



LAFARGE AFRICA PLC

Unaudited Quarter 3 & 9 Months 2018 Results

Analyst Presentation



A member of
LafargeHolcim

National Theatre, Lagos, Nigeria

October 17th, 2018



Lekki-Ikoyi Link Bridge, Lagos, Nigeria

Overview of Q3 2018 Results

Michel Puchercos, Chief Executive Officer



OVERVIEW OF Q3 2018 RESULTS

- **Q3 top-line growth at Group level remaining strong (+5% vs LY)**
 - Strong growth in Nigeria operations in Q3 with revenue at N49bn **(+10% vs LY)**
 - South Africa revenue in Q3 closing at N23bn **(-5% vs LY)**
 - Good progress in the Ghana grinding station

- **Group operating EBITDA up 2x, reported at N13bn for Q3 2018**
 - Nigeria: Operating EBITDA of N13bn and EBITDA margin of 27%
 - Execution of the action plan starting to deliver in South Africa
 - Restructuring cost in South Africa relates to additional redundancy cost

- **Refinancing plan aimed at improving LAP's leverage and profitability in progress**
 - N90bn rights issue approved by the shareholders on 25 September 2018
 - Restructuring of the shareholders loan (US\$293 million) to 7.5 years with 2 years moratorium also approved by the shareholders



Akwa Ibom Stadium, Nigeria

Financial Results & Performance Analysis

Bruno Bayet, Chief Financial Officer



Q3 2018 Performance Highlights

Net Sales		Cement Volumes Sold	Operating EBITDA
Group	Nigeria		
+5%	+10%	+4% (+17.4% Nigeria)	+96% (positive in South Africa)
N72 bn	N49 bn	1,414 kt	N13bn

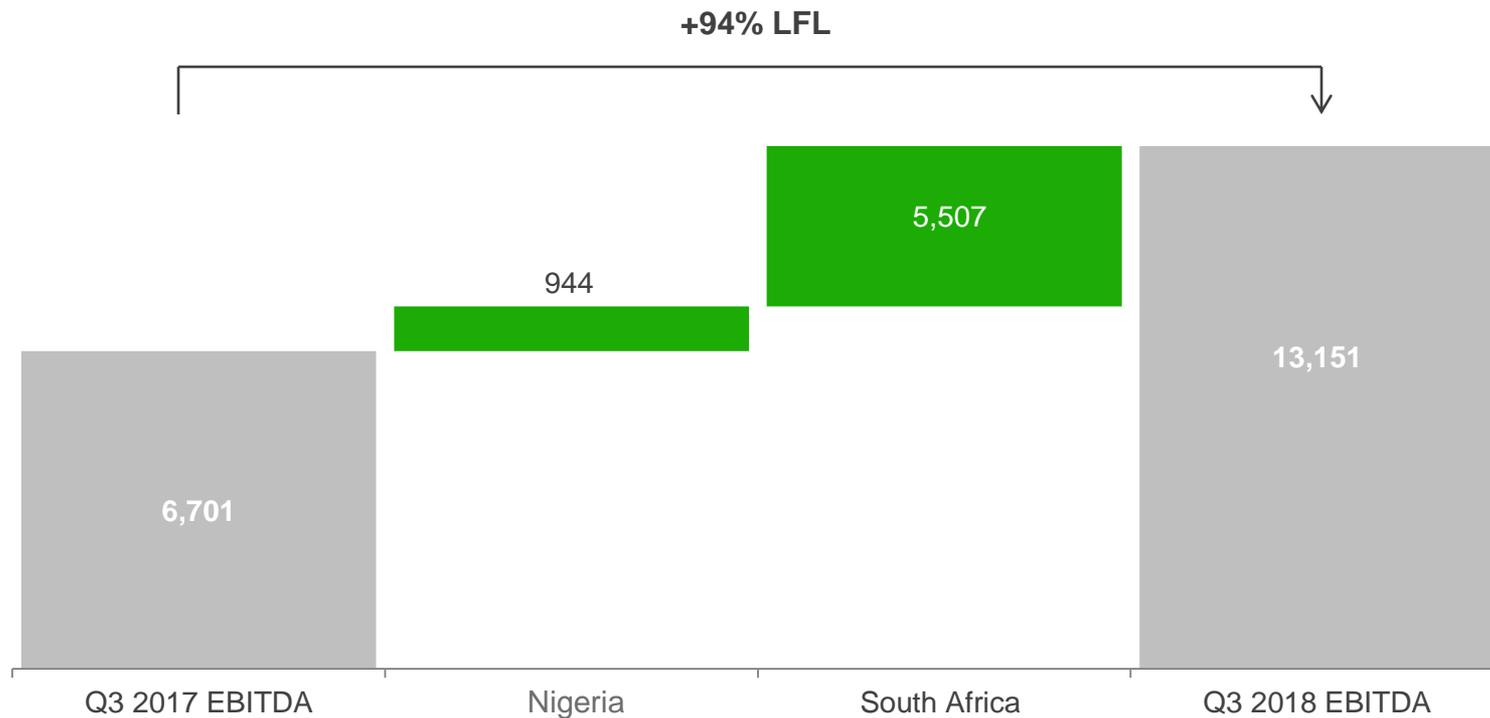
Financial Performance Q3 and 9M 2018

(in NGN Million)	Q3 2018	Q3 2017	Variation	9M 2018	9M 2017	Variation
Net sales	72,008	68,829	5%	234,300	223,669	4.8%
Operating EBITDA	13,151	6,701	96%	41,808	45,300	(8%)
Operating EBITDA margin	18%	10%		18%	20%	
Restructuring, SAP and one-offs*	(4,569)	(2,184)		(5,526)	(3,585)	
Depreciation and amortization	(5,803)	(5,371)	8%	(17,268)	(16,175)	7%
Net other income/expenses	16	393		118	3,137	
EBIT	2,795	(462)	706%	19,132	28,678	(33%)
% EBIT margin	4%	(1%)		8%	13%	
Net finance costs and FX loss	(10,799)	(16,607)	(35%)	(33,482)	(27,585)	21%
Share in net income from Associates	(11)	-		(11)	-	
Net Income Before Tax	(8,016)	(17,069)	53%	(14,361)	1,093	
Income taxes	1,599	(1,727)		4,043	(155)	
Profit After Tax	(6,417)	(18,795)	66%	(10,318)	938	

*One-off relates to redundancy cost in Nigeria and South Africa, SAP implementation in Nigeria and closed site in SA

- Cement activities grew by 4.4% mainly from Nigeria. South Africa still affected compared to LY
- Ongoing turnaround plan in South Africa has resulted in significant improvement in EBITDA
- Major improvement in finance cost largely driven by a decline in foreign exchange loss

Operating EBITDA* Q3 2017 vs Q3 2018



**Excluding one-off, redundancy cost in Nigeria and South Africa, SAP implementation in Nigeria and closed site in SA*

Nigeria Operations – Q3 and 9M 2018

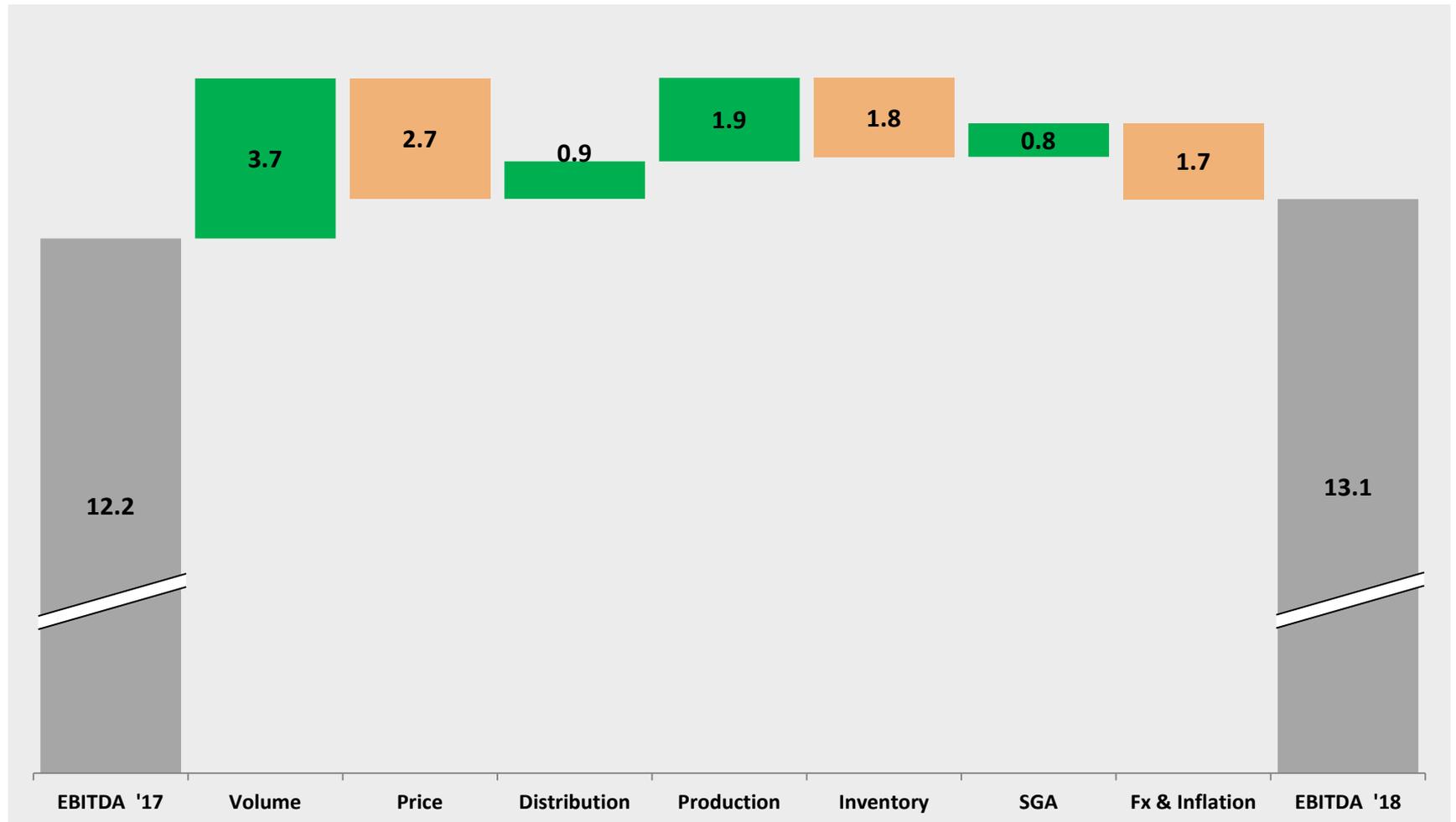
(in NGN Million)	Q3 2018	Q3 2017	Variation	9M 2018	9M 2017	Variation
Volumes						
Cement - (kt)	478	407	17.4%	3,683	3,401	8.3%
Ready-mix - (kcm3)	52	41	26.3%	144	143	0.6%
Net sales	48,701	44,191	10%	165,627	155,611	6%
Operating EBITDA	13,142	12,198	8%	49,228	49,893	(1%)
Operating EBITDA margin	27%	28%		30%	32%	
Restructuring, SAP and one-offs*	(2,770)	(1,300)		(3,727)	(2,700)	
Depreciation and amortization	(4,726)	(4,441)	6%	(14,029)	(13,358)	5%
Net other income/expenses	(15)	262		107	3,068	
EBIT	5,632	6,720	(16%)	31,579	36,903	(14%)
% EBIT margin	12%	15%		19%	24%	
Net finance costs and FX loss	(10,287)	(15,954)	(36%)	(31,129)	(26,205)	19%
Net Income Before Tax	(4,656)	(9,234)	50%	450	10,698	(96%)
Income taxes	995	(4,546)		(49)	(3,799)	
Profit After Tax	(3,661)	(13,780)	73%	401	6,898	(94%)

*One-off relates to redundancy cost in Nigeria and South Africa, SAP implementation in Nigeria and closed site in SA

- Changes in route to market starting to yield results with significant volume improvement in cement and RMX in Q3 2018 (**+16% and +26% respectively**) despite export to Ghana stopped. Good progress in the Ghana grinding station
- Cement price erosion in Q3 (-5.6%) compared to last year
- Marginal decline in EBITDA due to negative inventory movement
- Improvement in FX losses due to hedging, with further improvement expected in Q4 with the approval of the right issue and debt restructuring by shareholders

NIGERIA – EBITDA Q3 2018 vs Q3 2017

(Bn NGN)



SOUTH AFRICA OPERATIONS – Q3 and 9M 2018

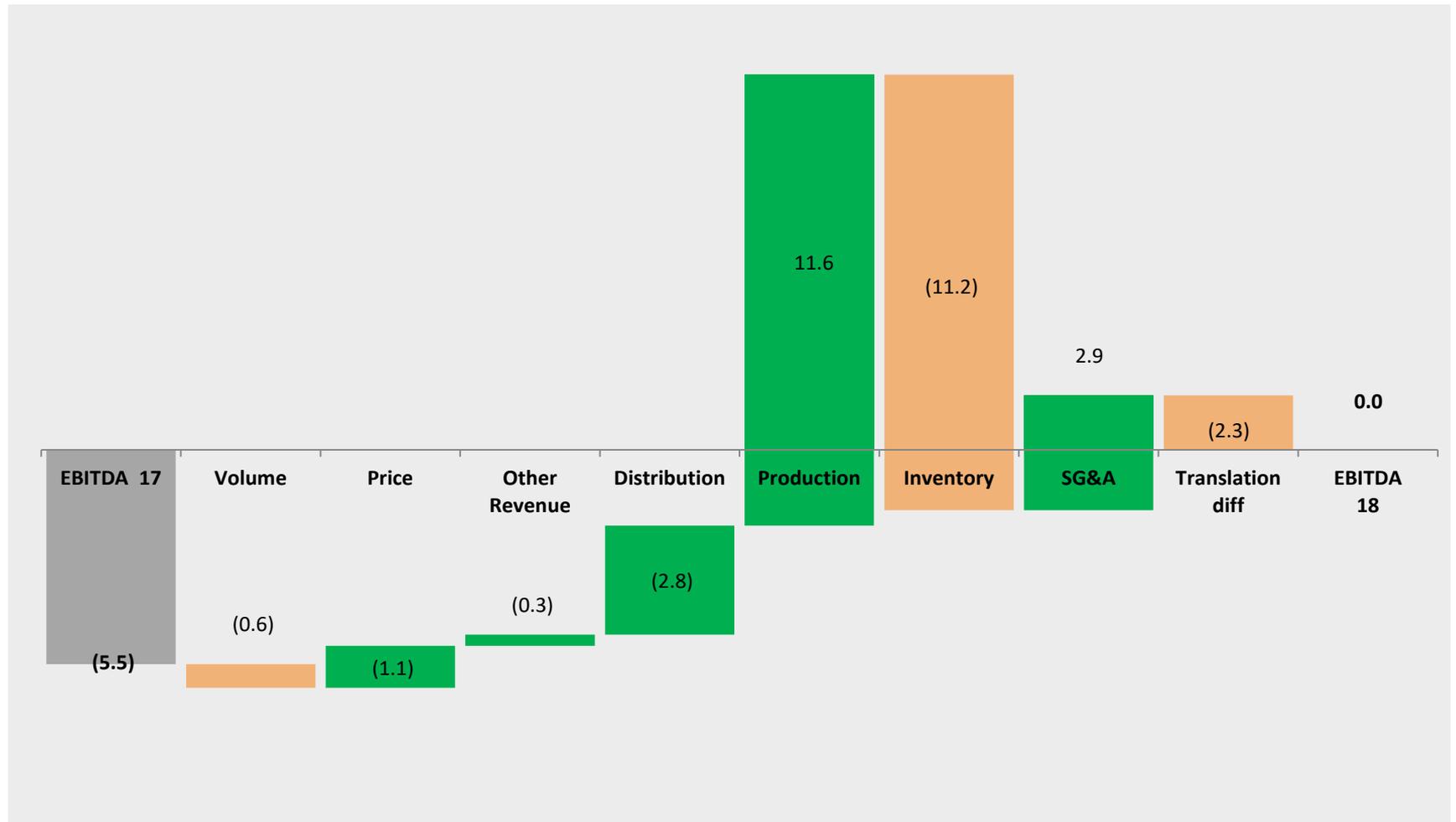
(in NGN Million)	Q3 2018	Q3 2017	Variation	9M 2018	9M 2017	Variation
Net sales	23,307	24,638	(5%)	68,673	68,058	1%
Operating EBITDA	9	(5,497)	(100%)	(7,420)	(4,593)	62%
Operating EBITDA margin	0%	(22%)		(11%)	(7%)	
Restructuring, SAP and one-offs*	(1,799)	(884)		(1,799)	(885)	
Depreciation and amortization	(1,077)	(930)	16%	(3,239)	(2,817)	15%
Net other income/expenses	32	129		11	118	
EBIT	(2,835)	(7,182)	61%	(12,447)	(8,176)	(52%)
% EBIT margin	(12%)	(29%)		(18%)	(12%)	
Net finance costs and FX loss	(512)	(652)	(21%)	(2,353)	(1,377)	71%
Share in net income from Associates	(11)	-		(11)	-	
Net Income Before Tax	(3,359)	(7,833)	57%	(14,811)	(9,553)	(55%)
Income taxes	604	2,819		4,092	3,644	
Profit After Tax	(2,755)	(5,014)	45%	(10,719)	(5,909)	(81%)

*One-off relates to redundancy cost in Nigeria and South Africa, SAP implementation in Nigeria and closed site in SA

- Positive price trend compared to LY up by 15% vs LY
- Ongoing turnaround plan resulted in significant improvement in recurring EBITDA, close to break-even
- Improved PAT (+45% vs LY) from pass-through effect of improved recurring EBITDA

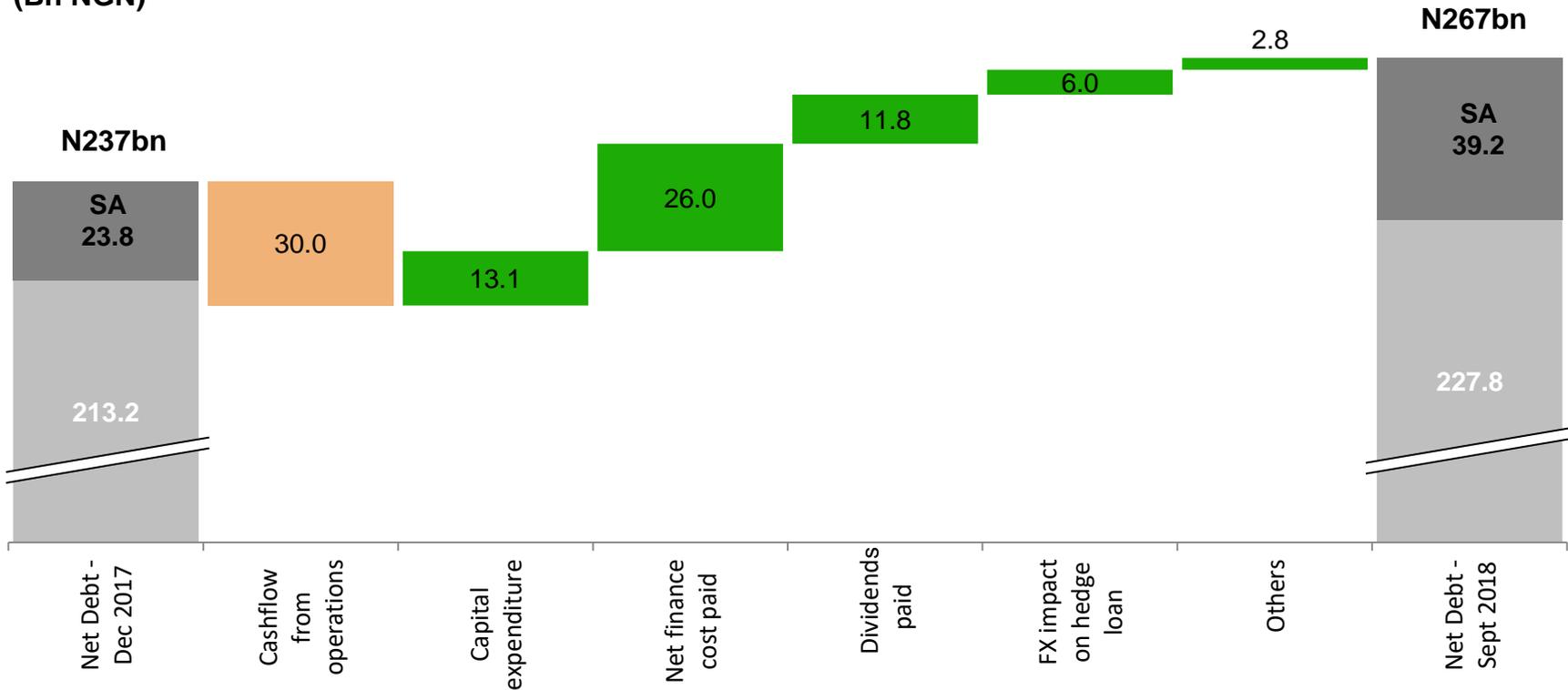
SOUTH AFRICA – EBITDA Q3 2018 vs Q3 2017

(Bn NGN)



NET FINANCIAL DEBT 9M 2018

(Bn NGN)



Others include rights issue cost

➤ Net Financial Debt deteriorated in Nigeria due to payment of outstanding payables to the Group

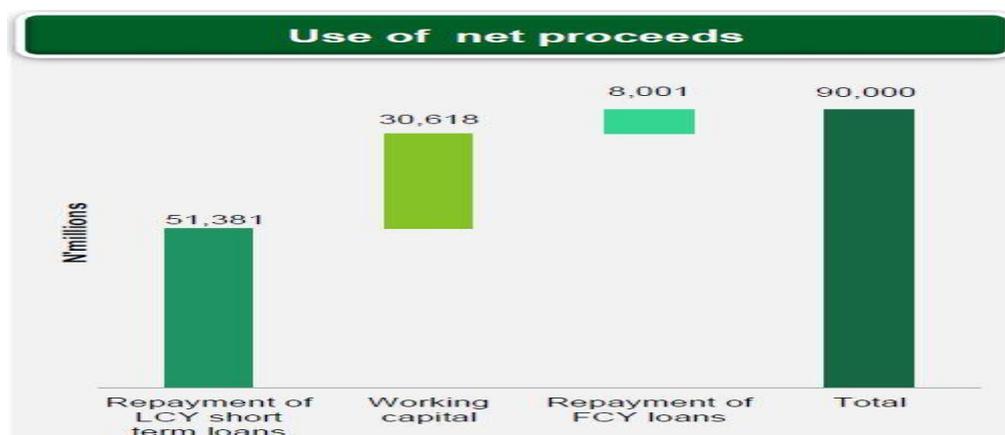
RIGHTS ISSUE: INDICATIVE TIMELINE AND USE OF PROCEEDS

☐ Milestone achieved

- Transaction approved by the Board
- Transaction approved by the shareholders

☐ Next steps

- Acceptance list opens/ trading in rights begins: **End of October**
- Acceptance list closes/ trading in rights end: **Mid November**
- Receive SEC clearance of allotment: **Year end**
- Publish basis of allotment: **Year end**
- Pay net proceeds of the rights issue to Lafarge Africa: **Year end**





Ewekoro Plant

Outlook

Michel Puchercos, Chief Executive Officer

OUTLOOK

Nigeria

- Cement growth decelerating compared to Q2. Remaining positive trend expected in Q4
- Stable pricing environment foreseen in Q4
- Route-to-market as well as energy initiatives expected to continue to deliver in Q4
- Rights issue of N90bn expected to be concluded by Year-End

South Africa

- The industrial team with the support of the Group technical teams, working towards improved capacity utilization in Q4
- Actions around efficiency & cost management are on track and expected to continue to contribute significant savings in production costs across all the segments



Appendix

CONDENSED STATEMENT OF FINANCIAL POSITION

(in Naira Million)	30/09/2018	31/12/2017		30/09/2018	31/12/2017
ASSETS			LIABILITIES		
Property, plant and equipment	386,519	393,652	Borrowings	177,406	68,715
Intangible assets	6,064	2,634	Deferred tax liabilities	-	1,463
Other assets	18,613	20,803	Provisions	3,772	3,472
Other financial assets	2,742	1,583	Deferred revenue	1,435	1,519
Deferred tax asset	12,347	7,952	Employee benefits obligation	5,204	4,917
NON-CURRENT ASSETS	426,284	426,624	NON-CURRENT LIABILITIES	187,818	80,086
			Trade and other payables	113,511	113,000
Inventories	58,904	58,266	Borrowings	77,117	187,832
Trade and other receivables	29,580	25,110	Provisions	817	1,166
Other assets	11,959	15,162	Deferred revenue	111	111
Current tax asset	887	918	Current tax liabilities	3,331	3,252
Derivative asset	11	640	Derivative liabilities	648	4,212
Cash and cash equivalents	17,520	50,415	Bank overdraft	29,982	31,082
CURRENT ASSETS	119,611	151,104	CURRENT LIABILITIES	225,515	340,654
TOTAL ASSETS	545,895	577,727	TOTAL EQUITY AND LIABILITIES	545,895	577,727

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