



**Consulting Private Ltd.**  
inspiring innovative ideas

# Cement Industry - GCC

## M&A Ideas

Confidential  
May 2009

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# Executive Summary

## Global Scenario

- Current economic slowdown is expected to result in decline in the growth of demand for cement in the near term; however, emerging markets are expected to drive bulk of future growth
- The potential of growth of emerging markets has led leading global cement players to expand their footprints in these markets

## GCC

- Effect of global slowdown is expected to have limited effect on the GCC except for UAE. For UAE, construction sector and related demand of cement is expected to decline significantly due to strained real estate and construction sector
- Currently, the cement companies in the GCC regions are available at a very low valuations on both absolute as well as relative basis
- In the current market scenario companies can look for consolidating their position in the local market or expand and increase their market share in other markets by considering M&A option

## Why Now

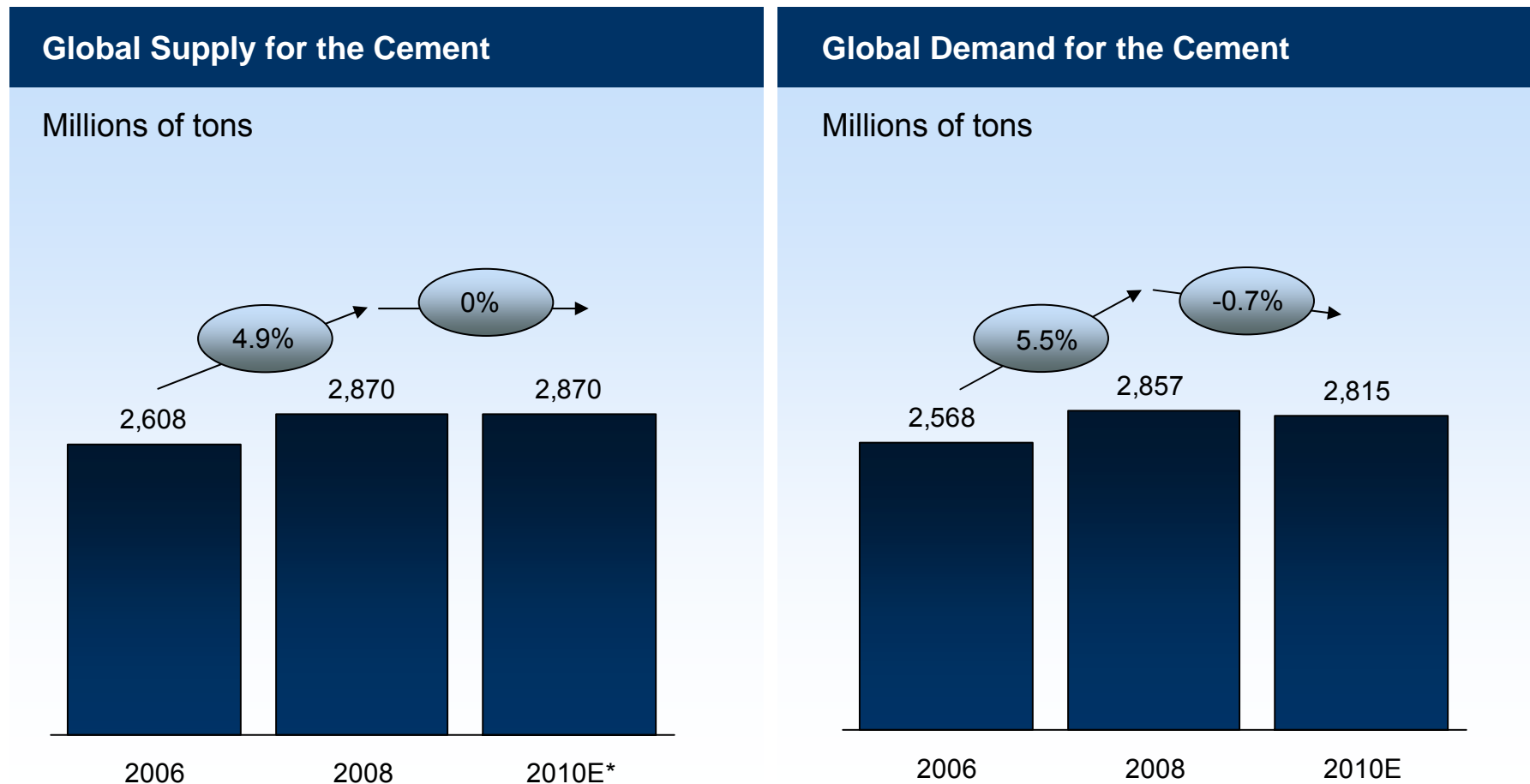
- Cement industry in the GCC region is highly fragmented with more than 70% of players having capacities less than 2 million tons per annum. M&A can provide economies of scale and increase their operational efficiency
- Some of the GCC countries like Bahrain and Kuwait rely on imports of cement which is not sustainable. Proximity to raw materials and consumer markets provides added cost advantage to bulky product like cement as compared to imported cement
- Year 2008 witnessed fall in the earnings of many cement companies. There are possibilities of highly leveraged companies looking for an exit
- Under current market situation, valuations of the companies are very low and they are available at very attractive prices
- Long construction time for a cement factory, typically 24-30 months, acts as a barrier for companies to grow. Hence looking for possible M&A provides added advantage
- International players are moving to emerging markets like India/China for acquiring cement companies to tap the growing cement demand from the emerging markets

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# Agenda

- 1** Review of World Cement market
- 2 Overview and developments in GCC Cement market
- 3 Identifying drivers for value creation through M&A
- 4 Quantifying key value drivers for the targets identified

## Global demand for cement is expected to decline for the next 1-2 years...



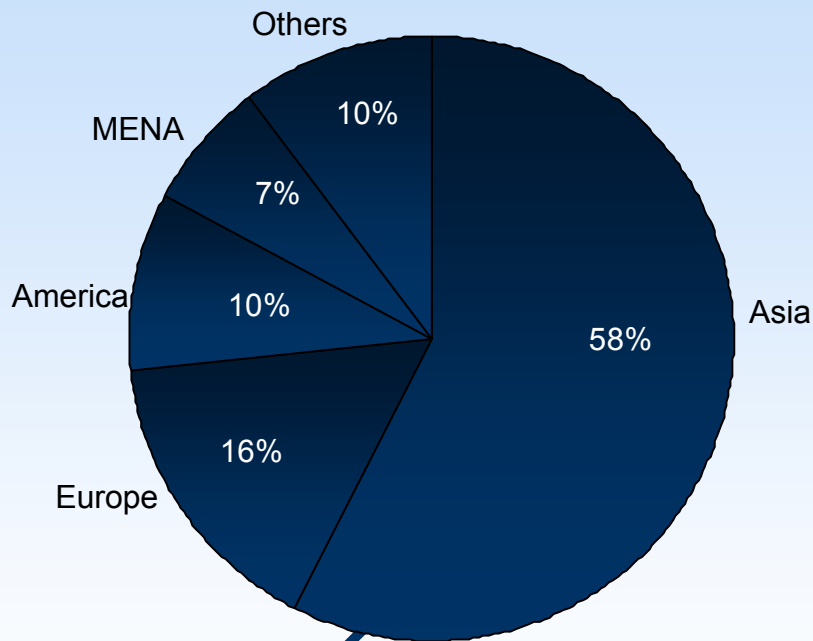
- In the past, increased construction and infrastructure developments due to favorable economic environment were the main growth drivers for cement
- Healthy economic growth and ongoing industrialization efforts in most of the developing countries, is expected to drive the construction expenditures in the coming 1-2 years

\*On account of decline in global demand for cement in between 2008-2010, global cement supply is expected to remain stagnant  
Source: Equity research report, i3c analysis

...However, Asia and MENA account for 66% of the demand and is expected to be least affected with the current slow down

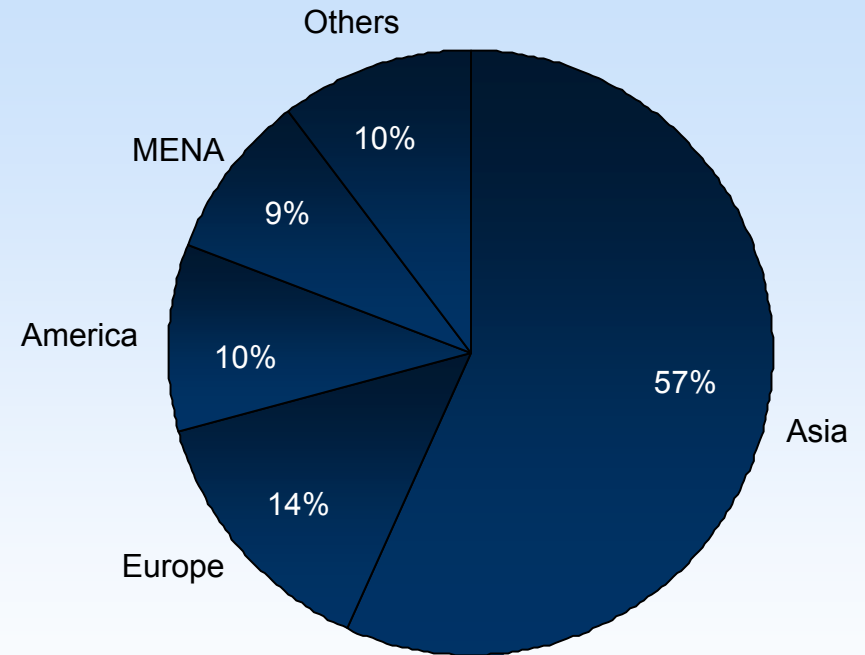
Global Supply of Cement, 2008E\*

100%=2,870 million tons



Global Demand of Cement, 2008

100%=2,857 million tons



- China dominates the world cement production with 48.8% market share, followed by India (6.4%) and USA (2.9%)
- Increased construction activities in Asia and Middle East is resulting in production shift from America and Europe towards developing world

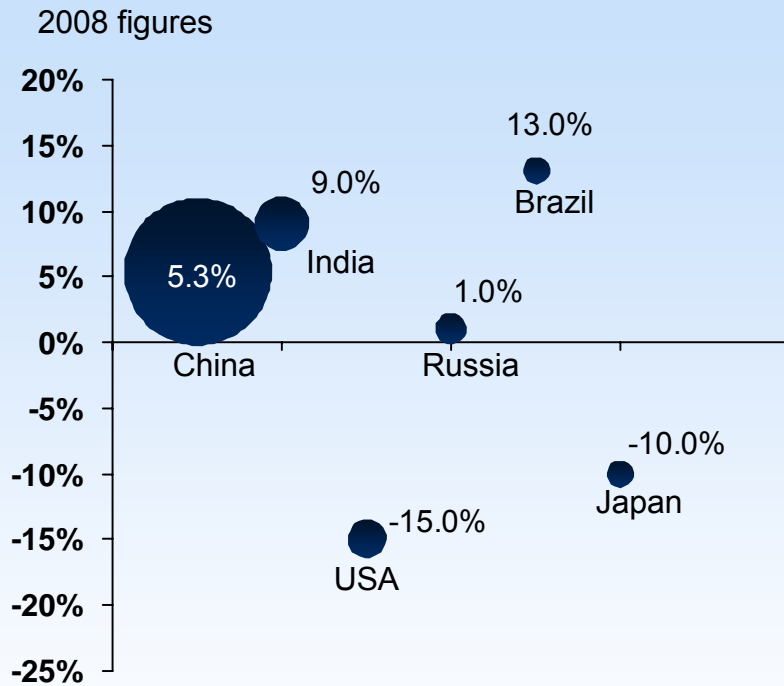
- China dominates the world cement demand with 48.7% market share, followed by India (6.7%) and USA (3.3%)
- Demand from North America & Western Europe regions is expected to decline due to housing slump, low population growth, and existing good infrastructure

\*2008 estimated regional distribution has been assumed to be similar as distribution for 2006

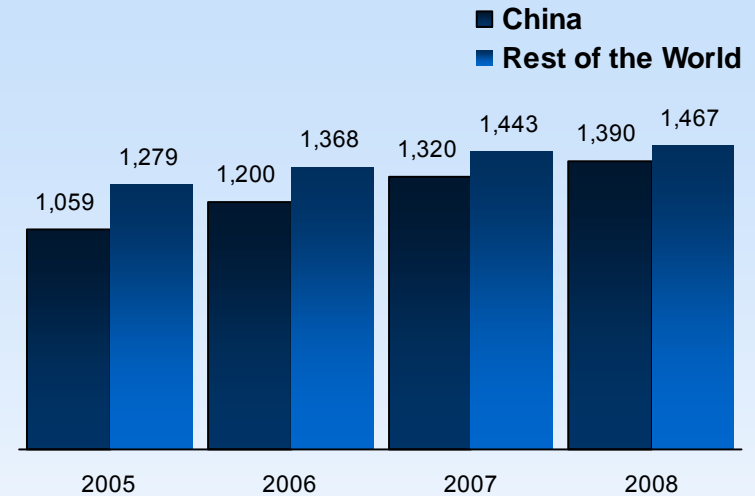
Source: Equity research reports, CemNet

# The future growth in demand is expected to be led by emerging markets which continue to show resilience to current slow down

## Consumption growth rates for top consumers



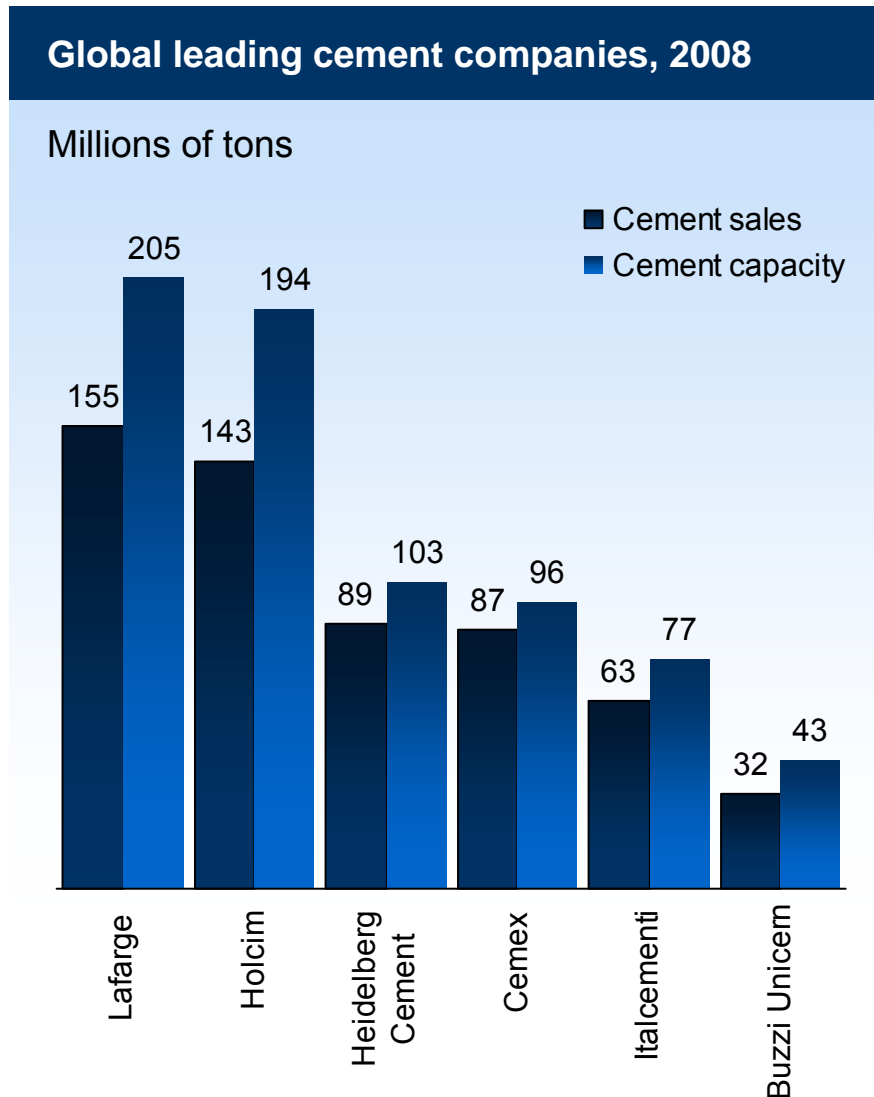
## Consumption comparison with China



Region	Cement consumption YOY Growth		
	2006	2007	2008
China	13.3%	10.0%	5.3%
Rest of World	7.0%	5.5%	1.7%
Global	9.9%	7.6%	3.4%

- Chinese consumption of cement had a growth of 9.5% between 2005-2008, which is more than double than the growth experienced by the rest of the world (4.7%) in the same period
- Globally fastest cement consumption growth was in Asia, especially in China and India, followed by Eastern Europe, the Middle East and Africa

## The attractiveness of emerging markets has led many multinational cement producers to focus on these regions



- Major multinational players have invested heavily in establishing joint ventures with local producers to increase presence in the emerging markets
  - In 2008 Lafarge, world's largest cement producers, increased the share of earnings from the emerging markets to 66% in 2008
  - Acquisition of small growing companies in order to expand in new developing markets
- Multinational players have been integrating vertically by investing in aggregates, ready-mix concrete and other downstream industries to control supply chain and strengthen their position in developed markets of EU and US
  - E.g. CEMEX's acquisition of UK based aggregates producer RMC and Australian ready-mix and aggregates maker Rinker Group; Heidelberg Cement's acquisition of US concrete pipe maker Hanson and Lafarge's purchase of minority stakes in its North American subsidiary
- Focus on innovation in technology used in the production of cement, which gives them an edge over regional local players.
  - E.g. Usage of advanced plant designs (such as pre-heaters to heat raw materials prior to entering the kiln) and less costly fuel waste materials (e.g. tires, used oils) to curb the use of more expensive fossil fuels

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# Agenda

1 Review of World Cement market

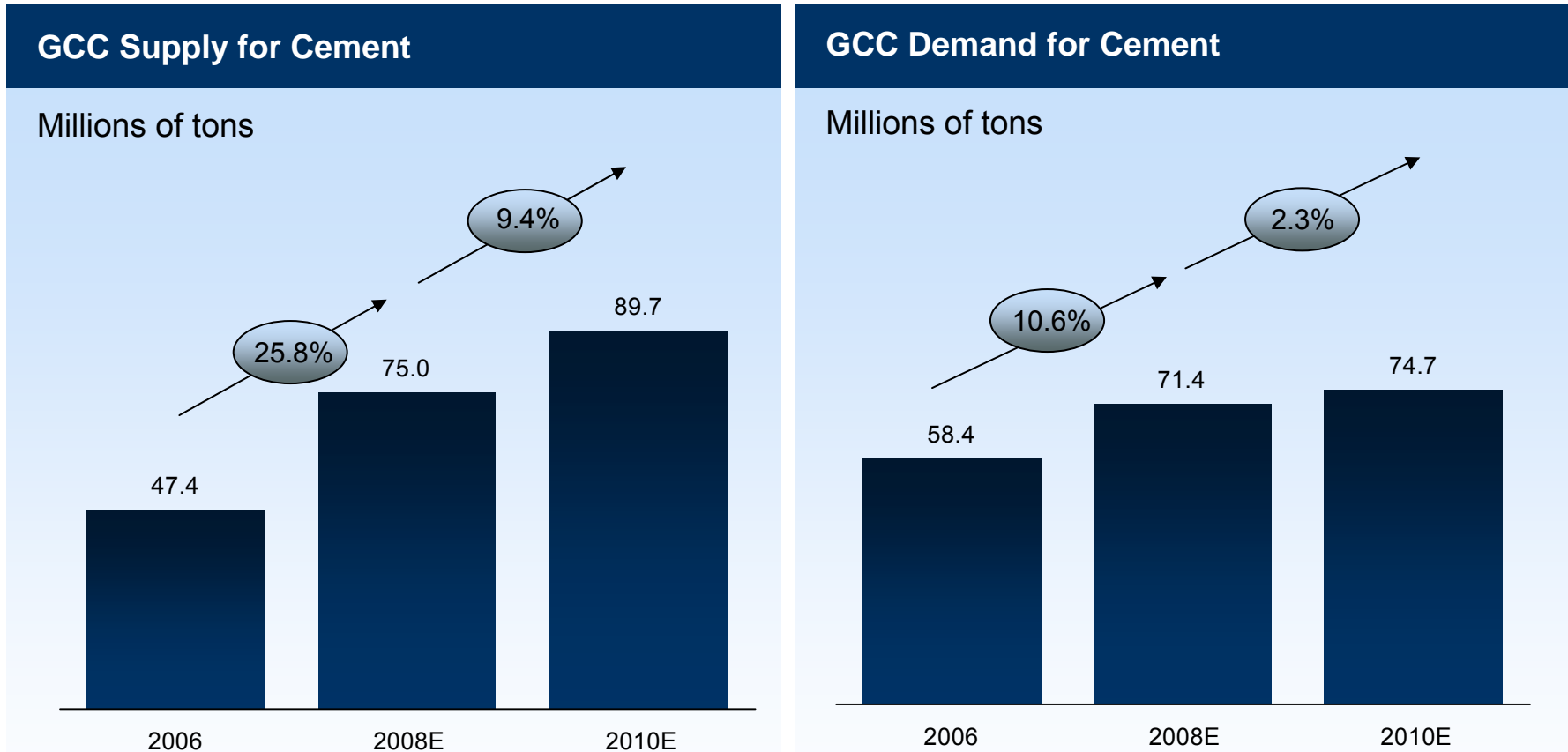
**2 Overview and developments in GCC Cement market**

3 Identifying drivers for value creation through M&A

4 Quantifying key value drivers for the targets identified



## On account of global slowdown, the growth of demand of cement in GCC will come down but only for a short period...



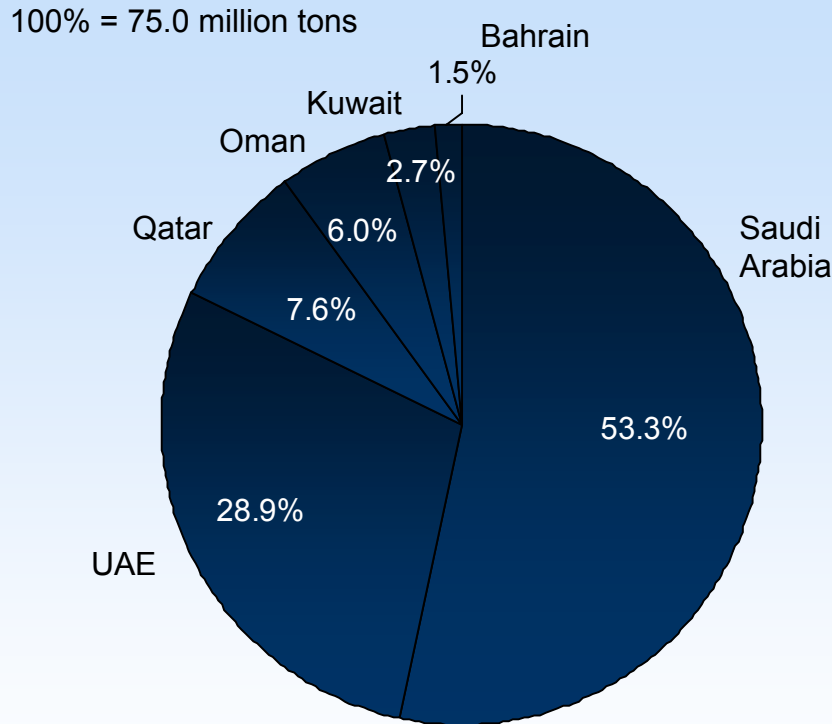
- In light of large construction activities, GCC countries have undergone significant expansion/upgrades in the cement production leading to excess supply over demand
- In 2008, estimated cement production capacity is 85MTa and expected to grow to 112MTa by 2011
- The surplus situation is only temporarily. This is likely to get balanced with the internal growth of housing, economic cities and export to countries like Iran, and Iraq

\*Demand figures for 2010 has been estimated keeping contribution by construction sector to real GDP same as for 2008, supply figures has been estimated by comparing it with recent planned production capacity

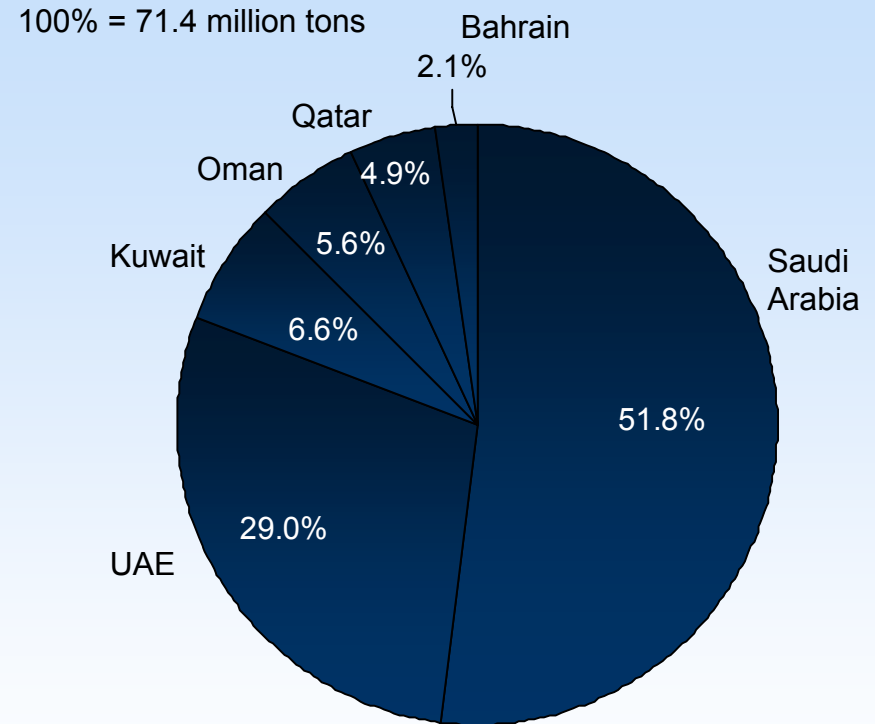
Source: Equity research reports, i3c analysis

...This slowdown is expected to be largely restricted to UAE which constituted 29% of the market by consumption

Major suppliers for Cement, 2008E

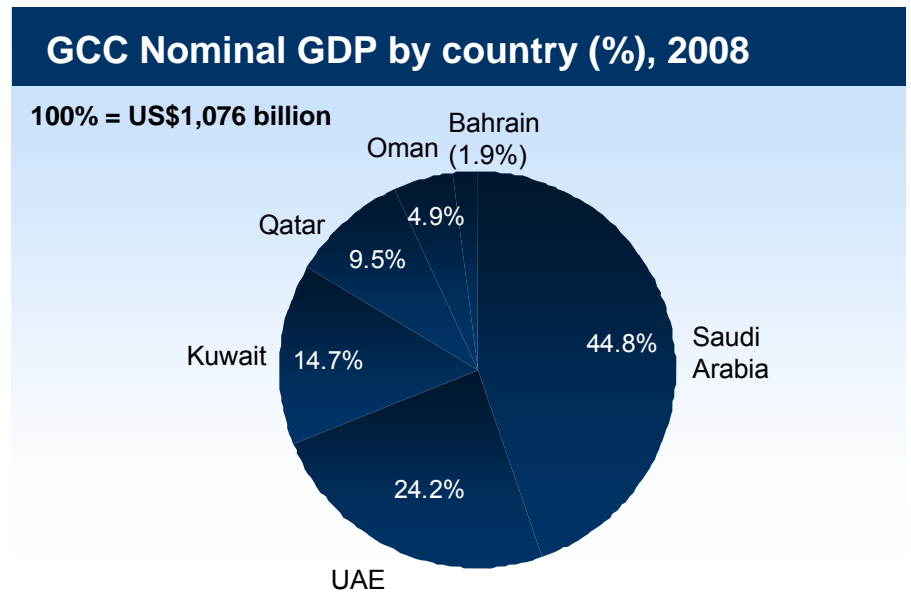
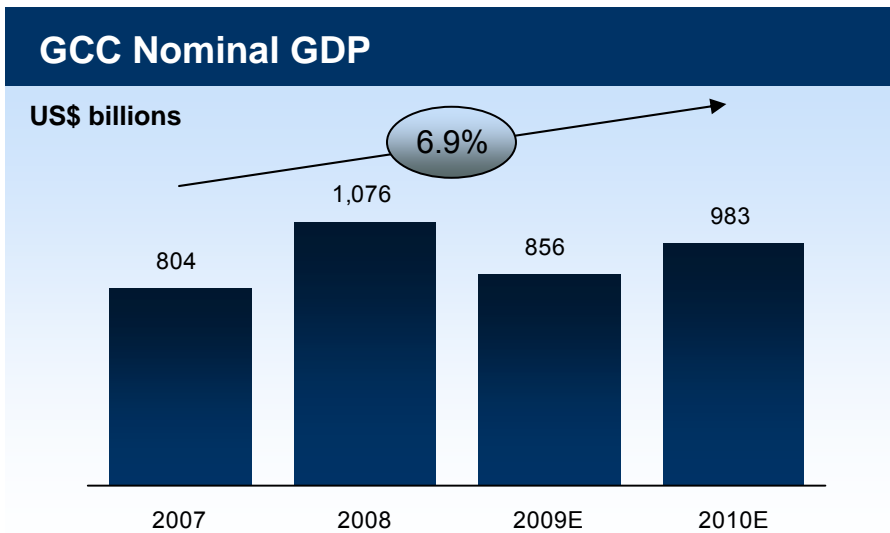
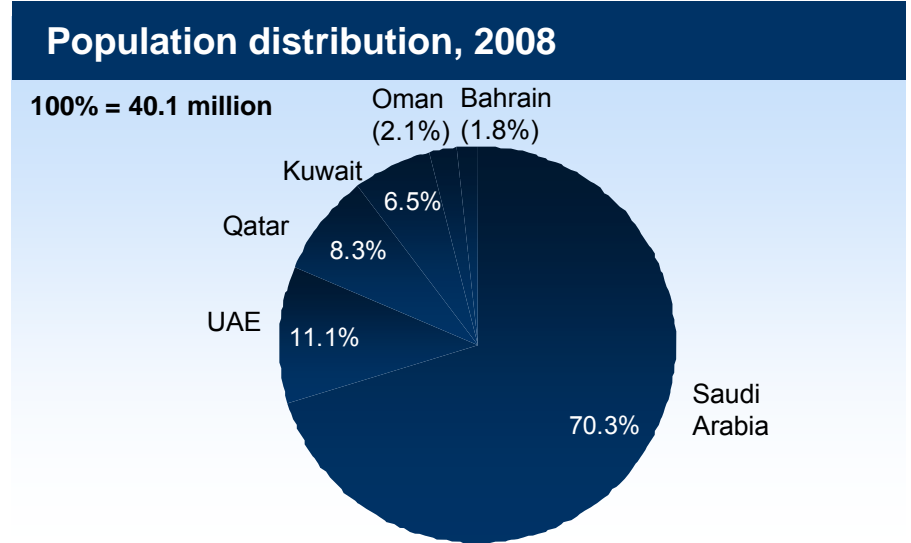
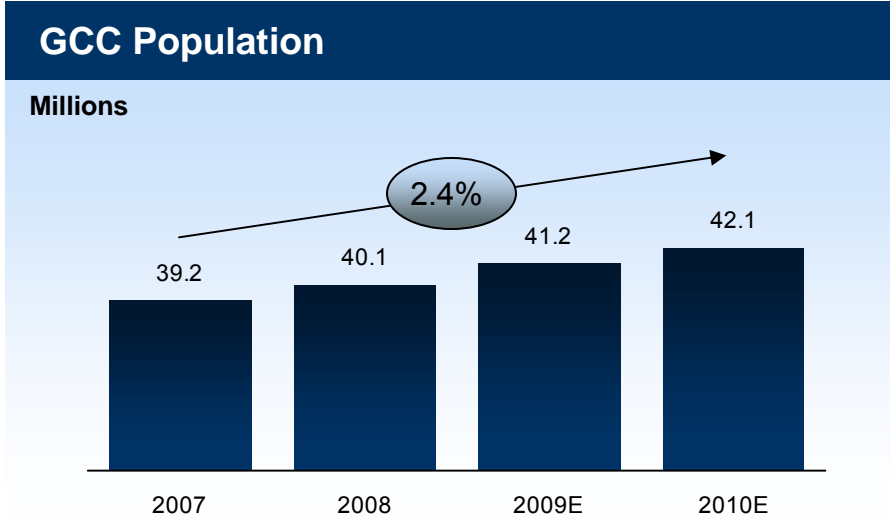


Major market of Cement, 2008E

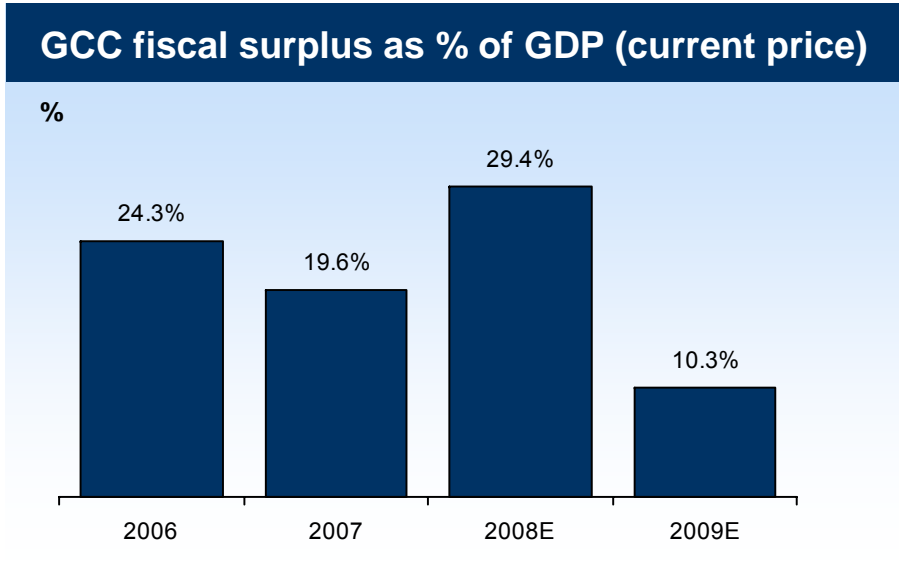
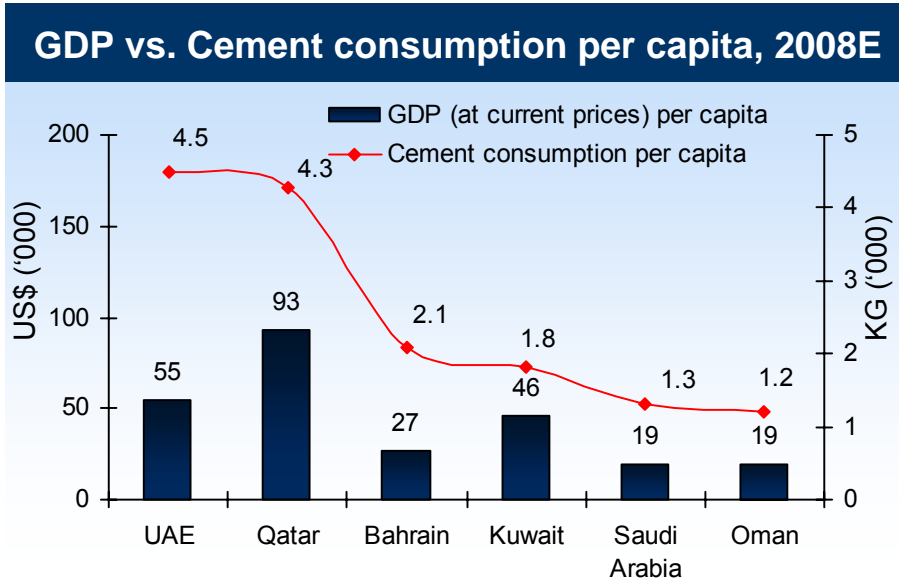
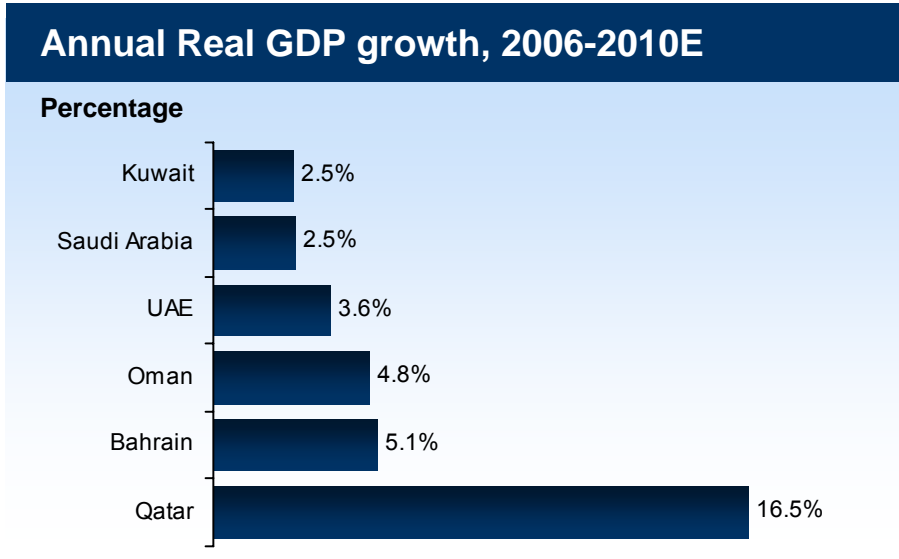
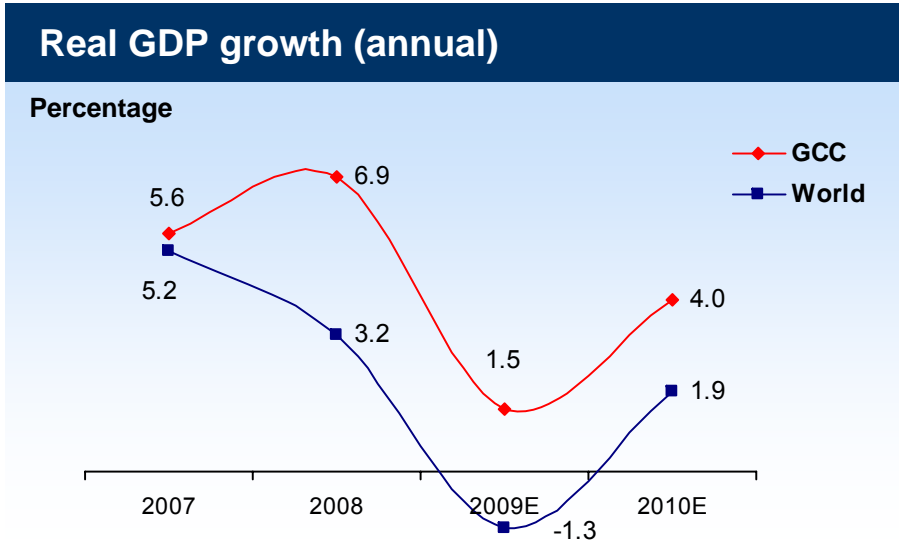


- Despite global slowdown, GCC cement industry is expected to continue on the growth path
  - Saudi Arabia and Qatar's real estate and construction projects have not been affected by global slowdown so far and majority of the projects are on schedule
  - As per MEED, over US\$2.2 trillion worth of active projects have been announced by GCC countries. This will drive the demand and sales growth of cement companies in the GCC
- As of May 2009, out of all the investment projects that are cancelled or on hold in GCC and worth ~US\$ 0.46 trillion; 78% belongs to the UAE

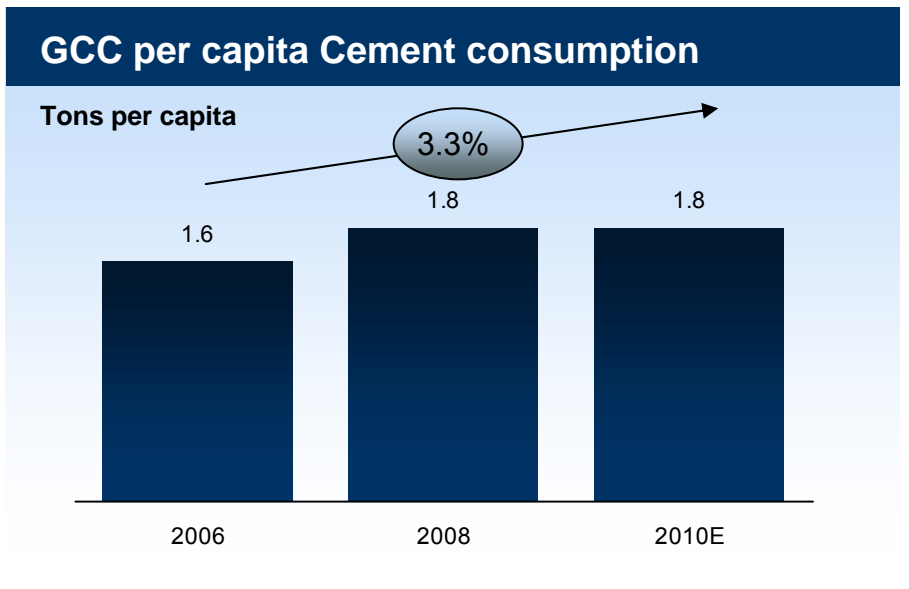
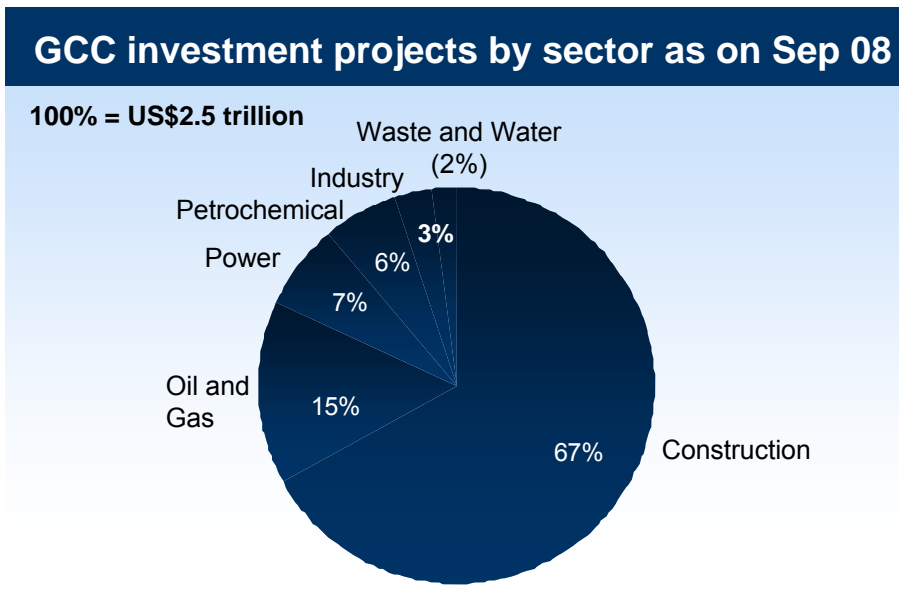
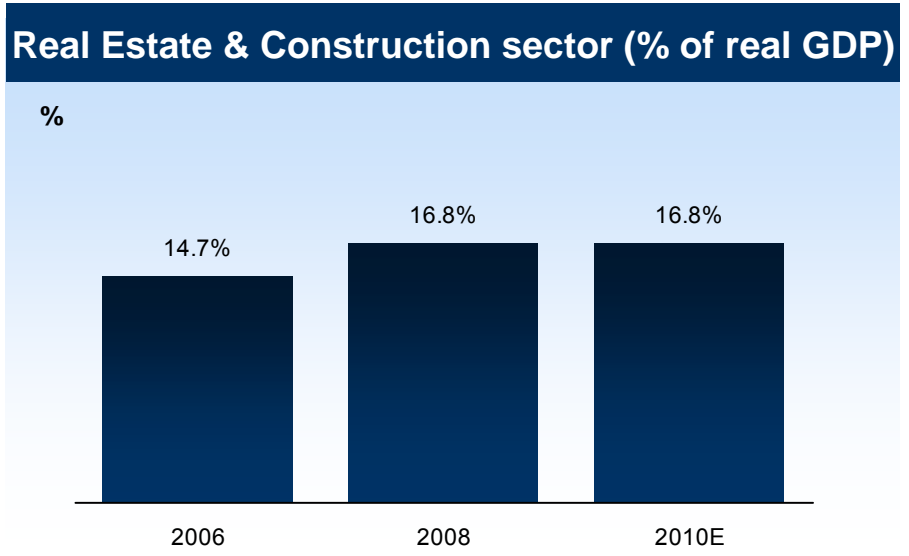
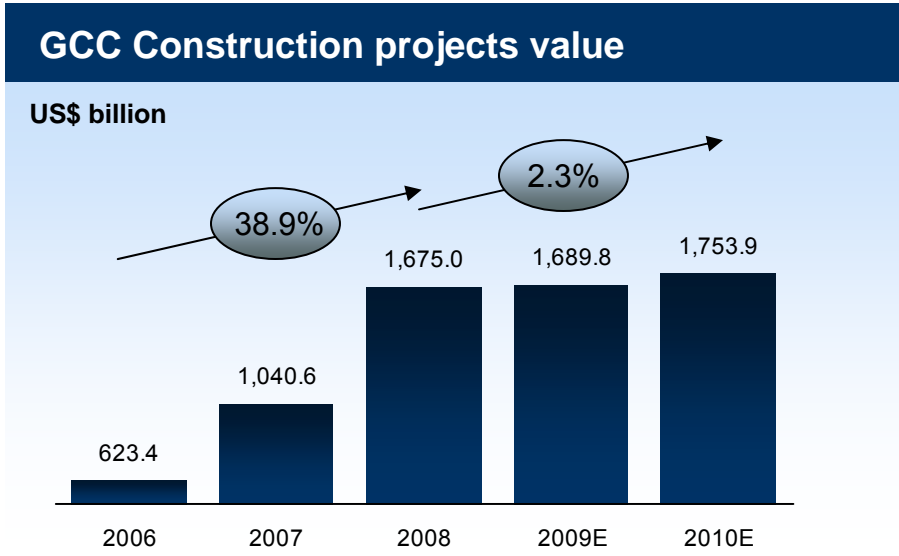
# GCC has a favourable macroeconomic outlook, supported by high population growth rate and GDP growth rate



# GCC to outperform the world's economy backed by fiscal surplus with the governments



# GCC construction sector growth is expected to cool down but still the value of projects each year is expected to rise



\*Figures for 2010 has been estimated keeping contribution by construction sector to real GDP same as for 2008  
 Source: MEED, Equity research reports, IMF, i3c analysis

# Market attractiveness in GCC contribute to look for attractive M&A opportunities

## Kuwait – Government to diversify economy by investing in infrastructure projects; low availability of raw material a major issue

- 4th largest proven oil reserves in world to ensure continued earnings for Kuwaiti government and expenditure on infra
- Economy diversification-efforts leading to increase in commercial real-estate demand
- Mega residential projects e.g. Silk City worth US\$165 bn
- Subsidy for Kuwaiti nationals for houses
- Suffers from scarcity of raw material leading to costly limestone and clinker imports
- Huge demand supply gap leads to net imports from India, Pakistan & Far East resulting in higher cement prices

## Oman – Abundant raw material, cheap gas to increase margins; port-proximity to drive exports

- Availability of abundant raw material
- Cheap gas available to players
- Proximity to ports for players help exports – 25-30% of production exported – higher margins than Pakistan & India
- Government spend on major infrastructure projects, integrated tourism and residential complexes to continue
- Lowest per capita cement consumption amongst GCC players currently – demand-rise expected

## Saudi – Sustained construction activity to drive domestic demand; low energy cost to favor exports

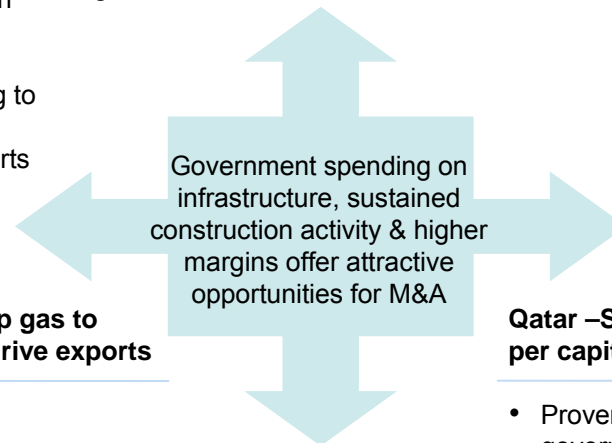
- Proven top oil & gas reserves in world – continued government earnings leading to spend on infrastructure
- Effort towards diversification of economy through development of six economic cities & other commercial projects
- Growing per capita, urbanization leading to strong residential demand (e.g. mega projects)
- Availability of cheap fuels
- Low transportation / shipping costs for exports – regional demand in Kuwait, Bahrain, UAE, Iraq

## UAE – Indebtness of government to slowdown infrastructure-spend; global credit-crunch to end speculation and decrease real-estate demand

- Makeover infrastructure-projects to take back-seat against more crucial government-funded projects
- Global credit-crunch leading to low FDI leading to canceling of commercial projects
- Excess of developed residential projects not finding buyers leading to decrease in demand for new residential activity
- Increase in capacity by players buoyant by FY07 growth to increase competition
- Decreasing energy costs & good availability of raw material (clinker) to offer respite
- Relatively higher fuel cost (imports of coal from South Africa or expensive liquid fuel) due to supply constraint of natural gas

## Qatar –Spend on infra projects to continue; high per capita cement consumption to decline

- Proven highest gas reserves in the world – government's spend on infra to sustain
- Diversification of economy by building new cities, \$157 bn of projects underway or planned for near future viz. Qatar Financial Center, Education City & Education City Qatar
- 2nd highest current per capita consumption in GCC countries – demand expected to decline to match GCC levels

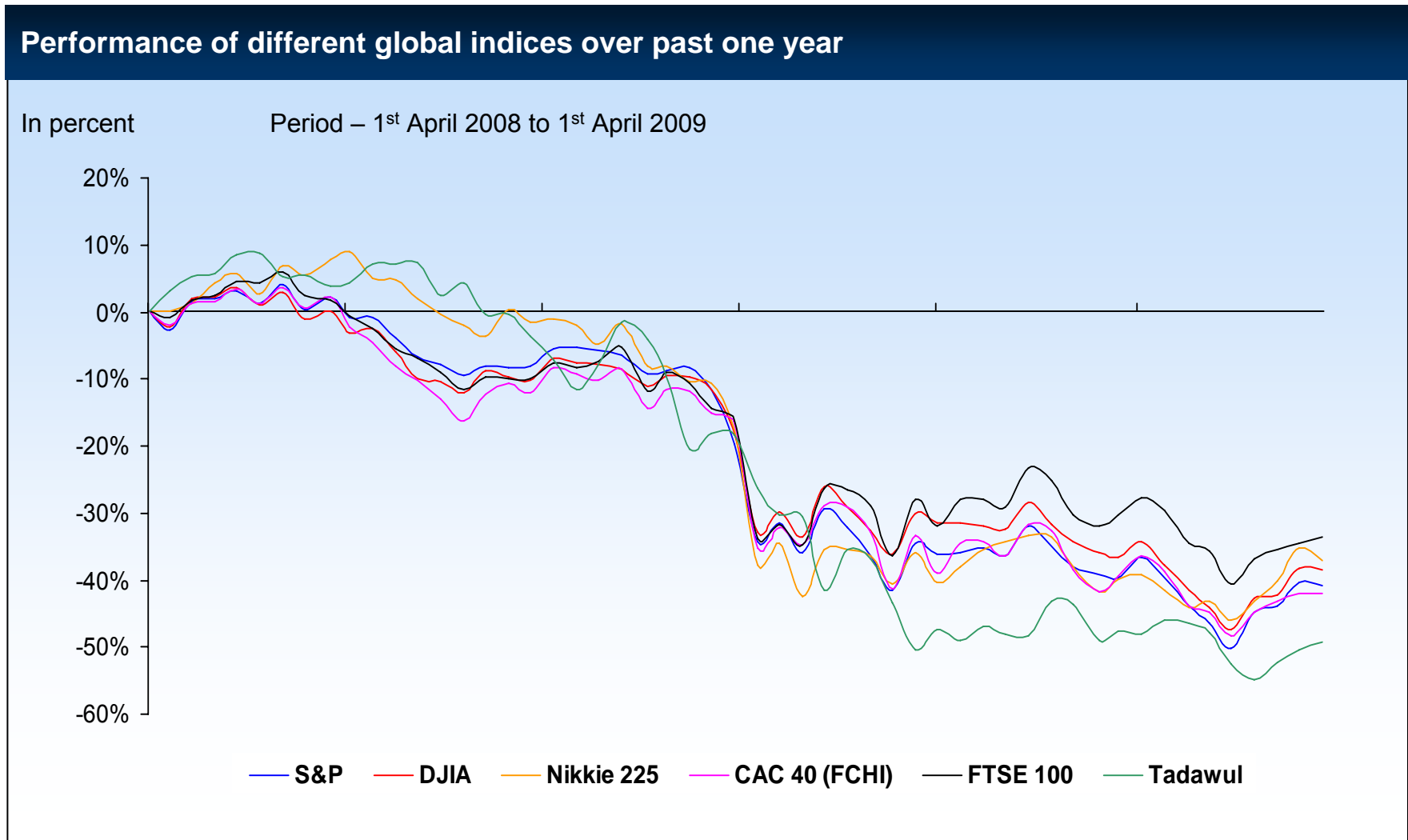


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# Agenda

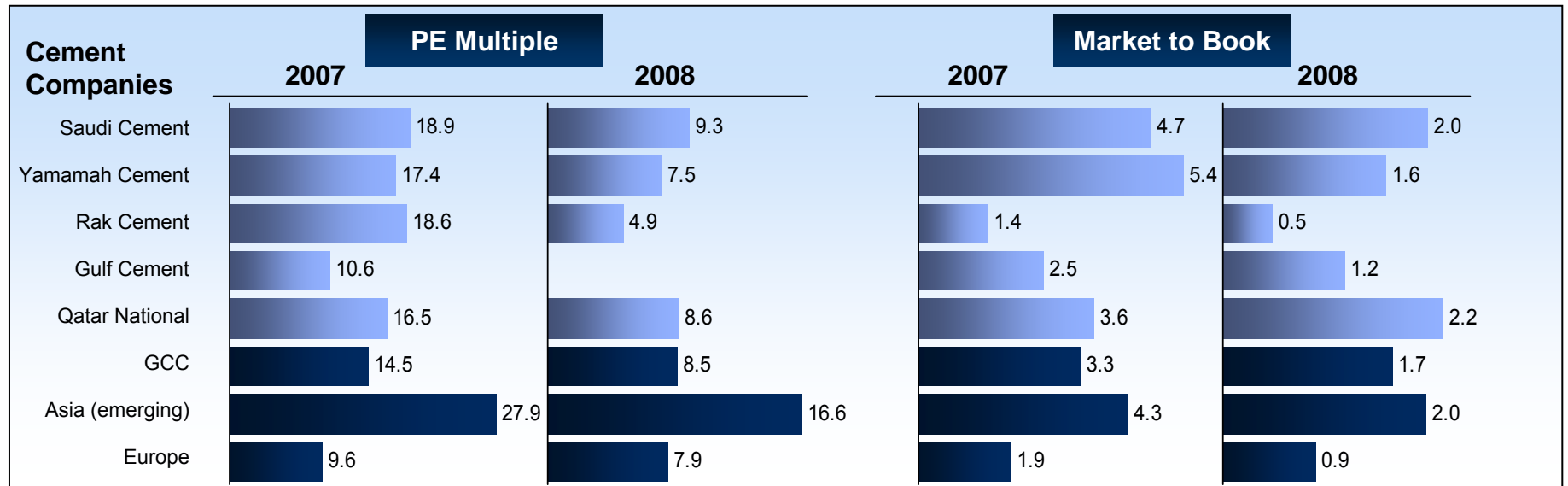
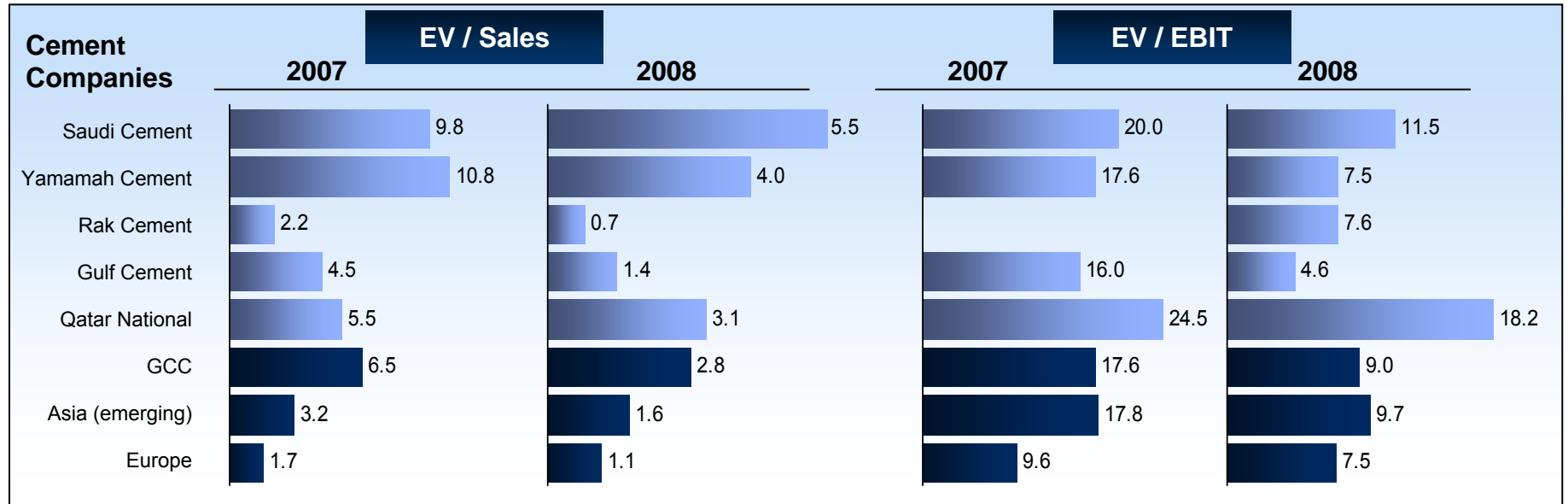
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## In the last one year major indices have declined ~40%



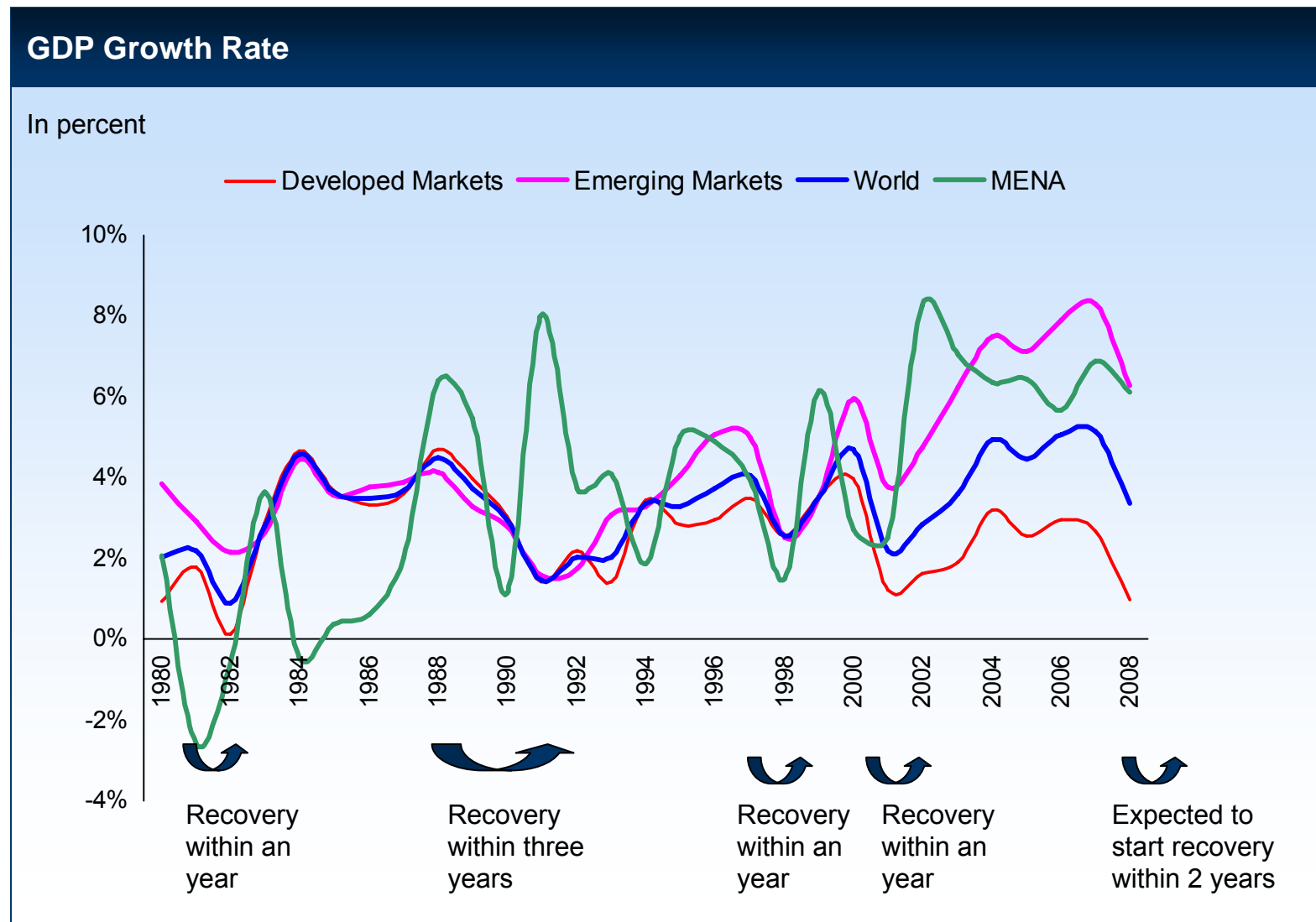


## ...making the valuations look reasonable and somewhat attractive



Source: Bloomberg

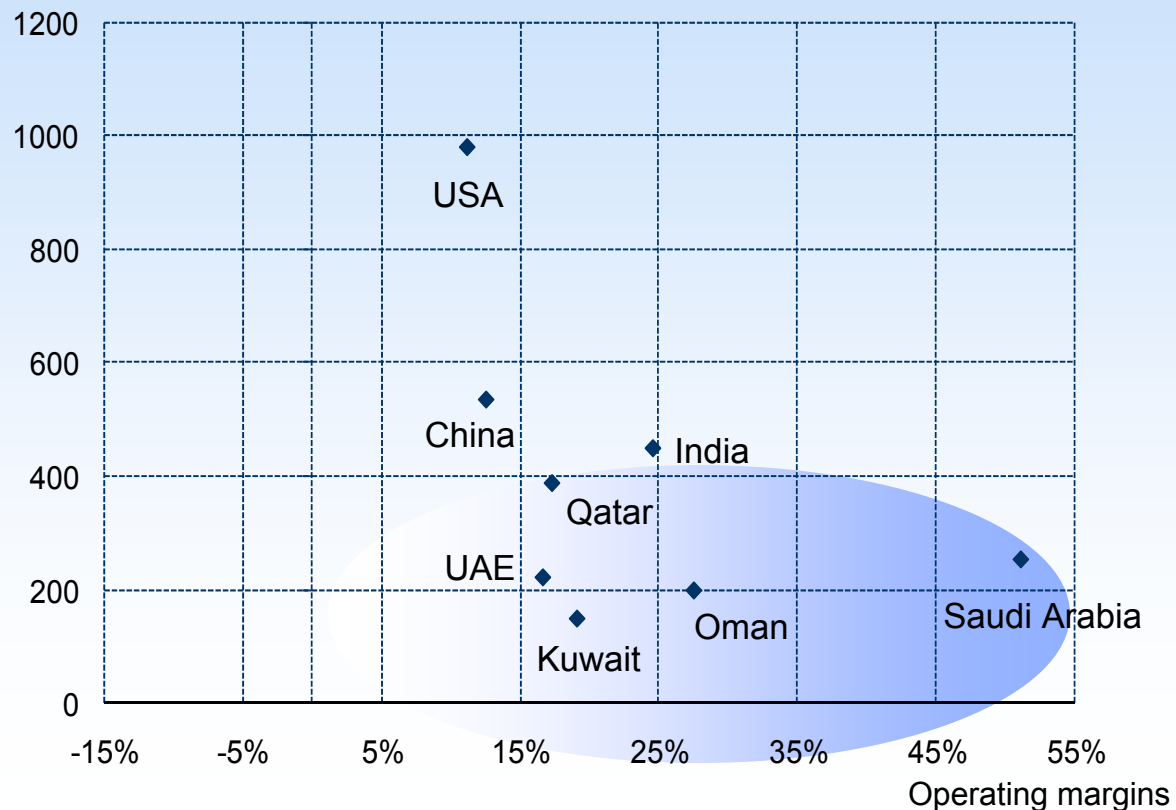
## Historically, the average downturn period was 2 years suggesting that we may be closer to economic recovery



## There are attractive financial dynamics from acquisition perspective in the GCC market

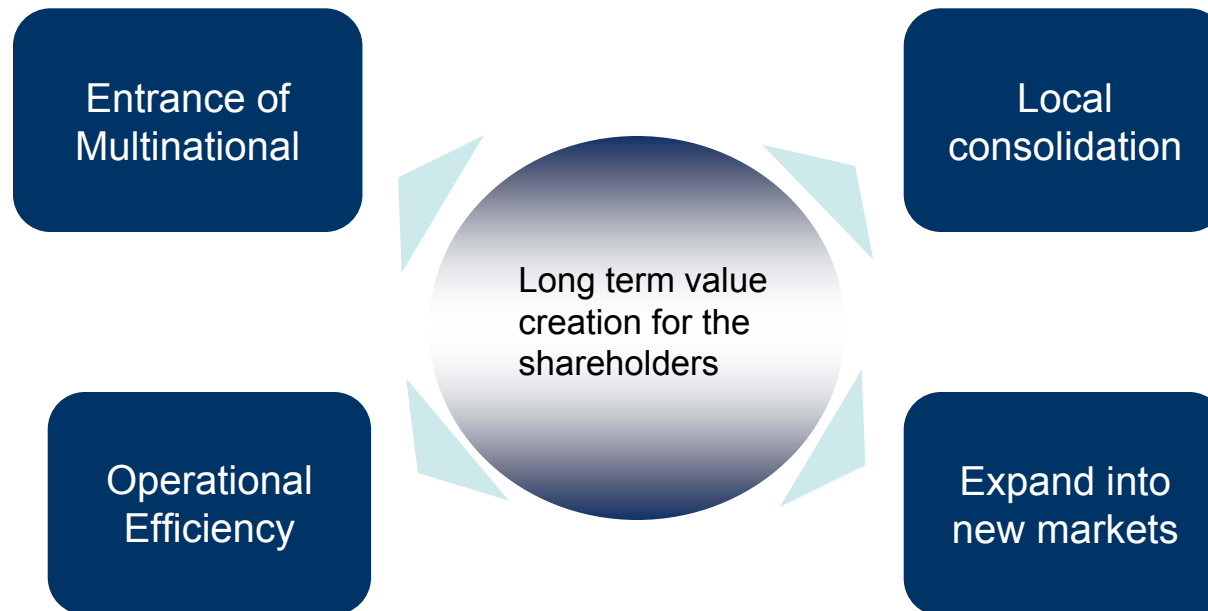
### Efficiency vs. size comparison for major suppliers for Cement, 2008

Average Revenue  
(USD Millions)



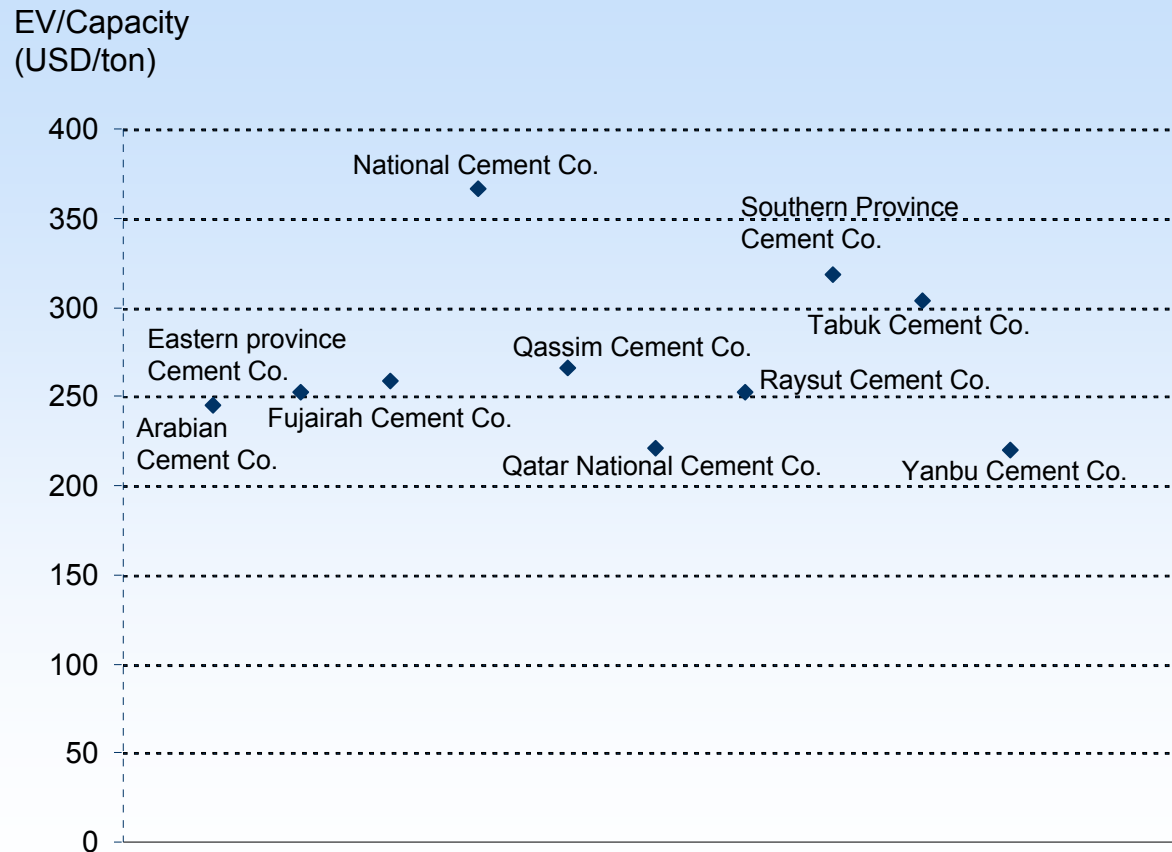
- Cement companies in GCC are relatively of smaller sizes as compared to global players and have one of the highest margins
- Companies in these countries are good potential targets by large players in order to increase their footprints

**The are four broad themes which can significantly add value to acquirer and long term value creation for the shareholders**



## In the current market situation, cement companies in the GCC region are available at cheap prices

### Valuation of companies based on per ton cement production, 2008



- Companies like Qatar National Cement Co. and Yanbu Cement Co. are available at very attractive prices

# We have screened the GCC region on several parameters to study some of the companies

## Target universe

1. Arabian Cement Co.(Saudi)
2. Arkan Building Materials Co.(UAE)
3. Eastern Province Cement Co.(Saudi)
4. Emirates Cement Co.(UAE)
5. Falcon Cement Co.(Bahrain)
6. Fujairah Cement Industries(UAE)
7. Gulf Cement Co.(UAE)
8. Gulf Cement Co.(Saudi)
9. Gulf Holding Co.(Qatar)
10. Hilal Cement Co. (Kuwait)
11. Kuwait Building Materials Manufacturing Co.(Kuwait)
12. Kuwait Cement Co.(Kuwait)
13. National Cement Co.(UAE)
14. Oman Cement Co.(Oman)
15. Qassim Cement Co.(Saudi)
16. Qatar National Cement Co.(Qatar)
17. RAK Cement Co.(UAE)
18. Raysut Cement Co.(Oman)
19. Saudi Cement Co.(Saudi)
20. Sharjah Cement & Industrial Development Co.(UAE)
21. Southern Province Cement Co. (Saudi)
22. Tabuk Cement Co.(Saudi)
23. Union Cement Co.(UAE)
24. Yamama Cement Co.(Saudi)
25. Yanbu Cement Co.(Saudi)

### Filtering criteria

- Size of the company
- Line of business
- Ownership structure
- Market presence
- Company's stability
- Recent developments with the company
- Basic financial information

## Short listed companies

1. Arabian Cement Co. (Saudi)
2. Eastern Province Cement Co.(Saudi)
3. Gulf Cement Co.(UAE)
4. Kuwait Cement Co.(Kuwait)
5. Qatar National Cement Co.(Qatar)
6. RAK Cement Co.(UAE)
7. Saudi Cement Co.(Saudi)
8. Southern Province Cement Co. (Saudi)
9. Yanbu Cement Co. (Saudi)
10. Yamama Cement Co.(Saudi)

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# Yamama Saudi Cement Company



## Description

- Incorporated in August 1961, Yamama Saudi Cement Co (YSCC). is the second largest cement company by capacity in Saudi Arabia.
- Manufactures Cement related products & paper bags
- YSCC produces two types of cement namely ordinary Portland cement & sulfate resistant cement conforming to local & international standards.

## Operational Metrics

- No. of Employees: 1,000
- Production Capacity: 6.3 million tons of cement per year & 6 million tons of clinker

## Key Financials (SAR'000)

Year	2007	2008	2009(Q1)
Revenues	1,185,502	1,122,933	258,670
Gross Profit	768,781	665,833	142,135
EBITDA	744,379	630,161	133,304
Net Profit	731,430	610,885	125,987
Equity	2,365,382	2,841,394	2,705,456
Total Assets	3,604,324	3,589,125	3,371,037

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	-5.28%	-
Gross Profit Margin	64.85%	59.29%	54.95%
EBITDA Margin	69.68%	72.04%	68.96%
Net Profit Margin	61.70%	54.40%	48.71%
Debt/Equity	24.57%	19.80%	18.28%
Interest Coverage Ratio	-	48.83%	51.54%

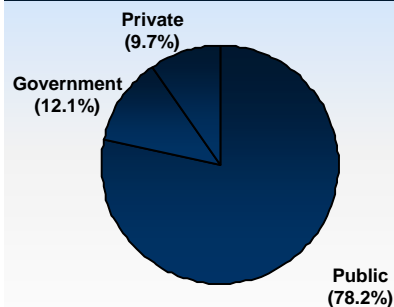
## Key Value Drivers

- The production facility of YSCC is located on the outskirts of the capital city, Riyadh; which is a big cement consumer market in KSA. Proximity to the city helps save transportation costs
- The company has the best corporate governance & disclosures among its peers
- YSCC has limestone quarries within the plant, which translates into savings on logistics including transportation, loading, and unloading costs
- YSCC has access to low-cost natural gas for fuel
- The company saves on packaging costs through a subsidiary producing cement bags

## Major News

- YSCC took a stake of 5% in Hael Cement Co for SAR60 million becoming a founding partner in the joint stock establishment

## Ownership structure



## Key People

*Chairman:* HH Prince Faysal Bin Mohammed Bin Saud Al Kabir

*Managing Director:* Sultan Mohammed Saud Al Kabir Saud



# Arabian Cement Company



## Description

- Arabian Cement Company (ACC) was the first cement producer in Saudi Arabia and the Arabian Gulf.
- The original plant, located north of Jeddah, started production in 1959 with 300 tonnes per day (tpd) of clinker and 100 tpd of lime.
- The company's products include Ordinary Portland Cement (OPC), Sulfate Resistant Cement (SRC), Portland Pozzolan Cement (PPC) and other types of cement.
- ACC is currently the seventh largest cement company in Saudi Arabia by market value and the sixth largest player in terms of total assets

## Operational Metrics

- No. of Employees: 870
- Production Capacity: 3.5 million tons of cement per year & 3.3 million tons of clinker per year

## Key Financials (SAR'000)

Year	2007	2008	2009(Q1)
Revenues	721,572	917,259	203,855
Gross Profit	467,849	389,701	115,314
EBITDA	435,942	332,543	103,378
Net Profit	392,165	321,477	103,780
Equity	1,840,544	2,235,662	2,210,707
Total Assets	2,365,727	3,647,325	3,601,149

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	27.12%	-
Gross Profit Margin	64.83%	42.48%	56.57%
EBITDA Margin	60.41%	36.25%	50.71%
Net Profit Margin	54.35%	35.05%	50.91%
Debt/Equity	15.33%	47.39%	52.38%
Interest Coverage Ratio	-	43.19%	63.62%

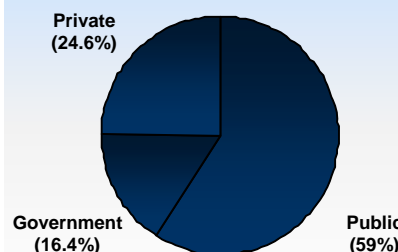
## Key Value Drivers

- To have a competitive edge over its peers, ACC took growth initiatives through local and regional expansion plans including a 2.5 mtpa plant in Al-Qatarana, Jordan
- ACC has focus on increasing the efficiency & controlling its costs. The company has plans to use heavy fuel instead of crude oil in its sixth production facility, to substantially reduce its costs.
- ACC enjoys favorable positioning. The company's plants, located in Rabigh are in close proximity to Jeddah, Mekkah & Al Madinah, which are witnessing expansion across real estate, tourism & infrastructure sectors.
- Raw materials such as limestone deposits are located in close vicinity which not only guarantees availability of raw material in plenty but also mitigates risks associated with transportation costs.

## Major News

- In January, 2008 Arabian Cement successfully offered 10 million new shares at a price of SR 50 per share through a rights issue exercise combined with an additional issue of 10 million bonus shares to shareholders on record.
- In first half of 2008 Arabian Cement paid 10% of its capital in cash dividends

## Ownership structure



## Key People

*Chairman:* Abdullah Mohammed Al Issa

*CEO:* Mohammed Taher Othman



# Eastern Province Cement Company

## Description

- Eastern Province Cement Company (EPCC) was established in 1982 as Saudi-Kuwaiti Cement Company. It is among the mid-tier cement manufacturers in Saudi Arabia.
- EPCC produces Ordinary Portland Cement & Sulfate Resistant Cement conforming to local and international standards. It also produces ready mix concrete.
- The company's share in the domestic market stood at 8.5% in 2008
- Although the company sold 7.5% more cement in the domestic market, its market share contracted in 2008 due to commencement of production by four new companies in KSA

## Operational Metrics

- No. of Employees: 650
- Production Capacity: 3.5 million tons of cement per year & 3.45 million tons of clinker

## Key Financials (SAR'000)

Year	2007	2008	2009(Q1)
Revenues	923,948	798,825	193,253
Gross Profit	635,147	549,019	106,814
EBITDA	599,575	513,003	97,642
Net Profit	541,419	434,237	96,958
Equity	2,113,695	1,875,319	1,724,196
Total Assets	2,495,831	2,200,554	2,290,324

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	-13.54%	-
Gross Profit Margin	68.74%	68.73%	55.27%
EBITDA Margin	64.89%	64.21%	50.53%
Net Profit Margin	58.60%	54.36%	50.17%
Debt/Equity	8.77%	8.29%	7.85%
Interest Coverage Ratio	147.52%	119.82%	213.66%

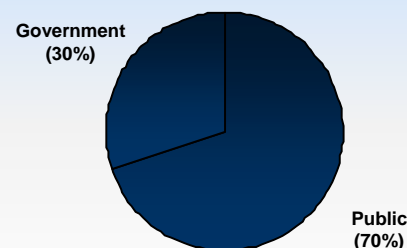
## Key Value Drivers

- EPCC enjoys proximity to Dammam, the largest city in the Eastern Province & to the Jubail Industrial Port, providing easy access to the export market. In fact, had it not been the location, EPCC would have been hit even more due to the restriction on exports. The Government allows the export of 25000 tons of cement a week to Bahrain.
- EPCC has access to low cost natural gas. The company runs a 52km 16-inch dia pipeline to source its gas supplies from Jubail. Natural gas is available at subsidized rates from Aramco.
- The general profitability of Saudi Arabian cement companies is much higher than those operating in regional markets.

## Major News

- Since April 11, 2009 EPCC has suspended production on one of its lines as inventory rises amid a ban on cement exports. The kingdom's export ban drove net profit down 37.5% to 96.96 million SAR in the first quarter of 2009, compared to the same quarter a year earlier.

## Ownership structure



## Key People

**Chairman:** HH Prince Turki Bin Mohammed Bin Fahad Bin Abdulaziz Al Saud

**General Manager:** Dr Zamil Bin Abdulrahman Al Mokrin



# Southern Province Cement Company

## Description

- Southern Province Cement Company, established in 1978, is one of the biggest players in Saudi Arabia's cement sector.
- Based out of Abha, the company primarily caters to the domestic demand of the western & southwestern region of the nation & also Yemen.
- SPCC produces & markets varied cement types, including Ordinary Portland Cement, which forms the bulk & Sulphate Resisting Cement
- Presently, more than 90% of the company's sales are concentrated in the domestic market as it strives to meet spiraling demand, though in the past it exported its cement to neighboring markets of Bahrain, Kuwait, Qatar & the UAE

## Operational Metrics

- No. of Employees: 1600
- Production Capacity: 5.02 million tons of cement per year & 5.57 million tons of clinker per year.

## Key Financials (SAR'000)

Year	2007	2008	2009(Q1)
Revenues	1,154,925	1,297,901	362,115
Gross Profit	794,687	893,912	213,846
EBITDA	768,857	863,844	204,332
Net Profit	703,885	791,070	200,170
Equity	2,344,465	2,359,628	2,279,798
Total Assets	2,648,252	2,7487,30	2,612,179

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	12.38%	-
Gross Profit Margin	68.81%	68.87%	59.05%
EBITDA Margin	66.57%	66.56%	56.42%
Net Profit Margin	60.95%	60.95%	55.28%
Debt/Equity	-	-	-
Interest Coverage Ratio	-	-	-

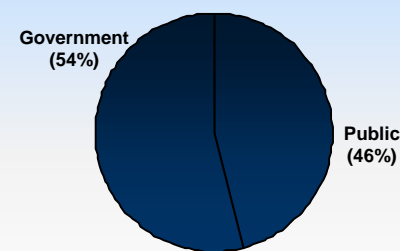
## Key Value Drivers

- SPCC is a leading player in Saudi Arabia's cement sector & largest company in terms of market value.
- Expanded production capacity of 5200 tonnes per day with commissioning of its third plant at Tuhama, while taking the company total annual production capacity to 6.3 million tonnes.
- The regional cement sector is currently witnessing an exceptional upsurge & demand expansion, owing to booming construction activity in the real estate and infrastructure sectors together with the regional governments strategic initiatives to diversify their oil & natural gas reliant economies.

## Major News

- SPCC paid 2 Saudi Riyals a share dividend for the second half of 2008, starting from March 14.
- In December, 2008 SPCC was fined \$53000 by Saudi Arabia's Capital Market Authority for disclosing its first half & nine month financial results to the media before submitting these results to the CMA.

## Ownership structure



## Key People

*Chairman:* HH Prince Khaled Bin Turki Al Turki

*Executive Director:* Safar Mohammed Zafir

# Saudi Cement Company



## Description

- Established in November 1955, Saudi Cement Company operates through two cement plants- Hofuf plant & Ain Dar plant located in the Eastern Province of Saudi Arabia.
- SCC currently manufactures & markets Ordinary Portland Cement, Sulphate Resisting Cement & Oil Well Cement.
- It sells its products across major cities in the Eastern Province ( such as Al-Hasa, Dhahran, Dammam & Al-Khobar), Central Province ( such as Riyadh) & Southern Province.
- It is one of the pioneers in the Saudi Arabian cement sector & exports to various GCC countries such as Bahrain, Kuwait & Qatar and to countries in Europe, Africa & USA.

## Operational Metrics

- No. of Employees: 1800
- Production Capacity: 11.9 million tons of cement per year & 11.3 million tons of clinker per year

## Key Financials (SAR'000)

Year	2007	2008	2009(Q1)
Revenues	1,361,950	1,259,612	350,667
Gross Profit	857,511	704,613	182,930
EBITDA	793,360	605,681	160,219
Net Profit	686,397	621,322	152,001
Equity	2,738,582	2,847,704	2,640,505
Total Assets	3,860,734	4,539,671	5,050,246

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	-7.51%	-
Gross Profit Margin	62.96%	55.94%	52.17%
EBITDA Margin	58.25%	48.08%	45.69%
Net Profit Margin	50.40%	49.33%	43.35%
Debt/Equity	25.36%	42.42%	60.40%
Interest Coverage Ratio	-	134.72%	25.89%

Source: Zawya, press search, company website

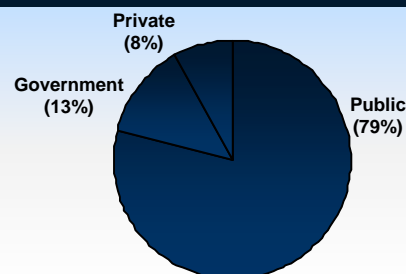
## Key Value Drivers

- Company's close proximity to the sources of raw material (mainly limestone, iron ore, clay & gypsum) is an add on to its cost efficiency.
- The fuel is piped directly to the kiln, & hence does not require storage facilities.
- SCC also owns & operates a world class export terminal at King Abdul-Aziz Port at Dammam & facilities to load cement & clinker on the ships, which further its export capacity.
- The fifth & sixth expansion phase at the Hofuf plant, is expected to significantly expand the company's cement production capacity to 11.3 mtpa, & the state of art technology will further enhance its position in greater cement production, reduced production costs and improved profit margins through economies of scale & higher capacity.

## Major News

- In April 2009 Saudi Cement Co. begun commercial operations of two new production lines to meet continued demand growth for cement, while regulating production at its older facilities in the face of a government ban on cement exports. Each line will produce 10,000 tons of clinker per day for a combined annual output of 6.6 million tons annually.
- Saudi Cement paid 35% in cash dividends

## Ownership structure



## Key People

Chairman: Omar Suleiman Al Rajhi

Director & Managing Director: Walid Ahmad Juffali



# Yanbu Cement Company

## Description

- Yanbu Cement Company was established in 1977 & started its operations in 1979 when it commissioned two of its long dry kilns each 1500 tonnes per day at Ras Baridi 60 km north of the city of Yanbu on the west coast of Saudi Arabia.
- Company's HeadQuarters are located at Jeddah.
- YCC manufactures & supplies Ordinary Portland Cement, Portland Cement Type I, Portland Cement Type II, Portland Cement Type V, Sulphate Resistant Cement, Low Heat Cement & Portland Pozzolana Cement.

## Operational Metrics

- No. of Employees: 1000
- Production Capacity: 4.8 million tons of cement per year

## Key Financials (SAR'000)

Year	2007	2008	2009(Q1)
Revenues	1,170,728	1,093,514	277,402
Gross Profit	680,338	584,977	159,884
EBITDA	657,319	560,854	154,226
Net Profit	660,953	559,736	151,783
Equity	2,323,518	2,356,055	2,085,637
Total Assets	2,563,399	2,599,812	2,310,351

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	-6.60%	-
Gross Profit Margin	58.11%	53.50%	57.64%
EBITDA Margin	56.14%	51.29%	55.60%
Net Profit Margin	56.46%	51.19%	54.72%
Debt/Equity	0.80%	0.58%	0.54%
Interest Coverage Ratio	622.71	770.30	2201

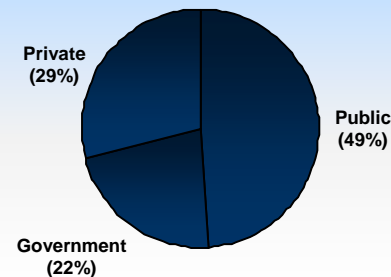
## Key Value Drivers

- YCC has one of the largest kiln in the world which uses the latest technology in digital process control, efficient power & fuel consumption and minimum use of man power in all stages of production
- Company has plans to expand organically. Contract with Sinoma International Engineering Co. to set up a new plant with a designed capacity of 3 million tonnes entails the company's growth initiatives
- Impetus on cost efficiency through the setting up of an electric power station at a total cost of SAR 300 million to meet the power requirements of the new expansion plan
- YCC enjoys high demand levels to its presence in the western region of Saudi Arabia including Jeddah, Mekkah and Al Madinah which are witnessing expansion across real estate, tourism & infrastructure sectors.
- Proximity to the Red Sea Coast, which has been identified by the Supreme Council of Tourism to be developed as a tourist destination is likely to append cement demand.
- Easy access to raw materials such as limestone & gypsum, as these are located in the close vicinity to YCC's plants. Additionally, reserve life of these raw materials span over 50 years.

## Major News

- In March, 2009 YCC's shareholders approved a 4 SAR a share dividend payout for 2008.

## Ownership structure



## Key People

*Chairman:* HH Sheikh Mishaal Bin Abdulaziz Al Saud

*CEO:* Dr Saud Saleh Islam



# RAK Cement Company

## Description

- Established in May 1995, Ras Al Khaimah Cement Company is a UAE based public shareholding company that manufactures and markets Portland cement and related building materials
- The Company's manufacturing plant is located in Khor Khawair area of the Emirate of Ras Al Khaimah
- The Main Brand of the company is Powercrete

## Operational Metrics

- No. of Employees: 145
- Production Capacity: 1.2 million tons of cement per year & 1 million tons of clinker

## Key Financials (AED'000)

Year	2007	2008	2009(Q1)
Revenues	334,974	425,959	
Gross Profit	83,144	110,936	
EBITDA	7,1603	99,009	
Net Profit	54,935	80,040	
Equity	723,364	803,030	
Total Assets	775,379	903,919	

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	27.16%	
Gross Profit Margin	24.82%	26.04%	
EBITDA Margin	21.38%	23.24%	
Net Profit Margin	16.40%	18.79%	
Debt/Equity	-	3.31%	
Interest Coverage Ratio	143.46%	512.94%	

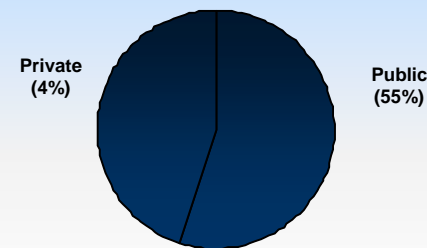
## Key Value Drivers

- The plant benefits of the availability of nearby, high quality raw materials from Rak mountains which ensures production of a consistent high quality cement.
- Ras Al Khaimah Cement Company plant is connected to a terminal inside the adjacent Saqr Port, it has the capacity to load ships up to 40,000 dwt, in a minimum amount of time
- In addition to the cement production plant, the production facilities includes warehousing, and packing and shipping divisions

## Major News

- Q1 2009 profit jumped three times compared to last year due to increase in sales and income from investments in associated companies
- In August 2007 Hydra Properties acquired 20% stock in RAK Cement

## Ownership structure



## Key People

*Chairman:* Dr Abdulrahman Sultan Al Sharhan  
*CEO & GM:* Mike Richardson

# Gulf Cement Company

## Description

- Established in 1977, Gulf Cement Company (GCEM) is one of the leading cement producer based in UAE
- GCEM manufactures and markets three varieties of cement - ordinary portland cement, sulphate resisting portland cement, and moderate sulphate resisting portland cement.
- The company also has the facility to produce portland blast furnace cement and is equipped to grind and sell pulverised slag as ground granulated blast furnace slag

## Operational Metrics

- No. of Employees: 650
- Production Capacity: 2.6 million tons of cement per year & 3.8 million tons of clinker

## Key Financials (AED'000)

Year	2007	2008	2009(Q1)
Revenues	822,765	1,078,140	213,829
Gross Profit	<b>283,084</b>	<b>386,208</b>	67,638
EBITDA	274,516	<b>373,602</b>	64,728
Net Profit	413,823	2,119	-11,736
Equity	1,721,142	1,564,062	1,552,326
Total Assets	2,013,445	1,810,626	1,747,929

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	31.04%	-
Gross Profit Margin	34.41%	35.82%	31.63%
EBITDA Margin	33.65%	34.65%	30.27%
Net Profit Margin	50.30%	.20%	-5.49%
Debt/Equity	10.19%	7.99%	7.25%
Interest Coverage Ratio	26.79%	36.78%	34.08%

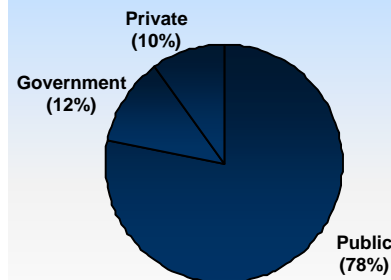
## Key Value Drivers

- Besides covering the UAE market, GCEM sells its products to more than 11 countries
- Plant is located at Saqr Port, very close to the Gulf, facilitating the exports to Oman, Qatar, Iran, Saudi, Bahrain, Kuwait, and Iraq
- Plant's proximity to the raw material source - limestone quarry - ensures a steady supply of raw material and reduces costs
- Installation of the unique pneumatic loading system for direct loading and unloading of cement from ships facilitates direct importing and exporting
- The company's plant is based on multi-fuel system (heavy fuel oil, coal or gas), thereby utilizing the resources efficiently

## Major News

- Gulf Cement Profit '08 drop 100% to AED 2.1 million; however it recommends a 15% cash dividends for FY 2008
- In 2007, the company tripled its clinker capacity from 1.3 million tons to 3.8 million tons by starting second production line of 7,500 tpd of clinker at cost of AED 550 million

## Ownership structure



## Key People

*Chairman:* HH Sheikh Omar Bin Saqr Mohammed Al Qasimi

*General Manager:* Ahmad Abdullah Al Amash

# Kuwait Cement Company



## Description

- Kuwait Cement Company (KCC) Established in November 1968 by Amiri Decree, Kuwait Cement company is engaged primarily in the production, supply and transportation of cement
- Product lines mainly include Ordinary Portland Cement & Sulphate Resistant Cement
- Company's plant is located at Shuaiba Industrial Area \
- It wholly owns two subsidiaries, Shewikh Cement Co (KSCC) and Amwaj International Real Estate Co (KSC)

## Operational Metrics

- No. of Employees: 760
- Production Capacity: 3.8 million tons of cement & 4 million tons of clinker per year

## Key Financials (KWD'000)

Year	2007	2008	2009(Q1)
Revenues	82,432	86,399	
Gross Profit	28,429	22,827	
EBITDA	25,794	20,210	
Net Profit	54,803	4,312	
Equity	302,711	133,339	
Total Assets	365,125	239,384	

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	4.81%	
Gross Profit Margin	34.49%	26.42%	
EBITDA Margin	31.29%	23.39%	
Net Profit Margin	66.48%	4.99%	
Debt/Equity	17.16%	72.86%	
Interest Coverage Ratio	3.94%	5.25%	

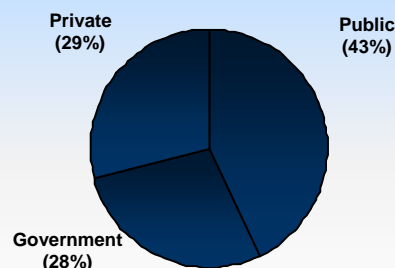
## Key Value Drivers

- KCC is the only integrated cement producer in Kuwait region. Other competitors Hilal Cement and Kuwait Portland Cement (KPC) are importers.
- KCC being the only cement producer in the country, has more than 60% of the domestic market share due to its low cost of production compared to cost of imported cement
- KCC has significant income from investments in non operating assets like properties, available for sale securities and trading securities, thereby making its total income volatile

## Major News

- In Nov, 2008 KCC started expansion of its cement plant in Shuaiba for addition of a 5,500 t/d production line to the existing cement plant to be completed by August 2010
- In Jan, 2009 the company signed a deal worth US\$53.5 million with Pakistan based Descon Engineering to expand cement production facility in Kuwait

## Ownership structure



## Key People

**Chairman & MD:**  
Rashed Abdulaziz  
Abdulmohsen Al Rashed

**First Executive Director:**  
Abdulmutaileb Ismail Bahbahani



# Qatar National Cement Company



## Description

- Located in Umm Bab, Qatar National Cement Co. (QNCC), the first cement manufacturer in Qatar, was established in 1965 as a public shareholding company.
- The company enjoyed a monopoly status in the country for over 40 years, until Gulf Cement (now Gulf Holding Co.) entered the market in March 2006.
- Its key offerings comprise ordinary portland cement, sulphate-resistant cement, washed sand, hydrated lime, and calcined lime.

## Operational Metrics

- No. of Employees: 1167
- Production Capacity: 3.8 million tons of OPC and SRC; 6.5 million tons of washed sand and 25,300 tons of lime

## Key Financials (QAR'000)

Year	2007	2008	2009(Q1)
Revenues	1,105,493	1,412,993	447,427
Gross Profit	371,590	287,019	86,109
EBITDA	339,221	247,167	72,876
Net Profit	355,160	413,645	136,503
Equity	1,642,083	1,642,527	1,572,468
Total Assets	2,115,993	2,853,137	2,926,938

## Key Financial Ratios

Year	2007	2008	2009(Q1)
Revenue Growth (YoY)	-	27.82%	-
Gross Profit Margin	33.61%	20.31%	19.25%
EBITDA Margin	30.69%	17.49%	16.29%
Net Profit Margin	32.13%	29.27%	30.51%
Debt/Equity	21.29%	53.23%	32.96%
Interest Coverage Ratio	10.20%	10.32%	56.91s%

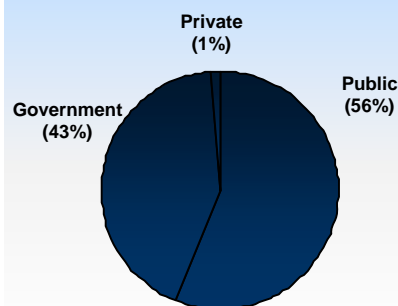
## Key Value Drivers

- Company has made significant investments in the recent past and boosted production of cement, washed sand and lime in line with its policy of meeting increasing local market needs
- Its plant is located at Umm Bab, which is in close proximity to rich raw material deposits, and only 82 km from Doha
- Company owns its own fleet of tankers for delivery of bulk cement & bags to the wide customers, thus saving the outsourcing expenses

## Major News

- In 2008, QNCC has completed many of its expansion projects
  - Construction of 4<sup>th</sup> cement mill with a capacity of 5,500 tons per day
  - Construction of 2<sup>nd</sup> sand washing plant with a daily capacity of 20,000 tons
- Cement sales exceeded its actual production in 2008, indicating import of cement to meet growing local demand

## Ownership structure



## Key People

*Chairman & MD:* Salem Bin Butti Al Noaimi

*General Manager:* Mohammed Ali Al Sulaiti