

EQUITY REPORT DANGOTE CEMENT PLC

Bancorp Securities Limited

(Trading License Holder of the Nigerian Exchange Group)

2nd June, 2021

Market | Equity Report

Investment Summary (Earnings Grow On Increased Product Pricing)

The unaudited Q1'2021 result of Dangote Cement plc (Dangcem) for the period ended March 31, 2021 shows that its Revenue increased by 33.5% to N332.65bn, compared with N249.18bn recorded in the corresponding period of Q1'2020. The growth in revenue was due to the increase in production in line with increased domestic market demand, and low production cash costs owing to new, modern and efficient plant at Obajana.

Dangcem has strong fundamentals, such as; Trailing 12months 17.8, BVPS of 56.1, P/E of 11.9x (Ind. average. 19.23x), P/B of 3.8x, DPS of N16.0, and Dividend Yield of 7.5%. We have a target price of N253 for DANGCEM. This gives an upside potential of approximately 19.4% from the close price of N215.50, June 2,2021.

Technically, 14 days relative Strength Index (RSI) of 48.4 is good enough to capture value in Dangcem at current market condition. We also see phase II of the Dangcem Share buy back as a major factor that will trigger the price to convert to the target price. Again, we expect improved foreign investors participation in the market to also drive the price of Dangcem, being one of the stocks preferred and a major weight in MSCI. The 2021 GDP Q1 was out last week, which shows a slight improvement on the last report with +0.51% , this is good for the economy.

Source company report

Price:

- Current price ₦215.50
- Target price ₦253.00

Recommendation **BUY.**

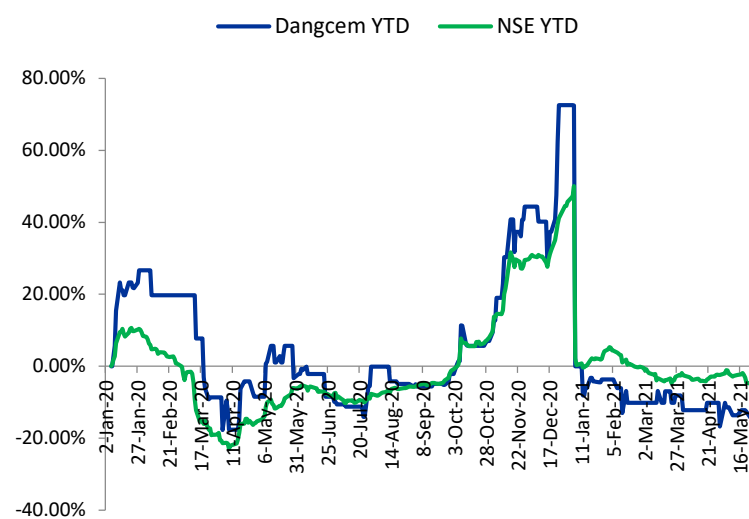
As at Wednesday June 2, 2021

Company Profile

NGX	DANGCEM
Bloomberg	DANGCEM:NL
52-Week range (NGN)	253.40 - 122.00
Market Cap. (NGN Bn)	17.04
Shares Out. (Tn)	3.62

Source: NGX, Bloomberg, CBP Research

NSE Index vs Dangcem, YTD Price Movement - Rebased



Source: NGX, Bloomberg, CBP Research

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Notwithstanding the above, the equities market in recent times has witnessed reduced participation of both foreign and domestic investors participation due to high inflation, persistence increase in fixed income securities among other factors. These factors may to some extent hamper on the projections of Dangcem and other recommended stocks. However, we are positive that these projections are attainable outside major adverse economic and external shocks.

In conclusion, We expect moderate growth in the cement sector to be supported by Government's infrastructural projects and price increase in product to drive revenue growth up. That said, we hereby recommend that you take position in Dangcem at the moment, so as to enable you capture the inherent value in the stock and grow your wealth. We recommend an entry price of N210.

Successful Share buyback Programme



At the end of December, DCP repurchased 0.24% of its shares at an average price of ₦243 per share.

TRADES EXECUTED

Daily Trade Date	Day 1	Day 2	Total
Shares repurchased (million shares)	32.00	8.20	40.20
Average price (NGN per share)	242.7	244.1	-
Vale of shares repurchased (NGN million)	7,767.6	2,001.9	9,769.5

BUYBACK IMPACT

	Before Buyback	After Buyback
Number of shares outstanding, mn	17,040,507,404	17,000,307,404
Earnings per share (2019 earnings)	11.79	11.88
Market value of DCP, mn	3,408,100	4,165,074

Source: Dangote cement presentation, CBP Research

- DCP completed tranche 1 of its buyback programme on the 31st of December 2020, over a period of two days
- **DCP repurchased 0.24% of its shares outstanding.**
- DCP repurchased **40,200,000** shares at an average price of **₦243.02 per share**
- Cost impact to DCP was **₦9.769 B**
- DCPs shares outstanding is now **17,000,307,404**

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Q1 2021 – Strong Performance

Double digit volume growth in Nigeria and Pan-Africa

Financial

- Group revenues up 33.5%, supported by strong volume growth and lower discounts/rebates
- Group EBITDA up 55.8%; with EBITDA margin of 53.5%
- Nigeria EBITDA up 52.7% owing to cost control and ramp-up of new and efficient Obajana Line 5
- Pan-Africa EBITDA up 61.9%, with a record high EBITDA margin of 25.5%
- Strong earnings with EPS up 46.9% at ₦5.29

Operational

- Group volumes up 18.7% to 7.5Mt, supported by strong demand across all operations
- Nigeria volumes up 22.2%, supported by increase in housing infrastructure and commercial construction
- Double digit Pan-Africa volume growth
- Ramp up of production at Obajana Line 5 enabled to meet Dangote share of the rapidly growing market demand in the quarter
- Accretive growth and strong cash conversion

Three months ended 31 st March	2021	2020	Change
Sales volumes*	'000t	'000t	%
Nigeria	4,908	4,018	22.2%
Pan-Africa	2,613	2,316	12.8%
Inter-company sales	-	-	-
Total	7,521	6,334	18.7%
Revenues	₦m	₦m	%
Nigeria	239,684	179,336	33.7%
Pan-Africa	92,967	69,846	33.1%
Inter-company sales	-	-	-
Total	332,651	249,182	33.5%
EBITDA	₦m	₦m	%
Nigeria**	157,880	103,365	52.7%
Pan-Africa**	23,682	14,627	61.9%
Inter-company and central costs	(3,591)	(3,769)	(4.7%)
Total	177,971	114,223	55.8%
EBITDA margin**	%		
Nigeria	65.9%	57.6%	8.3pp
Pan-Africa	25.5%	20.9%	4.6pp
Group	53.5%	45.8%	7.7pp
EPS	5.29	3.60	46.9%

Source: Dangote cement presentation, CBP Research

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