

BUA Cement Plc

₦115 Billion 7.5% Seven-Year Senior Unsecured Fixed Rate Series 1 Bond Due 2027
Under the ₦200 Billion Debt Issuance Programme

2020 Corporate Bond Indicative Final Rating Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

BUA CEMENT PLC

₦115 Billion 7.5% Seven-Year Senior Unsecured Fixed Rate Bond Due 2027 Under the ₦200 Billion Debt Issuance Programme

Issue Rating:

A*

Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.

Outlook: Stable

Issue Date: 23 December 2020

Expiry Date: 30 November 2021

**This Issue rating is indicative and subject to change at any time. However, a final rating will be based on receipt of all duly executed contractual agreements.*

The final Issue rating is subject to annual renewals on the anniversary of the Bond.

Issuer's Rating: A

Expiry Date: 30 June 2021

Industry: Cement

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RATING RATIONALE

- Agusto & Co. hereby assigns an indicative "A" rating to BUA Cement Plc's ("BUA Cement", "BCP", "Issuer" or "the Company") ₦115 billion 7.5% Seven-Year Senior Unsecured Fixed Rate Bond Due 2027 ("Series 1", "the Issue" or "the Bond") under the ₦200 Billion Debt Issuance Programme. The assigned rating mirrors the standalone rating of the Issuer, as the Bond is senior unsecured debt and ranks pari passu with other senior debts of the Company. Agusto & Co. assigned BUA Cement Plc an "A" rating in November 2020, which expires 30 June 2021.
- BUA Cement Plc is a fully integrated cement manufacturer in Nigeria with a total combined installed production capacity of 8 million metric tonnes per annum (MMTPA) as at end of Q3'2020, making it the third-largest cement producer in the country. During the financial year ended 31 December 2019 (FYE 2019), BUA Cement's financial condition was characterized by very good cash flow, low leverage, acceptable profitability and experienced management team. We also note positively the Company's good market position, occasioned by the sustained growth in BCP's installed capacity and efficient route to market strategy as well as favourable government policies. However, the Company's performance was tempered by inadequate working capital, ownership concentration risk and the weak macroeconomic environment.
- BUA Cement Plc plans to increase its installed production capacity by 3 MMTPA with the construction of a new Line III in Kalambaina, Sokoto State, which is due for completion by Q4'2021. In addition, BCP plans to continue to optimize operational and cost efficiencies by unlocking synergy potentials following the business combination between Cement Company of Northern Nigeria Plc (CCNN) and Obu Cement Company Plc, which occurred in 2018.
- On the back of these initiatives, the Company intends to issue ₦115 billion in its maiden bond issuance in December 2020. The net proceeds will be used to refinance debt obligations (mainly Shareholder's loans obtained over the last two years and utilized for the ongoing Kalambaina Cement Plant Line III) and finance working capital requirements, including the funding of the Series 1 Debt Service Reserve Account (DSRA) to cover up to one-time semi-annual coupon payment on the proposed Bond.

This Bond Rating Report should be read in conjunction with Agusto & Co.'s 2020 Corporate Rating Report for BUA Cement Plc

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

TRANSACTION PARTIES

Issuer:

BUA Cement Plc

Lead Issuing House:

Stanbic IBTC Capital Limited

Joint Issuing Houses:

UCML Capital Limited
Tiddo Securities Limited

Joint Trustee:

Stanbic IBTC Trustees Limited
Custodian Trustees Limited
ARM Trustees Limited

Legal Adviser to the Trustee:

Olaniwun Ajayi LP

Solicitors to the Issue:

Udo Udoma & Belo-Osagie

Solicitors to the Issuer:

G. Elias & Co

Reporting Accountants:

KPMG Professional Services

Auditors:

PricewaterhouseCoopers Nigeria

Registrars:

Africa Prudential Plc

Stockbrokers:

APT Securities and Funds Limited
Stanbic IBTC Stockbrokers Limited

Receiving Banks:

Access Bank Plc
United Bank for Africa Plc

KEY TRANSACTION STRUCTURE

Bond Tenor:

7-years with semi-annual payment of coupon and principal. However, the principal is subject to a three-year moratorium from the issue date.

Early Redemption:

The Issuer has the right to exercise a Call option to redeem the whole or any part of the Series 1 Bonds at par after 48 months from the Bond issuance date subject to giving the Bondholders a minimum of 30 days' notice of its intention.

Bond Status:

Senior, direct, unsecured, unsubordinated and irrevocable obligations of the Issuer and shall at all times rank pari passu without any preference among themselves.

Use of Bond Proceeds:

The net proceeds will be used by the Issuer to refinance existing shareholders' loans and finance working capital requirement, including funding the Debt Service Reserve Account.

Source of Repayment:

Operating cash flow of BUA Cement Plc

- Subsequent to the 2019 financial year, the Company's unaudited financial statements as at 30 September 2020 (Q3'2020) revealed a significant increase in amounts due to related parties which stood at ₦106.9 billion (FYE 2019: ₦0.9 billion). We note that the rise in intercompany loans relates to Shareholders' loan (totaling \$225 million) granted to the defunct Cement Company of Northern Nigeria Plc (through group companies purchasing equipment for construction of the Kalambaina Cement Plant Line III in Sokoto State) which were not captured in the 2019 audited financial statements of the enlarged BUA Cement Plc entity (resulting from the merger of CCNN and Obu Cement Plc) and subsequently reflected in the Q3'2020 unaudited financial statements. Furthermore, we note that the Shareholders' loan obtained from BUA International Limited has a tenor of 7 years at fixed interest rate of 12.4% p.a. in the first year and 15.9% p.a. in the remaining 6 years. Agusto & Co. notes that the outstanding balance of \$225 million Shareholders' loans is intended to be refinanced with the Bond proceeds.
- The Series 1 Bond will attract a fixed coupon rate to be determined through a book-building process payable semi-annually over the 7-year tenor. The Bond principal will be redeemed half-yearly, following a three-year moratorium from the Issue date, until maturity in 2027. However, the Issuer reserves the right to exercise a call option to effect early redemption of the Bond, either in part or in whole, after the expiration of 48 months from the Issue date, in accordance with the Trust Deed.
- The Series 1 Bond is a senior, direct, unsecured, unsubordinated and irrevocable obligation of the Issuer and shall at all times rank pari passu with all other unsecured and unsubordinated obligations of the Issuer and without any preference among themselves. In line with the Series 1 Trust Deed and Pricing Supplement, the Issuer unconditionally and irrevocably pledges to pay the coupon and redeem the principal amount from its operating cash flow.
- In line with the Series 1 Trust Deed, a Payment Account shall be opened by the Issuer on the Issue date in the name and under the control of the Bond Trustees (Stanbic IBTC Trustees Limited, Custodian Trustees Limited and ARM Trustees Limited) for the benefit of the Bondholders. The Issuer shall ensure that the amount required to meet any of its payment obligations comprising principal and coupon, shall be paid into the Payment Account at least three business days before each coupon payment date or principal payment date as the case may be.
- Furthermore, the Issuer shall open a Debt Service Reserve Account before the Issue Date, in the name and under the control of the Bond Trustees and shall be funded from the Bond proceeds not later than 24 hours with an amount equal to cover one-time semi-annual coupon payment obligation of the Issue (DSRA Required Balance). Also, the Issuer shall ensure that, at all times during the tenor of the Series 1 Bond, the amounts standing to the credit of the Debt Service Reserve Account shall not be less than the DSRA Required Balance.
- Going forward, we expect an improvement in the Company's financial condition, supported by Nigeria's rising infrastructural gap and housing deficit estimated at 22 million units, large and growing population rate of 2.6% per

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

Debt Service Reserve Account:

The Issuer shall establish a Debt Service Reserve Account (DSRA) under the control of the Bond Trustees which shall be funded from the net proceeds of the Series 1 Bond with an amount no less than the DSRA required balance (equivalent to one-time semi-annual coupon payment obligation).

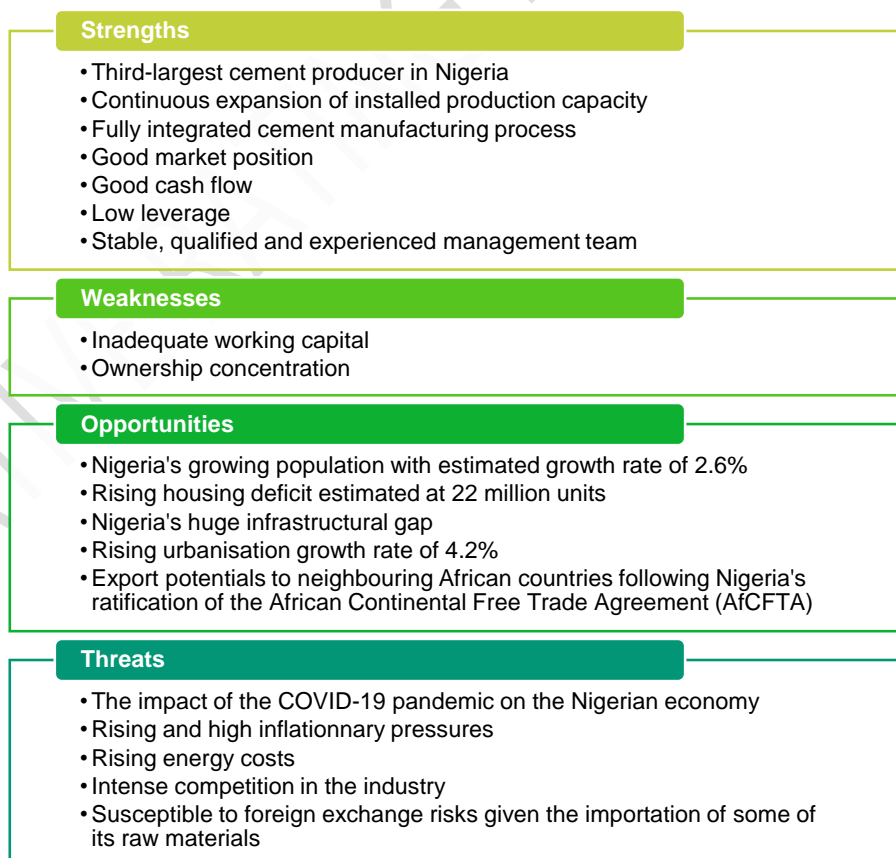
Payment Account:

The Issuer shall on or before the Bond issue date open a Payment Account under the control of the Bond Trustees wherein the amount required to meet any of its payment obligations (coupon and principal), shall be paid at least 3 business days before each payment date

annum¹, rising urbanisation growth rate of 4.2%² and export potentials to other African countries riding on the African Continental Free Trade Area (AfCFTA) agreement recently ratified by the President. Agusto & Co. notes that the planned increase in BCP's installed capacity, the anticipated rise in export volumes following the Federal Government's permission for land border exports by some cement majors, coupled with the implementation of cost-saving measures, predominantly the diversification to relatively cheaper energy sources will support the Company's revenue generation and profitability in the short to medium term.

- Based on Agusto & Co.'s review of the Issuer's financial forecast over the Bond tenor, we believe that the sensitised cumulative operating cash flow is sufficient to cover interest payment and total debt obligations 15.1 times and 4.1 times respectively over the tenor of the Issue. In our opinion, the Issuer has a strong capacity to meet the Bond obligations as and when due.
- Based on the aforementioned, Agusto & Co. hereby assigns a **stable** outlook to the BUA Cement Plc's Series 1 Bond.

Figure 1: Strengths, Weaknesses, Opportunities and Threats



¹ World Bank Population Data

² Agusto & Co. Research

ISSUER'S PROFILE

Overview

Upon the successful completion of the merger exercise between Cement Company of Northern Nigeria (CCNN) and OBU Cement Company Plc (Obu) in 2018, a new company, BUA Cement Plc emerged. BUA Cement Plc was listed on the Nigerian Stock Exchange (NSE) on 9 January 2020 with a total combined installed capacity of 8 million Metric tonnes per annum (MMTPA) and a market capitalization of ₦1.18 trillion (US\$3.2 billion), making it the third-largest cement producer in the Nigerian market and the third most capitalized company on the NSE.

BUA Cement Plc is a fully integrated cement manufacturer with head office in Lagos and production plants in Kalambaina and Obu in Sokoto and Edo states respectively. The Kalambaina plant has an installed capacity of 2 million metric tonnes per annum, while the Obu plant has an installed capacity of 6 million metric tonnes, bringing the total combined installed production capacity to 8 million metric tonnes per annum. Following the enlarged entity, BUA Cement Plc leverages the consolidated capacity and expanded growth prospects to compete favourably in the Nigerian Cement Industry and consequently maximize value for all key stakeholders, particularly shareholders.

As at 31 December 2019, Alhaji Rabiul Abdulsamad, the Chairman, controlled a direct equity stake of 56.24% in the Company, while BUA Cement Manufacturing Limited held 33.93% and Alhaji Rabiul Isaku Jnr controlled an equity stake of 6.12%, with the other shareholders collectively accounting for the remaining 3.71%. We note that the ultimate beneficiary of the shareholding of BUA Cement Plc is Alhaji Rabiul Abdulsamad.

The Board of Directors of BUA Cement Plc comprises eight members divided into four Non-Executive Directors, two Independent Directors and two Executive Directors. In the financial year ended 31 December 2019, there were changes in the Board composition with the appointment of Mr Finn Arnoldsén, a non-Executive Director in April 2019. BUA Cement Plc also confirmed the appointment of the Managing Director/Chief Executive Officer (MD/CEO), Engr. Yusuf Haliru Binji and appointed two other Independent Directors; Mr Shehu Abubakar and Senator Khairat Abdulrazzaq Gwadabe effective December 2019. Subsequent to FYE 2019, Mr Jacques Piekarski was appointed as the Executive Director and Chief Financial Officer of BUA Cement Plc.

Other Information

As at 31 December 2019, BUA Cement Plc's total assets stood at ₦470.6 billion (2018: ₦487.9 billion), while its shareholders' fund was ₦363.7 billion (2018: ₦308.6 billion) and total liabilities stood at ₦106.8 billion (2018: ₦179.3 billion). BUA Cement generated a turnover of ₦175.5 billion and recorded a profit after tax of ₦60.6 billion during the financial year ended 31 December 2019. BUA Cement Plc had an average staff strength of 1,062 employees (2018: 911 persons) in the period under review.

Subsequent to FYE 2019, BUA Cement Plc reported total revenue of ₦156.5 billion and profit after tax of ₦53.5 billion for the nine months (unaudited) ended 30 September 2020 (Q3'2020). As at 30 September 2020, BUA Cement's total assets stood at ₦621.3 billion, while total shareholders' fund and total liabilities were ₦417.2 billion and ₦204.1 billion respectively. Agusto & Co. notes that the Company's total indebtedness (including related party loans) stood at ₦140.6 billion for the nine months ended Q3'2020 (FYE 2019: ₦22.3 billion).

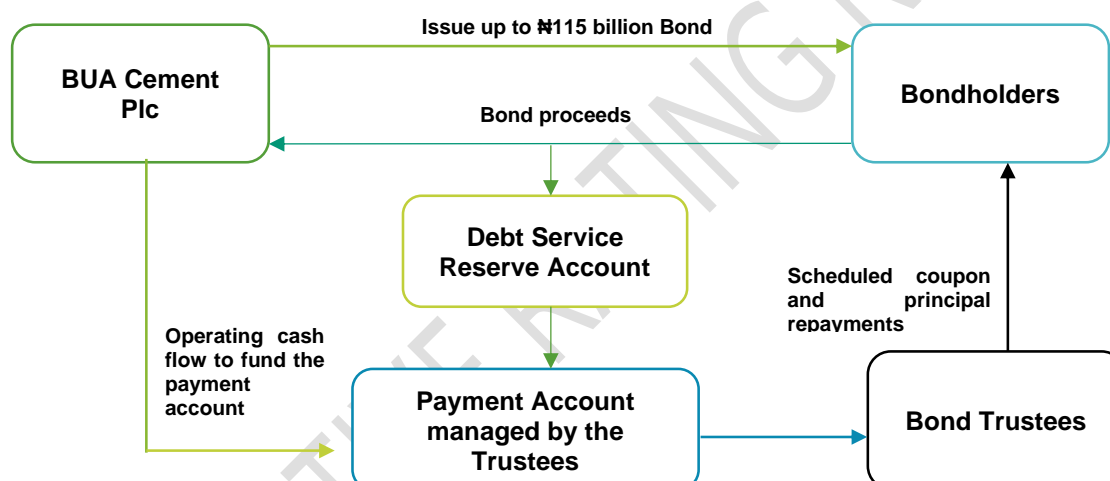
TRANSACTION STRUCTURE

Overview

BUA Cement Plc ("the Issuer", "BUA Cement", "BCP" or the "Company") intends to issue ₦115 billion Seven-year Senior Unsecured Fixed Rate Bond Due 2027 ("Series 1", "the Issue" or "Bond") in December 2020 under the ₦200 billion Debt Issuance Programme. The Bond will attract a fixed coupon rate to be determined through a book-building process payable semi-annually over seven years, while the principal amount will be redeemed every six months following a three-year moratorium from the Issue date until maturity in 2027. Agusto & Co. notes that this is the first time any member of the BUA Group will be accessing funds from the debt capital market in Nigeria.

The Bond which shall be issued by way of an offer for subscription through a book-building process to qualified Institutional Investors and High Net Worth Individuals, will be subject to the approval of the Securities & Exchange Commission and shall be listed on FMDQ Securities Exchange Limited and/or the Nigerian Stock Exchange.

Figure 2: Overview of the Transaction Structure



Source: Agusto & Co (adapted from Series 1 pricing supplement)

The Series 1 Bond constitute a senior, direct, unsecured, general, unsubordinated and irrevocable obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer and in respect of principal and any coupon on the Series 1 Bonds shall at all times rank at least equally with all unsecured and unsubordinated obligations of the Issuer, present and future except for obligations mandatorily preferred by the law applying to companies generally.

BUA Cement Plc reserves the right to exercise a Call Option to effect early redemption of the Bonds, either in part or in whole, after the expiration of 48 months from the Issue date, in accordance with the Series I Trust Deed. However, this is subject to giving the Bondholders a minimum of 30 days and a maximum of 60 days' notice of intention to exercise the Early Redemption Option. Notwithstanding, the Issuer shall only redeem the Series 1 Bonds on a schedule coupon payment date and not otherwise.

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

The net proceeds of Series 1 Bond will be used to repay existing shareholders loans (obtained from BUA International Limited to finance the 3 million metric tonnes per annum Kalambaina Cement Line III plant expansion) and finance working capital requirements, including the funding of the Series 1 Debt Service Reserve Account (DSRA). The schedule of Bond utilisation is presented in table 1 below:

Table 1: Indicative Utilisation of Bond proceeds

Purpose	Indicative Amount (₦' Billion)	% of Proceeds	Estimated completion date
Repayment of shareholder loans to BUA International Limited	91.34	79.4%	Immediately
Working capital	17.14	14.9%	Immediately
Provision for DSRA Funding	4.31	3.8%	Immediately
Issue costs and expenses	2.19	1.9%	Immediately
Total	115.0	100%	

Source: Bond Pricing Supplement

The coupon on the Bond shall be payable semi-annually in arrears on the scheduled coupon payment date over the 7-year duration of the Bond (see table 2 below) and the first coupon payment will be six months from the date of allotment. The Bond principal shall be redeemed semi-annually after the three-year moratorium until maturity in 2027 except an early redemption option is exercised by the Issuer after the fourth year.

Table 2: Bond Repayment Schedule

Period	Total Payment	Coupon at 7.5% (₦' 000)	Principal Repayment (₦'000)	Principal Outstanding Obligation (₦'000)
Bond issuance	-	-	-	115,000,000
1	4,312,500	4,312,500	-	115,000,000
2	4,312,500	4,312,500	-	115,000,000
3	4,312,500	4,312,500	-	115,000,000
4	4,312,500	4,312,500	-	115,000,000
5	4,312,500	4,312,500	-	115,000,000
6	4,312,500	4,312,500	-	115,000,000
7	18,687,500	4,312,500	14,375,000	100,625,000
8	18,148,437	3,773,437	14,375,000	86,250,000
9	17,618,375	3,234,375	14,375,000	71,875,000
10	17,070,312	2,695,312	14,375,000	57,500,000
11	16,531,250	2,156,250	14,375,000	43,125,000
12	15,992,187	1,617,187	14,375,000	28,750,000
13	15,453,125	1,078,125	14,375,000	14,375,000
14	14,914,062	539,062	14,375,000	-
Total	160,281,248	45,281,248	115,000,000	

Source: BUA Cement Plc's Indicative Bond repayment schedule

The semi-annual payment of coupons and the repayment of the principal amount (after the three-year moratorium) is expected to be made from the Issuer's operating cash flow in line with the Pricing Supplement and Trust Deed.

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As part of the transaction structure and in line with the Series 1 Bond Trust Deed, the Issuer shall on or before the Issue Date, open with the Account Bank, the Payment Account in the name and under the control of the Bond Trustees (Stanbic IBTC Trustees Limited, Custodian Trustees Limited and ARM Trustees Limited) for the benefit of the Bondholders. For as long as the Series 1 Bond remains outstanding, the Issuer shall ensure that the amount required to meet any of its payment obligations comprising principal amount and coupon, shall be paid into the Payment Account at least three business days before each coupon payment date or principal payment date as the case may be.

The Issuer shall, in respect of the Series 1 Bond, open a Debt Service Reserve Account before the Issue Date, in the name and under the control of the Bond Trustees. In line with the Trust Deed, the Debt Service Reserve Account (DSRA) shall be funded from the proceeds of the Series 1 Bonds not later than 24 hours after receipt of the net proceeds with an amount no less than one-time semi-annual coupon payment obligation of the Issuer (DSRA Required Balance). Also, the Issuer shall ensure that, at all times during the tenor of the Series 1 Bonds, the amounts standing to the credit of the Debt Service Reserve Account shall not be less than the DSRA Required Balance.

If the Issuer defaults in funding the Payment Account per the Series 1 Trust Deed, the Bond Trustees shall be entitled to withdraw an amount equal to the Coupon or Principal Amount falling due on the next Coupon Payment Date or Principal Payment Date, as applicable, from the Debt Service Reserve Account, and utilize same to meet the Issuer's payment obligations. Thereafter and not later than 30 Days following any withdrawal from the DSRA, the Issuer shall provide the required amount to restore the Debt Service Reserve Account balance to the Required Balance.

Details of Indebtedness

As at 30 September 2020 (unaudited), BUA Cement Plc's total commercial borrowings stood at ₦33.6 billion (FYE 2019: ₦21.4 billion), while total intercompany loans rose markedly to ₦106.9 billion from ₦0.91 billion as at FYE 2019. A breakdown of BUA's intercompany loans as at end of Q3'2020 revealed that amounts owed to BUA International Limited (a sister company) in the form of Shareholders' loans accounted for 99%, while the balance represented amounts due to another sister company – Damnaz Cement Limited.

We note that the Shareholders' loan (totaling \$225 million) granted to the defunct Cement Company of Northern Nigeria Plc (through group companies purchasing various components for the construction of the Kalambaina Cement Plant Line III in Sokoto State in four tranches - December 2018, February 2019, April 2019 and November 2019) were not captured in the 2019 audited financial statements of the enlarged BUA Cement Plc entity, in spite of the merger that happened between CCNN and Obu Cement Plc in 2018. This information is subsequently reflected in the Q3'2020 unaudited financial statements. Furthermore, we note that the Shareholders' loans obtained from BUA International Limited has a tenor of 7 years at fixed interest rate of 12.4% p.a in the first year and 15.9% p.a in the remaining 6 years.

Table 3: Status of Indebtedness of the Company as at 30 September 2020

Unsecured borrowings	Q3'2020 (₦' Billion)	FYE 2019 (₦' Billion)
Bank overdraft	-	0.56
Short term borrowings	7.62	20.86
Long term borrowings	26.0	-
Total bank borrowings	33.62	21.42
Intercompany loans	106.99	0.91
Total	140.61	22.33

Source: BUA's Financial Statements Q3'2020 (unaudited) and FYE 2019

Overall, the Company's total indebtedness (including related party loans) stood at ₦140.6 billion (FYE 2019: ₦22.33 billion), for which a significant portion of the Shareholders' loans will be refinanced with the net proceeds of the Series 1 Bond.

Negative Pledge

For as long as any of the Series 1 Bond is outstanding, the Issuer shall not without the prior written consent of the Bond Trustees directly or indirectly secure any other Financial Indebtedness represented by bonds (excluding Bonds issued under the ₦200 billion Debt Issuance Programme) or any other debt securities which are, or are capable of being, traded, noted or listed on any stock exchange or the over-the-counter or similar securities market.

However, the Issuer, may in relation to the Series 1 Bonds enter into a liquidity facility agreement with a high investment grade rated commercial bank, providing liquidity to the Issuer to enable it to meet its payments obligations on the relevant Payment Date in respect of the Series 1 Bonds; or obtain a third-party guarantee of a value equivalent to the par value of the Series 1 Bonds, from a commercial bank or insurance company (with a high investment-grade rating, maintained for the tenor of the Series 1 Bonds) to secure its payment obligations to the Series 1 Bondholders on or before the Maturity Date. Nonetheless, we have not considered the negative pledge in our assigned rating.

Events of Default

In line with the Trust Deed, if any of the following events ("Events of Default") occurs and is continuing, the Bond Trustees at its discretion may, and if so requested in writing by the majority bondholders, or if so directed by an Extraordinary Resolution of the Bondholders shall give written notice to the Issuer at its specified office that an Event of Default has occurred:

Non-Payment: Default by the Issuer in the payment when due of any redemption amount in respect of the Bonds and the continuance of any such default for 10 business days in the case of the principal amount or 14 business days in the case of coupon after the relevant payment date. The Issuer shall not be in default, however, if during the 10 or 14 business days period, the Issuer satisfies the Bond Trustees that such sums have been paid:

Breach of Other Obligations: The Issuer does not perform or comply with any one or more of its other obligations under the Trust Deed and such default has not been remedied for 30 days (or such longer period as the Bond Trustees may reasonably determine is not materially prejudicial to the interest of the Bondholders) after the written notice of such default requiring the Issuer to remedy the same shall have been given to the Issuer by the Bond Trustees (except where such default is not, in the reasonable opinion of the Bond Trustees after consultation with the Issuer, capable of being remedied, in which case no such notice as is mentioned above will be required).

Enforcement Proceedings: A distress, attachment, execution or other legal process is levied on or enforced against the whole or a material part of the property, assets or revenues of the Issuer, where the value of such property, assets or revenues is over ₦5 billion and is not discharged within 90 days or if there is an encumbrance or a Receiver is appointed over any material assets of the Issuer and such event is certified in writing by the Bond Trustees to be in their opinion materially prejudicial to the interests of the Bondholders.

Seizure/Compulsory Acquisition of Assets: If any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer.

Inability to Pay Debts: The Issuer stops or suspends payment of any debt in an amount greater than or equal to ₦5 billion due to financial difficulties.

Cessation of Business: If the Issuer ceases to conduct all or substantially all of its business as it now conducts or changes all or substantially all of the nature of its business without the prior written consent of the Bond Trustees, or merges or consolidates with any other entity other than in compliance with the provisions of the Trust Deed.

Insolvency: The appointment of a liquidator (other than in respect of a solvent liquidation or reorganization), receiver, manager or other similar officers in respect of the Issuer, any of its assets.

Material Adverse Change: If a Material Adverse Change has occurred.

Obligations Unenforceable: If any of the Bonds or the Trust Deed is or becomes wholly or partly void, voidable or unenforceable, and which adversely affects the payment obligations of the Issuer.

Legal Opinion

The legal opinion on the proposed BUA Cement Plc's up to ₦100 Billion Seven-year Senior Unsecured Fixed Rate Series 1 Due 2027 under the ₦200 billion Debt Issuance Programme was provided by **Udo Udoma & Belo-Osagie** acting as **Solicitor to the Issue**.

The legal opinion dated 25 November 2020 is based on the review of transaction documents such as the Shelf Prospectus, Pricing Supplement, Programme Trust Deed, Series 1 Trust Deed and Series 1 Vending Agreement. Also, the opinion covers a review of Certificate of Incorporation and Memorandum and Articles of Association of the Issuer, extract of the minutes of the meeting of the shareholders of the Issuer dated 22 October 2020, approving the establishment of the Programme and authorising the issuance of the Series 1 Bonds, extract of the minutes of the meeting of the board of directors of the Issuer dated 27 October 2020, approving the establishment of the Programme and authorising the issuance of the Series 1 Bonds, letter dated 28 October 2020 from the Issuer to the Securities and Exchange Commission confirming that the Issuer is not in breach of any terms and conditions in respect of borrowed monies, which would result in the occurrence of an event of default and an immediate recall of such borrowed monies during the 12 months preceding the date of the Shelf Prospectus.

Extracts of the legal opinion on legality and enforceability of transaction documents are stated below:

- The Issuer is a public limited liability company, duly incorporated and validly existing under the laws of Nigeria to carry on business and can sue and be sued in its name.
- The Issuer has the power and authority to enter into, deliver and perform its obligations under the transaction documents, and all necessary corporate actions have been taken to authorise and enable it to validly execute and deliver, the transaction documents.
- Neither the execution nor the delivery of the transaction documents by the Issuer, nor the performance of its obligations under the transaction documents, conflicts with or constitutes a breach of any present law, regulation or rule currently in force in Nigeria or to the best of our knowledge any order of any Nigerian governmental, judicial or other authority.
- The Series 1 Bonds will constitute legal, valid and binding obligations of the Issuer which are enforceable in accordance with its terms.
- The transaction documents are valid, binding and enforceable against the Issuer per their terms.
- The Accounts (payment account and debt service reserve account), when established, will not be subject to or liable to be attached as an asset of the Issuer if any insolvency proceeding is initiated against the Issuer. To assure remoteness of the Accounts from the insolvency of the Issuer or its shareholders, the Accounts are being managed and administered by the Bond Trustees and maintained with the Account Bank. The Programme and Series 1 Trust Deeds empower the Bond Trustees to manage and exercise control over the Accounts on behalf of the Bondholders.
- The Issuer is legally and financially distinct from its shareholders. Thus, the bankruptcy remoteness of the Issuer (that is, preventing the creditors of the shareholders from having access to the assets of the Issuer in the event of the insolvency of the shareholders) will be assured subject to the absence of any security interest over any asset of the Issuer in favour of the shareholders' creditors; and a true sale of

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

any such asset of the shareholders to the Issuer. This is to guarantee legal isolation that puts the assets of the Issuer beyond the reach of the shareholders and its creditors.

Based on the Solicitors opinion on claims and litigations dated 7 November 2020, the Company in its ordinary course of business is presently involved in one case. The audited financial statements for the year ended 31 December 2019, indicate that the Company has no contingent liability for this claim. However, the Company is currently involved in one case with the aggregate amount claimed against the Company amounting to ₦32.5 million. The Directors of the Company believe that no pending claim by or against the Company is likely to have a material adverse effect on the Company or the Issue and they are not aware of any other threatened or pending claims or litigation which could have a material effect on the Issue.

In our view, the legal opinion from the Solicitor to the Issue is unqualified and represents a satisfactory opinion on the legality and enforceability of the proposed BUA Cement Plc's up to ₦100 Billion Seven-year Senior Unsecured Fixed Rate Series 1 Due 2027.

FINANCIAL FORECAST

BUA Cement Plc has prepared seven-year financial forecasts covering the statement of comprehensive income, statement of financial position and cash flows together with the underlying assumptions. Agusto & Co. has adopted some aspects of the Issuer's financial projections, on account of the reasonableness of the assumptions and sensitised the cash-generating capacity in line with current economic realities.

Table 4: BUA's Assumptions and Basis for Financial Forecast

Description	BUA's Assumptions	Agusto & Co.s Adjusted Assumptions
Plant capacity utilisation	Kalambaina plants ³ : Line I: 33% in year 1 and shut down of operations from year 2 Line II: 85% average capacity over the tenor Line III: 20% in year 1 following completion of the plant, 65% in year 2 and thereafter 85% over the bond tenor Obu plants ⁴ : Line I & II: 85% capacity from year 1 over the bond tenor	We have moderated the plant utilisation rates to reflect our estimates of annual cement demand, competition in the industry with new plants completed and exports of cement by major players: Kalambaina plants - line I ⁵ : 25% in year 1 and 0% from year two onwards, line II: 80% over bond tenor and line III: 20% in year 1, 60% in year 2 & 80% from year 3 onwards. Obu plants - line I (75%) and line II (80%) over the forecast period
Revenue growth	12% growth in sales over the forecast period	We have adjusted the revenue estimates over the forecast period to 8% in line with our expectations of plant utilisation and sales volume
Costs	Direct production costs and selling, general & administrative expenses growth rate of 13% and 8% respectively over the forecast period	We have adjusted direct production costs to take into account the impact of devaluation on key inputs and sensitised other expenses due to higher inflationary pressures in the economy.
EBITDA margin and profit before tax margin	Average EBITDA Margin of 45% and a profit margin of 39% over the forecast period	We have moderated EBITDA and profit margin in line with BUA's historical performance of 40% and 34% respectively, while taking into consideration growing competition in the Cement industry, projected annual cement demand as well as reduced consumer spending.
Operating cash flow	BUA projects cumulative operating cash flow of ₦1.04 trillion for the next seven years, mainly driven by higher net income and favourable terms of trade over the forecast period	We have sensitised operating cash flow on account of the aforementioned adjustments and also taking into cognisance the favourable terms of trade over the forecast period.

Source: BUA Cement Plc

³ The Kalambaina cement plants have an installed capacity of 500,000 MTPA (Line I), 1,500,000 MTPA (Line II) and 3,000,000 MTPA to be completed in Q2'2021 (Line III)

⁴ The Obu cement plants have an installed capacity of 3,000,000 MTPA in both Line I & II

⁵ The Kalambaina line I is expected to be shut down from 2022 following the commissioning of the new line III in Q4'2021

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

Following the underlying assumptions above, the Issuer estimates a cumulative revenue of ₦2.7 trillion over the seven years, on the back of its average sales growth of 12% over the forecast period. We have moderated the Company's average growth rate to about 8% due to our expectations on capacity utilisation occasioned by annual local cement demand which we expect to be circa 25 million metric tonnes per annum over the medium term (representing about 50% of total cement industry production capacity). Whilst we recognise that the Kalambaina Line III is expected to be completed and operational in Q4'2021, we note that it could take up to 12 months for the plant to operate at 60% capacity. In addition, the Kalambaina Line I is expected to be decommissioned from 2022 due to its low throughput contribution, while the Line II will operate at about 80% capacity and mainly serve the export needs until Line III begins to operate at a similar capacity. Furthermore, we expect a continuous ramp-up in capacity utilisation in the Obu Lines I & II as local cement demand inches up in the medium term. Overall, we expect moderate growth in national cement demand and increased export volumes given the expected gains from the recently ratified African Continental Free Trade Area (AfCFTA) which will see free trade among member nations. Based on the aforementioned, we estimate cumulative revenue over the forecast period of ₦2.2 trillion.

Agusto & Co. is of the view that the Covid-19 pandemic did not have a material impact on the performance of operators in the Cement industry as the Q3'2020 performance of major operators has been largely positive given the reopening of businesses across the country, increased private spending on erstwhile abandoned projects and rise in government spending on infrastructure. However, we note that aggregate cement demand for 2020 remains tepid and is expected to fall short of 2019 high levels of 23 million metric tonnes. Going forward, we expect major players to optimise internal cost efficiencies and leverage the export markets to post better performance as input costs remain elevated due to the higher inflationary pressures in the country.

BUA Cement Plc estimates cumulative direct costs of sales at ₦1.4 trillion, representing 51% of revenue over the seven years. However, Agusto & Co. has adjusted the Company's cumulative direct cost of sales to ₦1.2 trillion, accounting for 55% of revenue over the forecast period. This is mainly due to our expectation of higher inputs costs (gypsum, foreign coal and spares), on account of devaluation of the domestic currency as well as inflationary pressures which has elevated the general production cost profile for manufacturing companies. Furthermore, BUA's cumulative selling, general and administrative expenses is estimated at ₦207.5 billion, while other income from haulage activities is projected at ₦96.7 billion, thus resulting in earnings before interest and taxes, depreciation and amortisation (EBITDA) of ₦1.2 trillion, which represents 45% of revenue over the forecast period, slightly lower than 46% recorded in the Q3'2020. However, we estimate an EBITDA margin of circa 40% over the forecast period in line with our cost adjustments. BUA Cement's estimated cumulative finance costs of ₦58.4 billion represent about 2% of cumulative sales, which in our opinion is good considering that the projected interest expense to sales ratio is slightly higher than the 1.8% recorded in Q3'2020. Agusto & Co. believes that this low-interest expenses to sales ratio is attainable, given the prevailing low-interest rate regime in the Nigerian debt capital market and the fixed coupon rate on the proposed bond.

We note that BUA Cement forecasts a cumulative pre-tax profit of ₦1.04 trillion over the next seven years, accounting for 39% of revenue. However, Agusto & Co. has moderated the Company's pre-tax profit forecasts to ₦711.7 billion (representing 32% of revenue) to reflect higher inflationary pressures and heightened competition in the Cement Industry in Nigeria as major operators continue to expand production capacities and compete on product quality, innovative cement solutions and proximity to the target market. Thus, Agusto & Co. is of the view that the adjusted pre-tax profit margin of 32% over the forecast period is attainable.

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

Table 5: Adjusted Income Statement

	2020e	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total	%
	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	
Revenue	208,733	246,879	293,449	321,919	331,987	338,037	343,094	346,235	2,221,600	100
Cost of Sales	(98,930)	(128,643)	(158,158)	(176,480)	(182,370)	(188,135)	(193,520)	(200,356)	(1,227,661)	(55)
Gross Profit	109,803	118,235	135,291	145,439	149,617	149,903	149,575	145,879	993,939	45
SGA	(20,686)	(22,525)	(24,962)	(26,719)	(27,271)	(27,885)	(28,458)	(29,136)	(186,957)	(9)
Other Income	8,189	11,625	11,625	11,625	11,625	11,625	11,625	11,625	81,375	4
EBITDA	97,306	107,335	121,954	130,345	133,971	133,642	132,741	128,368	888,357	40
Depreciation & Amortization	(14,163)	(17,844)	(17,565)	(17,274)	(16,388)	(16,373)	(16,373)	(16,373)	(118,119)	(5)
Finance Cost	(11,840)	(12,746)	(11,901)	(11,056)	(9,586)	(6,875)	(4,375)	(1,875)	(58,413)	3
Profit Before Tax	71,303	76,746	92,488	102,016	107,997	110,395	111,994	110,120	711,755	32

The Issuer has projected a cumulative operating cash flow (OCF) of ₦1.05 trillion (after adjustments to working capital changes), supported by the year-on-year growth in net income. However, Agusto & Co. has sensitised the operating cash flow to ₦771.8 billion, based on our adjustment to pre-tax profits. Therefore, the projected OCF will cover interest payments (existing debt and Bond coupon) 15.1 times over the forecast period, which we consider good and above our benchmark. Furthermore, we forecast total debt coverage at 4.1 times over the tenor of the Bond, which is in line with our expectation.

Table 6: Adjusted Operating Cash Flow Statement

	2020e	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns	₦'mns
Operating cash flow	126,705	107,755	114,861	114,176	111,914	109,977	108,961	104,210	771,855
Interest on existing debts	(11,840) ⁶	(2,746)	(1,901)	(1,056)	(211)				(5,914)
Estimated coupon payment	-	(8,625)	(8,625)	(8,625)	(8,085)	(5,929)	(3,773)	(1,617)	(45,281)
Cash flow after interest and coupon payment	114,865	96,384	104,335	104,495	103,618	104,048	105,188	102,593	720,660
Bond principal obligation	-	-	-	-	(28,750)	(28,750)	(28,750)	(28,750)	(115,000)
Other loan obligations	(87,793) ⁷	(6,500)	(6,500)	(6,500)	(3,250)				(22,750)
Net cash flow	27,072	89,884	97,835	97,995	71,618	75,298	76,438	73,843	582,910
Total Interest coverage (times)									15.1
Total Debt coverage (times) ⁸									4.1

Source: Agusto & Co. Estimates

Overall, based on our review of the financial forecasts and adjustments, we believe that BUA Cement Plc possesses a strong capacity to cover existing debt obligations and the Bond obligations as and when due over the tenor of the Bond.

⁶ This includes the repayment of interest on the shareholders loan in 2020 from the Bond proceeds

⁷ This comprises repayment of shareholders loan (from Bond proceeds in 2020) and amortised principal portion of commercial bank loan

⁸ This includes existing borrowings (interest and principal) of the Company – commercial bank facility & Bond

OUTLOOK

BUA Cement Plc intends to issue ₦115 billion Bond in December 2020 to mainly refinance outstanding balance on the Shareholders' loan amounting to \$225 million (obtained from BUA International Limited in favour of the defunct CCNN through various group company purchases of equipment prior to the merger and captured in the Q3'2020 unaudited financial statements) and used for the ongoing Kalambaina Cement Plant Line III construction and to finance working capital requirements. Also, part of the net proceeds will be used to fund the Series 1 DSRA with an appropriate amount to cover up to one-time semi-annual coupon payment on the proposed Bond. The Issue will attract a fixed coupon rate to be determined through a book-building process payable semi-annually over the bond tenor, while the principal will be amortised bi-annually following a three-year moratorium from the Issue date until maturity in 2027. However, the Issuer is entitled at any time after 48 months from the Issue date, to redeem the whole or any part of the Series 1 Bond upon giving the Bondholders a minimum of 30 days' notice of intention to exercise the Early Redemption option.

Going forward, Agusto & Co. notes that the Bond issue will not significantly increase the Company's leverage, particularly as the net proceeds will be used to refinance existing borrowings and address working capital deficiencies. Also, we note that the payment obligations of the Issuer comprising principal and coupon on the Issue shall at all times rank at least equally with all other senior and unsecured obligations of the Company, present and future as the Company unconditionally and irrevocably undertakes to repay the coupon and principal from its operating cash flow to the Series 1 Bondholders in line with the Trust Deed and Pricing Supplement.

As part of the transaction structure, the Issuer is expected to create a payment account which will be funded with an appropriate amount from BUA's operating cash flow at least three business days before each payment date and also maintain a Debt Service Reserve Account with an amount equal to cover one-time semi-annual coupon payment obligation of the Issuer. In the event of a default by the Issuer in funding the payment account as and when due, the Bond Trustees shall be entitled to withdraw an amount equal to the coupon or principal amount falling due from the DSRA account to meet the Issuer's payment obligations.

Agusto & Co. has sensitized BUA Cement's financial forecasts based on our assumptions set out in table 4. Thus, we project that the Issuer's cumulative operating cash flow will be sufficient to cover total interest payment and total debt obligations 15.1 times and 4.1 times respectively over the tenor of the Issue. Overall, the Issuer has a strong capacity to meet the Bond obligations as and when due.

Going forward, we expect the Company's growing market position in the Cement Industry, strong brand affinity especially in the North-West, South-South and South-Eastern parts of the country and its extensive route to market strategy to remain its key success factors in the medium term. Overall, we believe that considerable growth opportunities exist, with Nigeria's large and growing population of 2.6% per annum⁹, rising urbanisation growth rate of 4.2%¹⁰, large housing deficit estimated at 22 million units and export potentials to other African countries riding on the Africa Continental Free Trade Area (AfCFTA) agreement recently ratified by the president.

Based on the aforementioned, we attach a **stable** outlook to BUA Cement Plc's ₦115 Billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027.

This Bond Rating Report should be read in conjunction with Agusto & Co.'s 2020 Corporate Rating Report for BUA Cement Plc

⁹ World Bank Population Data

¹⁰ Agusto & Co. Research

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION AS AT	UNAUDITED					
	30-Sep-20		31-Dec-19		31-Dec-18	
	₦'000		₦'000		₦'000	
ASSETS						
IDLE CASH	19,048,015	3.1%	13,978,069	3.0%	1,549,674	0.3%
MARKETABLE SECURITIES & TIME DEPOSITS	57,540,586	9.3%	1,608,595	0.3%	1,265,427	0.3%
CASH & EQUIVALENTS	76,588,601	12.3%	15,586,664	3.3%	2,815,101	0.6%
FX PURCHASED FOR IMPORTS						
ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS	3,145,256	0.5%	885,821	0.2%	1,744,346	0.4%
STOCKS	16,379,868	2.6%	19,512,579	4.1%	15,001,262	3.1%
TRADE DEBTORS	521,530	0.1%	252,525	0.1%	83,628	0.0%
DUE FROM RELATED PARTIES	326,868	0.1%	16,753,850	3.6%	62,361,281	12.8%
OTHER DEBTORS & PREPAYMENTS	1,176,811	0.2%	1,480,589	0.3%	605,602	0.1%
TOTAL TRADING ASSETS	21,550,332	3.5%	38,885,364	8.3%	79,796,119	16.4%
INVESTMENT PROPERTIES						
OTHER NON-CURRENT INVESTMENTS	-		-		-	
PROPERTY, PLANT & EQUIPMENT	508,708,737	81.9%	393,406,271	83.6%	387,435,399	79.4%
SPARE PARTS, RETURNABLE CONTAINERS, ETC	10,768,208	1.7%	7,689,001	1.6%	5,931,937	1.2%
GOODWILL, INTANGIBLES & OTHER L T ASSETS	3,777,889	0.6%	14,999,295	3.2%	11,995,735	2.5%
TOTAL LONG TERM ASSETS	523,254,834	84.2%	416,094,567	88.4%	405,363,071	83.1%
TOTAL ASSETS	621,393,767	100.0%	470,566,595	100.0%	487,974,291	100.0%
Growth	-3.5%		-3.5%		-3.5%	
LIABILITIES & EQUITY						
SHORT TERM BORROWINGS	7,620,862	1.2%	21,423,504	4.6%	3,819,481	0.8%
CURRENT PORTION OF LONG TERM BORROWINGS						
LONG-TERM BORROWINGS	26,000,000	4.2%	-		118,287	0.0%
TOTAL INTEREST BEARING LIABILITIES (TIBL)	33,620,862	5.4%	21,423,504	4.6%	3,937,768	0.8%
TRADE CREDITORS	18,063,620	2.9%	18,859,894	4.0%	20,854,542	4.3%
DUE TO RELATED PARTIES	106,995,616	17.2%	918,741	0.2%	124,074,794	25.4%
ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS	17,574,706	2.8%	32,868,945	7.0%	7,936,831	1.6%
OTHER CREDITORS AND ACCRUALS	23,306,376	3.8%	21,164,298	4.5%	16,524,567	3.4%
TAXATION PAYABLE	663,719	0.1%	813,724	0.2%	2,257,725	0.5%
DIVIDEND PAYABLE	423,535	0.1%	419,432	0.1%	286,045	0.1%
DEFERRED TAXATION	673,402	0.1%	7,492,289	1.6%	1,288,054	0.3%
OBLIGATIONS UNDER UNFUNDED PENSION SCHEMES	2,807,440	0.5%	2,908,526	0.6%	2,201,781	0.5%
MINORITY INTEREST						
REDEEMABLE PREFERENCE SHARES						
TOTAL NON-INTEREST BEARING LIABILITIES	170,508,413	27.4%	85,445,849	18.2%	175,424,339	35.9%
TOTAL LIABILITIES	204,129,275	32.9%	106,869,353	22.7%	179,362,107	36.8%
SHARE CAPITAL	16,932,177	2.7%	16,932,177	3.6%	16,932,177	3.5%
SHARE PREMIUM						
IRREDEEMABLE DEBENTURES						
REVALUATION SURPLUS					-	
OTHER NON-DISTRIBUTABLE RESERVES	199,931,277	32.2%	199,931,277	42.5%	200,199,105	41.0%
REVENUE RESERVE	200,401,037	32.3%	146,833,788	31.2%	91,480,902	18.7%
SHAREHOLDERS' EQUITY	417,264,491	67.1%	363,697,242	77.3%	308,612,184	63.2%
TOTAL LIABILITIES & EQUITY	621,393,766	100.0%	470,566,595	100.0%	487,974,291	100.0%

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED	30-Sep-20		31-Dec-19		31-Dec-18	
	₦'000		₦'000		₦'000	
TURNOVER	156,550,013	100.0%	175,518,326	100.0%	119,012,572	100.0%
COST OF SALES	(84,820,041)	-54.2%	(93,075,293)	-53.0%	(59,060,016)	-49.6%
GROSS PROFIT	71,729,972	45.8%	82,443,033	47.0%	59,952,556	50.4%
OTHER OPERATING EXPENSES	(16,713,953)	-10.7%	(22,360,889)	-12.7%	(18,603,013)	-15.6%
OPERATING PROFIT	55,016,019	35.1%	60,082,144	34.2%	41,349,543	34.7%
OTHER INCOME/(EXPENSES)	7,581,566	4.8%	11,502,876	6.6%	1,567,282	1.3%
PROFIT BEFORE INTEREST & TAXATION	62,597,585	40.0%	71,585,020	40.8%	42,916,825	36.1%
INTEREST EXPENSE	(3,113,983)	-2.0%	(5,349,056)	-3.0%	(3,750,243)	-3.2%
PROFIT BEFORE TAXATION	59,483,602	38.0%	66,235,964	37.7%	39,166,582	32.9%
TAX (EXPENSE) BENEFIT	(5,916,353)	-3.8%	(5,625,678)	-3.2%	24,905,420	20.9%
PROFIT AFTER TAXATION	53,567,249	34.2%	60,610,286	34.5%	64,072,002	53.8%
NON-RECURRING ITEMS (NET OF TAX)						
MINORITY INTERESTS IN GROUP PAT						
PROFIT AFTER TAX & MINORITY INTERESTS	53,567,249	34.2%	60,610,286	34.5%	64,072,002	53.8%
DIVIDEND			(5,257,400)	-3.0%		
PROFIT RETAINED FOR THE YEAR	53,567,249	34.2%	55,352,886	31.5%	64,072,002	53.8%
SCRIP ISSUES						
OTHER APPROPRIATIONS/ ADJUSTMENTS					(1,910,762)	
PROFIT RETAINED B/FWD	146,833,788		91,480,902		29,319,662	
PROFIT RETAINED C/FWD	200,401,037		146,833,788		91,480,902	
Proof	0		-		-	
ADDITIONAL INFORMATION	30-Sep-20		31-Dec-19		31-Dec-18	
Staff costs (₦'000)	-		7,868,242		4,189,595	-
Average number of staff			1,062		911	
Staff costs per employee (₦'000)			7,409		4,599	
Staff costs/Turnover			4%		4%	
Capital expenditure (₦'000)			19,151,637		225,402,471	
Depreciation expense - current year (₦'000)			13,601,521		6,553,440	
(Profit)/Loss on sale of assets (₦'000)			-		-	
Number of 50 kobo shares in issue at year-end ('000)			33,864,354		33,864,354	
Auditors	UNAUDITED		PWC		PWC	
Opinion			CLEAN		CLEAN	

BUA Cement Plc's ₦115 billion 7.5% Seven-year Senior Unsecured Fixed Rate Series 1 Bond Due 2027

CASH FLOW STATEMENT			
FOR THE YEAR ENDED	30-Sep-20	31-Dec-19	31-Dec-18
	₦'000	₦'000	₦'000
OPERATING CASH FLOW (OCF)	170,419,069	30,091,913	22,199,049
LESS: RETURNS TO PROVIDERS OF FINANCE	(3,109,880)	(10,473,069)	(3,464,198)
OCF AFTER RETURNS TO PROVIDERS OF FINANCE	167,309,189	19,618,844	18,734,851
NON-RECURRING ITEMS	-	-	-
FREE CASH FLOW	167,309,189	19,618,844	18,734,851
INVESTING ACTIVITIES	(118,504,613)	(24,333,017)	(239,886,384)
FINANCING ACTIVITIES	12,197,358	17,485,736	221,049,050
CHANGE IN CASH	61,001,934	12,771,563	(102,483)
PROFITABILITY			
PBT AS % OF TURNOVER	38%	38%	33%
RETURN ON EQUITY	15%	20%	23%
CASH FLOW			
INTEREST COVER (TIMES)	54.7	5.6	5.9
PRINCIPAL PAYBACK (YEARS)	0.2	2.9	0.4
WORKING CAPITAL			
WORKING CAPITAL NEED (DAYS)	-	-	-
WORKING CAPITAL DEFICIENCY (DAYS)	-	12	3
LEVERAGE			
INTEREST BEARING DEBT TO EQUITY	8%	6%	1%
TOTAL DEBT TO EQUITY	49%	29%	58%

RATING DEFINITIONS

Aaa	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
Aa	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
A	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
Bbb	Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
Bb	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
B	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
C	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
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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INDICATIVE RATING REPORT



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