Arabian Cement Reports Significant Top Line Growth in FY 2022

Revenues	Cash Cost
↑ EGP 4,549 mm	↑ EGP 3,409 mm

Cash Gross Profit	EBITDA
↑ EGP 1,140 mm	↑ EGP 1,092 mm
25% Margin	24% Margin

Results in a Nutshell

March 2023 | Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange),
a leading Egyptian cement producer reported its results for FY 2022.

The following is our comments for the 4Q2022

Arabian cement continued to record y-o-y growth, in 4Q2022 revenue were up 57% reaching EGP 1,215 million compared to EGP 774 million in the same quarter last year. Our Rev/ton surged by 41% y-o-y reaching EGP 1,178 compared to EGP 835 in 4Q2021 and up 21% q-o-q.

The company recorded an 11% increase in total sales volume recording 1,301K tons in 4Q2022 compared to 928K tons in the same period last year.

Cash cost for the quarter stood at EGP 840 million in 4Q2022 versus EGP 588 million in 4Q2021. Nevertheless, our cash cost per ton increased by 29%, recording EGP 815 per ton compared to EGP 634 in the same period last year.

ACC's Cash Gross profit recorded EGP 375 million in 4Q2022, while Cash Gross profit margin stood at 31% compared to 24% in the same period last year.

EBITDA for the quarter stood at EGP 366 million in 4Q2022 with an EBITDA margin of 30.1% compared to 22% in 4Q2021.

4Q2022 Net profit recorded EGP 98 million compared to EGP 52 million with net profit margin of 8%, witnessing a 9% increase over 4Q2021.

The following is our comments for the full year of 2022

Arabian Cement almost doubled its revenues in FY2022 recording EGP 4,549 million, up 94% from the comparable period of last year. Our Rev/Ton stood at EGP 977, up 37% y-o-y.

On the volume front, our total Sales volume reached 4,561K tons versus 3,208K tons in FY2021. In terms of format, 41% was Bagged cement, 31% Bulk cement and the rest was clinker.
ACC was able to double its Export sales in FY2022 recording 1M Tons compared to 497K Tons in FY2021with an export market share of 15%.

Total cash cost for the full year came in at EGP 3,409 versus EGP 1,899 million in the same period last year, while our cash cost per ton increased by 26% reaching EGP 747 versus EGP 592 in FY 2021. The Cash cost increase attributed to higher global fuel and freight prices.

ACC cash gross profit stood at EGP 1,140 million with a 25% margin versus 19% in the comparable period.

FY2022 EBITDA stood at EGP 1,092 million up from EGP 378 million with EBITDA margin of 24% compared to 16% in the same period last year.

Arabian Cement recorded export rebates amounting EGP 66 million in FY2022.

ACC recorded a foreign exchange loss of EGP 192 million in FY 2022 compared to EGP 1.1 million in FY2021. The figure reflects FX losses on the back of the Egyptian pound devaluation.

Despite the hike in the interest rates throughout the year, ACC was able to reduce its credit interest from EGP 70 million in 2021 to EGP 58 million in 2022 which represents a 17% decline.

ACC's total outstanding debt was reduced on a y-o-y basis. The company's total loans and borrowings stood at EGP 341 million as of 31 December 2022, down from EGP 387 million as of 31 December 2021 which represents a 12% decline.

Net Profit recorded EGP 342.5 million in FY 2022, up an impressive increase compared to EGP 27.1 million in FY 2021 with an improved net profit margin of 7.5% compared to 1.2% last year.

ACC rewarded its shareholders with decent dividend yield by distributing EGP 0.66 DPS in FY 2022.

Outlook

In 2022 we have witnessed an increase of 5.4% in domestic cement consumption, similar to a 5.3% increase in the exported cement sales. However, the clinker export volumes increased more than 25% to reach almost 6.75 million tons positioning Egypt as a strong competitor in the global export market. Obviously, Arabian Cement takes good advantage of its geographical situation inside Egypt in the Governorate of Suez, very close to the important Red Sea Ports of Ain Sokhna and Adabeya and close enough to the East Mediterranean ports of Port Said or Damietta. Actually, during 2022 we managed to export our products again to Europe and, for the first time, to several countries in West Africa.

The international fuel market (coal-petcoke) experienced a great correction in the second half of 2022 where American coal drop from the historical record maximums of 350 to 200 $/t CFR Egyptian Port and petcoke from 240 to 160 $/t. However, these level of prices are still historically high. For example, American coal was below the level of 100 $/t only in Q3 2021, about 1.5 years ago. So, although the correction is more than welcome, the uncertainty in the energy market, considering also the Russia-Ukraine war, is still very high and there is not much visibility about what will happen next.

The global tensions related to inflation, interest rates, liquidity and supply chain disruption is obviously affecting Egypt and may be the reason of a stabilization, or even a reduction, of the domestic cement consumption in 2023. However, we have demonstrated all through the past years how resilient Arabian Cement Company is and we are very well positioned to navigate through this tough year whatever the conditions may be.

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, 12.15% held by Sadek El Sewedy,11.6% is held by El Bourini family, and 16.3% 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	FY 2022	FY 2021	Variance %	4Q 2022	4Q 2021	Variance %
Cement Domestic Sales	K Tons	51,193	48,570	5%	13,733	12,185	13%
Cement Export Sales	K Tons	2,811	2,671	5%	643	1,373	-53%
Total Cement Sales	K Tons	54,004	51,241	5%	14,376	13,557	6%
Clinker Export Sales	K Tons	6,745	5,378	25%	1,510	2,234	-32%
Clinker local Sales	K Tons	1,781	988	80%	383	692	-45%
ACC Clinker Production	K Tons	3,808	3,189	19%	959	905	6%
ACC Clinker Utilization Rate	PCT	91%	76%	15%	69%	65%	4%
ACC Cement Production	K Tons	3,254	2,796	16%	842	833	1%
ACC Cement Utilization Rates	PCT	69%	59%	10%	54%	53%	1%
ACC Domestic Cement Sales Volume	K Tons	3,218	2,620	23%	840	804	4%
ACC Cement Exports Volume	K Tons	66	172	-62%	6	29	-80%
ACC Clinker Local Sales	K Tons	341	91	273%	54	40	34%
ACC Clinker Export Sales	K Tons	936	325	188%	132	54	143%
ACC Total Volumes	K Tons	4,561	3,208	42%	1,031	928	11%
Local Market Share	PCT	6.3%	5.4%	1%	6.1%	6.6%	0%
Revenues	MM EGP	4549	2343	94%	1215	774	57%
Rev/Ton	EGP	997	730	37%	1,178	835	41%
Cash Cost	MM EGP	3409	1899	80%	840	588	43%
Cash Cost/Ton	EGP	747	592	26%	815	634	29%
Cash Gross Profit	MM EGP	1140	443	157%	375	187	101%
Cash Gross Profit Margin	PCT	25%	19%	6%	31%	24%	7%
EBITDA	MM EGP	1092	378	189%	366	170	115%
EBITDA/Ton	EGP	239	118	103%	355	183	94%
EBITDA Margin	PCT	24%	16%	8%	30%	22%	8%
COGS/Sales	PCT	75%	81%	-6%	69%	76%	-7%
SG&A	MM EGP	152	112	36%	37	36	4%
SG&A/Sales	PCT	3.3%	4.8%	-1%	3.1%	4.6%	-2%
Exchange differences	MM EGP	-192	-1		-110	-2	
Depreciation & Amortization	MM EGP	237	253	-6%	62	73	-15%
Net Profit	MM EGP	343	27		98	52	
Net Profit Margin	PCT	8%	1%		8%	7%	
Outstanding Debt	MM EGP	341	394	-13%	341	394	-13%
Debt/Equity		0.3	0.4		0.3	0.4	