

## RAS AL KHAIMAH CEMENT (RKCC.AD)

- Ras Al Khaimah Cement (RAK Cement) has released its 9M2009 financials yesterday. We do not have the detailed information on the sales volume, average cement prices and EBITDA for the quarter. Preliminary analysis suggests lower than expected revenues due to decrease in both cement prices and sales volume. However, we had earlier forecasted EBITDA margin expansion going forward mainly due to cost savings arising from installation of a coal mill and hence subsequent change in the production energy mix. This seems to be the trend till 9M2009 and estimated EBITDA for the period is in line with our forecasts.
- RAK Cement reported revenues of AED 62.4 million in 3Q2009, a decline of 41.6% compared to the same quarter last year. The company management indicated that both depressed cement prices and dip in sales volume were instrumental for the decline in revenue. The dip in 9M2009 revenues was comparatively subdued at 24% to AED 225.8 million. This was 16.6% lower than our forecast of AED 270.6 million for 9M2009.
- We estimate the company has reported an EBITDA of AED 82.9 million in 9M2009, 54% higher than AED 53.8 million reported in 9M2008. This was 4.2% lower than our EBITDA forecast of AED 86.5 million for 9M2009.
- We estimate that EBITDA margins almost doubled to 35.6% in 9M2009 compared to 18.1% in 9M2008. We logically assume this was mainly due to lower energy costs.
- Net profit for the company was up 57% to AED 63.6 million in 9M2009 compared to AED 40.5 million in 9M2008. However, the net profit for 3Q2009 was down 30% to AED 12.5 million compared to AED 17.9 million reported in the same quarter a year ago. This was mainly because of the significant decline in top line partially offset by margin expansion at EBITDA level.
- Since our initiating coverage report on July 16, 2009, where we recommended buying RAK Cement shares, the stock price has rallied by 11.6% to AED 1.34 and hence our current recommendation is Hold based on the last closing price. However, we will be issuing an update after meeting the company management and taking into account the 9M2009 results.

**Raja Ghossoub, CFA**

**T.** +971 4 365 2857

**E.** [raja.ghossoub@nbkcapital.com](mailto:raja.ghossoub@nbkcapital.com)

## RELATED RESEARCH

- RAK Cement - 02 July 2009

## NBK CAPITAL

### Kuwait

#### Head Office

17th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O.Box 4950, Safat 13050  
Kuwait  
T. +965 2224 6900  
F. +965 2224 6905

#### MENA Research

19th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq,  
P.O.Box 4950, Safat 13050, Kuwait  
T. +965 2224 6663  
F. +965 2224 6905  
E. menaresearch@nbkcapital.com.kw

#### Brokerage

8th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O.Box 4950, Safat 13050, Kuwait  
T. +965 2224 6964  
F. +965 2224 6978  
E. brokerage@nbkcapital.com

### United Arab Emirates

#### NBK Capital Limited

Precinct Building 3, Office 404  
Dubai International Financial Center  
P.O.Box 506506, Dubai,  
UAE  
T. +971 4 365 2800  
F. +971 4 365 2805

### Turkey

#### NBK Capital

Arastima ve Musavirlik AS,  
Sun Plaza, 30th Floor,  
Dereboyu Sk. No.24  
Maslak 34398, Istanbul, Turkey  
T. +90 212 276 5400  
F. +90 212 276 5401

---

## DISCLAIMER

This document and its contents are prepared for your personal information purposes only and do not constitute an offer, or the solicitation of an offer, to buy or sell a security or enter into any other agreement. Projections of potential risk or return are illustrative, and should not be taken as limitations of the maximum possible loss or gain. The information and any views expressed are given as of the date of writing and are subject to change. While the information has been obtained from sources believed to be reliable, we do not represent that it is accurate or complete and it should not be relied on as such. Watani Investment Company (NBK Capital), its affiliates and subsidiaries accept no liability for any direct, indirect or consequential loss arising from use of this document or its contents. At any time, the employees of NBK Capital and its affiliates and subsidiaries may, at their discretion, hold a position, subject to change, in any securities or instruments referred to, or provide services to the issuer of those securities or instruments.

## © COPYRIGHT NOTICE

This is a publication of NBK Capital. No part of this publication may be reproduced or duplicated without the prior consent of NBK Capital.

---