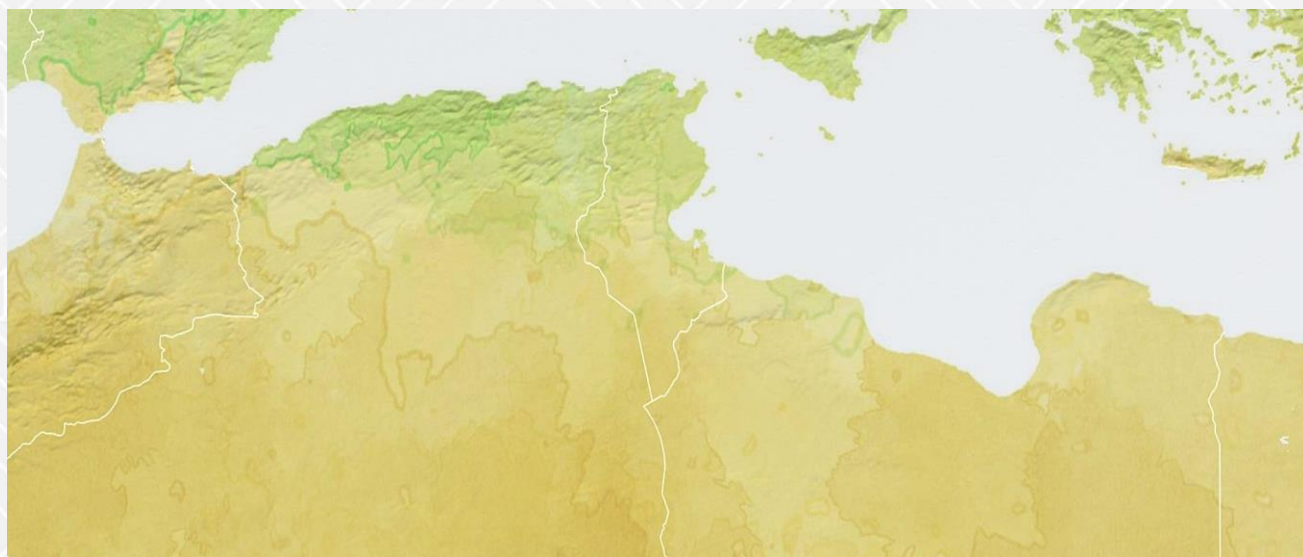


Tunisia Cement Market:

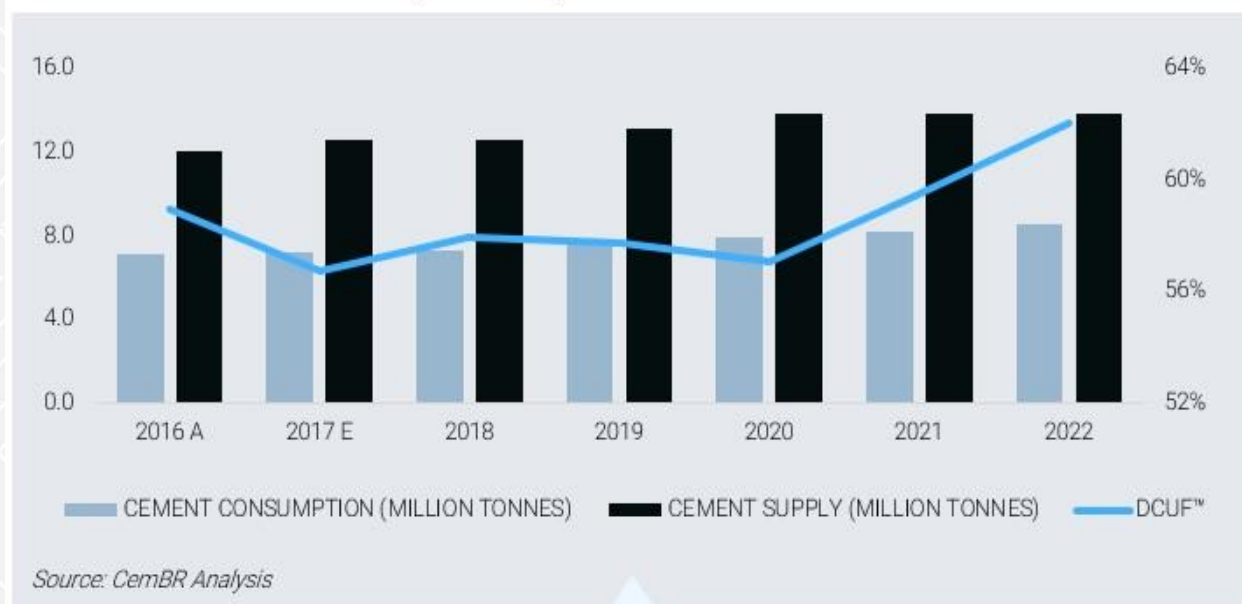


No offers placed for acquiring Carthage Cement – surprise or an anticipated event?

The offers for Carthage Cement were scheduled to be opened on the 7th of December, 2018. Launched since the end of 2017, the bidding process faced numerous setbacks until now finally being deemed unsuccessful as revealed in the press recently.

For many stakeholders operating in the cement industry, this development did not come as a surprise. Several issues are considered to have been affecting the path of this transaction. Apart from the recently uncovered issues of the nature of land upon which the plant was built (it is believed to be agricultural), there are several macro issues surrounding this deal. These relate to the overcapacity status of the market, the unfavourable supply-demand balance, overstaffing issues and low profitability. All these have been thoroughly covered in our Gulf and North Africa Cement Market Report, which includes Tunisia.

FIGURE: S-D BALANCE AND DCUF™ (2016 – 2022)

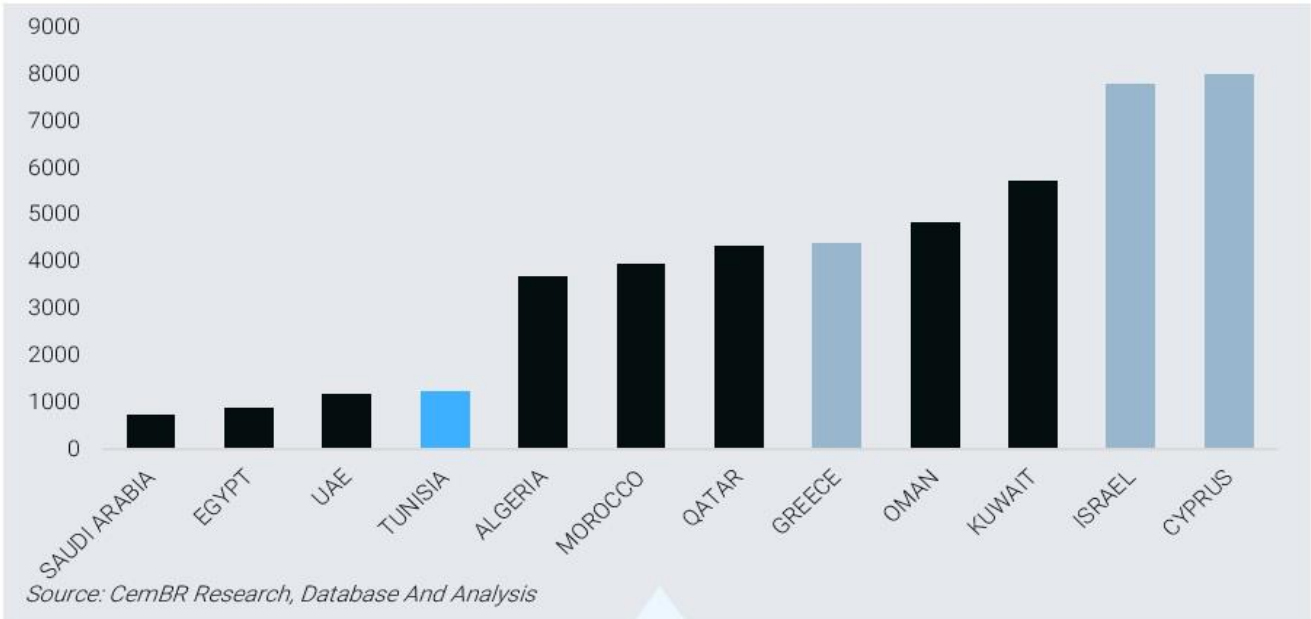


DCUF™ is a metric introduced by CemBR. Although, it is a simple ratio of domestic demand over domestic nameplate capacity (excluding trade with other markets), it provides a wealth of intuitive insights into a cement market. Examined alone, it provides an indication of the propensity and need of a market to export / import. In consideration with the Industry Structure and Dynamics (ISD™) tool and the Supply – Demand balance would provide useful insights on pricing behaviour going forward. This metric is subject to the overall Disclaimers of this report.

There are several factors that conspired against the industry's profitability in the last few years. The continuous slide of the local currency, the removal of energy subsidies and the significant price pressures domestically, have impacted on the industry's profitability negatively. Currently, the profitability levels are low, and they may be getting lower during the forecasting period.

Tunisia reports one of the lowest consolidation index in the region. Following the missed opportunity for privatizing Carthage Cement, the restructuring of the industry is taking a step back. However, the consolidation and restructuring of the industry would indeed be the most viable alternative in an attempt to improve the health of the sector and must be considered seriously by all stakeholders.

FIGURE: CONSOLIDATION INDEX FOR ALL MARKETS IN THIS REPORT (CURRENT TIME)



CemBR uses a variant of the Herfindahl-Hirschman index (HHI). How is HHI calculated by CemBR: In theory, the HHI calculation is based on estimated market shares of all the participants in each market. This would also have to include importers of cement. However, CemBR has found that market share estimations are highly unreliable and often inaccurate, reflecting the views and opinions of the various corporates operating in a market. As a proxy of market concentration, CemBR is therefore using the indigenous capacity of the industry. This is a reasonable approach as, in the long term, market shares reflect capacity in each market. The range for HHI is between 0 (perfect competition) and 10,000 (monopoly) HHI is considered for each market and then compared to other markets in the report. This analysis is subject to the overall Disclaimers of this report.

Going forward, Tunisia’s demand projections are realistic in terms of most parameters examined, however, there are areas in which risk is evident. The most notable area of risk going forward is the recent turmoil seen in Tunisia and how this will affect the financing of the country. Notwithstanding the above short-term disturbance, Tunisia is poised to deliver good growth if and when the necessary political conditions are established.

Gulf and North Africa Cement Market Report (Published 2018) is an essential tool for anyone interested in the area and includes Algeria, Egypt, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and UAE. You can order the 419-page report directly from our website (www.cementbusinessresearch.com). Alternatively, please contact us for more information.