

The Nigerian Industrial Goods Sector.

Cement Sub-sector

A Diamond in the Rough

This report discusses the major trends that have shaped the Nigerian Industrial Goods sector and our investment thesis on the Building Materials companies (Cement producers). Despite the unusual event that characterised 2020, the cement sector grew by 3.9% (2019; 3.1%). We expect the sector's growth to improve in 2021, as government across most states of the federation accelerate the completion of projects abandoned in the prior year. DANGCEM remains our top pick in the cement universe, and we have a 'BUY' rating with a TP of NGN255.54/s. We now consider LAFARGE as a medium to long term play following its return to profitability in 2019 after the divestment from its loss-making South African subsidiary and the successful completion of its debt restructuring programme. We have a 'BUY' rating on LAFARGE with a TP of NGN29.53/s. We also initiate coverage on BUACEMENT, with a 'SELL' rating and a TP of NGN44.50/s. At current levels, we consider the market pricing of BUACEMENT to be overstretched.

Cement Demand; Compelling Prospects amid Short Term Drags

Nigeria's cement industry has undergone a rapid transformation to attain self-sufficient status. It is currently poised to become the hub of cement production in Africa. We think the country's favourable demographics, particularly its youthful population, amid a rising urbanisation rate, are key drivers that will support demand for building and construction materials in the medium to long term. We like the current administration's drive towards bridging the huge infrastructure deficit across the country. Indeed, the recent establishment of an infrastructure company to be funded mainly by the CBN and NSIA lends credence to this. Having recorded a growth of 3.9% in 2020, we estimate the cement sector will grow by 4.8% (a 2.1x premium to our GDP forecast of 2.7%) in 2021.

Marginal Hike in Cement Prices Inevitable in 2021

Based on historical precedence, periods of devaluation in the local currency are usually followed by an increase in cement prices. With the local currency's devaluation by 23.9% at the official window in 2020, the ex-factory price per bag rose to N2,259 per bag (+4.5% y/y), based on our estimates. We forecast ex-factory price will increase by an average of 3.0% y/y in 2021E (2020; 4.5%). We believe this will be driven by the need to preserve EBITDA margins from upward pressures on energy cost arising from the local currency's devaluation.

Competitive Landscape to remain Fierce in 2021

The growing influence of BUA CEMENT has brought fundamental changes in the industry's competitive landscape. In 2018 when BUACEMENT merged CCNN and Kalambaina Cement, the market share of the enlarged entity (CCNN) rose sharply to 12.5% from 4.0% in 2017. On the flip side, the market share of DANGCEM declined to 64.7% (2017; 69.7%) while that of LAFARGE reduced to 22.8% from 26.3% in 2017. We expect the competitive landscape to be more intense in 2021, given BUACEMENT's commissioning of its new 3MMT Sokoto line 11 plant scheduled to come on stream in Q2-21.

Companies Featured

DANGCEM	TP: N255.54			BUY
	2020A	2021E	2022E	
EPS	16.24	17.26	18.91	
PE	13.6x	12.8x	11.6x	
EV/EBITDA	10.1x	9.3x	8.5x	
EV/Sales	4.6x	4.3x	3.9x	
Dividend Yield	7.1%	7.2%	7.6%	

WAPCO	TP: N29.53			BUY
	2020A	2021E	2022E	
EPS	1.91	2.17	2.43	
PE	11.8x	10.4x	9.3x	
EV/EBITDA	4.8x	4.7x	4.4x	
EV/Sales	1.6x	1.5x	1.4x	
Dividend Yield	4.4%	5.9%	6.1%	

BUACEMENT	TP: N44.50			SELL
	2020A	2021E	2022E	
EPS	2.14	2.22	2.58	
PE	34.0x	32.8x	28.2x	
EV/EBITDA	26.0x	23.4x	20.0x	
EV/Sales	12.1x	10.9x	9.5x	
Dividend Yield	2.8%	3.0%	3.4%	

Prices in this report are as of close 29 April 2020
Source: Company data, Cordros Research estimates

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Nigerian Cement Industry.

In terms of the competitive landscape, the growing influence of BUACEMENT has brought fundamental changes in the market share (proportion of industry's revenue) of DANGCEM and LAFARGE. The recent merger between CCNN and Obu Cement in 2019 that heralded BUA Group's listing has improved BUA's market share to 18.1% as of 2020 from 17.6% in 2019.

Rapid Transformation from Import Dependent to Self Sufficiency

From being import-dependent in the immediate post-independence era, Nigeria's cement industry has undergone a rapid transformation to attain self-sufficient status. It is currently poised to become the hub of cement production in Africa. Through the 1990s, Nigeria was heavily reliant on importing cement in meeting local consumption, as cement companies focused on importing bulk cement and then bagging it for distribution. The introduction of the import-substitution policy in 2002 was the game-changer for the industry as it laid a solid foundation for increased investment in domestic production capacity, reducing the nation's reliance on importation. Within six years, the number of cement plants in Nigeria had increased from four in 2002 to eight in 2008. Similarly, local production rose significantly from a thirty-year low of 1.9 million tonnes in 2003 to 8.1 million tonnes in 2009.

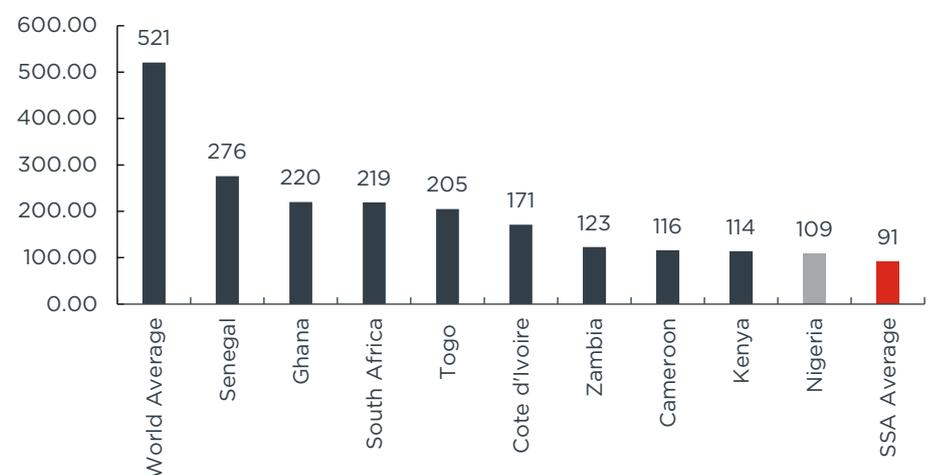
Today, the industry's installed capacity is far more than domestic demand following huge investment by industry players. Currently, the industry's total installed production capacity is 50.9MMT, compared to Nigeria's estimated consumption of c. 23.5MMT as of end-2019. Meanwhile, industry capacity is set to rise further from 50.9MMT to 53.9MMT, given BUACEMENT's commissioning of its new USD450.00 million 3MMT Sokoto line 11 plant scheduled to come on stream in Q2-21.

Despite the huge infrastructure deficit in the country evidenced by dilapidated road networks and poor port infrastructure, cement demand has struggled to keep pace with industry players' significant investments in capacity expansion, resulting in excess capacity. Subdued public spending on capital projects due to underperformance in revenue targets, declining per capita income with its attendant impact on private demand for residential properties are key factors that have continued to undermine utilisation of industry's capacity. Using Dangote Cement as a proxy, capacity utilisation between 2014 and 2019 averaged 51.0%. For us, this reflects the fact that the industry has plenty of untapped potentials and could indeed experience immense growth over the medium-to-long term if the government implements pro-growth policies and structural reforms to change the macro narrative.

With the country's cement consumption per capita of 109kg still significantly below the global average of 521kg, we believe the industry's long-term growth potential remains strong. Meanwhile, the United Nations estimates that Nigeria

will overtake the United States to become the world's third-most populous country by 2050. Indeed, this would require increased public infrastructure investment to cater to the people's needs. According to the Minister of Finance, Budget and National Planning, Nigeria needs USD100.00 billion or NGN37.90 trillion (using the official exchange rate of NGN379.00/USD) annually to address its infrastructural decay. Meanwhile, the federal government disbursed just NGN1.74 trillion in 2020, equivalent to a paltry 4.6% of the required annual spending. Notwithstanding, we believe the country's favourable demographics, particularly its youthful population, amid a rising urbanisation rate, are key drivers that will support demand for building and construction materials in the medium to long term.

Figure 1: Cement per capita consumption vs peers (in kg)



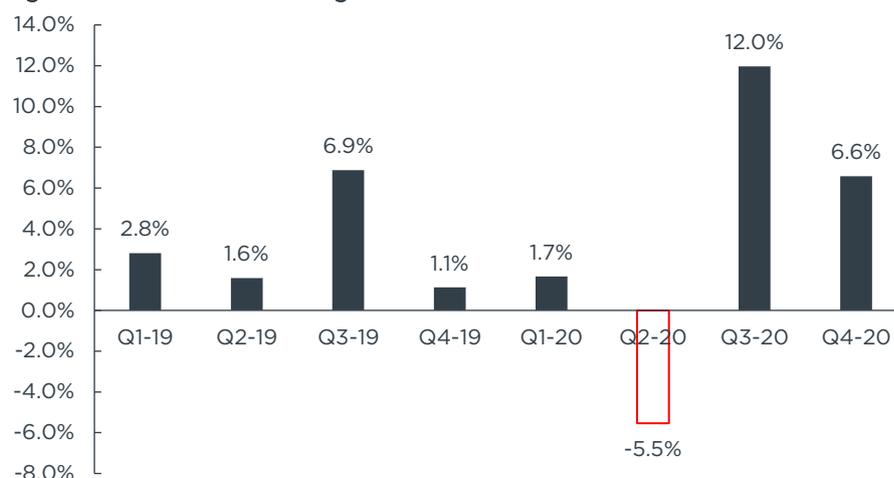
Source: BUA Cement H1'2020 Investor Presentation, Cordros Research

2020 in Retrospect

Pandemic Leaves Negative Imprint on Cement Demand

Following a decent start to the year wherein the cement sector GDP grew by 1.7% in Q1-20, the imposition of lockdown measures dampened activities in Q2-20 as construction companies and unskilled workers had to comply with lockdown rules. Increased government focus on the healthcare sector also led to the abandonment/ suspension of major construction sites' activities. Specifically, cement sector GDP declined by 5.5% in Q2-20, reflective of the sharp deceleration in real estate sector (-21.9% | Q1-20: -4.8%) and construction sector (-31.8% | Q1-20: +1.7%) GDPs. Besides from the pandemic-induced slowdown, we believe (1) subdued demand for residential properties partly due to shrinking real incomes, (2) the higher cost of building materials due to devaluation of the local currency, and (3) the reduced availability of building materials due to supply chain disruptions also contributed to the weakness in the real estate sector.

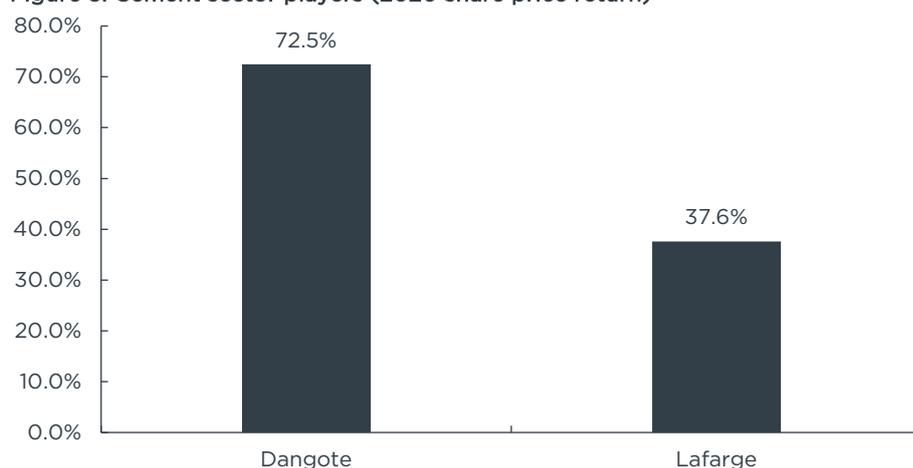
Figure 2: Cement sector GDP growth



Source: NBS, Cordros Research

However, the sector recovered in Q3-20 following the easing of social distancing measures that enabled the restart of construction projects previously abandoned. In conjunction with the robust recovery in private sector demand, the easing of lockdown measures amid low rainfall provided the catalyst for a strong rebound in the cement sector in Q3-20 (+12.0%). The strong rebound in the cement sector was evident in the strong revenue growth recorded by the industry players during Q3-20- DANGCEM (+45.5% y/y), WAPCO (+31.4% y/y) and BUACEMENT (+39.7% y/y). Investors also reacted positively to the solid earnings- with WAPCO (+50.0%), DANGCEM (+12.5%) and BUA (+7.8%), share prices rising in Q3-20.

Figure 3: Cement sector players (2020 share price return)



Source: Bloomberg, Cordros Research

Cement Sector Performance

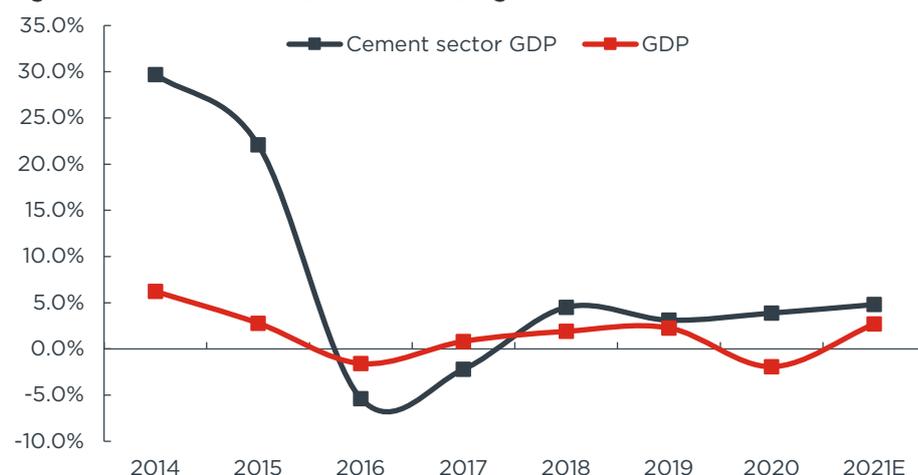
Highly Correlated to GDP Growth

The cement sector grew at a CAGR of 4.0% from 2014-2019, with the sector's growth mirroring the growth in the broad economy. We believe this reflects the correlation between rising income levels associated with increased economic output and demand for capital goods, namely housing. Additionally,

it demonstrates the spillover impact of increasing production on business investment in capital formation. Between 2014-2019, the cement sector recorded its highest growth of 29.7% in 2014, which coincides with the year when GDP grew by 6.2% - the highest over the same period. Considering the structure of the Nigerian economy, we think the sturdy growth attained in 2014 was propelled by the impact of high oil prices on government revenue, which supported fiscal spending on infrastructural projects amidst an uptick in business investment.

However, growth in the cement sector decelerated sharply in 2016 (-5.4% vs 22.1% in 2015) following the slump in GDP growth (-1.6% in 2016 vs 2.8% in 2015). The decline in GDP in 2016 was due to the crude oil price crash (Brent crude oil price averaged USD45.1/bbl in 2016 vs USD99.5/bbl in 2014). The sharp contraction in the construction sector in 2016 (-5.9% vs 4.4% in 2015) further confirms the negative impact of the downturn in oil prices on public sector spending on infrastructure and private sector investment in gross fixed capital formation.

Figure 4: Cement sector GDP and real GDP growth



Source: NBS, Cordros Research

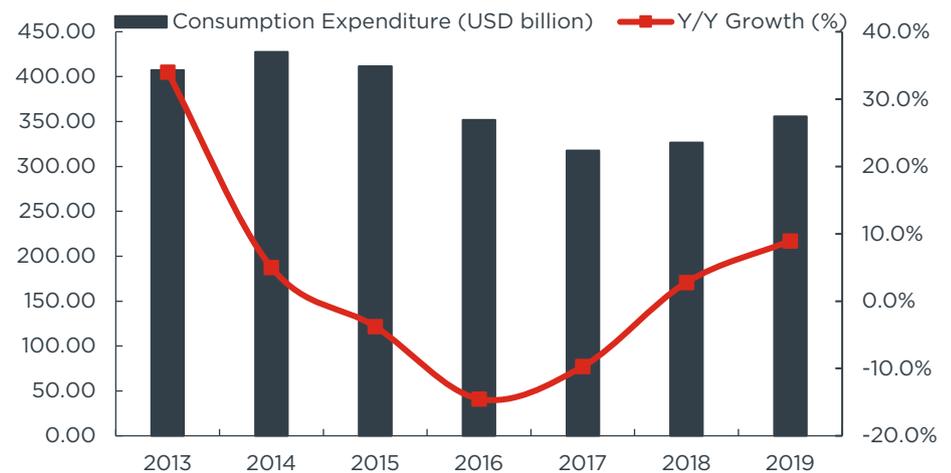
Having recorded a growth of 3.9% in 2020, we estimate the cement sector will grow by 4.8% (a 2.1x premium to our GDP forecast of 2.7%) in 2021. Our view is hinged on improved public spending on infrastructure as government across most states of the federation will likely redirect their focus from the health sector to accelerating the completion of projects abandoned in the prior year due to the pandemic. Despite recurring revenue challenges, we do not think the government will face severe deficit financing pressures, which would provide an impetus for improved CAPEX spending. We believe the recent establishment by the FGN of an infrastructure company to be funded mainly by the CBN and NSIA further cements its stance towards bridging the infrastructure gap in the country. We expect more robust cement demand from the private sector, particularly in H1 2021, as commercial property developers and individual home builders' ramp up activities before the onset of the rainy season in H2 2021.

Public vs Private Sector Demand

Inextricably Affected by the Oil Sector

Although there are specific factors that affect public and private sector demand, we note that both tend to be influenced by the oil sector conditions. This is due to the various channels through which the oil sector impacts the broader economy, notably exchange rate and government revenue. On private sector demand, devaluation in the local currency and subdued GDP growth affects cement demand via; (1) the weakening in the purchasing power of consumers, which dampens demand for capital goods such as housing (2) higher cost of building materials which constrains the development of residential and commercial properties in the real estate sector. To underscore the scale of things, consumption expenditure in Nigeria has declined from its peak of USD427.57 billion in 2014 to USD355.69 billion in 2019, according to data obtained from the World Bank. The peak attained in 2014 coincides with the year when GDP grew by 6.2% - the highest since 2014 to date.

Figure 5: Nigeria's consumption expenditure



Source: World Bank, Cordros Research

On public sector demand, oil revenue rises during periods of high oil prices, enabling the government to ramp up spending on public projects. This is evident in the sturdy growth of 13.0% recorded in the construction sector in 2014, shortly before the last oil price crash in 2015/2016. Since then, however, the construction sector is yet to recover from the double-digit growth attained in 2014. For us, this is due to a confluence of factors ranging from weak oil revenues, consistent underperformance in non-oil revenue, alongside ballooning recurrent expenditure, all of which have constrained fiscal spending on capital projects.

In 2020, the onset of the pandemic forced the government to abandon several ongoing projects due to the need to pay more attention to the health sector. As such, the construction sector suffered its most significant contraction (-7.7% in 2020) on record. We estimate the construction sector will recover marginally by 1.8% in 2021, given our expectation that activities on

construction sites will normalise following the pandemic-induced slump in the prior year. The pass-through impact of higher oil earnings on government revenue should also buoy CAPEX spending; based on our forecast, the price of Brent crude oil will average USD60.00pb in 2021E (2020; USD41.96pb).

Figure 6: Average Brent price (USD)

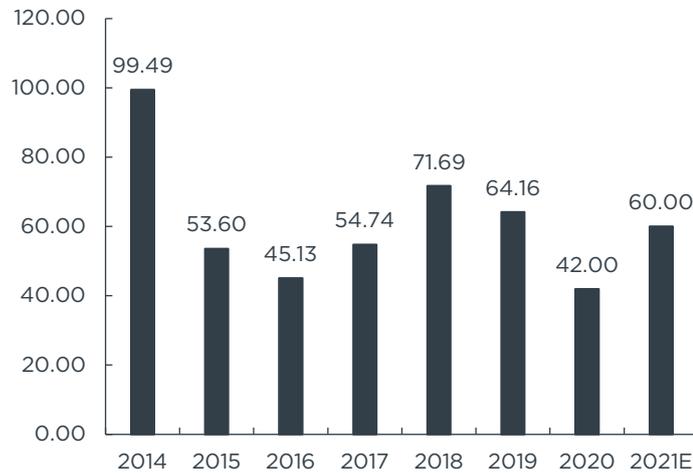
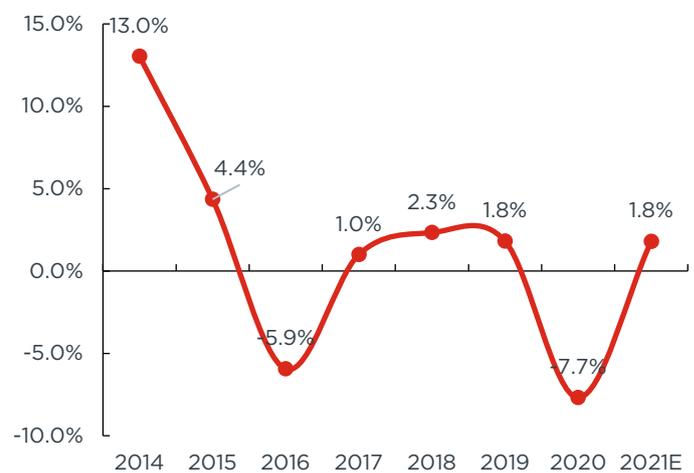


Figure 7: Construction sector growth rate



Source: Bloomberg, NBS, Cordros Research Estimates

Beyond 2021, we believe restoring the construction sector to its "glory days" will require the implementation of structural reforms geared towards diversifying government revenue away from oil and bridging the output gap to drive non-oil revenues.

Public Sector Demand: Hindered by Revenue Challenges and Fiscal Spending Pattern

Considering the huge infrastructural deficit across the country, one would expect that public sector demand should be at the forefront of cement consumption. Unfortunately, this has not been the case as public sector demand has often lagged private sector demand. We believe the chief contributor to this is weak revenue generation from both oil and non-oil revenues, resulting in actual revenues consistently falling short of budgeted revenues. Fiscal deficits have been exacerbated by the public sector's large size, rising cost of governance and ballooning in the debt stock, skewing government revenue towards recurrent expenditure and debt servicing. As a result, implementation of capital expenditure has often taken a back seat behind recurrent spending. Based on the 2020 budget implementation report, the federal government total expenditure stood at NGN10.10 trillion, with just NGN1.74 trillion (c.17% of total expenditure) disbursed for capital expenditure. More importantly, the amount spent on CAPEX came largely from fresh borrowings (NGN3.28 trillion), reflecting the FG's limited capacity in financing CAPEX with retained revenue. Meanwhile, the federal government spent the sum of NGN2.83 trillion (1.6x the amount spent on capital expenditure) was spent on personnel costs alone.

It is, however, pertinent to note that despite the impact of the twin shocks (pandemic and weak oil prices) on government finances in 2020, the sum of NGN1.74 trillion (performance ratio of 89.0%) released for CAPEX implementation is the highest level since 2015 (before the oil price crash). We believe this was supported by the low yield environment, which enabled the government to raise debt from the domestic market at low rates compared to historical levels. Government finances were further supported by the USD3.40 billion non-conditional financing obtained from the IMF, partly utilised in plugging the deficits in the 2020 budget.

Figure 8: Budgeted CAPEX vs actual CAPEX

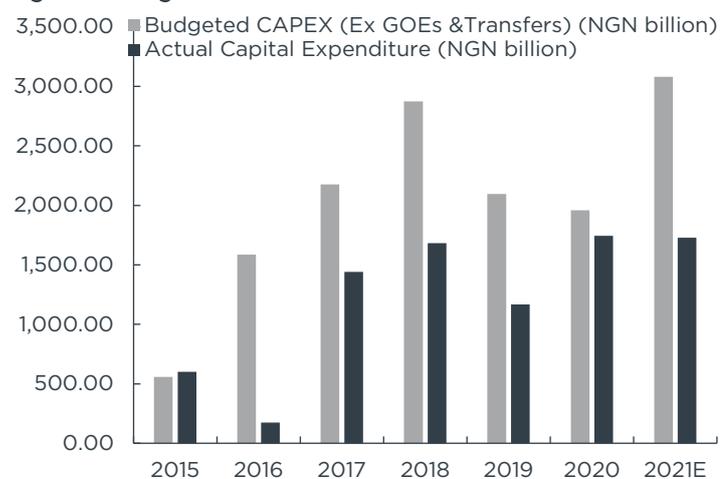
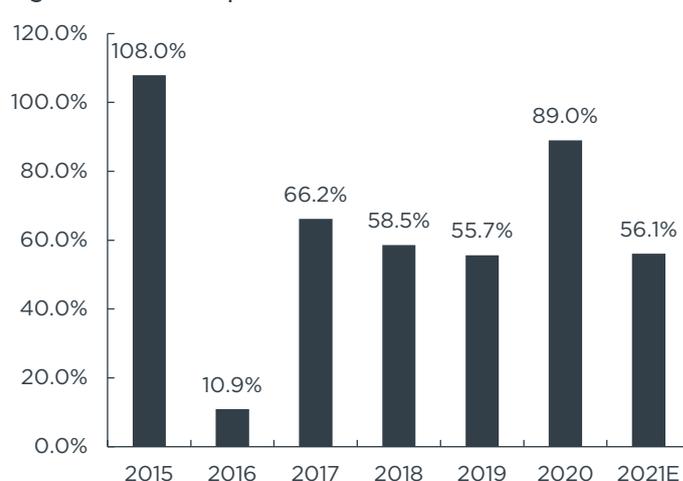


Figure 9: CAPEX implementation rate



Source: Budget Office of the Federation, Cordros Research Estimates

Based on the 2021 budget of Economic Recovery and Resilience, the government budgeted NGN3.08trillion for capital expenditure (excluding project tied loans and transfers). Like 2020, we believe this will be financed mainly by borrowings. Hence, we estimate that the sum of NGN1.73 trillion will be spent on capital expenditure in 2021, translating to a performance ratio of 56.1%.

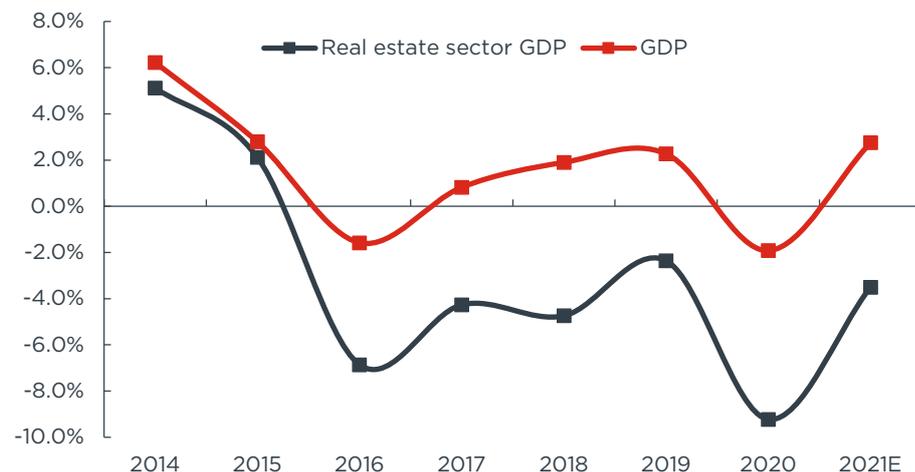
In the medium to long term, we believe fiscal consolidation measures that emphasise the need to reduce the size of the public sector and the reformation of subsidy programmes are crucial to improving government ability to finance capital expenditure using retained revenues rather than an extensive reliance on borrowings.

Private Sector Demand: Sluggish GDP Growth Undermines Demand for Real Estate

Over the years, sub-optimal GDP growth from weak oil prices has resulted in declining per capita income, limiting demand for durable consumer goods; real estate is one. Also, the local currency's devaluation pushes the cost of building materials upwards, making residential properties more expensive. The preceding's attendant impact is evident in the real estate sector's lacklustre performance. For context, between 2014-2019, the sector recorded its highest growth of 5.1% in 2014, which coincides with the year when GDP grew by 6.2% - the highest over the same period. Following the contraction in GDP growth in 2016

(-1.6% vs 2.8% in 2015), the sector's performance weakened significantly (-5.4% in 2016 vs 22.1% in 2015). Since 2016, the sector is yet to record a positive full-year growth (2017; -4.3% | 2018; -4.7% | 2019; -2.4% | 2020; -9.2%) reflective of the sluggish GDP growth between 2017 and 2019 (average of 1.7%), which is below the nation's population growth of 2.7%.

Figure 10: Real estate GDP growth vs real GDP growth

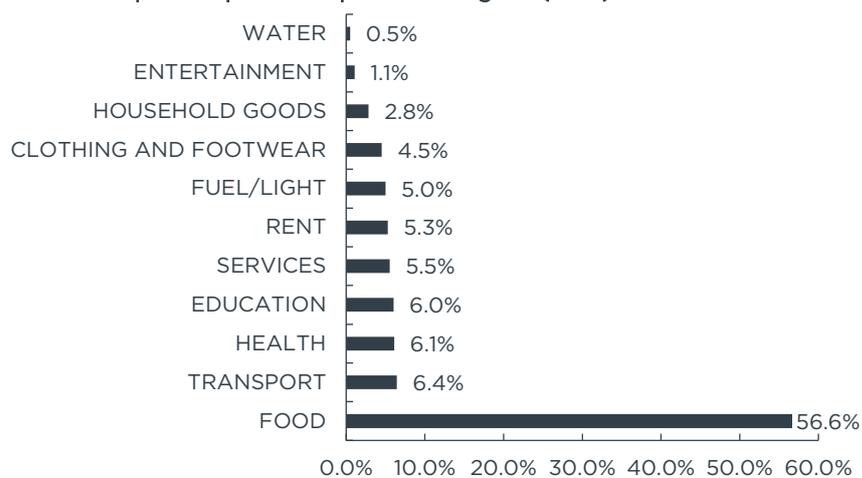


Source: NBS, Cordros Research

Aside from declining per capita income associated with sub-population GDP growth, systemic issues ranging from the high cost of mortgage financing, low accessibility to mortgage financing, and the shortage of incentives for the private sector's widescale housing supply have also contributed to the woeful performance of the sector.

In 2021, we do not envisage a significant improvement in the demand for durable goods, particularly from the low-and-middle-income earners. Our view is hinged on continued pressure on household incomes due to elevated food prices and increased living cost emanating from reforms in the oil and gas and power sectors. The fact that consumption expenditure among households is skewed towards food items is also a significant concern. According to the National Bureau of Statistics (NBS) data on Consumption Expenditure Pattern in Nigeria 2019, 56.7% of total household expenditure in 2019 estimated at NGN40.21 trillion was spent on food with the balance of 43.4% spent on non-food items. Based on our expectations of sustained upward pressures on food prices, we think the demand for residential properties, particularly from the low-and-middle-income earners, will remain weak.

Figure 11: Consumption expenditure pattern in Nigeria (2019)



Source: NBS, Cordros Research

However, it is pertinent to highlight that there has been a dramatic change in the demand pattern for housing among low-and-middle-income earners. About a decade ago where the acquisition of land and construction of houses was the order of the day, there seems to have been a paradigm shift to the purchase of dwellings by lease agreements and sharing of rented apartments. The preceding appears to have encouraged increased investment in estates' construction for residential purposes. With the proliferation of flexible payment arrangements among developers, we are somewhat optimistic that it would support continued investment in residential properties. Additionally, we believe the reduction in credit cost, triggered by CBN's unorthodox policies (which have also impacted mortgage costs positively), may encourage commercial properties development. We also believe the cheaper cost of mortgage financing will spur demand from the upper echelons of middle-class consumers who currently opt for expensive rental payments. On a balance of factors, we estimate the real estate sector will contract by 3.5% in 2021E (2020; -9.2%).

Over the medium to long term, we believe the demand for residential and commercial real estate will be dependent on the magnitude and pattern of growth in GDP, the flow of Foreign Direct Investment (FDI) and availability of robust mortgage financing schemes to low and middle-income earners.

Industry Structure and Capacity

An Oligopolistic Market with Excess Capacity

The cement industry can be best described as an oligopolistic structure given the concentration of production capacity in three major producers vis; DANGOTE CEMENT (32.3MMT; 63% market share), LAFARGE (10.5MMT; 21%) AND BUA CEMENT (8.0MMT; 16%). However, there is a small player-PureChem Industries Limited, situated in Ogun state with a capacity of 900,000MT.

Figure 12: Cement plants and capacity in Nigeria (in MMT)

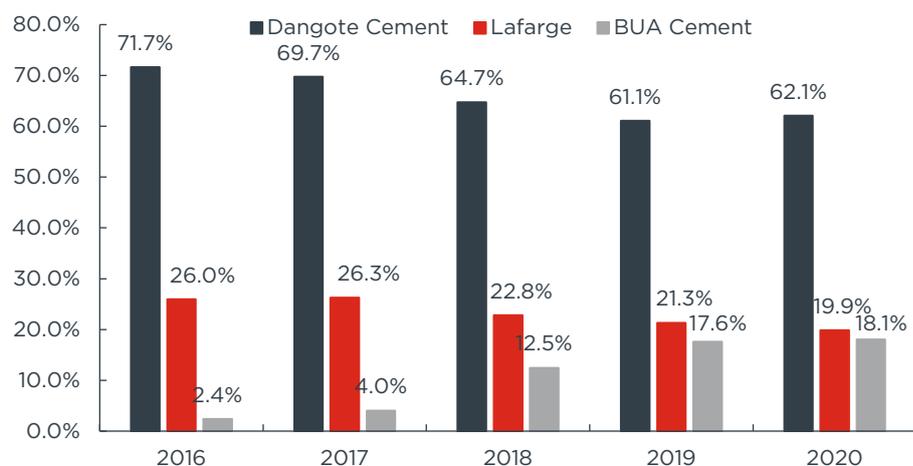
Company	Cement Plants	Locations (state)	Capacity
Dangote	Obajana	Kogi	16.3
	Ibese	Ogun state	12.0
	Gboko	Benue	4.0
Lafarge	Unicem	Cross River	5.0
	Wapco	Ogun	4.5
	Ashaka	Gombe	1.0
BUA	Obu Okpella	Edo	6.0
	Kalambiana	Sokoto	2.0
PureChem		Ogun	0.1
Total industry capacity			50.9

Source: Company Filings, Cordros Research

Despite a huge infrastructural and housing deficit, demand for cement has struggled to keep pace with the expansion in production capacity, resulting in low-capacity utilisation. To understand the scale of things, capacity utilisation for the industry leader, Dangote Cement, averaged 51.0% between 2014 and 2019. Although the industry currently has an excess capacity of c.50.0%, we do not rule out the possibility of continued investments by industry players in capacity expansion. Notably, DANGCEM added a new line 5 (with a capacity of 3Mta) to its Obajana plant in June 2020. Interestingly, BUACEMENT has revealed its plan to construct additional production lines of 3MMT each to be located at Adamawa, Edo and Sokoto states. We expect a similar move from Lafarge following the divestment from its loss-making South Africa subsidiary in 2019 and, more recently, an associate investment in Ghana. Lafarge now intends to focus on preserving and strengthening its market share in Nigeria.

In terms of the competitive landscape, the growing influence of BUACEMENT has brought major fundamental changes in the market share (proportion of industry's revenue) of DANGCEM and LAFARGE. In 2018 when BUACEMENT merged CCNN and Kalambaina Cement, the market share of the enlarged entity (CCNN) rose sharply to 12.5% from 4.0% in 2017. On the flip side, the market share of DANGCEM declined to 64.7% (2017; 69.7%) while that of LAFARGE reduced to 22.8% from 26.3% in 2017. The recent merger between CCNN and Obu Cement in 2019 that heralded BUA Group's listing has improved BUA's market share to 18.1% as of 2020 from 17.6% in 2019.

Figure 13: Market share of DANGCEM, LAFARGE AND BUACEMENT



Source: Company Financials, Cordros Research

Production Process: Heavily Reliant on Energy

The cement manufacturing process requires the extensive use of energy. For context, the raw meal is usually heated to a temperature of nearly 1400°C to 1500°C during the crushing process. Based on the preceding, energy cost accounts for a substantial proportion of COGS. Using DANGCEM as a proxy, energy cost accounted for an average of 40.6% of the total cost of sales between 2015 and 2020. This implies that energy mix efficiencies will significantly influence EBITDA margins among the industry players. In realisation of the extensive use of energy in the production process, cement manufacturers in Nigeria obtain power from various sources, namely, gas, LPFO (Low Pour Fuel Oil – a by-product of crude oil) and locally sourced coal. Over the years, concerted efforts have been towards increasing the use of locally sourced coal due to its cost-efficiency compared to gas and LPFO. Notably, gas is usually affected by adverse movements in exchange rates as it is referenced to the USD.

Figure 14: DANGCEM's energy cost as a % of the cost of sales

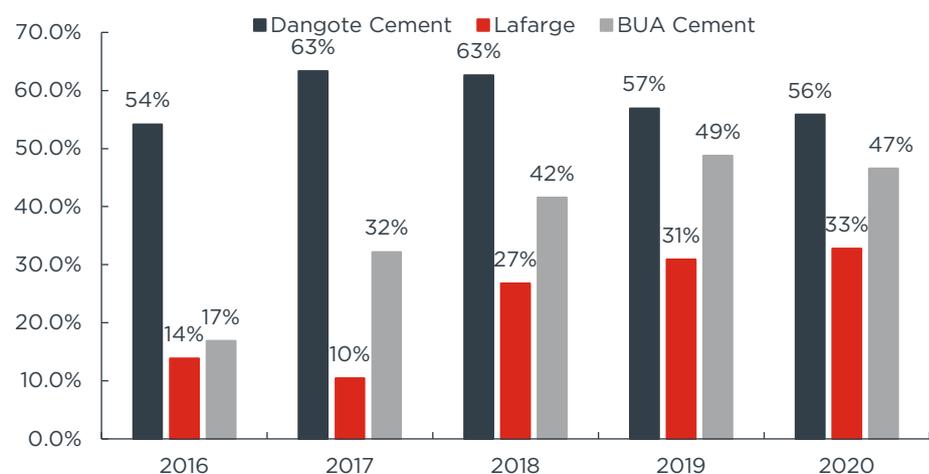


Source: Company Financials, Cordros Research

As of 2018, when the industry leader (Dangote Cement) provided information on its energy mix, the Obajana plant (the largest plant in the country) had an

energy mix of 53%:47% for gas and coal. This compares to 60%:38%:2% for gas, coal and LPFO respectively in 2017, reflecting the improved share of coal in its energy mix. Although no recent information has been provided, we imagine that supply disruptions associated with gas and FX liquidity challenges must have made the company skew its energy mix towards coal. As industry players continue to optimise their energy mix, we believe this will be positive for margins. However, the impact will vary among industry players depending on their manufacturing plants' sophistication and ability to increase fixed cost absorption with increased production volumes. As shown in the chart below, DANGCEM (51.2% as of 2020) leads the industry in terms of EBITDA margins due to scale economies associated with its large size amid the continued drive in optimising its energy mix. BUA CEMENT (46.6% as of 2020) occupies the second position due to efficiencies associated with its modern plants in Edo state, which offset cost pressures related to the use of expensive LPFO in its Kalambiana plant. Although LAFARGE's EBITDA margin of 32.7% in 2020 is well below the industry average (51.2%), the company has made giant strides in increasing the use of alternative fuels (biomass). Hence, we think LAFARGE is poised for a catch-up game with its peers.

Figure 15: EBITDA margins of DANGCEM, LAFARGE AND BUACEMENT



Source: Company Financials, Cordros Research

SWOT Analysis

Strengths

- Limestone is available in abundance, making the sourcing of the essential raw material easy
- Oligopolistic market structure and high switching cost to consumers enables local manufacturers to be price givers.
- The threat of new entrants is shallow due to the high capital outlay required.

Weaknesses

- Poor road network across the country contributes to an increase in haulage costs.
- Erratic power supply has forced producers to rely heavily on gas and coal.
- Persistent FX liquidity challenges and the Naira's devaluation impact gas contracts, leading to high energy cost.

Opportunities

- Nigeria's huge infrastructure deficit estimated to gulp USD3.00 trillion over 30 years.
- The fast-growing population and rising urbanisation rate portend increased demand for housing.
- FG recent establishment of an Infrastructure company to accelerate infrastructure spending.
- Sufficient spare capacity to meet future demand and serve the export market

Threats

- Nigeria's commitment to the AfCFTA could lead to price erosion in the domestic market due to competition from neighbouring countries.
- Rising security challenges could lead to a temporary closure of plants and hamper distribution networks.
- Environmental issues associated with the emission of CO2 during blasting in quarries constitute a threat to current production techniques

Cement Pricing in Nigeria

The Import Ban, Market Structure Underpins Premium Pricing

Cement prices in Nigeria are higher than the global average despite the domestic availability of limestone, the critical raw material used in cement production. We believe the import restriction on the commodity and the industry's oligopolistic structure confers the industry players' premium pricing advantage. On the former, the absence of competition from foreign suppliers has made it possible for the industry players to shun undercutting prices to boost revenue even when demand is weak, given that consumer choices are limited. Again, the products of the three major producers in the country are not evenly distributed and easily accessible across the country's geographical locations, resulting in high switching costs to the consumer. High switching cost to the consumer has been amplified by the industry's oligopolistic structure, enabling industry players to dictate prices collectively. An oligopolistic market structure's key feature is that the firms are usually interdependent, implying they cannot act independently of each other. Given the inelastic demand facing industry players amid high switching cost to consumers, the industry players can quickly raise prices to counteract cost pressures that will dampen margins.

Figure 16: Trend in ex-factory price per bag vs y/y growth



Source: Cordros Research Estimates

Local cement prices are also influenced by input costs, particularly energy and distribution costs. On the one hand, energy prices are affected mainly by the local currency's devaluation as gas contracts are denominated in USD. On the other hand, distribution cost is affected by the price of petroleum products and the country's poor road infrastructure. Our observation of industry trends indicates that periods of weakening in the local currency are usually followed by an increase in cement prices as industry players pass on the cost to consumers. This was the case in 2017 when the ex-factory price per bag of Dangote Cement and Lafarge rose by an average of 54.1%, based on our estimates. Since then, however, prices have been broadly stable as the intensification of competitive pressures has restrained the industry leader from hiking prices. Given the local currency's devaluation by 23.9% at the official window in 2020, we estimate an ex-factory price per bag rose by an average of 4.5% y/y to N2,259 per bag. Although the stiff competitive landscape coupled with soft industry conditions should deter industry players from raising prices substantially in 2021, we still see scope for marginal increases in prices. We believe this will be driven by the need to preserve EBITDA margins from upward pressures on energy cost arising from the local currency's devaluation. Thus, we forecast ex-factory price will increase by an average of 3.0% y/y in 2021E. Looking beyond 2021, we believe the intensifying competitive pressures will hinder industry players' ability to implement substantial prices increases in the industry. As a result, the battle to retain market share will be of paramount concern to industry players. The key downside risk to our outlook on cement prices is adverse movements in exchange rates which would compel industry players to pass on the cost to consumers in the form of higher prices.

Dangote Cement Plc.

Consolidating on its Market Prowess

DANGCEM remains our top pick within our coverage universe (TP: NGN255.54). We believe the company is well-positioned to benefit from the medium-to-long term growth potentials of the Nigerian and Sub-Saharan African (SSA) cement markets. In Nigeria, we expect the company to leverage its market leadership position, strong distribution network, efficient production techniques and ability to influence market prices in enhancing profitability. In SSA, we believe its diversified footprint provides diversification to earnings and will enable the company to better utilise its capacity in the Nigerian market through clinker exports. Our positive outlook on the company is further strengthened by its robust funding structure, strong cash-generating ability, industry-leading margins and consistent dividend payment history.

Momentum in revenue growth will slow down in 2021: We forecast revenue will grow slower by 5.8% y/y to NGN1.12 trillion in 2021 due to normalisation in demand conditions across the key regions it operates. Our expected slower topline growth is tied to our lower volumes' growth forecast of 8.2% (vs 12.9% in FY 2020) and 2.6% (vs 4.3% in FY 2020) for Nigeria and Pan African Operations, respectively. We note that Q4-20 revenue grew slower by 28.7% y/y (vs 34.2% in Q3-20), reflecting the dissipating effect of the pent-up demand for cement that ensued following the relaxation of lockdown measures in Q2-20. Management disclosed that the company raised prices in Nigeria in Q1-21. Hence, we expect Group Revenue to benefit from favourable price/volume mix in Nigeria and the translation impact of the local currency's devaluation on Pan African Operations.

EBITDA Margin to weaken marginally in 2021: We estimate Group EBITDA margins will moderate by 44bps to 46.6% in 2021, owing to the full impact of the prior year devaluation of the Naira and limited ability to entirely pass on the cost to the consumers amid higher realised price across Pan African Operations. Farther out, we estimate EBITDA will grow at a CAGR of 9.4% over FY2021E - FY2025E, with an accompanying average EBITDA margin of 47.9% over the same period.

Growth from Pan African Operations to Drive Long Term Profitability: We estimate PAT of NGN294.02 billion (+6.5% y/y) and EPS of NGN17.30 (+6.5% y/y) in 2021E. Beyond 2021, we estimate PAT will grow at a CAGR of 11.5% over 2021E- 2025E, higher than 8.8% achieved between 2015 and 2020. Our higher CAGR forecast over the forecast period (2021E-2025E) is driven by our expectation of improved profitability from Pan African Operations supported by management efforts towards gaining market share and improving capacity utilisation. We also expect gains associated with the exportation of clinker via Apapa and Onne ports to West African countries to buoy profitability.

Valuation: Following the revisions to our forecast, we have increased our target price to NGN255.54 (previously: NGN252.68/s), implying a potential upside of 25.3%. Thus, we maintain our BUY recommendation on the stock. Based on our estimates, DANGCEM is trading on a 2021e P/E and EV/EBITDA multiple of 12.9x and 9.3x compared to EM peers average of 19.3x and 11.4x, respectively.

BUY

Prev. Buy

Price Target NGN255.54

Current Price

NGN205.00

Company Profile

NSE	DANGCEM
Bloomberg	DANGCEM:NL
Reuters	DANGCEM.LG
52-Week range (NGN)	116.00 - 205.00
Market Cap. (NGN bn)	3,493.00
Shares Out. (bn)	17.0
Free Float (%)	14.74

Source: NSE, Bloomberg, Cordros Research

Market Multiples	2020A	2021E	2022E
EPS	16.24	17.26	18.91
P/E	13.6x	12.8x	11.6x
EV/EBITDA	10.1x	9.3x	8.5x
EV/Sales	4.6x	4.3x	3.9x
Dividend Yield	7.1%	7.2%	7.6%

Source: Bloomberg, Cordros Research Estimates

Price movement (DANGCEM vs Benchmark indices)



Source: NSE, Bloomberg, Cordros Research

Analyst(s)

Gbolahan Ologunro

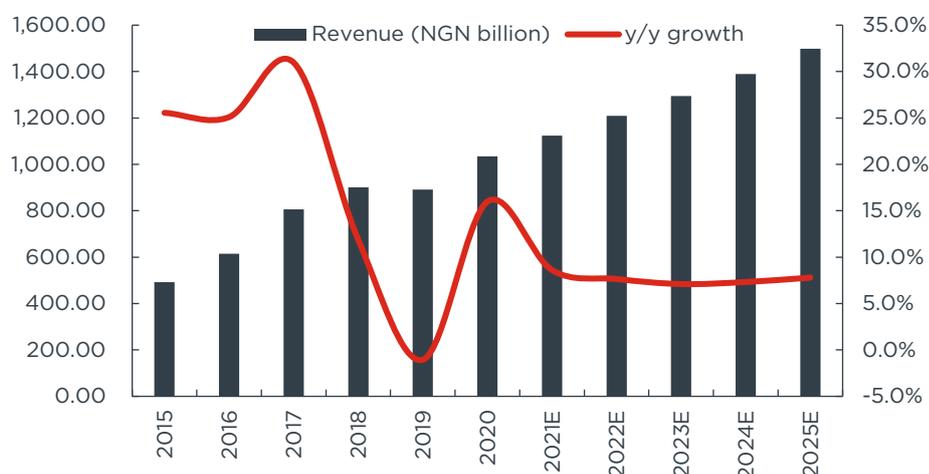
gbolahan.ologunro@cordros.com

Financial Analysis.

Broad-based Expansion Across Geographical Operations Underpins Robust Topline Growth

DANGCEM's revenue grew at a CAGR of 16.0% from 2015 to 2020, supported by expansion across its key markets; Nigeria (2015-2020 CAGR of 13.1%) and Pan African Operations (2015-2020 CAGR of 24.7%). Save for 2019, when Group revenues declined marginally by 1.0% y/y due to slowdown in the Nigerian market stemming from reduced activities in the construction sector owing to the general elections; the company has consistently recorded double-digit growth in revenue from 2015 to 2020. For us, this is reflective of its market leadership position in the Nigerian market and its growing presence across the nine major African countries it currently operates. Despite the pandemic induced slowdown in the construction sector across its key markets in 2020, Group revenue grew by 16.0% y/y to NGN1.03 trillion in FY 2020, on the back of volume expansion in Nigeria (+12.9% y/y) and Pan African Operations (+4.5% y/y). **We forecast revenue will grow slower by 5.8% y/y to NGN1.12 trillion in 2021 due to normalisation in demand conditions across the key regions it operates. Over our forecast period, we estimate a revenue CAGR of 7.5% over FY2021E - FY2025E.**

Figure 17: Revenue (NGN billion) and growth



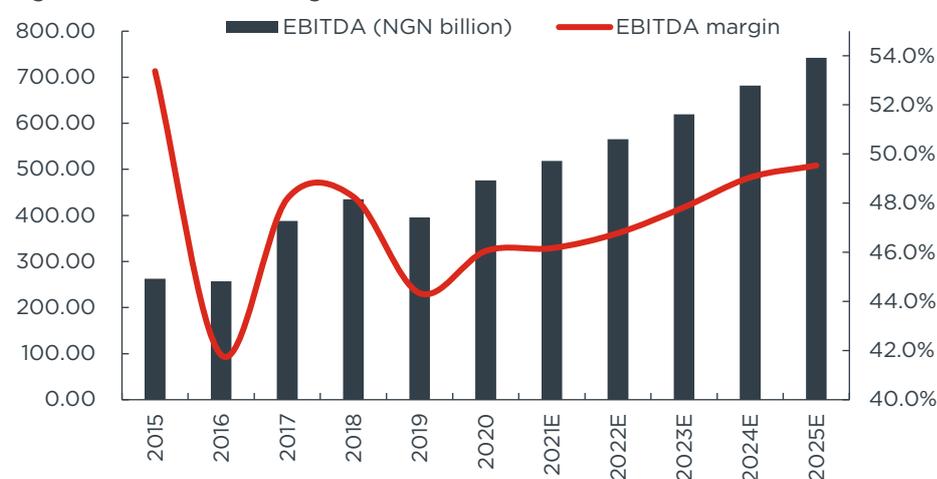
Source: Company Financials, Cordros Research Estimates

Resilient Margins Despite Challenging Business Conditions

Despite episodes of devaluation of the local currency in the Nigerian market, tactical price adjustments, efficient energy mix and economies of scale associated with large scale production have supported margins. DANGCEM's EBITDA grew at a CAGR of 12.7% from 2015 to 2020, with an accompanying EBITDA margin averaging 47.0% over the same period. In 2020, DANGCEM faced cost pressures in Nigeria due to the naira devaluation's pass-through impact on dollar-linked inputs. In absolute terms, energy cost (for Nigerian operations) rose by 22.5% y/y in FY 2020. However, on a per tonne basis,

energy cost/tonne grew slower by 8.5% y/y due to higher sales volumes. According to Management, increased fixed cost absorption due to the higher volumes helped limit the decline in Nigeria FY 2020 EBITDA to 58.5% (FY 2019; 59.2%). However, the Group's EBITDA margin rose by 200bps to 46.6% in 2020 due to cash cost improvements and higher realised prices across Pan African Operations. We estimate Group EBITDA margins will moderate by 44 bps to 46.6% in 2021, owing to the full impact of the prior year devaluation of the Naira and limited ability to entirely pass on the cost to the consumers amid higher realised price across Pan African Operations. **Farther out, we estimate EBITDA will grow at a CAGR of 9.4% over FY2021E - FY2025E, with an accompanying average EBITDA margin of 47.9% over the same period.**

Figure 18: EBITDA and margin



Source: Company Financials, Cordros Research Estimates

Robust Growth from Pan African Operations to Drive Long Term Profitability

DANGCEM's PAT and EPS grew at a CAGR of 8.8% between 2015 and 2020. The steep decline of 48.6% in PAT in 2019 was due to the absence of Pioneer Tax Status exemption compared to 2018. This resulted in a tax expense of NGN49.9 billion in 2019 compared to the tax credit of NGN89.5 billion in 2018. For 2021E, we estimate PAT of NGN294.02 billion (+6.5% y/y) and EPS of NGN17.30 (+6.5% y/y). Beyond 2021, we estimate PAT will grow at a CAGR of 11.5% over 2021E- 2025E, higher than 8.8% achieved between 2015 and 2020. Our higher CAGR forecast over the forecast period (2021E-2025E) is driven by our expectation of improved profitability from Pan African Operations supported by management efforts towards gaining market share and improving capacity utilisation. We also expect gains associated with the exportation of clinker via Apapa and Onne ports to West African countries to buoy profitability. In 2020, exports out of Nigeria declined by 27.3% y/y to 346kt due mainly to the land borders' closure. However, the company could commence clinker exports by sea and resumed land cement exports in H2-2020 after securing the government's approval. We are impressed with the

company's drive towards exploring the sea for the exportation of clinker. We believe the large export market holds significant prospects for the company.

Figure 19: PAT vs margin

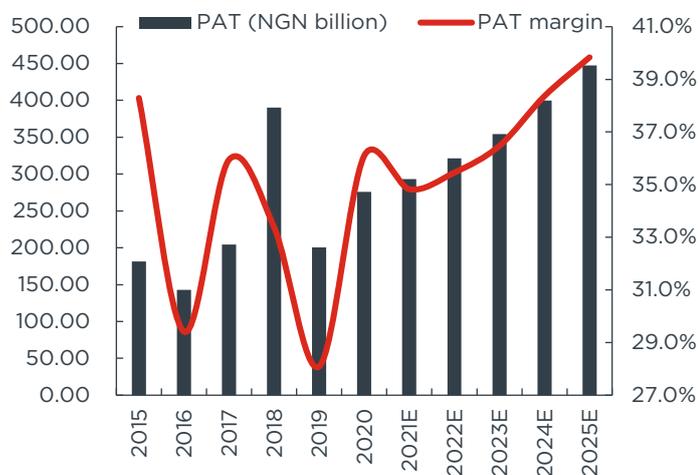
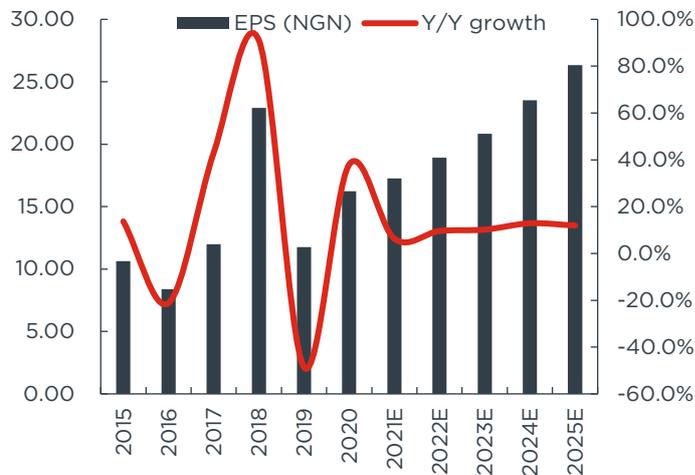


Figure 20: EPS vs Y/Y growth



Source: Company Financials, Cordros Research Estimates

Lafarge Plc.

On Course for a Rollercoaster Ride

We now consider LAFARGE as a medium to long term play following its return to profitability in 2019 after the divestment from its loss-making South African subsidiary (LSAH) and the successful completion of its debt restructuring programme. Before 2019, Lafarge reported net losses of NGN34.6 billion and NGN8.8 billion in 2017 and 2018, respectively. The reported losses came on the back of elevated finance costs associated with its high leverage. This did not go down well with investors as the shares shed 68.0% between 2017 and 2018. In a bid to reposition the company and deliver value to shareholders, Management embarked on rights issues in 2017 (NGN131.65 billion) and 2018 (NGN90.0 billion). In 2019, Lafarge divested from LSAH (a loss-making subsidiary). We believe the stock's rerating from an all-time low of NGN8.95 to above NGN20 levels reflects a positive reaction to the impact of the strategic turnaround initiatives over the past three years. With its deleveraged balance sheet and management insistence that the company will be focused on deepening its presence in the Nigerian market, we believe the company is on course for a rollercoaster ride.

Slower topline growth in 2021: We forecast revenue will grow slower by 5.7% y/y (+8.3% y/y in 2020) to NGN243.71 billion in 2021, supported by the blend of (1) volumes (+3.2% y/y vs 5.7% in 2020), (2) marginal price adjustments (+2.5% y/y) and, (3) increased investment in its distribution network. With the company now focused on the Nigerian market, we think Management will follow the other players' footsteps in expanding its production capacity. Furthermore, we expect the company to maximise the absence of distractions from its prior involvement in regional operations outside of Nigeria in deepening its presence in the domestic market. Over our forecast period, we estimate a Revenue CAGR of 7.1% over FY2021E - FY2025E.

Lower volumes, upward pressures on energy cost to drag EBITDA Margin: We estimate EBITDA margin will moderate by 109 bps to 31.7% in 2021, owing to our expectation of slower volumes (3.2% vs 5.7% in FY 2020), limiting the absorption of fixed production costs amidst the full impact of the prior year devaluation of the local currency on energy cost. Farther out, we estimate EBITDA will grow at a CAGR of 7.8% over FY2021E - FY2025E, with an accompanying average EBITDA margin of 32.0% over the same period.

Topline growth, deleveraged balance sheet to support profit growth: With its deleveraged balance sheet and management guidance that the company does not intend to take on large borrowings in the medium term, we do not envisage any major threat to profitability. Accordingly, we estimate PAT of NGN34.96 billion (+13.4% y/y) and EPS of NGN2.17 (+13.4% y/y) in 2021E. Beyond 2021, we estimate PAT will grow at a CAGR of 9.9%, higher than the 3.2% achieved between 2015 and 2020.

Valuation: We have updated our model but maintain our target price of NGN29.53, implying a potential upside of 31.4%. Thus, we maintain our BUY recommendation on the stock. Based on our estimates, LAFARGE trades on a 2021E P/E and EV/EBITDA multiple of 10.8x and 4.7x, respectively.

BUY

Prev. Buy

Price Target **NGN29.53**

Current Price

NGN22.25

Company Profile

NSE	WAPCO
Bloomberg	WAPCO:NL
Reuters	WAPCO.LG
52-Week range (NGN)	8.95 - 31.50
Market Cap. (NGN bn)	358.40
Shares Out. (bn)	16.1
Free Float (%)	14.74

Source: NSE, Bloomberg, Cordros Research

Market Multiples	2019A	2020E	2021E
EPS	1.91	2.17	2.43
P/E	11.8x	10.4x	9.3x
EV/EBITDA	4.8x	4.7x	4.4x
EV/Sales	1.6x	1.5x	1.4x
Dividend Yield	4.4%	5.9%	6.1%

Source: Bloomberg, Cordros Research Estimates

Price movement (LAFARGE vs Benchmark indices)



Source: NSE, Bloomberg, Cordros Research

Analyst(s)

Gbolahan Ologunro

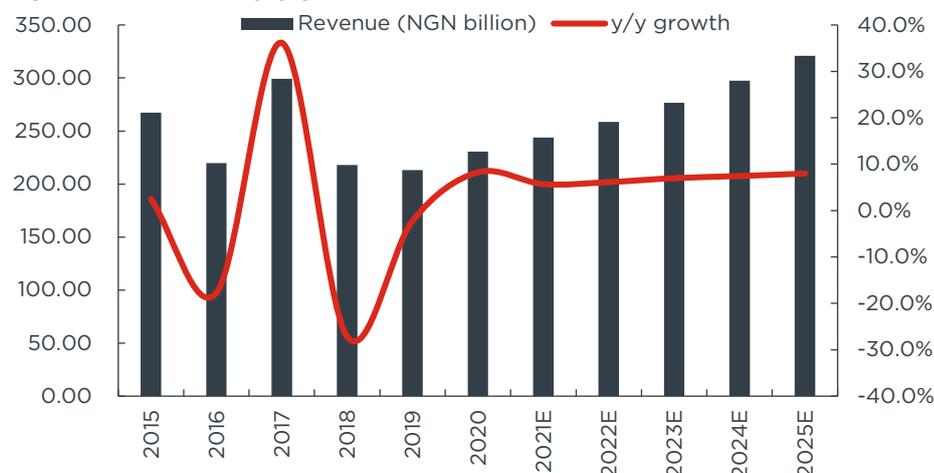
gbolahan.ologunro@cordros.com

Financial Analysis.

Renewed Focus On Nigeria Is Positive For Sales In The Long Term

Before excluding sales from the South African subsidiary (LSAH) disposed in 2019, LAFARGE's Revenue grew at a CAGR of 4.9% from 2015 to 2018. Following the disposal of LSAH in 2019, revenue from the standalone Nigeria business declined marginally by 2.2% y/y to NGN212.99 billion. The decline is consistent with the 1.3% y/y reduction in revenue recorded by DANGCEM (Nigeria only), reflecting the impact of the general elections on construction activities across the country. 2020FY revenue grew by 8.3% y/y, on the back of improvement in cement sales (+9.1% y/y), which offset the decline in aggregate and concrete sales (-25.5% y/y). Management noted that cement sales growth was driven by a combination of volumes (+5.7% y/y to 5.18MMT) and a regional price mix. Although Management hinted that headline prices were pretty stable, our model indicates that price per tonne rose by an average of 3.3% y/y (vs 4.5% y/y for DANGCEM). We believe that the stiff competitive landscape will hinder any significant price increases going forward. That said, we expect the company to maximise the absence of distractions from its prior involvement in regional operations outside of Nigeria in deepening its presence in the domestic market. In 2021, we forecast revenue will grow by 5.7% y/y to NGN243.71 billion, supported by the blend of (1) higher volumes (+3.2% y/y), (2) increased investment in its distribution network, and (3) marginal price adjustments (+2.5% y/y). With the company now focused on the Nigerian market, we think Management will follow the other players' footsteps in expanding its production capacity. Over our forecast period, we estimate a Revenue CAGR of 7.1% over FY2021E - FY2025E.

Figure 21: Revenue vs y/y growth

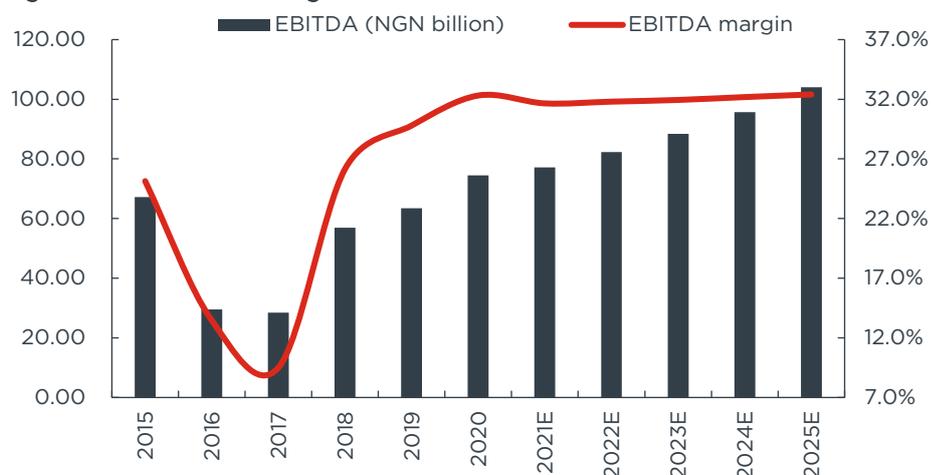


Source: Company Financials, Cordros Research Estimates

Divestment from LSAH is also Favourable for EBITDA Margin

Lafarge's EBITDA margin averaged 18.6% between 2015 and 2018, the period before the disposal of LSAH. In 2017, EBITDA margin declined to an all-time low of 9.5%, on the back of weak sales, high production cost in LSAH and elevated operating expenses linked to SAP related costs. Consequent to the disposal of LSAH, the EBITDA margin rose to 30.9% in 2019 from 15.4% in 2018 (Pre-disposal of LSAH). The improvement in margins is traceable to cost efficiencies as OPEX/Sales declined to 9.6% in 2019 from 13.2% in 2018. According to Management, the strengthening in margin was underpinned by its "HEALTH, COST and CASH (HCC)" strategy, which is hinged on energy efficiency initiatives to drive down production costs and SAP implementation as an enabler of performance efficiency. Despite facing cost pressures on energy cost due to the impact of the local currency's devaluation, EBITDA rose by 14.7% y/y to NGN75.50 billion in FY-2020, supported by the 164bps expansion in gross margin and a 1.6% y/y decline in operating expenses (excluding depreciation). Accordingly, the EBITDA margin increased by 217bps to 32.7% in FY-2020. In 2021, we estimate EBITDA margins will moderate by 109 bps to 31.7%, owing to our expectation of slower volumes (3.2% vs 5.7% in FY 2020), limiting the absorption of fixed production costs amidst the full impact of the prior year devaluation of the local currency. We expect the competitive landscape's intensity to hinder significant increases in prices, impairing its ability to entirely pass on the cost to consumers. Farther out, we estimate EBITDA will grow at a CAGR of 7.8% over FY2021E - FY2025E, with an accompanying average EBITDA margin of 32.0% over the same period. The major downside risk to our forecasts is the local currency's devaluation, amplifying energy cost.

Figure 22: EBITDA and margin



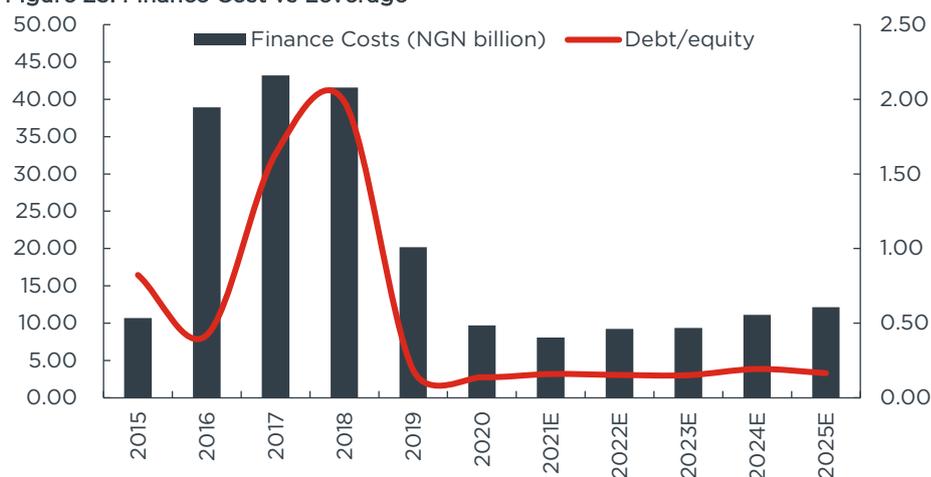
Source: Company Financials, Cordros Research Estimates

Deleveraging of Balance Sheet Underpins Rebound to Profitability

Before the disposal of LSAH in 2019, LAFARGE recorded Pre-tax losses in the last three financial years (2016: NGN22.82 billion; 2017: NGN34.03 billion and

2018: NGN19.51 billion). These losses were driven mainly by high finance cost stemming from its high leverage position. To put this into context, LAFARGE's leverage (Debt/equity) spiked to 1.63x in 2017 from 0.42x in 2016, on the back of a shareholder loan of USD315.00 million obtained from Caricement BV and local bonds issuances of NGN60.00 billion. The FCY loan, alongside the impact of the Naira's devaluation in 2016, drove finance cost higher by 11% y/y to NGN43.22 billion in FY 2017 (FY2016; NGN38.92 billion). In 2019, the Board made a strategic decision to divest from LSAH, using the proceeds (USD317.00 million) to settle the principal outstanding on the shareholder loan (USD293 million) and accumulated interests thereon. The divestment from LSAH alongside the Rights Issue of NGN90.00 billion was instrumental in significantly improving its leverage position- debt/equity ratio declined to 0.19x in 2019 from 2.25x in 2018. Consequent to its improved leverage, finance cost declined steeply (-51.5% y/y) to NGN20.17 billion in 2019 and drove a strong rebound in Profitability (Pre-tax Profit of NGN17.89 billion vs the Pre-tax loss of NGN19.51 billion in 2018).

Figure 23: Finance Cost vs Leverage



Source: Company Financials, Cordros Research Estimates

In 2020, earnings continued to benefit from the deceleration in finance cost (-51.9% y/y), as gross debt declined by 22.5% y/y to NGN49.73 billion in FY 2020 (FY 2019; NGN64.19 billion). Lafarge made principal repayments of NGN7.75 billion on its power sector loan and another NGN7.48 billion on lease liabilities in FY-2020. With its deleveraged balance sheet and management guidance that the company does not intend to take on large borrowings in the medium term, we do not envisage any significant threat to profitability. Our model assumes that the company will raise an NGN30.0 billion bond in 2022 to finance investment in capacity expansion. Nonetheless, we do not expect a material increase in leverage given our forecast of 0.15x in 2022E. PAT grew by 98.8% y/y to NGN30.84 billion in FY-2020, due to the combined impact of (1) revenue growth of 8.3% y/y, (2) decline of 1.6% y/y in operating expenses (excluding depreciation) and (3) the steep decline in finance cost (-51.9% y/y). For 2021E, we estimate PAT of NGN34.96 billion (+13.4%) and EPS of

NGN2.17 (+13.4%). Beyond 2021, we estimate PAT will grow at a CAGR of 9.9%, higher than the 3.2% achieved between 2015 and 2020. Our higher CAGR forecast over the forecast period (2021E-2025E) is driven by our expectation of growing demand for cement in the domestic market, better cost efficiencies and a moderate leverage position.

Figure 24: PAT vs margin

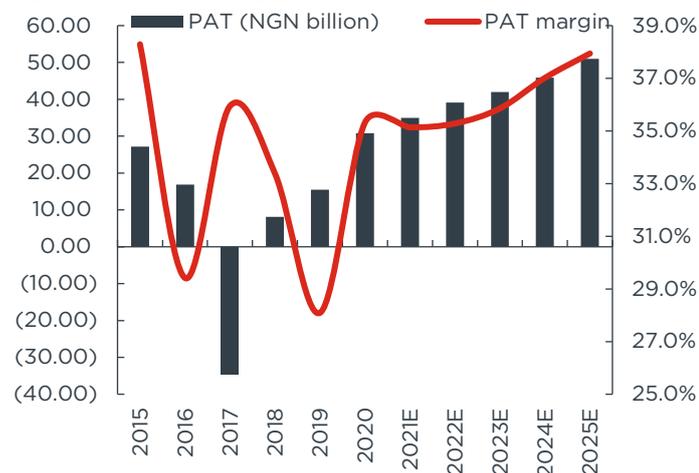
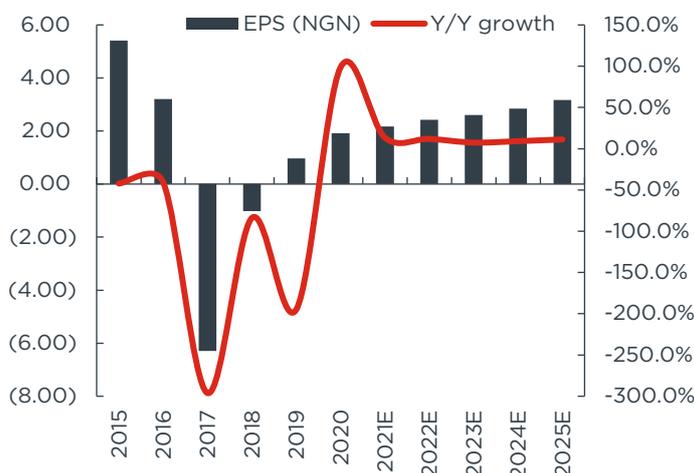


Figure 25: EPS vs y/y growth



Source: Company Financials, Cordros Research Estimates

BUA Cement Plc.

Initiation Report

A Compelling Growth Story but Valuation is Stretched

We initiate coverage on BUACEMENT, Nigeria's third-largest cement producer, with a 'SELL' rating and a Target Price of NGN44.50. Consequent to the merger between CCNN and Obu Cement in 2019, the cement maker had seen a substantial improvement in its market share to 18% from a meagre 4% in 2017. Yet, the company is not resting on its oars, as Management intends to add 3MTPA to its production capacity in 2021 and another 9MTPA by 2023. We believe the company is well-positioned to benefit from the medium to long term structural upsides in the Nigerian cement market given its investments in production capacity and growing brand recognition. Implementation of the AfCFTA agreement also bodes well for export sales to neighbouring countries given its spare capacity (c.40%). Despite its compelling growth story, we consider BUACEMENT to be overpriced at current levels. Based on our estimates, BUACEMENT trades at FY 2021E EV/EBITDA and P/E of 20.7x and 32.8x, respectively, which is far above the average of our 7.3x and 13.7x for our coverage names.

Growth strategy delivers good results: The inorganic growth strategy implemented by BUA Cement has positively impacted topline performance, with revenue growing at a CAGR of 25.2% from FY 2017 to FY 2020. We project revenue growth of 11.0% y/y in FY 2021E, driven solely by volumes as we expect prices to remain stable, in line with management guidance. Farther out, we forecast a 15.5% CAGR revenue growth over FY22E-25E, underpinned by cement volumes (CAGR growth of 14.6%). Our expectation for robust growth in volumes is hinged on the (1) growing demand in the domestic market (2) the company's commitment to increase installed capacity from 11MMT in 2021 to 20MMT by 2024. (3) continued optimisation of sales department and (4) gains from export to neighbouring West African countries.

Economies of scale and optimisation of energy mix to grease margins: Economies of scale associated with large scale production and improved operational efficiencies have also benefitted margins, with EBITDA margin growing at a CAGR of 20.4% (FY 2017 to FY 2020). BUA's average EBITDA margin of 47.3% (2017-2020) is also slightly ahead of DANGCEM with 46.7%. We have modelled an average EBITDA margin of 49.4% over our forecast years, underpinned by improved fixed cost absorption arising from increased capacity and optimisation of the energy mix.

Valuation: We value BUA CEMENT at NGN44.50 using a combination of five-year Discounted Cash Flow Model and Relative Valuation. Our TP was obtained by assigning weightings of 60% to DCF and 40% to relative valuation estimates.

Investment risks: The key downside risks to our rosy outlook on the company include (1) subdued macro conditions given its attendant impact on private sector cement consumption, (2) Impact of FX devaluation on energy cost, (3) protracted delay in capacity expansion plans.

SELL

Price Target **NGN44.50**
Current Price **NGN72.70**

Company Profile

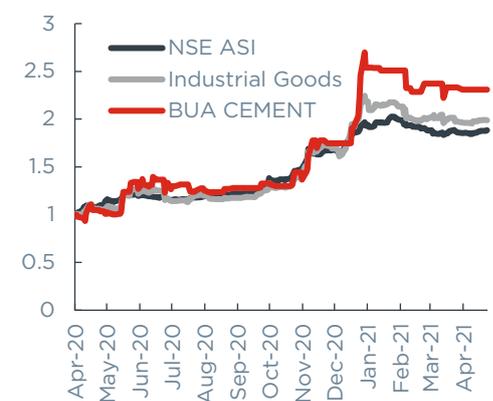
NSE	BUACEMENT
Bloomberg	BUACEMENT:NL
Reuters	BUACEMENT.LG
52-Week range (NGN)	27.65-85.00
Market Cap. (NGN bn)	2,461.94
Shares Out. (bn)	3.76
Free Float (%)	43.47

Source: NSE, Bloomberg, Cordros Research

Market Multiples	2020A	2021E	2022E
EPS	2.14	2.22	2.58
P/E	34.0x	32.8x	28.2x
EV/EBITDA	26.0x	23.4x	20.0x
EV/Sales	12.1x	10.9x	9.5x
Dividend Yield	2.8%	3.0%	3.4%

Source: Bloomberg, Cordros Research estimates

Price movement (BUACEMENT vs Benchmark index)



Source: NSE, Bloomberg, Cordros Research

Analyst(s)

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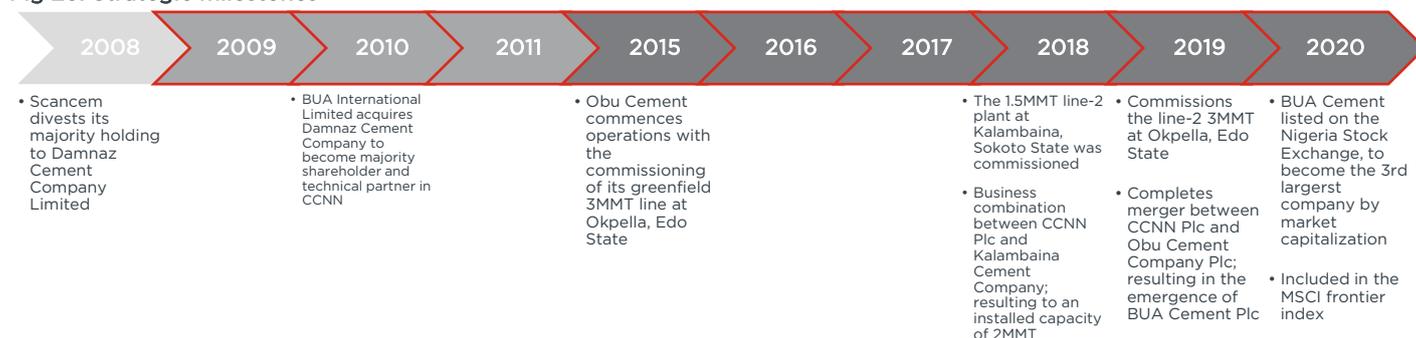
Company Overview: the essentials.

BUA Cement is the largest cement producer in the North-West, South-South and South-East regions and the fourth most capitalised company on the Nigerian Stock Exchange (NSE)- with a market capitalisation of NGN2.53 trillion. BUA Cement has metamorphosed from a fringe player in the industry to a force to be reckoned with following the merger between CCNN and Kalambaina Cement in December 2018, giving birth to an "enlarged" CCNN. In 2019 BUA Group merged CCNN and Obu Cement to strengthen its position in the Nigerian cement market and exploit synergetic benefits to enhance value creation for shareholders. Post-merger, the market share (proportion of industry's revenue) of BUA Group had risen to 18% as of 2020 from 12% in 2018. The company plans to expand its current capacity to 11MMTPA with the commissioning of its Kalambaina Line 3 (3MMTPA) Plant at Sokoto state in Q2-21.

History

BUA cement was incorporated in 2008 and commenced operations in the same year through its floating cement terminals, 'BUA Cement 1', designed specifically for bulk and bag cement unloading. In 2009 BUA Group acquired the Cement Company of Northern Nigeria, CCNN (Sokoto Cement), and the Edo Cement Company to boost and increase the country's metric tonnes of annual cement production. As of the date of acquisition, CCNN had a capacity of 500,000MT. In the second quarter of 2015, BUA signed a contract with FLSmidth for a 3MMT new production line, sited at Obu, Edo state. In 2018, BUA commissioned a new 1.5MMT line-2 plant at Kalambaina (Sokoto State), bringing the total capacity to 2MMT. In 2019, BUA completed another 3MTPA plant, resulting in a combined capacity at Okpella (Edo state) of 6MTPA.

Fig 26: Strategic milestones



Source: Company Data, Cordros Research

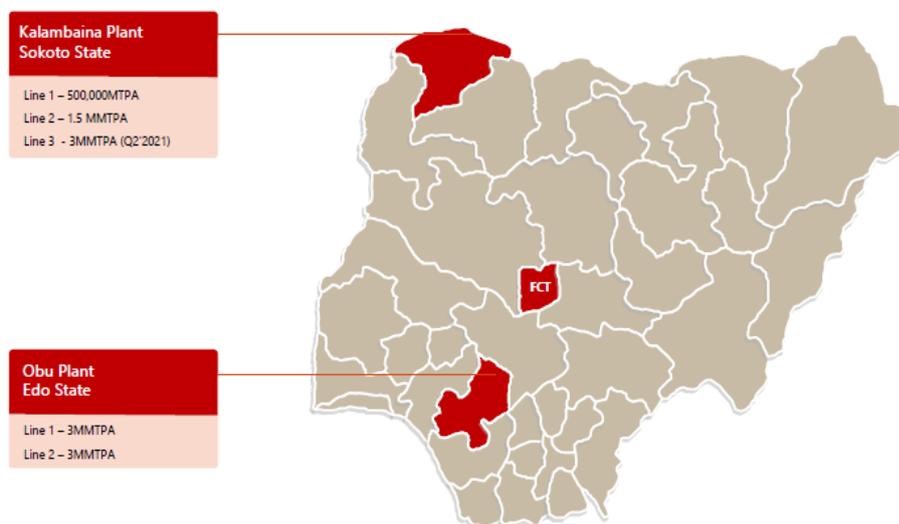
A Top-Player in the Cement Industry

BUA Cement has benefited mainly from consolidated capacity through mergers and business combination to strengthen its position in the Nigerian cement industry. With a growth mindset, the company continued to invest in various project for expansion and sustainability purposes. The company has invested over USD100 million in gas turbines to power a 50-megawatt plant

for 24-hour electricity generation and the construction of a 30km gas supply pipeline. The world-class plant would give a much-needed boost to Nigeria's cement industry and enhance the development of related sectors, including housing and construction. In 2020, BUA Group consolidated its cement operations and listed BUA Cement Plc on the Nigerian Stock Exchange with a total combined installed capacity of 8MMT and a market capitalisation of NGN1.18trillion (USD3.3billion), making it the second-largest cement producer in the Nigerian market and the largest cement producer in the North-Western region of the country. In addition, the company was included in the MSCI frontier index in 2020.

Strategic Location of Cement Plants

Fig 27: Overarching dominance in the Northern region



Source: BUA Cement Investor Presentation FY'2019, Cordros Research

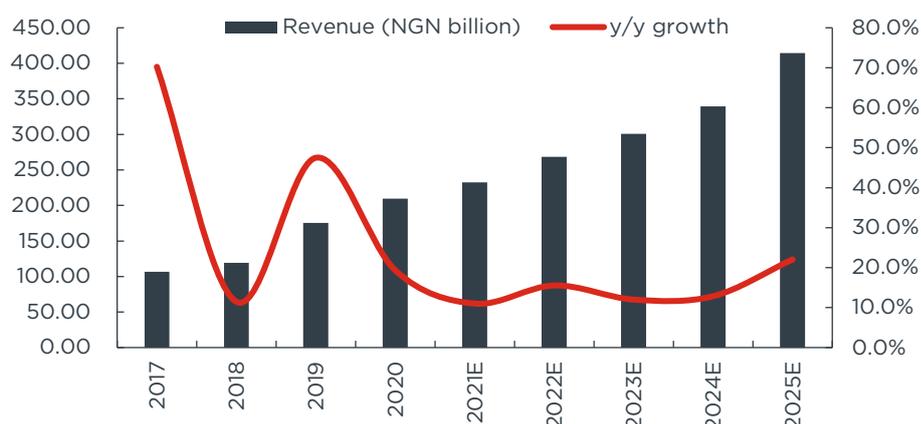
Financial Analysis.

Revenue: Merger Exercise, Capacity Expansion Yielding Solid Results

The series of consolidation exercise and capacity expansion plans carried out by BUA Cement have impacted topline performance positively, with revenue growing at a CAGR of 25.2% from FY 2017 to FY 2020. The strong CAGR growth was driven by the merger of CCNN and Obu Cement in 2019, which enabled the company to deliver a solid sales volume growth of 53.1% y/y. Consequently, revenue jumped from NGN119.01 billion in FY 2018 to NGN175.52 billion in FY 2019, translating to a 47.5% y/y growth. The company has continued to leverage its expanded capacity and harmonisation of the sales team, as revenue grew further by 19.3% y/y in FY 2020. According to Management, the topline growth in 2020 was volume-driven (up 13.3% y/y to 5.1MMT) rather than price adjustments. Although the price per tonne grew by 5.3% y/y, Management noted that it was due to lower discounts offered to distributors rather than absolute price increases. We highlight that exports sales fell by 41.0% y/y on account of the closure of the land borders. Notably, two customers accounted for 23.9% of revenue from cement sales in FY 2020 (FY 2019; 26.5%), with each contributing more than 10% of total revenue.

We project revenue growth of 11.0% y/y in FY 2021E, driven solely by volumes as we expect prices to remain stable, in line with management guidance. Our sales volume growth forecast (+9.9% y/y) for BUACEMENT is higher than our estimate of 7.5% y/y for the industry, reflecting its competitive advantage in the northern region and an additional capacity of 3MTPA coming on stream in H2-2021. Farther out, we forecast a 15.5% CAGR revenue growth over FY22E-25E, underpinned by cement volumes (CAGR growth of 14.6%). Our expectation for volumes is hinged on the (1) growing demand in the domestic market (2) the company's commitment to increase installed capacity from 11MMT in 2021 to 20MMT by 2024. (3) continued optimisation of sales department and (4) gains from export to neighbouring West African countries.

Figure 28: Revenue and growth



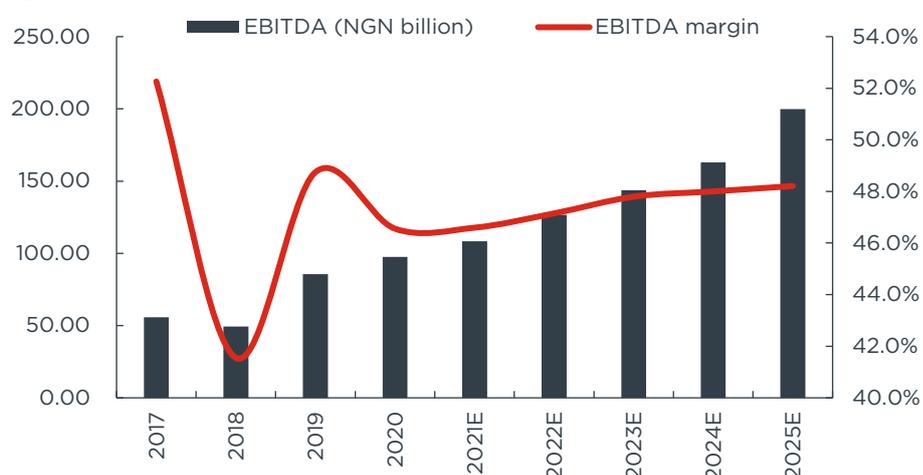
Source: Company Financials, Cordros Research Estimates

EBITDA: Economies of Scale, Operational Efficiency to Permeate Margins

As observed with the significant jump in revenue in 2019 following the CCNN and Obu Cement merger, EBITDA also rose significantly by 73.0% y/y. The accompanying EBITDA margin rose to 48.7% in FY 2019 (FY 2018; 41.6%). We believe economies of scale associated with large scale production and improved operational efficiencies are the key drivers behind the substantial improvement in margins. BUA's EBITDA margin grew at a CAGR of 20.4% from FY 2017 to FY 2020, while the average EBITDA margin of 47.3% (2017-2020) is also slightly ahead of DANGCEM with 46.7%. Although EBITDA grew by 14.0% y/y in FY 2020, EBITDA margin weakened by 210bps to 46.6%. The decline in EBITDA margin was due mainly to the impact of the devaluation of the Naira, which led to an increase of 18.6% y/y in energy cost compared to the growth in volumes (+13.3% y/y). However, energy cost/tonne grew slower by 4.7% in FY 2020 (FY 2019; 14.7%) following the significant improvement in capacity utilization to 63% in FY 2020 (FY 2019; 56%). The aforementioned lends credence to our view on the impact of large-scale production in driving economies of scale.

For 2021E, we estimate EBITDA will grow slower by 11.1% y/y (vs 14.0% in FY 2020) due to sustained upward pressures on input cost due to FX liquidity challenges. However, we expect the EBITDA margin to remain stable at 46.6%, considering management guidance that the company intends to optimise its energy mix to limit the impact of FX devaluation on energy cost. Interestingly, the company plans to discontinue LPFO at its Sokoto plant this year, with plans to switch to LNG, generating cost savings of c.20%, according to Management. We have modelled the average EBITDA margin of 47.7% (vs 45.6% between 2017-2020) over our forecast years (2022E-2025E), underpinned by improved fixed cost absorption from large-scale production and the firm's continued drive in using alternative fuels to optimise energy mix.

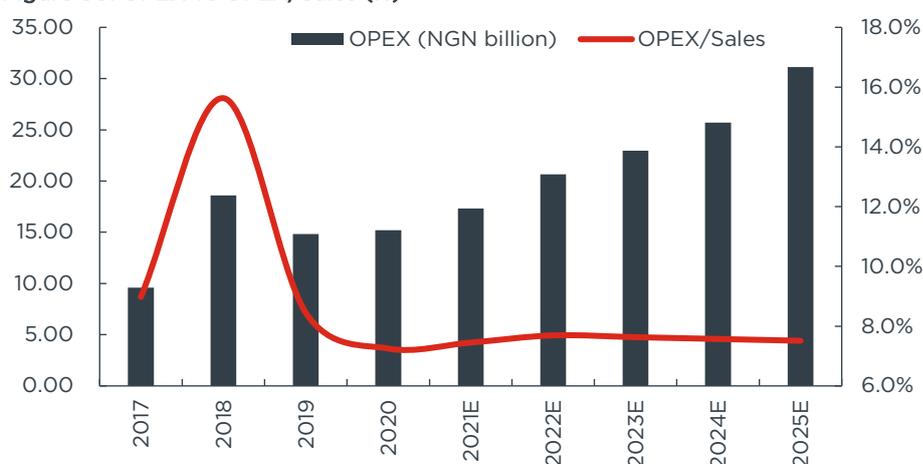
Figure 29: EBITDA and margin



Source: Company Financials, Cordros Research Estimates

The Group's cost savings strategy traceable to eliminating duplication of functional roles and optimising its distribution fleets has also yielded positive results. Specifically, OPEX/sales declined to 7.3% in FY 2020 from 8.5% in FY 2019 due to the moderate increase in OPEX (+2.5% y/y). A substantial proportion of the Group's OPEX are Admin expenses (accounted for 68% of OPEX in FY 2020) and do not increase materially, unlike distribution cost. We believe the greater degree of management control over Administrative expenses than distribution expenses will enable the company to exploit operational efficiencies associated with the enlarged entity. We estimate OPEX/sales of 7.5% in 2021E and an average of 7.6% over 2022E to 2025E.

Figure 30: OPEX vs OPEX/Sales (%)



Source: Company Financials, Cordros Research Estimates

Profitability: PAT Margin to Remain Strong Despite Pressures from Finance Charges

BUA's Pre-tax Profit grew from NGN39.16 billion in 2018 to NGN78.87 billion in FY 2020 at an impressive CAGR of 41.9%. Again, this was bolstered by the significant increase in FY 2019 (+69% y/y to NGN66.22 billion) following the merger between CCNN and Obu Cement. The robust growth in Pre-tax profit in FY 2019 reflects the trickle-down impact of the strong topline growth buoyed by increased capacity and operational efficiencies associated with the harmonisation of sales and marketing departments. In sync with the strong growth in earnings, the PAT margin has risen from 25.2% in FY 2017 to 34.5% in FY 2020.

We estimate PBT will grow much slower by 4.0% y/y in 2021E (2020; +19.1% y/y), dragged by significantly higher net finance cost (+87.4% y/y NGN5.58 billion). Our expected higher net finance cost is due mainly to the substantial increase in gross debt in FY 2020 (NGN269.29 billion vs NGN20.86 billion in FY 2019). Although we expect higher net finance cost to hinder expansion in Pre-tax Profit in the short term, we also see an upside in lower-than-expected effective tax rate over the medium term due to Pioneer Status Exemption given its capacity expansion plans. We highlight that the company currently enjoys pioneer tax status on two of its four cement production lines

(Kalambiana Line 2 and Obu line 4). Our model assumed an 8.3% effective tax rate, which is the same as in FY 2020. Our FY 2021E PAT of NGN75.18 billion (+3.9% y/y) translates to EPS of NGN2.22 (FY 2020; NGN2.14). Based on the 97% dividend pay-out in FY 2020, we estimate a DPS of NGN2.15 in FY 2021E (FY 2020; NGN2.07). Beyond 2021E, we project 19.9% average PAT growth over 2022E-2025E and EPS to grow by a CAGR of 20.3%.

Figure 31: PAT (NGN billion) and PAT margin (%)

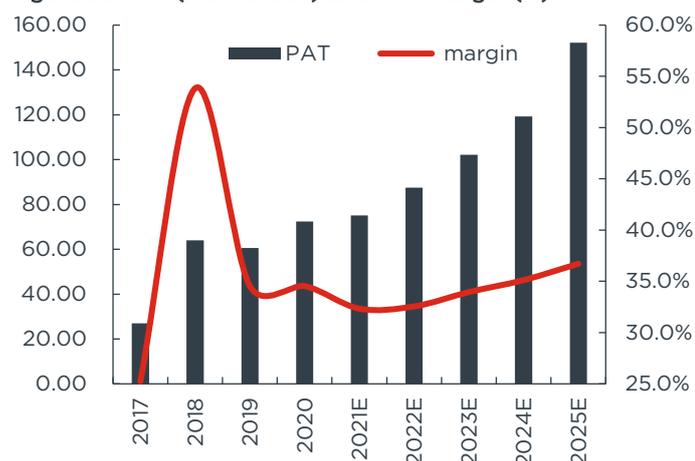


Figure 32: EPS and growth (%)

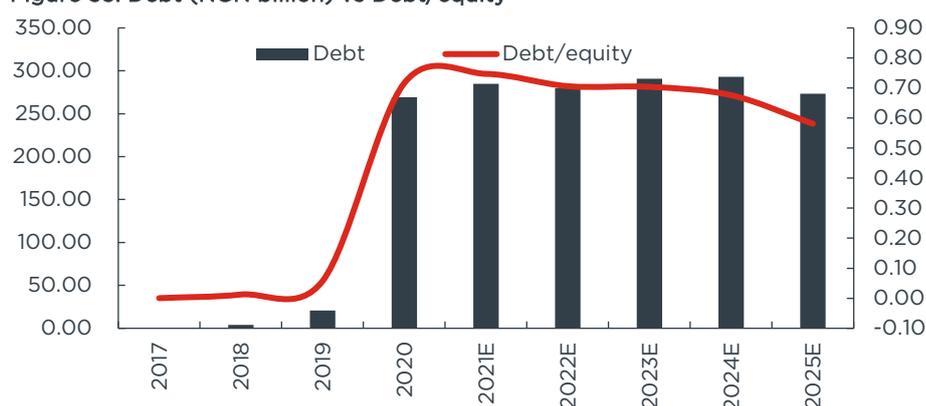


Source: Company Financials, Cordros Research Estimates

Debt

Historically, BUA CEMENT has maintained a low leverage position, with debt/equity ratio averaging 0.02x from FY 2017 to FY 2019. In 2020, BUA's leverage spiked to 0.72x (FY 2019; 0.06x) on the back of a monumental jump in Gross debt (from NGN20.86 billion in FY 2019 to NGN269.29 billion as of the end of FY 2020). The increase in debt came mainly from a local currency bond issuance of NGN115 billion and a net increase in bank borrowings (+NGN131.95 billion) during the year. According to Management, the proceeds of the bond will be channelled towards investment in capacity- the company intends to add 3MTPA each in Adamawa, Edo and Sokoto. We have modelled an average debt/equity ratio of 0.63x over our forecast years (2021E-2025E). Our model does not consider possible issuance of domestic debt instruments due to uncertainty regarding the timing and amount of such issuances.

Figure 33: Debt (NGN billion) vs Debt/equity

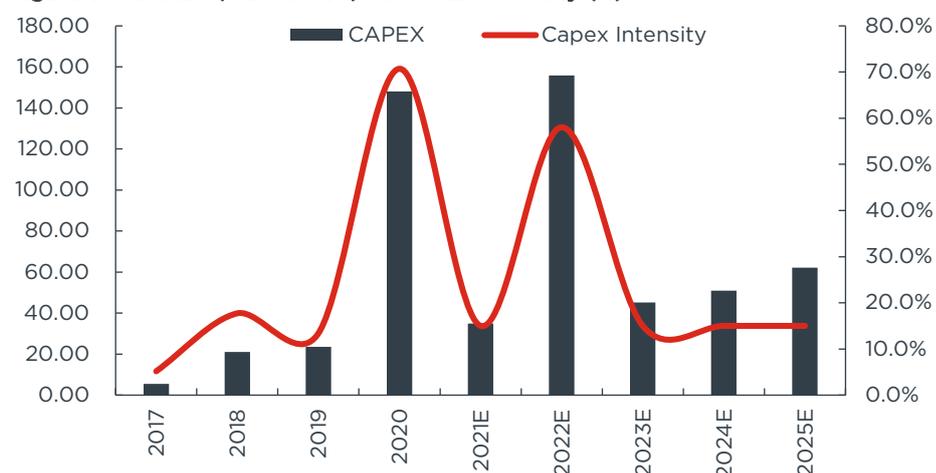


Source: Company Financials, Cordros Research Estimates

Capital Expenditures

Capital expenditure (capex) and capex intensity increased to NGN148.12 billion and 70.7% in FY 2020 from NGN23.49 Billion and 13.4% in FY 2019, respectively. We believe the substantial increase in Capex intensity in FY 2020 was due to soon-to-be-completed line-3 at the Kalambiana plant in Sokoto. We note that 77% of the total capex in FY 2020 is related to capital work in progress, which is in tandem with management guidance to commission the line-3 at the Kalambiana plant in 2021. Management guides that its capacity expansion plans across Obu line 3, Sokoto line 4 and Adamawa line 1 will cost USD1 billion (NGN410.0 billion), which will be financed by a combination of internally generated funds and a series two bond issuance. We have modelled average CAPEX intensity of 23.6% over our forecast years (2021E-2025E) which is almost double the 13.4% in FY 2019.

Figure 34: CAPEX (NGN billion) vs CAPEX Intensity (%)



Source: Company Financials, Cordros Research Estimates

Valuation.

We value BUACEMENT at NGN44.5 using a combination of five-year Discounted Cash Flow Model and Relative Valuation. Our blended TP was obtained by assigning weightings of 60% to DCF and 40% to relative valuation estimates.

The main assumptions of our DCF include:

- Beta of 0.87 (based on comparables)
- Risk-free rate of 10.56% (based on the five-year average yield on a 10-year FGN bond)
- Equity risk premium of 8.40%
- Long-term growth rate of 12.0%
- Cost of equity of 20.05% and WACC of 18.69%.

Figure 35: DCF valuation of BUACEMENT, NGN million (unless otherwise stated)

	2021E	2022E	2023E	2024E	2025E
EBIT	86,984	100,613	116,982	135,282	170,929
Margin	0.0%	0.0%	0.0%	0.0%	0.0%
NOPLAT/EBIT(1-t)	79,697	92,234	107,211	123,999	156,662
Depreciation	21,342	26,030	26,805	27,672	28,814
Adjusted operating CF	101,038	118,264	134,016	151,671	185,476
Capex	34,873	155,880	45,125	50,922	62,151
Changes in net working capital	(84,169)	9,336	(3,407)	4,132	1,851
Effective Tax rate	8.4%	8.3%	8.4%	8.3%	8.3%
FCFF	150,334	(46,952)	92,298	96,616	121,475
Terminal Value					3,288,881
Discount Period	0.75	1.75	2.75	3.75	4.75
Discount Factor	0.9	0.7	0.6	0.5	0.4
Discounted FCFF	132,202	(34,786)	57,613	50,810	53,822
Discounted Terminal Value					1,457,204
Enterprise Value	1,716,864				
Net Debt	76,344				
Equity Value	1,640,519				
Nosh	33,864				
Target Price	48.4				
RELATIVE VALUATION	2021E				
Bloomberg MENA peers - P/E	19.27				
Bloomberg MENA peers - EV/EBITDA	11.39				
EBITDA (BUACEMENT)	108,326				
EPS (BUACEMENT)	2.22				
EV/EBITDA Implied target price	34.18				
P/E Implied target price	42.78				
Fair Value	38.48				
Blended Target Price	Weights	Fair value			
DCF	60%	29.07			
Relative valuation	40%	15.39			
Blended target price		44.5			

Appendix 1. Financials – Dangote Cement Plc.

Income Statement	2019A	2020A	2021E	2022E	2023E
Turnover	891,671	1,034,196	1,123,217	1,209,087	1,294,902
Cost of Sales (ex-dep)	(314,735)	(373,024)	(403,499)	(434,851)	(460,572)
Gross Profit	576,936	661,172	719,718	774,236	834,329
Operating expenses (ex-dep)	(184,560)	(189,466)	(205,775)	(213,285)	(219,617)
Other Operating Income/Expenses	2,980	4,566	4,612	4,658	4,704
EBITDA	395,356	476,272	518,555	565,610	619,417
Depreciation	(95,463)	(89,538)	(93,964)	(97,395)	(99,756)
EBIT/ Operating Income	299,893	386,734	424,591	468,215	519,661
Finance income	7,610	29,814	10,606	6,865	6,083
Finance costs	(57,673)	(43,988)	(44,032)	(46,380)	(53,447)
Share of profit from associate	649	750	-	-	-
Profit Before Tax	250,479	373,310	391,165	428,700	472,297
Taxation	(49,958)	(97,242)	(97,791)	(107,175)	(118,074)
Profit After Tax	200,521	276,068	293,374	321,525	354,223

Financial Position	2019A	2020A	2021E	2022E	2023E
PPE	1,206,749	1,390,687	1,490,288	1,589,009	1,685,866
Intangible assets	3,663	4,554	4,468	4,382	4,294
Right of use asset	11,956	12,594	10,623	8,652	7,010
Other non current assets	112,247	64,478	64,478	64,478	64,478
Total non-current assets	1,334,615	1,472,313	1,569,857	1,666,521	1,761,647
Inventories	114,806	108,270	132,657	137,008	136,279
Trade and other receivables	30,001	35,194	43,812	42,996	49,667
Bank and Cash	123,903	145,835	56,672	66,190	36,267
Other Current Assets	138,026	260,839	153,265	168,373	183,325
Total Current Assets	406,736	550,138	386,407	414,566	405,538
Financial liabilities	107,279	158,908	172,574	214,465	234,870
Other long term liabilities	105,341	142,756	142,756	142,756	142,756
Total non-current liabilities	212,620	301,664	315,330	357,221	377,626
Creditors and accruals	284,739	349,388	313,081	349,041	359,928
Financial debt	260,631	335,011	320,495	321,698	287,063
Other current liabilities	85,424	145,418	99,815	99,831	124,423
Total current liabilities	630,794	829,817	733,392	770,570	771,413

CAPITAL AND RESERVES	2019A	2020A	2021E	2022E	2023E
Share capital	8,520	8,520	8,520	8,520	8,520
Share premium	42,430	42,430	42,430	42,430	42,430
Reserves	776,839	779,271	799,816	843,962	907,041
Others	58,851	45,725	45,725	45,725	45,725
Minority Interest	11,297	15,024	16,491	18,098	19,870
Total capital and reserves	897,937	890,970	912,982	958,735	1,023,586

Source: Company data, Cordros Research Estimates

Growth	2019A	2020A	2021E	2022E	2023E
Revenue	-1.1%	16.0%	8.6%	7.6%	7.1%
Gross profit	-0.9%	14.6%	8.9%	7.6%	7.8%
EBITDA	-9.1%	20.5%	8.9%	9.1%	9.5%
EBIT	-11.5%	29.0%	9.8%	10.3%	11.0%
PBT	-16.7%	49.0%	4.8%	9.6%	10.2%
PAT	-48.6%	37.7%	6.3%	9.6%	10.2%
DPS	0.0%	0.0%	1.4%	4.9%	-2.1%

Profitability Ratios	2019A	2020A	2021E	2022E	2023E
Gross margin	64.7%	63.9%	64.1%	64.0%	64.4%
EBITDA margin	44.3%	46.1%	46.2%	46.8%	47.8%
EBIT margin	33.6%	37.4%	37.8%	38.7%	40.1%
Net Profit margin	22.5%	26.7%	26.1%	26.6%	27.4%
RoAE	21.3%	30.9%	32.5%	34.4%	35.7%
RoAA	11.7%	14.7%	14.7%	15.9%	16.7%
ROCE	16.0%	20.2%	21.1%	21.8%	23.2%

Investment Ratios	2019A	2020A	2021E	2022E	2023E
Earnings per share (NGN)	11.77	16.24	17.26	18.91	20.84
Dividend per share (NGN)	16.0	16.0	16.2	17.0	16.7
Dividend payout	136.0%	98.5%	94.0%	90.0%	80.0%
Dividend yield	7.1%	7.1%	7.2%	7.6%	7.4%

Liquidity Ratios	2019A	2020A	2021E	2022E	2023E
Current ratio	0.64x	0.66x	0.53x	0.54x	0.53x
Quick ratio	0.45x	0.49x	0.45x	0.45x	0.48x
Cash ratio	0.20x	0.18x	0.08x	0.09x	0.05x

Solvency Ratios	2019A	2020A	2021E	2022E	2023E
Debt-to-capital	0.29x	0.36x	0.35x	0.36x	0.34x
Net debt-to-equity	0.41x	0.56x	0.55x	0.57x	0.52x
Net debt-to-EBITDA	0.62x	0.73x	0.84x	0.83x	0.78x
Interest coverage	5.20x	8.79x	9.64x	10.10x	9.72x

Valuation Ratios	2019A	2020A	2021E	2022E	2023E
P/E	19.04x	13.79x	12.98x	11.84x	10.75x
EV/EBITDA	12.13x	10.07x	9.25x	8.48x	7.74x
EV/Sales	5.38x	4.64x	4.27x	3.97x	3.70x
Price/Sales	4.27x	3.68x	3.39x	3.15x	2.94x

Appendix 3. Financials – BUA Cement Plc.

Income Statement	2019A	2020A	2021E	2022E	2023E
Turnover	175,518	209,443	232,484	268,599	300,831
Cost of Sales (ex-dep)	(93,075)	(113,965)	(128,710)	(148,077)	(161,882)
Gross Profit	82,443	95,479	103,775	120,523	138,950
Operating expenses (ex-dep)	(14,823)	(15,188)	(17,324)	(20,659)	(22,958)
Other Operating Income/Expenses	3,808	1,731	533	750	991
EBITDA	85,560	97,505	108,326	126,643	143,787
Depreciation	14,132	15,483	21,342	26,030	26,805
EBIT/ Operating Income	71,428	82,022	86,984	100,613	116,982
Finance income	157	860	1,993	1,689	1,310
Finance costs	(5,349)	(3,837)	(6,925)	(6,911)	(6,845)
Minimum tax	(11)	(171)	0	-	-
Profit Before Tax	66,225	78,873	82,052	95,391	111,448
Taxation	5,614	6,529	6,874	7,944	9,309
Profit After Tax	60,610	72,344	75,178	87,447	102,138

Statement of Financial Position	2019A	2020A	2021E	2022E	2023E
PPE	393,406	523,313	537,189	667,466	686,290
Intangible assets	2,782	4,285	5,269	6,753	8,172
Right of use asset	77	70	54	39	27
Other non-current assets	12,141	-	5,378	8,972	13,307
Total non-current assets	408,406	527,668	547,890	683,230	707,796
Inventories	27,202	31,505	37,856	42,308	46,922
Trade and other receivables	2,619	83,308	4,011	8,883	6,822
Bank and Cash	15,587	123,821	208,361	73,136	81,001
Other Current Assets	16,754	-	-	-	-
Total Current Assets	62,161	238,634	250,228	124,327	134,745
Total Assets	470,567	766,303	798,118	807,557	842,541
Financial liabilities	-	163,644	173,224	179,697	184,295
Other long term liabilities	10,407	18,603	18,603	18,603	18,603
Total non-current liabilities	10,407	182,248	191,827	198,300	202,898
Creditors and accruals	69,211	66,007	77,229	77,217	83,178
Financial liabilities	20,861	105,649	111,482	99,752	106,650
Other current liabilities	6,390	36,445	36,445	36,445	36,445
Total current liabilities	96,462	208,100	225,156	213,414	226,272
Share capital	16,932	16,932	16,932	16,932	16,932
Retained earnings	146,834	159,916	165,096	179,804	197,332
Reorganisation reserve	200,004	200,004	200,004	200,004	200,004
Others	(73)	(897)	(897)	(897)	(897)
Total capital and reserves	363,697	375,955	381,135	395,843	413,371
Total equity and liabilities	470,567	766,303	798,118	807,557	842,541

Growth	2019A	2020A	2021E	2022E	2023E
Revenue	47.5%	19.3%	11.0%	15.5%	12.0%
Gross profit	37.5%	15.8%	8.7%	16.1%	15.3%
EBITDA	73.0%	14.0%	11.1%	16.9%	13.5%
EBIT	66.7%	14.8%	6.0%	15.7%	16.3%
PBT	69.1%	19.1%	4.0%	16.3%	16.8%
PAT	-5.4%	19.4%	3.9%	16.3%	16.8%
DPS	n/a	18.1%	3.9%	16.3%	16.8%

Profitability Ratios	2019A	2020A	2021E	2022E	2023E
Gross margin	47.0%	45.6%	44.6%	44.9%	46.2%
EBITDA margin	48.7%	46.6%	46.6%	47.1%	47.8%
EBIT margin	40.7%	39.2%	37.4%	37.5%	38.9%
Net Profit margin	34.5%	34.5%	32.3%	32.6%	34.0%
RoAE	18.0%	19.6%	19.9%	22.5%	25.2%
RoAA	12.6%	11.7%	9.6%	10.9%	12.4%
ROCE	15.8%	11.2%	11.3%	12.9%	14.5%

Investment Ratios	2019A	2020A	2021E	2022E	2023E
Earnings per share (NGN)	1.79	2.14	2.22	2.58	3.02
Dividend per share (NGN)	1.75	2.07	2.15	2.50	2.92
Dividend payout	97.8%	96.8%	96.8%	96.8%	96.8%
Dividend yield	2.4%	2.8%	3.0%	3.4%	4.0%

Liquidity Ratios	2019A	2020A	2021E	2022E	2023E
Current ratio	0.64x	1.15x	1.11x	0.58x	0.60x
Quick ratio	0.48x	0.55x	0.19x	0.24x	0.24x
Cash ratio	0.16x	0.60x	0.93x	0.34x	0.36x

Solvency Ratios	2019A	2020A	2021E	2022E	2023E
Debt-to-capital	0.05x	0.48x	0.48x	0.47x	0.47x
Net debt-to-equity	0.01x	0.39x	0.20x	0.52x	0.51x
Net debt-to-EBITDA	0.06x	1.49x	0.70x	1.63x	1.46x
Interest coverage	13.35x	21.38x	12.56x	14.56x	17.09x

Valuation Ratios	2019A	2020A	2021E	2022E	2023E
P/E	40.62x	34.03x	32.75x	28.15x	24.10x
EV/EBITDA	29.67x	26.03x	23.43x	20.04x	17.65x
EV/Sales	14.46x	12.12x	10.92x	9.45x	8.44x
Price/Sales	14.03x	11.75x	10.59x	9.17x	8.18x

Source: Company data, Cordros Research Estimates

Appendix 4. *Board of Directors & Senior Management – BUA Cement Plc.*

Abdul Samad Rabi, CON | Chairman – He is also the founder and Chairman of BUA International Limited – a food, mining and infrastructure conglomerate which he established in 1988 with business interests in Cement Manufacturing, Sugar Refining and Plantations, Rice, Flour Milling & Pasta Production, Oil & Gas, Construction, Real Estate and Logistics. Abdul Samad Rabi studied Economics at Capital University, Columbus, Ohio, USA, and he holds the Nigerian National Honour of 'Commander of the Order of the Niger' (CON).

Engr. Yusuf Haliru Binji | Managing Director/CEO – He holds a B.Eng. Degree in Chemical Engineering from Ahmadu Bello University, Zaria and an M.Sc. in Chemical Process Engineering from the University College, University of London. He has over 28 years of working experience in various organisations, including Cement Company of Northern Nigeria, BUA International Limited, and Obu Cement Company Limited.

Jacques Piekarski | Executive Director/Chief Financial Officer – Jacques Piekarski is a graduate of the Business School in Lausanne, Switzerland and holds an MBA from Robert Kennedy College, Zurich, Switzerland. He is a seasoned finance professional with over 26 years of experience holding several C-Suite finance roles across Europe and Africa in FMCG, Cement, Trading and Mining. Before joining BUA Cement Plc. as Chief Financial Officer in October 2020, Jacques last worked with TGI Group Nigeria as the Group CFO.

Kabiru Isyaku Rabi | Non-Executive Director – He holds a Bachelor's degree in Management from Webster University, London and an MBA in International Business from American Intercontinental University UK. He is the Group Executive Director for BUA Group and a Non-Executive Director at BUA Cement Plc. Before his appointment, he held various management positions at Nigeria Oil Mills as General Manager and later as Managing Director of BUA Oil Mills Limited.

Kenneth Chimaobi Madukwe | Non-Executive Director – He holds a Bachelor's degree in Management Studies (Accountancy) from the University of Jos and a Master's degree in Business Administration, ESUTH Business School. Before joining BUA Group in 2004, Chimaobi Madukwe was Head of Corporate Finance at Citizens International Bank Plc, where he worked from 1999 to 2004. He also sits on the Board of BUA International Limited, BUA Sugar Company Limited, Edo Cement Company Limited.

Finn Arnoldsen | Non-Executive Director – He holds a Master of Science in Mechanical Engineering from NTH Norway. Mr Arnoldsen has 33 years of extensive work experience – most of which were spent in the Cement Industry across several countries in Europe and Africa. He has also attended several management courses, including a Senior Management Development course at INSEAD, France.

Senator Khairat Abdulrazaq- Gwadabe | Independent Non-Executive Director – A Lawyer and Managing partner of A. Abdulrazaq & Co, a legal practitioner firm. Senator Gwadabe holds a B.A in European Studies and Spanish from the University of Wolverhampton, England and an LL.B from the University of Buckingham in England. She was called to the Nigerian Bar in 1986.

Shehu Abubakar | Non-Executive Independent Director – He holds a B.Sc. (Business Management) from Usman Danfodio University, Sokoto and an MBA from Ahmadu Bello University, Zaria. Alhaji Abubakar had an extensive working career in the Banking Industry from 1987 to 2017, where he retired as an Executive Director of Keystone Bank Limited.

Ahmed Aliyu | Company Secretary – Ahmed Aliyu, a Barrister-at-Law and Solicitor of the Supreme Court of Nigeria, is the Company Secretary/Legal Adviser at Cement Company of Northern Nigeria. He has over 16 years of experience in Litigation & Arbitration, Legal Drafting, Company Law, Capital Markets, Corporate Governance, Management, and International Business.

Ahmed Abubakar Idris, MNSE | Plant Director – Ahmed Idris graduated with a degree in Chemical Engineering from the prestigious Ahmadu Bello University Zaria. He is a Corporate Member of the Nigerian Society of Engineers. Ahmed Abubakar Idris started his career as a Trainee Engineer with the defunct Cement Company of Northern Nigeria (CCNN) Plc in 1992 and steadily rose through the ranks to the position of Technical Director in 2013 a position he held till he resigned in 2015.

Aminu Bashir | Plant Director – He is a consummate engineer with vast experience in the operations and maintenance of integrated cement plants. A graduate of Chemical Engineering from Ahmadu Bello University with about twenty (28) years of industry experience started his career as a Pupil Engineer with Cement Company of Northern Nigeria (CCNN) in 1992. His career saw him transverse several roles until he was appointed Technical Director of CCNN in 2016.

Mohammed Bello Minjibir | General Manager, Transport – Mohammed Bello holds degrees in Business Administration from Ahmadu Bello University (ABU)Zaria and Cardiff Business School (CARBS) University of Wales United Kingdom. Mohammed is an Affiliate Member Chartered Institute of Logistics and Transport (CILT), an Associate Member of Nigeria Institute of Management (NIM) and a Student Member Chartered Institute of Stockbrokers (CIS). He has attended several courses within Nigeria.

Chikezie Ajaero | Ag. Chief Financial Officer – Chikezie is a seasoned accountant with an MBA from the prestigious University of Lagos. He is also a Fellow of the Institute of Chartered Accountants of Nigeria with over 26 years of post-degree experience in financial reporting and controls.

Nasiru Ladan Bashir | General Manager, Sales & Marketing – Nasiru holds MBAs from the University of Port Harcourt (2013) and University of Lagos (Transport Management and Planning -2007). He is a member of Nigeria Institute of Management and Chartered Member, Chartered Institute of Logistics & Transport. He started his career with Continental Shipyard Ltd, Apapa and moved on to become the Operations Officer with Nigerian Ports Authority in 2001.

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