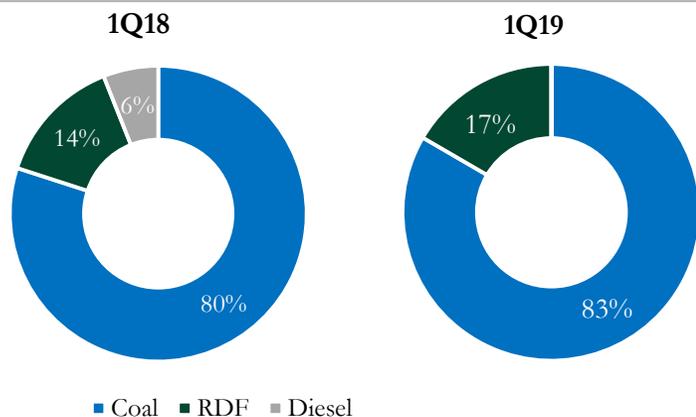
COGS and ACC Cost Advantages



COGS Breakdown



Fuel Mix



ACC Cost Advantages

- ACC successfully signed an agreement with SolarizEgypt to establish a SPV (Solar Photovoltaic) energy plant at our site financed by QNB AlAhli under EBRD Green Economy Program. The agreement will see SolarizEgypt handling the construction and operation of the unit for a period of 25 years under a BOOT (Build Own Operate Transfer) agreement.

With investments worth EGP 100 million, the solar energy unit is expected to generate over 14 GWh/year, producing up to 4% of the total annual power supply to ACC's plant. The unit is expected to start operating by the end of 2019 second quarter, saving significant amounts of the plant's electricity expenses, incrementally every year.

■ 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 1Q2019, the company maintained its y-o-y RDF consumption at 17% of its fuel mix.
- ACC is founding another sister company 'Evolve' to source part of its RDF needs.

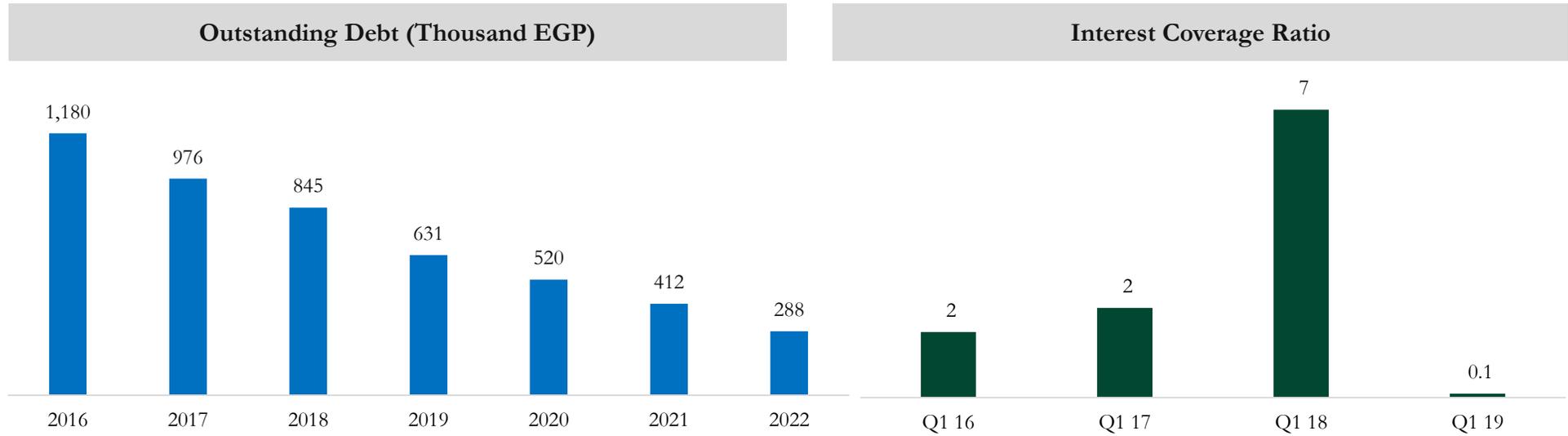
■ Coal:

- 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 80% Coal and 20% through RDF.

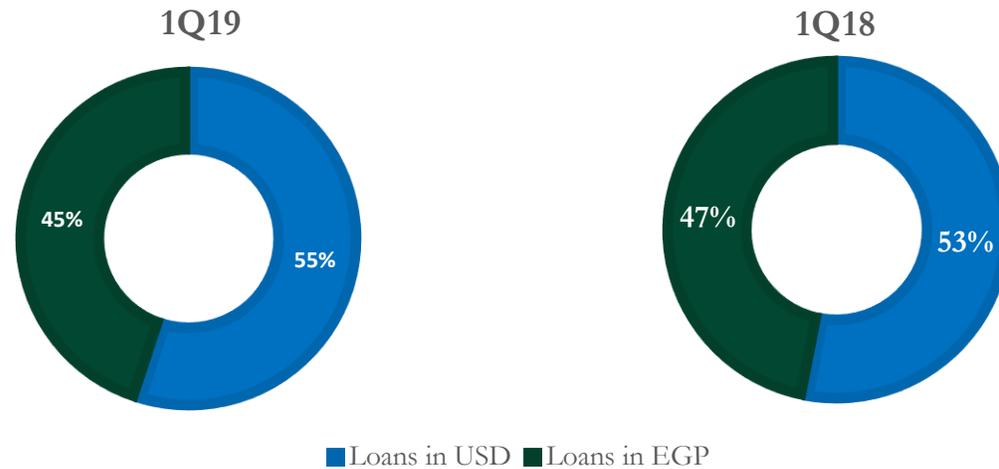
Debt



Outstanding Debt & Debt Structure



Debt Structure (EGP vs. USD)

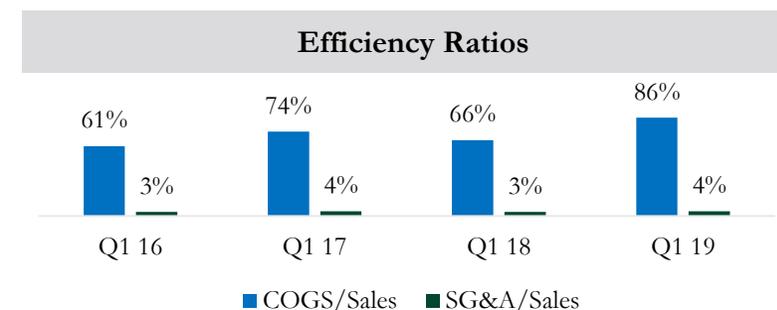
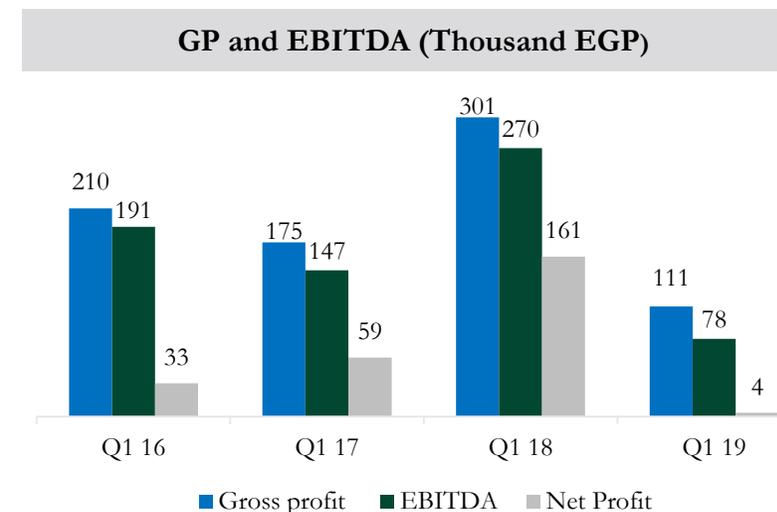
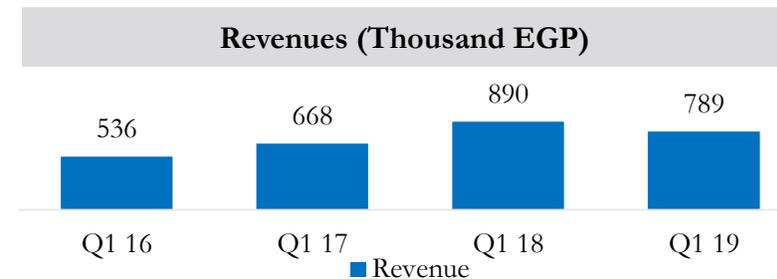


1Q 2019 Financials Review

Income Statement



MN EGP	Q1 16	Q1 17	Q1 18	Q1 19
Revenue	536	668	890	789
Cost of goods sold	327	492	589	678
Gross profit	210	175	301	111
GPM	39%	26%	34%	14%
SG&A Expenses	19	28	31	32
EBITDA	191	147	270	78
EBITDA Margin	36%	22%	30%	10%
Other income		1	1	
Depreciation & Amortization	49	58	58	63
EBIT	142	90	213	16
EBIT Margin	26%	14%	24%	2%
Foreign exchange	76	10	5	24
Loss/gain on disposal of PPE				
Finance cost, net	20	26	22	36
Net Profit Before Tax	46	74	196	4
NPBT Margin	9%	11%	22%	0%
Deferred tax	2			
Income tax expense	11	15	35	
Net Profit	33	59	161	4
NPM	6%	9%	18%	0.5%



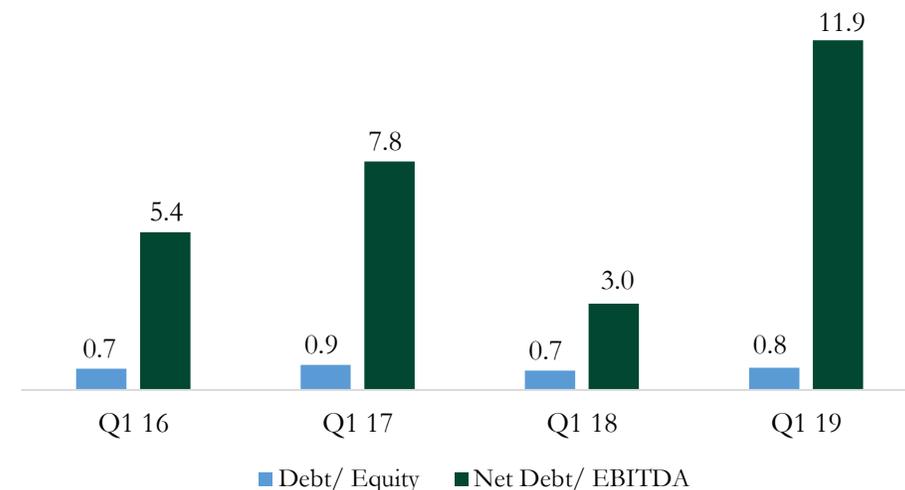
1Q 2019 Financials Review



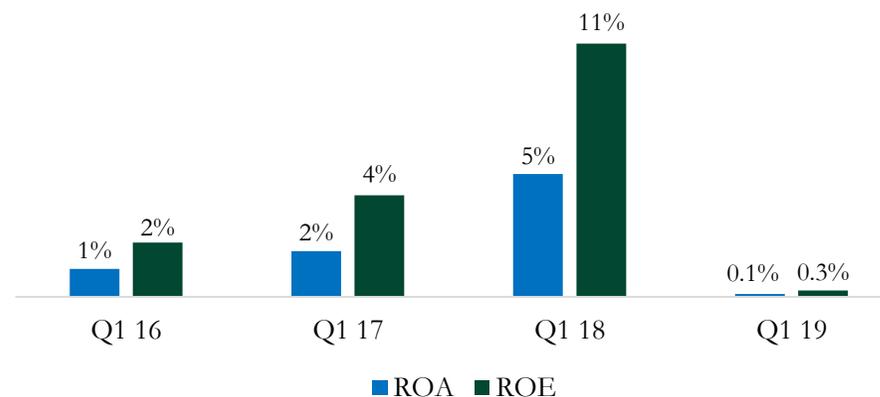
Balance Sheet

MN EGP	Q1 16	Q1 17	Q1 18	Q1 19
Assets				
Non-current Assets				
Property plant and equipment, net	2,494	2,829	2,319	2,421
Projects under construction	128	60	284	97
Intangible assets	104	81	384	333
Investment in subsidiaries	21	21	37	37
Payments under long-term investment				10
Total Non-current Assets	2,747	2,991	3,024	2,898
Current Assets				
Inventory	178	290	216	255
Debtors and other debit balances	81	115	139	133
Due from related parties	7	12	10	26
Cash and bank balances	338	184	116	141
Total Current Assets	604	601	481	554
Current Liabilities				
Provisions	16	8	16	11
Current tax liabilities	82	132	34	
Trade payables and other credit balances	388	593	685	751
Due to related parties	7	6	4	5
Borrowings - short term portions	126	451	163	342
Short-term liabilities	82	16	167	82
Total Current Liabilities	702	1,205	1,069	1,189
Net (Deficit) Surplus in Working Capital	-98	-604	-588	-635
Total Invested Funds	2,649	2,388	2,437	2,263
Represented in:				
Equity				
Paid up capital	757	757	757	757
Legal reserve	156	185	210	255
Retained earnings	501	409	498	316
Total Equity	1,415	1,351	1,465	1,328
Non-current Liabilities				
Borrowings - long term portions	520	513	567	584
Deferred income tax liability	331	338	336	343
Long-term liabilities	383	184	68	8
Total Non-current Liabilities	1,234	1,036	971	935
Total Equity and Non-current Liabilities	2,649	2,388	2,437	2,263

Gearing



Return Ratios

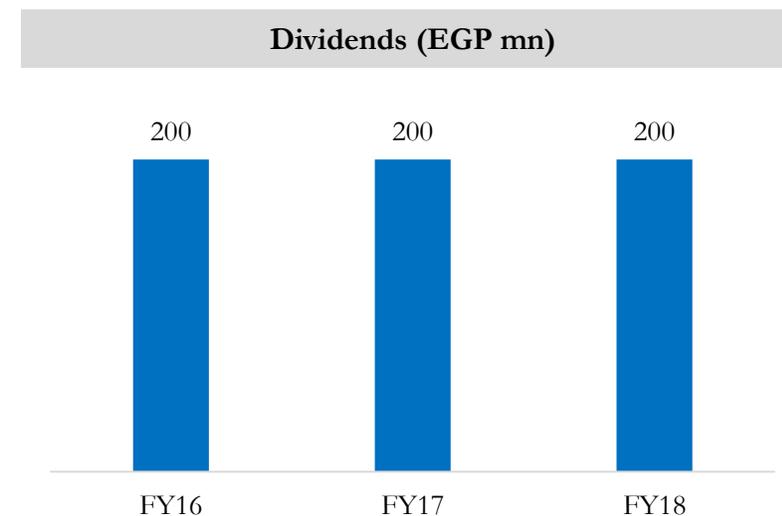
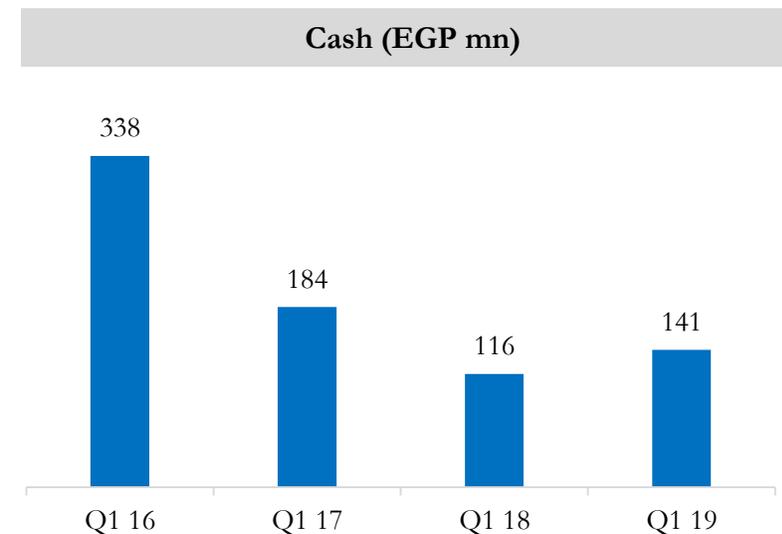


1Q 2019 Financials Review



Cash Flow Statement

MN EGP	Q1 16	Q1 17	Q1 18	Q1 19
Cash flows from operating activities				
Net profit before tax	46.0	74.3	195.7	3.9
Interest income	-0.7	-0.2	-0.2	-0.4
Interest expense	20.2	23.7	21.5	35.8
Depreciation expense	43.6	52.2	45.9	50.0
Amortization of intangible assets	5.6	5.6	12.5	12.5
Gain from sale of property plant and equipment	0.0	0.0	0.0	
Foreign exchange (gain)/losses differences	69.2	-9.4	-3.5	-12.4
Dividends from joint venture	0.0	0.0	0.0	
Provision	0.4	-1.1	-0.2	-0.9
Changes in working capital	184.3	145.0	271.8	88.5
Debtors and other debit balances	-22.1	-12.3	-21.0	9.1
Inventory, net	17.8	-13.6	-0.6	27.5
Trade payables and other credit balances	-118.0	-47.9	97.2	-44.8
Due from related parties	7.9	1.6	-0.8	-6.0
Decrease in trade receivables	0.0	0.0	0.0	29.5
Due to related parties	1.0	-2.5	-4.1	-2.5
Net cash from operating activities	70.9	70.3	342.4	101.4
Cash flows from investing activities				
Proceeds from dividends from joint venture		0.0		
Proceeds from sale of assets		0.0		
Interest income	0.7	0.2	0.2	0.4
Purchase of property, plant and equipment	0.0	-4.3	-7.5	-13.9
Additions in projects under construction	-3.6	-16.1	-36.2	-0.9
Payments under long-term investments	-3.6	0.0	0.0	0.0
Net cash flows used in investing activities	-6.5	-20.2	-43.5	-14.3
Cash flows from financing activities				
Payments of license liability	-21.6	-46.2	-28.4	-60.6
Payments of borrowings	-6.5	-44.4	-15.5	-18.1
Interest paid	-16.7	-23.7	-14.0	
Dividends paid	-46.0	0.0	0.0	-7.2
Proceeds from bank overdraft		118.1	-242.4	-0.8
Net cash flows from financing activities	-90.8	3.8	-300.3	-86.8
Net increase (decrease) in cash and cash equivalents	-26.4	53.8	-1.4	-24.4
Cash and cash equivalents at beginning of the year	364.8	130.5	117.2	164.9
Cash and cash equivalents at end of the period	338.5	184.3	115.8	140.5





Future Ready

For more Information Please Contact:

Investor Relations: IR@arabiancementcompany.com

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