

# Investor Presentation

Building Prosperity in Africa

UNAUDITED RESULTS FOR THE NINE MONTHS TO 30<sup>TH</sup> SEPTEMBER 2019

30<sup>TH</sup> OCTOBER 2019

@dangotecement



[www.dangotecement.com](http://www.dangotecement.com)



# Progress in 2019

	Q1 2019	Q2 2019	Q3 2019	9M 2019	9M 2018	Change
	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes	%
<b>Sales volumes</b>						
Nigeria	3,991	3,604	3,221	10,816	10,756	0.6%
Pan-Africa	2,347	2,340	2,457	7,144	7,026	1.7%
Inter-company sales	-	-	-	-	(13)	
<b>Total</b>	<b>6,338</b>	<b>5,944</b>	<b>5,678</b>	<b>17,960</b>	<b>17,769</b>	<b>1.1%</b>
<b>Revenues</b>	<b>₦m</b>	<b>₦m</b>	<b>₦m</b>	<b>₦m</b>	<b>₦m</b>	<b>%</b>
Nigeria	169,885	158,402	139,590	467,877	471,334	(0.7%)
Pan-Africa	70,272	69,816	73,112	213,200	214,306	(0.5%)
Inter-company sales	-	(645)	(641)	(1,286)	(350)	
<b>Total</b>	<b>240,157</b>	<b>227,573</b>	<b>212,061</b>	<b>679,791</b>	<b>685,290</b>	<b>(0.8%)</b>
<b>EBITDA</b>	<b>₦m</b>	<b>₦m</b>	<b>₦m</b>	<b>₦m</b>	<b>₦m</b>	<b>%</b>
Nigeria *	103,380	97,217	75,337	275,934	306,277	(9.9%)
Pan-Africa *	11,854	12,085	13,811	37,750	39,128	(3.5%)
Inter-company and central costs	(3,473)	(3,119)	(3,869)	(10,461)	(8,108)	29.0%
<b>Total</b>	<b>111,761</b>	<b>106,183</b>	<b>85,279</b>	<b>303,223</b>	<b>337,297</b>	<b>(10.1%)</b>
<b>EBITDA margin *</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	
Nigeria	60.9%	61.4%	54.0	59.0	65.0%	(6.0pp)
Pan-Africa	16.9%	17.3%	18.9	17.7	18.3%	(0.6pp)
<b>Group</b>	<b>46.5%</b>	<b>46.7%</b>	<b>40.2%</b>	<b>44.6%</b>	<b>49.2%</b>	<b>(4.6pp)</b>

\* Before central costs and eliminations

# 9M 2019 Performance

## FINANCIAL

- Group revenue down 0.8%
- Group EBITDA down 10.1%
  - 44.6% margin
- Earnings per share down 1.6% to ₦9.10

## OPERATIONAL

- Group volumes up 1.1% to 18.0Mt
- Nigeria volumes up 0.6%
  - Q3 promotion drove Nigeria sales against new competitor capacity
- Pan-African volumes up 1.7%

## CAPITAL STRUCTURE

- Board to recommend share consolidation and buyback

Nine months to 30 <sup>th</sup> September	2019	2018	Change
Sales volumes	'000t	'000t	%
Nigeria	10,816	10,756	0.6%
Pan-Africa	7,144	7,026	1.7%
Inter-company sales	-	(13)	
<b>Total</b>	<b>17,960</b>	<b>17,769</b>	<b>1.1%</b>
Revenues	₦m	₦m	%
Nigeria	467,877	471,334	(0.7%)
Pan-Africa	213,200	214,306	(0.5%)
Inter-company sales	(1,286)	(350)	
<b>Total</b>	<b>679,791</b>	<b>685,290</b>	<b>(0.8%)</b>
EBITDA	₦m	₦m	%
Nigeria	275,934	306,277	(9.9%)
Pan-Africa	37,750	39,128	(3.5%)
Inter-company and central costs	(10,461)	(8,108)	29.0%
<b>Total</b>	<b>303,223</b>	<b>337,297</b>	<b>(10.1%)</b>
EBITDA margin*	%	%	
Nigeria	59.0%	65.0%	(6.0pp)
Pan-Africa	17.7%	18.3%	(0.6pp)
<b>Group</b>	<b>44.6%</b>	<b>49.2%</b>	<b>(4.6pp)</b>

\* Before central costs and eliminations

# Group Financial Overview

## Income Statement

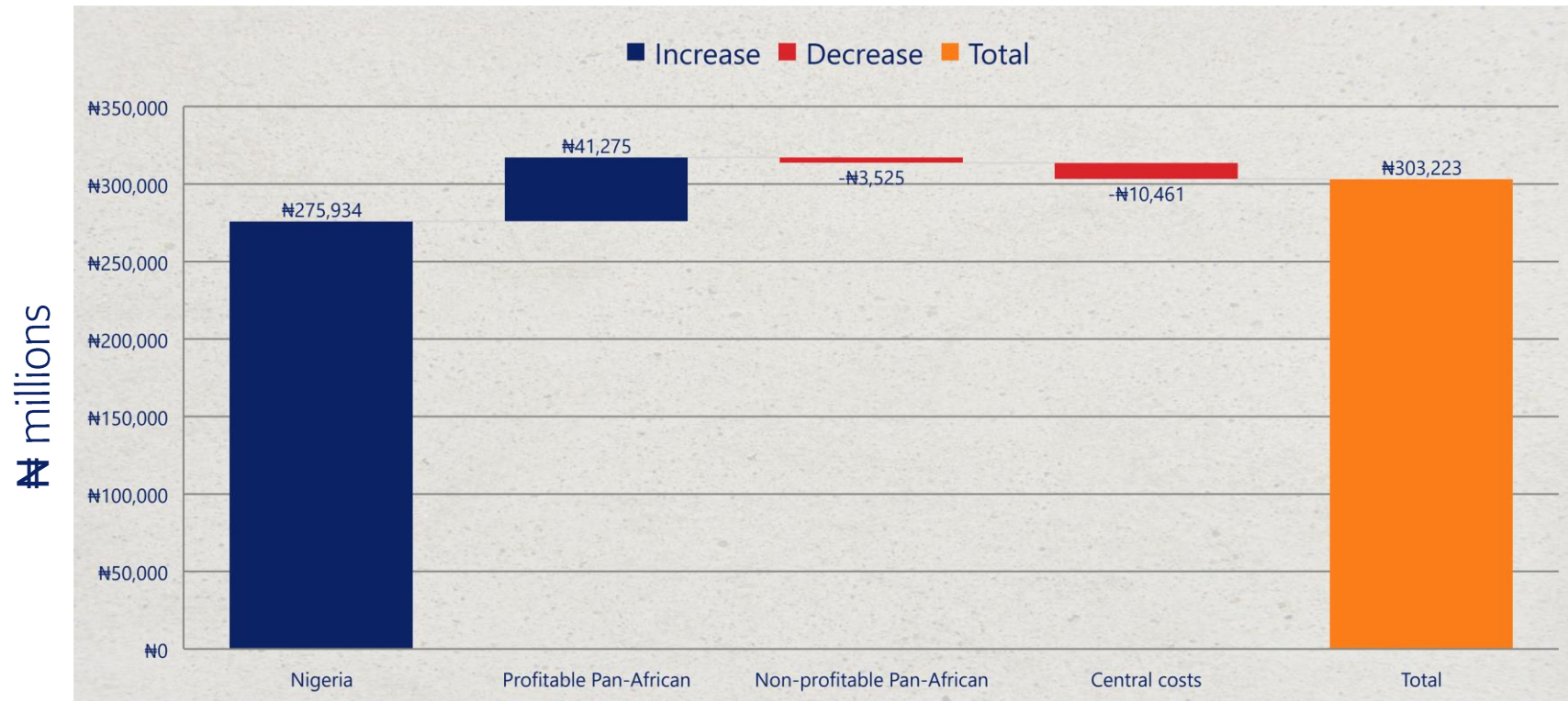
Nine months to 30 <sup>th</sup> September	2019 ₦m	2018 ₦m	Change
Revenue	679,791	685,290	(0.8%)
Cost of sales	(290,015)	(287,682)	0.8%
Gross profit	389,776	397,608	(2.0%)
Gross margin	57.3%	58.0%	(0.7pp)
EBITDA	303,223	337,297	(10.1%)
EBITDA margin	44.6%	49.2%	(4.6pp)
EBIT	231,482	266,860	(13.3%)
EBIT margin	34.1%	38.9%	(4.8pp)
Finance income	5,984	10,619	(43.6%)
Finance cost	(39,786)	(30,115)	32.1%
Profit before tax	197,680	247,364	(20.1%)
Income tax (expense)/credit	(43,330)	(89,087)	(51.4%)
Profit for the period	154,350	158,277	(2.5%)
Earnings per share	9.10	9.25	(1.6%)





# 9M EBITDA Development

## Profitability



- Nigeria's continued discounting, lower volumes and higher input/transport costs weighed on EBITDA

# Group Financial Overview (cont'd)

## Movement in Net Debt

	Cash ₦m	Debt ₦m	Net debt ₦m
As at 1 <sup>st</sup> January 2019	166,896	(335,301)	(168,405)
Cash generated from operations before changes in working capital	304,625	-	304,625
Changes in working capital	(8,070)		(8,070)
Income tax paid	(4,884)		(4,884)
Additions to fixed assets	(110,957)		(110,957)
Other investing activities	(95)		(95)
Change in non-current prepayments and payables	(10,168)		(10,168)
Net interest payments	(20,468)		(20,468)
Net loans received	50,542	(50,542)	-
Dividend paid	(272,648)		(272,648)
Other cash and non-cash movements	(2,946)	4,017	1,071
As at 30 <sup>th</sup> September 2019	91,827	(381,826)	(289,999)

# Group Financial Overview (cont'd)

## Balance Sheet

	As at 30/9/19 Nn	As at 31/12/18 Nn
Property, plant and equipment	1,190,696	1,171,864
Other non-current assets	92,916	87,792
Intangible Assets	5,383	5,969
Current Assets	263,335	261,942
Cash and Cash Equivalents	91,827	166,896
<b>Total Assets</b>	<b>1,644,157</b>	<b>1,694,463</b>
Non-current liabilities	105,524	86,619
Current liabilities	300,225	285,930
Debt	381,826	335,301
<b>Total Liabilities</b>	<b>787,575</b>	<b>707,850</b>
<b>Net Assets</b>	<b>856,582</b>	<b>986,613</b>



# Nigeria Performance

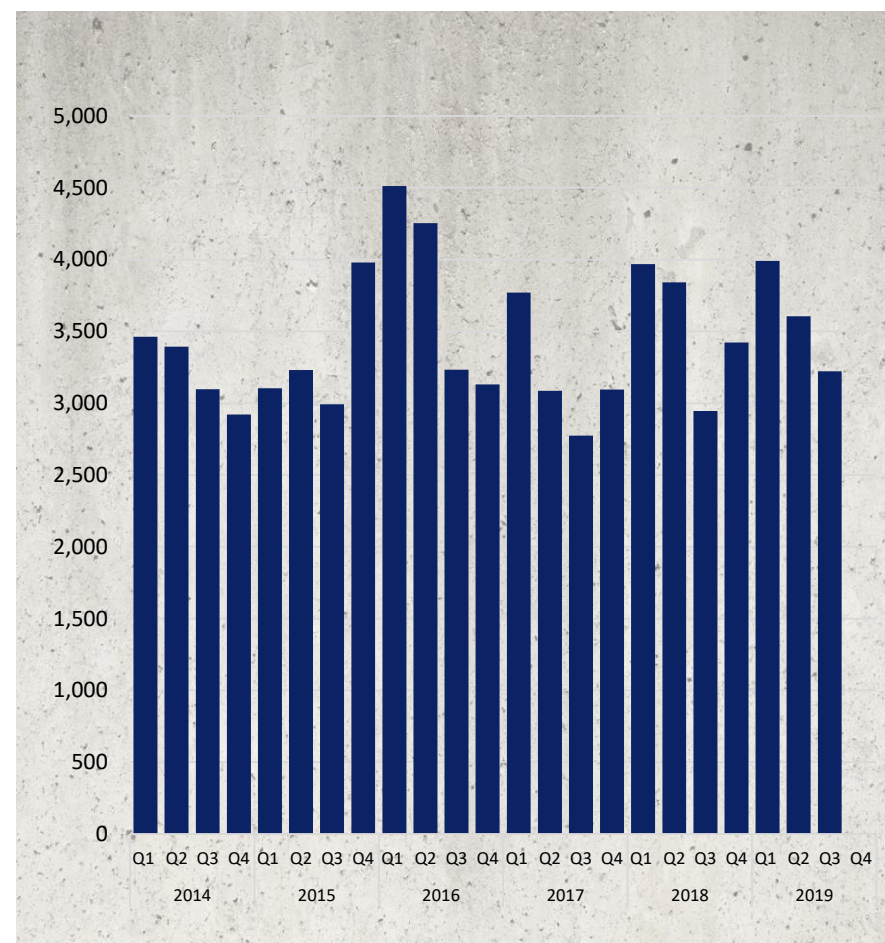
- Total market estimated at 16.3Mt
- DCP sales of 10.8Mt
  - Q3 sales up 9.4% on Q3 2018
  - 10.3Mt sold in domestic market, c64% share
  - 0.5Mt of exports - challenged by borders closing
- Revenues down 0.7% to ~~N~~467.9B
- EBITDA down 10.1%, 59.0% margin
  - Discounting, increased haulage costs, cost of successful Q3 promotion

## Nigeria performance

Nine months to 30 <sup>th</sup> September	2019	2018	Change
Volumes* (Kt)	10,816	10,756	0.6%
Revenue* ( <del>N</del> m)	467,877	471,334	(0.7%)
EBITDA* ( <del>N</del> m)	275,934	306,277	(9.9%)
EBITDA margin*	59.0%	65.0%	(6.0pp)

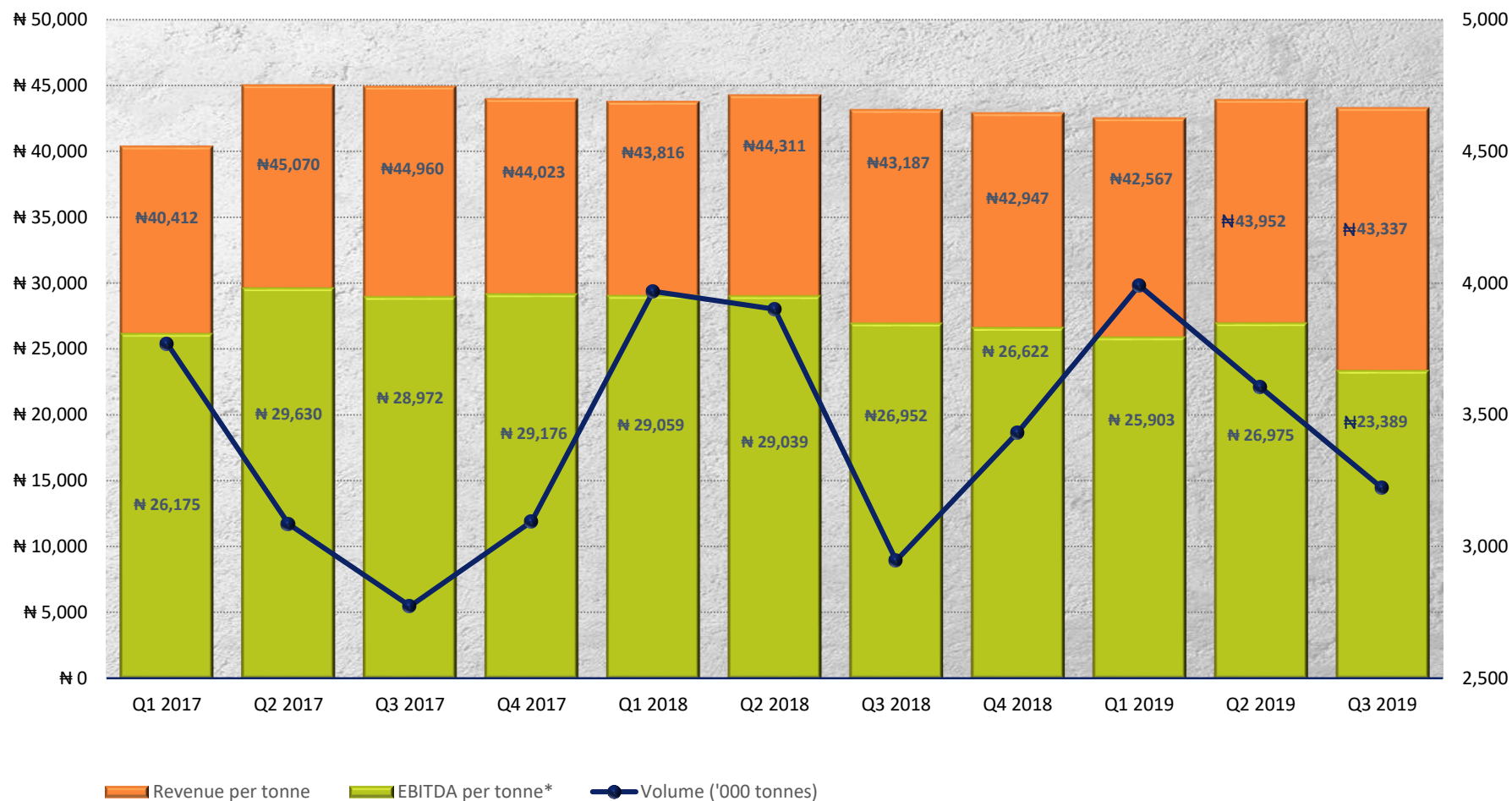
\* Before corporate costs and inter-company eliminations

## Quarterly sales ('000 tonnes)





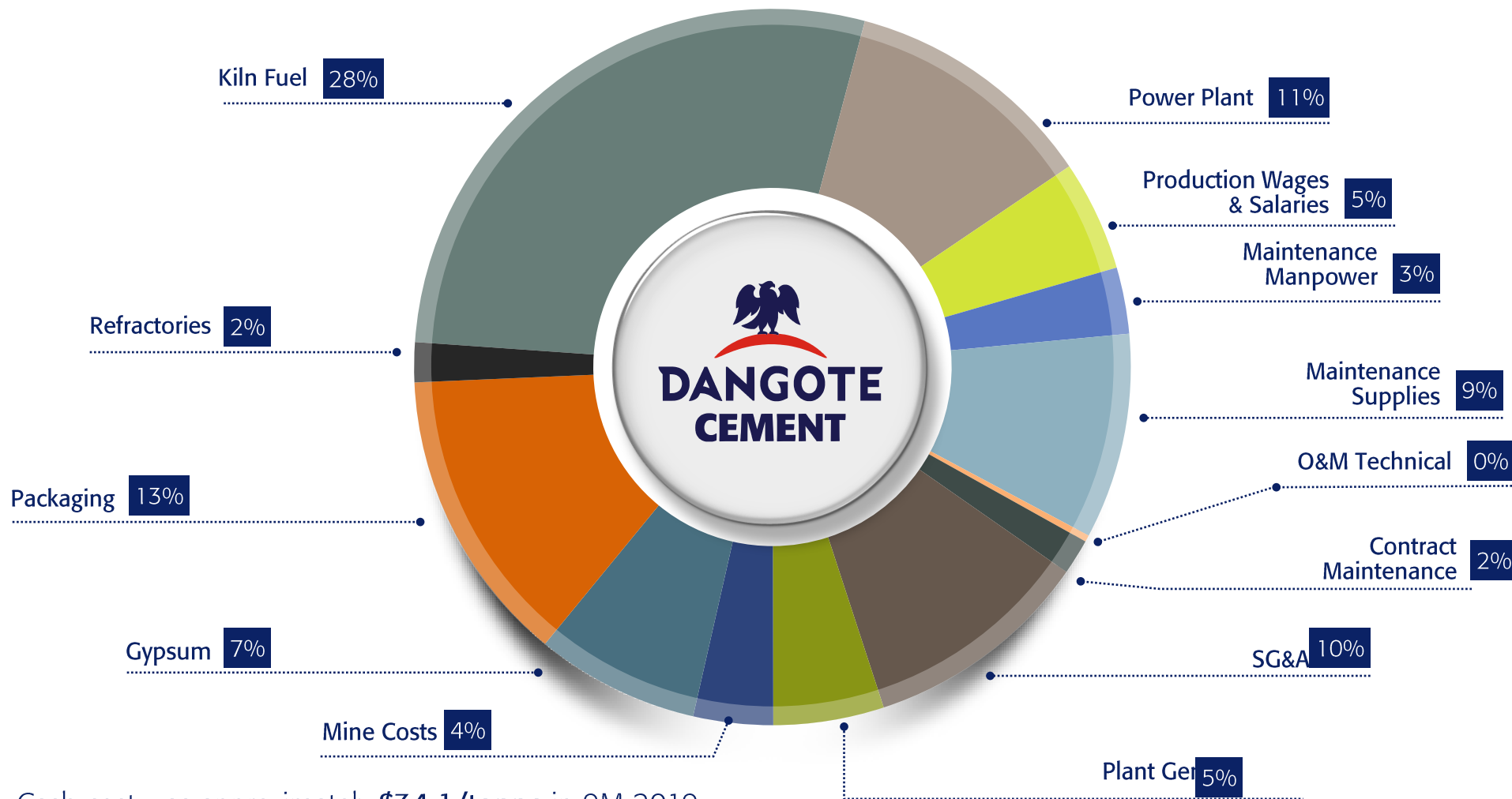
# Development of EBITDA / Tonne



\*excluding central costs

# Nigeria Cash Cost Analysis

% of average cash costs per tonne, 9M 2019



Cash cost was approximately **\$34.1/tonne** in 9M 2019

(Excluding central costs)

65% of cash costs are US Dollar based, though less than 20% paid in Dollars

# Pan-Africa Performance

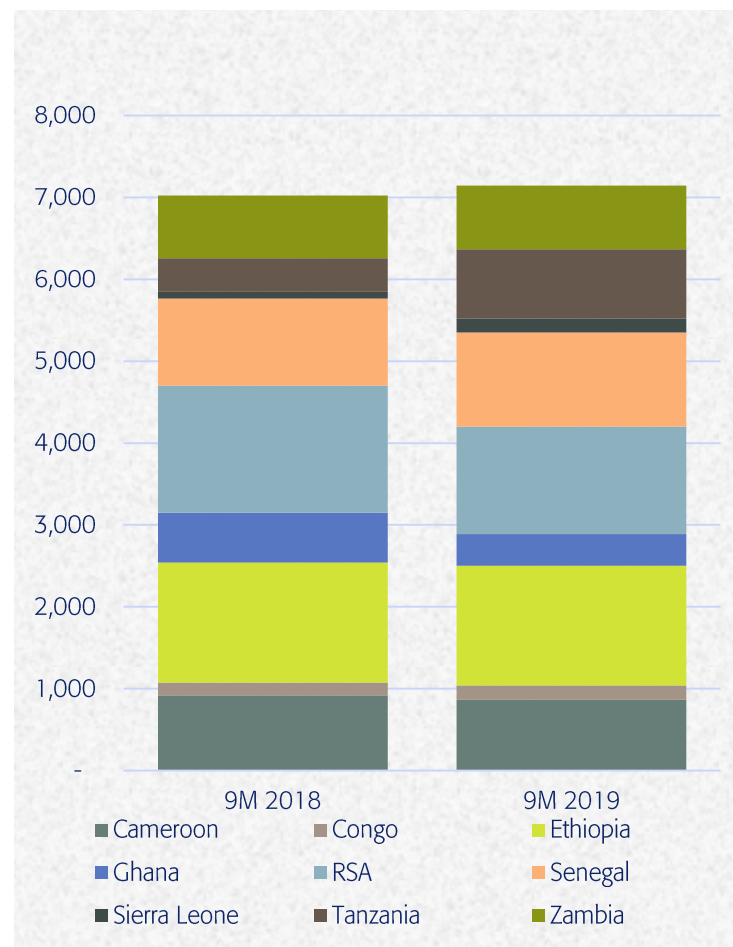
- Sales volumes up 1.7% to 7.1Mt
- Revenues down 0.5% to ~~N~~213.2B
- EBITDA down 3.5% to ~~N~~37.8B
- Good 9M 2019 performances
  - Tanzania volumes up 106%
  - Sierra Leone volumes up 108%
  - Ethiopia steady despite electricity shortage in Q2
  - Senegal sales more than 100% rated capacity

## Pan-Africa performance

Nine months to 30 <sup>th</sup> September	2019	2018	Change
Volumes sold (Kt)	7,144	7,026	1.7%
Revenue ( <del>N</del> m)	213,200	214,306	(0.5%)
EBITDA* ( <del>N</del> m)	37,750	39,128	(3.5%)
EBITDA margin	17.7%	18.3%	(0.6pp)

\* Before corporate costs and eliminations

## Cement sales ('000 tonnes)



# Country Updates



## Cameroon

Dangote Cement Cameroon sold 866Kt of cement, a decrease on the 920Kt sold in 9M 2018

Decrease in sales attributed to security challenges in the North West and South West regions, as well as 1.6Mta new competitor capacity



## Congo

173Kt sold in the first nine months of 2019, up nearly 12% on the first nine months of 2018

Introduction of new 32.5R product and sales price promotions

Opening of cement sales depots in Brazzaville and Pointe-Noire

Clinker export to Dangote Cement Cameroon

DRC and Central African Republic target for export sales



## Ethiopia

Sales of 1.4Mt in 9M 2019, unchanged from 9M 2018

Sales driven mainly by retail demand – lack of foreign exchange and reduction in government spending to tackle high budget deficit

Manufacturing affected by electricity rationing in Q2

Market share of 29% in Q3

Continue to improve efficiency with improvements in transport logistics and increased use of coal



# Country Updates



## Ghana

Dangote Cement Ghana sold approximately 388Kt of cement in 9M 2019, down 36.4% compared to 9M 2018 owing to lower supplies of cement

Estimated market share of 10%

Increased government infrastructure spending ahead of 2020 elections

Aiming to increase volumes with a high focus on turnaround time for trucks and increased self-collection



## Senegal

Volumes up 7.9% to more than 1.1Mt in 9M 2019

Plant's output continuing to exceed its rated capacity

Market share of 23% in 9M 2019 following new product launch and greater reliability for customers

Demand growth mainly from local construction, with good demand from both government and commercial building

Continuing exports to Mali, where price has increased



## Sierra Leone

Cement market continues to improve

Building projects resuming, infrastructure investment and foreign aid

Government has removed import duties on bagged cement to support building activity

Volumes up 108% from 9M 2018 to 173Kt in 9M 2019

Estimated market share of 41% in Q3

# Country Updates



## South Africa

Cement market remains depressed owing to lack of infrastructure spending and a competitive market

DCSA 9M sales were 15% lower year on year, vs 19% at 6M 2019, thanks to September volume growth

Carbon tax introduced in June 2019

Further price increases of 2.5% - 3.5% inclusive of 1.5% - 2.5% for carbon tax recovery



## Tanzania

GDP growth remains strong at about 7%

Market drivers include Dar es Salaam to Morogoro Railway, Kenya-Tanzania Railway, road/bridge building and major housing projects

Increase in government infrastructure spending and increase in cement demand from the southern region

300Kt sold in Q3; Volumes up 106% from the 409Kt sold in 9M 2018 to 842Kt in 9M 2019



## Zambia

Market demand expected to grow due to infrastructure projects, some of which are supported by the Chinese and Indian governments

Major projects include improvements to the Lusaka and Ndola airports

Volumes up 1.6% to 780Kt, at 42% share

Use of sawdust as alternative fuel to coal in power station

Price increases implemented in Q2

# CDP Disclosure

- First submission to Carbon Disclosure Project (CDP) filed at end of July 2019, covering 2018 emissions data
- Consolidated emission monitoring and internal reporting methodology based on GCCA guidelines adopted in November 2018

First Climate Change Risk Assessment workshop carried out in May 2019



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