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Dangote Cement Plc

Nigeria Corporate Analysis **December 2020**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	AA+(NG)		
Short term	National	A1+(NG)	Stable	November 2021
N100bn Series 1 Fixed Rate Bond	National	AA+(NG)		

Financial data:

(USD'm Comparative) ‡

	31/12/18	31/12/19
N/USD (avg.)	305.6	306.4
N/USD (close)	306.5	306.5
Total assets	5,509.0	5,669.5
Total debt	1,128.4	1,200.4
Total capital	3,199.5	2,917.7
Cash & equiv.	544.5	404.3
Turnover	2,949.0	2,910.2
EBITDA	1,412.1	1,287.6
NPAT	1,277.2	654.4
Op. cash flow	1,111.1	1,298.1
Market cap. °	USD8.9bn/NGN3.4trn	
Market share*	Nigeria:	65.7%
	Cameroon:	39%
	Senegal:	22%
	Ethiopia:	29%
	Zambia:	29%

‡ Central Bank of Nigeria exchange rates.
°As at 10/12/2020 @ N379/USD.
*Estimated percentage share of September 2020 cement sales in selected territories.

Rating history:

Initial rating (September 2016)

Long term: AA+(NG)

Short term: A1+(NG)

Rating outlook: Stable

Last rating (January 2020)

Long term: AA+(NG)
Short term: A1+(NG)
Rating outlook: Stable

Related methodologies/research:

Global master criteria for rating corporate entities, updated February 2018
Glossary of terms/ratios, February 2018
Dangote Cement Plc ("DCP" or "the Group") Issuer rating reports, 2016-19

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Summary rating rationale

- The ratings of Dangote Cement Plc reflect its market position as Africa's leading cement manufacturer, counterbalanced by the Group's single market concentration, with Nigeria accounting for 89% of group EBITDA and 64% of capacity at 9M FY20.
- The Group also presents annual capacity of 48.6 million tonnes installed across 10 countries, demonstrated internal efficiencies, and is the largest corporate on The Nigerian Stock Exchange ("NSE"), with sound access to capital.
- Notwithstanding rising competitive pressure and the resultant margin compression, DCP has sustained a sound earnings base. Looking ahead, GCR expects short-term pressure on EBITDA, as uncertainty arising from the COVID-19 crisis is expected to curtail construction activity in both the private and public sectors across key jurisdictions. That said, DCP's performance is expected to rebound within 18-24 months, on the back of strong base domestic demand
- In GCR's view, the attainment of the Group's medium-term targets will also depend on improved economic conditions and improving earnings contribution for the rest of Africa.
- The Group continues to report strong cash flows which are expected to comfortably cover the rising debt service in the medium-term.
- In view of the ample leverage headroom, management has historically sustained a relatively high dividend pay-out ratio and increased interest-bearing debt (9M FY20: N450.8bn; FY19: N367.9bn) to fund the sizeable ongoing capex requirement.
- That said, GCR expects the Group to continue to demonstrate strong financial flexibility with debt to EBITDA (including operating leases) expected to range between 55% - 65% over the outlook period, and net interest cover projected between 10x and 15x.
- In addition to the strong cash generation, it liquidity is underpinned by longstanding relationships with a range domestic and international banks, with c.N150bn in unutilised committed bank facilities at November 2020, as well as strong implied access to funding from the capital markets.
- As the Series 1 Fixed Rate Bonds are senior unsecured obligations of DCP (the Issuer), the Bonds bear the same rating as the Issuer, and any change to the rating assigned to the Issuer will directly affect the Bonds rating.

Factors that could trigger rating action may include

Positive change: A ratings uplift could be achieved if DCP returns to a net ungeared position combined with strong free operating cash flows and improved profitability from the rest of the Group's African operations.

Negative change: Downward ratings pressure could arise from protracted earnings pressure from COVID-19 restrictions. Looking further ahead, an aggressive dividend policy that adversely impacts GCR's view of liquidity or reduced financial flexibility due to materially higher than anticipated leverage could result in a downgrade.

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Company profile and recent development

Dangote Cement Plc is Africa's leading integrated cement manufacturer, with 13 plants in 10 countries and a combined installed capacity of 48.6mtpa. Nigeria remains the Group's dominant area of operations, with a combined production capacity of 32.3mtpa (66.5% of the total), spread across three sites in Ibese (12mtpa), Obajana (13.3 mtpa) and Gboko (4mtpa), including 15,000 retail outlets, 48 depots and over 9,200 trucks (for cement distribution). Dangote Cement has 44 subsidiaries, of which 37 are directly owned. DCP is a subsidiary of Dangote Industries Limited ("DIL"), a diversified multinational corporate with operations spanning building materials, packaging, logistics, real estate, fertilizer, oil and gas as well as food and beverages, *inter alia*. DCP listed on NSE in October 2010 and remains the most valuable public company, accounting for around 28% of NSE capitalisation as at November 2020. Dangote Cement is organised into two operating regions, namely, Nigeria and Pan-Africa.

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

Corporate governance and shareholding structure

Table 1: Corporate governance summary

Board Composition	
Number of directors	15
• Independent non-executives	6
• Non-independent non-executives	7 (including the Chairman)
• Executives	2 (the Managing Director and ED, Finance)
Tenure of non-executives	Initial term of 3 years, and eligible for additional terms of three years each, subject to satisfactory performance.
Tenure of executives	Initial term of 3 years, and eligible for additional terms of three years each, subject to satisfactory performance and retirement age of 65 years.
Separation of the chairman	Yes
Frequency of meetings	Minimum of quarterly. The Board met six times during FY19
Board committees	Finance and General Purpose Committee; Audit, Compliance and Risk Committee; Technical Committee; Remuneration & Governance Committee and Nomination Committee.
Internal control and compliance	Yes, reports to Audit Risk Management Committee.
Joint external auditors	Akintola Williams Deloitte and Ahmed Zakari & Co. Unqualified audit opinion on the 2019 financial statements and preceding four years.

DCP complies with the relevant requirements of the Companies and Allied Matters Act ("CAMA") as regards corporate governance's structure, Securities and Exchange Commission ("SEC") Code of Corporate Governance for Public Companies in Nigeria, as well as NSE regulations. Board members have extensive experience in diverse sectors of the economy. The Board provides strategic direction and oversight of financial, operational, corporate governance, compliance and risk management processes through a full board and board committees. DIL and Mr. Aliko Dangote (an internationally renowned Nigerian industrialist) have shareholding of 85.1% and 0.16% respectively in DCP while the remaining shares are held by the investing public.

Industry overview and competitive position

Nigeria

The Nigerian cement industry performance largely mirrors the general macroeconomic fundamentals, especially activities within the construction sector. According to National Bureau of Statistics, the cement sector's GDP grew 3.1% in 2019, against 4.5% in 2018, but witnessed a sharp decline of 5.54% year-on-year in Q2 2020. This was due to the COVID-19 pandemic, constrained economic conditions, reduced consumer spending, among other challenges. While the aggregated half-year results remained resilient, the slow economic activities, and the continued effects lingering pandemic on consumer disposable income and government receipts and infrastructural spend remain a concern on cement demand.

Table 2: Competitive position - Dangote Cement Plc vs peers

FY19 (N'm)	DCP	Lafarge	BUA
Revenue	891,671	212,999	175,518
EBITDA°	394,519	65,510	81,738
Op. Income°	299,056	35,340	67,643
Net interest income/(expense)	(36,219)	(18,740)	(5,192)
NPAT	250,479	19,935	66,236
Equity	894,274	341,712	360,915
Total debt	367,910	64,213	21,424
Cash and equiv. (excluding restricted cash)	123,903	27,104	15,587
Current assets	406,736	75,046	62,161
Current liabilities	630,794	84,412	96,462
Total assets	1,737,688	493,950	467,785
Cement capacity in Nigeria	32.3mtpa	10.5mtpa	8mtpa
Ratios (%)			
Estimated market share by capacity	65.7	21.2	16.3
Revenue growth	(1.1)	(2.2)	47.5
EBITDA margin	44.2	30.8	46.6
Operating margin	33.5	16.6	38.5
Net gearing	27.3	10.9	1.6
Net debt :EBITDA	61.8	56.6	7.1

°excludes fair value gains and losses as well as non-core operating income

The industry is highly capital intensive, posing a significant barrier to entry. Historically, DCP and Lafarge Africa Plc have dominated the market space, accounting for a combined market share of 90%. However, competitive pressures have heightened, with BUA Cement ("BUA") expanding aggressively in terms of capacity and market share. BUA is building a new cement production line, which is expected to commence operation in 2Q 2021. DCP remains the market leader, accounting for 65.7% of the market share by Nigerian installed capacity, with BUA's share rising to 16.3% (from around 9% previously). However, LAP's market share moderated to 21.2% (from 25% previously), following the divestment of its South Africa operating entity. A few small players, including Purechem, accounting for the balance.

While industry challenges, such as limitations to the poor distribution networks, high interest rates, significant power and fuel costs remain, performance is expected to remain relatively resilient into FY21. These should be supported by strong demographics and infrastructural deficit despite the setbacks arising from the COVID-19 pandemic.

__Competitive position – Rest of Africa__

According to the International Monetary Fund, Sub-Saharan Africa's GDP grew by 3.2% in 2019, but estimated to contract by 3% in 2020 in view of the setbacks arising from COVID-19 pandemic and the decline in commodity market. While a mixed performance is anticipated within the respective domestic economies, South Africa is expected to be hit the hardest, with a decline of 8% by end-2020. Significant opportunities abound for African cement producers to expand, replace imports, especially in West Africa, much of which lacks limestone. Cement demand will be driven by large population, rapid urbanisation (which requires housing and infrastructure) and higher disposable incomes (due to an expanding middle-income class and growing work force). DCP leverages off its ability to penetrate new markets with large-scale, modern and energy-efficient factories which give it a strong competitive edge in the African market. Table 3 provides an overview of DCP's larger African operations and respective cement consumption, GDP growth, as well as DCP's market share and main competitors.

Table 3: Cement – DCP's African markets	Ghana	Senegal	Cameroon	Ethiopia	Zambia	Tanzania
Population 2019 (m)	30.4	16.3	25.9	112.1	17.9	58.0
2019 GDP (%Δ)	6.1	5.3	3.7	9.0	1.5	6.3
Sales vol., FY19 (mt)	0.5	1.4	2.8	2.0	0.975	1.2
Sales vol. 9M FY20 (mt)	5.0	5.6	2.6	5.6	1.9	4.2
DCP market share Sep. 2020 (%)	6	22	39	29	29	19
DCP main Competitors	WACEM, Ghacem, Savannah, Diamond	Soccocim, Coments du Sahel	Cimencam, Cimaf	Mugher, Messabo Derba Midroc, National Cement, Ethio Cement	Lafarge, Scirocco, Zambesi Portland Cement	TPCC, Tanga Cement, Lafarge ARM Cement

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

DCP's operations remain susceptible to external factors (including gas and foreign currency shortages), and vagaries of the Nigeria economy, its major market. This notwithstanding, the strong financial profile, serves to moderate the impact of external shocks.

Financial performance

DCP's financial statement are prepared in accordance with International Financial Reporting Standards, as well as the requirements of CAMA and the Financial Reporting Council of Nigeria Act, 2011. The external auditor issued clean reports on all the financials. A five-year financial synopsis and the unaudited interim results to 30 September 2020 are appended to this report, while commentary follows.

Revenue reduced slightly in FY19 on account of higher level of discounts in Nigeria, Ethiopia and South Africa, and low growth environment across other key markets. Some export sales volumes were also lost due to the closure of the land borders in Nigeria. The discounts followed a nationwide promotional drive and offering of sales incentives (to both distributors and retail customers) to mitigate the heightened competitive pressures within the industry. However, the Group returned to strong growth in 9M FY20, despite the adverse impact of the COVID-19 on construction activities and cement demand, particularly in 2Q FY20. The growth was supported by higher volume particularly in 3Q FY20. The trend is expected to be sustained going forward on the back of strong domestic demand in the fourth quarter and higher pricing in Nigeria, increased focus on its cement and clinker export to other West African countries, as well as production ramp-up from the Pan-African operations. As of 9M FY20, seven clinker vessels have been exported, and more cement volumes are expected given the reopening of the Nigeria land border.

Nigeria remains a key market for DCP, historically contributing over 65% of DCP's production volumes and revenue. The Pan-Africa operations gained scale in recent periods, with cement volumes rising to 9.6mt in FY19, and 7.5mt in 9M FY20 despite the various lockdowns and restrictions due to the COVID-19 pandemic, albeit with mix performance across the continent. The region contribution remained around 40% of the Group's sales volume due to operational challenges in some countries. Ghana, Ethiopia, Senegal and Tanzania are expected to remain positive into 2021, and all the markets are expected to return to growth by the year-end.

Table 4: Geographic diversification (N'bn)	2018		2019		9M FY20	
	Nigeria	Pan Africa	Nigeria	Pan Africa	Nigeria	Pan Africa
Revenue	618.3	283.3	610.2	281.4	535.5	232.6
EBITDA	397.4	49.1	361.2	47.9	316.1	52.1
Operating profit	345.6	2.5	293.1	6.0	262.1	25.8
Net finance cost*	56.8	(91.2)	(15.2)	(21.0)	50.6	(66.6)
Net result	491.6	(87.9)	261.3	(60.8)	253.8	(45.1)
Total assets	1,770.5	865.3	1,940.7	843.8	2,148.6	857.8
Capacity (mtpa)	29.3	16.3	29.3	16.3	29.3	16.3
Sales volume (mt)	14.2	9.4	14.1	9.6	11.9	7.6
EBITDA margin (%)	64.3	17.3	59.2	16.9	59.0	22.4
Asset turnover (x)	0.4	0.3	0.3	0.3	0.3	0.3

Note: numbers are inclusive of intercompany balances.
*includes foreign exchange gains

DCP continues to report strong earnings margin, with gross margin registering above 57% since FY18, well above its peers. This has been supported by cheaper fuel mix and lower power costs given the stability in gas supply and reliance on locally mined coal in Nigeria. Excluding plant depreciation, the normalised gross margin would increase to 64.7%. While EBITDA margin stood strong above 47% in FY17/FY18, this moderated in FY19 following the drop in revenue combined with rising marketing and distribution costs (mainly haulage cost). The inflationary pressure and foreign currency shortages will continue to weigh adversely on production costs and operating expenses going forward. Nevertheless, GCR expects DCP's earnings margins to remain defensive. Also, the benefits accruing from operating efficiencies and cheaper fuel mix, as the significant headroom to ramp-up production volumes across other market should continue to support strong margins.

Table 5: Income statement (N'bn)	FY18	FY19	9M FY19	9M FY20
Revenue	901.2	891.7	679.8	761.4
EBITDA	**431.6**	**394.5**	**302.5**	**355.0**
Depreciation	(96.2)	(95.5)	**(71.7)**	(67.1)
Op. Profit	**335.3**	**299.1**	**230.7**	**287.9**
Net interest*	(30.3)	(36.2)	(22.8)	(16.0)
Other op. inc/exp†	3.4	0.5	0.8	-
Forex mvmt.	(8.1)	(13.5)	(11.0)	-
Share of loss of ass.	0.6	0.7	-	-
NPBT	**300.8**	**250.5**	**197.7**	**272.0**
Key ratios (%)				
Gross margin**	57.5	57.4	57.3	58.3
EBITDA margin	47.9	44.2	44.5	46.6
Op. margin	37.2	33.5	33.9	37.8
Net int. cover (x)	14.2	109	10.1	22.2

*Excludes amounts included in cost of qualifying assets and forex gain/losses
†Includes insurance claim, adjustments to recognise concessionary interest rate of government loan per IFRS requirements and provision for defined benefit obligation
**Excludes plant depreciation

DCP faces foreign exchange risk in respect of its foreign currency denominated loans. Although this risk is hedged through export proceeds, international businesses and also through bids in the interbank market, the proportion is modest, as the Pan-African operations, historically, accounting for about 11% of the Group's EBITDA. DCP expects the EBITDA contribution to exceed 20% in the medium term. Due to the continuous Naira devaluation, DCP registered a net foreign exchange loss of N13.5bn in FY19 (FY18: N8.1bn loss). This trend is expected into FY20 and FY21 until scale improve within the Pan-African business and stability returns within the Nigerian foreign currency market. This has impacted profitability in recent periods, with pre-tax profit decreasing in FY19. While the year-to-date pre-tax profit stood firmer, this may moderate when all costs have been full recognised.

Cash flows, leverage and capital Structure

DCP has reported strong operating cash flows over the years, underpinned by its robust earnings. Working capital oversight is considered strong, with DCP reporting releases in recent periods, largely driven by rising trade and other payables. The increase relates to payables to its various contractors. Trade receivables have little impact on working capital movements as sales are mainly made on cash basis prior to dispatch of goods, with a few large wholesalers allowed up to 15 days' credit, if a bank guarantee is in place. In comparison, the average credit period on DCP's trade payables in FY19 was 61 days (FY18: 82 days).

Robust discretionary cash flows have been generally sufficient to fund dividend payments and partly capex spend. However, the significant N272.8bn dividend pay-out in 2019 and 9M FY20 respectively, and the rising capex spend saw net debt increase considerably by c.N52bn each in both period (FY18: N28.7bn decrease). There is no quantified guidance as regards DCP's dividend policy, but management indicated that the Group's dividend cover is set after taking into account operational and expansionary capital expenditure requirements. Overall, DCP has paid 75% (N1.1trn) of its cumulative 5-year net income as dividends.

The Group has scaled down expansion plans in recent years due to foreign currency shortages and control in Nigeria. Major ongoing projects are the dual power plant in Tanzania and an import/export terminal in Nigeria, with N354.5bn expended in the 21-month period to September 2020. Despite the considerable rise in net debt, operating cash coverage of total debt remained strong at 117.6% in September 2020.

DCP has a diversified funding profile, with outstanding debt at 9M FY20 comprising Commercial Paper, corporate bond, bank loans, shareholder loan, related party loans and FGN's intervention fund. The shareholder loan (DIL loan) and related party loans have historically constituted the bulk of debt. However, these have since reduced to 7.2% of total debt at 9M FY20. The Commercial Paper was registered in June 2018, with Programme size of N150bn and this has been fully drawn, with the proceeds utilised to pay down the DIL and the inter-party loans.

Table 6: Debt Profile	Loan type	Interest rate (%)	FY19 (N'bn)	9M FY20 (N'bn)	Maturity
Dangote Industries Ltd	LT	14	37.0	2.1	On demand
Dangote Oil & Gas	Intl Trade	Libor + 5	29.7	30.3	On demand
Bulk Commodities Ltd. (related co.) & other small loans	WC (USD)	6-8	19.6	22.5	On demand, 2025
Commercial Paper	ST	4-6	137.5	144.1	2020-2021
Series 1 Bond	LT	12.5	-	98.6	2025
BOI/GTB/Access	Power Intervention Loan (Term Loan)	7	5.3	3.3	2021
Bank (Various)	Overdraft (various ccy.)	6.5-27	11.8	10.3	On demand
Bank (Various)	LT (CFA)	8.5	31.1	29.1	2021-25
Bank (Various)	ST (USD)	6.5	30.5	52.8	On demand
Bank (Various)	ST (GHS)	19-24	10.2	13.4	On demand
Nedbank	Project Finance (ZAR)	Jibar*+ 4.5	29.8	23.6	2022
Leases^	LT/ST		8.9	8.9	
Interest payable	n.a	n.a	16.5	11.8	n.a
Total			**367.9**	**450.8**	

*Johannesburg Interbank Average Rate
**LT is long term, ST is short term, WC is working capital.
^The leases relate to land, warehouses and trucks and reported as per the requirements of IFRS 16.

In April 2020, DCP successfully raised N100bn under a 5-year Series 1 Bond Issue. The Series 1 Bond proceeds was utilised for capacity expansion project, export terminal project and refinancing of DIL loans. A review of the Series 1 Bond is discussed in the subsequent section of this report. DCP also utilised several bank loans and overdraft facilities to meet short term financing needs across it operations. Its ongoing dual power plant has been financed by a commercial bank loan. Overall, the outstanding debt registered at N450.8bn at 9M FY20. The Group had unutilised committed facilities totalling N153.4bn as at 9M FY20 across major banks in Africa, thus supporting funding flexibility. Its debt maturity profile is further enhanced by the N300bn bond programme.

DCP maintains a mix of Naira and foreign currency denominated loans across major banks in Africa. Naira denominated loans represented about 58% of outstanding debt as at 9M FY20, while USD and ZAR denominated loans accounted for 19% and 7% of total respectively. The remainder of loans are denominated in West African CFA Francs, Central Africa CFA Francs and Ghanaian Cedis. The term loans are secured by a debenture on all fixed and floating assets[1] of DCP. Although the foreign currency exposure is considered moderate, downside risk remains inherent in the Group's import requirements in its Nigeria market.

The gross finance charges increased following the additional debt, but still below FY16 and FY17 levels. Coupled with the interest accruing from on bank balances, this saw net interest charge moderate in FY19, while reporting at a low level in 9M FY20. Supported by the strong earnings, EBITDA coverage of net interest stood stronger in 9M FY20. Interest coverage is expected to trend comfortably at double-digit over the rating horizon as DCP continues to refinance its expensive debts with more favourable term debt.

Table 7: Funding profile (N'bn)	**FY17**	**FY18**	**FY19**	**9M FY20**
ST debt	144.8	220.1	260.6	305.5
LT debt	242.9	125.7	107.3	145.3
Total debt	**387.7**	**345.9**	**367.9**	**450.8**
Cash	(168.4)	(166.9)	(123.9)	(176.7)
Net Debt	**219.3**	**179.0**	**244.0**	**274.2**
Equity	**775.0**	**980.6**	**894.3**	**813.4**
Key ratios (%):				
Total debt: equity	50.0	35.3	41.1	55.4
Net debt: equity	28.3	18.2	27.3	33.7
Total debt: EBITDA	100.1	80.1	93.3	95.2
Net debt: EBITDA	56.6	41.5	61.8	57.9
Cash:ST debt (x)	1.2	0.8	0.5	0.6

Furthermore, DCP's gearing metrics registered at strong levels, with net debt to EBITDA registering below 0.6x at 9M FY20 and operating cash flow coverage of total debt at 1.2x, indicative of a strong credit protection. GCR expects this trend to be maintained in the short to medium term as management scales down on capex on capacity expansion, with focus shifted towards harnessing its export opportunities into other West African countries. In addition, this is dependent on attainment of the robust earnings forecasts in line with expectations.

Review of the Series 1 Fixed Rate Bond

DCP launched a N300bn Debt Issuance Programme ("the Programme) in October 2017 (elapsed in October 2020). Under the Programme, DCP raised N100bn from the capital market in Series 1 Bonds Issue ("the Bonds") in April 2020. The Bonds are direct, unconditional, senior and unsecured obligations, ranking *pari passu* with all other senior and unsecured obligations of the Issuer. Interest accrual commenced from the Issue date and interest is payable semi-annually in arrears (in April and October) until maturity. The principal amount shall be repaid in full on the maturity date

The Issuer has made the first coupon payments on due date, in line with transaction documentation. The Trustees did not report any breach of negative pledge or covenants by the Issuer.

GCR has considered those factors impacting the general creditworthiness of DCP, in performing its analysis. Being senior unsecured debt, the Series 1 Bonds bear the same probability of default as the Issuer and would reflect similar recovery prospects to senior unsecured creditors in the event of a default. As such, Series 1 Bonds will garner the same long-term rating as that accorded to the Issuer. In light of the above and given that the Bonds constitute senior unsecured obligations of the Issuer, GCR has accorded a national scale rating of AA+$_{(NG)}$ to the Series 1 bonds. Accordingly, any change in the Issuer rating would impact the Bond rating.

Table 8: Basic features	**Series 1 Bonds**
Amount	N100bn
Tenor	5 years
Legal Maturity Date	April 2025
Interest basis and rate	Fixed, 12.5%
Principal redemption basis	Bullet repayment
Total coupon payments as at October 2020	N6.25bn
Principal outstanding	N100bn

[1] Loans obtained by subsidiaries are secured against subsidiary assets.

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Dangote Cement Plc

(Naira in millions except as noted)

Year end: 31 December						
Statement of comprehensive income	**2015**	**2016**	**2017**	**2018**	**2019**	**9M 2020***
Revenue	491,725	615,103	805,582	901,213	891,671	761,444
EBITDA	**261,931**	**256,778**	**387,360**	**431,551**	**394,519**	**355,015**
Depreciation	(54,626)	(74,750)	(83,939)	(96,203)	(95,463)	(67,087)
Operating income	**207,305**	**182,028**	**303,421**	**335,348**	**299,056**	**287,928**
Net finance charge	(31,778)	(42,719)	(43,575)	(30,343)	(36,219)	(15,968)
Forex and reserving	12,250	41,155	26,790	(8,112)	(13,481)	0
Share of net income/(loss) from associate	0	0	2,167	563	649	0
Other operating income/(expense)	517	465	787	3,350	474	0
Net Profit Before Tax	**188,294**	**180,929**	**289,590**	**300,806**	**250,479**	**271,960**
Taxation charge	(6,971)	(38,071)	(85,342)	89,519	(49,958)	(63,275)
Net Profit After Tax	**181,323**	**142,858.0**	**204,248.0**	**390,325**	**200,521**	**208,685**
Statement of cash flows						
Cash generated by operations	**275,395**	**243,865**	**379,701**	**424,416**	**392,258**	**392,258**
Utilised to increase working capital	26,356	35,857	(31,113)	(37,905)	38,458	38,458
Net interest paid	(23,308)	(36,367)	(39,222)	(35,808)	(28,382)	(28,382)
Taxation paid	(2,234)	(1,128)	(3,213)	(11,163)	(4,601)	(4,602)
Cash flow from operations	**276,209**	**242,227**	**306,153**	**339,540**	**397,733**	**397,732**
Maintenance capex‡	(54,626)	(74,750)	(83,939)	(96,203)	(95,463)	(67,087)
Discretionary cash flow from operations	**221,583**	**167,477**	**222,214**	**243,337**	**302,270**	**330,645**
Dividends paid	(102,243)	(136,324)	(144,844)	(178,925)	(272,785)	(272,786)
Retained cash flow	**119,340**	**31,153**	**77,370**	**64,412**	**29,485**	**57,859**
Net expansionary capex	(102,466)	(44,091)	(24,014)	(35,638)	(81,799)	(110,175)
Investments and other	(298)	(745)	(1,639)	0	0	0
Proceeds on sale of assets/investments	0	0	0	0	0	0
Shares issued	0	0	0	0	0	0
Cash movement: (increase)/decrease	(25,062)	(71,110)	(54,648)	2,335	35,849	37,834
Borrowings: increase/(decrease)	8,486	84,176	2,931	(31,109)	16,465	14,483
Net increase/(decrease) in debt	**(16,576)**	**13,066**	**(51,717)**	**(28,774)**	**52,314**	**52,317**
Statement of financial position						
Ordinary shareholders interest	648,345	734,308	762,375	969,158	882,977	801,707
Outside shareholders interest	(6,235)	(12,925)	12,630	11,486	11,297	11,739
Pref. shares and convertible debentures	0	0	0	0	0	0
Total shareholders' interest	**642,110**	**721,383**	**775,005**	**980,644**	**894,274**	**813,446**
Current debt	47,275	220,300	144,783	220,128	260,631	305,484
Non-current debt	208,329	152,475	242,894	125,725	107,279	145,343
Total interest-bearing debt	**255,604**	**372,775**	**387,677**	**345,853**	**367,910**	**450,827**
Interest-free liabilities	210,619	430,801	496,846	361,997	475,504	579,790
Total liabilities	**1,108,333**	**1,524,959**	**1,659,528**	**1,688,494**	**1,737,688**	**1,844,063**
Property, Plant and Equipment	926,306	1,168,907	1,208,241	1,208,247	1,269,938	1,315,634
Investments and other non-current assets	16,047	52,888	40,988	51,409	61,014	38,592
Cash and cash equivalent	40,792	115,693	168,387	166,896	123,903	176,653
Other current assets	125,188	187,471	241,912	261,942	282,833	313,184
Total assets	**1,108,333**	**1,524,959**	**1,659,528**	**1,688,494**	**1,737,688**	**1,844,063**
Ratios						
Cash flow:						
Operating cash flow : total debt (%)	108.1	65.0	79.0	98.2	108.1	117.6
Discretionary cash flow : net debt (%)	103.2	65.1	101.3	136.0	123.9	160.8
Profitability:						
Revenue growth (%)	25.6	25.1	31.0	11.9	(1.1)	13.9
Gross profit margin (%)	59.0	47.4	56.4	57.5	57.4	58.3
EBITDA : revenues (%)	53.3	41.7	48.1	47.9	44.2	46.6
Operating profit margin (%)	42.2	29.6	37.7	37.2	33.5	37.8
EBITDA : average total assets (%)	25.8	20.7	26.7	28.6	25.2	28.9
Return on equity (%)	29.4	20.7	27.3	45.1	21.7	33.0
Coverage:						
EBITDA : gross interest (x)	7.8	5.7	7.3	10.4	9.0	10.4
EBITDA : net interest (x)	8.2	6.0	8.9	14.2	10.9	22.2
Activity and liquidity:						
Trading assets turnover (x)	35.5	39.6	33.6	26.4	17.8	21.7
Days receivable outstanding (days)	3.9	6.6	7.3	6.4	5.8	5.6
Current ratio (:1)	0.8	0.6	0.8	0.9	0.6	0.6
Capitalisation:						
Net debt : equity (%)	33.5	35.6	28.3	18.2	27.3	33.7
Total debt : equity (%)	39.8	51.7	50.0	35.3	41.1	55.4
Net debt : EBITDA (%)	82.0	100.1	56.6	41.5	61.8	57.9
Total debt : EBITDA (%)	97.6	145.2	100.1	80.1	93.3	95.2

‡Depreciation used as a proxy for maintenance capex expenditure

*unaudited nine-month interim financial statements to September 2020

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument. The ratings expire in November 2021.

Dangote Cement Plc participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Dangote Cement Plc.

The information received from Dangote Cement Plc and other reliable third parties to accord the credit ratings included:
- the 2019 audited annual financial statements and audited comparative results for the preceding four years,
- revised financial forecasts spanning 2020 to 2025,
- unaudited management accounts to September 2020,
- a completed rating questionnaire containing additional information on Dangote Cement Plc,
- breakdown of facilities available and related counterparties.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.