Audited results for the year ended 31st December 2019

Growth in Pan-African volumes, with Tanzania volumes up 94%

Nigerian volumes flat despite low domestic market growth and border closure impact on cement export

Proposed dividend of ₦16.00 per share

Lagos, 26th February 2020: Dangote Cement PLC (DANGCEM-NL), Africa's largest cement producer, announces audited results for the financial year ended 31st December 2019.

Financial highlights

- Group revenue down 1.1% to ₦891.7B
- Group EBITDA down 9.2% to ₦395.4B; 44.3% margin
- Earnings per share (net of 2018 tax credit) down 21.3% to ₦11.79
- Dividend remained flat at ₦16.00 per share
- Net debt of ₦227.5B; net debt/EBITDA of 0.58x

Operating highlights

- Group sales volumes up by 0.1%
- Nigerian volumes flat at 14.1Mt despite export volume reduction due to border closure
- Nigerian market share maintained in the mid-60s
- Pan-African volumes up and reaching 9.4Mt
- Commenced usage of temporary gas power plant in Tanzania

Capital Structure

- Shareholders have approved share buyback programme
- The registration process to deploy this programme in 2020 is ongoing and is dependent on various regulatory approvals

Joe Makoju, Group Chief Executive Officer, said:

"Dangote Cement maintained strong financial performance despite a low growth environment, pricing pressure and increasing competition in key markets.

The Nigerian operations maintained volume and revenue performance in a challenging environment. Export sales were affected by the border closure in the second half of 2019. Looking ahead, I expect an increase in volumes in 2020 as we commence clinker exports via shipping from Nigeria.

Pan-Africa volumes were slightly up notably supported by Tanzania and Senegal. I am glad to report that Tanzania contributed positively at EBITDA level. In 2020, I believe Dangote Cement will see an increase in profitability in Pan-Africa driven by higher volumes and further efficiency improvements.

As I retire from Dangote Cement, I am proud to have watched it grow from a local producer back in 2007 to a major force in global cement production. Dangote Cement has eliminated Nigeria's dependence on imported cement and has transformed the nation into an exporter of cement serving neighbouring countries. I wish Mr Michel Puchercos all the best as the new Group Chief Executive Officer of Dangote Cement."

About Dangote Cement

Dangote Cement is Africa's leading cement producer with nearly 46Mta capacity across Africa. A fully integrated quarry-to-customer producer, we have a production capacity of 29.25Mta in our home market, Nigeria. Our Obajana plant in Kogi state, Nigeria, is the largest in Africa with 13.25Mta of capacity across four lines; our Ibese plant in Ogun State has four cement lines with a combined installed capacity of 12Mta and our Gboko plant in Benue state has 4Mta. Through our recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and has transformed the nation into an exporter of cement serving neighbouring countries.

In addition, we have operations in Cameroon (1.5Mta clinker grinding), Congo (1.5Mta), Ghana (1.5Mta import), Ethiopia (2.5Mta), Senegal (1.5Mta), Sierra Leone (0.5Mta import), South Africa (2.8Mta), Tanzania (3.0Mta), Zambia (1.5Mta).

Website: www.dangotecement.com

Twitter: @DangoteCement

Conference call details

A conference call for analysts and investors will be held on Wednesday 26th February at 15.00 Lagos/14.00 UK time. Please register using the link below.

Dangote Cement FY 2019 Results Conference Call

A replay facility will be available after the call has finished

Playback Code: **387130#**
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Summary operating review

Volumes sold	FY 2019 '000 tonnes	FY 2018 '000 tonnes	% change
Nigeria	14,119	14,178	(0.4%)
Pan-Africa	9,447	9,370	0.8%
Inter-company sales		(13)	
Total cement	**23,566**	**23,535**	**0.1%**
Pan-Africa clinker	116	11	954%
Total clinker	**116**	**11**	**954%**
Regional revenues	**₦m**	**₦m**	
Nigeria	610,247	618,301	(1.3%)
Pan-Africa	282,710	283,262	(0.2%)
Inter-company sales	(1,286)	(350)	
Total revenues	**891,671**	**901,213**	**(1.1%)**
EBITDA	**₦m**	**₦m**	
Nigeria	361,204	397,377	(9.1%)
Pan-Africa	47,858	49,062	(2.5%)
Central costs & eliminations	(13,635)	(11,178)	
Total EBITDA	**395,427**	**435,261**	**(9.2%)**
EBITDA margins*			
Nigeria	59.2%	64.3%	(5.1pp)
Pan-Africa	16.9%	17.3%	(0.4pp)
Group	**44.3%**	**48.3%**	**(4.0pp)**
	₦m	**₦m**	
Group profit before tax	**250,479**	**300,806**	**(16.7%)**
	₦	**₦**	
Earnings per share**	**11.79**	**14.98**	**(21.3%)**

* Excluding central costs / eliminations

** Net of 2018 tax credit of N133.7bn

Nigerian operations

Nigeria's economy has remained subdued throughout 2019, with an average growth of 2.3% in the full year when compared to the previous year. The International Monetary Fund (IMF) estimates that the Nigerian economy will grow by 2.5% in 2020.

Nigeria's cement market grew slightly in 2019. We estimate that total market consumption was up between 2%-3% on the 20.7Mt estimated in 2018. The market was impacted negatively by the disruptions related to the 2019 election cycles, heavy rains and the loss in export volumes due to the border closure.

Dangote Cement's Nigerian operations remained flat at 14.1Mt in 2019, including export sales of 0.45Mt. Domestic sales in Nigeria were nearly 13.7Mt, compared to 13.4Mt in 2019. This implies a 2% growth mirroring the estimated GDP growth for the year. However, exports dropped by 41% for the full year owing to the border closure in the last few months of 2019.

Revenues for the Nigerian operations decreased by 1.3% to ₦610.2B, due to the higher level of discounting in key markets. The "Bag of Goodies" promotion, launched in July, drove strong increases in our Nigerian volumes in the third quarter. This innovative marketing effort enabled us to maintain our market share despite the 4.5Mt new capacity which came into the market during the year. We recorded an EBITDA of ₦361.2 at a margin of 59.2% excluding central costs and eliminations (2018: ₦397.4, 64.3%). The decrease in EBITDA was mainly due to higher level of discounts, additional marketing expenses and increase in haulage costs. We took control of the delivery of more volumes directly to our customers in order to improve our last mile efficiency and reach untapped markets.

In dollar terms, ex-factory cement prices averaged $112/t for the FY 2019.

Outlook

Despite the subdued economic growth estimated for 2020, the cement market is expected to show growth. This is due to the government's drive to increase revenues and focus on increasing infrastructure spending.

Exports are expected to increase in 2020 as Dangote Cement will commence exporting clinker from the Apapa and Onne ports to West and Central Africa.

Pan-African operations

Pan-African operations sold 9.44Mt of cement in 2019, up 0.8% on the 9.37Mt sold in 2018. The total Pan-African volume represents 40.1% of Group volumes.

Pan-African revenues of ₦282.7B were 0.2% lower than FY 2018 and represented 31.7% of total Group revenues. The region's EBITDA contribution of ₦47.9B (before central costs and eliminations), represented 12.1% of Group EBITDA, at a regional margin of 16.9%, compared to a margin of 17.3% in 2018. The lower profitability was mainly attributable to depressed economic conditions in South Africa and Zambia. Technical issues challenged the performance of our Ethiopian operations. That said, stronger performance was recorded in Tanzania, Senegal and Sierra Leone.

Looking ahead, we expect to further deploy our clinker and cement export strategy across West and Central Africa. The completion of our 1.5Mt grinding plant in Cote d'Ivoire is expected by the end of 2020.

Cameroon

Cameroon's economy is expected to have achieved 3.8% growth in 2019. The resumption of stadiums, roads, hotels, and other construction' projects for the preparation of 2021 African Cup of Nations is expected to support demand.

We faced a decrease in volumes against security challenges in the North West and South West region of the country as well as new competitor capacity. Overall, volumes dropped by 6.5% in 2019 versus 2018 owing to strengthened competition in key markets.

Sales volumes came in at 1.1Mt and we estimate our market share to have been 39% in FY19. In dollar terms, ex-factory cement prices averaged $108/t for the FY 2019.

Congo

The cement sector has suffered from economic crisis faced by the country since 2016. Public construction work has slowed down significantly, and market demand remains muted.

Our 1.5Mta integrated plant in Mfila, Republic of Congo sold 243Kt of cement for the full year 2019, up 11.5% compared to the full year 2018. Our market share for the fourth quarter came in at 33%.

In dollar terms, ex-factory cement prices averaged $79/t for the FY 2019.

In the absence of major infrastructure projects, the cement market was mostly driven by commercial building and private infrastructure projects in 2019. Clinker exports started in 2019.

Ethiopia

The overall market size increased marginally by 1% in the year due to a slowdown in the economic activities arising from the ongoing acute foreign exchange shortages, low government expenditure, liquidity crunch by the banks and security concerns. The market remains predominantly retail as spending on most major projects has reduced.

Sales at our 2.5Mta factory in Mugher, Ethiopia, were 2.0Mt in the full year 2019, with a market share of about 25.8%. Our performance in Ethiopia was affected by the shortages of limestone due to technical challenges and power rationing. Our market share declined from 27.0% to 25.8% mainly due to these production challenges.

In dollar terms, ex-factory cement prices averaged $72/t for the FY 2019.

Ghana

Dangote Cement Ghana sold over 500Kt of cement for the full year 2019, down 34% compared to the full year 2018 owing to strategic intent to focus on profitable markets. Our market share for the fourth quarter came in at 6%.

In dollar terms, ex-factory cement prices averaged $98/t for the FY 2019.

Senegal

Senegal continues to be one of our best performing markets, where we sell everything we produce. The market continues to grow supported by a growing middle class and the decentralisation initiative taken by the government enabling several new cities and zones to be built.

Sales from our 1.5Mta plant in Pout increased by 8.4% to more than 1.4Mt in the full year 2019, with the plant's output continuing to exceed its rated capacity. Our market share improved to 23% in 2019 from 19% in 2018.

In dollar terms, ex-factory cement prices averaged $70/t for the FY 2019.

Sierra Leone

Sierra Leone's cement market continues to improve with increased infrastructure spending, more foreign aid being made available and the resumption of building projects in the corporate sector. Major infrastructure projects include road, high-way and bridge construction work. The government has removed import duties on bagged cement in order to support increased building activity.

Sierra Leone is a small market for cement, consuming about 0.7Mt. Our market share increased to 35% in 2019 while our volumes increased significantly by 116% to 236kMt owing to a significant ramp up in our plant.

In dollar terms, ex-factory cement prices averaged $92/t for the FY 2019.

South Africa

The subdued state of South Africa's cement market reflects the country's economy, which is estimated to have grown by less than 1% in 2019. Lower spending in large scale infrastructure projects and depressed demand for new residential construction led to a low growth cement market.

The annual sales volume decreased by 9.4% y-o-y mainly due to low demand and increased competition from importers & blenders.

The newly introduced Falcon brand supported volumes in highly contested markets during the second half of the year.

The South African government introduced a carbon tax on 1st June 2019 for all manufacturing industries. Based upon our carbon emissions from cement production, we expect to pay approximately ZAR40 million per annum.

Prices decreased 3% in the full year 2019 as compared to 2018.

Tanzania

Tanzania's robust economy has driven growth in infrastructure and housing, with major government projects including roads, railways and airports.

Tanzania contributed positively at EBITDA level. Our plant was stable for the full year after a shut down for five months in 2018. As a result, our volumes (including clinker) was up 94% to 1.2Mt. Our clinker sales also ramped-up in 2019. Cash cost reduced significantly owing to the use of the temporary gas turbines in 2019. We expect our cash cost to further improve once our gas power plant is completed.

In dollar terms, ex-factory cement prices averaged $72/t for the FY 2019.

Zambia

Zambia's real GDP growth slowed to an estimated 2% in 2019, down from 4.0% in 2018. The main driver in Zambia is the public investment expenditure programme that have pushed the cement demand. The government have started significant projects such as the international airports of Lusaka and Ndola, dams and road infrastructures.

The Ndola factory sold just over 975kt of cement in 2019, down 5.6% on the 1,033kt sold in the same period last year. We are deploying alternative fuel usage in Zambia which will support the overall profitability of our operations going forward.

In dollar terms, ex-factory cement prices averaged $70/t for the FY 2019.

Capital structure

Dangote Cement's shareholders have expressed full support to the Board and management in executing a share buyback. The process is ongoing and is dependent on various regulatory approvals. The proposed programme is being undertaken in line with the company's corporate strategy to make the company more attractive in the near-term and positioning the company for future long-term growth.

Financial review

Summary

Year ended 31st December **Volume of cement sold**	**2019** **'000 tonnes**	**2018** **'000 tonnes**
Nigeria	14,119	14,178
Pan-Africa	9,447	9,370
Inter-company sales	-	(13)
Total cement sold	**23,566**	**23,535**

Revenues	**2019** **₦m**	**2018** **₦m**
Nigeria	610,247	618,301
Pan-Africa	282,710	283,262
Inter-company sales	(1,286)	(350)
Total revenues	**891,671**	**901,213**
Group EBITDA*	**395,427**	**435,261**
EBITDA margin	**44.3%**	**48.3%**
Operating profit	299,893	338,698
Profit before tax	250,479	300,806
Earnings per ordinary share (Naira)	**11.79**	**22.83**
	As at 31/12/2019 ₦m	**As at 31/12/2018 ₦m**
Total assets	1,741,351	1,694,463
Net debt	227,531	168,405

*Earnings before interest, taxes, depreciation and amortisation

Revenue decreased slightly by 1.1% from ₦901.2B to ₦891.7B, driven by reduced average net prices for both Nigeria and Pan-Africa. Net revenue per tonne in Nigeria amounted to ₦43,221 in 2019 as compared to ₦43,610 in 2018 representing a decrease of 0.9%.

Cement volumes sold by our core Nigerian operations remained broadly constant at 14.12Mt (2018: 14.18Mt) with increased local sales due to promotion activities being offset by the decline in exports due to the border closure. Sales to domestic customers in Nigeria increased by 1.9% from 13.41Mt to 13.67Mt with the remaining 0.45Mt being exported representing a decrease of 41% in export volumes.

Full year Pan-African volumes increased by 0.8% from 9.37Mt to 9.45Mt.

Manufacturing and operating costs

Year ended 31st December	**2019** **₦m**	**2018** **₦m**
Materials consumed	117,239	122,581
Fuel & power consumed	122,851	133,528
Royalties	1,817	1,134
Salaries and related staff costs	32,955	31,557
Depreciation & amortization	65,254	64,544
Plant maintenance costs	28,766	29,562
Other production expenses	7,750	9,199
(Increase)/decrease in finished goods and work in progress	3,357	(8,794)
Total manufacturing costs	**379,989**	**383,311**

In general, manufacturing costs decreased as a result of reduced volumes in Ghana, South Africa and Cameroon. This was partially offset by the increase in Nigeria manufacturing costs from ₦170.3B to ₦181.0B (mainly due to general inflation and foreign exchange impacts on USD denominated expenses) and increased production costs in Tanzania, Congo and Sierra Leone driven by volumes increase. Pan Africa manufacturing costs decreased by 6.6% from ₦213.3B to ₦199.0B.

Consequently, the total Group manufacturing costs decreased by 0.9%.

Administration and selling expenses

Year ended 31st December	**2019** **₦m**	**2018** **₦m**
Administration and selling costs	214,769	189,426

Total selling and administration expenses rose by 13.4% to ₦214.8B, mostly as a result of higher sales distribution costs in Nigeria and Pan Africa. Although the total volumes sold in Nigeria remained flat, the proportion delivered by our trucks increased resulting in increased haulage costs. Haulage costs in Nigeria increased from ₦56.7B to ₦70.7B.

The trend was the same in Pan-Africa as we delivered a higher proportion of the sales volume as compared to 2018 resulting in the Pan Africa haulage costs increasing from ₦31.3B to ₦36.5B.

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

Profitability

Year ended 31st December	**2019** **₦m**	**2018** **₦m**
EBITDA	395,427	435,261
Depreciation, amortization & impairment	(95,534)	(96,563)
Operating profit	**299,893**	**338,698**
EBITDA by operating region		
Nigeria	361,204	397,377
Pan-Africa	47,858	49,062
Central administrations costs and inter-company sales	(13,635)	(11,178)
Total EBITDA	**395,427**	**435,261**

Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the year decreased by 9.2% to ₦395.4B at a margin of 44.3% (2018: ₦435.3B, 48.3%) as a result of the reduced net prices in Nigeria and the increase in selling and distribution costs both in Nigeria and Pan Africa.

Excluding eliminations and central costs, EBITDA decreased by 9.1% in Nigeria, to ₦361.2B at a margin of 59.2% (2018: ₦397.4B, 64.3%).

Pan-African EBITDA decreased by 2.5% to ₦47.9B, at 16.9% margin (2018: 17.3%), driven by lower volumes in South Africa, Ethiopia & Zambia.

Operating profit of ₦299.9B was 11.5% lower than the ₦338.7B for 2018 at a margin of 33.6% (2018: 37.6%) driven by higher discounts in key markets and distribution costs.

Interest and similar income/expense

Year ended 31st December	2019 ₦m	2018 ₦m
Interest income	7,610	11,323
Exchange loss	(13,481)	(8,112)
Interest expense	(44,192)	(41,666)
Net finance income / (cost)	**(50,063)**	**(38,455)**

Interest income decreased by 32.8%, mainly as a result of reduced interest earning cash balances in Nigeria.

During the year to December 2019, the Nigerian Naira was devalued from about ₦359/1US$ to ₦365/1US$. The devaluation resulted in net exchange gains from inter-Group assets and liabilities that do not eliminate in full on consolidation in the Nigerian operations. This exchange gain was outweighed by the unrealised exchange losses from Pan-Africa operations that use the FCFA, Sierra Leonean Leone and the Ghana Cedi resulting in a net exchange loss.

The effective interest rate on borrowings was 10.87% compared to 10.68% in 2018.

Taxation

Year ended 31st December	2019 ₦m	2018 ₦m
Tax (charge)/credit	(49,958)	89,519

Prior to 2018, we made a tax provision on profits earned from Ibese production lines 3 & 4 and Obajana production line 4 on the basis that they were yet to obtain approval for tax holiday under the Pioneer Status Incentive. The approval was obtained in 2018 and the provision of ₦134B was reversed resulting in the tax credit of ₦89.5B for the 2018 financial year.

In 2019 the effective tax rate for Nigerian operations was 17.1% representing a mix of non-taxable income for productions lines still under the Pioneer tax holiday and taxable income for production lines out of Pioneer tax exemption.

The Group's effective tax rate was higher at 19.9%, 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 down 48.6% to ₦200.5B (2018: ₦390.3B). As a result, earnings per share decreased by 48.4% to ₦11.79 (2018: ₦22.83).

Financial position

	31st December 2019 ₦m	31st December 2018 ₦m
Property, plant and equipment	1,206,749	1,171,864
Other non-current assets	124,203	87,792
Intangible assets	3,663	5,969
Total non-current assets	**1,334,615**	**1,265,625**
Current assets	282,833	261,942
Cash and bank balances	123,903	166,896
Total assets	**1,741,351**	**1,694,463**
Non-current liabilities	105,341	86,619
Current liabilities	386,639	285,930
Debt	351,434	335,301
Total liabilities	**843,414**	**707,850**

Non-current assets increased from to ₦1,265.6B at the end of 2018 to ₦1,334.6B at 31st December 2019. This was mainly as a result of additions to Property, Plant & Equipment which were partially offset by depreciation.

Additions to property, plant and equipment were ₦175.0B, of which ₦131.6B was spent in Nigeria and ₦43.3B in Pan Africa operations.

In addition to the acquisition of fixed assets, right of use assets amounting to ₦12.0B were recognised for the first time following the adoption of IFRS 16. This also contributed to the increase in non-current assets.

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.

Movement in net debt

	Cash ₦m	**Debt ₦m**	**Net debt ₦m**
As at 31st December 2018	166,896	(335,301)	(168,405)
Cash from operations before working capital changes	392,258	-	392,258
Change in working capital	34,391	-	34,391
Income tax paid	(4,601)	-	(4,601)
Additions to fixed assets	(174,952)	-	(174,952)
Other investing activities	(220)	-	(220)
Change in non-current prepayments and payables	(2,090)	-	(2,090)
Net interest payments	(28,382)	-	(28,382)
Net loans obtained (repaid)	17,432	(17,432)	-
Dividend paid	(272,785)	-	(272,785)
Other cash and non-cash movements	(4,044)	1,299	(2,745)
As at 31st December 2019	123,903	(351,434)	(227,531)

Cash of ₦392.3B was generated from operations before changes in working capital. After net movement of ₦34.4B in working capital and tax payments of ₦4.6B, the net cash flow from operations was ₦426.1B.

Financing outflows excluding overdrafts of ₦295.1B (2018: ₦257.1B) reflected net loans received of ₦13.5B, interest paid of ₦34.8B and a dividend payment of ₦272.8B.

Cash and cash equivalents (net of bank overdrafts used for cash management purposes) decreased from ₦159.0B at the end of 2018 to ₦112.1B at 31st December 2019. With net loans received at ₦13.5B and decrease in cash balances of ₦43.0B, net debt increased by ₦59.1B from ₦168.4 at the end of 2018 to ₦227.5B at the end of 2019, giving a net debt to EBITDA ratio of 0.58x, reflecting the continuing strong cash generation achieved by the Group.

Capital Expenditure by region

	Nigeria ₦m	Pan-Africa ₦m	Total ₦m
Nigeria	131,610	-	131,610
Senegal	-	1,711	1,711
Cameroon	-	1,072	1,072
Congo	-	2,519	2,519
Ghana	-	2,094	2,094
Cote d'Ivoire	-	10,450	10,450
South Africa	-	210	210
Niger		455	455
Ethiopia	-	631	631
Tanzania	-	21,488	21,488
Zambia	-	2,464	2,464
Other	-	248	248
Total	**131,610**	**43,342**	**174,952**

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

Recommended dividend

On 25th February 2020, the Directors recommended to maintain a dividend of N16.00 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.