

February 21, 2010

RAS AL KHAIMAH CEMENT (RKCC.AD)

12-Month Fair Value: AED 1.06

Last Close (18 February, 2010): AED 1.08

Recommendation: HOLD - Risk Level: 4

- This is a follow up note to our earlier analyst comment on Ras Al Khaimah Cement (RAK Cement) dated 24th January, 2010 following the release of some key operating figures (cement sales volume, average cement price, trend in operating costs, EBITDA margins) for 2009.
- The company reported total revenue of AED 283.5 million during 2009, a significant decline of 33.4% compared to 2008; 3.3% higher than our forecast of AED 274.1 million. The revenue drop was due to a decline in both cement volumes as well as prices. Sales volumes, the lowest in the last five years, were down 22% to 977 thousand tons in 2009; this was 4.1% above our forecast. Cement prices, in line with our expectations, dropped by around 17% - 18% to AED 282-283 per ton in 2009 compared to AED 340.7 per ton in 2008.
- RAK Cement reported EBITDA of AED 84.5 million in 2009, down 14.5% from AED 98.8 million in 2008. This was 1.3% higher than our EBITDA forecast of AED 83.4 million. A 41% year-on-year drop in 2009 cost of sales (mainly due to a 44% decrease in energy cost) negated the decline in revenue to an extent. As a result EBITDA margin expanded appreciably to 29.8% (our forecast of 30.4%) in 2009 compared to 23.2% in 2008.
- Net profit for the company was down 10.3% to AED 71.8 million in 2009 compared to AED 80 million in 2008; 3.5% higher than our 2009 forecast of AED 69.3 million. The 2009 net profit was boosted by AED 10.4 million of share of profit from associate (absent in 2008). The company's net profit was also affected by a one off impairment charge of AED 3.6 million on its available-for-sale investments in 2009.
- Finally, we view the 2009 results in line with our expectations and hence would be issuing an update only after the 1Q2010 results. We reiterate our 'Hold' recommendation.

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Related Research

- Analyst Comment - 24 January 2010
- RAK Update - 22 November 2009
- Analyst Comment - 19 October 2009

RISK AND RECOMMENDATION: GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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