Unaudited results for the three months ended 31st March 2019

Election delays weigh on Nigeria performance

Lagos, 26th April 2019: Dangote Cement PLC (DANGCEM-NL), Africa's largest cement producer, announces unaudited results for the three months ended 31st March 2019.

Financial highlights

- Group revenue down 0.8% to ₦240.2B
- Group EBITDA down 11.2% to ₦111.8B, 46.5% margin
- Nigeria EBITDA down 10.4% to ₦103.4B, 60.9% margin
- Pan-African EBITDA down 9.3% to ₦11.9B, 16.9% margin
- Net debt of just ₦53.5B, or 0.12x annualised Q1 2019 EBITDA

Operating highlights

- Group volumes up 2.3% to 6.3 million tonnes
- Nigerian operations deliver nearly 4.0 million tonnes, third-highest quarterly volume despite loss of weekends to elections
- Pan-African volumes up 4.8% to 2.3 million tonnes

Joe Makoju, Group Chief Executive Officer, said:

"It was a challenging quarter with delays to the Nigerian elections that impacted sales, increased discounting in Nigeria and tougher market conditions in South Africa and other Pan-African markets. In addition, our variable costs were hit by foreign exchange effects, as well as higher fuel and distribution costs. Unrealized foreign exchange losses driven by the variation of local currencies versus US Dollar also impacted negatively our financial results. Combined with the muted volume growth across our operations, all of these factors contributed to a slight fall in revenues and a larger impact on profitability.

Despite these challenges, we had our third-best volume quarter in Nigeria and increased Pan-African sales volumes by nearly 5%. We are optimistic that the Nigerian market will accelerate when the government and private enterprise focus on infrastructure and economic development and we have taken steps to protect our margins by introducing a price increase at the beginning of April.

Our balance sheet remains strong with a low level of net debt resulting from continuing strong cash generation. This financial strength is what enables us to maintain our position as Africa's leading cement company, despite the challenging conditions we have seen so far in 2019."

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 Monday 29th April at 15.00 Lagos/UK time. Please register using the link below.

Dangote Cement – Q1 2019 Results

A replay facility will be available after the call has finished. Please find playback details below:

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Operating review

Summary

Cement volumes sold	**Q1 2019 '000 tonnes**	**Q1 2018 '000 tonnes**	**% change**
Nigeria	3,991	3,969	0.6%
Pan-Africa	2,347	2,239	4.8%
Inter-company sales	-	(13)	
Total cement sold	**6,338**	**6,195**	**2.3%**
Regional revenues	**₦m**	**₦m**	**%**
Nigeria	169,885	173,907	(2.3%)
Pan-Africa	70,272	68,559	2.5%
Inter-company sales	-	(350)	
Total revenues	**240,157**	**242,116**	**(0.8%)**
EBITDA	**₦m**	**₦m**	**%**
Nigeria	103,380	115,337	(10.4%)
Pan-Africa	11,854	13,064	(9.3%)
Central costs & eliminations	(3,473)	(2,484)	
Total EBITDA	**111,761**	**125,917**	**(11.2%)**
EBITDA margins			
Nigeria*	60.9%	66.3%	(5.4pp)
Pan-Africa*	16.9%	19.1%	(2.2pp)
Group EBITDA margins	**46.5%**	**52.0%**	**(5.5pp)**
	₦m	**₦m**	**%**
Group net profit	**60,254**	**72,123**	**(16.5%)**
	₦	**₦**	**%**
Earnings per share	**3.54**	**4.20**	**(15.7%)**

* Excluding central costs / eliminations

Nigerian operations

Nigeria's economy remained subdued entering 2019, with forecasts published by the World Bank and International Monetary Fund in April 2019 suggesting GDP growth of 2.1% for 2019.

We estimate Nigeria's total market for cement to have been approximately 6.0Mt in Q1 2019, up more than 6% on the 5.6Mt we estimate to have been sold in Q1 2018. Despite a strong increase in January volumes, Q1 2019 sales were affected by the delayed national and local elections and growth slowed across the market in February and March.

Overall, Nigerian operations sold nearly 4.0Mt including 0.2Mt of exports. This is the third-highest quarterly volume sold from Nigerian operations, despite loss of significant potential sales to the electoral delays. This represents 63.0% of total Group volumes before inter-company adjustments.

Dangote Cement sold 3.8Mt of cement in Nigeria, representing nearly 64% market share against new capacity opened by a competitor in 2018 and 2019.

The average realised price on Nigerian sales was about ₦42,567 per tonne. After the quarter ended, we raised prices by ₦150 per bag, or ₦3,000 per tonne before discounts.

Nigerian operations saw revenues 2.3% lower at ₦169.9B, with EBITDA 10.4% lower at ₦103.4B, with a margin of 60.9% excluding central costs and eliminations (Q1 2018: ₦115.3, 66.3%). Margins were reduced by higher input and distribution costs.

Pan-African operations

Pan-African operations sold more than 2.3Mt of cement in Q1 2019, up 4.8% on the 2.2Mt sold in Q1 2018. The total Pan-African volume represents 37.0% of Group sales volumes before inter-company adjustments.

Pan-African revenues of ₦70.3B were 2.5% higher than Q1 2018 and represented 29.2% of total Group revenues, while the region's EBITDA contribution of ₦11.9B (before central costs and eliminations) represented 10.3% of Group EBITDA, at a regional margin of 16.9%, compared to a margin of 19.1% in the first quarter of 2018. The fall in profitability was mainly attributable to depressed economic conditions as well as competition in South Africa, Zambia and Ethiopia.

Cameroon

We estimate the total market for cement in Cameroon to have been about 750,000 tonnes in the first three months of 2019. The market is primarily driven by individual construction projects, government housing estate projects and the continuation of the African Cup of Nations developments.

Our 1.5Mta clinker grinding facility in Douala sold approximately 299kt of cement in Q1 2019, a 10.0% decrease on the 332Kt sold in Q1 2018. We estimate our market share to have been 40% during the period.

The decrease in our sales can be attributed mostly to the rise of security challenges in the North West and South West regions, resulting in reduced activity.

Congo

Our 1.5Mta integrated plant in Mfila, Republic of Congo sold 58,000 tonnes of cement in the first quarter of 2019, up 49.0% on the 39,000 sold in the first quarter of 2018. The increase in our sales can be attributed to the introduction of the new grade 32.5R, sales price promotions, the opening of cement sales depots in Brazzaville and Point Noire and clinker export to Dangote Cement Cameroon. We estimate our market share to have been 32%, an increase on the 25% market share achieved in 2018.

Ethiopia

Sales at our 2.5Mta factory in Mugher, Ethiopia, were up 19.2% to 527,441 tonnes in Q1 2019 from the 442,524 sold in Q1 2018, with a market share of 24.2%. Total market sales were just under 2.2 million tonnes. Sales are being driven by the retail sector as major government projects are on hold or delayed, although the sales increase was also driven by increased operations this year following closures due to social unrest in Q1 2018.

We continue to improve our efficiency with improvement in transport logistics, increase use of local coal and the commissioning of a new packing factory to support the cement bags requirement. Own-truck availability improved to about 90%.

Ghana

The outlook for cement demand remains attractive, driven by strong GDP growth and investment to support the expanding oil and gas industries, as well as new housing projects and improvements to road networks across the country. With the upcoming elections in 2020, the government has been investing in new major infrastructure projects such as the airport in Kumasi, the extension of the BUIPE dam and the port in Takoradi.

Dangote Cement Ghana sold approximately 117Kt of cement in Q1 2019, down 39.0% on the 195Kt cement sold during Q1 2018, due to an inadequate supply of cement. However, we have now secured enough stock and are increasing volumes with a high focus on turnaround time for trucks, self-collection and exploring the option of virtual depots in remote areas.

Senegal

Sales from our 1.5Mta plant in Pout remained almost flat at 386Kt in Q1 2019 as compared to the 388Kt achieved in Q1 2018. The operational challenges posed by the Presidential elections negatively impacted the performance in February.

Our market share increased from 19% in 2018 to 24% in 2019. Demand growth is mainly from the local market. Export activities to Mali remain stable.

In Senegal, the local cement market is benefiting from infrastructure projects including the Dakar Airport Railway, a highway project and various road and urban infrastructure projects.

Sierra Leone

Sierra Leone's cement market continues to improve with increased infrastructure spending, more foreign aid being made available and the resumption of previously abandoned building projects in the corporate sector. Major infrastructure projects include road, high-way and bridge construction work.

Our 0.5Mta import and bagging facility sold over 58,000 tonnes of cement, representing 78.0% growth on the first quarter of 2018. We estimate that our market share increased to 32% during the quarter. The increase in sales volume was supported by product advertising to promote our brand quality, corporate sales drive, credit sales backed by bank guarantee to customers and retailer's outlet branding.

South Africa

The South African cement market remains muted. Econometrix estimates the total cement market to have been 2.7 million tonnes during the first quarter of 2019.

Dangote Cement South Africa sold 19% less cement than the same period last year, owing to a lack of infrastructure spending and a depressed and competitive market. The construction industry remains subdued with the absence of major investments.

Tanzania

Tanzania's strong economy and GDP growth is supporting a number of large infrastructure projects that are driving construction activity in the country, including the Dar es Salaam-Morogoro Railway, the Kenya-Tanzania Railway, major road and bridge building projects and commercial housing. We are seeing an increase in cement demand from the southern region as well as an increase in government infrastructure spending.

Our 3.0Mta factory at Mtwara sold 281Kt of cement during the period. This was approximately 127% higher than the 123Kt sold in the first quarter of 2018, when the plant was partially mothballed because of the excessive cost of fuel for the diesel generators. In addition, we achieved the activation of the Dar es Salaam depot and an increase in marketing initiatives, with better deliveries to customers.

We estimate our market share to have been 21%, up from 12% last year. Total market sales were over 1.3Mt.

Zambia

Zambia's market demand is expected to grow due to the infrastructure projects in the country. Major infrastructure projects include improvements to the Lusaka and Ndola airports as well as water, road, school and bridge construction projects.

Our 1.5Mta factory in Ndola sold over 223Kt of cement in Q1 2019, which was 15.0% higher than the 194Kt sold in Q1 2018, helped by reduced pricing in February to compete with new entrants, a less severe rainy season and aggressive brand marketing. We estimate our domestic market share to have been about 37%.

Financial review

Summary

Three months ended 31st March **Volume of cement sold**	**2019 '000 tonnes**	**2018 '000 tonnes**
Nigeria	3,991	3,969
Pan-Africa	2,347	2,239
Inter-company sales	-	(13)
Total cement sold	**6,338**	**6,195**

Revenues	**2019 ₦m**	**2018 ₦m**
Nigeria	169,885	173,907
Pan-Africa	70,272	68,559
Inter-company sales	-	(350)
Total revenues	**240,157**	**242,116**
Group EBITDA*	**111,761**	**125,917**
EBITDA margin	46.5%	52.0%
Operating profit	88,382	103,787
Profit before tax	78,960	108,403
Tax charge	(18,706)	(36,280)
Net profit	60,254	72,123
Earnings per ordinary share (Naira)	**3,54**	**4.20**
	As at 31/3/2019 ₦m	**As at 31/12/2018 ₦m**
Total assets	1,742,057	1,694,463
Net debt	53,507	168,405

*Earnings before interest, taxes, depreciation and amortisation

Total cement volumes sold across the Group increased by 2.3% from almost 6.2Mt to 6.3Mt, although Nigerian volumes remained broadly constant at almost 4.0Mt. Overall Group revenue decreased by 0.8% from ₦242.1B to ₦240.2B, attributable mainly to lower net average prices in Nigeria. The fall in Nigerian revenues was partly offset by a 2.5% increase in Pan-African revenues, driven by a 4.8% increase in sales volumes.

Manufacturing costs

Three months ended 31st March	**2019 ₦m**	**2018 ₦m**
Materials consumed	29,645	28,763
Fuel & power consumed	32,300	32,115
Royalties	311	351
Salaries and related staff costs	7,889	7,472
Depreciation & amortisation	16,320	16,021
Plant maintenance costs	7,554	8,042
Other production expenses	1,451	6,434
Increase/(decrease) in finished goods and work in progress	4,008	(1,846)
Total manufacturing costs	**99,478**	**97,352**

In general, manufacturing costs increased as a result of the general increase in prices for raw materials and labour in Nigeria. Manufacturing costs in Nigeria increased by 5.2% from ₦47.2B to ₦49.7B, while manufacturing costs in Pan-Africa remained flat at ₦50.0B, despite higher volumes sold.

Administration and selling expenses

Three months ended 31st March	2019 ₦m	2018 ₦m
Administration and selling costs	52,834	41,419

Total selling and administration expenses rose by 27.6% to ₦52.8B, mostly as a result increased distribution costs in Nigeria. Although volumes remained constant, there was an increase in the size of our truck fleet as well as the proportion of sales we distribute to customers. This resulted in increased depreciation and haulage costs, which include AGO, related staff costs, maintenance and spares. The increase in distribution costs was mitigated by the additional revenues recovered on deliveries performed.

Profitability

Three months ended 31st March	2019 ₦m	2018 ₦m
EBITDA	111,761	125,917
Depreciation and amortisation	(23,379)	(22,130)
Operating profit	**88,382**	**103,787**
EBITDA by operating region		
Nigeria	103,380	115,337
Pan-Africa	11,854	13,064
Central administration costs and inter-company	(3,473)	(2,484)
Total EBITDA	**111,761**	**125,917**

Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the period decreased by 11.2% to ₦111.8B at a margin of 46.5% (Q1 2018: ₦125.9B, 52.0%) as a result of the increased discounts in Nigeria and reduced margins in Pan-Africa.

Excluding eliminations and central costs, EBITDA decreased by 10.4% in Nigeria, to ₦103.4B at a margin of 60.9% (Q1 2018: ₦115.3B, 66.3%). The volumes quarter on quarter remained broadly constant with the decrease in margins coming mainly from the increased discounts.

Pan-African EBITDA decreased by 9.3% to ₦11.9B, at 16.9% margin (Q1 2018: ₦13.0B, 19.1%) driven by reduced profitability in South Africa and Zambia due to the prevailing market conditions in these economies.

Group operating profit of ₦88.4B was 14.8% lower than the ₦103.8B for Q1 2018, at a margin of 36.8% (Q1 2018: 42.9%).

Interest and similar income/expense

Three months ended 31st March	2019 ₦m	2018 ₦m
Interest income	2,286	2,622
Net exchange gain	-	12,476
Finance income	**2,286**	**15,098**
Net exchange loss	(3,076)	-
Interest expense	(8,632)	(10,482)
Net finance income / (cost)	**9,422**	**(4,616)**

During the first quarter of 2019, the Nigerian Naira was devalued slightly from about ₦359/US$1 to ₦360/US$1 as compared to Q1 2018 when it was devalued from about ₦331/US$1 to ₦337/US$1. The ₦12.5B net exchange gain in Q1 2018 was mainly driven by the depreciation of the Naira and appreciation of the CFA, resulting in gains on intergroup assets that do not eliminate in full on consolidation. The devaluation of the Naira in Q1 2019 was much lower, resulting in lower exchange gains which were outweighed by exchange losses in Pan-African operations, resulting in a net exchange loss for Q1 2019.

The average interest rate on borrowings was 10%.

Taxation

Three months ended 31st March	**2019** **₦m**	**2018** **₦m**
Tax charge	18,706	36,280

In prior years, we made a provision for tax charge on profits earned from Ibese production lines 3 & 4 and Obajana production line 4 on the basis that we were yet to receive the approval for tax holiday under the Pioneer Status Incentive. This resulted in a 30% effective tax rate (ETR) in Nigeria.

We received the certificates of approval in Q4 2018, resulting in a reduced ETR of 19% for Q1 2019, which represents a mix of production lines that are out of Pioneer status and lines that are still entitled to the tax exemption.

The Group's effective tax rate was higher at 24%, mainly because of Pan-African subsidiaries making losses that reduced the Group's profit without any tax benefits for those losses.

The Group's profit for the period was down 16.5% to ₦60.3B (Q1 2018: ₦72.1B). As a result, earnings per share decreased by 15.7% to ₦3.54 (Q1 2018: ₦4.20).

Financial position

	31st March 2019 **₦m**	**31st December 2018** **₦m**
Property, plant and equipment	1,188,079	1,171,864
Other non-current assets	86,659	87,792
Intangible assets	5,805	5,969
Total non-current assets	**1,280,543**	**1,265,625**
Current assets	287,835	261,942
Cash and bank balances	173,679	166,896
Total assets	1,742,057	1,694,463
Non-current liabilities	98,112	86,619
Current liabilities	370,050	285,930
Debt	227,186	335,301
Total liabilities	695,348	707,850

Non-current assets increased from ₦1,265.6B at the end of 2018 to ₦1,280.5B at 31st March 2019. This is mainly due to the adoption of a new standard (IFRS 16) which resulted in leases amounting to ₦12B previously classified as off balance sheet being reflected on the Balance Sheet.

Current liabilities increased mainly due to customers depositing for cement that will be delivered after 31st March 2019 to take advantage of the existing prices.

Movement in net debt

	Cash ₦m	Debt ₦m	Net debt ₦m
As at 31st January 2018	166,896	(335,301)	(168,405)
Cash generated from operations before working capital changes	111,781		111,781
Change in working capital	42,415		42,415
Income tax paid	(611)		(611)
Additions to fixed assets	(41,591)		(41,591)
Other investing activities	(26)		(26)
Change in non-current prepayments and payables	7,495		7,495
Net interest payments	(5,702)		(5,702)
Net loans repaid	(106,945)	106,945	-
Dividend paid	-	-	-
Other cash and non-cash movements	(33)	1,170	1,137
As at 31st March 2019	**173,679**	**(227,186)**	**(53,507)**

Cash of ₦111.8B generated from operations before changes in working capital was 15.8% below the ₦132.7B generated in Q1 2018. After changes in working capital of ₦42.4B, the net cash flow from operations was ₦154.4B. Excluding short-term overdrafts, financing outflows of ₦122.9B (Q1 2018: ₦93.7B) reflected net loans paid of ₦114.8B, interest paid of ₦7.7B and lease payments of ₦0.4B

Cash and cash equivalents (net of bank overdrafts used for cash management purposes) decreased slightly from ₦159.0B at the end of 2018 to ₦157.9B at 31st March 2019. Closing net debt at ₦53.5B was 68.2% lower than the opening net debt of ₦168.4B, reflecting the continuing strong cash generation achieved by the Group.

Capital Expenditure by region

	Total ₦m
Nigeria	26,824
Pan-Africa	14,767
Total	**41,591**

Capital expenditure during the period was mainly to increase the operational trucks for cement deliveries as well as for ongoing work at the Grinding stations being constructed in West Africa.