

Cement Sector Monitor

	#Shares (000)	Price	M. Cap (000)	Free Float
Suez Cement	181,856,507	28.04	5,099,256,456	47.07%
ACC	378,739,700	8.48	3,211,712,656	24.50%
Misr Cement - Qena	29,878,000	86.62	2,588,032,360	46.56%
South Valley Cement	482,256,840	5.30	2,555,961,252	50.31%
Alexandria Cement	257,057,470	9.43	2,424,051,942	11.82%
Misr Beni Suef Cement	75,000,000	21.72	1,629,000,000	55.16%
National Cement	103,200,000	14.81	1,528,392,000	4.85%
Sinai Cement	68,058,443	19.61	1,334,626,067	59.22%
Tourah Cement	71,524,200	19.30	1,380,417,060	15.21%

*Prices as of Oct 24, 2017

Industry Highlights

- Cement sector profitability deteriorated as a result for:
 - Increase in electricity and oil prices, which led to higher costs of raw material in general and transportation cost.
 - Egyptian pound's devaluation.
 - FX losses.
 - Implementation of the value-added tax (VAT).
 - Higher interest rates that increase finance expenses after the Central Bank of Egypt's (CBE) raise of interest rates.

GROWTH DRIVERS

- Secured demand from mega real estate projects like new capital city.
- Some companies may benefit of its investments returns (unrealized capital gain) as a result of current upward move of the stock market like :
 - **South Valley Cement** stake in **AFDI**
 - **National Cement** stake in **Suez Cement**
 - **Suez Cement** stake in **Tourah Cement** and **Suez Bags** (subject for acquisition)
 - **Tourah Cement** stake in **Suez Bags** (subject for acquisition)
- Presentation of some strategic investors in some companies drawing attention for the sector and probability to witness acquisitions:
 - **Sinai Cement** attracted El Sewedy Cement and United Company for development and services.
 - **Misr Cement – Qena:** Al Ahly Capital Holding Co since EGP devaluation raised its stake in MCQE from 11.21 % to reach 21.27 %.

Multiples

P/E

Cement stocks P/Es ranging between 12X (**South Valley Cement**) and 34.5X (**Misr Cement - Qena**) with average P/E of 22.3X for the sector, while average market P/E is around 16.1x according to EGX, but this multiple couldn't be indicative because most companies are realizing losses.

	Price	Forecasted - EPS	P/E
Suez Cement	28.04	-2.90	
ACC	8.48	0.32	26.2
Misr Cement - Qena	86.62	2.51	34.5
South Valley Cement	5.30	0.44	12.0
Alexandria Cement	9.43	-0.42	
Misr Beni Suef Cement	21.72	1.31	16.6
National Cement	14.81	-9.41	
Sinai Cement	19.61	-2.14	
Tourah Cement	19.30	-1.03	
Average			22.3

- EPS and P/E annualized.
- NCEM EPS and P/E based on FY16/17 actual figures.

P/BV

Cement companies P/BV currently trade between 0.7X (**South Valley Cement**) and 4.5x (**Tourah Cement**) with average P/BV of 1.9X for the sector.

	Price	BVPS	P/BV
Suez Cement	28.04	33.22	0.8
ACC	8.48	3.03	2.8
Misr Cement - Qena	86.62	36.15	2.4
South Valley Cement	5.30	7.17	0.7
Alexandria Cement	9.43	-2.30	
Misr Beni Suef Cement	21.72	24.45	0.9
National Cement	14.81	-3.88	
Sinai Cement	19.61	17.09	1.1
Tourah Cement	19.30	4.28	4.5
Average			1.9



Disclaimer

The information contained in this report is obtained from sources believed by Blom Egypt Securities Company to be accurate and reliable and this information may be abbreviated or incomplete and does not give Blom Egypt Securities any guarantee and the Company shall not assume any liability or liability arising from Use the information contained in this report to make any investment decisions. This report is intended to be used only by Blom Egypt Securities customers. Blom Egypt Securities Company doesn't permit to distribute copy, quote or otherwise transfer any copy of this report in writing or orally to any third party without prior written consent of the Company. The report does not represent an offer to buy or sell securities.