



Arabian cement company has brought 2019 EBITDA Margin to 12.1% despite the challenging environment.

Revenues ↓ EGP 2,972 mm	Cash Cost ↓ EGP 2,487 mm
Cash Gross Profit ↓ EGP 485 mm 16% Margin	EBITDA ↓ EGP 359 mm 12.1%



Results in a Nutshell

18 March 2020| Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer reported its results for 4Q 2019.

4Q 2019

Arabian cement company reported a slight increase in revenues by 1% q-o-q reaching EGP 722 million. Our Rev/ton decreased by 2% recording EGP 635 versus EGP 645 in 3Q 2019, while it decreased by 7 % y-o-y.

On a quarterly basis our cash cost dropped by 15% reaching EGP 578 million versus EGP 681 million the same period a year ago. While our cash cost per ton stood at EGP 508 versus EGP 589 which represents a 14% decline y-o-y.

This huge improvement was mainly due to our energy mix and the general drop in international prices of coal and petcoke. Moreover, the EGP appreciation also play a good role.

Fuel mix of 4Q2019 was 50% Pet-coke, 38% Coal and 12% RDF vs. 83% Coal and 17% RDF in 4Q 2018.

Consequently, the company's cash gross profit increased by 32% y-o-y to come in at EGP 144 million, while q-o-q jumped by 37%, with cash gross profit margin of 20%.

EBITDA for the quarter came in at EGP 105 million – a 46% increase compared to EGP 72 million in 4Q 2018 – while the EBITDA margin improved by 5% recording 14.6%. Sales, general and administrative expenses, as a percentage to sales is 5.4%.

ACC recorded a negative bottom-line of EGP 2 million which came on the back of booking interest expense related to the licenses of EGP 13.4 million during the quarter as a closure calculation of the cement licenses after 12 years payments.





FY 2019

Arabian Cement Company top line for the full year 2019 came in at EGP 2,972 million with a 6% decline y-o-y. Furthermore, our revenue per ton recorded EGP 652 vs EGP 708 the same period last year.

Despite the electricity tariffs increased by 10% along with an increase in the diesel cost in July due to the government energy subsidies cut yet, the cash cost rose by 2% due to the increase in the sales volumes which came in at EGP 2,487 million. In addition, ACC cash cost per ton remained flat at EGP 546, as a result of cost efficiency.

Although 2019 was the worst year for the cement industry, only cost-efficient players were able to keep their volumes and achieve positive EBITDA. ACC's EBITDA stood at EGP 359 million with an EBITDA margin of 12.1%. Even though the cement market is running at 60% utilization rate, ACC was able to reach 92%. The company sales volumes reached 4.557 million tons which is the highest volume ever, our local sales were 87% and exports 13% including clinker in FY2019. Our market share increased from 7.6% to 8.1%.

Our SG&A declined by EGP 9 million which represents 7% reduction y-o-y, with SG&A:Sales 4.2%.

The appreciation of the EGP against the USD was in our favor which generated FX gain of EGP 66.3 million, partially realized through coal/petcoke and loan payments.

Our income tax was higher than expected amounting EGP 13.1 million due to a tax treatment that do not approve unrealized FX gain as an expense which we will return the following years when it is realized.

Net profit for the full year was EGP 30 million with a net profit margin of 1%.

Arabian cement is precisely repaying its debt, reducing its total outstanding debt by EGP 451 million to close the period with EGP 656 million. Our USD debt balance went down by USD 4 million to come in at USD 21 million at the end of the year.

Outlook

We expect that in 2020 volumes will start to recover gradually, and, consequently, revenues, EBITDA and Net Profit should also start to raise.

Moreover, we keep working in ACC to reduce our cost as much as possible, being the most efficient initiative to move towards higher Sulphur content fuel materials. This affects the clinker productivity of the kilns; however, this is not an issue nowadays where the priority is always to save costs to keep the competitive advantage versus other players to achieve higher utilization rates, as we did during 2019.



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, 15.5% is held by El Bourini family, and 24.5% 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

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Arabian Cement Company (ACC). Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes "targets" or "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of ACC may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of ACC is subject to risks and uncertainties.

Key Indicators	Unit	4Q2019	4Q2018	Variance %	FY2019	FY2018	Variance %
ACC Clinker Production	K Tons	1,051	1,083	-3%	3,853	4,123	-7%
ACC Clinker Utilization Rate	PCT	100%	103%	-3%	92%	98%	-6%
ACC Cement Production	K Tons	1,142	1,080	6%	4,322	4,289	1%
ACC Cement Utilization Rates	PCT	97%	92%	5%	92%	91%	1%
ACC Domestic Sales Volume	K Tons	1,062	938	13%	3,944	3,858	2%
ACC Exports Volume	K Tons	76	218	-65%	614	602	2%
ACC Total Volumes	K Tons	1,137	1,156	-2%	4,557	4,461	2%
Local Market Share	PCT	8.1%	7.6%	1%	8.1%	7.6%	1%
Revenues	MM EGP	722	791	-9%	2972	3160	-6%
Rev/Ton	EGP	635	684	-7%	652	708	-8%
Cash Cost	MM EGP	578	681	-15%	2487	2437	2%
Cash Cost/Ton	EGP	508	589	-14%	546	546	0%
EBITDA	MM EGP	105	72	46%	359	588	-39%
EBITDA/Ton	EGP	92	62	49%	79	132	-40%
EBITDA Margin	PCT	14.6%	9.1%	5%	12.1%	18.6%	-7%
Cash Gross Profit	MM EGP	144	110	32%	485	723	-33%
Cash Gross Profit Margin	PCT	20%	14%	6%	16%	23%	-7%
COGS/Sales	PCT	80%	86%	-6%	84%	77%	7%
SG&A	MM EGP	39	38	4%	125	135	-7%
SG&A/Sales	PCT	5%	5%	1%	4%	4%	0%
Exchange differences	MM EGP	1.1	0.8	30%	66	4	1606%
Depreciation & Amortization	MM EGP	62	65	-4%	252	248	2%
Net Profit	MM EGP	-2	19	-113%	30	234	-87%
Net Profit Margin	PCT	0%	2%	-3%	1%	7%	-6%
Outstanding Debt	MM EGP	657	1108	-41%	657	1108	-41%
Debt/Equity		0.6	0.8		0.6	0.8	