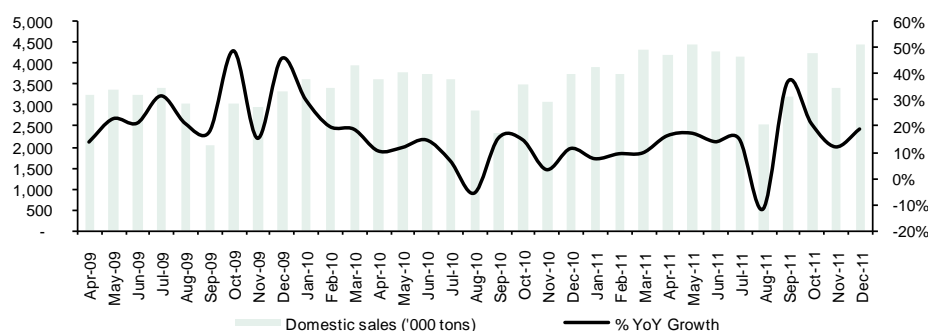


STRONG END TO 2011

Cement sales grew by 19% YoY in Dec-11 to 4.44mn tons, the 2nd highest monthly sales ever, driven by listed as well as private players. This more than offset the increased cement production, pushing the clinker stock-to-sales ratio to the lowest level since Sep-08.

- **Sales:** Domestic cement sales rose 19.0% YoY and 29.3% MoM to 4.44mn tons in Dec-11. Local clinker sales increased to 13,000 tons against 9,000 tons in Nov-11, an increase of 44.4%.
- **Exports:** Cement exports dropped 25.9% YoY but increased 19.8% MoM to 103,000 tons in Dec-11.
- **Production:** In Dec-11 cement production increased 17.7% YoY to 4.51mn tons. However, clinker production decreased 1.5% YoY to 3.66mn tons.
- **Market share:** Unlisted private players' domestic cement market share increased by 1.2% MoM to 21.1%; the increase was 92 bps MoM to 22.5%, including exports and clinker sales.

Chart of the month: Domestic cement sales is at the 2nd highest level ever



Source: Yamama Cement, NCBC Research

Exhibit 1: Saudi cement companies – Valuation matrix

	Rating	MCap \$mn	Stock perf (%)		P/E (x)	EV/ EBITDA	P/BV (x)	EV/ton \$	DY (%)	ROE (%)
			Dec	YTD						
Southern Cem (SPCC)	N	3,133	17.0	(2.6)	13.1	11.0	4.0	502.4	6.0	31.5
Yamama Cem (YSCC)	N	2,577	14.8	2.1	12.3	9.2	2.7	379.3	5.6	22.6
Saudi Cem (SCC)	N	3,044	15.2	3.5	13.1	10.7	3.0	357.6	5.4	23.4
Qassim Cem (QCC)	N	1,750	7.8	0.1	11.4	9.4	3.2	412.3	5.9	28.7
Yanbu Cem (YCC)	N	1,808	15.1	(5.8)	12.3	10.9	2.1	440.9	4.7	18.2
Eastern Cem (EPCC)	N	1,286	18.3	0.9	12.3	9.6	2.1	343.5	5.4	17.8
Arabian Cem* (ACC)	NC	970	7.2	1.1	8.9	7.7	1.3	238.9	4.4	14.6
Al Jouf Cem* (JCC)	NC	542	7.5	3.3	25.9	17.3	1.5	309.4	0.0	5.8
Tabuk Cem* (TCC)	NC	534	8.2	(1.6)	14.6	8.5	1.8	291.8	5.6	12.4

Source: NCBC Research, All prices as of January 25, 2012, * On a TTM basis
N: Neutral, UW: Underweight, OW: Overweight, NC: Not Covered

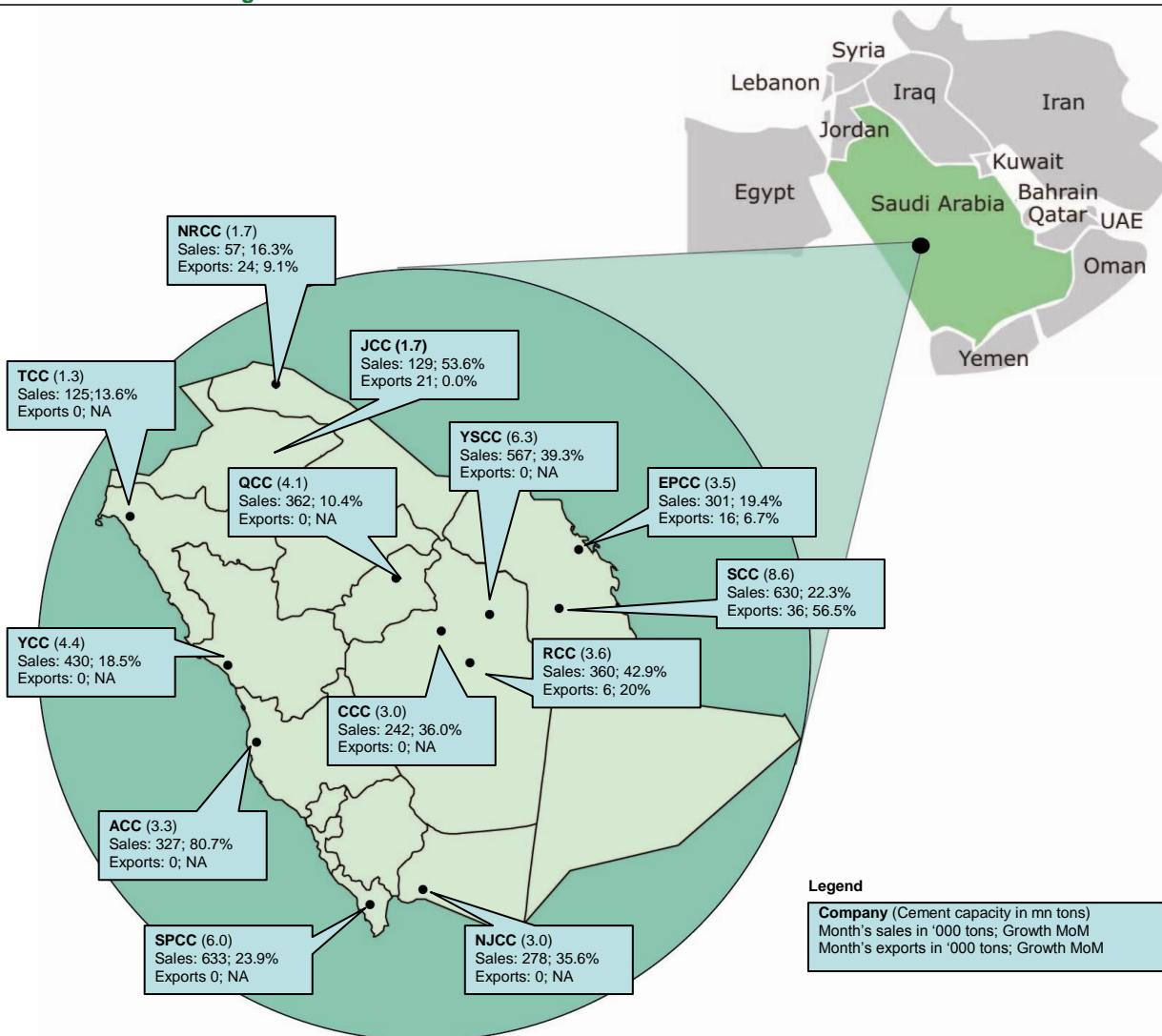
Industry snapshot

The Kingdom of Saudi Arabia (KSA) has 13 cement companies with an estimated annual cement production capacity of 51 million tons.

In Dec-11, total cement sales in KSA stood at 4.44 million tons versus 3.73 million tons in Dec-10 and 3.44 million tons in Nov-11. Domestic clinker sales came to 13,000 tons in Dec-11 vs. no sales in Dec-10; it increased 44.4% MoM from 9,000 tons in Nov-11.

In Dec-11, cement and clinker exports stood at 103,000 tons and 73,000 tons, respectively, from 86,000 tons and 63,000 tons in Nov-11. Five companies exported cement during the month - Saudi Cement, Eastern Cement, Riyadh Cement, Northern Region Cement and Al Jouf Cement, while only Northern Region Cement exported clinker.

Exhibit 2: Dec-2011 at a glance



Yamama Cement, NCBC 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

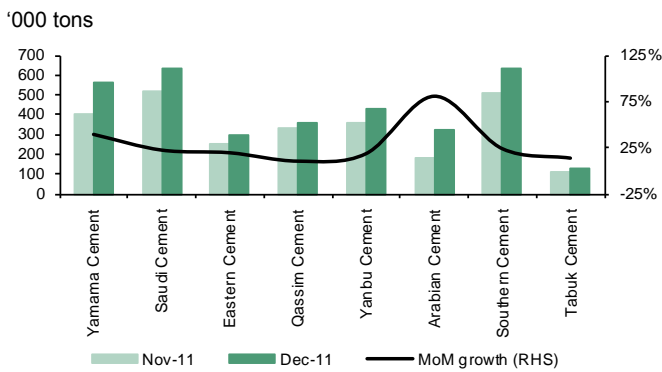
Domestic sales

In Dec-11 domestic sales of cement grew by 19.0% YoY to 4.44 mn tons. The four private companies saw a 20.6% YoY increase in domestic cement sales, while the listed firms reported an increase of 18.6% YoY.

On a MoM basis, domestic cement sales increased by 29.3% compared to the 3.44mn tons in Nov-11. All the companies reported an increase on a MoM basis. Among the listed companies, Arabian Cement reported the highest MoM increase of 80.7%, followed by Al Jouf and Yamama Cement which grew 53.6% and 39.3% respectively. Qassim Cement reported the lowest MoM increase of 10.4%.

On a YoY basis, Al Jouf and Yanbu Cement reported the highest increase of 81.7% and 35.6%, respectively. Two companies reported a YoY decline in domestic sales, with Qassim Cement reporting the highest decline of 8.1%.

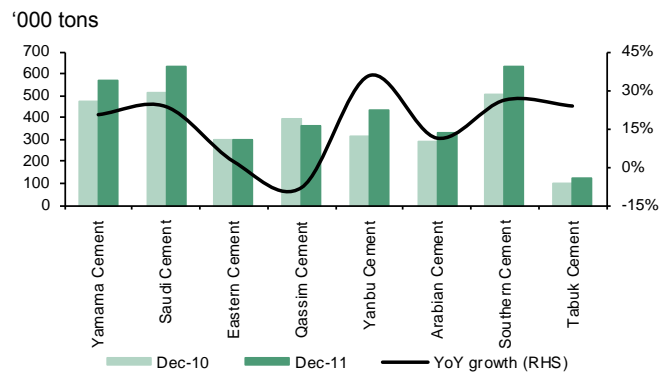
Exhibit 3: Domestic cement sales– MoM



Source: Yamama Cement, NCBC Research

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

Exhibit 4: Domestic cement sales– YoY

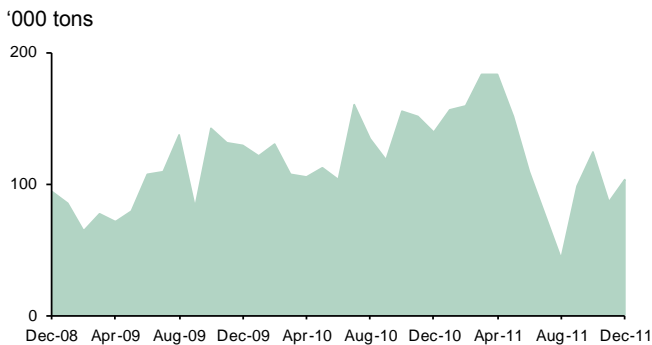


Source: Yamama Cement, NCBC Research

Exports

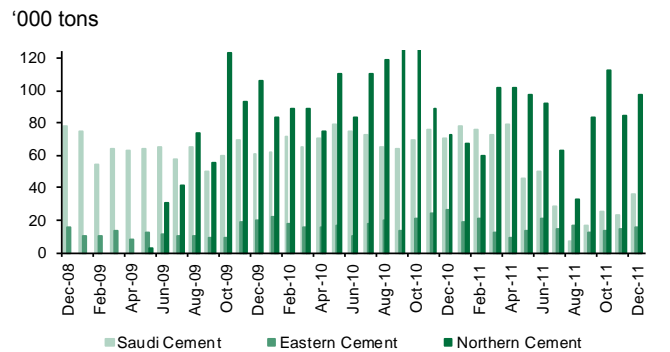
The Kingdom’s cement exports increased 19.8% MoM to 103,000 tons in Dec-11. On a YoY basis it decreased 25.9% from 139,000 tons in Dec-10. The YoY decrease was on lower exports by Saudi, Eastern and Northern Cement, which fell 49.3%, 38.5% and 29.4% respectively. Clinker exports increased 87.2% on a YoY basis to 73,000 tons in Dec-11; on a MoM basis clinker exports also increased 15.9% from 63,000 tons in Nov-11.

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 Dec-11, Saudi Cement, Eastern Province Cement, Riyadh Cement, Northern Region Cement and Al Jouf Cement exported cement. Total exports decreased 25.9% YoY; Saudi Cement reported the highest decline at 49.3% followed by Eastern Cement’s 38.5%. On a MoM basis exports increased 19.8% driven by 56.5%, 20.0% and 9.1% increase in exports for Saudi Cement, Riyadh Cement and Northern Cement respectively.

Production

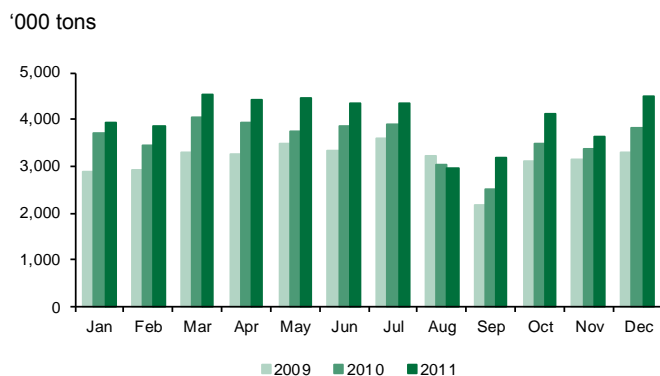
Saudi Arabia produced 4.51 million tons of cement in Dec-11, up 17.7% YoY and 24.6% MoM.

On a YoY basis, among listed players, Al Jouf reported the highest increase of 80.2% followed by Yanbu and Southern Cement with 33.9% and 28.0% increase respectively. On a MoM basis, Arabian and Yamamah Cement reported an increase of 83.8% and 34.5% respectively, while Northern and Qassim Cement reporting decrease of 3.8% and 0.8% respectively.

Clinker production was down 1.5% YoY but up 2.9% MoM during Dec-11. Among listed players, Al Jouf Cement reported the highest drop in production of 44.6% YoY. On a MoM basis, Saudi Cement reported the highest drop at 25.8%, followed by Al Jouf at 24.7%. Qassim Cement reported the highest increase of 30.9% on YoY basis, while Yamamah’s 37.7% increase was the highest on MoM basis.

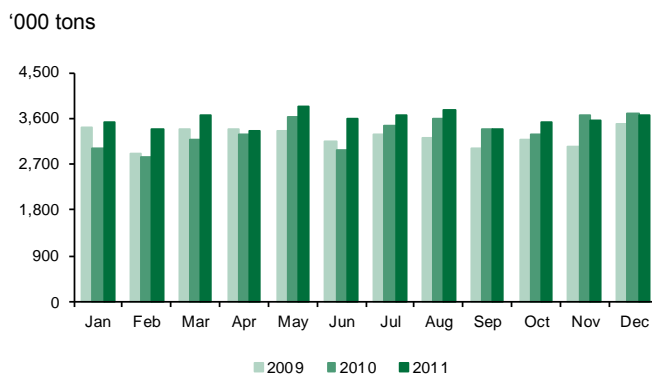
(Please refer to the Inventory / stock section on Page 5 for more details).

Exhibit 7: Cement production



Source: Yamama Cement, NCBC Research

Exhibit 8: Clinker production

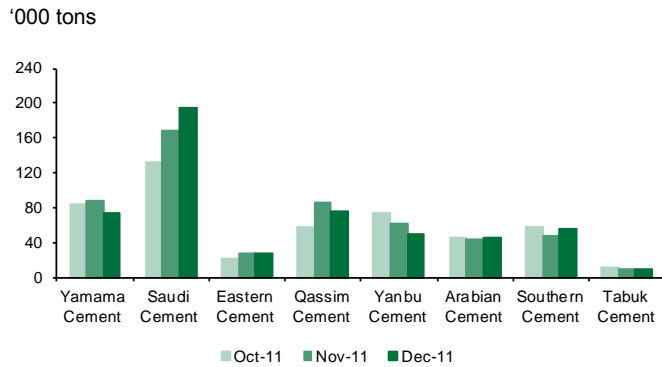


Source: Yamama Cement, NCBC Research

Inventory stock

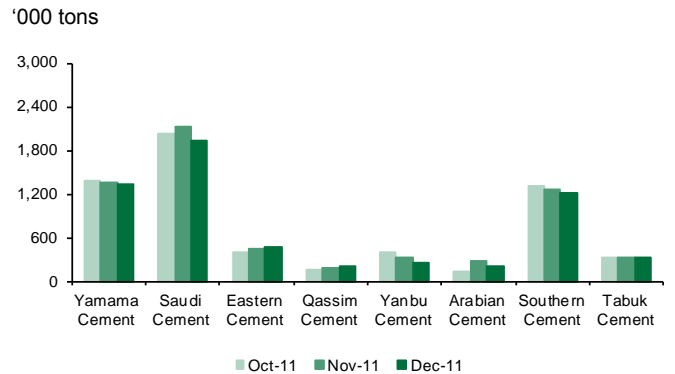
Clinker stock at the manufacturer level decreased 7.8% MoM and 25.3% YoY to 7.50 million tons. Similarly, cement stock decreased 3.6% MoM and 9.8% YoY during Dec-11.

Exhibit 9: Cement stock



Source: Yamama Cement, NCBC Research

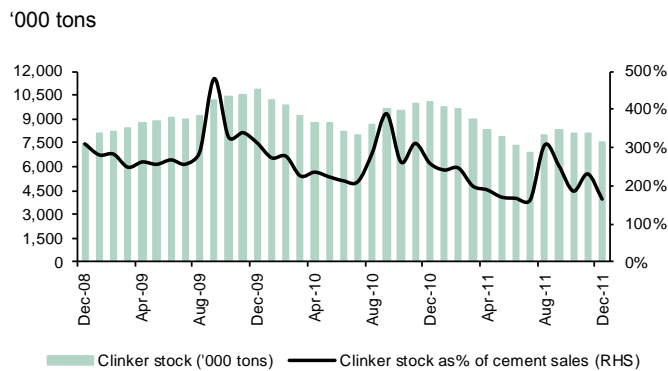
Exhibit 10: Clinker stock



Source: Yamama Cement, NCBC Research

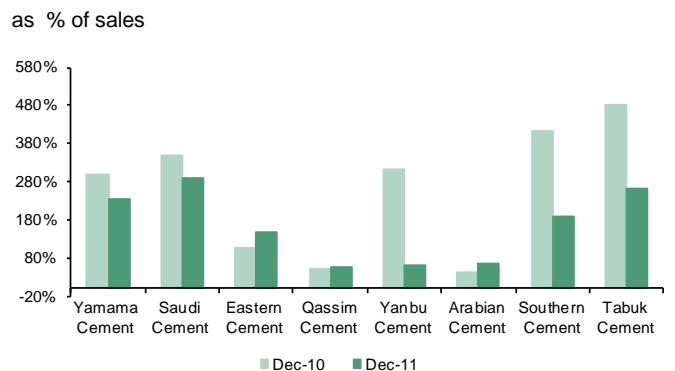
Clinker stock as a percentage of monthly sales decreased to 165% in Dec-11 compared to 231% in Nov-11 and 260% in Dec-10. Company wise, Qassim Cement held the lowest stock percentage at 55% of Dec-11 sales. On the other hand, among the listed companies (excluding Al-Jouf), Saudi Cement held the highest clinker stock percentage at 291% of Dec-11 sales.

Exhibit 11: Clinker stock



Source: Yamama Cement, NCBC Research

Exhibit 12: Clinker stock



Source: Yamama Cement, NCBC Research

Market share

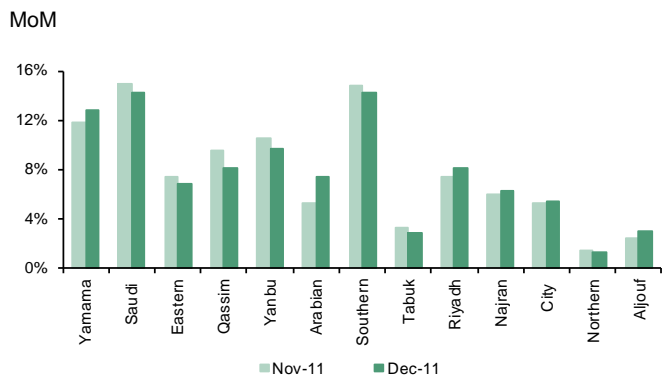
In Dec-11, seven companies lost domestic cement market share to six companies. Qassim Cement was the biggest listed decliner of the month, losing market share by 140bps to 8.2%. Arabian Cement was the biggest listed gainer of the month with its market share rising by 209bps to 7.4%.

Gainers: Arabian Cement (2.09%), Yamamah Cement (0.92%), Riyadh Cement (0.77%), Al Jouf Cement (0.46%) Najran Cement (0.29%) and City Cement (0.27%).

Decliners: Qassim Cement (1.40%), Yanbu Cement (0.89), Saudi Cement (0.81%), Southern Cement (0.62%), Eastern Cement (0.56%), Tabuk Cement (0.39) and Northern Cement (-0.14%).

The non-listed private player’s market share for domestic cement sales grew by 1.2% MoM to 21.1% in Dec-11 (on a YoY basis it was a 0.3% increase). If we include exports and sales of clinker, non-listed private players’ market share grew by 0.9% YoY to 22.5% (up 0.7% 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 25 January 2011, the cement sector index was up 0.6% YTD, as compared to the TASI which is up 0.9% during the same period. Exhibit 15 shows the valuation multiples of all listed cement companies in the Kingdom.

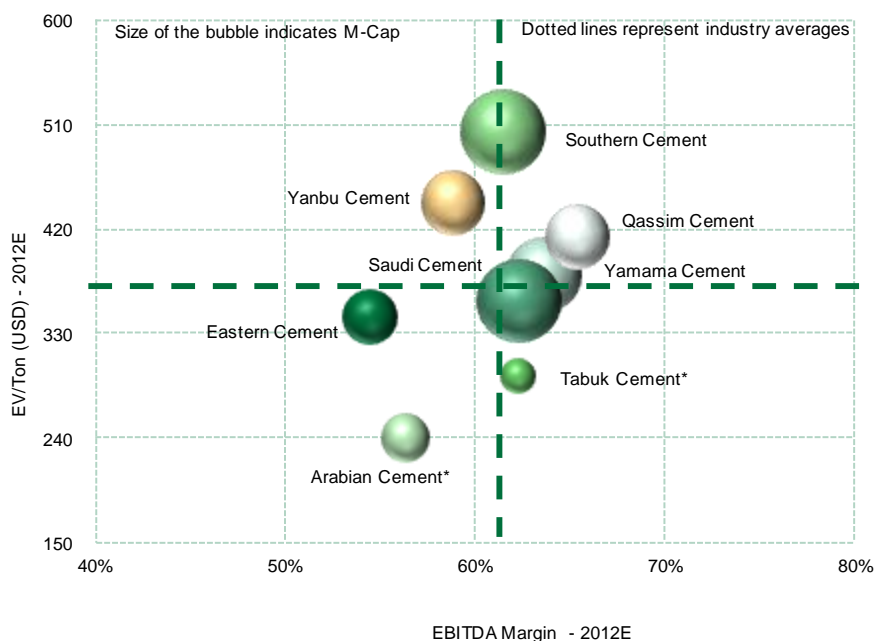
Exhibit 15: Saudi cement companies – Valuation matrix

	Reuters	Rating	M-Cap \$mn	Stock perf		P/E (x) '11	EV/ EBITDA '11	P/BV (x) '11	EV/ton 11E \$	DY (%) '11	ROE (%) '11	ROA (%) '11
				Dec	YTD							
Southern Cem (SPCC)	3050.SE	Neutral	3,133	17.0	(2.6)	13.1	11.0	4.0	502.4	6.0	31.5	27.6
Yamama Cem (YSCC)	3020.SE	Neutral	2,577	14.8	2.1	12.3	9.2	2.7	379.3	5.6	22.6	20.1
Saudi Cem (SCC)	3030.SE	Neutral	3,044	15.2	3.5	13.1	10.7	3.0	357.6	5.4	23.4	18.6
Qassim Cem (QCC)	3040.SE	Neutral	1,750	7.8	0.1	11.4	9.4	3.2	412.3	5.9	28.7	26.1
Yanbu Cem (YCC)	3060.SE	Neutral	1,808	15.1	(5.8)	12.3	10.9	2.1	440.9	4.7	18.2	10.9
Eastern Cem (EPCC)	3080.SE	Neutral	1,286	18.3	0.9	12.3	9.6	2.1	343.5	5.4	17.8	16.5
Arabian Cem* (ACC)	3010.SE	NC	970	7.2	1.1	8.9	7.7	1.3	238.9	4.4	14.6	9.2
Al Jouf Cem* (JCC)	3091.SE	NC	542	7.5	3.3	25.9	17.3	1.5	309.4	0.0	5.8	4.5
Tabuk Cem* (TCC)	3090.SE	NC	534	8.2	(1.6)	14.6	8.5	1.8	291.8	5.6	12.4	10.7

Source: NCBC Research, All prices as of January 25, 2012, * On a TTM basis
N: Neutral, UW: Underweight, OW: Overweight, NC: Not Covered

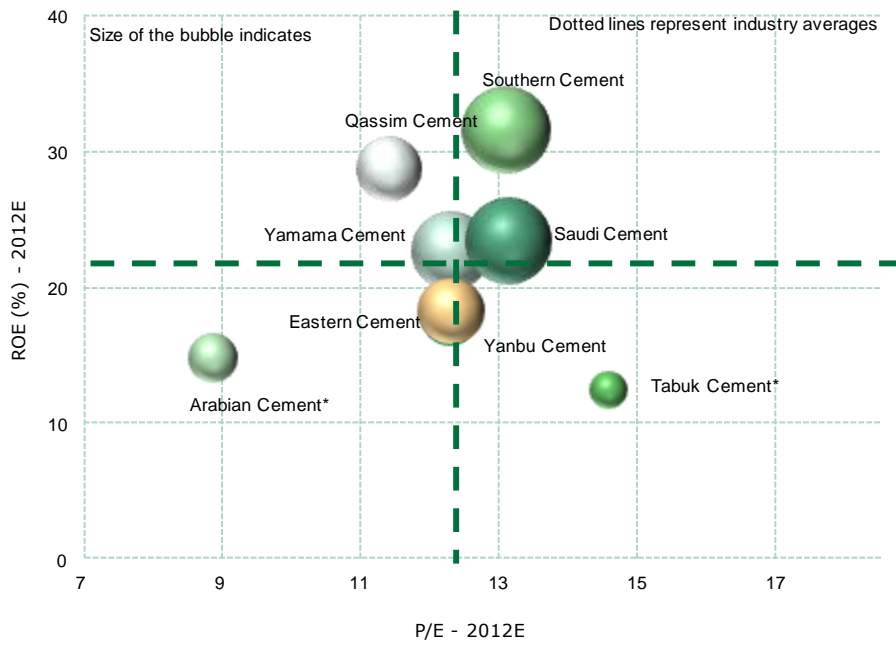
Exhibits 16 and 17 capture the current valuation of Saudi cement companies.

Exhibit 16: EV per ton vs. EBITDA margin



Source: NCBC Research, * is on TTM basis

Exhibit 17: P/E vs. ROE



Source: NCBC Research, * is on TTM basis

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Appendices

Appendix 1- Cement Production and Sales

Exhibit 18: Cement production and KSA sales

'000 tons

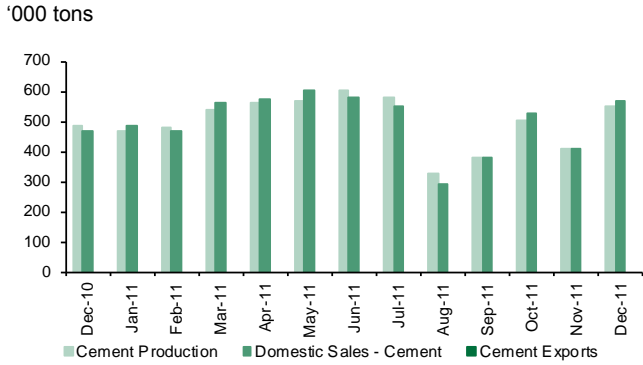
Description	Dec-11	Dec-10	% chg YoY	Nov-11	% chg MoM	(Jan-Dec)		% chg YoY
						2011	2010	
Production								
Cement	4,514	3,835	17.7	3,622	24.6	48,358	42,919	12.7
Clinker	3,657	3,711	(1.5)	3,554	2.9	42,908	40,051	7.1
Domestic Sales								
Cement	4,441	3,732	19.0	3,435	29.3	46,956	41,295	13.7
Clinker	13	0	N/A	9	44.4	151	638	(76.3)
Company-wise Production								
Yamama Cement	553	488	13.3	411	34.5	5,975	5,520	8.2
Saudi Cement	693	571	21.4	573	20.9	7,220	6,802	6.1
Eastern Cement	318	326	(2.5)	273	16.5	3,362	3,190	5.4
Qassim Cement	353	363	(2.8)	356	(0.8)	4,287	4,213	1.8
Yanbu Cement	419	313	33.9	350	19.7	4,444	3,829	16.1
Arabian Cement	329	265	24.2	179	83.8	3,812	3,175	20.1
Southern Cement	635	496	28.0	502	26.5	6,729	5,290	27.2
Tabuk Cement	125	107	16.8	107	16.8	1,552	1,335	16.3
Al Jouf Cement	155	86	80.2	131	18.3	1,474	455	224.0
Others	934	820	13.9	740	26.2	9,503	9,110	4.3
Company-wise Domestic Sales								
Yamama Cement	567	471	20.4	407	39.3	6,008	5,469	9.9
Saudi Cement	630	510	23.5	515	22.3	6,677	5,899	13.2
Eastern Cement	301	295	2.0	252	19.4	3,188	2,959	7.7
Qassim Cement	362	394	(8.1)	328	10.4	4,248	4,225	0.5
Yanbu Cement	430	317	35.6	363	18.5	4,441	3,853	15.3
Arabian Cement	327	294	11.2	181	80.7	3,800	3,200	18.8
Southern Cement	633	502	26.1	511	23.9	6,774	5,305	27.7
Tabuk Cement	125	101	23.8	110	13.6	1,579	1,308	20.7
Al Jouf Cement	129	71	81.7	84	53.6	1,189	374	217.9
Others	937	777	20.6	684	37.0	9,052	8,703	4.0

Source: Yamama Cement, NCBC Research

Appendix 2 - Chart gallery – Company data

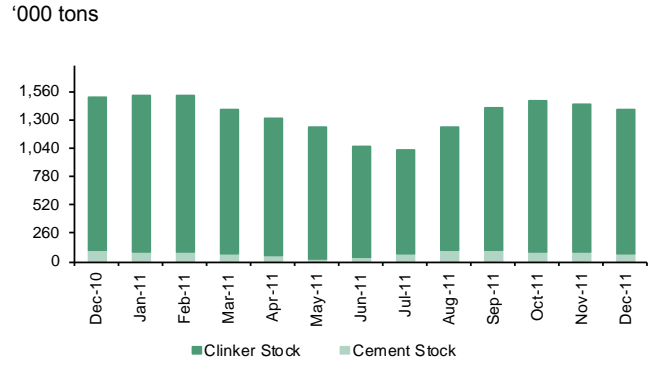
Yamama Cement (YSCC)

Exhibit 19: Production and sales



Source: Yamama Cement, NCBC Research

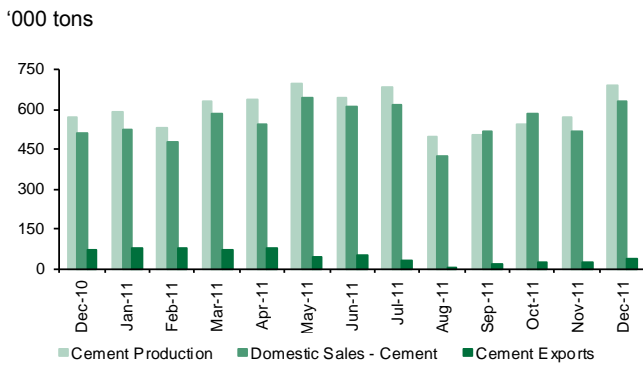
Exhibit 20: Stock – Cement and clinker



Source: Yamama Cement, NCBC Research

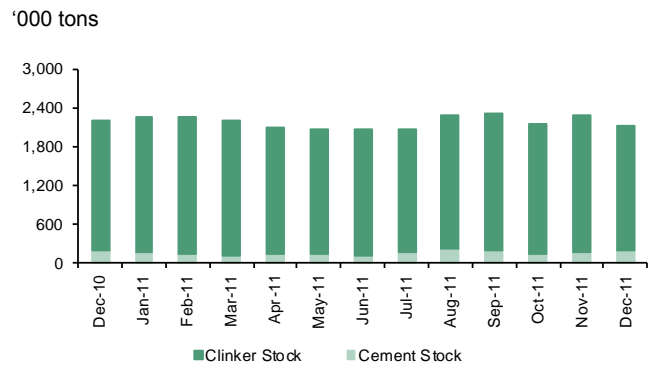
Saudi Cement (SCC)

Exhibit 21: Production and sales



Source: Yamama Cement, NCBC Research

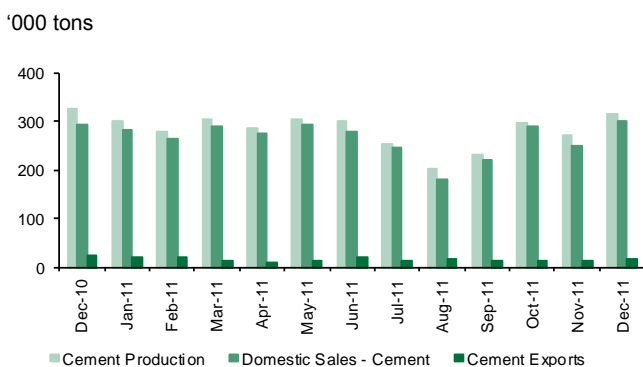
Exhibit 22: Stock – Cement and clinker



Source: Yamama Cement, NCBC Research

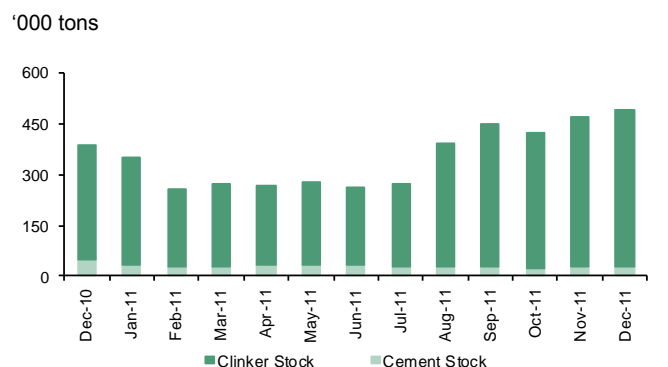
Eastern Province Cement (EPCC)

Exhibit 23: Production and sales



Source: Yamama Cement, NCBC Research

Exhibit 24: Stock – Cement and clinker

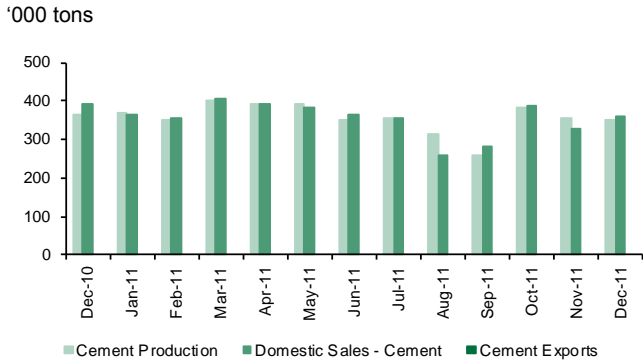


Source: Yamama Cement, NCBC Research

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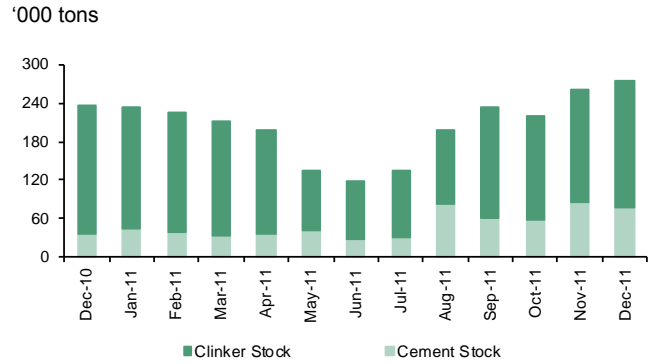
Qassim Cement (QCC)

Exhibit 25: Production and sales



Source: Yamama Cement, NCBC Research

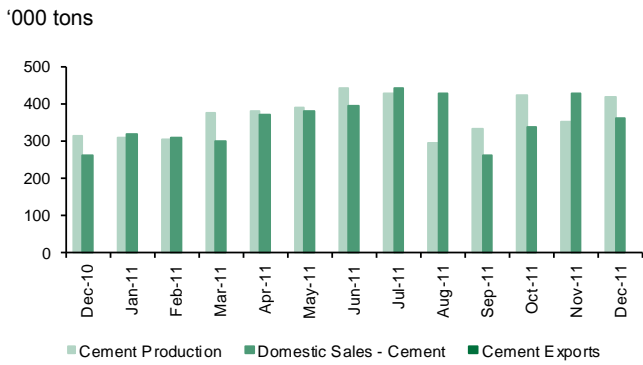
Exhibit 26: Stock – Cement and clinker



Source: Yamama Cement, NCBC Research

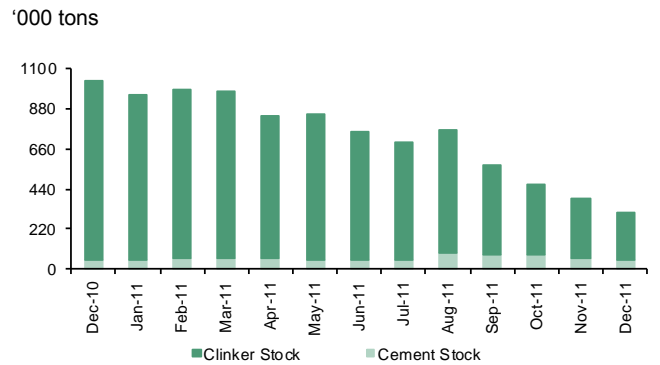
Yanbu Cement (YCC)

Exhibit 27: Production and sales



Source: Yamama Cement, NCBC Research

Exhibit 28: Stock – Cement and clinker



Source: Yamama Cement, NCBC Research

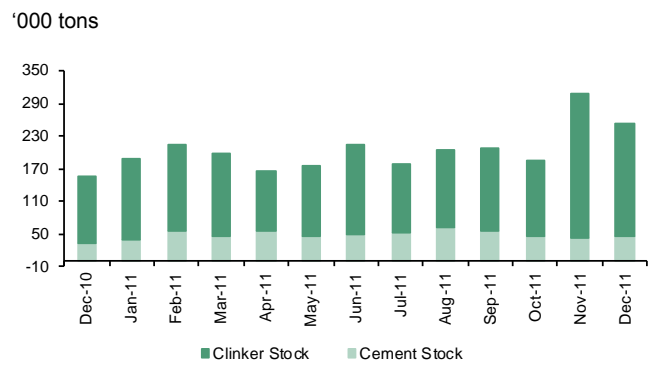
Arabian Cement (ACC)

Exhibit 29: Production and sales



Source: Yamama Cement, NCBC Research

Exhibit 30: Stock – Cement and clinker



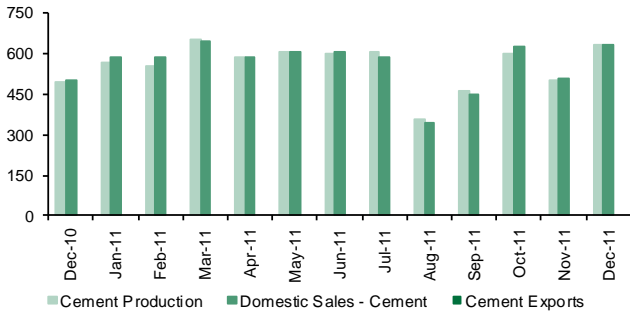
Source: Yamama Cement, NCBC Research

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Southern Province Cement (SPCC)

Exhibit 31: Production and sales

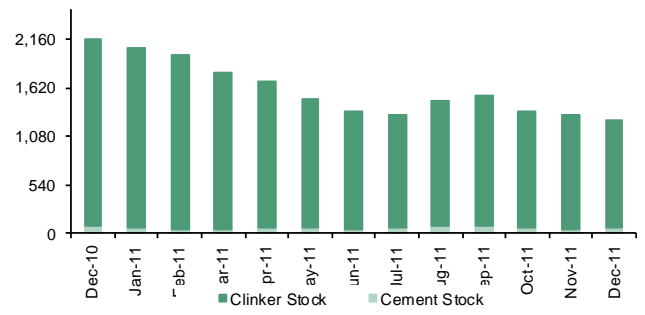
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 32: Stock – Cement and clinker

'000 tons

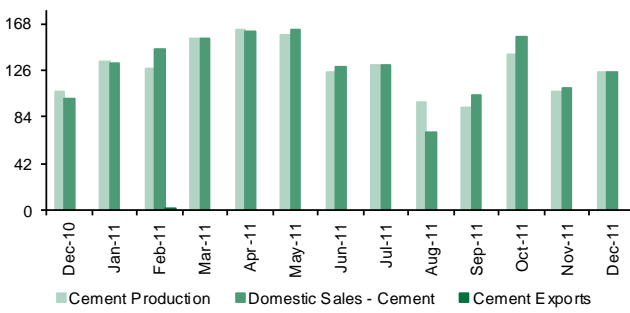


Source: Yamama Cement, NCBC Research

Tabuk Cement (TCC)

Exhibit 33: Production and sales

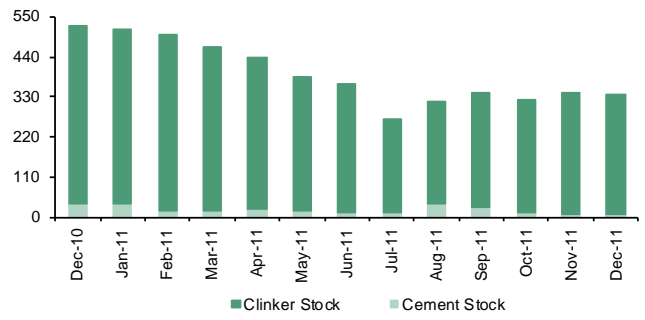
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 34: Stock – Cement and clinker

'000 tons

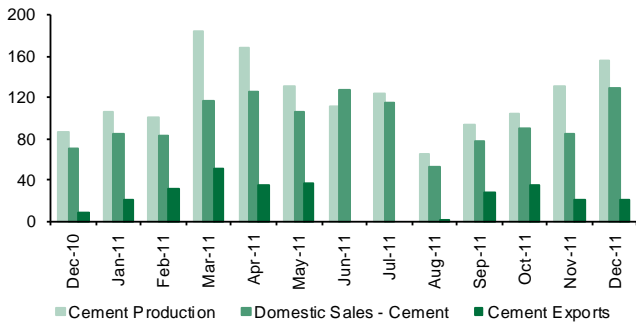


Source: Yamama Cement, NCBC Research

Al Jouf Cement (JCC)

Exhibit 35: Production and sales

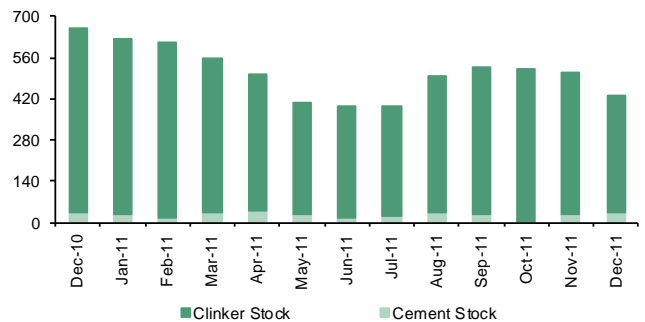
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 36: Stock – Cement and clinker

'000 tons



Source: Yamama Cement, NCBC Research

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<http://research.ncbc.com>

Brokerage website

www.alahlitadawul.com
www.alahlibrokerage.com

Corporate website

www.ncbc.com

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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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