Arabian Cement Company Reports Strong Top-Line Growth in FY 2014

Despite pressure caused by the nation-wide energy shortage, ACC reports solid operational performance on the back of operations using alternative fuels

Key Income Statement Highlights of FY 2014

21% rise in Revenues to EGP 2,499 mn	8% growth in GP to EGP 940 mn	2% increase in EBITDA to EGP 832 mn	19% growth in Profit Before Tax (PBT)
18% increase in Rev/ton to EGP 605	28% increase in cost/ton to EGP 377	0% change in EBITDA/ton EGP 202	4% of SG&A/ Sales

17 March 2015| Cairo | Arabian Cement Company (ARCC.CA on the Egyptian Exchange), a leading Egyptian cement producer, reported its results for 2014. Revenues for the period increased by 21% to EGP2,499 mn, compared to EGP2,064 mn in 2013, mainly derived by an increase in prices coupled with a slight increase in volumes.

Profit Before Tax increased by 19% compared to 2013 reaching EGP522 mn. However, Net Profit dropped 11% y-o-y to EGP373 mn, while Net Profit Margin was down 5 ppt to 15% which is mainly the result of the expiration of the company's tax-exempt status.

Comments on the Period

Despite the challenges regarding fuel scarcity, overall, it was a good year in terms of the operational and financial performances. Yet, ACC still witnessed a decline in the bottom line due to the expiration of the tax-exempt and charges associated to taking the company public in May 2014.

The greatest challenge for the year has been that of energy availability. Utilization rates have been adversely impacted by the ongoing fuel shortage, although both are now on the rise following our successful conversion of our facilities to run mostly on coal and alternative fuels.

Due to fuel shortages our clinker production dropped by 20% compared to 2013 leading to a utilization rate of 62%, compared to 77% in 2013. However, through importing clinker, we managed to increase our cement production by 4% over 2013 (with a 83% utilization rate) to reach 4.161 mn tons . Despite these challenges, the lean improvement in market demand coupled with our marketing strategy combined to allow us increase our sales volumes by 3% and prices by 18% over 2013.

Such shortages in addition had an impact on our gross margins, as COGS have increased with the need to import clinker to meet market demand. Gross margins accordingly eased 4 ppt compared to 2013 reaching 38%.

ACC's energy mix during 2014 was 55% natural gas and diesel, 5% refuse-derived fuel (RDF) and the balance (40%) being coal and petcoke.

SG&A spending increased 58% year-on-year in 2014 to EGP107 mn on the back of non-recurring fees associated with the IPO, and the marketing campaign which accompanied the offering. The company increased its delivered quantities through "Wassal" service which came at an additional cost. Yet, managed to maintain an SG&A/sales ratio of 4% compared to 3% in 2013.

Together, these factors saw EBITDA increased marginally by 2% y-o-y to EGP832 mn in 2014. However, EBITDA margin declined, but remains at a healthy 33%. As noted earlier, as a result of the expiration of the tax-exempt, the company incurred corporate income tax expenses of EGP135 mn in 2014, based on the increased rate of 30%. The company also witnessed a 62% decline in FX losses to record EGP26mn. As a result, ACC achieved a net profit of EGP373 mn, only 11% y-o-y decline, while net profit margin recorded 15% with a decline of 5% compared to 2013.

Our Balance Sheet, meanwhile, is quite strong, with a 20% reduction in outstanding debt and an improvement in debt/ equity ratio to 1.

To conclude, for ACC 2014 has been a fruitful year, despite the challenges resulting from the energy shortage In Egypt, ACC succeeded to overcome such shortage due to the inauguration operations using coal and alternative fuels. ACC also successfully executed the first IPO in Egypt since 2010 and survived the negative impact on earnings resulting from the FX changes and the expiration of the tax exempt.

Outlook

We are very confident that the Egyptian market still holds strong potential growth. For the coming years, we are optimistic that the country is on the right course for a continuation of economic growth and political stability. With more infrastructure and housing projects in the pipeline, in addition to signs of a return of corporate investment, we will work to improve performance in 2015 going forward.

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 located in the Suez Governorate.

It produces five million tons of first quality cement, approximately 10% of Egypt's production. The company is a joint venture between Cementos La Union, a Spanish investor holding the majority of shares, and a group of Egyptian investors.
Its brand "Al Mosallah" enjoys undisputed prestige and is considered among the best cements produced in Egypt. For further information, please refer to www.arabiancement.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.

Summary Performance (in EGP)

	2014	2013	Variance
Clinker Production	***2,614,354***	***3,244,618***	***-19%***
Utilization Rate	*62%*	*77%*	*-15%*
Cement Sales Volume	***4,130,885***	***4,021,224***	***3%***
Bulk cement production	*4,161,297*	*4,010,238*	*4%*
Cement Utilization Rates	*83%*	*80%*	*3%*
Revenues	***2,498,734,060***	***2,063,453,231***	***21%***
Rev/ton	*605*	*513*	*18%*
COGS	***1,558,936,047***	***1,189,883,759***	***31%***
Cost/ton	*377*	*296*	*28%*
Gross Profit	***939,798,013***	***873,569,472***	***8%***
Gross Profit Margin	*38%*	*42%*	*-4%*
COGS/Sales	*62%*	*58%*	*4%*
EBITDA	***832,422,489***	***813,638,850***	***2%***
EBITDA/ton	*202*	*202*	*0%*
EBITDA Margin	*33%*	*39%*	*-6%*
SG&A	***106,482,652***	***67,253,245***	***58%***
SG&A/Sales	*4%*	*3%*	*1%*
FX loss	*25,856,362*	*68,696,843*	*-62%*
Depreciation & Amortization	*190,650,071*	*187,759,601*	*2%*
Interest expenses	*36,113,430*	*62,390,449*	*-42%*
Deferred tax	*14,127,553*	*19,896,740*	*-29%*
Income tax	*134,923,345*	*518,278*	*25933%*
Net Profit	***373,130,564***	***418,539,350***	***-11%***
Net Profit Margin	*15%*	*20%*	*-5%*
Outstanding Debt	*1,207,745,820*	*1,504,644,878*	*-20%*
Debt/ Equity	*0.99*	*1.38*	*-29%*

Based on standalone Financial Statements