NCB CAPITAL

Cement Monthly

APRIL 2010

KSA Cement Sector

Demand growth continues to fall

Although total cement and clinker sales volumes increased by 22.6% YoY in Mar-10, this was the lowest YoY growth in four months indicating a slowdown in demand growth for cement. However, inventory as a percentage of monthly sales continues to fall, reaching 226% in Mar-10.

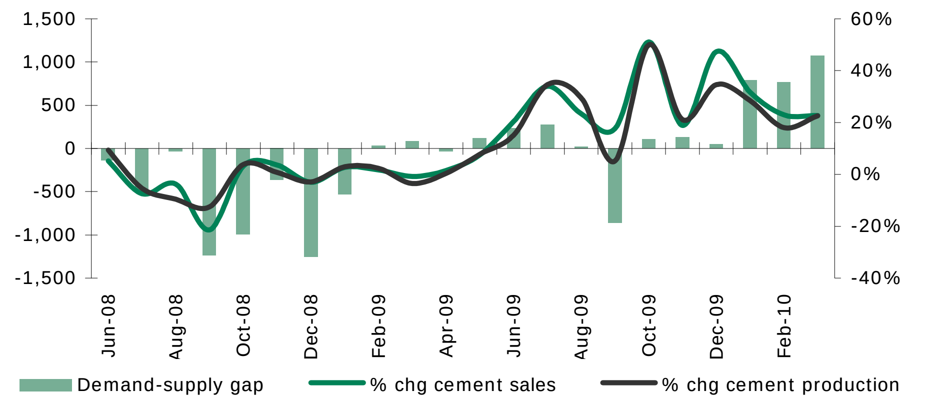
Sales: Cement and clinker sales including exports for Mar-10 stood at 4.24 million tons, reporting an increase of 22.6% YoY. Additionally, sales increased 17.4% MoM compared to 3.62 million tons in Feb-10.

Exports: Cement exports stood at 107,000 tons in Mar-10, up 68.8% YoY. However, on a MoM basis, cement exports declined 17.7% from 130,000 tons in Feb-10.

Production: In Mar-10 cement production increased 17.2% MoM to 4.05 million tons. Additionally, clinker production increased 11.3% to 3.17 million tons, up 11.3% on Feb-10.

Stock: Clinker stock as a percentage of cement sales declined to 226% from 278% in Feb-10 and the high of 481% in Sep-09

Chart of the month: Cement demand continues to outstrip clinker production, reversing the trend of the past 18 months



Source: Yamama Cement, NCBC Research

Exhibit 1: Saudi cement companies – Valuation matrix

Company	M-Cap	Stock perf (%)		P/E (x)	EV/ EBITDA	P/BV (x)	EV/ton 10E	DY (%)	ROE (%)	ROA (%)
	$ mn	Mar-10	YTD	TTM	TTM	Latest	$	09	TTM	TTM
Southern Cem (SPCC)	2,589	(2.8)	2.2	13.4	10.9	4.2	399	7.2	30.4	26.7
Saudi Cem (SCC)	2,158	8.1	37.4	13.2	11.3	2.8	290	4.4	21.2	12.5
Yamama Cem (YSCC)	1,920	2.7	11.3	12.0	8.8	2.4	299	5.6	20.6	16.9
Qassim Cem (QCC)	1,766	2.4	4.7	12.7	10.0	3.9	407	8.2	29.3	22.9
Yanbu Cem (YCC)	1,276	(9.6)	(7.6)	10.6	8.2	2.2	267	6.6	19.9	17.3
Eastern Cem (EPCC)	1,088	1.0	(5.6)	11.8	8.7	2.2	298	6.3	18.2	15.3
Arabian Cem (ACC)	867	(0.5)	(6.0)	10.9	13.2	1.4	222	3.1	13.0	7.7
Tabuk Cem (TCC)	449	2.1	(3.4)	13.8	7.3	1.6	218	6.7	11.1	9.5

Source: NCBC Research, All prices as of April 26, 2010

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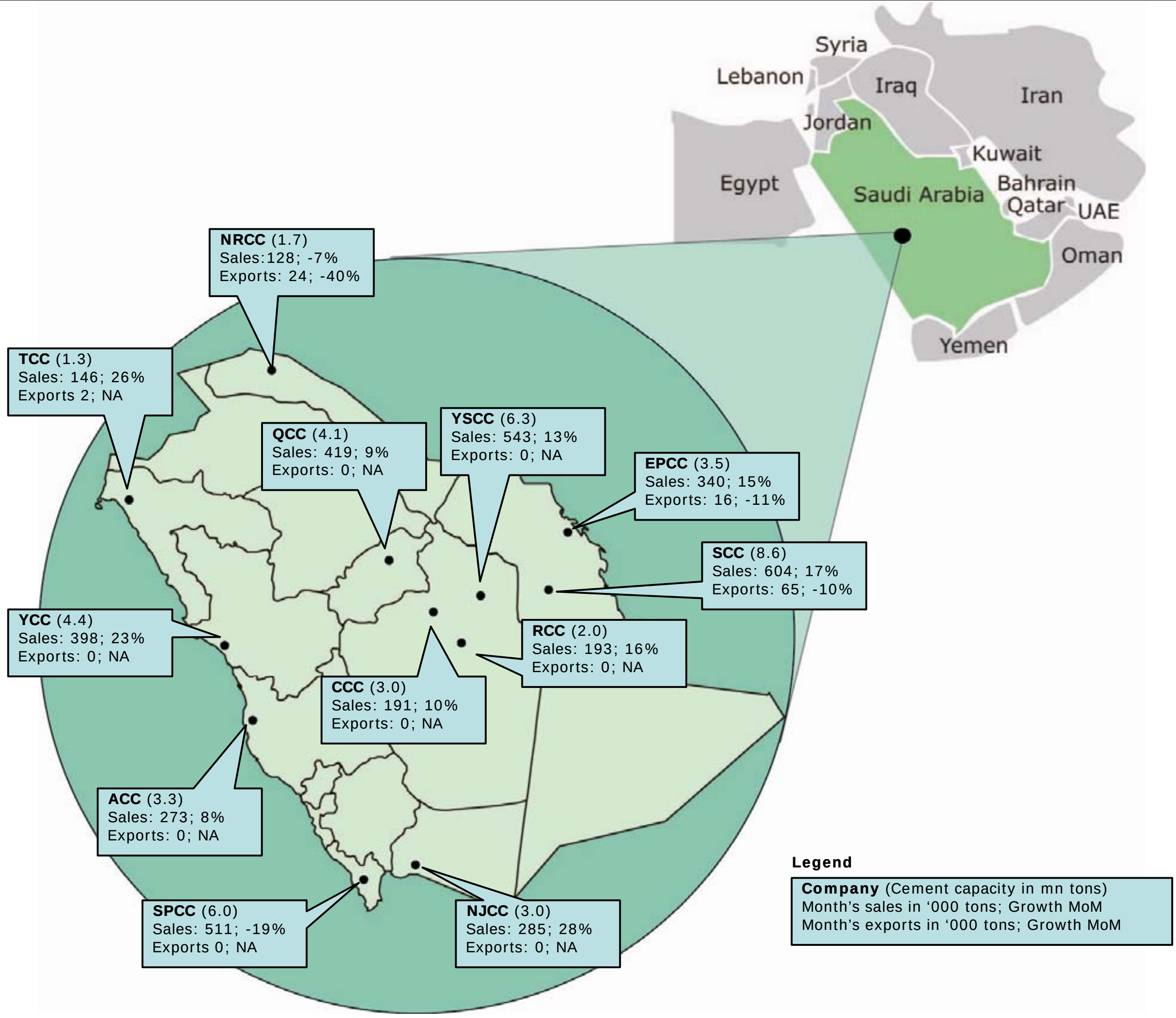
Industry snapshot

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

In Mar-10, total cement sales in KSA stood at 3.96 million tons versus 3.41 million tons in Feb-10 and 3.33 million tons in Mar-09. Clinker sales in Mar-10 stood at 104,000 tons compared to 22,000 tons in Feb-10 and 54,000 tons in Mar-09.

In Mar-10, cement and clinker exports stood at 107,000 tons and 73,000 tons respectively. Four companies exported cement during the month-Saudi Cement, Eastern Province Cement, Northern Region Cement and Tabuk Cement.

Exhibit 2: March-2010 at a glance



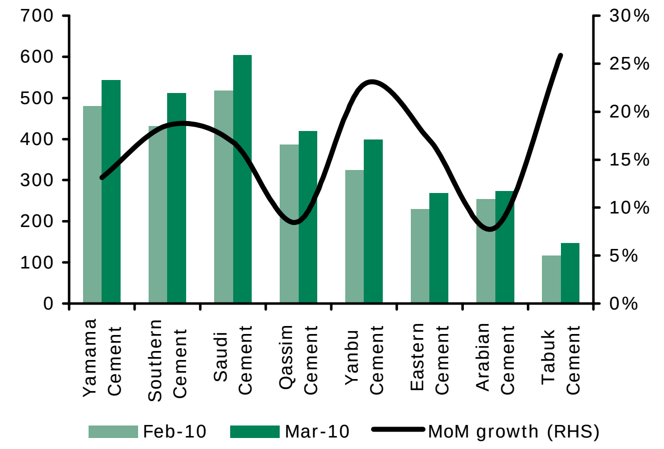
Source: Yamama Cement, NCBC Research
CCC – City Cement, NJCC – Najran Cement, RCC – Riyadh Cement, NRCC – Northern Region Cement

Domestic sales

In Mar-10, cement and clinker sales in Saudi Arabia were up 20.1% YoY to 4.06 million tons compared to 3.38 million ton in Mar-09. Additionally, MoM sales grew 18.3% compared to 3.44 million tons in Feb-10. The majority of companies reported their highest absolute sales volumes YTD in Mar-10. Saudi Cement reported the highest growth in domestic sales on YoY basis at 48%, while Tabuk cement reported highest growth in sales on MoM basis at 26%.

Exhibit 3: Domestic cement sales– MoM

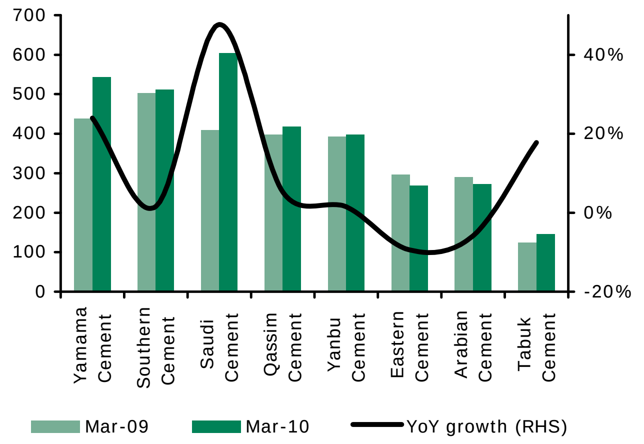
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 4: Domestic cement sales– YoY

('000 tons)



Source: Yamama Cement, NCBC Research

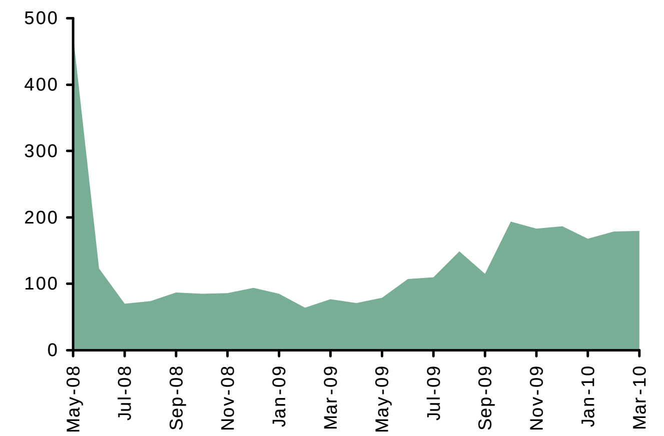
(Please refer to the Appendix on Page 9 for company-specific charts.)

Exports

The Kingdom's cement exports declined to 107,000 tons in Mar-10 compared to 130,000 tons in Feb-10 although higher than the 77,000 tons in Mar-09. Additionally, clinker exports increased to 73,000 tons in Mar-10 compared to 49,000 tons in Feb-10. Companies did not export clinker at all in Mar-09.

Exhibit 5: KSA's total cement exports

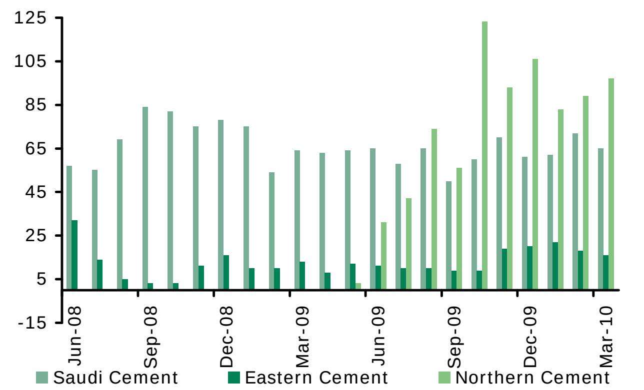
Units (mn 000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 6: Exports by SCC, EPCC and NRCC

('000 tons)



Source: Yamama Cement, NCBC Research

In Mar-10, Saudi Cement, Eastern Province Cement, Northern Region Cement and Tabuk Cement exported cement. Saudi Cement exports decreased to 65,000 tons in Mar-10 against 72,000 tons in Feb-10. Northern Region Cements continues to remain the only exporter of clinker in KSA and exported 73,000 tons of clinker during the month compared to 49,000 tons in Feb-10.

Production

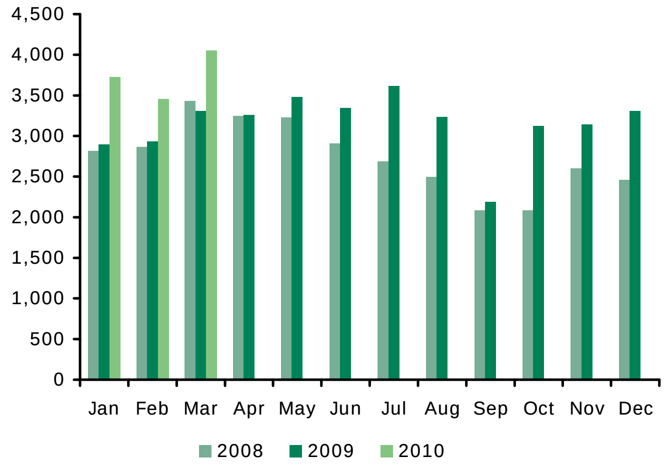
Saudi Arabia produced 4.05 million tons of cement in Mar-10, up 22.6% YoY and 17.2% MoM from 3.46 million tons in Feb-10. Furthermore, clinker production increased 11.3% on MoM basis, while it declined 6.1% on YoY basis in Mar-10.

All the companies except Northern Cement reported increase in cement production on MoM basis. From the listed companies, Yanbu reported the highest decline in clinker production on YoY basis, down 7%.

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

Exhibit 7: Cement production

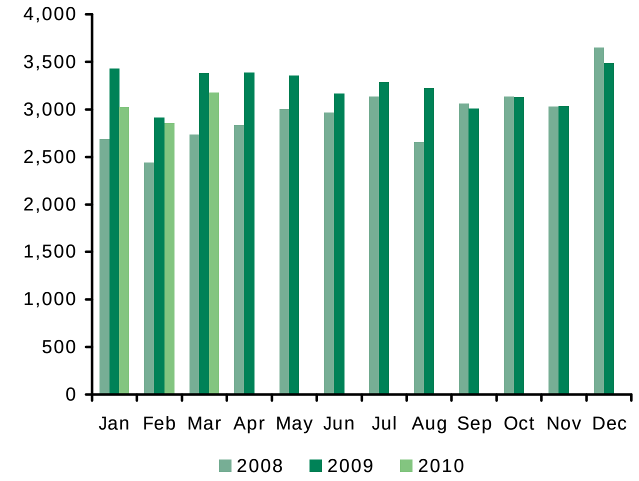
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 8: Clinker production

('000 tons)



Source: Yamama Cement, NCBC Research

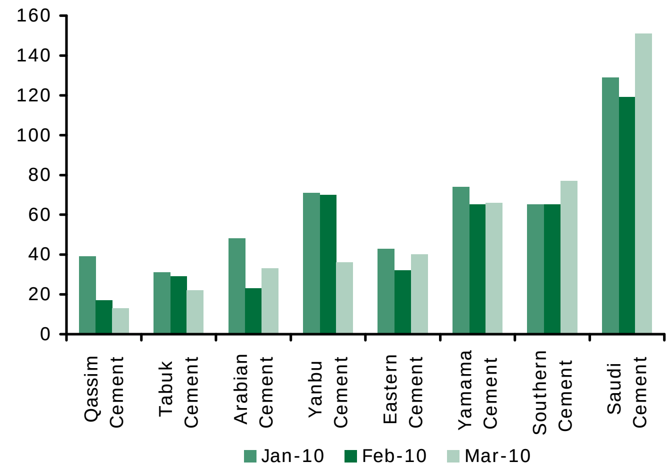
Inventory / stock

Clinker stock at the manufacturer level decreased for the third consecutive month by 6.6% MoM to 9.18 million tons, as a result of a decline in clinker production. On the other hand, on a YoY basis, clinker stock increased by 8.4%.

Cement stock declined by 20.4% on YoY and increased marginally by 1.1% on MoM basis.

Exhibit 9: Cement stock

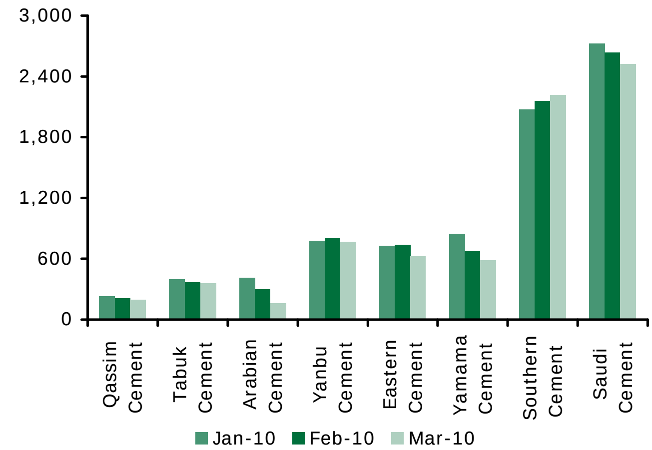
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 10: Clinker stock

('000 tons)

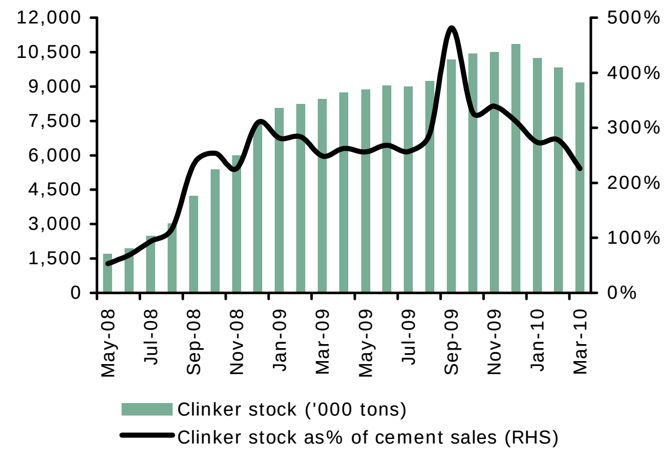


Source: Yamama Cement, NCBC Research

Clinker stock as a percentage of sales decreased to 226% compared to 278% in Feb-10. Company wise, Qassim Cement continues to hold the lowest clinker stock at 47% as a percentage of Mar-10 sales. On the other hand, among the listed companies, Southern Cement continued as holder of the highest clinker stock percentage at 434% of Mar-10 sales compared to 500% in Feb-10.

Exhibit 11: Clinker stock

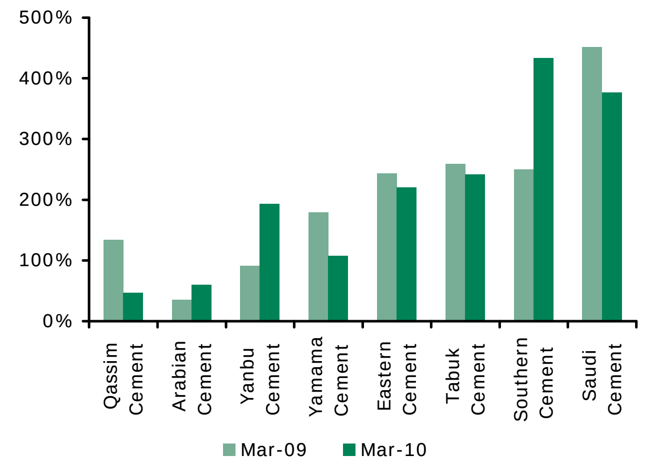
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 12: Clinker stock

(as % of sales)



Source: Yamama Cement, NCBC Research

Market share

In Mar-10, six companies lost domestic market share to six companies. Najran Cement was the biggest gainer of the month increasing its share by 0.7%. On the other hand, Qassim Cement, another player in the western region, was the biggest loser of the month with market share falling by 0.7%.

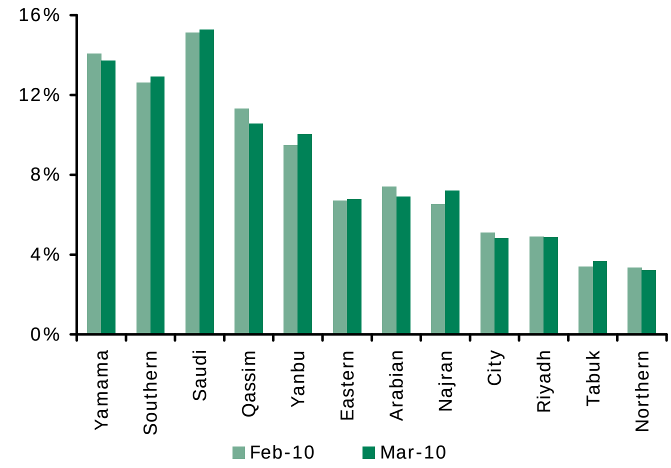
Winners: Najran Cement (0.67%), Yanbu Cement (0.56%), Tabuk Cement (0.29%), Southern Cement (0.28%), Saudi Cement (0.11%) and Eastern Cement (0.06%)

Losers: Qassim Cement (-0.72%), Arabian Cement (-0.51%), Yamama Cement (-0.34%), City Cement (-0.27%), Northern Cement (-0.11%) and Riyadh Cement (-0.02%) and.

The private player's market share increased to 20.1% from 14.4% a year ago.

Exhibit 13: Domestic market share – cement sales

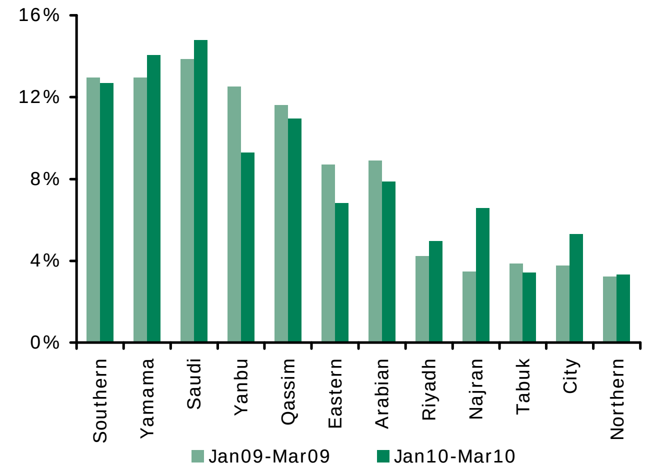
MoM



Source: Yamama Cement, NCBC Research

Exhibit 14: Domestic market share – cement sales

YTD



Source: Yamama Cement, NCBC Research

Valuation

As of 26 April 2010, the cement sector index was up 7.8% YTD, versus a 13.2% increase in the TASI. Exhibit 15 shows the valuation multiples of all listed cement companies in the Kingdom.

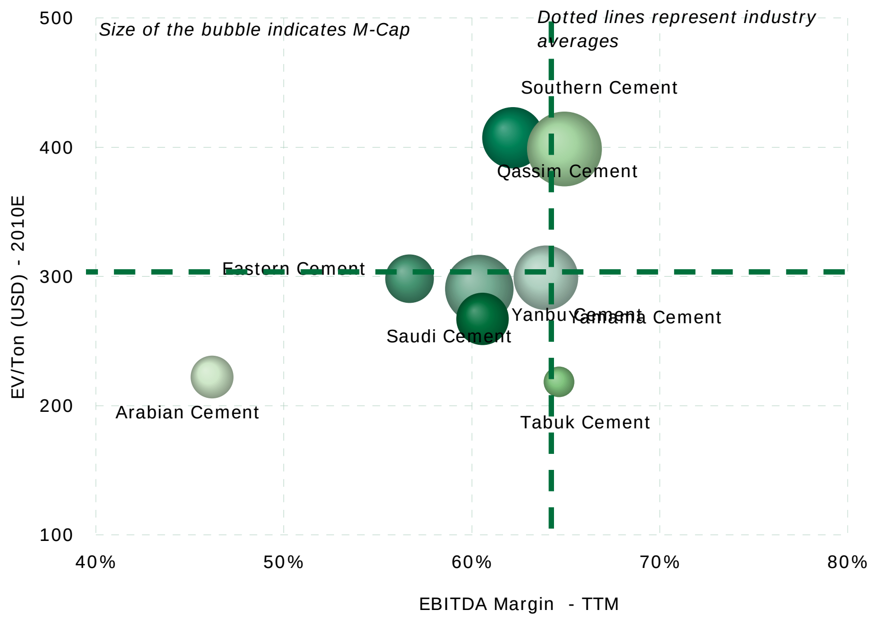
Exhibit 15: Saudi cement companies – Valuation matrix

		M-Cap	Stock performance (%)		P/E (x)	EV/ EBITDA	P/BV (x)	EV/ton 10E	DY (%)	ROE (%)	ROA (%)
Company	**Reuters**	**$ mn**	**Mar-10**	**YTD**	**TTM**	**TTM**	**Latest**	**$**	**09**	**TTM**	**TTM**
Southern Cement	3050.SE	2,589	(2.8)	2.2	13.4	10.9	4.2	399	7.2	30.4	26.7
Saudi Cement	3030.SE	2,158	8.1	37.4	13.2	11.3	2.8	290	4.4	21.2	12.5
Yamama Cement	3020.SE	1,920	2.7	11.3	12.0	8.8	2.4	299	5.6	20.6	16.9
Qassim Cement	3040.SE	1,766	2.4	4.7	12.7	10.0	3.9	407	8.2	29.3	22.9
Yanbu Cement	3060.SE	1,276	(9.6)	(7.6)	10.6	8.2	2.2	267	6.6	19.9	17.3
Eastern Cement	3080.SE	1,088	1.0	(5.6)	11.8	8.7	2.2	298	6.3	18.2	15.3
Arabian Cement	3010.SE	867	(0.5)	(6.0)	10.9	13.2	1.4	222	3.1	13.0	7.7
Tabuk Cement	3090.SE	449	2.1	(3.4)	13.8	7.3	1.6	218	6.7	11.1	9.5

Source: NCBC Research, All prices as of April 26, 2010

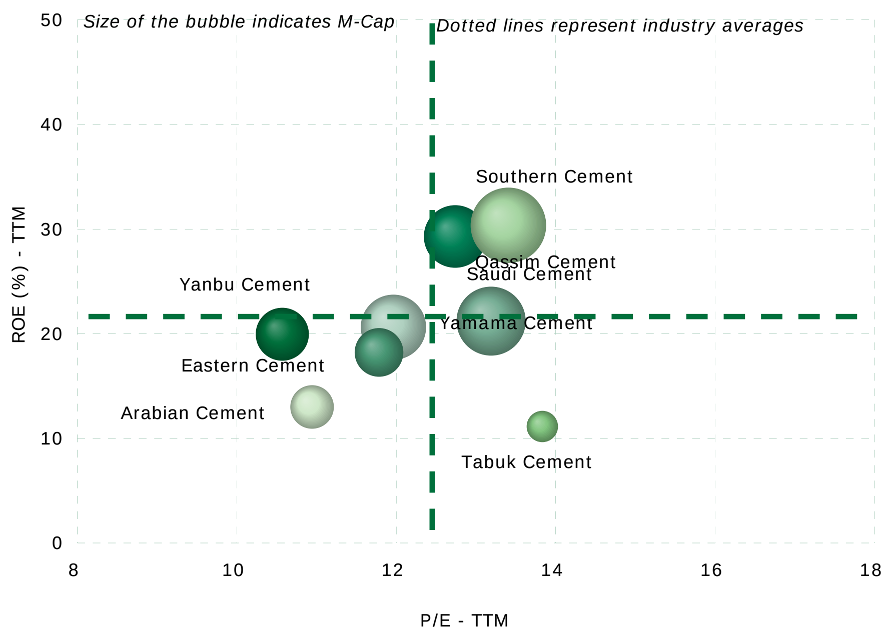
Exhibits 16 and 17 capture the current valuation of Saudi cement companies.

Exhibit 16: EV per ton vs. EBITDA margin



Source: NCBC Research

Exhibit 17: P/E vs. ROE



Source: NCBC Research

Appendices

Appendix 1- Cement Production and Sales

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

Description	Mar-10	Mar-09	% chg YoY	Feb-10	% chg MoM	(Jan-Mar) 2010	(Jan-Mar) 2009	% chg YoY
Production								
Cement	4,053	3,306	22.6	3,457	17.2	11,236	9,136	23.0
Clinker	3,173	3,378	(6.1)	2,851	11.3	9,047	9,714	(6.9)
Sales								
Cement	4,066	3,406	19.4	3,544	14.7	11,357	9,184	23.7
Clinker	177	54	227.8	71	149.3	313	113	177.0
Company-wise Production								
Yamama Cement	544	417	30.5	471	15.5	1,556	1,127	38.1
Saudi Cement	701	458	53.1	580	20.9	1,847	1,437	28.5
Eastern Cement	292	305	(4.3)	236	23.7	810	793	2.1
Qassim Cement	415	383	8.4	364	14.0	1,169	1,012	15.5
Yanbu Cement	364	369	(1.4)	323	12.7	984	1,098	(10.4)
Arabian Cement	284	294	(3.4)	228	24.6	842	777	8.4
Southern Cement	503	486	3.5	431	16.7	1,366	1,331	2.6
Tabuk Cement	141	126	11.9	114	23.7	360	334	7.8
Others	809	468	72.9	710	13.9	2,302	1,227	87.6
Company-wise Sales								
Yamama Cement	543	438	24.0	480	13.1	1,547	1,131	36.8
Saudi Cement	669	473	41.4	589	13.6	1,825	1,403	30.1
Eastern Cement	284	309	(8.1)	247	15.0	807	792	1.9
Qassim Cement	419	398	5.3	386	8.5	1,205	1,014	18.8
Yanbu Cement	398	392	1.5	324	22.8	1,019	1,094	(6.9)
Arabian Cement	273	290	(5.9)	253	7.9	866	776	11.6
Southern Cement	511	503	1.6	431	18.6	1,394	1,354	3.0
Tabuk Cement	148	124	19.4	116	27.6	377	337	11.9
Others	821	479	71.4	718	14.3	2,317	1,283	80.6

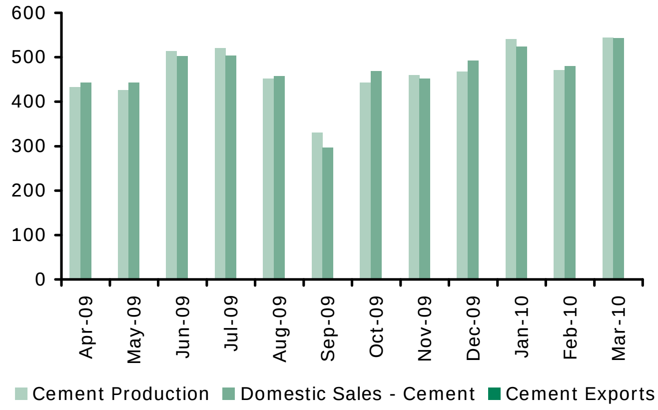
Source: Yamama Cement, NCBC Research

Appendix 2 - Chart gallery – Company data

YAMAMA CEMENT (YSCC)

Exhibit 19: Production and sales

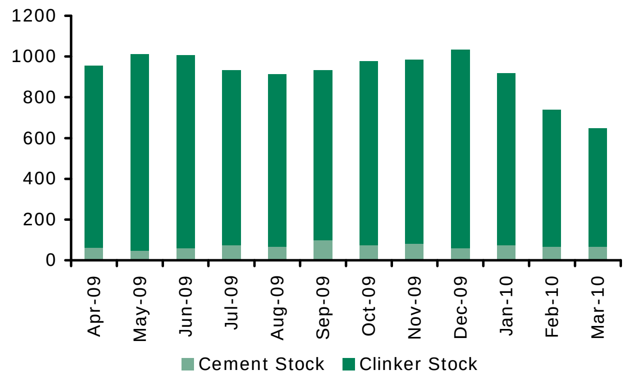
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 20: Stock - Cement and clinker

('000 tons)

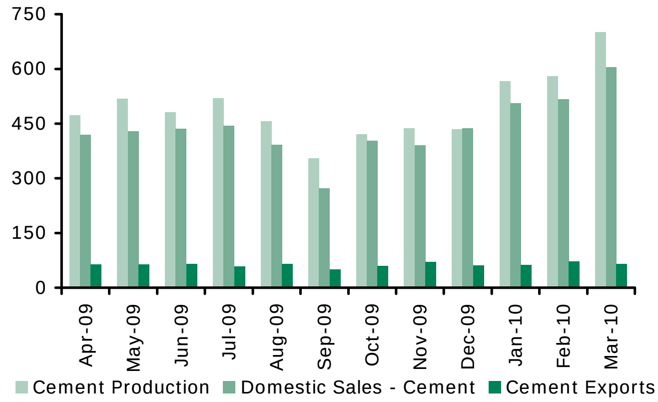


Source: Yamama Cement, NCBC Research

SAUDI CEMENT (SCC)

Exhibit 21: Production and sales

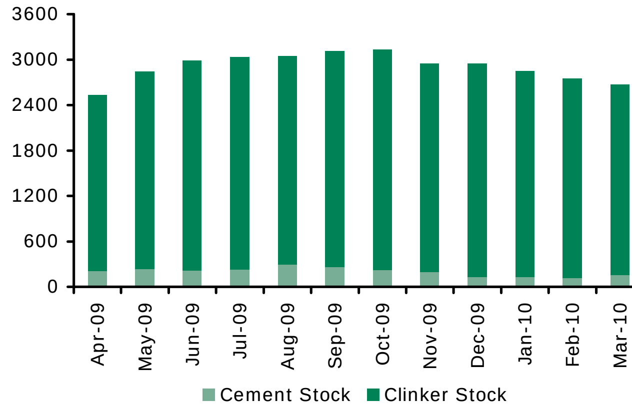
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 22: Stock - Cement and clinker

('000 tons)

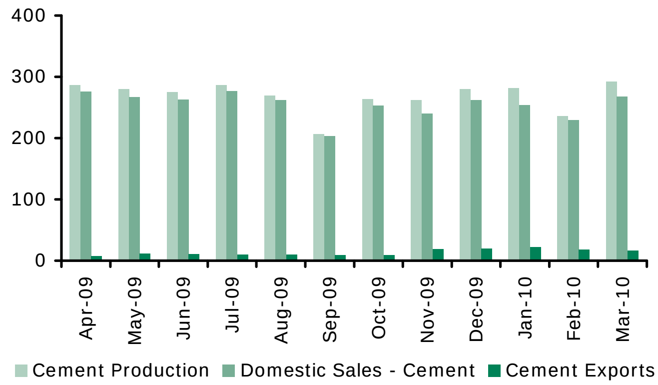


Source: Yamama Cement, NCBC Research

EASTERN PROVINCE CEMENT (EPCC)

Exhibit 23: Production and sales

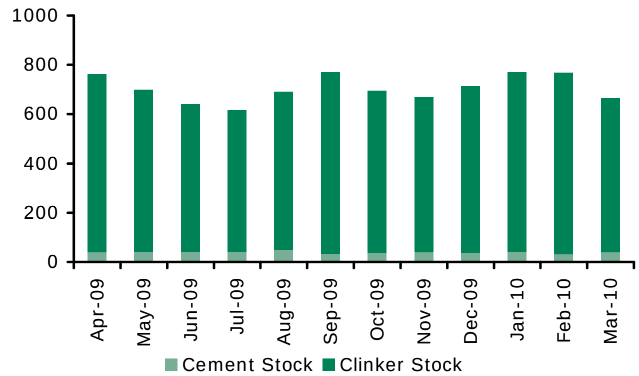
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 24: Stock - Cement and clinker

Units ('000 tons)

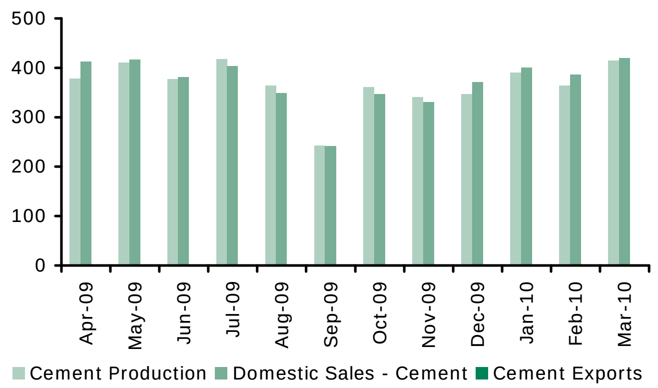


Source: Yamama Cement, NCBC Research

QASSIM CEMENT (QCC)

Exhibit 25: Production and sales

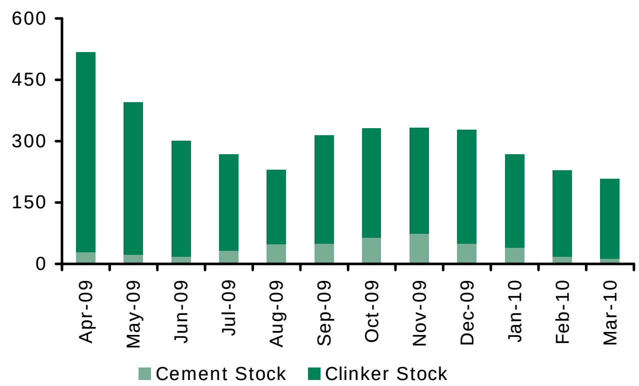
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 26: Stock - Cement and clinker

('000 tons)

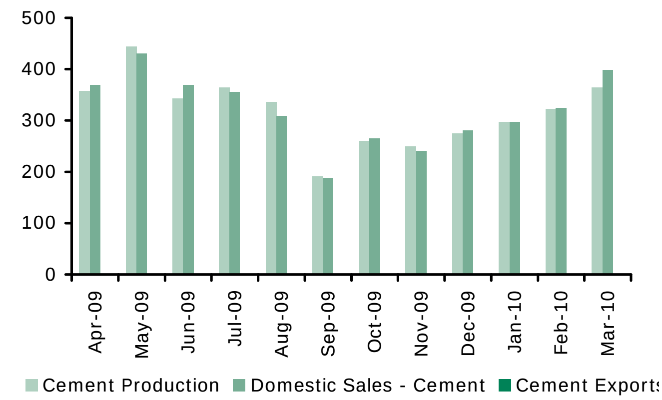


Source: Yamama Cement, NCBC Research

YANBU CEMENT (YCC)

Exhibit 27: Production and sales

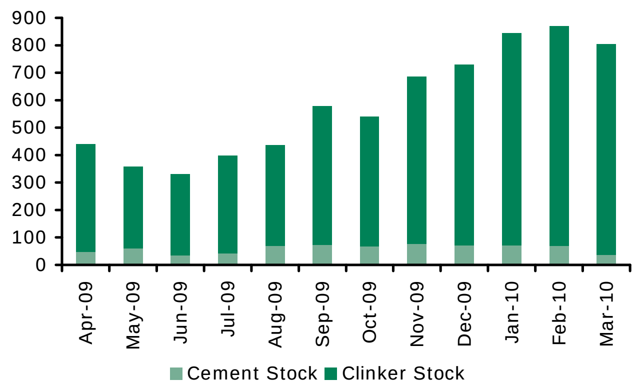
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 28: Stock - Cement and clinker

('000 tons)



Source: Yamama Cement, NCBC Research

ARABIAN CEMENT (ACC)

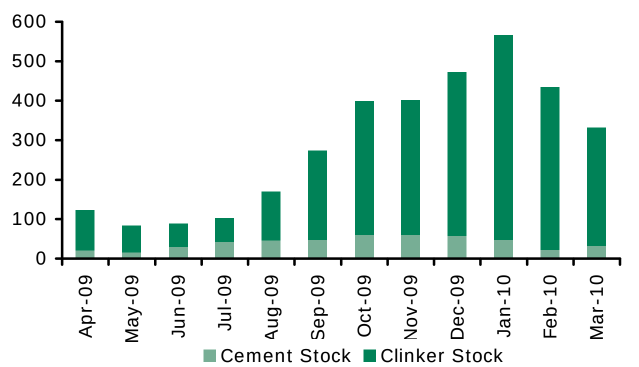
Exhibit 29: Production and sales

('000 tons)

Source: Yamama Cement, NCBC Research

Exhibit 30: Stock - Cement and clinker

('000 tons)

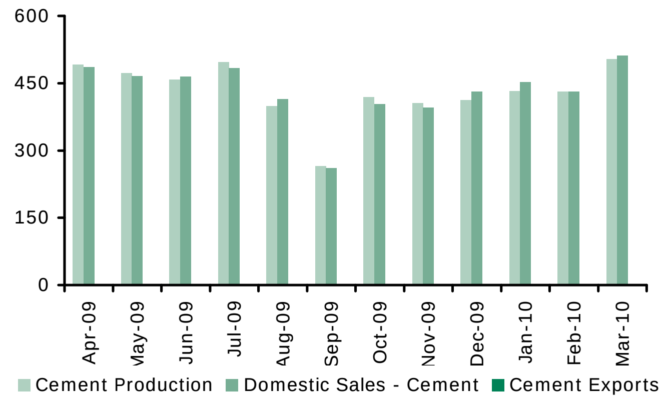


Source: Yamama Cement, NCBC Research

SOUTHERN PROVINCE CEMENT (SPCC)

Exhibit 31: Production and sales

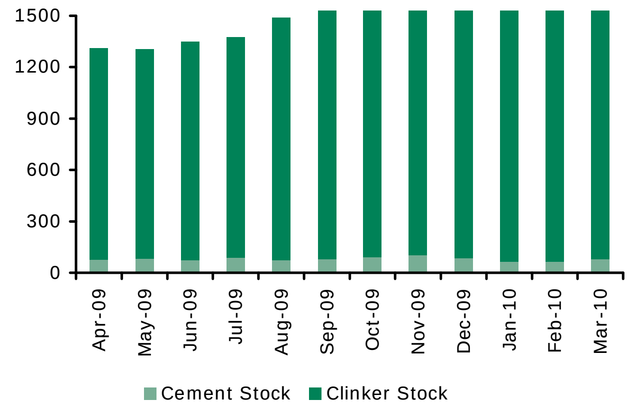
('000 tons)



Source: Yamama Cement, NCBC Research

Exhibit 32: Stock - Cement and clinker

('000 tons)

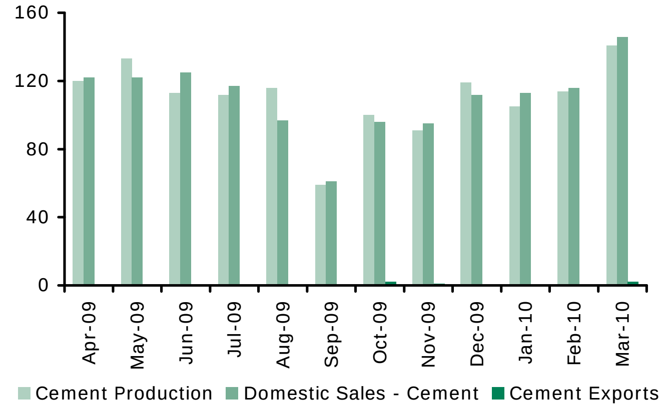


Source: Yamama Cement, NCBC Research

TABUK CEMENT (TCC)

Exhibit 33: Production and sales

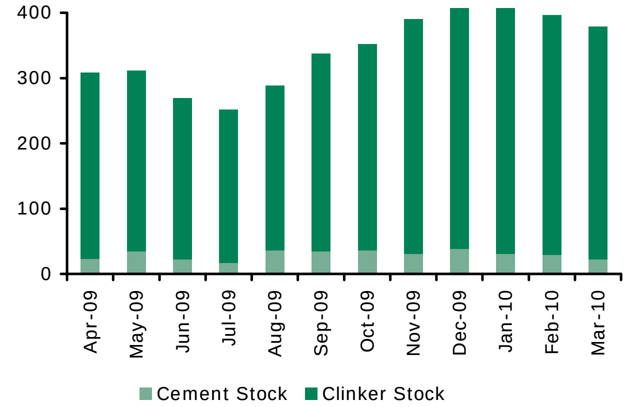
('000 tons)



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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