Financial Pillar: Delivering strong and sustainable returns to shareholders

The Financial Pillar stands to achieve sustainable financial growth by selling high-quality products at reduced costs, to enable us to deliver strong returns to shareholders.

> “Earnings up 37.7% in 2020 compared to 2019.”

Financial standard

Our Financial Sustainability Pillar focused on achieving sustainable financial health through a business model that delivers strong returns to shareholders and creates value in the economies where we operate by selling high-quality products at affordable prices, supported by excellent customer service.

As a corporate institution with a diverse pool of investors and shareholders, we are committed to driving our financial performance to ensure optimal return on investments. To achieve this, we ensure that we produce and deliver best quality cement to target markets, at fair and affordable prices. We continually drive strong and sustainable growth and profit and expand our business across the African continent.

As a business that strives to sustain its relevance to the present and future generations, we identify, document, mitigate, measure and monitor material risks and opportunities that the phenomenon of climate change portends for our business and hedge/leverage these risks and opportunities for optimal financial performance.

We believe that by developing a culture of sustainability across our 7 Pillars, which we have adopted as “The Dangote Way”, we lower our business risk profile which enables access to new forms of capital and strengthens our global brand.

Revenue up 16.0%

₦1,034.2bn

2020	₦1,034.2bn
2019	₦891.7bn
2018	₦901.2bn

EBITDA up 20.9%

₦478.1bn

2020	₦478.1bn
2019	₦395.4bn
2018	₦435.3bn

Total dividends per share

₦16.00

2020	₦16.00
2019	₦16.00
2018	₦16.00

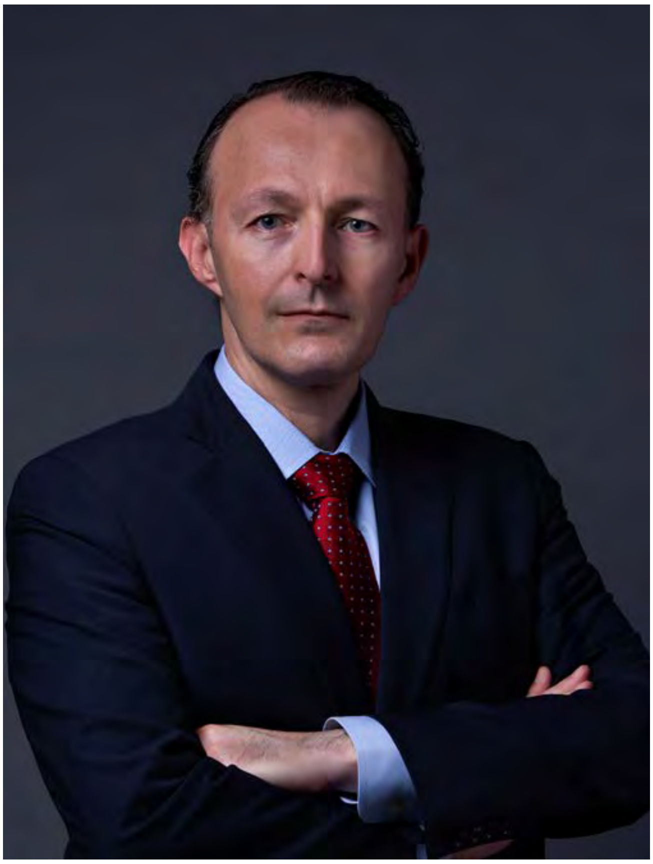
Responsible tax payment

Responsible tax payment and collection is a mainstream part of our corporate sustainability strategy, and a critical element of our commitment to grow in sustainable and socially inclusive economies. As a responsible corporate citizen, we ensure timely compliance with tax regulations in all the countries where we operate. This commitment enables us to support socioeconomic development in the African continent. By paying our taxes responsibly and transparently, we support government’s plans for infrastructural development in our different markets. Through our robust and timely tax payment practices, we also contribute to attaining SDG 11 (Sustainable Cities and Communities). We report annually on our tax payments to governments. This way, we are transparent about how we manage our financial obligations. Tax payments for the period under review are detailed in the annual financial report section of this document.

We believe that by developing a culture of sustainability across our 7 Pillars, which we have adopted as “The Dangote Way”, we lower our business risk profile which enables access to new forms of capital and strengthens our global brand.

Delivering sustainable value to our shareholders

Our ability to efficiently seize strong demand coupled with costs discipline led to a robust profit after tax up 37.7% at ₦276.1 billion.



"Dangote Cement's strong issuer ratings by international and regional rating agencies affirms our improving cash generation potential, resilient credit profile and high creditworthiness."

Financial highlights

Summary

	FY 2020 '000 tonnes	FY 2019 '000 tonnes
Volume sold*		
Nigeria	**15,936**	14,119
Pan-Africa	**9,982**	9,564
Inter-company sales	**(198)**	—
Total volume sold	**25,720**	23,683

	FY 2020 ₦'million	FY 2019 ₦'million
Revenues		
Nigeria	**719,945**	610,247
Pan-Africa	**318,681**	282,710
Inter-company sales	**(4,430)**	(1,286)
Total revenues	**1,034,196**	891,671

	FY 2020 ₦'million	FY 2019 ₦'million
Group EBITDA**	**478,122**	395,427
EBITDA margin	**46.2%**	44.3%
Operating profit	**386,734**	299,893
Profit before tax	**373,310**	250,479
Earnings per ordinary share (Naira)	**16.14**	11.79

As at 31st December	FY 2020	FY 2019
Total assets	**2,022,451**	1,742,443
Net debt	**337,275**	227,531

* Volumes include cement and clinker.

** Earnings before interest, taxes, depreciation and amortisation.

Revenue increased by 16.0% from ₦891.7 billion to ₦1,034.2 billion, driven by higher volumes in Nigeria and Pan-Africa.

Volumes sold by our core Nigerian operations was up by 12.9% (2019: 14.12Mt) with increased local sales due to promotion activities and increased real estate demand. Sales to domestic customers in Nigeria increased by 14.3% from 13.6Mt to 15.6Mt with the remaining 0.35Mt being exported volumes.

Full year Pan-African volumes increased by 4.4% from 9.6Mt to 10.0Mt.

Manufacturing and operating costs

	2020 ₦'million	2019 ₦'million
Materials consumed	134,910	117,239
Fuel & power consumed	146,342	122,851
Royalties	1,270	1,817
Salaries and related staff costs	37,020	32,955
Depreciation & amortisation	64,946	65,254
Plant maintenance costs	30,706	28,766
Other production expenses	15,670	7,750
(Increase)/decrease in finished goods and work in progress	7,106	3,357
Total manufacturing costs	437,970	379,989

In general, manufacturing costs increased as a result of higher volumes in Nigeria and Pan-Africa. Nigeria manufacturing costs increased from ₦181.0 billion to ₦225.7 billion (also due to general inflation and foreign exchange impacts on USD denominated expenses). Pan-Africa manufacturing costs increased by 6.7% from ₦199.0 billion to ₦212.2 billion, mainly from strong volume increase in Ethiopia, Senegal and Cameroon.

Consequently, the total Group manufacturing costs increased by 15.2%.

Administration and selling expenses

Year ended	31st December 2020 ₦'million	31st December 2019 ₦'million
Administration and selling costs	214,246	214,769

Total selling and administration expenses decreased slightly by 0.2% to ₦214.2 billion. Although the total volumes sold in Nigeria increased, improvement in efficiency and turnaround time led to a slight decrease in haulage costs from ₦70.7 billion to ₦69.8 billion.

The trend was the same in Pan-Africa as haulage costs decreased by 19.9% from ₦36.5 billion to ₦29.2 billion, due to reduction in the use of third-party trucks.

In addition, various promotion schemes were deployed in Nigeria which drove the increase in advertising and promotion costs.

Profitability

Year ended	31st December 2020 ₦'million	31st December 2019 ₦'million
EBITDA	478,122	395,427
Depreciation, amortisation and impairment	91,388	95,534
Operating profit	386,734	299,893

EBITDA by operating region

Year ended	31st December 2020 ₦'million	31st December 2019 ₦'million
Nigeria	421,417	361,204
Pan-Africa	71,313	47,858
Central costs and inter-company sales	(14,608)	(13,635)
Total EBITDA	478,122	395,427

Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the year increased by 20.9% to ₦478.1 billion at a margin of 46.2% (2019: ₦395.4 billion, 44.3%) as a result of the increased volumes in both Nigeria and Pan-Africa, the control of production costs and the reduction in selling and distribution costs in the Group.

Excluding eliminations and central costs, Nigerian EBITDA increased by 16.7% in Nigeria, to ₦421.4 billion at a margin of 58.5% (2019: ₦361.2 billion, 59.2%).

Pan-African EBITDA increased by 49.0% to ₦71.3 billion, at 22.4% margin (2019: 16.9%), driven by higher EBITDA margin and stronger profitability in all 10 operations.

Operating profit of ₦386.7 billion was 29.0% higher than the ₦299.9 billion for 2019 at a margin of 37.4% (2019: 33.6%).

Interest and similar income/expense

Year ended	31st December 2020 ₦'million	31st December 2019 ₦'million
Interest income	13,183	7,610
Exchange gain/(loss)	16,631	(13,481)
Interest expense	(43,988)	(44,192)
Net finance income/(cost)	(14,174)	(50,063)

Interest income increased mainly due to increased interest earning cash balances.

During the year to December 2020, the Nigerian Naira value against the US Dollar decreased from about ₦365/1US$ to ₦400/1US$. This resulted in net exchange gains from inter-Group assets and liabilities that do not eliminate in full on consolidation in the Nigerian operations.

The effective interest rate on borrowings was 9.67% compared to 10.87% in 2019.

Taxation

Year ended	**31st December 2020 ₦'million**	31st December 2019 ₦'million
Tax (charge)/credit	**(97,242)**	(49,958)

In 2020 the effective tax rate for Nigerian operations was 18.1% representing a mix of non-taxable income for productions lines that were under Pioneer holiday for part of the year and taxable income for production lines out of Pioneer tax exemption. The Group's effective tax rate was higher at 26.0%, mainly because of Pan-African subsidiaries making losses that reduced the Group's profit without direct tax benefits for those losses.

The Group's profit for the year was up 37.7% to ₦276.1 billion (2019: ₦200.5 billion). As a result, earnings per share increased by 36.9% to ₦16.14 (2019: ₦11.79).

Financial position

As at	**31st December 2020 ₦'million**	31st December 2019 ₦'million
Property, plant and equipment	**1,390,687**	1,206,749
Other non-current assets	**77,072**	124,203
Intangible assets	**4,554**	3,663
Total non-current assets	**1,472,313**	1,334,615
Current assets	**404,303**	283,925
Cash and bank balances	**145,835**	123,903
Total assets	**2,022,451**	1,742,443
Non-current liabilities	**142,756**	105,341
Current liabilities*	**505,615**	387,731
Debt	**483,110**	351,434
Total liabilities	**1,131,481**	844,506

* excluding debt.

Non-current assets increased from ₦1,334.6 billion at the end of 2019 to ₦1,472.3 billion at 31st December 2020. This was mainly as a result of additions to Property, plant and equipment which were partially offset by depreciation.

Additions to property, plant and equipment were ₦224.0 billion, of which ₦184.3 billion was spent in Nigeria and ₦39.7 billion in Pan-Africa operations.

There was an increase in advances from customers in Nigeria which resulted in the significant increase in the current liabilities. In addition, payables to contractors also increased.

In 2020, we successfully completed the issuance of ₦100 billion series 1 fixed rate five-year bond at a rate of 12.5%; and ₦150 billion Commercial Paper Notes at attractive rates. Both issuances were oversubscribed, demonstrating our track record of accessing the local debt market.

Movement in net debt

	Cash ₦'million	Debt ₦'million	Net debt ₦'million
As at 31st December 2019	123,903	(351,434)	(227,531)
Cash from operations before working capital changes	483,531	—	483,531
Change in working capital	41,958	—	41,958
Income tax paid	(20,997)	—	(20,997)
Additions to fixed assets	(224,005)	—	(224,005)
Loan to related party	(70,000)	—	(70,000)
Other investing activities	(551)	—	(551)
Change in non-current prepayments and payables	13,635	—	13,635
Net lease payment	6,191	—	6,191
Net interest payment	(39,850)	—	(39,850)
Net loans obtained (repaid)	122,925	(122,925)	—
Dividend paid	(272,693)	—	(272,693)
Other cash and non-cash movements	(18,212)	(8,751)	(26,963)
As at 31st December 2020	145,835	(483,110)	(337,275)

Cash of ₦483.5 billion was generated from operations before changes in working capital. After net movement of ₦51.8 billion in working capital and tax payments of ₦21.0 billion, the net cash flow from operations was ₦511.9 billion.

Financing outflows excluding overdrafts of ₦199.3 billion (2019: ₦295.1 billion) reflected net loans received of ₦122.9 billion, interest paid of ₦48.3 billion and a dividend payment of ₦272.7 billion.

Cash and cash equivalents (net of bank overdrafts used for cash management purposes) increased from ₦112.0 billion at the end of 2019 to ₦141.0 billion at 31st December 2020. With net loans received at ₦122.9 billion and increase in cash balances of ₦21.9 billion, net debt increased by ₦109.7 billion from ₦227.5 at the end of 2019 to ₦337.3 billion at the end of 2020, giving a net debt to EBITDA ratio of 0.71x, reflecting the continuing strong cash generation achieved by the Group.

Capital expenditure by region

	Nigeria ₦'million	Pan-Africa ₦'million	Total ₦'million
Capital expenditure	184,286	39,719	224,005

Capital expenditure was mainly comprised of the construction of new plants in Nigeria and Pan-Africa, the acquisition of distribution trucks in Nigeria as well as improvements in our energy efficiency in Tanzania.

Share buyback

Dangote Cement completed tranche 1 of its buyback programme on 31st of December 2020, buying back 0.24% of its shares outstanding (40,200,000 shares) at an average price of ₦243.02 per share.

Recommended dividend

On 18th March 2021, the Directors recommended to maintain a dividend of ₦16.00 per share for approval at the Annual General Meeting.

Going Concern

The Directors continue to apply the Going Concern principle in the preparation of the Financial Statements. After considering the liquidity position and the availability of resources, the Directors concluded that there are no significant threats to the Group's Going Concern capabilities.

The Directors believe that the current working capital is sufficient for the operations and the Group generates sufficient cash flows to fund its operations. Borrowings are mainly to fund the expansion projects in various African countries.

Guillaume Moyen
Group Chief Financial Officer
18th March 2021

"Dangote Cement completed tranche 1 of its buyback programme on 31st December 2020, buying back 0.24% of its shares outstanding."