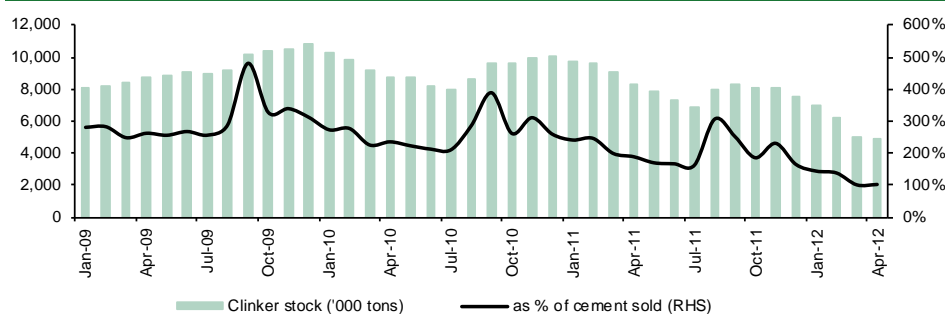


## RECORD HIGH CLINKER PRODUCTION

Cement sales in April 2012 reported an increase of 11.6% YoY to reach 4.7mn tons. Clinker production increased 23.5% YoY to reach 4.14 mn tons. However, clinker stocks declined sharply by 41.3% YoY to 4.9mn tons, the lowest level since September 2008.

- **Sales:** Domestic cement sales increased 11.6% YoY, but dropped 4.3% MoM to 4.68mn tons in Apr-12. Local clinker sales rose to 144,000 tons against 135,000 tons in Mar-12.
- **Production:** In Apr-12 cement production increased 6.7% YoY to 4.70mn tons. Clinker production also increased by 23.5% YoY to 4.14mn tons.
- **Exports:** Cement exports dropped 65.6% YoY and 3.1% MoM to 63,000 tons in Apr-12.
- **Market share:** The domestic cement market share of the unlisted companies decreased by 0.73% MoM to 17.7%; market share including exports and clinker sales also decreased by 0.73% MoM to 17.0%.

### Chart of the month: Clinker stock declined 3.1% MoM



Source: Yamama Cement, NCBC Research

### Exhibit 1: Saudi cement companies – Valuation matrix

	Rating	MCAp \$mn	Stock perf (%)		P/E (x)	EV/ EBITDA '12	P/BV (x)	EV/ton (\$)	DY (%)	ROE (%)
			Apr	YTD						
Southern Cem (SPCC)	N	3,794	13.6	18.4	13.4	11.7	5.0	490.5	6.2	38.6
Yamama Cem (YSCC)	N	2,622	1.4	3.2	11.6	8.8	2.9	386.4	6.2	24.9
Saudi Cem (SCC)	N	3,708	14.8	24.3	13.1	11.2	4.1	433.0	7.2	31.7
Qassim Cem (QCC)	N	1,929	4.4	11.5	12.3	10.3	3.6	455.7	7.2	29.5
Yanbu Cem (YCC)	N	2,236	(4.5)	18.1	15.0	12.1	2.7	382.9	3.1	18.6
Eastern Cem (EPCC)	N	1,274	(3.4)	0.9	11.6	8.6	2.1	340.3	6.3	18.8
Arabian Cem* (ACC)	NC	1,244	3.0	30.9	11.8	9.3	1.8	289.7	5.2	13.2
Al Jouf Cem* (JCC)	NC	670	(3.0)	28.7	30.2	14.6	1.9	338.3	-	6.0
Tabuk Cem* (TCC)	NC	608	(3.7)	14.0	14.1	9.9	2.0	339.2	5.5	12.3

Source: NCBC Research, All prices as of May 08, 2012, \* On a TTM basis  
N: Neutral, UW: Underweight, OW: Overweight, NC: Not Covered

Iyad Ghulam  
i.ghulam@ncbc.com  
+966 2 690 7811

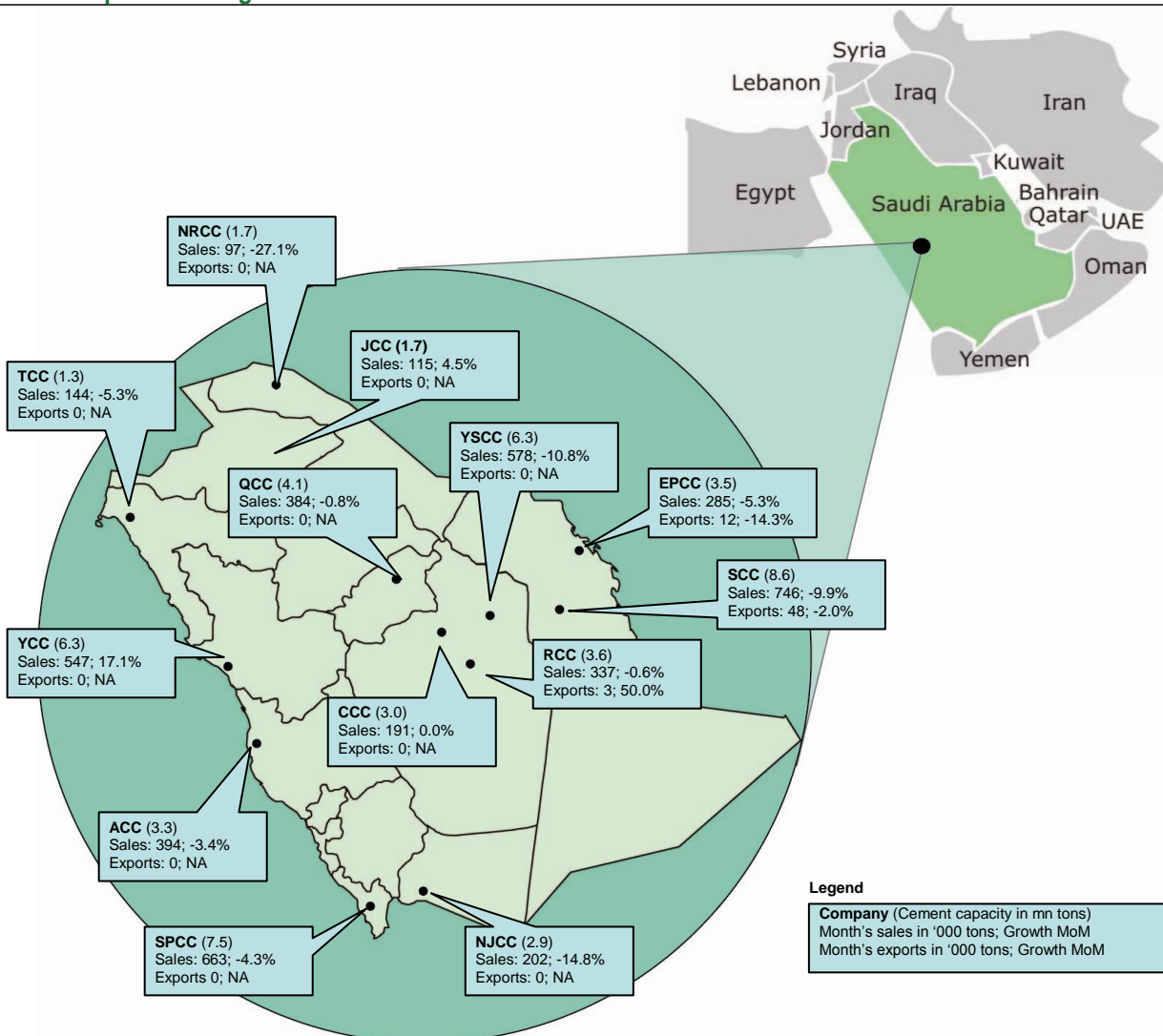
## Industry snapshot

The Kingdom of Saudi Arabia (KSA) has 13 cement companies with an estimated annual cement production capacity of 53.8 million tons.

In Apr-12, total cement sales in KSA stood at 4.68 million tons versus 4.19 million tons in Apr-11 and 4.89 million tons in Mar-12. Domestic clinker sales came to 144,000 tons in Apr-12 as against 135,000 tons in Mar-12, an increase of 6.7% MoM.

In Apr-12, cement exports stood at 63,000 tons from 65,000 tons in Mar-12, a drop of 3.1% MoM. No company reported clinker exports for Apr-12. Three companies exported cement during the month - Saudi Cement, Eastern Cement and Riyadh Cement.

### Exhibit 2: Apr-2012 at a glance



Yamama Cement, NCB Research. NB: Data refers to domestic cement sales and cement exports only  
 CCC – City Cement, NJCC – Najran Cement, RCC – Riyadh Cement, NRCC – Northern Region Cement

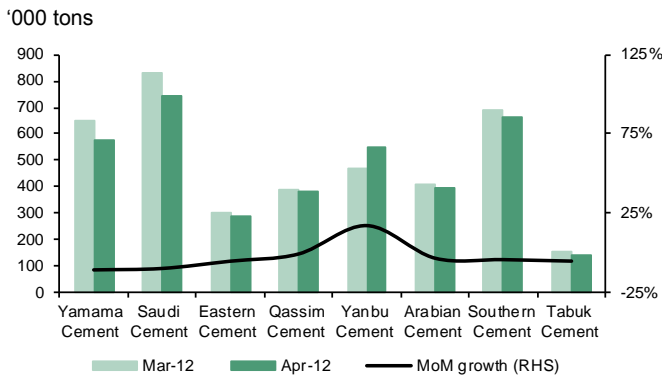
## Domestic sales

In Apr-12 domestic sales of cement grew by 11.6% YoY to 4.68mn tons. The four private companies saw a 0.2% YoY decrease in domestic cement sales, while the listed firms reported an increase of 14.6% YoY.

On a MoM basis, domestic cement sales decreased by 4.3% compared to the 4.89mn tons in Mar-12. Apart from Yanbu Cement and Aljouf Cement, all companies reported a decrease on a MoM basis. Amongst the listed companies, Yanbu Cement reported the highest MoM increase of 17.1%, while Yamamah Cement reported decline of 10.8%.

On a YoY basis, Northern Cement reported the highest increase of 54.0%, followed by Yanbu Cement and Saudi Cement with 43.2% and 36.9% increase respectively. Najran Cement, Tabuk Cement, Aljouf Cement and Qassim Cement reported a YoY decline of 30.8%, 10.6%, 8.7% and 1.8% respectively in domestic sales.

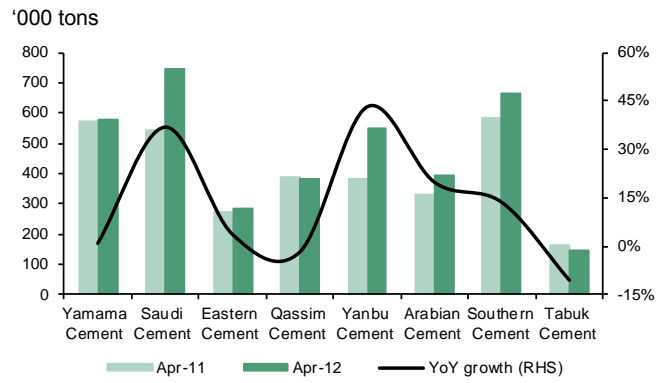
**Exhibit 3: Domestic cement sales– MoM**



Source: Yamama Cement, NCBC Research

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

**Exhibit 4: Domestic cement sales– YoY**

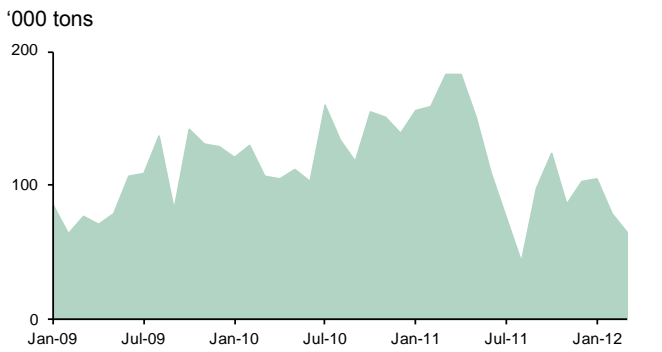


Source: Yamama Cement, NCBC Research

## Exports

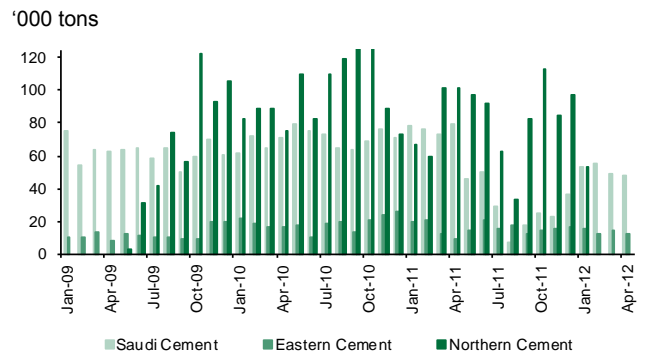
The Kingdom’s cement exports decreased 3.1% MoM to 63,000 tons in Apr-12. On a YoY basis it decreased 65.6% from 183,000 tons in Apr-11 due to the export ban which only excludes sales to Bahrain. The YoY decrease was due to lower exports Saudi Cement which fell 39.2%. None of the companies reported exports in clinker for Apr-12.

**Exhibit 5: KSA’s total cement exports**



Source: Yamama Cement, NCBC Research

**Exhibit 6: Exports by SCC, EPCC and NRCC**



Source: Yamama Cement, NCBC Research

In Apr-12, Saudi Cement, Eastern Province Cement and Riyadh Cement exported cement. Total exports decreased 71.9% YoY. Saudi Cement reported the highest decline at 39.2%, while Eastern Cement’s exports increased by 33.3% on YoY basis. Exports decreased by 3.1% on MoM basis. Only Riyadh Cement reported an increase of 50.0%, while Eastern Cement and Saudi Cement reported a decline in exports by 14.3% and 2.05% respectively.

### Production

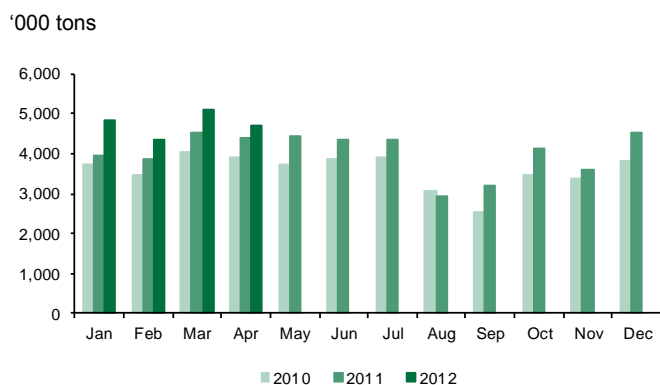
Saudi Arabia produced 4.71 million tons of cement in Apr-12, up 6.7% YoY but down 7.8% MoM basis.

On a YoY basis, amongst listed players, Yanbu Cement reported the highest increase of 40.4% while Aljouf Cement reported a decrease of 35.7%. On a MoM basis, apart from Yanbu Cement which reported an increase of 6.2%, all cement companies reported a decrease in production, with Najran Cement reporting the highest decrease of 23.5%.

Clinker production was up 23.5% YoY and 2.9% MoM in Apr-12. Among listed players, Yanbu Cement reported the highest increase in production of 318.2% YoY and 111.2% on a MoM basis.

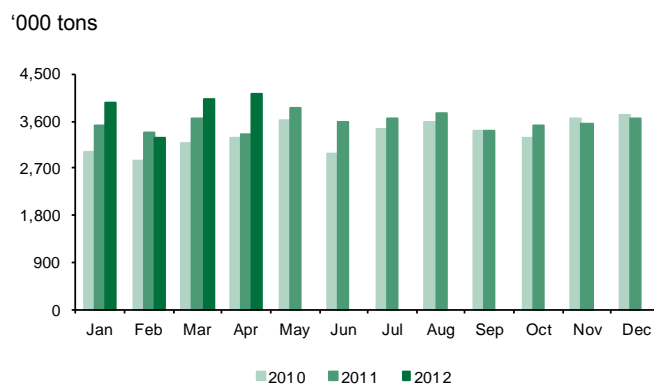
*(Please refer to the Inventory / stock section on Page 5 for more details).*

**Exhibit 7: Cement production**



Source: Yamama Cement, NCBC Research

**Exhibit 8: Clinker production**

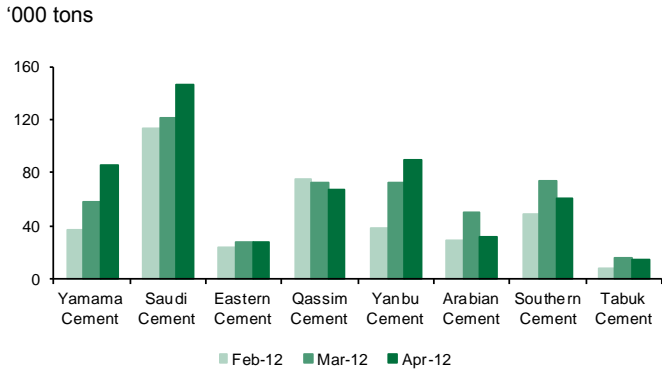


Source: Yamama Cement, NCBC Research

### Inventory stock

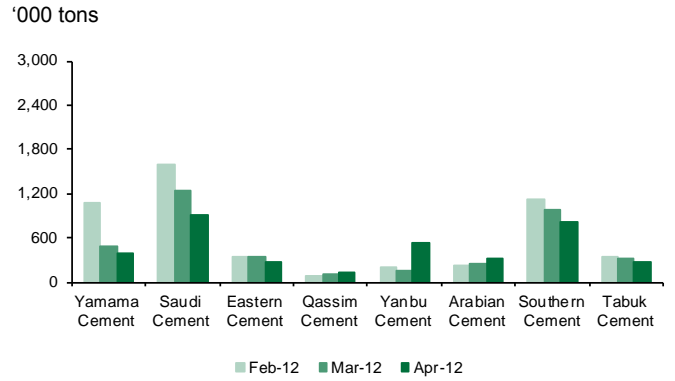
Clinker stock at the manufacturer level decreased 3.1% MoM and 41.3% YoY to 4.87 million tons. Cement stock increased 5.1% YoY, but decreased 1.0% MoM during Apr-12.

**Exhibit 9: Cement stock**



Source: Yamama Cement, NCBC Research

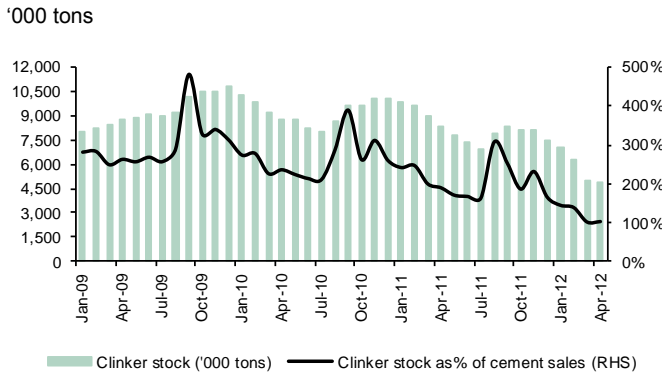
**Exhibit 10: Clinker stock**



Source: Yamama Cement, NCBC Research

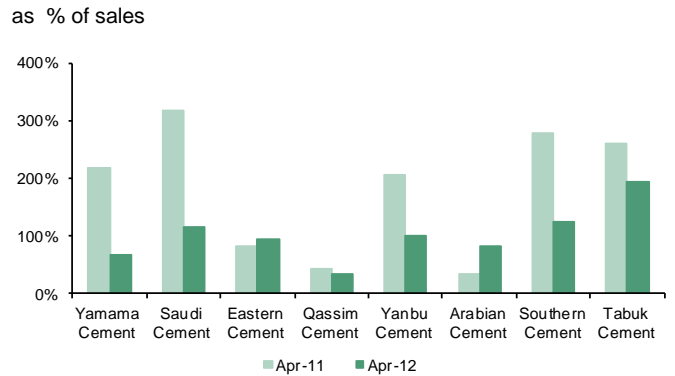
Clinker stock as a percentage of monthly sales decreased to 103% in Apr-12 compared to 101% in Mar-12 and 189% in Apr-11. Company wise, Qassim Cement held the lowest stock percentage at 33% of Apr-12 sales. On the other hand, among the listed companies (excluding Al-Jouf), Tabuk Cement held the highest clinker stock percentage at 195% of Apr-12 sales.

**Exhibit 11: Clinker stock**



Source: Yamama Cement, NCBC Research

**Exhibit 12: Clinker stock**



Source: Yamama Cement, NCBC Research

### Market share

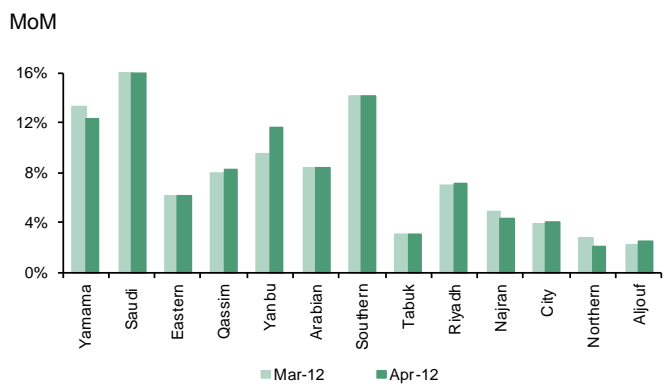
In Apr-12, six companies lost domestic cement market share to six companies, while Southern Cement reported no increase in market share. Saudi Cement was the biggest listed decliner of the month, losing market share by 99bps to 15.9%. Yanbu Cement was the biggest listed gainer of the month with its market share rising by 214bps to 11.7%.

**Gainers:** Yanbu Cement (2.14%), Qassim Cement (0.29%), Riyadh Cement (0.27%), Aljouf Cement (0.21%), City Cement (0.18%) and Arabian Cement (0.08%).

**Decliners:** Saudi Cement (0.99%), Yamamah Cement (0.90%), Northern Cement (0.65%), Najran Cement (0.53%), Eastern Cement (0.06%) and Tabuk Cement (0.03%).

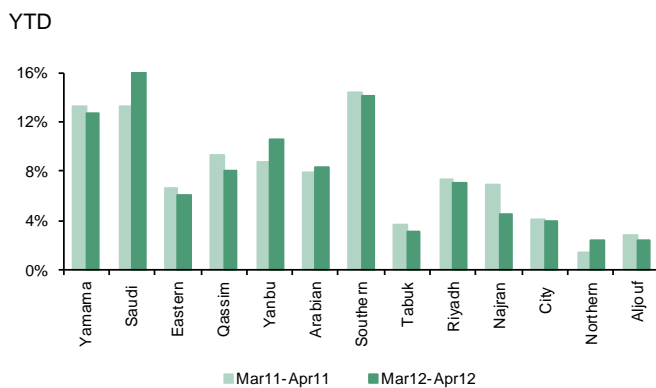
The non-listed private player’s market share for domestic cement sales decreased by 73bps MoM to 17.7% in Apr-12 (on a YoY basis it was a 2.1% decrease). If we include exports and sales of clinker, non-listed private players’ market share declined by 0.73% MoM to 17.0% (down 4.1% on YoY basis).

**Exhibit 13: Domestic market share – cement sales**



Source: Yamama Cement, NCBC Research

**Exhibit 14: Domestic market share – cement sales**



Source: Yamama Cement, NCBC Research

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## Valuation

As of 08 May 2012, the cement sector index was up 14.7% YTD, as compared to the TASI which is up 18.0% during the same period. Exhibit 15 shows the valuation multiples of all listed cement companies in the Kingdom.

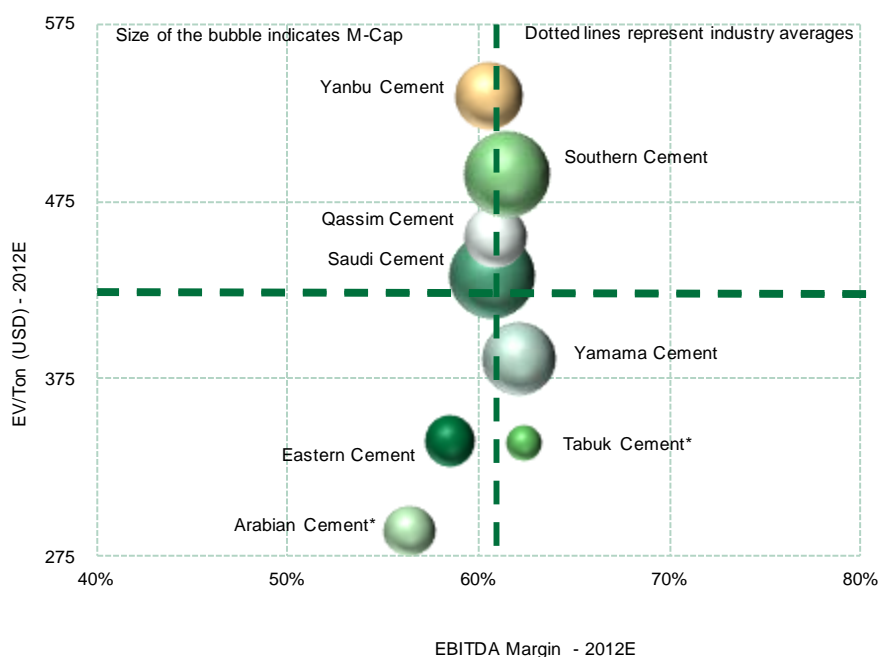
### Exhibit 15: Saudi cement companies – Valuation matrix

	Reuters	Rating	M-Cap \$mn	Stock perf		P/E (x) '12	EV/ EBITDA '12	P/BV (x) '12	EV/ton (\$) '12	DY (%) '12	ROE (%) '12	ROA (%) '12
				Apr	YTD							
Southern Cem (SPCC)	3050.SE	Neutral	3,794	13.6	18.4	13.4	11.7	5.0	609	6.2	38.6	34.2
Yamama Cem (YSCC)	3020.SE	Neutral	2,622	1.4	3.2	11.6	8.8	2.9	386	6.2	24.9	22.0
Saudi Cem (SCC)	3030.SE	Neutral	3,708	14.8	24.3	13.1	11.2	4.1	433	7.2	31.7	22.4
Qassim Cem (QCC)	3040.SE	Neutral	1,929	4.4	11.5	12.3	10.3	3.6	456	7.2	29.5	27.2
Yanbu Cem (YCC)	3060.SE	Neutral	2,236	(4.5)	18.1	15.0	12.1	2.7	383	3.1	18.6	12.0
Eastern Cem (EPCC)	3080.SE	Neutral	1,274	(3.4)	0.9	11.6	8.6	2.1	340	6.3	18.8	17.4
Arabian Cem* (ACC)	3010.SE	NC	1,244	3.0	30.9	11.8	9.3	1.8	290	5.2	13.2	8.1
Al Jouf Cem* (JCC)	3091.SE	NC	670	(3.0)	28.7	30.2	14.6	1.9	338	-	6.0	5.0
Tabuk Cem* (TCC)	3090.SE	NC	608	(3.7)	14.0	14.1	9.9	2.0	339	5.5	12.3	10.4

Source: NCBC Research, All prices as of May 8, 2012, \* On a TTM basis  
N: Neutral, UW: Underweight, OW: Overweight, NC: Not Covered

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

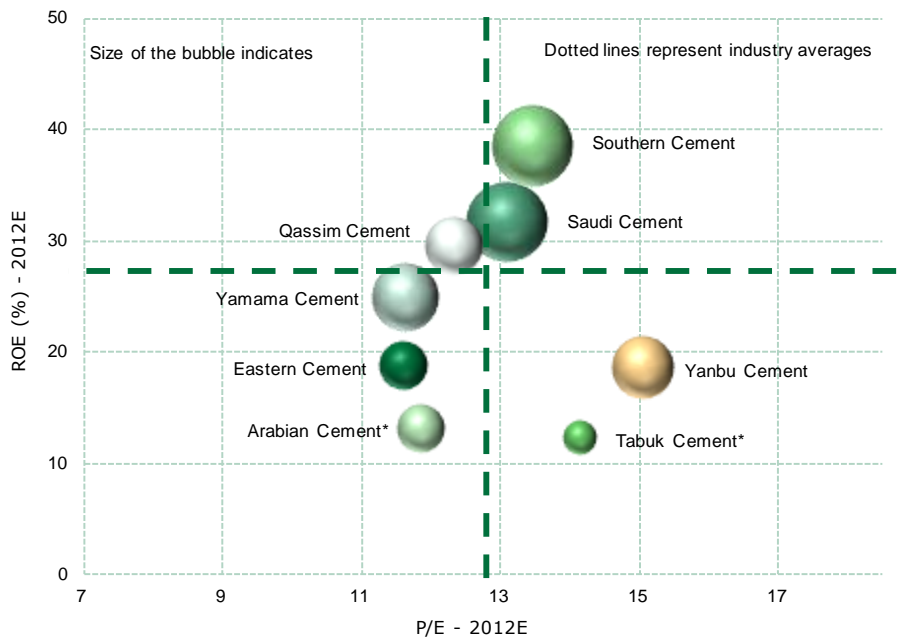
### Exhibit 16: EV per ton vs. EBITDA margin



Source: NCBC Research, \* is on TTM basis

MAY 2012

**Exhibit 17: P/E vs. ROE**



Source: NCBC Research, \* is on TTM basis



MAY 2012

## Appendices

### Appendix 1- Cement Production and Sales

#### Exhibit 18: Cement production and KSA sales

'000 tons

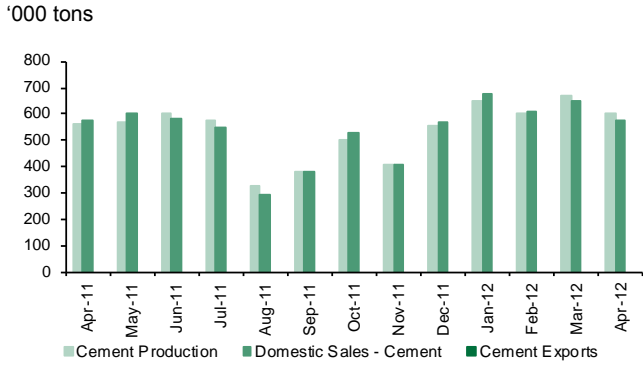
Description	Apr-12	Apr-11	% chg YoY	Mar-12	% chg MoM	(Jan-Apr)		% chg YoY
						2012	2011	
<b>Production</b>								
Cement	4,705	4,411	6.7	5,102	(7.8)	19,016	16,749	13.5
Clinker	4,140	3,351	23.5	4,024	2.9	15,410	13,917	10.7
<b>Domestic Sales</b>								
Cement	4,683	4,195	11.6	4,894	(4.3)	18,769	16,180	16.0
Clinker	144	6	0.0	135	6.7	301	6	NM
<b>Company-wise Production</b>								
Yamama Cement	606	562	7.8	669	(9.4)	2,525	2,045	23.5
Saudi Cement	818	637	28.4	886	(7.7)	3,294	2,383	38.2
Eastern Cement	296	289	2.4	320	(7.5)	1,251	1,174	6.6
Qassim Cement	379	393	(3.6)	384	(1.3)	1,502	1,521	(1.2)
Yanbu Cement	532	379	40.4	501	6.2	1,743	1,369	27.3
Arabian Cement	375	337	11.3	429	(12.6)	1,546	1,342	15.2
Southern Cement	649	589	10.2	718	(9.6)	2,596	2,361	10.0
Tabuk Cement	143	162	(11.7)	160	(10.6)	561	578	(2.9)
Al Jouf Cement	322	323	(0.3)	110	192.7	1,350	1,185	13.9
Others	799	895	(10.7)	925	(13.6)	917	1,094	(16.2)
<b>Company-wise Domestic Sales</b>								
Yamama Cement	578	573	0.9	648	(10.8)	2,513	2,093	20.1
Saudi Cement	746	545	36.9	828	(9.9)	3,138	2,133	47.1
Eastern Cement	285	275	3.6	301	(5.3)	1,199	1,116	7.4
Qassim Cement	384	391	(1.8)	387	(0.8)	1,511	1,523	(0.8)
Yanbu Cement	547	382	43.2	467	17.1	1,736	1,361	27.6
Arabian Cement	394	329	19.8	408	(3.4)	1,560	1,321	18.1
Southern Cement	663	584	13.5	693	(4.3)	2,607	2,401	8.6
Tabuk Cement	144	161	(10.6)	152	(5.3)	556	593	(6.2)
Al Jouf Cement	337	311	8.4	110	206.4	1,353	1,153	17.3
Others	827	829	(0.2)	900	(8.1)	936	1,132	(17.3)

Source: Yamama Cement, NCBC Research

## Appendix 2 - Chart gallery – Company data

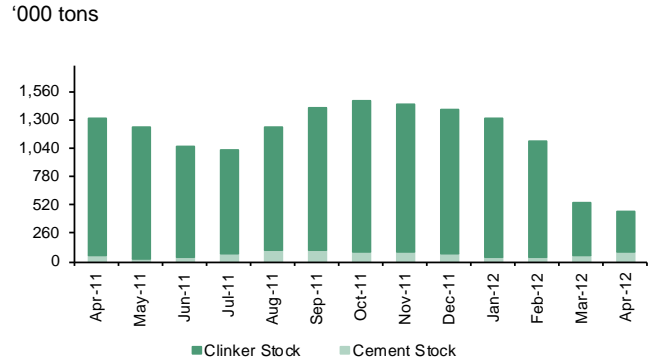
### Yamama Cement (YSCC)

**Exhibit 19: Production and sales**



Source: Yamama Cement, NCBC Research

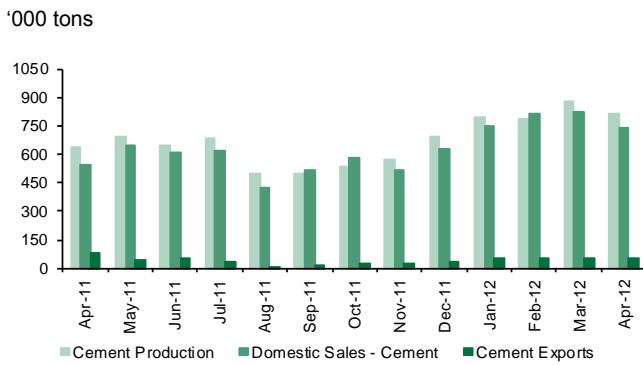
**Exhibit 20: Stock – Cement and clinker**



Source: Yamama Cement, NCBC Research

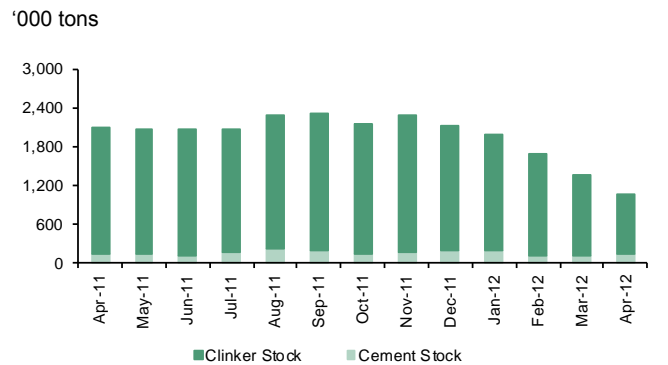
### Saudi Cement (SCC)

**Exhibit 21: Production and sales**



Source: Yamama Cement, NCBC Research

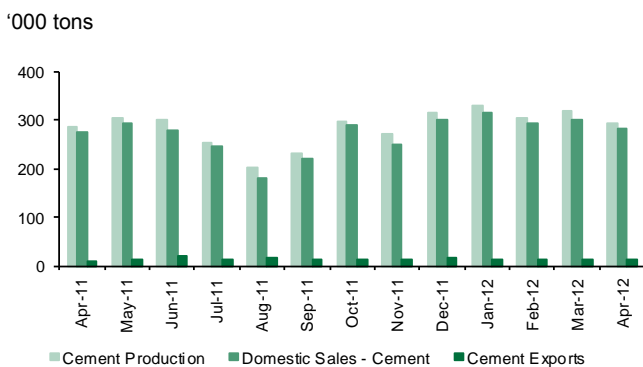
**Exhibit 22: Stock – Cement and clinker**



Source: Yamama Cement, NCBC Research

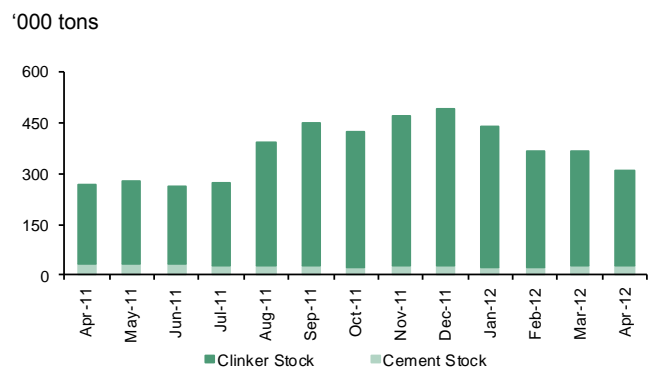
### Eastern Province Cement (EPCC)

**Exhibit 23: Production and sales**



Source: Yamama Cement, NCBC Research

**Exhibit 24: Stock – Cement and clinker**

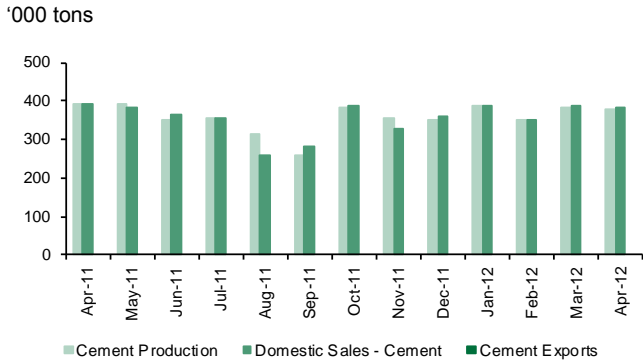


Source: Yamama Cement, NCBC Research

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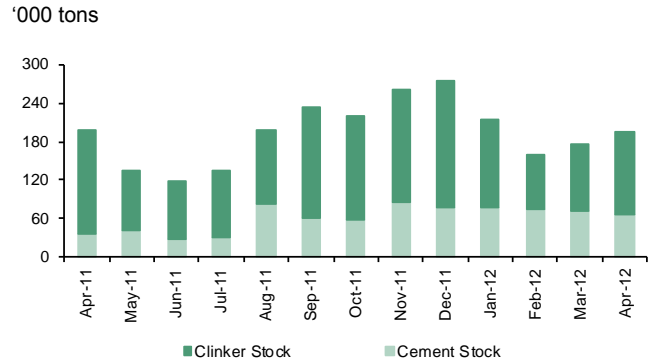
### Qassim Cement (QCC)

**Exhibit 25: Production and sales**



Source: Yamama Cement, NCBC Research

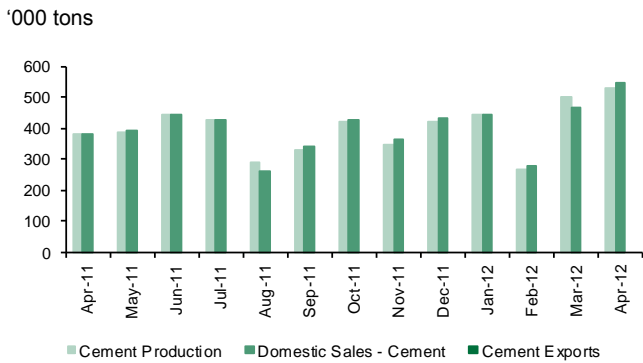
**Exhibit 26: Stock – Cement and clinker**



Source: Yamama Cement, NCBC Research

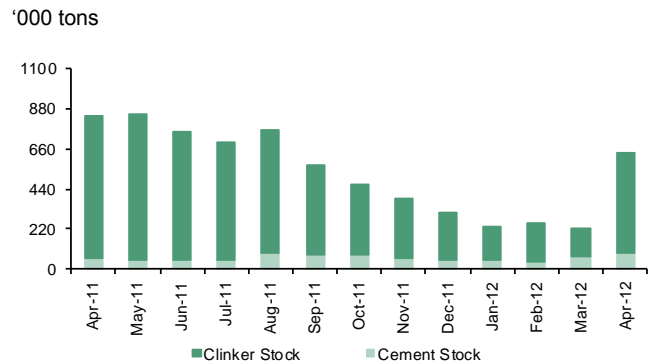
### Yanbu Cement (YCC)

**Exhibit 27: Production and sales**



Source: Yamama Cement, NCBC Research

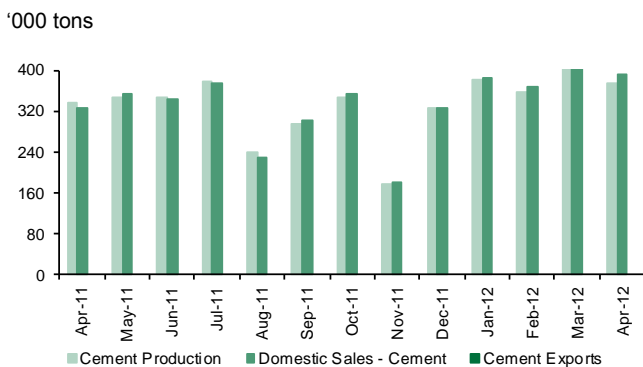
**Exhibit 28: Stock – Cement and clinker**



Source: Yamama Cement, NCBC Research

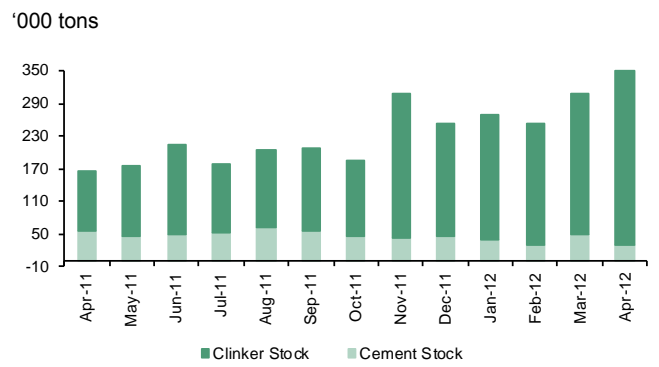
### Arabian Cement (ACC)

**Exhibit 29: Production and sales**



Source: Yamama Cement, NCBC Research

**Exhibit 30: Stock – Cement and clinker**



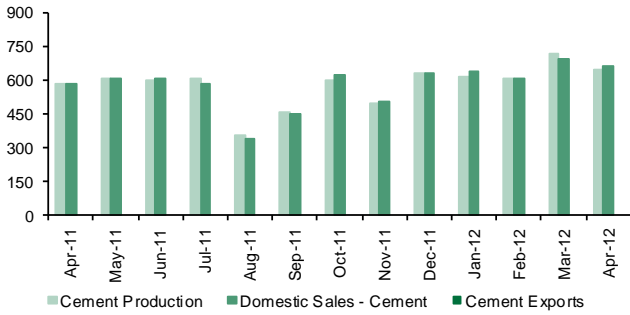
Source: Yamama Cement, NCBC Research

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### Southern Province Cement (SPCC)

**Exhibit 31: Production and sales**

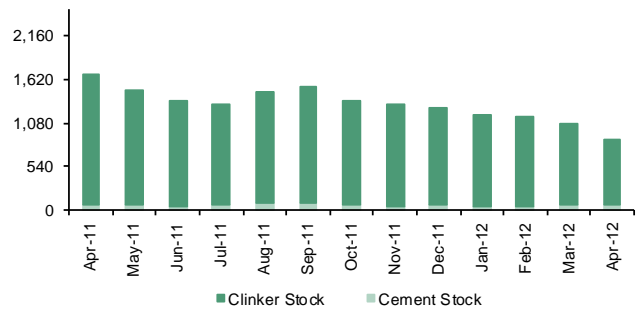
'000 tons



Source: Yamama Cement, NCBC Research

**Exhibit 32: Stock – Cement and clinker**

'000 tons

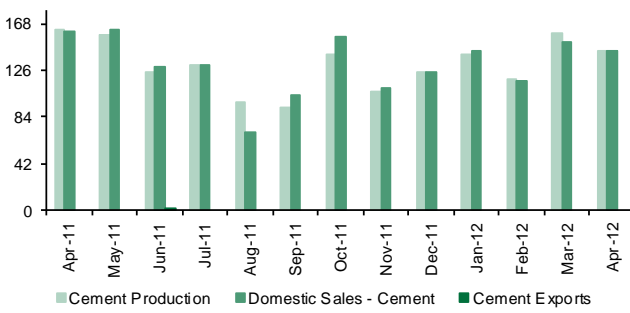


Source: Yamama Cement, NCBC Research

### Tabuk Cement (TCC)

**Exhibit 33: Production and sales**

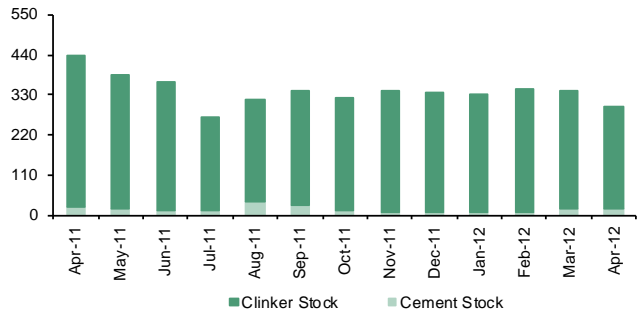
'000 tons



Source: Yamama Cement, NCBC Research

**Exhibit 34: Stock – Cement and clinker**

'000 tons

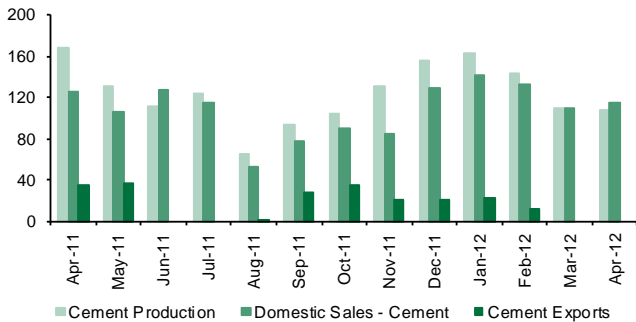


Source: Yamama Cement, NCBC Research

### Al Jouf Cement (JCC)

**Exhibit 35: Production and sales**

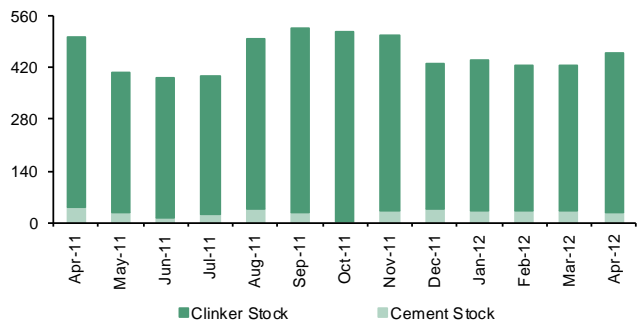
'000 tons



Source: Yamama Cement, NCBC Research

**Exhibit 36: Stock – Cement and clinker**

'000 tons



Source: Yamama Cement, NCBC Research

MAY 2012

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OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

**Other Definitions**

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

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