GCR RATINGS

Public Credit Rating Report | Nigerian Corporate Analysis | July 2021*

Dangote Cement Plc

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Dangote Cement Plc	Long Term Issuer	National	AAA(NG)	Stable Outlook
	Short Term Issuer	National	A1+(NG)	
N100bn Series 1 Senior Unsecured Bond	Long Term Issue	National	AAA(NG)	
N3.64bn Series 1 Tranche A Senior Unsecured Bond	Long Term Issue	National	AAA(NG)	
N10.45bn Series 1 Tranche B Senior Unsecured Bond	Long Term Issue	National	AAA(NG)	
N35.91bn Series 1 Tranche C Senior Unsecured Bond	Long Term Issue	National	AAA(NG)	

Strengths

- Strong franchise and market share
- Diversification through increased focus on export strategy within Africa
- Very strong earnings, robust cash flows and sustainable leverage

Weaknesses

- High exposure to Nigeria's challenging operating environment
- Large portion of foreign currency debt

Rating Rationale

The ratings accorded reflect Dangote Cement Plc's ("DCP" or "the Group") competitive position as one of Africa's leading integrated cement manufacturers, evidenced by very strong earnings, robust cash flows and moderate gearing metrics.

DCP's ability to penetrate new markets with large-scale, modern, and energy-efficient factories give it a strong competitive edge in the African market. Nevertheless, the company profile is constrained by the very high concentration to the Nigerian market, accounting for about 88% of group EBITDA and 65% of capacity at end-March 2021. In recent periods, DCP has increased focus on its export strategy within West and Central Africa, which should support the advancement of its competitive positioning across the African continent, albeit marginally offset by the higher risks in many of the countries it is targeting.

DCP's market dominance has translated into very strong earnings and cash flows, with the EBITDA margin registering around 47% over the last five years, well above the industry average. Based on the 1Q FY21 management results to 31 March 2021, the margin registered around 53% (FY20: 46%), supported by improved cement volume sales across its key markets, and its cost control efforts with cheaper fuel mix and lower power costs. Inflationary pressure and foreign currency shortages (particularly in Nigeria) are expected to continue to weigh adversely on production costs and operating expenses, but DCP's strong financial profile serves to moderate the impact of external shocks. The current headroom to ramp-up production volumes based on existing capacity across other market should drive strong earnings growth over the medium term, while sustaining strong margins.

* The last rating announcement was published on 1st July 2021. Rating reports are updated at least once a year from the date of the last rating announcement.

At 1Q FY21, gross debt declined to N426bn following part repayment of the existing obligations. This saw annualised net debt to EBITDA registered at a low 0.4x, against 0.7x recorded at FY20, indicative of a strong credit protection. Similarly, EBITDA coverage of net interest was high at 16x in 1Q FY21, from an average of 11x between FY16 and FY20. In May 2021, DCP successfully raised N50bn from the debt capital market in Series 1 Senior Unsecured Bond Issue under its N300bn Bond Issuance Programme. Notwithstanding the additional amounts raised under the Programme, GCR expects the Group to continue to demonstrate strong financial flexibility, with net debt to EBITDA (including operating leases) expected to range between 40%-55% over the outlook period, and net interest cover projected between 10x and 15x. The Group's robust operating cash flow is a key mitigant against concerns of higher debt. In this regard, operating cash flow (OCF) coverage of debt registered at 166% in 1Q FY21 and should remain strong over the rating horizon.

DCP's liquidity assessment is underpinned by expectation that cash flows will remain strong, along with N146m in cash and N153m in unutilised committed funding lines. Nevertheless, the assessment is somewhat constrained by the very high level of short-term debt, as well as the historically high dividend pay-out ratios. The uses vs. sources liquidity coverage is estimated at 1.3x over the next 12 months.

The N50bn Series 1 Senior Unsecured Bond is split into N3.64bn Tranche A, N10.45bn Tranche B and N35.91bn Tranche C, with varying interest rates and maturities in 2024, 2026 and 2028, respectively. Being senior unsecured debt of DCP, the existing N100bn Series 1 Bond and the additional N50bn Series 1 Tranche A-C Bonds rank pari passu with all other senior unsecured creditors. As such, the Bonds bear the same national scale long term rating as that accorded to DCP. Accordingly, any change in DCP's long term Issuer rating would impact the Bond rating.

Outlook Statement

The Stable Outlook reflects GCR's view of DCP's robust earnings and strong cash flows, which serves to moderate the impact of external shocks and limit recourse to additional debt.

Rating Triggers

A rating upgrade is not possible as DCP's long-term and short-term ratings are the highest possible ratings on GCR's rating scale. However, downward ratings pressure could arise from protracted earnings pressure or greater competition emerging from major international cement manufacturers. The aggressive dividend policy could result in materially higher than anticipated leverage and adversely impact GCR's view of liquidity.

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Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Corporate Companies, May 2019
GCR Rating Scales, Symbols & Definitions, May 2019
GCR Nigerian Country Risk Scores, July 2021
GCR Nigerian Corporate Sector Risk Scores, July 2021
Dangote Cement Plc Issuer rating reports (2016-20)

Ratings History

Dangote Cement Plc					
Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long term Issuer	Initial	National	AA+(NG)	Stable Outlook	September 2016
Short Term Issuer	Initial	National	A1+(NG)		
N100bn Series 1 Bond Long Term Issue	Initial	National	AA+(NG)	Stable Outlook	May 2020
Long term Issuer	Last	National	AAA(NG)	Stable Outlook	March 2021
Short Term Issuer	Last	National	A1+(NG)		
N100bn Series 1 Bond Long Term Issue	Last	National	AAA(NG)		
N50bn Series 1 Tranche A-C LT Issue	Initial/Last	National	AAA(NG)		

Analytical Entity: Dangote Cement Plc

Dangote Cement Plc is Africa's leading integrated cement manufacturer, with 13 plants in 10 countries and a combined installed capacity of 48.6 million metric tonnes per annum ("mtpa"). Nigeria remains the Group's dominant area of operations, with a combined production capacity of 32.3mtpa (66.5% of the total), spread across three sites in Ibese (12mtpa), Obajana (16.25 mtpa) and Gboko (4mtpa), including over 15,000 retail outlets, 48 depots and over 9,200 trucks (for cement distribution). DCP has 44 subsidiaries, of which 37 are directly owned. DCP is a subsidiary of Dangote Industries Limited ("DIL"), a diversified multinational corporate with operations spanning building materials, packaging, logistics, real estate, fertilizer, oil and gas as well as food and beverages, inter alia. DCP was listed on The Nigerian Stock Exchange in October 2010 and remains one of the most valuable public listed companies. DCP is organised into two operating regions, namely, Nigeria and Pan-Africa.

In recent periods, the Group has increased focus on its export strategy, promoting cement and clinker independence within West and Central Africa, with Nigeria as the main supply hub. This should continue to support its competitive positioning both in Africa and globally. DCP currently serves four export markets from Nigeria.

Operating Environment

The operating environment assessment is constrained by the inherent risks within the Nigerian operating environment, as well as the higher risks in other jurisdictions where DCP operates.

Country risk

The country risk score of "3.5" assigned to DCP is a blended score of the country risk scores of the jurisdictions (including Nigeria, Cameroon, Ghana, Senegal, Tanzania, South Africa and others) where it operates. However, DCP has a very high concentration to the Nigerian market, which accounts for 88% of group EBITDA and 65% of capacity. As such, the assigned country risk score largely reflects the predominant exposure to the Nigerian operating environment, balancing its strong economic base (supported by significant natural resources and large population), against low wealth levels, moderately weak institutional scores and currently restrained economic growth. Details of the discrete country risk scores are outlined in GCR's Country Risk Score report published in July 2021, available for download at https://gcrratings.com/wp-content/uploads/2021/07/20210708-Country-Risk-publication_FINAL.pdf

Sector risk

The cement industry is profiled within the Nigerian primary manufacturing sector. The sector risk score reflects the industry's high barriers to entry due to the capital-intensive nature of cement production and intense competitive landscape. Cognisance is taken of the sector's above average sensitivity to economic growth to sustain demand, but this is somewhat balanced against the necessity for consistently high government spending on infrastructural development. Environmental impact risks are high due to the generally heavy carbon footprints, however, ongoing efforts by industry players to upgrade to more environmentally friendly technologies are noted.

Aside from competitive pressures, industry profitability is negatively impacted by elevated production costs due to the infrastructure deficit in areas such as electricity generation, transportation, as well as bottlenecks in the supply chain management due to port congestion. The reliance on some key raw material imports also adds foreign exchange risk, higher working capital and financing costs. Competitive pressures should intensify over the medium term, as capacity utilisation is ramped up within the market. Nevertheless, strong demographics and infrastructural deficit will continue to underpin industry growth.

Business Profile

Competitive position

Dangote Cement Plc ("DCP") is Africa's leading integrated cement manufacturer, with 13 plants in 10 countries and a combined installed capacity of 48.6 mtpa.

DCP is Africa's leading integrated cement manufacturer with a group-wide installed capacity of 48.6 mtpa across ten countries. Other key competitive strengths include its extensive distribution network, significant scale economies and position as the largest corporate on The Nigerian Stock Exchange, with sound access to capital. Historically, DCP and Lafarge Africa Plc ("LAP") have dominated the market space, accounting for a combined market share of 90%. However, competitive pressures have heightened, with BUA Cement ("BUA") expanding aggressively in terms of capacity and market share. DCP remains the market leader, accounting for 61.3% of the market share by Nigerian installed capacity, with BUA's share rising to 16.7% (from around 9% previously). However, LAP's market share moderated to 21.8% (from 25% previously), following the divestment of its South Africa operating entity. A few small players, including Ibeto Group, account for the balance.

Table 1: Competitive position - DCP vs domestic peers

FY20 (N'm)	DCP	Lafarge	BUA
Revenue	1,034,196	230,573	209,443
EBITDA	477,818	71,944	81,738
Op. Income	388,280	45,123	67,643
Net interest income/(expense)	(30,805)	(8,534)	-5,192
NPAT	275,318	30,842	66,236
Equity	886,416	357,699	360,915
Total debt	503,764	49,733	21,424
Cash and equiv. (excluding restricted cash)	145,835	53,323	15,587
Current assets	550,138	103,071	62,161
Current liabilities	829,817	17,556	96,462
Total assets	2,017,897	505,275	467,785
Cement capacity in Nigeria	32.25mtpa	10.5mtpa	8mmtpa
Ratios (%)			
Estimated market share by capacity	61.3	21.8	16.7
Revenue growth	-1.1	-2.2	47.5
EBITDA margin	44.2	30.8	46.6
Operating margin	33.5	16.6	38.5
Net gearing	10.9	10.9	1.6
Net debt :EBITDA	61.8	56.6	7.1

Source: Annual Reports of each player.

DCP leverages off its ability to penetrate new markets with large-scale, modern and energy-efficient factories which give it a strong competitive edge in the African market. While, its operations remain susceptible to external factors (including gas and foreign currency shortages), and vagaries of the Nigeria economy (its major market), the strong financial profile, serves to moderate the impact of external shocks.

Table 2: Overview of DCP's larger African operations and respective cement consumption, GDP growth, as well as DCP's market share and main competitors.

Cement – DCP's African markets	Ghana	Senegal	Cameroon	Ethiopia	Zambia	Tanzania
Population 2020 (m)	31.1	16.7	26.5	115.0	18.4	59.7
Prod. capacity (Mtpa)	1.5	1.5	1.5	2.5	1.5	3.0
Sales vol., FY20 (mt)	0.4	1.6	1.3	2.1	0.773	1.1
Sales vol. 1Q FY21 (mt)	0.15	0.43	0.36	0.533	0.20	0.31
DCP market share FY20 (%)	6	23	38	28	29	18
DCP's main competitor	WACEM, Ghacem, Savannah, Diamond	Soccocim, Coments du Sahel	Cimencam, Cimaf	Mugher, Messabo Derba Midroc, National Cement, Ethio Cement	Lafarge, Scirocco, Zambesi Portland Cement	TPCC, Tanga Cement, Lafarge ARM Cement

Source: United Nations Population Division, Global Cement Report estimates and DCP estimates.

Management and governance

Management and governance is considered neutral to the ratings.

Financial Profile

Earnings

DCP has reported strong revenue progression over the years, with a CAGR of 13.9% between FY16 and FY20, supported by the ongoing business expansion and market penetration across Africa.

DCP has reported strong revenue progression over the years, with CAGR of 13.9% between FY16 and FY20, supported by the ongoing business expansion and market penetration across Africa. Revenue grew by 16% in FY20 to N1,034.2bn despite the setbacks occasioned by the COVID-19 pandemic across board. The growth was supported by strong cement demand, increased capacity in the Nigeria market and increased market penetration within the Pan-African operations. Nigeria remains a key market for DCP, historically contributing over 63% of DCP's production volumes and revenue, with cement sales rising to 15.9mt in FY20 compared to 14.1mt in FY19. The Pan-Africa operations gained scale in recent periods, with cement volumes rising to 10mt in FY20 (FY19: 9.6mt) despite the pandemic, albeit with mixed performance across the continent. The region contribution remained around 40% of the Group's sales volume due to operational challenges in some countries. DCP is expected to maintain its strong revenue growth over the rating horizon, supported by strong domestic demand in Nigeria, increased focus on its cement and clinker export to other West African countries, as well as production ramp-up from the Pan-African operations. Ghana, Ethiopia, Senegal, and Tanzania are expected to remain positive, and all the markets are expected to return to growth. As of 31 March 2021 ("1Q FY21"), DCP reported an annualised 24% growth in revenue.

The Group continues to report strong earnings margin, with gross margin averaging 55% over the five-year period to FY20, well above its peers. This has been supported by cheaper fuel mix and lower power costs given the stability in gas supply and reliance on locally mined coal in Nigeria. Excluding plant depreciation, the normalised gross margin would increase to 64.7%. EBITDA margin registered around 47% over the last five years, well above the industry average, and then increased to around 53% (FY20: 46%). Inflationary pressure and foreign currency shortages (particularly in Nigeria) are expected to continue to weigh adversely on production costs and operating expenses, but DCP's strong financial profile serves to moderate the impact of external shocks. The current headroom to ramp-up production volumes based on existing capacity across other markets should drive strong earnings growth over the medium term, while sustaining strong margins.

Figure 1: Revenue

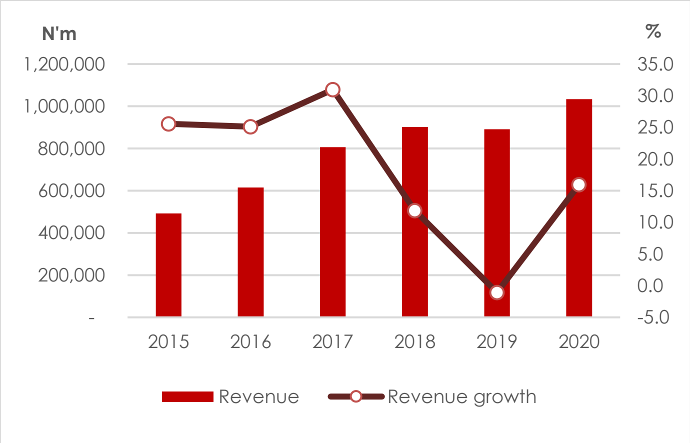
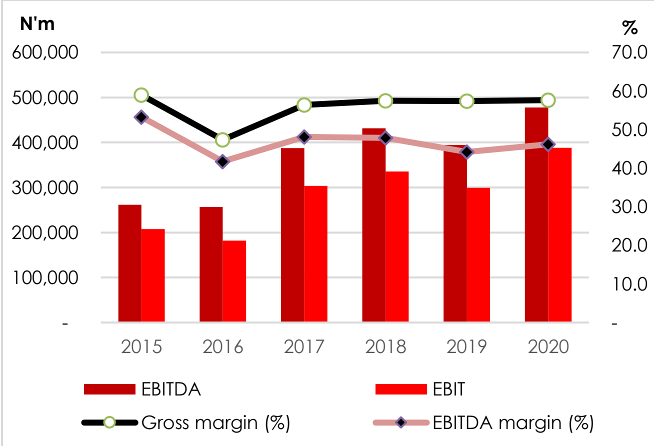


Figure 2: Margin analysis



DCP faces foreign exchange risk in respect of its foreign currency denominated loans. Although this risk is hedged through export proceeds, international businesses and through bids in the interbank market, the proportion is modest, as the Pan-African operations has historically accounted for about 11% of the Group's EBITDA. In FY20, DCP reversed the net foreign exchange loss of N13.5bn reported in FY19, with a net gain of N16.6bn. The foreign exchange risk is expected to persist in the outlook period due to the continuous Naira devaluation in the Nigerian market.

Leverage, and capital structure

The rating is underpinned by sound cash flows and conservative earnings-based gearing. However, downside pressure is expected to come from higher CAPEX costs amid the continuous Naira devaluation and the aggressive infrastructure rollout.

Gross debt averaged N369bn over the last four-year period to FY19, before rising to N503.8bn at FY20 following a N100bn bond issued in April 2020. At 1Q FY21, gross debt declined to N426bn following part repayment of the existing obligations. This saw annualised net debt to EBITDA register at a low 0.4x, against 0.7x recorded at FY20, indicative of a strong credit protection. Similarly, EBITDA coverage of net interest was high at 16x in 1Q FY21, from an average of 11x between FY16 and FY20. In May 2021, DCP successfully raised N50bn from the debt capital market in Series 1 Senior Unsecured Bond Issue under its N300bn Bond Issuance Programme. Notwithstanding the additional amounts raised under the Programme, GCR expects the Group to continue to demonstrate strong financial flexibility, with net debt to EBITDA (including operating leases) expected to range between 0.4x-0.55x over the outlook period.

DCP maintains a mix of Naira and foreign currency denominated loans across major banks in Africa. Naira denominated loans represented about 58% of outstanding debt as at 1Q FY21, while USD and ZAR denominated loans accounted for 19% and 7% of total respectively. The remainder of loans are denominated in West African CFA Francs, Central Africa CFA Francs and Ghanaian Cedis. Although the foreign currency exposure is considered moderate, downside risk remains inherent in the Group's import requirements in its Nigeria market. The Group has 62% of its debt within the short-term maturity bucket at 1Q FY21 but plans to address this concentration through additional bond issue in subsequent periods. The maturity profile is further enhanced by the N300bn Bond Issuance Programme, out of which about N50bn was recently raised.

Table 3: Debt Profile

	Loan type	Interest rate	FY20 (N'bn)	1Q FY21 (N'bn)	Maturity
Dangote Oil & Gas	Intl Trade	LIBOR + 5	32.9	35.7	On demand
Bulk Commodities Ltd	WC (USD)	8	23.5	24.1	On demand, 2025
Commercial Paper	ST	6	111.0	32.3	2020-2021
Series 1 Bond	LT	12.5	98.4	98.5	2025
BOI/GTB/Access	LT	7	2.2	1.9	2021
Bank (Various)	Overdraft	6.5-27	4.8	4.5	On demand
Bank (Various)	Loans	Various	210.3	208.8	Various
Leases	LT/ST	-	9.8	9.5	-
Interest payable	n.a	n.a	10.8	11.0	n.a
Total			**503.8**	**426.2**	

Source: DCP financials.

Group's robust operating cash flow is a key mitigant against concerns of higher debt. In this regard, operating cash flow ("OCF") coverage of debt registered at 166% in 1Q FY21 (FY20: 93.7%) and should remain strong over the rating horizon. DCP's working capital oversight is considered strong, with DCP reporting releases in recent periods, largely driven by rising trade and other payables. The increase relates to payables to its various contractors. Trade receivables have little impact on working capital movements as sales are mainly made on cash basis prior to dispatch of goods, with a few large wholesalers allowed up to 15 days' credit, if a bank guarantee is in place. In comparison, the average credit period on DCP's trade payables in FY20 was 47 days, against 61 days in FY19. The OCF is expected to comfortably cover the rising debt service in the medium-term.

Figure 3: Gearing metrics

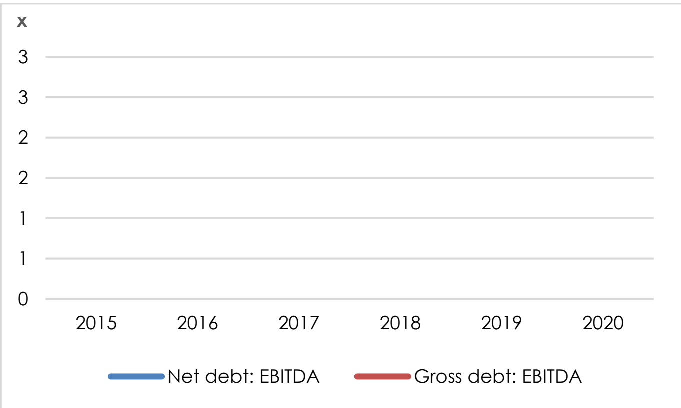
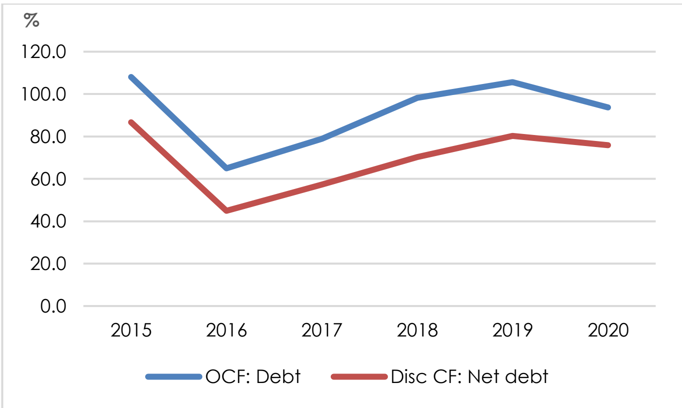


Figure 4: OCF Coverage



Robust discretionary cash flows have been generally sufficient to fund dividend payments and partly capex spend. However, the significant N272.7bn dividend pay-out in 2020, and the rising capex spend saw net debt increase considerably by c.N128bn at FY20. There is no quantified guidance as regards DCP's dividend policy, but management indicated that the Group's dividend cover is set after considering operational and expansionary capital expenditure requirements.

The Group has scaled down expansion plans in recent years due to foreign currency shortages and control in Nigeria. Major ongoing projects are the dual power plant in Tanzania and an import/export terminal in Nigeria, with N13.7bn expended in 1Q FY21.

Table 4: Funding profile (N'bn)	FY18	FY19	FY20	1Q FY21
ST Debt	220.1	262.0	337.1	262.2
LT Debt	125.7	114.7	166.7	164.1
Total Debt	**345.9**	**376.8**	**503.8**	**426.2**
Cash	(166.9)	(123.9)	(145.8)	(147.9)
Net Debt	**179.0**	**252.9**	**357.9**	**278.4**
ST debt: Total debt	64%	70%	67%	62%
EBITDA	*431.6*	*394.4*	*477.8*	*177.9*
Net Interest	*(30.3)*	*(36.6)*	*(30.8)*	*(11.0)*
Operating cash flow	*339.5*	*397.7*	*472.0*	*177.0*
Key ratios:				
Net debt: EBITDA (x)	0.4	0.6	0.7	0.4
EBITDA: net int. (x)	14.2	10.8	15.5	16.1
OCF: gross debt (%)	98.2	105.6	93.7	166.1

Supported by the strong earnings, EBITDA coverage of net interest stood stronger in FY20 and 1Q FY21, registering around 16%, from an average of 12.4% between FY17 and FY20. With the continuous refinancing of its expensive debt with favourable priced debt from the capital markets, interest coverage is expected to trend comfortably at double-digit over the rating horizon.

Liquidity

High CAPEX requirements have curtailed liquidity assessment. However, the Company's robust cash generation and strong access to capital bode positively.

DCP's liquidity assessment is underpinned by expectation that cash flows will remain strong, along with N146bn in cash and N153bn in unutilised committed funding lines. In addition to the strong cash generation, its liquidity is underpinned by longstanding relationships with a range domestic and international bank. Nevertheless, the assessment is somewhat constrained by the very high level of short-term debt, as well as the historically high dividend pay-out ratios. The uses vs. sources liquidity coverage is estimated at 1.3x over the next 12 months.

Table 5: Liquidity projections (N'bn)		
Uses vs. Sources		
Sources	**FY21**	**FY22**
Operating cash flow	389.0	434.0
Cash on hand	145.8	221.2
Facilities - commited	153.4	-
Facilities - non-commited	-	-
Proposed Bond issue	300.0	-
Total sources	**988.2**	**655.2**
Uses		
Debt redemption	337.1	126.0
Capex	151.7	131.4
Investments	-	-
Dividends	262.0	282.1
Other uses		
Total uses	**750.8**	**539.4**
Uses versus sources – 12 months	1.3	1.2
Uses versus sources – 24 months	1.1	-

Source: GCR

N100bn Series 1 Senior Unsecured Bonds and N50bn Series 1 Tranche A-C Senior Unsecured Bonds

DCP launched a N3000bn Debt Issuance Programme in October 2017. Under the Programme, DCP raised N100bn from the capital market in Series 1 Bonds Issue in April 2020. The Bonds are direct, unconditional, senior and unsecured obligations, ranking *pari passu* with all other senior and unsecured obligations of the Issuer. Interest accrual commenced from the Issue date and interest is payable semi-annually in arrears (in April and October) until maturity. The principal amount will be repaid in full on the maturity date. The Issuer has made the first and second coupon payments on due date, in line with transaction documentation. The Trustees did not report any breach of negative pledge or covenants by the Issuer.

In May 2021, DCP registered a new N300bn Multi-Instrument Bond Programme ("the Programme") with Securities and Exchange Commission after the old N300bn Programme has elapsed. Subsequently, an intial N50bn was raised under Series 1 Senior Unsecured Bonds. The N50bn Series 1 Senior Unsecured Bond is split into N3.64bn Tranche A, N10.45bn Tranche B and N35.91bn Tranche C, with varying interest rates and maturities in 2024, 2026 and 2028, respectively. The Bonds constitute direct, unconditional, senior, unsubordinated, and unsecured obligations of the Issuer. The bond net proceeds are being utilised for Nigerian expansion projects, refinancing of short-term debts and working capital funding. Notwithstanding the amount raised under the new Programme, GCR expects the Group to continue to demonstrate strong financial flexibility.

Being senior unsecured debt of DCP, the existing N100bn Series 1 Bond and the new N50bn Series 1 Tranche A-C Bonds rank pari passu with all other senior unsecured creditors. As such, the Bonds bear the same national scale long term rating accorded to DCP. Accordingly, any changes to DCP's long term Issuer rating would impact the Bond rating.

Comparative Profile

Peer analysis
The peer analysis is neutral to the ratings.

Group support
Group support is not applicable to the ratings.

Rating Adjustment Factors

Structural adjustments
No structural adjustments have been made to GCR's Anchor Credit Evaluator (ACE) in arriving at the final ratings.

Instrument ratings
No adjustments for instrument ratings are applicable.

Risk Score Summary

Risk score	
Operating environment	**5.25**
Country risk score	3.50
Sector risk score	1.75
Business profile	**2.50**
Competitive position	2.50
Management and governance	0.00
Financial profile	**4.50**
Earnings	2.00
Leverage & capital structure	2.50
Liquidity	0.00
Comparative profile	**0.00**
Group support	0.00
Peer analysis	0.00
Total Risk Score	**12.25**

Glossary

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Income	Money received, especially on a regular basis, for work or through investments.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to Dangote Cement Plc. The ratings above were solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

Dangote Cement Plc participated in the rating process *via* tele-conferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Dangote Cement Plc and other reliable third parties to accord the credit ratings included:

- 2020 audited annual financial statement, and prior four years annual financial statements;
- A three-month management accounts to 31 March 2021;
- Internal and/or external management reports;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties;
- Information specific to the rated entity and/or industry was also received;
- Executed transaction documents for the N100bn Series 1 Senior Unsecured Bonds and the N50bn Series 1 Tranche A-C Senior Unsecured Bonds.