

Rebound in Domestic Volumes Drive Performance

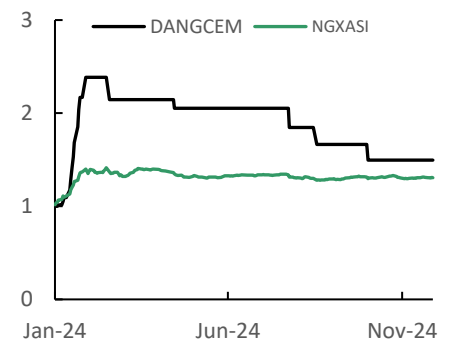
Volume and Price Gains Boost Performance in 9M:2024

Dangote Cement Plc (**DANGCEM**) continued its impressive run in 2024 as revenue grew strongly by +69.06% YoY to NGN2.56trn in 9M:2024, compared to NGN1.51trn in same period last year (also outperformed 2023FY's NGN2.21trn). The impressive group outing was supported by volume and price increases. The lead contributor to the group's topline (c. 60%) – its Nigerian operation – recorded a +9.52% increase in volume sold to 13.16Mt (vs 12.02Mt in 9M:2023), muting the 1.59% fall in Pan-African volume, caused by adverse weather conditions, and limited infrastructural spending, particularly in Tanzania where volume decline by 13.80% to 1.30Mt in 9M:2024. However, Pan-African operations revenue rose by +85.91%YoY to NGN1.09trn (compared to NGN588.24bn in 9M:2024), buoyed by price increase and maximum capacity utilization in Ethiopia and Senegal, with Cameroon nearing full capacity utilization. **For 2024FY, we project a 55.76% YoY revenue growth for DANGCEM, reaching NGN3,439.83bn. Our outlook for the 2024FY is driven by anticipated recovery in Pan-African volume, increased demand for construction, and government spending on infrastructure.**

Rising Costs Weigh on Margins

In 9M:2024, **DANGCEM** continued to face inflationary pressures, evident in a rise in its production cost by +92.35% YoY to NGN1.24trn from NGN642.74bn in 9M:2023. The group's energy costs rose by +109.37% YoY (constituting 43.26% of total production cost), underscoring the need for efficient cost management. In response, the group commissioned 11 alternative fuel projects and received 1500 full CNG trucks to support its energy transition initiatives targeted at moderating cost pressures from fuel and power. Consequently, the cost-to-sales ratio for the period increased to 48.28% (vs 42.44% in 9M:2023). During the period, operating expenses surged by +86.61% YoY to NGN610.31bn (vs NGN327.06bn in 9M:2023), primarily due to a +91.22% YoY increase in haulage expenses (NGN405.81bn), which accounted for 66.49% of operating expenses. In the period, finance cost increased by +137.36% YoY, anchored on a +116.13% YoY upshoot in current financial liabilities, rising from current portion of repayment (+61.80%) and overdrafts used for cash management purposes (+2180.94%). As a result, **DANGCEM's** interest coverage worsened to 1.66x in 9M:2024, compared to 2.95x in 9M:2023 (and 2.36x as at 2023FY). This decline reflects the combined impact of rising production costs and operating expense pressures, which outpaced the growth in topline and strained profitability. Overall, **DANGCEM's** profit after taxes increased marginally by +0.56% YoY to NGN279.10bn from NGN277.55bn in 9M:2023. The firm's profitability ratios during the period declined, as net margin slowed to 10.90% from 18.32%. Also, trailing ROA and ROE slumped to 8.26% and 21.15% from 11.57% and 26.40% respectively. **Despite the increased cost incurred and interest expense surge during the period, we expect its profit after tax (PAT) for 2024FY to reach NGN582.89bn.**

Company	DANGCEM
Valuation	
Trailing EPS	26.92
P/E	17.77x
Target PE	16.62x
Dec-2024 Exp. EPS	NGN34.21
Dec 2024 Target price	NGN568.47
Current Price	NGN478.50
Up/Downside Potential	+18.80%
Ratings	BUY
Key metrics	
ROE	21.15%
ROA	8.26%
Net margin	10.90%
Asset Turnover	0.59x
Leverage	2.56x
Yr Hi	NGN763.00
Yr Lo	NGN319.90
YTD return	+49.67%
Beta	1.41
Adjusted Beta	1.28
Shares outstanding	17.04bn
Market cap [NGN]	8,153.64bn
Financial year-end	December
Most Recent Period	9M:2024



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Mounting Short-Term Debt Pressures Liquidity

As of 9M:2024, **DANGCEM**'s total balance sheet size stood at NGN5,536.04bn (with PPE accounting for over 60%). Financial obligations rose significantly to NGN1,675.65bn in 9M:2024, up from NGN1,012.62bn in 2023FY, driving an increase in the debt-to-asset and financial leverage ratios to 0.30x and 2.56x, respectively, from 0.26x and 2.28x. The company's liquidity position weakened due to a higher current portion of financial liabilities in 9M:2024. Consequently, current, quick, and cash ratios declined marginally to 0.73x, 0.49x, and 0.19x, respectively, in 9M:2024, compared to 0.87x, 0.63x, and 0.28x in 2023FY. This highlights mounting pressure on the company's short-term financial flexibility amidst escalating debt obligations.

Furthermore, **DANGCEM** maintained a positive operating cash flow, which improved to NGN532.34bn, up from NGN460.32bn in 9M:2023. As a result, the firm's earnings quality improved to 1.91x compared to 1.66x in 9M:2023. This signal stronger alignment between earnings and actual cash flows, reinforcing financial stability and resilience.

Recommendation

We valued **DANGCEM** using a blend of firm discounted cashflow (**DCF**), relative, and price multiples valuations, which led to an intrinsic value of NGN568.47 for the stock. This represents an upside potential of 18.80% relative to its closing price of NGN478.50 as of 3rd December 2024. Thus, we recommend a BUY on the ticker.

Chart 1: Valuation Summary

Methodology	Fair Value
FCFF	148.75
EV/EBITDA	836.85
P/E	589.05
Weighted TP	568.47
Upside Potential	18.80%

Chart 2: Sensitivity Analysis

Sensitivity Analysis of Dec-2024 Target Price to key model inputs						Min	460.93
EPS						Max	674.12
		32.21	33.21	34.21	35.21	36.21	
Target PE	14.62x	470.82	485.44	500.06	514.68	529.30	
	15.62x	503.03	518.64	534.26	549.88	460.93	
	16.62x	535.23	551.85	568.47	585.09	601.71	
	17.62x	567.44	585.06	602.67	620.29	637.91	
	18.62x	599.64	618.26	636.88	655.50	674.12	

Financial Highlights and Forecasts (NGN billion)

Profit & Loss Account	2023FY	9M:2024	2024F	2025F	2026F	2027F
Revenue	2,208.09	2,560.57	3,439.83	3,716.56	3,990.23	4,147.82
Gross Profit	1,201.81	1,324.57	1,950.91	2,156.83	2,346.71	2,396.73
EBIT	735.12	750.40	1,235.92	1,378.74	1,530.06	1,546.25
Finance Cost	310.96	451.22	499.18	510.32	530.90	564.11
PBT	553.96	406.39	724.18	1,024.90	1,154.49	1,159.75
PAT	456.44	279.10	582.89	696.93	785.05	788.63

Balance Sheet	2023FY	9M:2024	2024F	2025F	2026F	2027F
Property, Plant and Equipment	2,383.53	3,011.83	3,404.8	4,291.6	4,310.5	4,718.1
Total Debt	1,012.62	1,259.17	1,516.8	1,925.6	2,065.3	2,441.6
Total Assets	3,938.73	5,129.65	5,357.0	6,514.6	6,876.3	7,799.9
Total Equity	1,725.84	2,261.48	2,285.7	2,542.6	2,688.3	3,175.1

Financial Ratios	2023FY	9M:2024	2024F	2025F	2026F	2027F
Gross Margin	54.43%	51.72%	56.72%	58.03%	58.81%	57.78%
Net Margin	20.63%	10.90%	16.95%	18.75%	19.67%	19.01%
Return on Asset	11.57%	8.26%	12.54%	11.74%	11.73%	10.75%
Return on Equity	26.40%	21.15%	25.12%	27.04%	28.83%	24.57%
Asset Turnover	0.56x	0.59x	0.63x	0.60x	0.57x	0.55x
Financial Leverage	2.28x	2.56x	2.31x	2.53x	2.53x	2.43x
Debt to Equity Ratio	0.60x	0.78x	0.66x	0.76x	0.77x	0.77x
Current Ratio	0.87x	0.73x	0.78x	0.76x	0.79x	0.78x
Quick Ratio	0.63x	0.49x	0.47x	0.45x	0.45x	0.44x
Cash Ratio	0.28x	0.19x	0.05x	0.04x	0.06x	0.08x

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We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

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- BUY:** Target Price of the stock is above the current market price by at least **10 percent**
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Asset allocation: The recommended weighting for equities, cash and fixed income instrument is based on a number of metrics and does not relate to a particular size change in one variable.

Movements in Price Target

Company Name: Dangote Cement Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
03-December-2024	478.57	331.91	568.47	HOLD	BUY
17-August-2023	352.00	331.91	331.91	BUY	HOLD

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Company	Disclosure
Dangote Cement Plc.	

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