



## Credit Rating Announcement

GCR affirms Dangote Cement Plc's Long Term Issuer rating of AAA<sub>(NG)</sub>, Stable Outlook.

### Rating Action

Lagos, Nigeria, 28 June 2021 – GCR Ratings ("GCR") has affirmed Dangote Cement Plc's national scale long-term and short-term Issuer ratings of AAA<sub>(NG)</sub> and A1+<sub>(NG)</sub> respectively, with the Outlook accorded as Stable. Concurrently, GCR has affirmed the national scale long-term Issue rating of AAA<sub>(NG)</sub> each accorded to the existing N100bn Series 1 Senior Unsecured Bonds and N50bn Series 1 (Tranche A-C) Senior Unsecured Bonds, with the Outlook accorded as Stable.

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

### Rating Rationale

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

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

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

At 1Q FY21, gross debt declined to N426bn following part repayment of the existing obligations. This saw annualised net debt to EBITDA registered at a low 0.4x, against 0.7x recorded at FY20, indicative of a strong credit protection. Similarly, EBITDA coverage of net interest was high at 16x in 1Q FY21, from an average of 11x between FY16 and FY20. In May 2021, DCP successfully raised N50bn from the debt capital market in Series 1 Senior Unsecured Bond Issue under its N300bn Bond Issuance Programme. Notwithstanding the additional amounts raised under the Programme, GCR

expects the Group to continue to demonstrate strong financial flexibility, with net debt to EBITDA (including operating leases) expected to range between 40%-55% over the outlook period, and net interest cover projected between 10x and 15x. The Group's robust operating cash flow is a key mitigant against concerns of higher debt. In this regard, Operating cash flow (OCF) coverage of debt registered at 1.66% in 1Q FY21 and should remain strong over the rating horizon.

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

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

### Outlook Statement

---

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

### Rating Triggers

---

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

### Analytical Contacts

---

<b>Primary analyst</b> Lagos, Nigeria	Femi Atere femi@GCRratings.com	Senior Analyst +234 1 9049462
<b>Committee chair</b> Johannesburg, ZA	Matthew Pirnie Matthewp@GCRratings.com	Group Head of Ratings +27 11 784 1771

### Related Criteria and Research

---

Criteria for the GCR Ratings Framework, May 2019  
Criteria for Rating Corporate Entities, May 2019  
GCR Ratings Scales, Symbols & Definitions, May 2019  
GCR Nigeria Country Risk Scores, February 2021  
GCR Nigeria Corporate Sector Risk Scores, February 2021  
Dangote Cement Plc Issuer rating report (2016-20)

## Ratings History

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

## RISK SCORE SUMMARY

Risk score	
<b>Operating environment</b>	<b>5.25</b>
Country risk score	3.50
Sector risk score	1.75
<b>Business profile</b>	<b>2.50</b>
Competitive position	2.50
Management and governance	0.00
<b>Financial profile</b>	<b>4.50</b>
Earnings	2.00
Leverage & capital structure	2.50
Liquidity	0.00
<b>Comparative profile</b>	<b>0.00</b>
Group support	0.00
Peer analysis	0.00
<b>Dangote Cement Plc's Total Risk Score</b>	<b>12.25</b>

## Glossary

Credit Rating	See GCR Rating Scales, Symbols and Definitions.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Rating horizon	The rating outlook period, typically 18 to 24 months.
Risk Management	The process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

## SALIENT POINTS OF ACCORDED RATINGS

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

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

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

- 2020 audited annual financial statement, and four years annual financial statements;
- A three-month management accounts to 31 March 2021;
- Internal and/or external management reports;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties;
- Information specific to the rated entity and/or industry was also received;

ALL GCR CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS, TERMS OF USE OF SUCH RATINGS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS, TERMS OF USE AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://GCRRATINGS.COM](http://GCRRATINGS.COM). IN ADDITION, RATING SCALES AND DEFINITIONS ARE AVAILABLE ON GCR'S PUBLIC WEB SITE AT [WWW.GCRRATINGS.COM/RATING\\_INFORMATION](http://WWW.GCRRATINGS.COM/RATING_INFORMATION). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THIS SITE.

CREDIT RATINGS ISSUED AND RESEARCH PUBLICATIONS PUBLISHED BY GCR, ARE GCR'S OPINIONS, AS AT THE DATE OF ISSUE OR PUBLICATION THEREOF, OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. GCR DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL AND/OR FINANCIAL OBLIGATIONS AS THEY BECOME DUE. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: FRAUD, MARKET LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND GCR'S OPINIONS INCLUDED IN GCR'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND GCR'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND GCR'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL OR HOLD PARTICULAR SECURITIES. NEITHER GCR'S CREDIT RATINGS, NOR ITS PUBLICATIONS, COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. GCR ISSUES ITS CREDIT RATINGS AND PUBLISHES GCR'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING OR SALE.

Copyright © 2021 GCR INFORMATION PUBLISHED BY GCR MAY NOT BE COPIED OR OTHERWISE REPRODUCED OR DISCLOSED, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GCR'S PRIOR WRITTEN CONSENT. Credit ratings are solicited by, or on behalf of, the issuer of the instrument in respect of which the rating is issued, and GCR is compensated for the provision of these ratings. Information sources used to prepare the ratings are set out in each credit rating report and/or rating notification and include the following: parties involved in the ratings and public information. All information used to prepare the ratings is obtained by GCR from sources reasonably believed by it to be accurate and reliable. Although GCR will at all times use its best efforts and practices to ensure that the information it relies on is accurate at the time, GCR does not provide any warranty in respect of, nor is it otherwise responsible for, the accurateness of such information. GCR adopts all reasonable measures to ensure that the information it uses in assigning a credit rating is of sufficient quality and that such information is obtained from sources that GCR, acting reasonably, considers to be reliable, including, when appropriate, independent third-party sources. However, GCR cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall GCR have any liability to any person or entity for (a) any loss or damage suffered by such person or entity caused by, resulting from, or relating to, any error made by GCR, whether negligently (including gross negligence) or otherwise, or other circumstance or contingency outside the control of GCR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits) suffered by such person or entity, as a result of the use of or inability to use any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained in each credit rating report and/or rating notification are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained in each credit rating report and/or rating notification must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GCR IN ANY FORM OR MANNER WHATSOEVER.