



ACC increased its sales volumes for 1H2023 despite the dropping local market, Thanks to Export sales.

Key Financial Highlights in 1H 2023

Revenue	Cash Gross Profit	EBITDA	Net Profit
EGP 3,138 mn	EGP 785 mn	EGP 682 mn	EGP 341 mn
▲ 52% y-o-y	▲ 45% y-o-y 25% Margin	▲ 39% y-o-y 22% Margin	▲ 221% y-o-y 11% Margin



Results in a Nutshell

August 2023 | Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer reported its results for 2Q2023.

The following are our comments for the 2Q2023.

Arabian cement achieved a y-o-y revenue growth of 39% amounting EGP 1,451 million compared to EGP 1,041 million in 2Q2022. Local revenues represented 57% of total sales, down from 84% in the same quarter last year, while Export revenues showed a significant increase recording 43%, up from 16% in 2Q2022. Our Rev/ton hiked by 35% y-o-y reaching EGP 1,310 compared to EGP 970 in 2Q2022.

ACC's sales volumes witnessed a slight increase of 3%, reaching 1,108K tons versus 1,073K tons in 2Q2022.

Cash cost for the quarter stood at EGP 1,187 million in 2Q2023 versus EGP 791 million in 2Q2022. Nevertheless, our y-o-y cash cost per ton increased by 46% on the back of the increase of fuel prices globally in addition to the inflationary environment locally, reaching EGP 1,072 per ton compared to EGP 737 in the same period last year and 18% q-o-q.

ACC's cash gross profit recorded EGP 264 million in 2Q2023 versus EGP 251 million in the same comparable period. Our cash gross profit margin stood at 18% compared to 24% in the same period last year.

SG&A for 2Q2023 stood at EGP 57 million with SG&A to Sales ratio of 3.9% compared to 3.4% in 2Q2022.

EBITDA for the quarter stood at EGP 209 million in 2Q2023 with an EBITDA margin of 14.4%, down compared to 20.7% in 2Q2022.

ACC recorded a foreign exchange loss of only EGP 1 million in 2Q2023 compared to EGP 13 million in 2Q2022.

ACC's bottom line recorded a significant y-o-y increase recording EGP 98 million compared to EGP 53 million in 2Q2022 with a Net Profit margin of 7% compared to 5% in the same quarter last year.

The following is our comments for 1st Half of 2023

Arabian cement recorded revenues of EGP 3,138 million, up 52% from the comparable period of last year. Our Rev/Ton stood at EGP 1,315 compared to EGP 928, up 42% y-o-y. Local revenues represented 57% of total sales, while Export revenues showed a significant increase recording 43%.

On the volume front, our total Sales volume reached 2,387K tons versus 2,221K tons in 1H 2022 with an increase of 7%. In terms of format, 29% was Bagged cement, 26% Bulk cement and 45% Clinker.

ACC was able to increase its Export sales by 176% in 1H 2023 y-o-y recording 1,121K Tons compared to 406K Tons in 1H 2022.

ACC witnessed a remarkable change in its sales mix in 2Q2023, moving toward increasing the export sales which represented 47% (14.5% export market share) of our total sales volumes compared to 18% in the same period last year which is mainly to source most of our needs of foreign currency.

Total cash cost for the first half of 2023 came in at EGP 2,353 versus EGP 1,522 million in the same period last year, while our cash cost per ton increased by 44% reaching EGP 986 versus EGP 685 in 1H 2022.

ACC cash gross profit stood at EGP 785 million versus EGP 540 million in 1H2022, with an almost flat margin of 25% Y-o-Y.

On a six-month basis, EBITDA stood at EGP 682 million up from EGP 489 million with EBITDA margin of 21.7% compared to 23.7% in the same period last year.

The company recorded credit interest of EGP 55 million in 1H 2023, compared to EGP 26 million in 1H 2022 on the back of the hike in interest rates and EGP devaluation.

ACC recorded a foreign exchange loss of EGP 105 million in 1H 2023 compared to EGP 64 million in 1H 2022. The figure reflects FX losses on the back of the Egyptian pound devaluation.

ACC's total outstanding debt was remarkably reduced on a y-o-y basis. The company's total loans and borrowings, excluding credit facility stood at EGP 296 million as of 30 June 2023, down from EGP 363 million as of 30 June 2022 which represents an 18% decline.

Net Profit stood at EGP 341 million compared to net profit of EGP 106 million in 1H 2022. While our Net Profit margin improved by 6% for the first half of the year recording 11%.



Outlook

As expected, no major events in the economic front happened during Q2 of this year considering that both most important Muslim Feast fell in this quarter (Ramadan in April and Eid El Adha in June). Accordingly, the previous comments of Q1 related to lack of hard currency availability, historical high inflation records, supply chain shocks, lack of liquidity attracted by the high interest rates, etc... are still valid. The country is still working in several fronts to bring stability to its economy.

In this environment, local cement consumption is reaching values not seen since 2008. That's why we focus very much on exports as a medium to long term strategy, as we see the economic fundamentals will take time to have a significant change that will affect the playground. We can also see this trend at national level, where total exports (clinker + cement) increased an amazing 61% versus 2022, which was already an excellent year of records in exports. We can now say that Egypt is positioning itself as a strong competitor in the global export market.

With the international fuel market (coal-petcoke) having a much more stable dynamic and in absence of big Feasts, we hope that the rest of 2023 will see an improvement in the industry performance, although local cement demand will remain weak until the economic challenges mentioned before start to be resolved.

Financial KPI	Unit	2Q2023	2Q2022	Y-o-Y Variance %	1H2023	1H2022	Variance %
Local Revenues	MM EGP	830	874	-5%	1,793	1,768	1%
Export Revenues	MM EGP	621	167	272%	1345	294	358%
Total Revenues	MM EGP	1,451	1,041	39%	3,138	2,062	52%
Rev/Ton	EGP	1,310	970	35%	1,315	928	42%
Cash Cost	MM EGP	1,187	791	50%	2,353	1,522	55%
Cash Cost/Ton	EGP	1,072	737	46%	986	685	44%
Cash Gross Profit	MM EGP	264	251	5%	785	540	45%
Cash Gross Profit Margin	PCT	18%	24%	-6%	25%	26%	-1%
EBITDA	MM EGP	209	216	-3%	682	489	39%
EBITDA/Ton	EGP	189	201	-6%	286	220	30%
EBITDA Margin	PCT	14%	21%	-6%	22%	24%	-2%
COGS/Sales	PCT	82%	76%	6%	75%	74%	1%
SG&A	MM EGP	57	35	62%	106	67	59%
SG&A/Sales	PCT	3.9%	3.4%	1%	3.4%	3.3%	0%
FX Loss	MM EGP	-1	-13	-94%	-105	-64	63%
D&A	MM EGP	59	58	2%	118	116	1%
Net Profit	MM EGP	98	53	85%	341	106	221%
Net Profit Margin	PCT	7%	5%	2%	11%	5%	6%
Outstanding Debt	MM EGP	296	363	-18%	296	363	-18%

ACC Sales volumes	Unit	2Q2023	2Q2022	Y-o-Y Variance %	1H2023	1H2022	Variance %
Local Sales Volume	K Tons	597	824	-28%	1,266	1,815	-30%
Cement Exports Volume	K Tons	26	13	98%	100	56	79%
Clinker Export volume	K Tons	485	237	105%	1,021	350	191%
ACC Total Volumes	K Tons	1,108	1,073	3%	2,387	2,221	7%

ACC Production Indicators	Unit	2Q2023	2Q2022	Y-o-Y Variance %	1H2023	1H2022	Variance %
Clinker Production	K Tons	983	1,091	-10%	1,845	1,903	-3%
Clinker Utilization Rate	PCT	94%	110%	-10%	88%	91%	-3%
Cement Production	K Tons	619	744	-17%	1,303	1,636	-20%
Cement Utilization Rate	PCT	53%	63%	-11%	55%	70%	-14%

Market Overview	Unit	2Q2023	2Q2022	Y-o-Y Variance %	1H2023	1H2022	Variance %
Cement Domestic Sales	K Tons	10,337	11,341	-9%	22,403	24,639	-9%
Clinker Export Sales	K Tons	3,228	1,840	75%	6,211	3,514	77%
Cement Export Sales	K Tons	743	629	18%	1,535	1,298	18%
Total Export Sales	K Tons	3,972	2,469	61%	7,746	4,812	61%

About Arabian Cement Company

Arabian Cement Company (ACC) was first established in 1997 by a group of Egyptian entrepreneurs, who aspired to establish a leading Egyptian cement company. The cement factory is in the Suez Governorate. It has a capacity of 5MM tons of first quality cement, approximately 7% of Egypt's production capacity. ACC is held by Cementos La Union, a Spanish investor with 60% stake, 12.5% held by Sadek El Sewedy, 11.6% is held by El Bourini family, and 15.9% is traded on the EGX. Its brand "Al Mosallah" enjoys undisputed prestige and is considered among the best cements produced in Egypt. For further information, please refer to www.arabiancementcompany.com

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Forward-Looking Statements

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