



CEMENT
BUSINESS
RESearch

The Gulf and North Africa An Investor's Regional View to 2022

INTERCEM DUBAI | 2018



Welcome to Cement Business Research

Cement Business Research was set up to provide data and insights to senior professionals interested in assessing investments in the global cement sector. We provide data and insights at a level and granularity that can support significant investment decisions in the industry.

Our Resources:

Strategy and Finance


Technology including
environmental expertise

Marketing

Specialist research in the cement
sector

Operations and Production

Extensive network of cement
professionals



The Aspects We Assessed and Why

BASIC FACTS	ANALYSIS – MARKET CHARACTERISTICS	GENERAL CONSIDERATIONS AND CONCLUSIONS
<ul style="list-style-type: none">▪ Macroeconomic Considerations▪ Cement Market Size and past growth▪ Products by type▪ End users▪ Vertical integration▪ Distribution chain▪ International trade▪ Supply characteristics▪ Cement plants data / map▪ Regional v national	<ul style="list-style-type: none">▪ Demand Scenarios▪ Reality Check: need, capability and funding▪ Further Reality Check: per capita, Cement Economic Curve▪ Supply – demand balance considerations, S-D balance and DCUF™▪ International Trading Assessment Matrix (ITAM™)▪ Industry Structure and Dynamics (ISD™)<ul style="list-style-type: none">▪ Nature of Market Participants▪ Consolidation Index▪ Industry Cost Structure and Dynamics including industry profitability and cost escalation forecasts▪ Licence to Operate Considerations	<div data-bbox="1913 394 2491 736"><ul style="list-style-type: none">▪ Supply – demand balance▪ Propensity and ability to export / import▪ Industry profitability▪ License to operate</div> <div data-bbox="1913 751 2491 858">CBR's RANKING TOOL (CBRRT™)</div> <div data-bbox="1913 872 2491 1073"><ul style="list-style-type: none">▪ Overall market attractiveness assessment</div>

We produce ready made reports on markets with enough **depth and granularity** to enable the reader to assess an **investment decision**.

Tools and Metrics

Demand Projections, Reality Checks: Need, Capability And Funding Assessment, Per Capita Consumption Comparison and Position On Cement Economic Curve.

PLUS PROPRIETARY Cement Business Research ASSESSMENTS:

Domestic Capacity
Utilisation Factor

DCUF™

Propensity to
Export / Import

International Trading
Assessment Matrix

ITAM™

Capability to
Export / Import

Industry Structure
and Dynamics

ISD™

Nature of Participants,
Consolidation Index,
Cost Structure and
Industry Profitability

Our Ranking
Tool

CBBRT™

Overall Market
Attractiveness
Assessment



The Gulf and North Africa

ALGERIA

EGYPT

KUWAIT

MOROCCO

OMAN

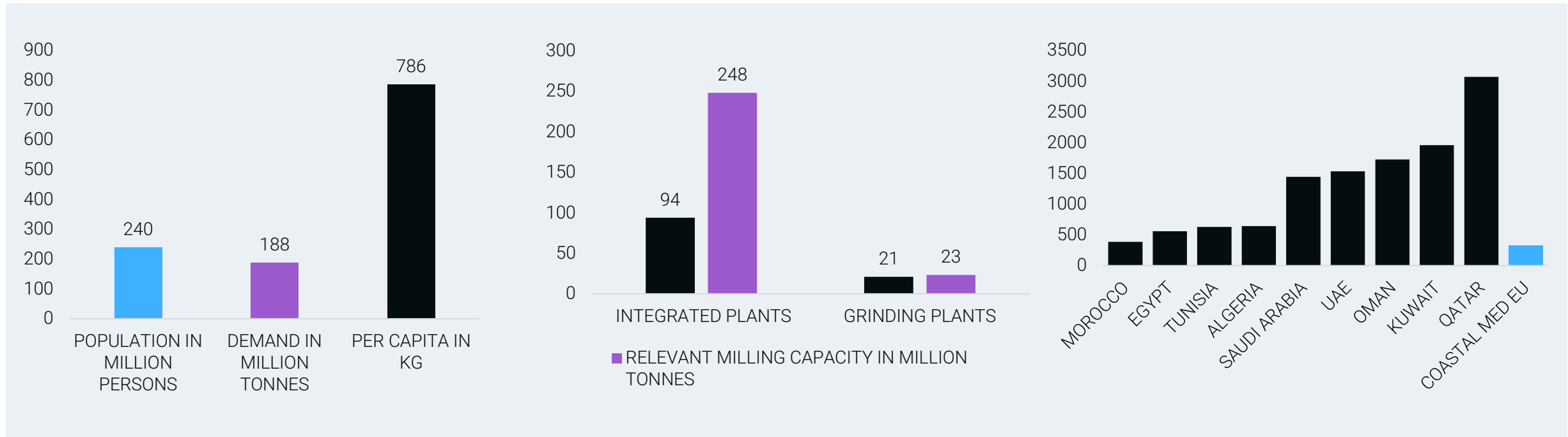
QATAR

SAUDI ARABIA

TUNISIA

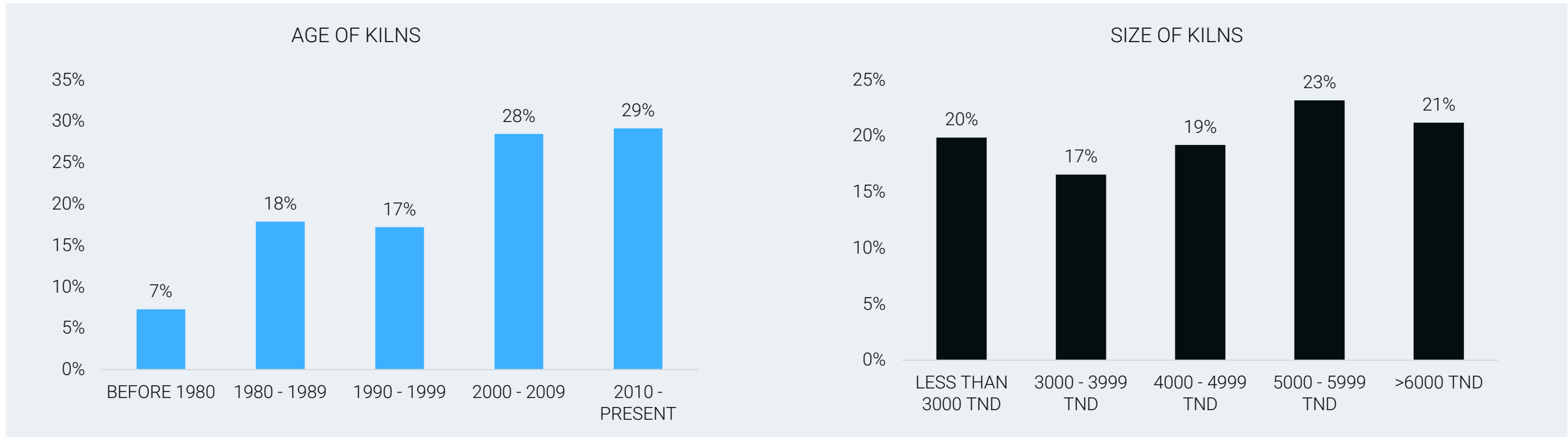
UAE

2017 Basic Facts



- UAE Grinding plants
- 2017 DCUF™ - 69%
- Varying per capita consumption
- Gulf States highest consumers in the world
- North African markets significantly higher than many regional European markets
- Average plant 2.6 million tonnes per annum capacity

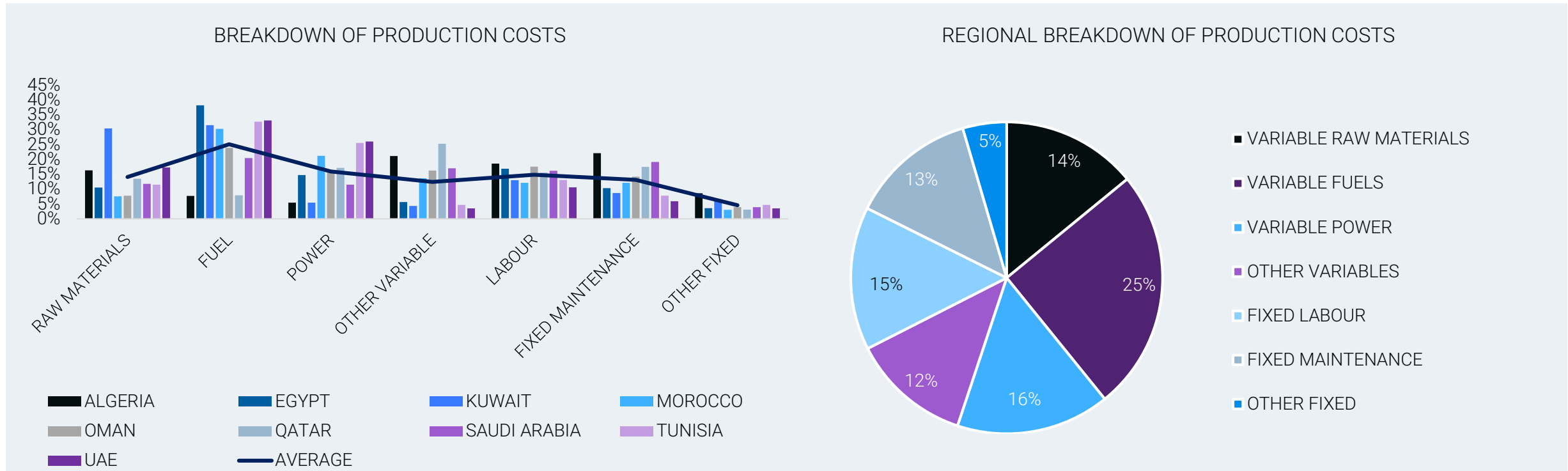
Industry Structure and Dynamics I



- Region boasts a large number of newly installed kilns

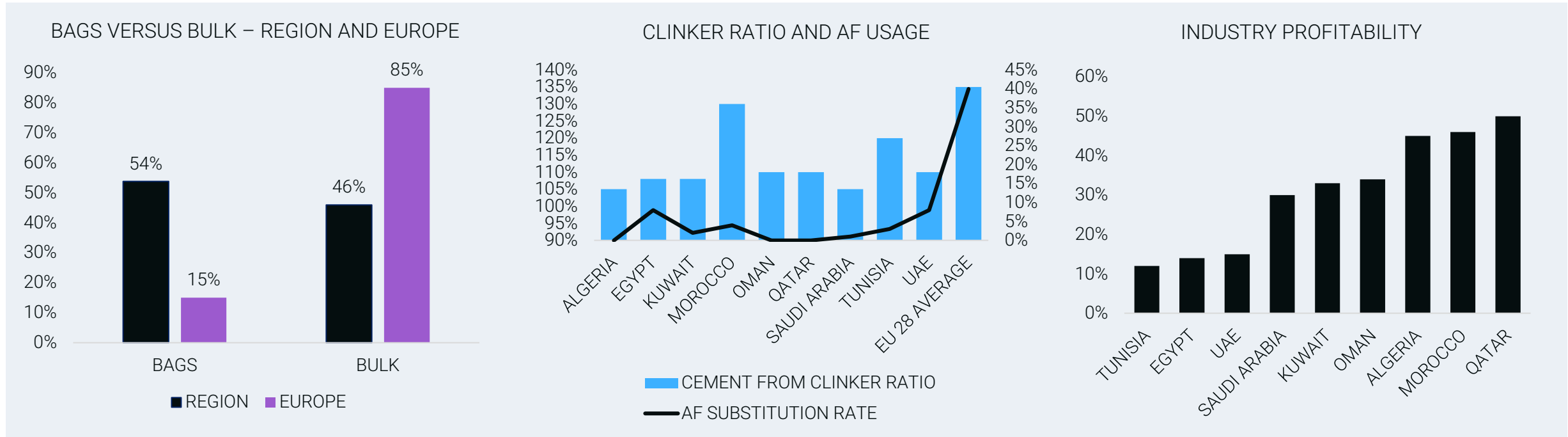
- Average size of kilns is high

Industry Structure and Dynamics II



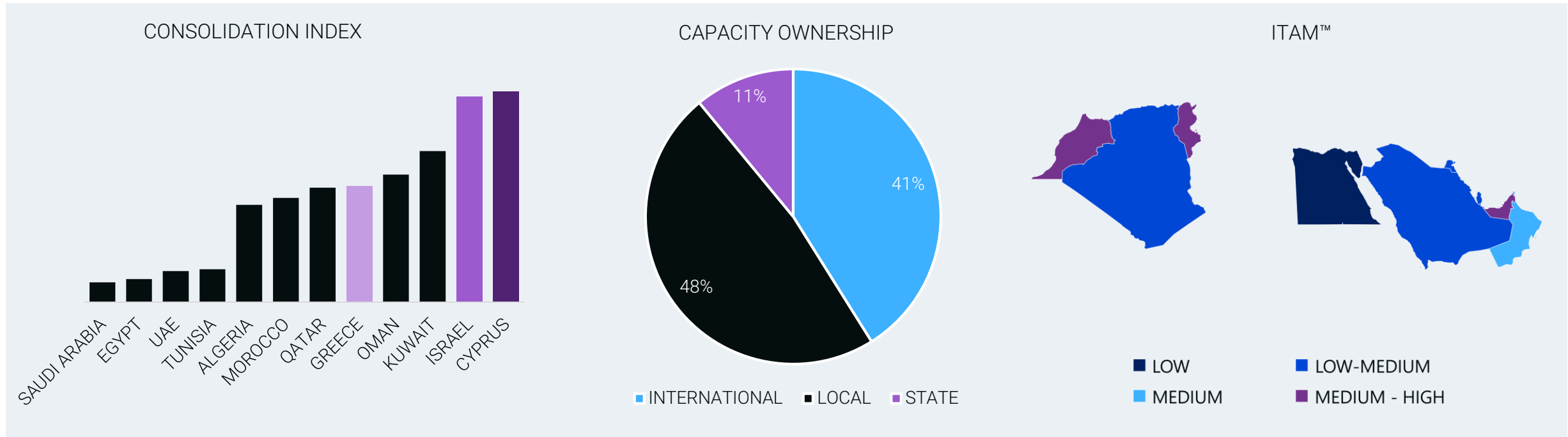
- Production costs breakdown differs significantly from industry to industry
- Energy costs are the largest varying factor
- Regional energy costs at 40% of total
- Cost escalation varies

Industry Structure and Dynamics III



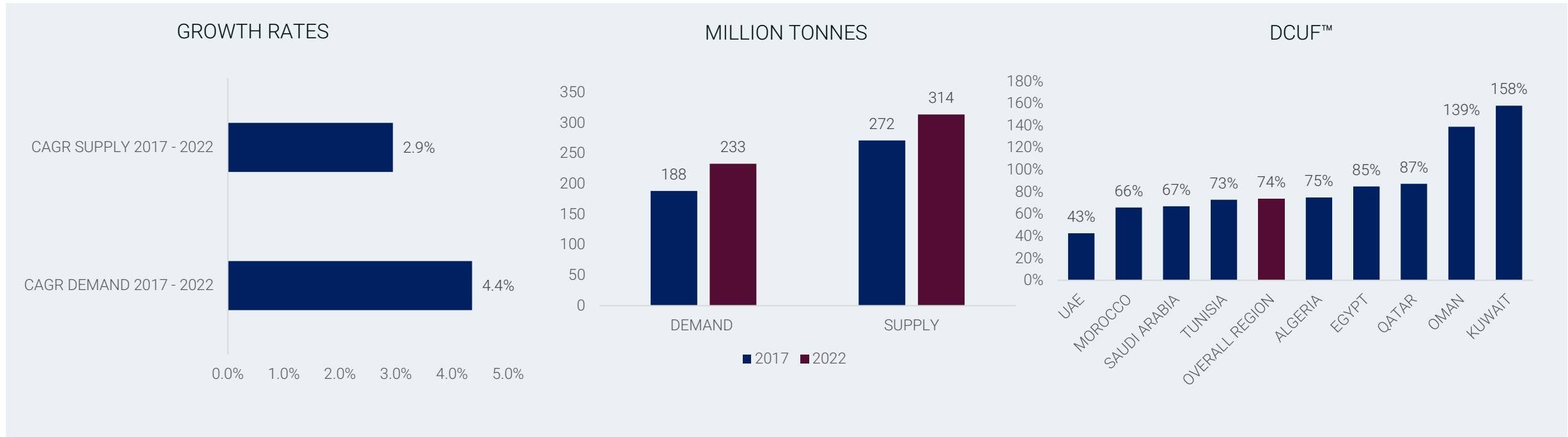
- Varying usage of “extenders” – mainly limestone and some pozzolan. Scarcity of flyash and slag
- Minimal usage of alternative fuels – why?
- Significant variations in industry profitability from market to market – why?

Industry Structure and Dynamics IV



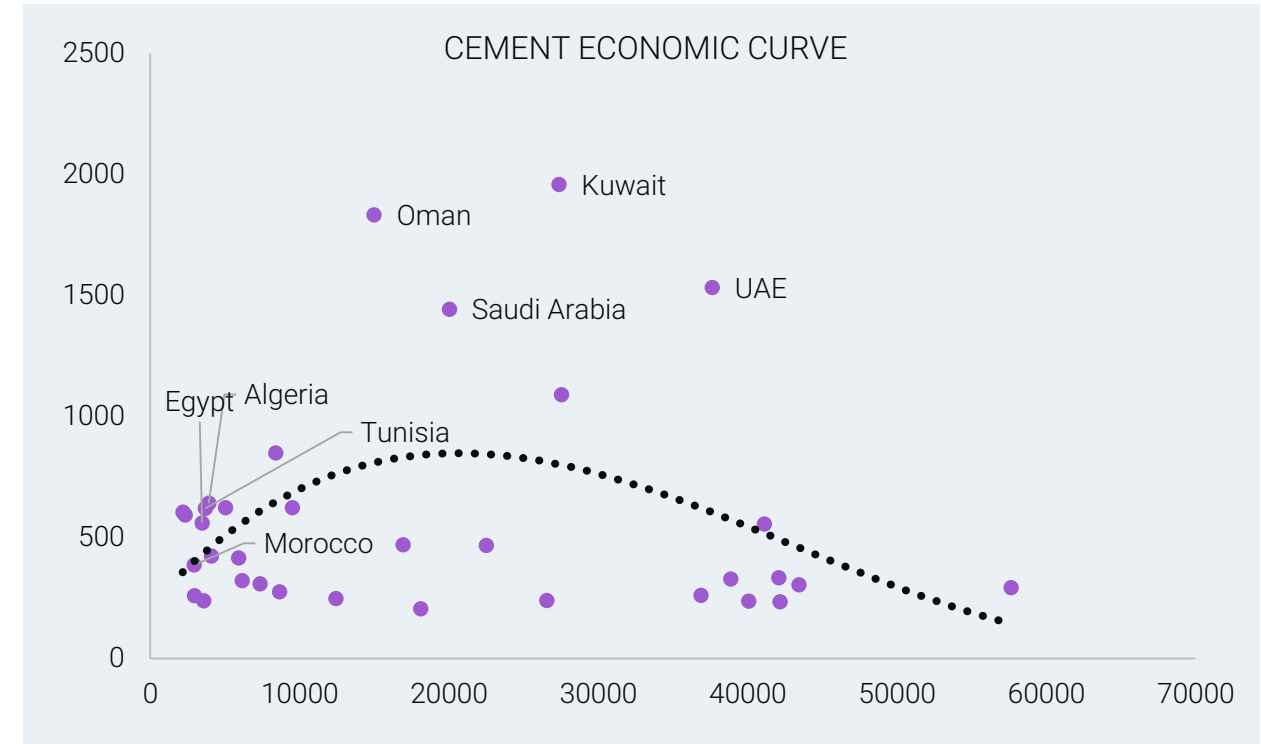
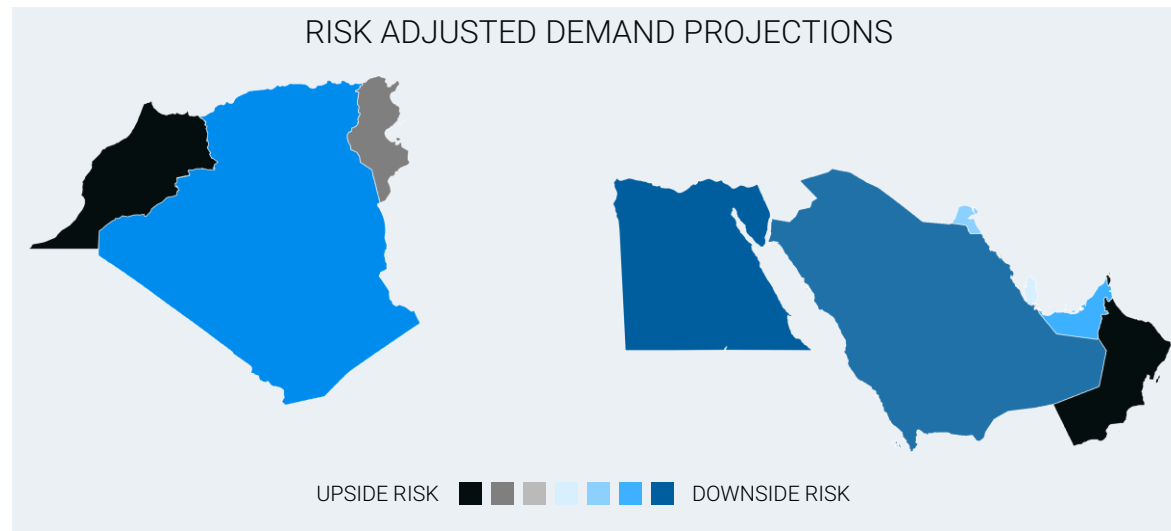
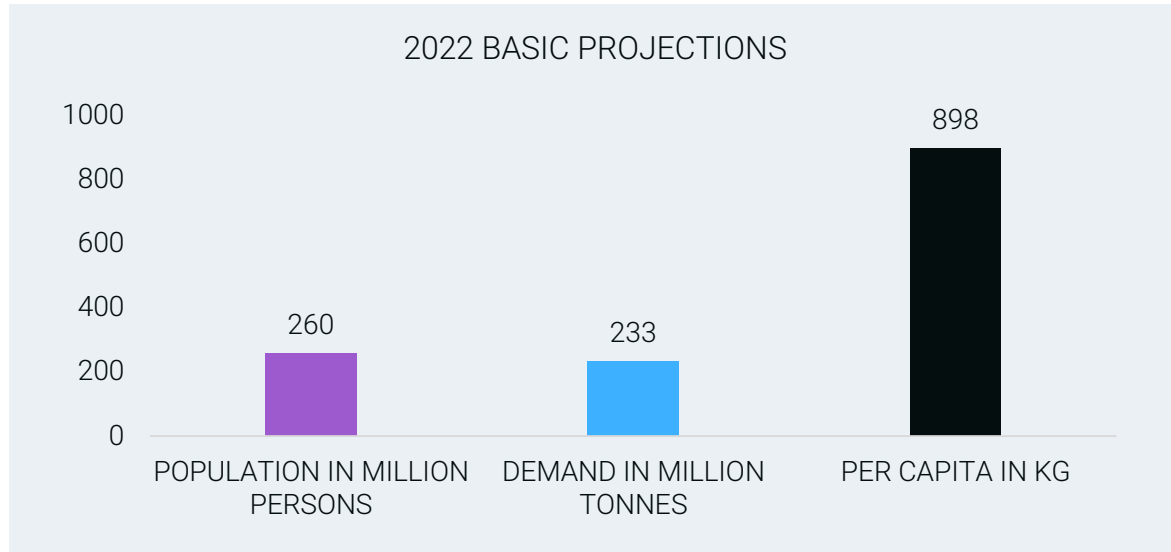
- Highly fragmented industries lead to volatile behaviour by participants
- Industries dominated by locally established participants
- State owned assets significant – particularly in the North African countries
- Both exporting and importing is challenging due to low ITAM™ scores

2022 Projections



- Demand is expected to grow above supply
- Significantly different DCUF™s for the individual markets
- Kuwait and Oman are expected to require significant imports or capacity additions
- Regional DCUF™ improves from 69% in 2017 to 74% in 2022

2022 Projections

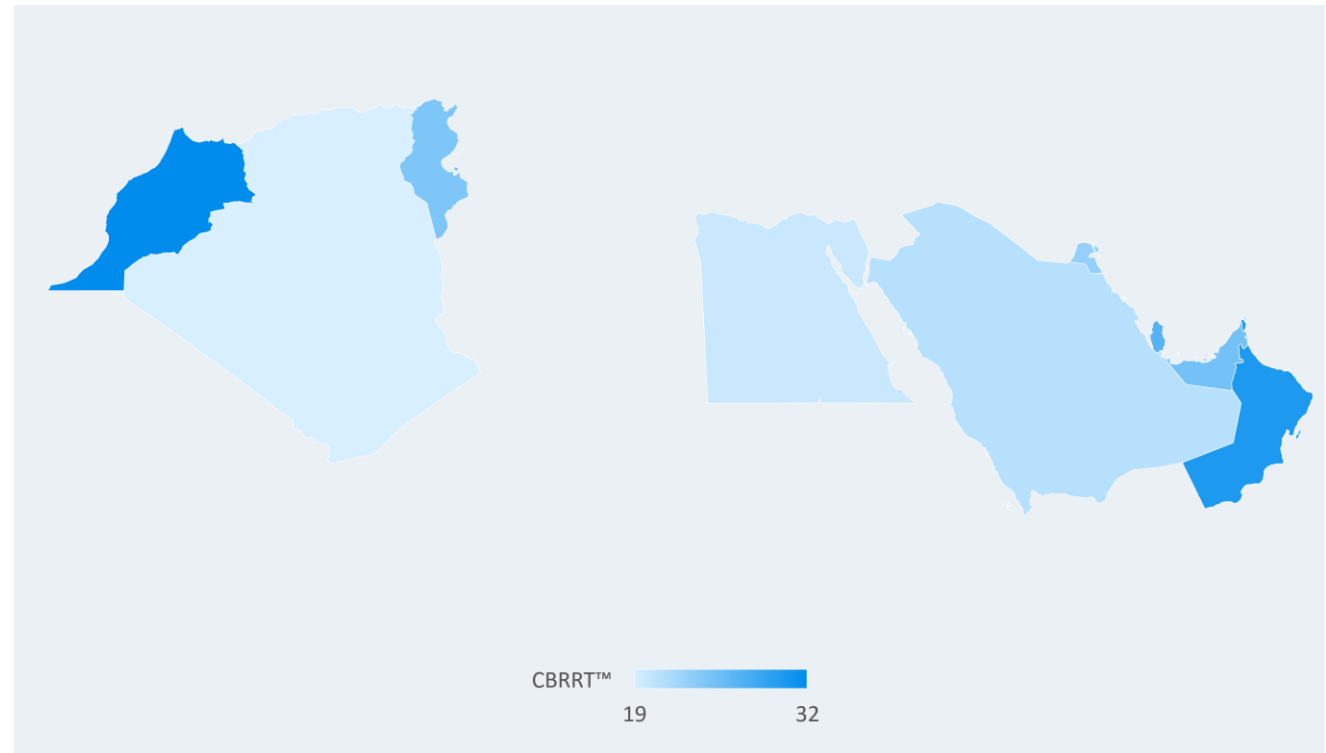


- Continuing high levels of per capita consumption
- All but one market above the CEC trendline
- Risk adjusted demand projections, varying profiles

Our Ranking Tool *CBRRT™*

How attractive are the Gulf and North Africa markets from an investor's point of view?

- Attractive Supply – Demand Balance
- Attractive Industry Structure and Dynamics
- Capability to Export / Import
- Industry Projected Profitability
- License to Operate
- Potential M&A Activity



Conclusions

- Significant regional overcapacity expected to improve during the forecasting period (2017 – 2022)
 - High per capita consumption compared to many other cement markets worldwide
 - Relative absence of international cement players – as compared to Europe and the USA
 - Large proportion of production assets owned by local investors and the State
 - Varying levels of ability to export / import
 - Lack of deficit exporting destinations making exporting challenging
 - Varying levels of industry consolidation, with some markets being highly fragmented
 - Significant differences in industry profitability driven by pricing and subsidized (or not) energy
 - Plants are relatively large and new making significant operational improvements challenging
 - Low or non-existent usage of alternative fuels
 - Varying levels of product sophistication
 - Low levels of vertical integration
 - Large amounts sold in bags
 - Varying and complex distribution channels
 - Generally high levels of authorities' involvement – License to Operate issues
 - Generally low levels of environmental requirements
 - Significant geopolitical events
 - Not all markets exhibit the same level of attractiveness from an investor's point of view
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