Global Investment House

Global Research – Saudi Arabia

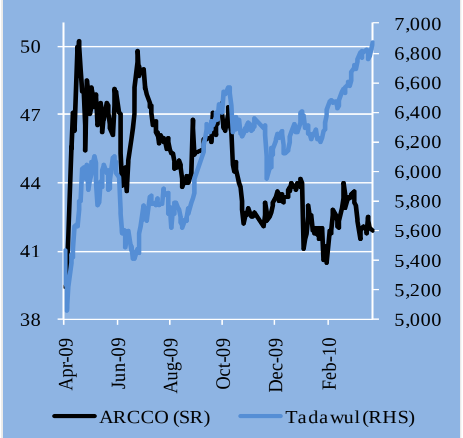
Result Flash

Market Data

Bloomberg Code:	ARCCO AB
Reuters:	3010.SE
CMP (18 Apr 2010):	SR40.5
O/S (mn):	80.0
Market Cap (SRmn):	3,240
Market Cap (US$mn):	864
Price/EPS 2010e (x):	8.85
Price/Bv 2010e (x):	1.49

Price Performance	**1-Yr**
High (SR):	50.0
Low (SR):	40.4
Average Volume (000) :	89.6

Price Volume Performance at KSE



Source: Zawya

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Arabian Cement Company – 1Q-2010 Review

- Arabian Cement Company announced its 1Q-2010 results. Net profits witnessed a decline of 21.3%YoY in 1Q-2010 to SR81.7mn.

ARCCO Interim Results

(SR mn)	1Q-2009	4Q-2009	1Q-2010	YoY %	QoQ %
Sales Revenue	203.8	179.3	201.7	-1.0%	12.5%
Cost of Sales	88.5	92.9	111.7	26.2%	20.2%
Gross Profit	115.3	86.4	90.0	-21.9%	4.2%
Gross Margin	56.6%	48.2%	44.6%	-	-
Net Profit	103.8	(87.4)	81.7	-21.3%	NM
EPS (SR)	1.30	(1.09)	1.02	-21.3%	NM

Source: Tadawul & Zawya

- The sales revenue also decreased by 1.0% YoY to SR201.7mn in 1Q-2010 despite the rise in volumes sold by 11.5%YoY to 866,000 tons as the realized prices declined by 11.2% YoY to SR232.9 per ton.

- On a QoQ basis, net profit increased by 24.7% in 1Q-2010 over net profit before provisions of SR65.5mn in 4Q-2009. The net profit in 4Q-2009 was severely dented by write-downs of SR97.0mn relating to property, plant and equipment and a SR50.0mn loss from associates.

- Arabian Cement Company has failed to keep pace with growth in total local industry dispatches which have increased by 22.9%YoY to 11.23mn tons in 1Q-2010 due to capacity limitations and intensification of competition. The new capacity for Arabian Cement of 2.0mn tons will come online in Jordan in 2010 which will drive future growth in sales and profits.

Volume and Price

	1Q-2009	4Q-2009	1Q-2010	YoY%	QoQ%
Cement Dispatches (000)	777	769	866	11.5%	12.6%
Realization price (SR per ton)	262.3	233.2	232.9	-11.2%	-0.1%

Source: Tadawul, Yamama Cement & Zawya

- New capacity additions along with selective export ban continue to show their impact on gross margins of the company which have come down to 44.6% in 1Q-2010 compared to 56.6% in the corresponding period last year.

- On a QoQ basis, sales revenue has increased by 12.5%. The increase in revenue was driven by an increase in sales volume by 12.6%QoQ.

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