

BUA CEMENT PLC

2025 Corporate Rating Review Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

BUA CEMENT PLC

Issuer Rating:

A+

A company with good financial condition and a strong capacity to meet its obligations relative to all other issuers in the same country.

Outlook: Stable

Issue Date: 7 August 2025

Expiry Date: 30 June 2026

Previous Rating: A+

Industry: Cement

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RATING RATIONALE

Agusto & Co. hereby affirms the “A+” rating assigned to BUA Cement PLC (“BUA Cement”, “BUA”, or “the Company”). The rating affirmation reflects the Company’s resilient earnings profile despite the prevailing macroeconomic headwinds, upheld by its strong pricing power and sustained domestic (private and public) demand for cement. The Company’s pricing power not only supports healthy margins and cash flow generation in the wake of rising cost pressures but also strengthens its ability to consistently invest in capacity expansion, thereby reinforcing its good credit profile. The affirmed rating also considers BUA Cement PLC’s key position in the Nigerian Cement Industry, its ongoing capacity expansion drive in line with its market penetration strategy and its stable, qualified and experienced management team. Nonetheless, the rating is moderated by the heightened financial risks in the Company’s capital structure, stemming from the \$300 million syndicated loan obtained from the International Finance Corporation (IFC) in April 2023. With the absence of an effective hedging mechanism and the facility’s lengthy maturity, Agusto & Co. expects the Company’s financial flexibility to be severely constrained should the Naira weaken further. Also, BUA’s overall leverage metrics remain high, resulting in elevated financing costs and weaker interest coverage metrics.

BUA, a major player in the Nigerian Cement Industry, was formed in 2009 through the merger of Cement Company of Northern Nigeria (CCNN) and Obu Cement PLC. BUA operates two integrated cement plants located in Sokoto and Edo States, with a combined installed capacity of 17 million metric tonnes per annum. Supported by its ongoing capacity expansion projects and efficient route-to-market strategies, BUA is positioned to capitalise on the growth opportunities in the domestic cement market, driven by Nigeria’s significant infrastructure gap, currently estimated at \$3 trillion.

In the financial year ended (FYE) 31 December 2024, BUA Cement PLC reported a total revenue of ₦876 billion, up by a significant 91% from the prior year, reflecting volume growth and upward price adjustments implemented in the year. Due to the impact of the depreciation of the Naira and higher inflationary pressures on energy and operational costs, BUA’s direct cost-to-sales ratio rose by almost 600 basis points (bps) to 66% in 2024, resulting in a much lower gross profit margin of 34% (2023: 40%). In the same year, the Company’s operating profit margin (OPM) moderated to 27% from the 31% reported in FYE 2023, primarily due to intensifying direct cost pressures and the much higher distribution costs associated with the increase in diesel prices. Notwithstanding, the Company’s three-year (2022-2024) weighted average operating profit margin of 31%, compared favourably with our industry benchmarks. BUA Cement PLC’s pre-tax profit margin declined to 12% in 2024 (2023: 15%), highlighting the significant net unrealised foreign exchange losses of ₦92 billion recorded in

the year. Overall, BUA's pre-tax pre-interest return on assets (ROA) and pre-tax return on equity (ROE) improved to 16% and 26%, respectively, in FYE 2024 (2023: 13% and 18%), reflecting the better profit performance in 2024 compared to 2023. Agosto & Co. considers BUA's profitability metrics good, backed by its capacity expansion programmes, sustained cement demand and its considerable ability to pass on cost increases to customers to protect profit margins.

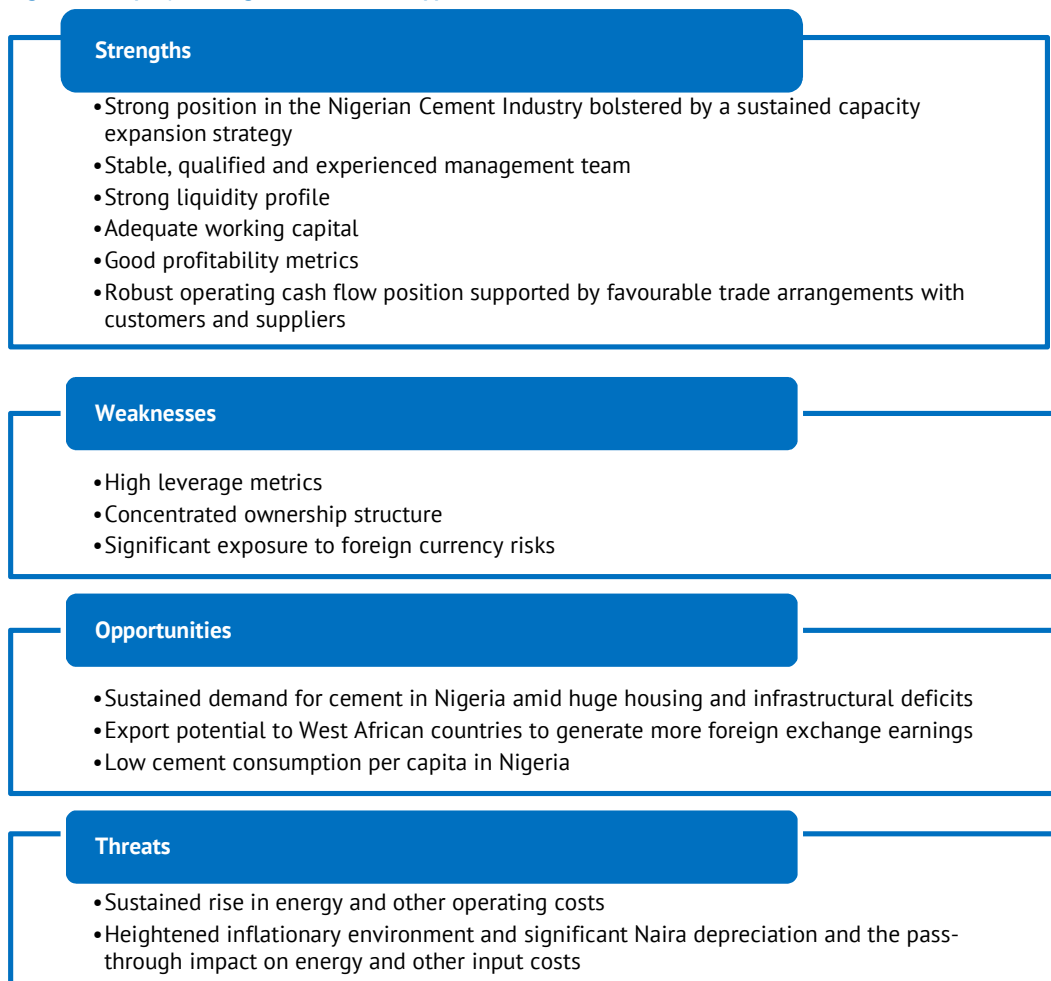
In the year ended 31 December 2024, BUA Cement PLC reported an operating cash flow (OCF) of approximately ₦301 billion (2023: ₦233 billion), mainly supported by increased trade payables and higher advanced customer deposits. The Company's OCF in FYE 2024 was sufficient to cover returns to providers of finance (RTPOF), comprising dividends to equity holders (55%) and interest payments to lenders (45%), highlighting its satisfactory repayment capacity. Although BUA Cement's OCF-to-revenue ratio fell sharply to 34% in 2024 (2023: 51%), we recognise that the three-year weighted average operating cash flow to revenue ratio of 42% was better than our internal benchmark of 20%. Supported by favourable trade agreements with customers and suppliers, Agosto & Co. expects the Company's operating cash flow to remain satisfactory over the short to medium term. Furthermore, we expect BUA Cement PLC's cash-generating capacity to be bolstered by strong domestic (public and private) cement demand combined with its efficient route-to-market approach.

As at 2024, BUA Cement PLC's spontaneous financing outstripped its trading assets, resulting in a short-term financing surplus (STFS) of ₦245 billion, primarily supported by higher trade payables and advanced customer deposits. As at the same date, BUA Cement's long-term funds (equity, long-term borrowings and long-term payables) were insufficient to cover its long-term assets, resulting in a long-term financing need (LTFN) of ₦237 billion as at FYE 2024. The STFS was more than sufficient to cover the LTFN, leaving an overall working capital surplus of ₦8 billion. Whilst we recognise that the Company's current funding structure indicates a mismatch, we acknowledge that the majority of its spontaneous financing (from trade creditors and advanced customer deposits) is evergreen.

BUA Cement PLC's total liabilities increased by 42% to ₦1.2 trillion as at FYE 2024, reflecting the remeasurement of its foreign currency-denominated obligations, primarily due to further currency depreciation as well as increased trade payables and advanced customer payments. As at FYE 2024, BUA's total liabilities comprised non-interest-bearing liabilities (51%) and interest-bearing liabilities (49%). Given the significant Naira depreciation at the end of FYE 2024, BUA reported net unrealised exchange losses of ₦92 billion, resulting in a high finance cost-to-revenue ratio of 17% in 2024 (2023: 19%), which exceeded our 5% internal benchmark. As a result of the remeasured foreign currency liabilities in the review year, BUA's interest-bearing debt-to-equity and net debt-to-average total assets ratios worsened to 62% and 127%, respectively (2023: 47% and 80%). With the absence of an effective hedge and the IFC facility's extended maturity, BUA Cement PLC's overall financial performance remains highly vulnerable in the short to medium term in the event of further Naira depreciation. Hence, we will continue to monitor the impact of foreign currency exposures on BUA's performance and any change beyond what we anticipate may result in a rating action.

BUA PLC plans to expand its footprint in Nigeria and West Africa to generate higher foreign exchange earnings from export sales. The Company also aims to increase its capacity utilisation, diversify its energy mix with cheaper alternatives, particularly natural gas, to improve its overall financial performance in the short term. Based on the above, we attach a **stable** outlook to BUA Cement PLC.

Figure 1: Company's Strengths, Weaknesses, Opportunities and Threats



PROFILE OF BUA CEMENT PLC

Background

BUA Cement PLC (“BUA Cement”, “BUA” or “the Company”) is one of the leading cement manufacturers in Nigeria. The Company was established in 2009 following the merger of Cement Company of Northern Nigeria (CCNN) and Obu Cement PLC. Before the merger, the Company operated as CCNN from 1967 with an installed capacity of 0.1 million metric tonnes (MMT). CCNN merged with the Kalambaina Cement Company Limited, which increased its cement production capacity to 2 MMT. Following the merger with Obu Cement PLC, the cement production capacity increased to 8 MMT annually. At the same time, BUA Cement PLC has added 9 million metric tonnes per annum through brownfield expansions, while a greenfield expansion, the Ososo Line 1 in Edo State, is currently under construction, which will increase its annual cement production capacity to 20 MMT upon completion.

BUA Cement PLC is a fully integrated cement manufacturer in Nigeria, with two major production facilities located in Kalambaina, Sokoto State and Obu, Edo State. The Kalambaina plant comprises four production lines with a combined installed capacity of 8 million metric tonnes (MMT), while the Obu facility operates three lines with a total annual capacity of 9 million metric tonnes. Both plants are strategically positioned near substantial limestone reserves, ensuring consistent access to critical raw materials for cement production. These limestones, alongside clay and gypsum, are processed through multiple stages to produce cement. BUA Cement utilises natural gas as its main energy source, significantly reducing dependence on coal and contributing to a more sustainable production process. To further enhance operational efficiency and reduce energy costs, BUA Cement PLC commissioned a 50 MW liquefied natural gas (LNG) flexible engine power plant at the Kalambaina site. In 2023, it reinforced its energy transition efforts and cost optimisation strategy by constructing an additional 70 MW gas-powered plant at the same location. A similar 70 MW power facility was installed at the third production line at the Obu plant in late 2023. BUA Cement PLC distributes its products through a network of accredited distributors and direct sales to construction and building firms across Nigeria. In the year under review, the Company produced and sold 8.2 million metric tonnes of cement, reflecting a capacity utilisation rate of approximately 56.4%.

OWNERSHIP, GOVERNANCE, MANAGEMENT AND STAFF

As at 31 December 2024, BUA Cement PLC’s authorised share capital stood at 33,864,354,060, which had been issued and fully paid up. Alhaji Rabiul Abdulsamad directly controls 57.4% of the Company’s equity capital and indirectly owns an additional 42.6% stake through BUA Industries Limited (40.7%), Damnaz Cement Company Limited (1.9%) and BUA International Limited (0.02%). Thus, BUA’s ownership structure is highly concentrated.

As at 2024, BUA Cement had a nine-member Board of Directors (“the Board”), comprising four non-executive directors, three independent non-executive directors and two executive directors. Alhaji Rabiul Abdulsamad leads the Board as Chairman, while Mr Yusuf Haliru Binji serves as the Managing Director/Chief Executive Officer. Mr Chike Ajaero was appointed as an Executive Director/Chief Finance Officer in July 2024, replacing Mr Jacques Piekarski, who resigned from the Board in April 2024. The Board operates through five committees – the Statutory Audit Committee, the Board Audit Committee, the Risk Management Committee, the Governance/ Establishment and Remuneration Committee, and the Finance and General Purpose Committee. Agusto & Co. believes the current composition of the Company’s Board complies with the principles of good corporate governance as detailed in the

Nigerian Code of Corporate Governance. Similarly, BUA Board members are drawn from diverse backgrounds and have relevant experience and expertise to provide the requisite oversight for the Company.

Table 1: BUA Board of Directors as at 31 December 2024

Name	Position
Alhaji Rabiu Abdulsamad	Chairman
Mr Yusuf Haliru Binji	Chief Executive Officer
Mr Chikezie Ajaero	Chief Finance Officer
Mr Kabiru Isyaku Rabiu	Non-Executive Director
Mr Kenneth Chimaobi Madukwe	Non-Executive Director
Mr Finn Arnoldsen	Non-Executive Director
Alhaji Shehu Abubakar	Independent Non-Executive Director
Senator Khairat Gwadabe	Independent Non-Executive Director
Ms Ganiyat Adetutu Siyonbola	Independent Non-Executive Director

Source: BUA Cement PLC

The Company's senior management team comprises twenty-one members (including the Managing Director). Most members of BUA Cement PLC's senior management team have considerable experience in the domestic cement industry. We also note that most members of the management team have been with BUA for over five years. Overall, Agosto & Co. considers the Company's management team to be stable, qualified and experienced.

Table 2: Other members of BUA Cement PLC's Management Team

Name	Designation
Mrs Hauwa Satomi	Company Secretary
Mr Abdullahi Usman	Director, Strategic Supplies
Mr Ali Gumel	Assistant Director, Health, Social, Community & Environment
Mr Hamza Bunu	Assistant Director, Finance
Mr Abdulrasheed Bode	Assistant Director, Human Resources
Mr Aminu Aliyu Bashar	Plant Director, Sokoto
Mr Ahmed Abubakar Idris	Plant Director, Obu
Mr Sanni Yusuf	Finance Director, Sokoto
Mr Adamu Mohammed	Deputy Chief Engineer
Mr Kabir Bello	Head, Sales & Marketing (Obu Plant)
Mr Roberto Sepulveda	Procurement Director
Mr Mohammed Yusufu	Assistant Director, Maintenance & Projects
Mr Alexander Obotu Ijiga	Assistant Plant Director, Sokoto
Mr Abdulganiyu Olumoh Yusufu	Head, Marketing & Sales, Northern Region
Mr Adedeji Taiwo Omotayo	General Manager, Human Resources
Mr Chukwuemeka Onuoha	General Manager, Sales & Marketing, South
Mr Richard Gidado	General Manager, Administration
Mr Uzodinma Chinagorom	General Manager, Technical (Packing Plant)
Mr Moukhtar Gwarzo	Assistant General Manager, Finance

Source: BUA Cement PLC's Management Presentation

As at 31 December 2024, BUA Cement PLC had a total of 1,618 employees (1,257 employees). The Company's average cost per employee increased by 44% to ₦12 million in 2024, reflecting the inflation-induced salary reviews implemented during the year. In the same year, the net earnings per staff stood at ₦63 million (2023: ₦54 million), which was adequate to cover the average staff cost 5.1 times, indicating a good staff productivity level.

FINANCIAL CONDITION

ANALYSTS' COMMENTS

- We have analysed the audited financial statements of BUA Cement PLC for the three years ended 31 December 2024 and its unaudited management accounts for the six months ended 30 June 2025.
- In 2024, the Company commissioned Lines 3 and 5 cement plants at Obu and Sokoto, respectively. Based on BUA's agreement with the EPC contractor (Sinoma CBMI), BUA was required to settle the outstanding retention fee (totalling ₦268 billion) within 12 months. However, BUA leveraged its long-standing relationship with Sinoma CBMI to extend the payment period of a portion of the payables (₦136 billion) to 48 months. In the 2024 accounts, BUA recognised the total outstanding amounts to Sinoma CBMI as trade payables. We have reclassified the long-term portion of the EPC payables as long-term payables, as we believe this accurately captures the substance of the transaction.

PROFITABILITY

BUA Cement PLC generates revenue from selling cement locally and via exports to the Niger Republic. The Company operates a flexible discount system; thus, revenue generated from customers is usually impacted by the various discounts and rebates granted to qualified distributors on a pre-determined basis.

In the financial year ended (FYE) 31 December 2024, BUA Cement PLC reported a total revenue of ₦876 billion, a significant 91% growth compared to the previous year. The revenue growth was primarily driven by a substantial 22% increase in the volume of cement sold to 8.2 million metric tonnes (MMT) and a 57% upward price adjustment implemented during the year. Similar to the previous year, BUA Cement PLC generated a significant proportion of its revenue (99%) from the domestic market and the balance of 1% from export sales. The Company commissioned the Lines 3 and 5 plants at its Obu and Sokoto cement factories, respectively, in 2024, which increased its annual cement production capabilities to 17 million metric tonnes. We project that BUA's revenue will maintain an upward trajectory in the medium to long term, backed by a combination of sustained volume growth and its relatively strong ability to implement upward price reviews to protect profit margins. This is in addition to the sustained demand for cement by the government and private sector, which is expected to support the Company's revenue performance.

The majority (88%) of BUA Cement's direct expenses comprises energy costs as well as operations and maintenance (O&M) service charges, which are denominated in foreign currency, making it susceptible to foreign exchange (FX) risks and other external shocks. Similarly, BUA Cement's Naira-denominated expenses have also remained elevated, reflecting continued local currency depreciation and higher inflationary pressures. As a result, the Company's direct cost-to-revenue ratio rose by almost 600 basis points to 66% in 2024, resulting in a lower gross profit margin of 34% (2023: 40%). Similar to the previous year, BUA's gross profit margin in FYE 2024 compared less favourably to the Nigerian Cement Industry average of *circa* 50% in the same year. According to Management, BUA's gross profit margin in 2024 was adversely impacted by the decision to lower product prices in October 2023, aimed at alleviating some of the economic hardships on the citizenry. Notwithstanding, the Company has since increased product prices since the beginning of 2025 to pass on the rising cost pressures to customers. Similarly, to mitigate the increased FX risks, BUA renegotiated its O&M contract with suppliers to a flat monthly fee, rather than a variable component linked to annual clinker volume. Management believes this initiative will somewhat moderate the direct cost pressures in the short to medium term¹. Nonetheless, we recognise that the prevailing macroeconomic vagaries (FX and inflationary pressures) remain significant downside risks to the Company's gross profit margin in the short term.

Despite the higher administrative expenses and increased distribution costs associated with the hike in fuel prices, the Company's operating expenses (OPEX) to sales ratio improved to 18% in 2024 (2023: 21%), primarily supported

¹ Management estimates a one-third decline in O&M charges from the renegotiated contract.

by the strong revenue performance. Notwithstanding, BUA's operating profit margin (OPM) fell by 400 basis points to 27% in 2024, and compared less favourably with the Nigerian Cement Industry average of 32%. In 2024, the Company reported other income of ₦15.3 billion, up from the ₦13.1 billion recorded in the previous year, primarily driven by higher interest income from bank placements and other fixed-income investments. In the review year, BUA Cement's earnings before interest, tax, depreciation and amortisation (EBITDA) declined to 33% (2023: 39%), reflecting the higher direct cost pressures, while the three-year (2022- 2024) EBITDA margin stood at 37%. Agusto & Co. recognises that BUA Cement PLC's 2024 and three-year weighted average EBITDA margins were significantly below the domestic cement industry average of 57% and 64%, respectively, during the same periods.

BUA recorded net unrealised foreign exchange (FX) losses of ₦92 billion² in 2024 (2023: ₦70 billion) following the remeasurement of its foreign currency obligations. Thus, the Company's interest cost-to-sales ratio remained high at 17% in 2024 (2023: 19%). Agusto & Co. expects the Company's foreign exchange losses to normalise in the short term, primarily due to the renegotiated O&M contracts and Nigeria's relatively stable exchange rate environment since the beginning of 2025. Notwithstanding, we recognise that the Company remains susceptible to FX risks in the event of further Naira depreciation due to the long tenor of the IFC facility. Overall, BUA's pre- and post-tax profit margins in 2024 declined to 11.7% (2023: 14.7%) and 8.4% (2023: 15.1%), respectively, reflecting the adverse impact of intensifying direct cost pressures and the much higher funding costs on its business in the year.

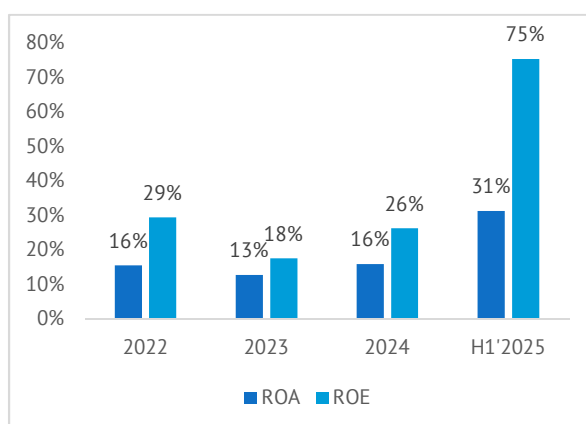
In the year under review, BUA Cement PLC's pre-tax-pre-interest return on assets (ROA) improved to 16% (2023: 13%). BUA Cement's pre-tax return on equity (ROE) also increased to 26% in FYE 2024 (2023: 18%). Agusto & Co. notes that the Company's pre-tax ROE of 26% in FYE 2024 compared favourably with the average yield on 365-day treasury bills of 20%, reflecting its relatively strong ability to provide sufficient returns to its shareholders in the year.

BUA Cement PLC's unaudited accounts for the six months ended 30 June 2025 (H1'2025) showed revenue of ₦580 billion, up by 59% from the comparable period in the prior year, reflecting increased sales volume and upward price adjustments. Despite heightened inflationary pressures and sustained Naira depreciation, BUA Cement's gross and operating profit margins improved significantly to 49% and 42%, respectively, in H1'2025 (H1'2024: 30%, 23%), reflecting its strong ability to pass on increased cost pressures to customers. At the same time, the Company's pre- and post-tax profit margins improved to 37% and 31%, respectively, in H1'2025 (H1'2024: 11% and 9%). During the same period, BUA Cement's annualised ROA and ROE stood at 31% and 75%, respectively, which we consider good.

Moving forward, Agusto & Co. projects that the increase in construction activities aimed at addressing the widening infrastructure and housing deficit in the country will support cement demand. Hence, BUA has indicated plans to improve its capacity utilisation rate in the medium term, resume export to other African markets and deepen existing relationships with customers to drive revenue growth in the short to medium term. Ultimately, as the recent capacity expansion programmes translate to increased sales volume, we anticipate improvements in its overall profitability.

In our opinion, BUA Cement PLC's overall profitability is good.

Figure 3: ROA & ROE – (2022 – H1'2025)



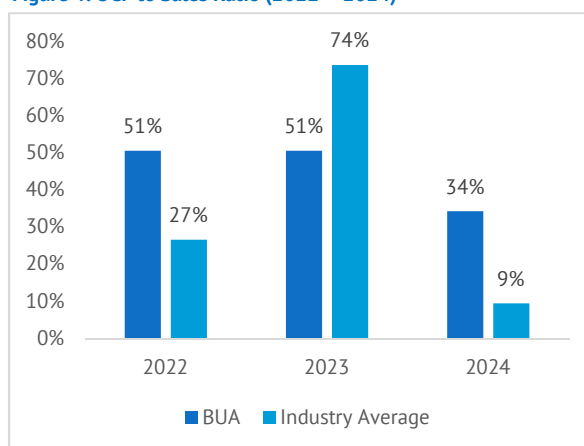
² The Company reported unrealised exchange loss on borrowings of ₦238 billion. However, BUA recorded a foreign exchange gain of ₦93 billion, while ₦52 billion was capitalised to borrowing costs, leaving net FX losses of ₦92 billion.

CASH FLOW

BUA Cement PLC generates cash from selling cement to accredited distributors, construction companies, real estate developers and individuals in Nigeria. The Company also exports some of its products to other neighbouring countries, including the Niger Republic. BUA Cement typically operates a “prepayment” and “cash and carry” model for the sale of its products, which is akin to the practice in the Nigerian Cement Industry. Notwithstanding, the Company grants credit to some of its customers who meet specific internal requirements, including operating size, capacity and the provision of bank guarantees. The Company’s average trade receivable collection period in the review year was less than a day, which was the same as 2023, supporting our view of its efficient sales and collection strategy. As at the same date, BUA Cement’s average trade payables payment period remained high at 199 days (2023: 124 days), highlighting its favourable trade arrangements with customers and suppliers.

Based on our adjustments to the trade payables balance, BUA Cement PLC reported an operating cash flow (OCF) of approximately ₦301 billion in 2024 (2023: ₦233 billion). BUA Cement’s operating cash flow in 2024 was sufficient to cover the returns to providers of finance (RTPOF) of ₦123 billion (after adjusting for unrealised foreign exchange losses), comprising dividends (55%) and interest payments (45%). This translated to an OCF to RTPOF ratio of 5x, which compared favourably with our internal benchmark of 3x. In the same vein, the Company’s three-year (2022 – 2024) cumulative OCF of ₦717 billion was more than sufficient to cover the cumulative RTPOF of ₦340 billion over the same period, highlighting its satisfactory repayment capacity.

Figure 4: OCF to Sales Ratio (2022 – 2024)



Although the Company’s operating cash flow-to-revenue ratio in 2024 fell sharply to 34% (2023: 51%), it compared favourably with the domestic cement average of 9% in the same year. At the same time, BUA Cement PLC’s three-year average (2022–2024) of 42% was better than our 20% threshold and the domestic cement industry average of 31% during the same period, highlighting its strong cash-generating capacity. Agusto & Co. expects the Company’s cash-generating ability to remain robust in the medium term, supported by its key position in the Nigerian Cement Industry, sustained cement capacity expansion and its ability to implement upward price reviews on its products.

BUA Cement PLC recorded an operating cash flow of approximately ₦139 billion in the first six months of 2025, primarily supported by net earnings growth, following the upward pricing adjustments implemented during the period. BUA’s operating cash flow in H1’2025 was more than sufficient to cover the RTPOF of approximately ₦34 billion, wholly comprising interest payments to debt financiers. During the same period, BUA Cement PLC reported an operating cash flow-to-sales ratio of 24%, which compared favourably with our internal benchmark of 20%, reflecting its good cash-generating capacity. While Agusto & Co. recognises the challenging business environment in the country (heightened inflationary pressures and continued Naira depreciation), we project that the Company will continue to generate sufficient cash flows from its business. Our optimism is underpinned by enduring cement demand, the Company’s expanding operating scale and favourable trade terms with customers and suppliers.

In our view, BUA Cement PLC’s overall cash flow position is good.

LIQUIDITY PROFILE

As at 2024, BUA Cement's liquidity position comprised cash and equivalent balances of approximately ₦84.7 billion (2023: ₦225 billion), liquid inventories of ₦88.2 billion³ and free cash flow from operations (OCF after RTPOF) of ₦85 billion. These amounts were more than adequate to cover maturing short-term obligations 3.4x, underscoring our assessment of its robust liquidity profile. Agosto & Co. also positively views BUA Cement PLC's strong track record in the Nigerian Debt Capital Market and its well-established relationships with domestic and foreign financial institutions, which provide significant flexibility to refinance maturing obligations with ease.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2024, BUA Cement's trading assets more than doubled to ₦222 billion (2023: ₦100 billion), reflecting the rise in inventories and other debtors. The main components of the Company's trading assets as at FYE 2024 were inventories (53%), other debtors and prepayments (37%) and amounts due from related parties (10%).

As at 2024, the Company's spontaneous financing (after adjusting for the long-term portion of trade payables) stood at ₦467 billion (2023: ₦298 billion), due to a notable increase in trade payables, other accruals and deferred tax liabilities. As at FYE 2024, BUA's non-interest-bearing liabilities mainly comprised trade payables (42%), advanced customer deposits (24%), other accruals (21%), deferred tax liabilities (10%) and employee benefit obligations (2%). The Company's spontaneous financing as at FYE 2024 was adequate to cover the trading assets, resulting in a short-term financing surplus of ₦245 billion. We note that BUA has consistently recorded short-term financing surpluses over the past five years, supported by favourable trade terms with both customers and suppliers. This trend is expected to persist in the short term, provided there are no significant changes to the Company's business model.

As at 31 December 2024, BUA Cement PLC's long-term assets increased by 42% to ₦1.3 trillion, reflecting additions to property, plant and equipment (primarily the Lines 3 and 5 plants at the Sokoto and Obu factories, respectively). As at the same date, BUA Cement's long-term funds, comprising long-term borrowings, including reclassified trade payable balances (68%) and equity (32%), stood at approximately ₦1.03 trillion. The Company's long-term funds were insufficient to cover the long-term assets, resulting in a long-term financing need (LTFN) of ₦237 billion as at FYE 2024. Nonetheless, BUA Cement PLC's short-term financing surplus was sufficient to cover the LTFN, leaving an overall working capital surplus of ₦8 billion. With the extended tenor of the outstanding amounts due to Sinoma CBMI and the evergreen nature of the bulk of the Company's spontaneous financing (advanced customer deposits), we expect its working capital position to remain adequate in the short to medium term.

As at 30 June 2025, BUA Cement PLC reported a short-term financing surplus of approximately ₦142 billion and a long-term financing need of ₦67 billion, resulting in an overall working capital surplus of ₦75 billion. Given the favourable trade arrangements with customers and suppliers as well as the stable long-term funding sources, we anticipate sustained improvements in the Company's overall working capital position in the near term.

in our opinion, BUA Cement's overall working capital position is adequate for its current operations.

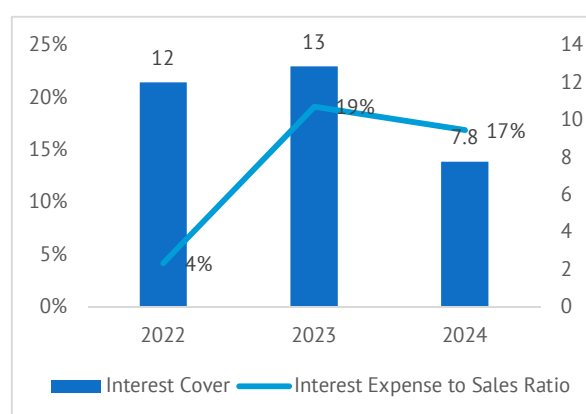
³ In arriving at the liquid (inventory) assets, we applied a 10%, 20% and 30% haircuts on finished goods, work-in-progress and raw materials, respectively

LEVERAGE

As at 31 December 2024, BUA Cement PLC's total liabilities stood at approximately ₦1.2 trillion (2023: ₦830 billion), primarily due to an increase in trade payables and the remeasurement of the \$300 million long-term facility obtained from the International Finance Corporation (IFC)⁴, reflecting further local currency devaluation in the year. As at the same date, BUA Cement's total liabilities comprised non-interest-bearing liabilities (51%) and interest-bearing obligations (49%). As at FYE 2024, the Company's interest-bearing liabilities (IBL) included the outstanding foreign currency-denominated loan obtained from IFC, ₦115 billion 7.5% Seven-Year Series 1 Bonds issued in December 2020 and bank borrowings obtained from three commercial banks at annual interest rates ranging from 9% to 19%. As at FYE 2024, BUA Cement PLC's funding structure comprised non-interest-bearing 38%, interest-bearing liabilities and equity at 37% and 25%, respectively, reflecting a low equity cushion.

In the review year, BUA Cement reported net unrealised foreign exchange losses of ₦92 billion (2023: ₦70 billion), reflecting the significant local currency devaluation, which necessitated the remeasurement of its foreign currency-denominated debts. Thus, BUA Cement PLC's finance cost-to-revenue ratio remained high at 17% in FYE 2024 (2023: 19%), which outstripped our 5% threshold. To mitigate part of its foreign currency exposure, the Company renegotiated its operations and maintenance contracts in the first half of 2025 to a flat monthly fee compared to the previous floating rate, linked to clinker volume. Considering the combination of the renegotiated O&M contract and relative stability of the Naira as at June 2025, Agusto & Co. expects the Company's FX losses to normalise in the short term.

Figure 5: Interest Expense to Sales & Interest Cover (2022 – 2024)



In 2024, BUA Cement PLC's interest cover (after adjusting for foreign exchange losses) fell sharply to 2.8x (2023: 13x), reflecting the lower OCF and higher borrowing costs in the year. Nonetheless, we believe BUA has sufficient headroom to meet maturing obligations as and when due, supported by its strong earnings and cash-generating capacity. Against the backdrop of the remeasured foreign currency obligations in FYE 2024, BUA Cement's total debt (less cash and cash equivalents) to average total assets ratio rose sharply to 62% (2023: 47%), but remained broadly in line with our internal benchmark. Notwithstanding, BUA Cement's interest-bearing liabilities (net of cash and equivalents) to equity ratio worsened to 127% in 2024 (2023: 80%), highlighting its elevated leverage profile.

As at 30 June 2025 (unaudited), BUA Cement's total liabilities declined to circa ₦1.04 trillion (2024: ₦1.2 trillion), reflecting the reduction in spontaneous financing. In H1'2025, BUA reported net unrealised FX losses of ₦0.8 billion, reflecting relative Naira stability so far in 2025 and a decline in its import finance facilities, resulting in a finance cost-to-sales ratio of 6.4%. Although we recognise BUA Cement's strong debt repayment capacity, we note that the \$300 million syndicated facility exposes it to heightened financial risks due to its long tenor, variable interest rate structure and the absence of an effective hedging strategy. In the event of further Naira depreciation, these factors could significantly impair BUA's financial flexibility. Overall, we consider BUA's leverage position high.

⁴The facility has a nine-year tenor at a variable rate based on the 6-month SOFR + 5.5%. The loan was obtained from a consortium of DFIs led by the IFC. Other DFIs involved in the transaction include the African Development Bank (AfDB), Africa Finance Corporation (AFC) and Deutsch Investitions.

OUTLOOK

Operators in the Nigerian cement industry are grappling with mounting cost pressures – higher energy prices, rising haulage expenses and foreign-exchange losses. Nonetheless, the sector is forecast to sustain its growth trajectory, underpinned by ongoing capacity expansions and strong volume sales. The Industry’s oligopolistic structure also provides operators with strong pricing power, enabling them to pass on increased cost pressures to customers to protect profit margins. At the same time, Industry operators continue to benefit from strong domestic (public and private) demand precipitated by the rising urbanisation trends and Nigeria’s low cement consumption per capita⁵. We also view positively the central and sub-national government’s ongoing infrastructure projects, such as the concrete-based Lagos-Calabar Coastal Road and the Abuja-Kano Expressway, which we believe will support healthy cement demand in the short to medium term. Industry operators are also investing in modern technologies and processes, including compressed natural gas-powered plants and alternative cement mixers, while enhancing their route-to-market strategies to reduce operating costs and meet environmental requirements.

BUA Cement PLC commissioned Lines 3 and 5 at its Obu and Sokoto cement factories in 2024, increasing its cement production capabilities to 17 million metric tonnes per annum. The capacity expansion reflects BUA’s strategy of expanding its operating scale to improve its market share in the Nigerian Cement Industry, which should translate to better financial performance in the medium term. The Company is also developing its greenfield cement plant (the Osoyo Line 1 in Edo State), a 3 MMT annual cement production capacity, which will increase its production capacity to 20 MMT. Management has also indicated plans to improve its capacity utilisation rate in the short term, while expanding its market presence to drive revenue growth. On the cost side, we expect the newly renegotiated O&M service contracts to moderate some of the heightened direct cost pressures stemming from Naira depreciation. Overall, we expect the Company’s cement capacity expansion and cost optimisation initiatives to support improved profitability in FYE 2025. Notwithstanding, we recognise that the higher exposure to foreign currency-denominated obligations poses significant downside risks to BUA Cement’s financial performance in the medium term.

Agusto & Co. projects that BUA Cement’s favourable trade terms with customers and suppliers and earnings growth, supported by its considerable pricing power, will continue to support its cash-generating capacity and ability to meet obligations in the medium to long term. At the same time, we believe BUA’s overall working capital position will remain adequate in 2025, upheld by its evergreen spontaneous financing sources. Nevertheless, we view BUA Cement’s significant exposure to foreign currency obligations amid the lack of viable hedging arrangements on the syndicated \$300 million facility as a rating negative. Although we expect the exchange rates to remain relatively stable in the short term, in the event of a material devaluation similar to the past twenty-four months, we will revise our view of BUA’s leverage profile and debt service capacity to account for the elevated currency risks. However, at the current debt levels, we do not expect any significant deterioration in BUA’s ability to meet maturing obligations in the short term, primarily due to its strong earnings, key industry position and robust cash-generating capacity.

Based on the above, we attach a **stable** outlook to BUA Cement PLC.

⁵ Nigeria’s cement consumption per capita ranges between 94kg and 123 kg, well below the global average of 541kg.

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-DEC-22		31-DEC-23		31-DEC-24		30-JUN-25 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
REVENUE	360,989	100%	459,999	100%	876,470	100%	580,304	100%
GROSS PROFIT	163,045	45%	183,956	40%	300,257	34%	285,755	48%
OPERATING PROFIT	132,436	37%	142,591	31%	235,336	27%	244,331	41%
INTEREST EXPENSE	(15,194)	-4%	(88,045)	-19%	(148,212)	-17%	(37,350)	-7%
PROFIT BEFORE TAXATION	121,108	34%	67,643	15%	102,443	12%	214,803	35%
TAX (EXPENSE) BENEFIT	(20,097)	-6%	1,812	0%	(28,534)	-3%	(33,908)	-7%
PROFIT AFTER TAXATION	101,011	28%	69,455	15%	73,910	8%	180,895	28%
DIVIDEND	(88,047)	-24%	(94,820)	-21%	(67,729)	-8%	-	0%
PROFIT RETAINED FOR THE YEAR	12,964	4%	(25,365)	-6%	6,181	1%	180,895	28%
OTHER APPROPRIATIONS	-		-		-		-	
PROFIT RETAINED B/FWD	181,921		194,885		169,519		175,699	
PROFIT RETAINED C/FWD	194,885		169,519		175,700		356,594	

STATEMENT OF FINANCIAL POSITION	31-DEC-22		31-DEC-23		31-DEC-24		30-JUN-25 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
ASSETS								
CASH & EQUIVALENTS	48,047	5%	225,078	29%	84,749	36%	163,406	10%
TOTAL TRADING ASSETS	76,512	9%	100,065	30%	221,585	32%	213,991	13%
TOTAL LONG-TERM ASSETS	749,453	86%	890,543	40%	1,264,017	32%	1,232,757	77%
TOTAL ASSETS	874,012	100%	1,215,686	100%	1,570,352	100%	1,610,153	100%
GROWTH	20.0%		39.1%		29%		3%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	239,368	27%	532,282	44%	578,881	37%	548,481	37%
TOTAL NON-INTEREST-BEARING LIABILITIES	223,531	26%	298,181	25%	602,923	38%	492,229	34%
TOTAL LIABILITIES	462,899	53%	830,462	68%	1,181,804	75%	1,040,710	70%
SHAREHOLDERS' EQUITY	411,113	47%	385,224	32%	388,548	25%	569,443	30%
TOTAL LIABILITIES & EQUITY	874,012	100%	1,215,686	100%	1,570,352	100%	1,610,153	100%

CASH FLOW STATEMENT	31-DEC-22		31-DEC-23		31-DEC-24		30-JUN-25 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
OPERATING ACTIVITIES								
POTENTIAL OPERATING CASH FLOW	138,373		181,963		254,056		242,339	
WORKING CAPITAL CHANGES:								
CASH FROM (USED BY) SPONTANEOUS FINANCING	90,662		74,650		168,369		(110,694)	
CASH FROM (USED BY) TRADING ASSETS	(46,484)		(23,553)		(121,520)		7,595	
CASH FROM (USED IN) OPERATING ACTIVITIES	182,550		233,059		300,905		139,239	
INTEREST PAID	(15,194)		(88,045)		(148,212)			
DIVIDEND PAID	(88,522)		(94,820)		(67,729)		(37,350)	
OPERATING CASH FLOW AFTER RTPOF	78,835		50,194		84,964		0	
CASH FROM (USED IN) INVESTING ACTIVITIES	(135,447)		(166,076)		(408,265)		101,890	
CASH FROM (USED IN) FINANCING ACTIVITIES	42,321		292,913		46,599		7,167	
CHANGE IN CASH INC/(DEC)	(14,291)		177,031		(140,329)		(30,400)	
OPENING CASH & MARKETABLE SECURITIES	62,338		48,047		225,078		78,657	
CLOSING CASH & MARKETABLE SECURITIES	48,047		225,078		84,749		84,749	



BUA Cement PLC

KEY RATIOS	31-DEC-22	31-DEC-23	31-DEC-24	30-JUN-25 (UNAUDITED)
PROFITABILITY				
SALES GROWTH	40%	27%	91%	32%
OPERATING PROFIT MARGIN	37%	31%	27%	42%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	16%	13%	16%	31%
RETURN ON EQUITY (PRE-TAX)	29%	18%	26%	75%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDERS OF FINANCING	176%	127%	139%	373%
OCF AS % OF SALES	51%	51%	34%	20%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	-	-	-	-
OVERALL WORKING CAPITAL DEFICIENCY (DAYS)	-	-	-	-
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS	40%	47%	62%	43%
TOTAL LIABILITIES TO EQUITY	113%	138%	149%	96%
NET ASSETS/(LIABILITIES) IN FCY				
NET EXPOSURE TO CURRENCY RISK (\$)	-	(168,682,928)	711,779,343	-
NET EXPOSURE TO CURRENCY RISK (€)	-	(700,786)	646,271	-
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₺' MILLION)	8,608	10,762	19,975	10,303
AVERAGE NUMBER OF STAFF	1,169	1,257	1,618	1,618
STAFF COSTS PER EMPLOYEE (₺' MILLION)	7	9	12	6
CAPITAL EXPENDITURE (₺' MILLION)	112,717	159,516	424,253	15,754
DEPRECIATION AND AMORTISATION (₺' MILLION)	22,135	24,986	34,791	24,094
EBITDA (₺' MILLION)	153,809	167,223	270,289	268,850
AUDITORS	PWC	PWC	PWC	UNAUDITED
OPINION	CLEAN	CLEAN	CLEAN	N/A

RATING DEFINITIONS

Aaa	A company with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A company with very good financial condition and a strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A company with good financial condition and a strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A company with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A company with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A company with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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