NCB CAPITAL

Cement Monthly

MAY 2010

KSA Cement Sector

Slowdown in demand growth continues

Demand growth continued to slow down in Apr-10 with total sales volumes up only 16.5% YoY for the month, the fifth consecutive month of slower growth. Private players continued to increase their share of the market, now at an all time high of 21.4% against 13% a year ago.

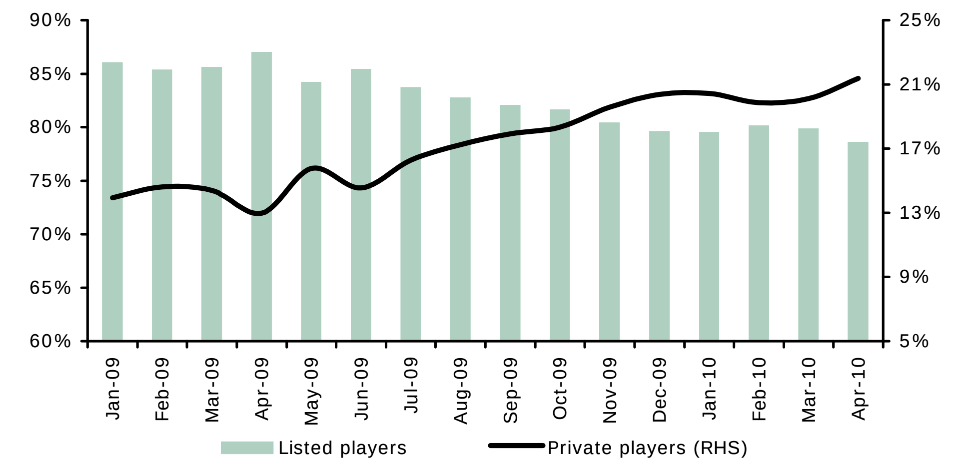
Sales: Cement and clinker sales including exports for Apr-10 stood at 3.91 million tons, reporting an increase of 16.5% YoY. However, sales decreased by 7.8% MoM compared to 4.24 million tons in Mar-10.

Exports: Cement exports stood at 105,000 tons in Apr-10, up 47.9% YoY. However, on a MoM basis, cement exports declined 1.9% from 107,000 tons in Mar-10.

Production: In Apr-10 cement production decreased by 3.2% MoM to 3.93 million tons. Additionally, clinker production decreased by 12.9% MoM to 3.28 million tons.

Stock: Clinker stock as a percentage of cement sales increased to 236% from 226% in Mar-10 and the high of 481% in Sep-09.

Chart of the month: Private players continue to take market share after a dip in Feb-10



Source: Yamama Cement, NCBC Research

Exhibit 1: Saudi cement companies – Valuation matrix

Company	Rating	MCap $mn	Stock perf (%) Apr	Stock perf (%) YTD	P/E (x) '10	EV/EBITDA '10	P/BV (x) '10	EV/ton 10E $	DY (%) '10	ROE (%) TTM
Southern Cem (SPCC)	N	2,505	(0.7)	0.0	12.9	10.1	4.1	385.1	7.5	29.6
Saudi Cem (SCC)	UW	1,834	7.4	17.1	12.0	10.5	2.4	253.6	5.1	21.2
Yamama Cem (YSCC)	OW	1,683	2.9	(1.5)	10.0	7.6	2.1	261.5	7.5	20.1
Qassim Cem (QCC)	N	1,640	(3.0)	(1.8)	10.5	8.7	3.6	376.8	7.3	31.4
Yanbu Cem (YCC)	N	1,172	(4.7)	(13.8)	9.8	7.3	2.0	244.2	7.2	18.0
Eastern Cem (EPCC)	UW	969	(9.2)	(15.3)	9.8	7.7	1.9	264.1	7.1	17.7
Arabian Cem* (ACC)	NC	737	(2.9)	(20.7)	7.5	11.3	1.2	198.0	8.7	13.0
Tabuk Cem* (TCC)	NC	428	(3.4)	(8.0)	10.5	6.9	1.5	204.7	7.0	11.1

Source: NCBC Research, All prices as of May 29, 2010, * On a TTM basis
N: Neutral, UW: Underweight, OW: Overweight, NC: Not Covered

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Please refer to the last page for important disclaimer

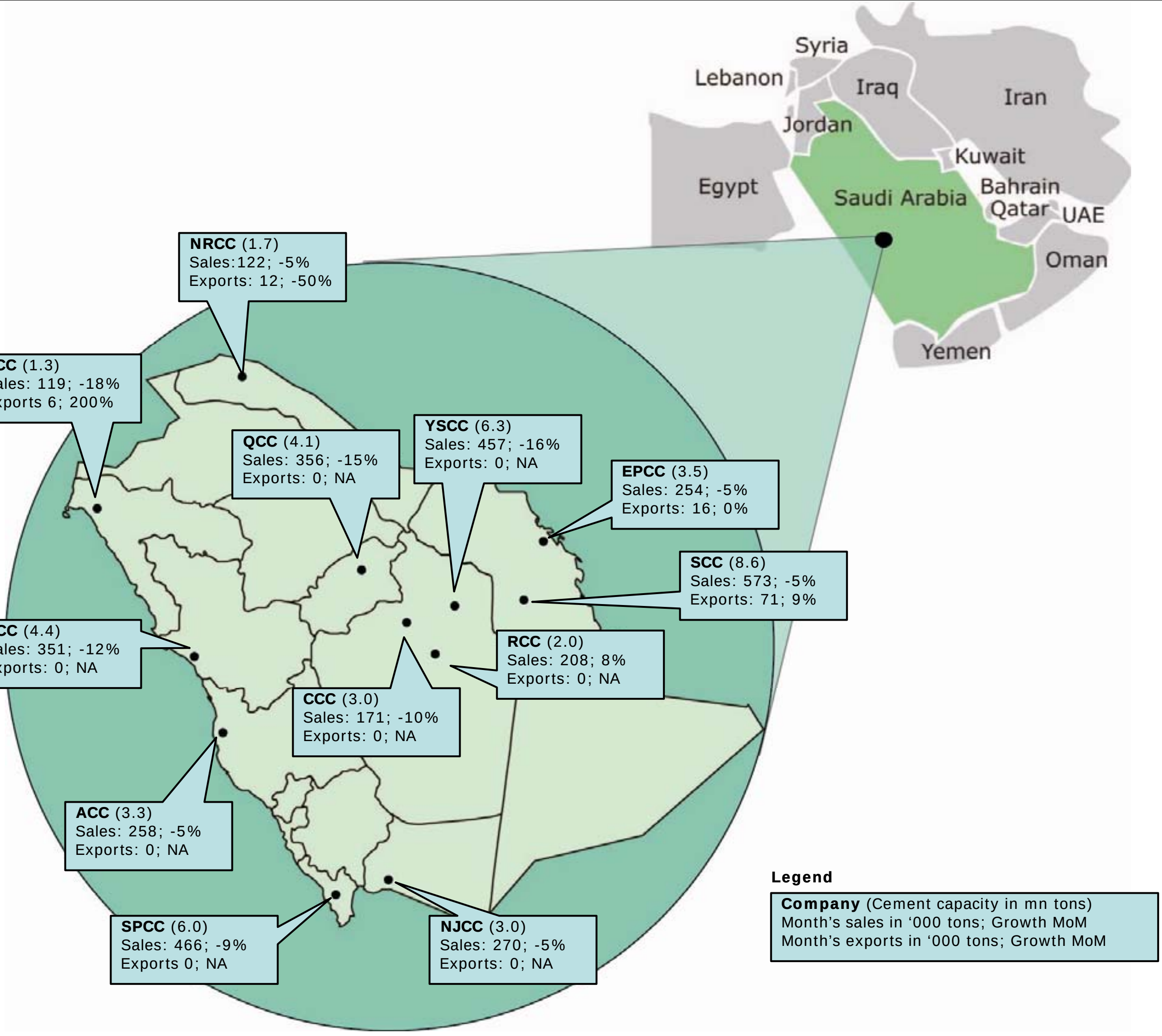
Industry snapshot

The Kingdom of Saudi Arabia (KSA) has 12 cement companies with an estimated annual cement production capacity of 48 million tons.

In Apr-10, total cement sales in KSA stood at 3.61 million tons versus 3.96 million tons in Mar-10 and 3.26 million tons in Apr-09. Clinker sales in Apr-10 stood at 140,000 tons compared to 104,000 tons in Mar-10 and 27,000 tons in Apr-09.

In Apr-10, cement and clinker exports stood at 105,000 tons and 63,000 tons respectively. Four companies exported cement during the month-Saudi Cement, Eastern Province Cement, Northern Region Cement and Tabuk Cement.

Exhibit 2: April-2010 at a glance



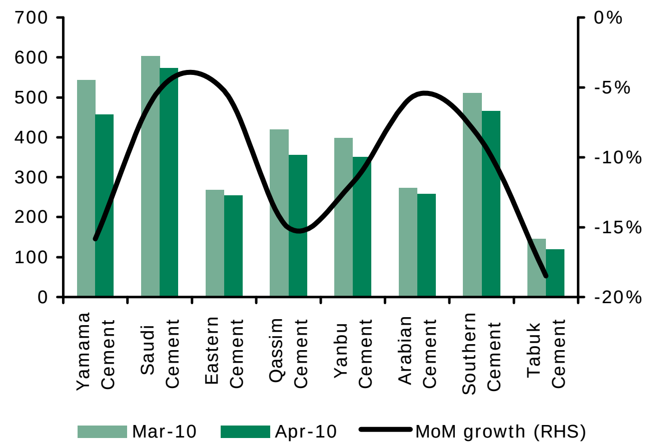
Source: Yamama Cement, NCBC Research
CCC – City Cement, NJCC – Najran Cement, RCC – Riyadh Cement, NRCC – Northern Region Cement

Domestic sales

In Apr-10, cement and clinker sales in Saudi Arabia were up 20.1% YoY to 3.75 million tons compared to 3.29 million tons in Apr-09. However, MoM sales fell by 7.8% compared to 4.06 million tons in Mar-10. Most companies reported YoY declines in volumes with Qassim the worst with volumes down 14% YoY. Saudi Cement reported the highest growth in domestic sales on YoY basis at 36% with only Yamama and Arabian the other cement companies recording positive growth YoY. All companies reported MoM declines in sales volumes.

Exhibit 3: Domestic cement sales– MoM

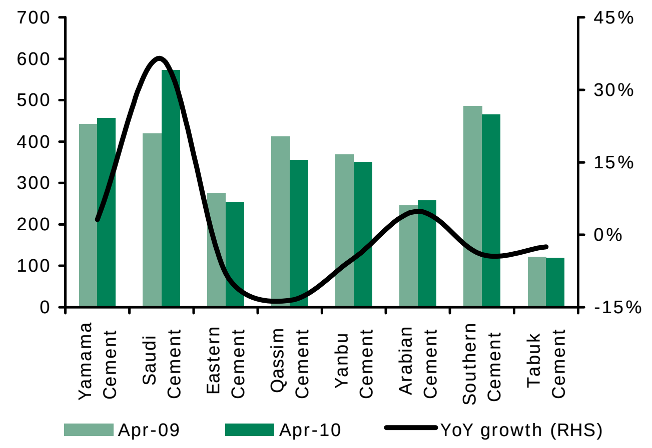
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 4: Domestic cement sales– YoY

('000 tons)



Source: Yamama Cement, NCBC Research

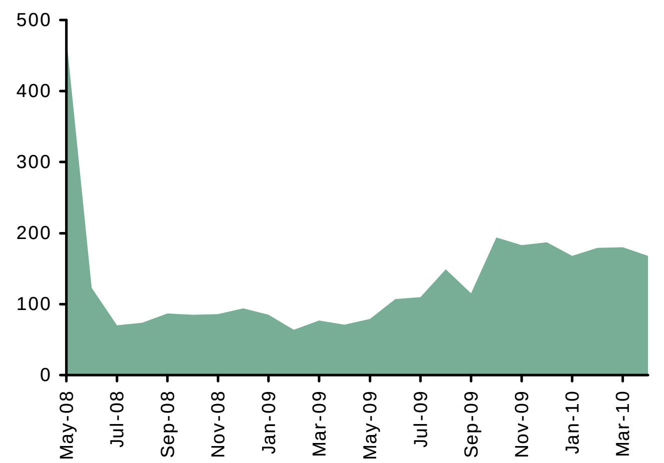
(Please refer to the Appendix on Page 9 for company-specific charts.)

Exports

The Kingdom's cement exports declined to 105,000 tons in Apr-10 compared to 107,000 tons in Mar-10 although higher than the 71,000 tons in Apr-09. Additionally, clinker exports decreased to 63,000 tons in Apr-10 compared to 73,000 tons in Mar-10. Companies did not export clinker at all in Apr-09.

Exhibit 5: KSA's total cement exports

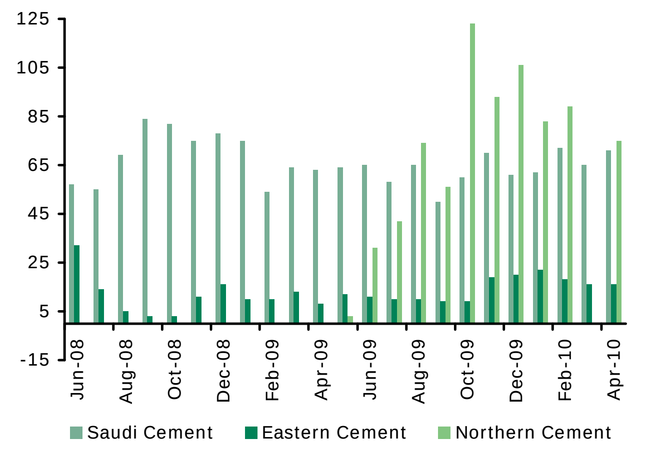
Units (mn 000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 6: Exports by SCC, EPCC and NRCC

('000 tons)



Source: Yamama Cement, NCBC Research

In Apr-10, Saudi Cement, Eastern Province Cement, Northern Region Cement and Tabuk Cement exported cement. Saudi Cement exports increased to 71,000 tons in Apr-10 against 65,000 tons in Mar-10. Northern Region Cement continues to remain the only exporter of clinker in KSA and exported 63,000 tons during the month compared to 73,000 tons in Mar-10.

Production

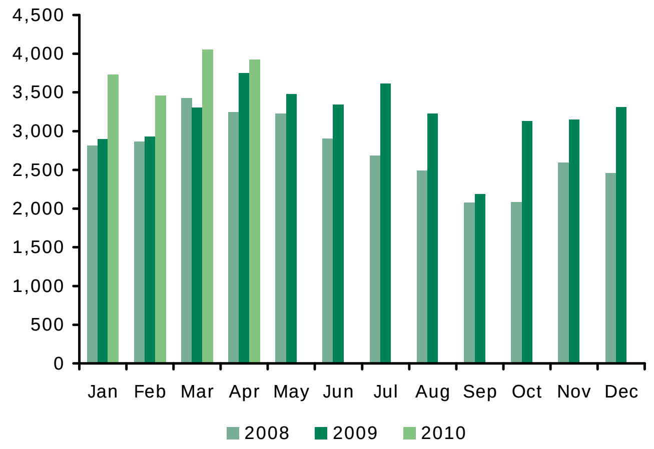
Saudi Arabia produced 3.93 million tons of cement in Apr-10, up 4.8% YoY but down 3.2% MoM from 4.05 million tons in Mar-10. Furthermore, clinker production decreased 12.9% on MoM basis, while it declined 3.1% on YoY basis in Apr-10.

All the companies reported decreases in cement production on a MoM basis except Yanbu Cement. On a YoY basis, Saudi Cement reported the highest increase at 44%.

(Please refer to the Inventory / stock section on Page 5 for more details).

Exhibit 7: Cement production

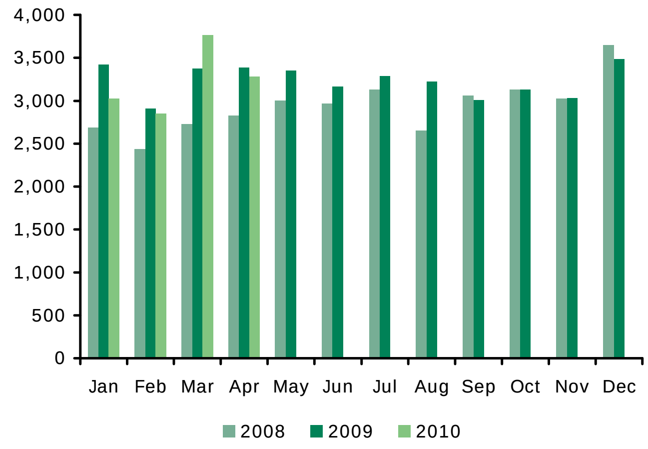
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 8: Clinker production

('000 tons)



Source: Yamama Cement, NCBC Research

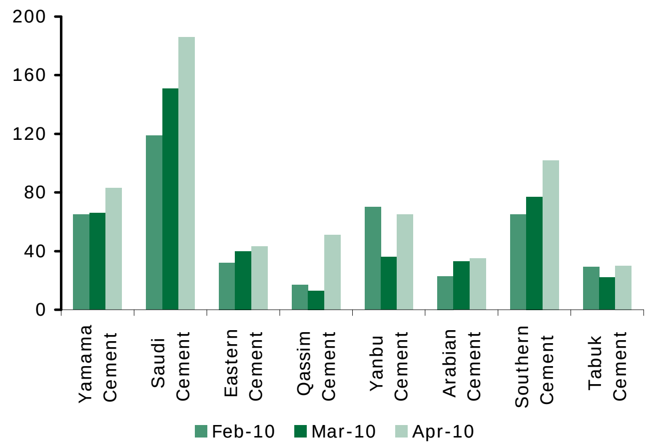
Inventory / stock

Clinker stock at the manufacturer level decreased for the fourth consecutive month by 4.8% MoM to 8.74 million tons, as a result of a decline in clinker production. On a YoY basis, clinker stock decreased by 0.1%.

Cement stock increased by 25.0% on a YoY basis due to the high increase in production. It also increased significantly on a MoM basis, up 40.3%.

Exhibit 9: Cement stock

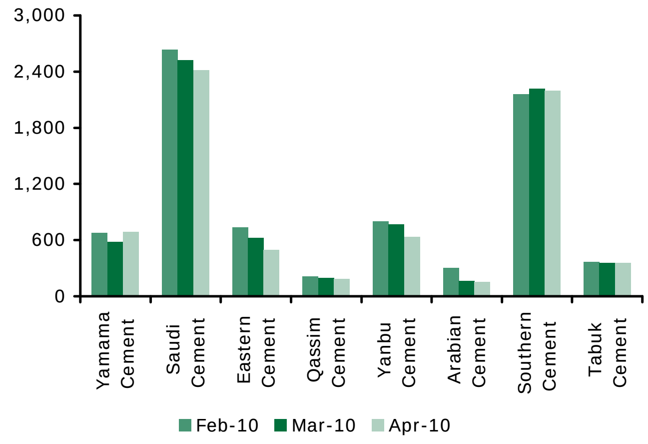
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 10: Clinker stock

('000 tons)

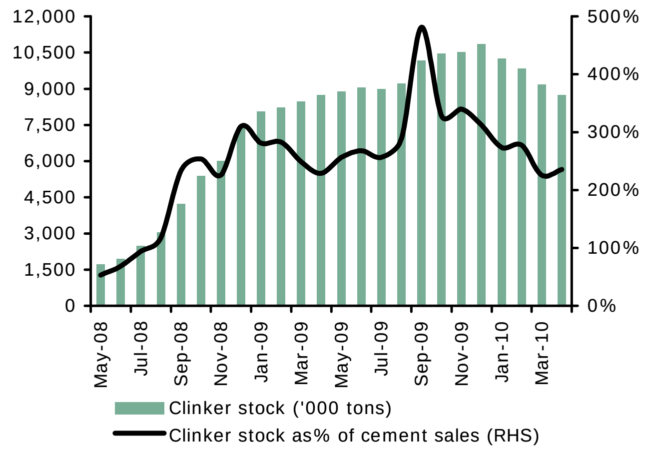


Source: Yamama Cement, NCBC Research

Clinker stock as a percentage of sales increased to 236% compared to 226% in Mar-10. Company wise, Qassim Cement continues to hold the lowest clinker stock at 52% as a percentage of Apr-10 sales. On the other hand, among the listed companies, Southern Cement continued as holder of the highest clinker stock percentage at 471% of Apr-10 sales compared to 434% in Mar-10.

Exhibit 11: Clinker stock

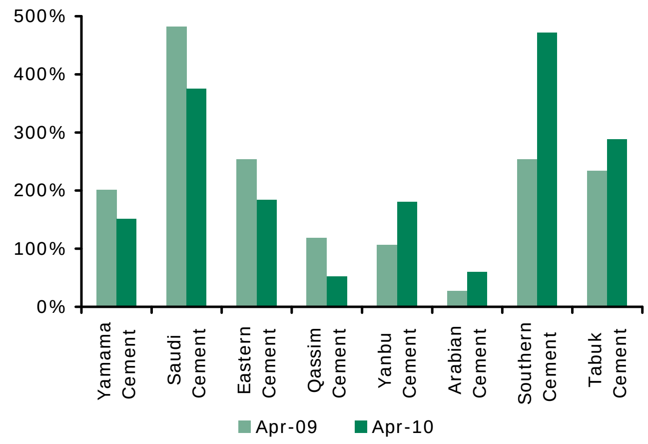
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 12: Clinker stock

(as % of sales)



Source: Yamama Cement, NCBC Research

Market share

In Apr-10, five companies lost domestic market share to seven companies. Riyadh Cement was the biggest gainer of the month increasing its share by 0.89%. On the other hand, Yamama Cement was the biggest loser of the month with market share falling by 1.04%.

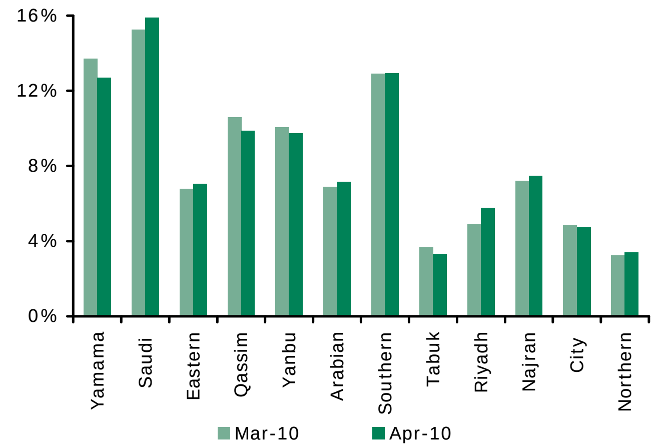
Winners: Najran Cement (0.29%), Southern Cement (0.02%), Saudi Cement (0.64%), Eastern Cement (0.28%), Arabian Cement (0.26%), Northern Cement (0.15%) and Riyadh Cement (0.89%).

Losers: Yanbu Cement (-0.32%), Tabuk Cement (-0.39%), Qassim Cement (-0.71%) , Yamama Cement (-1.04%), City Cement (-0.08%),

The private player's market share increased to 21.4% from 13.0% a year ago and 20.1% in Mar-10.

Exhibit 13: Domestic market share – cement sales

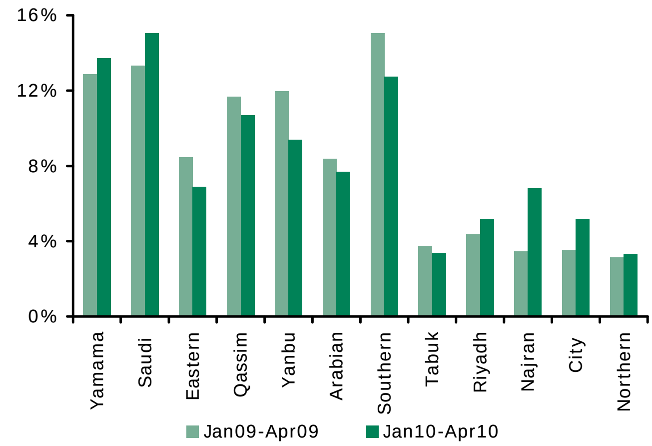
MoM



Source: Yamama Cement, NCBC Research

Exhibit 14: Domestic market share – cement sales

YTD



Source: Yamama Cement, NCBC Research

Valuation

As of 29 May 2010, the cement sector index was down 2.6% YTD, versus a 0.9% increase in the TASI. Exhibit 15 shows the valuation multiples of all listed cement companies in the Kingdom.

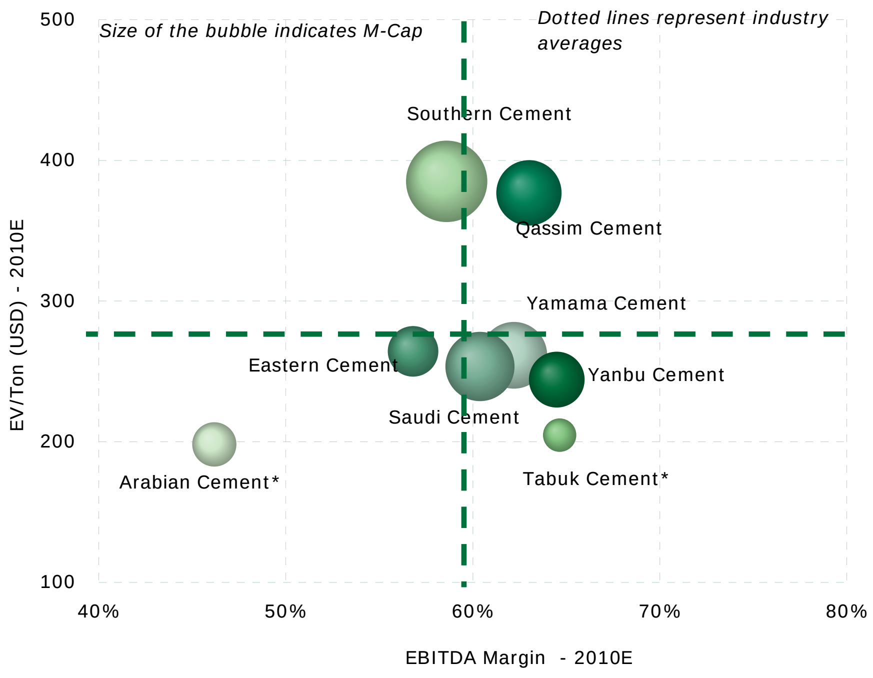
Exhibit 15: Saudi cement companies – Valuation matrix

			M-Cap	Stock perfor. (%)		P/E (x)	EV/ EBITDA	P/BV (x)	EV/ton 10E	DY (%)	ROE (%)	ROA (%)
Company	Reuters	Rating	$ mn	Apr-10	YTD	'10	'10	Latest	$	'10	'10	'10
Southern Cement	3050.SE	Neutral	2,505	(0.7)	0.0	12.9	10.1	4.1	385.1	7.5	29.6	26.0
Saudi Cement	3030.SE	Underweight	1,834	7.4	17.1	12.0	10.5	2.4	253.6	5.1	21.2	11.6
Yamama Cement	3020.SE	Overweight	1,683	2.9	(1.5)	10.0	7.6	2.1	261.5	7.5	20.1	17.0
Qassim Cement	3040.SE	Neutral	1,640	(3.0)	(1.8)	10.5	8.7	3.6	376.8	7.3	31.4	25.9
Yanbu Cement	3060.SE	Neutral	1,172	(4.7)	(13.8)	9.8	7.3	2.0	244.2	7.2	18.0	15.4
Eastern Cement	3080.SE	Underweight	969	(9.2)	(15.3)	9.8	7.7	1.9	264.1	7.1	17.7	15.8
Arabian Cement*	3010.SE	NC	737	NA	(20.7)	7.5	11.3	1.2	198.0	8.7	13.0	7.7
Tabuk Cement*	3090.SE	NC	428	NA	(8.0)	10.5	6.9	1.5	204.7	7.0	11.1	9.5

Source: NCBC Research, All prices as of May 29, 2010, * On a TTM basis

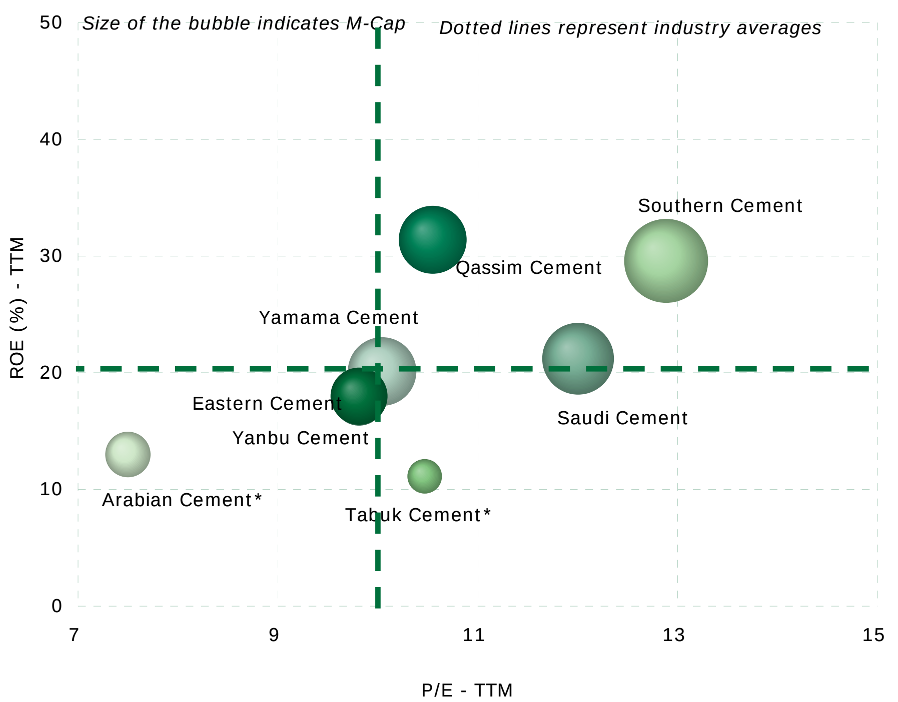
Exhibits 16 and 17 capture the current valuation of Saudi cement companies.

Exhibit 16: EV per ton vs. EBITDA margin



Source: NCBC Research, * is on TTM basis

Exhibit 17: P/E vs. ROE



Source: NCBC Research, * is on TTM basis

Appendices

Appendix 1- Cement Production and Sales

Exhibit 18: Cement production and KSA sales ('000 tons)

Description	Apr-10	Apr-09	% chg YoY	Mar -10	% chg MoM	(Jan-Apr) 2010	2009	% chg YoY
Production								
Cement	3,925	3,746	4.8	4,053	(3.2)	15,161	12882	17.69
Clinker	3,281	3,386	(3.1)	3,766	(12.9)	12,921	13100	(1.37)
Domestic Sales								
Cement	3,605	3,746	(3.7)	3,959	(8.9)	14,604	12,704	15.0
Clinker	140	27	418	104	(34.6)	284	140	103
Company-wise Production								
Yamama Cement	474	433	9	544	(13)	2030	1560	30.13
Saudi Cement	679	473	44	701	(3)	2526	1910	32.25
Eastern Cement	273	287	(5)	292	(7)	1083	1080	0.28
Qassim Cement	394	378	4	415	(5)	1563	1390	12.45
Yanbu Cement	380	358	6	364	4	1364	1456	(6.32)
Arabian Cement	260	232	12	284	(8)	1102	1009	9.22
Southern Cement	491	491	0	503	(2)	1857	1822	1.92
Tabuk Cement	133	120	11	141	(6)	493	454	8.59
Others	841	487	72.9	809	20	2356	1714	26.9
Company-wise Domestic Sales								
Yamama Cement	457	443	3	543	(16)	2004	1574	27.32
Saudi Cement	573	420	36	604	(5)	2199	1630	34.91
Eastern Cement	254	276	(8)	268	(5)	1005	1035	(2.90)
Qassim Cement	356	412	(14)	419	(15)	1561	1426	9.47
Yanbu Cement	351	369	(5)	398	(12)	1370	1463	(6.36)
Arabian Cement	258	246	5	273	(5)	1124	1022	9.98
Southern Cement	466	486	(4)	511	(9)	1860	1840	1.09
Tabuk Cement	119	122	(2)	146	(18)	494	459	7.63
Others	771	486	58.6	797	(13)	2987	1769	68.9

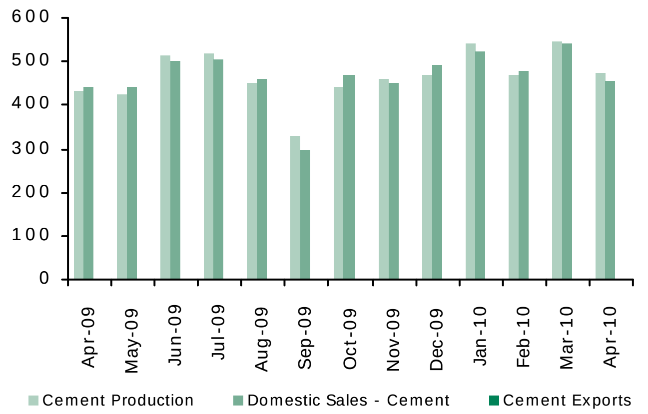
Source: Yamama Cement, NCBC Research

Appendix 2 - Chart gallery – Company data

YAMAMA CEMENT (YSCC)

Exhibit 19: Production and sales

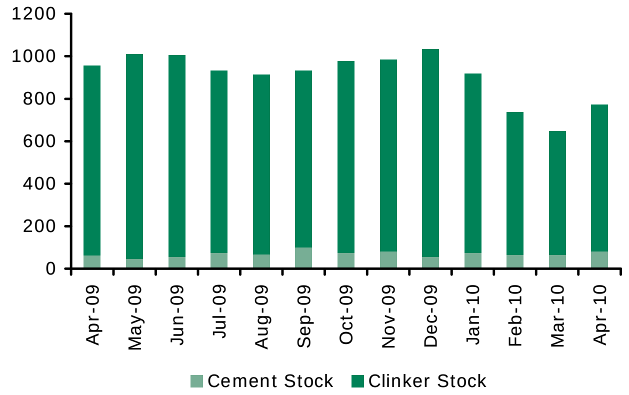
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 20: Stock - Cement and clinker

('000 tons)

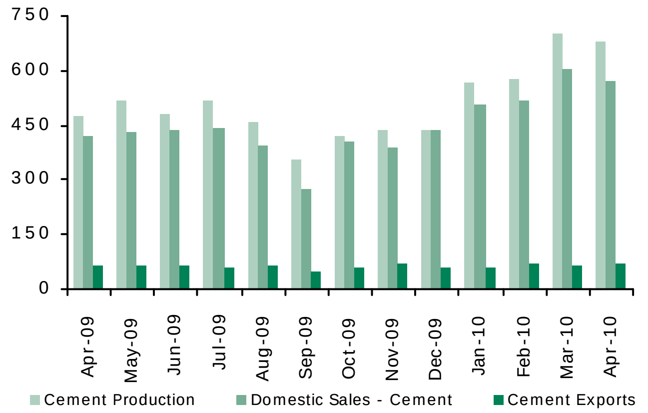


Source: Yamama Cement, NCBC Research

SAUDI CEMENT (SCC)

Exhibit 21: Production and sales

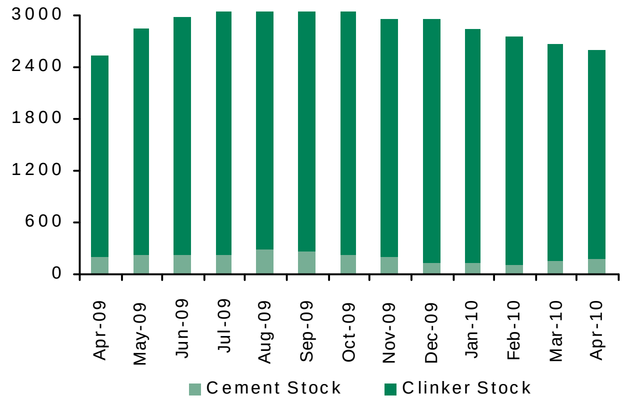
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 22: Stock - Cement and clinker

('000 tons)

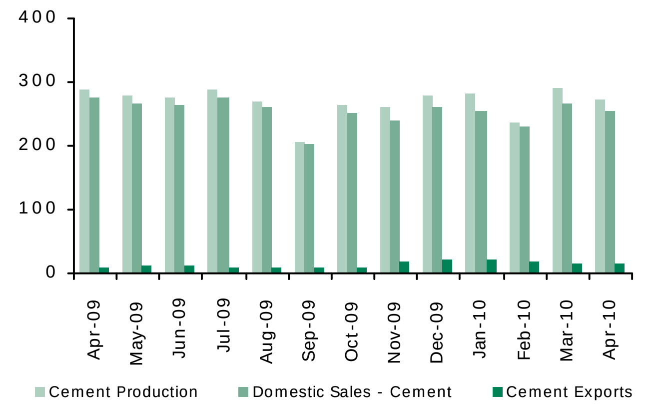


Source: Yamama Cement, NCBC Research

EASTERN PROVINCE CEMENT (EPCC)

Exhibit 23: Production and sales

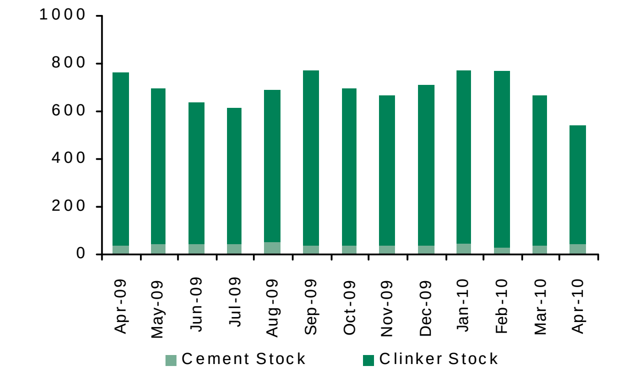
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 24: Stock - Cement and clinker

Units ('000 tons)

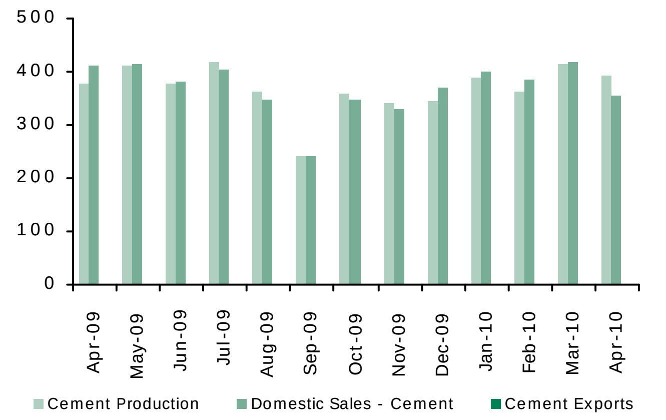


Source: Yamama Cement, NCBC Research

QASSIM CEMENT (QCC)

Exhibit 25: Production and sales

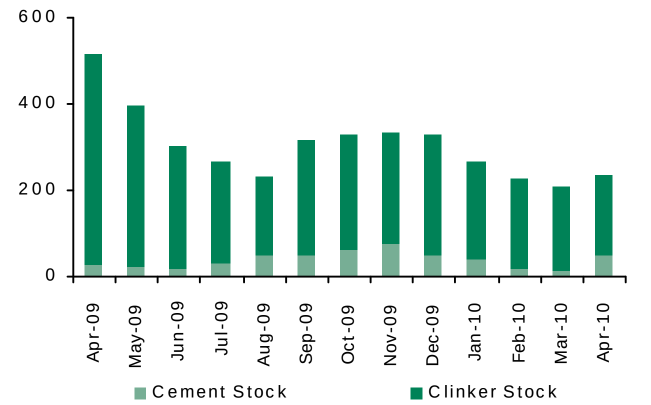
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 26: Stock - Cement and clinker

('000 tons)

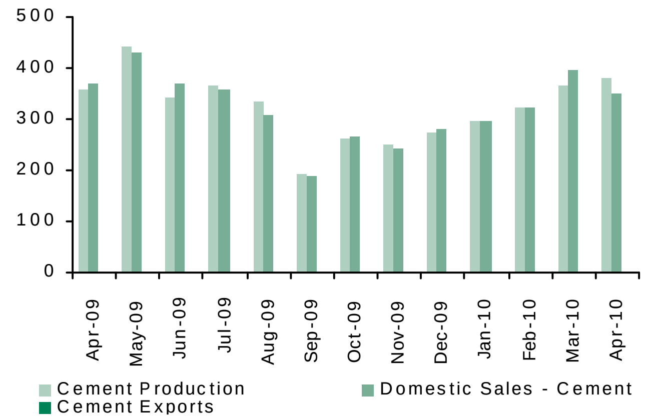


Source: Yamama Cement, NCBC Research

YANBU CEMENT (YCC)

Exhibit 27: Production and sales

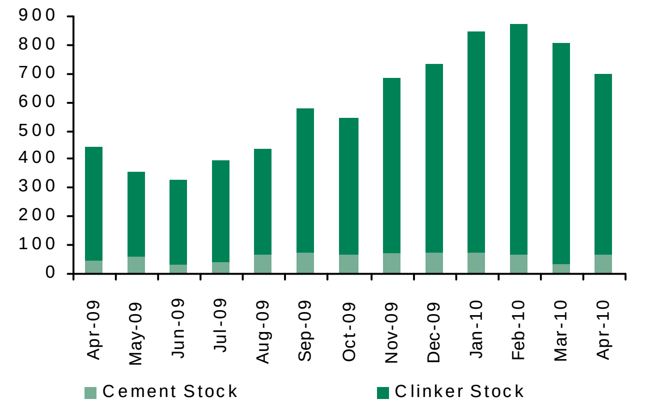
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 28: Stock - Cement and clinker

('000 tons)

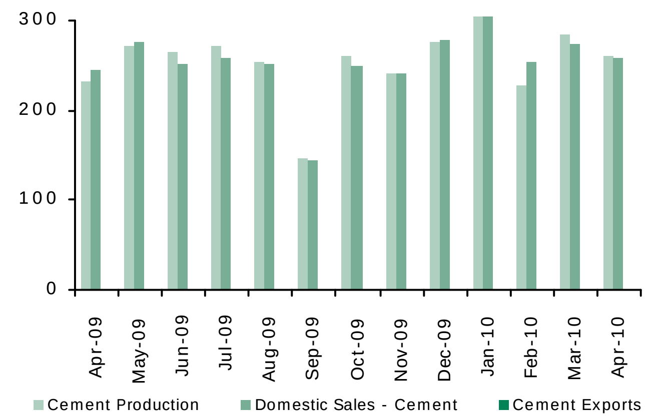


Source: Yamama Cement, NCBC Research

ARABIAN CEMENT (ACC)

Exhibit 29: Production and sales

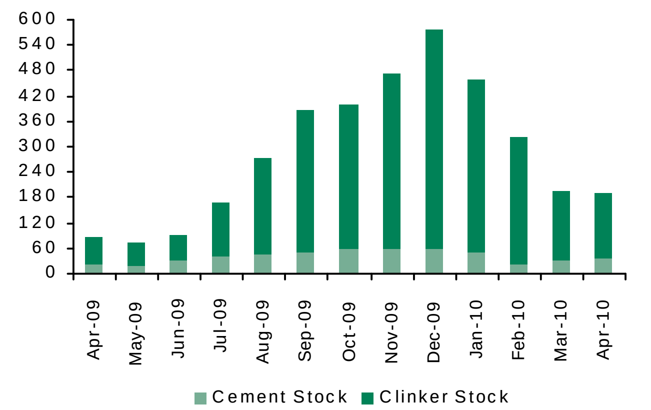
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 30: Stock - Cement and clinker

('000 tons)

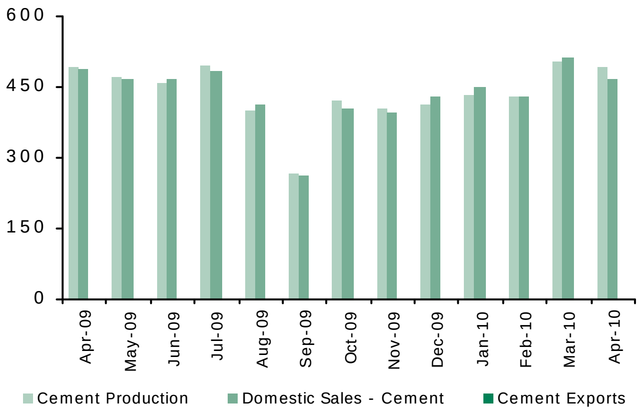


Source: Yamama Cement, NCBC Research

SOUTHERN PROVINCE CEMENT (SPCC)

Exhibit 31: Production and sales

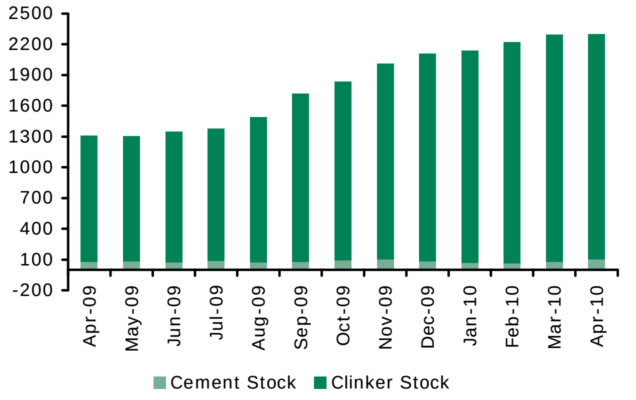
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 32: Stock - Cement and clinker

('000 tons)

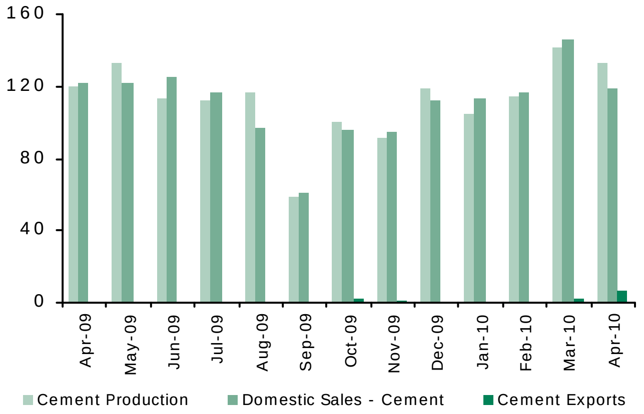


Source: Yamama Cement, NCBC Research

TABUK CEMENT (TCC)

Exhibit 33: Production and sales

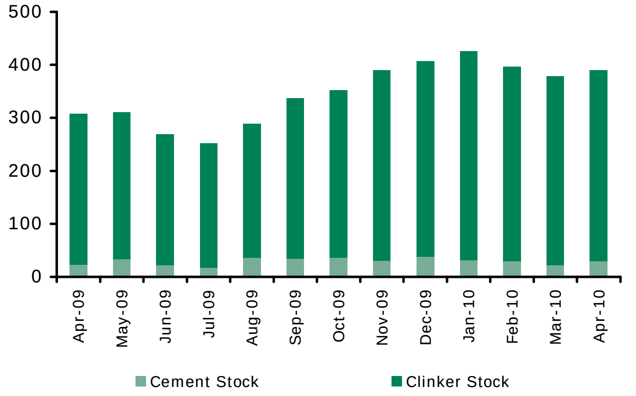
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 34: Stock - Cement and clinker

('000 tons)



Source: Yamama Cement, NCBC Research

Glossary – Abbreviations used

%Chg	% change	MoM	Month on month	Rev	Revenue
Bn	Billion	Net inc	Net income	SR	Saudi Riyal
Div yld	Dividend yield	P/E	Price to earnings	TTM	Trailing 12 month
EV	Enterprise value	P/BV	Price to book value	YoY	Year on year
EBITDA	Earnings before interest, tax, depreciation, and amortization	QoQ	Quarter on quarter	YTD	Year to date
M-Cap	Market capitalization	ROA	Return on assets		
Mn	Million	ROE	Return on equity		

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