



# LAFARGE AFRICA PLC

## Analyst Presentation



A member of  
**LafargeHolcim**

June 20<sup>th</sup>, 2019

**Section 1 – Q4 and 2018 Full Year Results**

**Section 2 – Q1 2019 Results**

**Section 3 – Divestment of South African Operations**



## Q4 and FY 2018 Results

Michel Puchercos, CEO  
Bruno Bayet, CFO

# OVERVIEW OF GROUP RESULTS

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Turnaround Plan delivering positive results in Q4

## □ FY 2018 Revenue at N308,4bn (+3,1% vs LY)

- FY 2018 revenue in Nigeria grew at +6,5% vs LY with revenue at N217,8bn. Trend continued in Q4 with revenue at N52,2bn (+6,8% vs LY)
- South Africa FY 2018 revenue at N90,6bn (-4,3% vs LY)

## □ Operating EBITDA at N51,0bn in FY 2018

- Nigeria: Operating EBITDA of N58,4bn and EBITDA margin of 27%, impacted by Inventory N9.4bn
- Restructuring plan delivering in South Africa. EBITDA in Q4 up 113% vs LY

## □ Operating Profit multiplied by 3x in 2018

# 2018 KEY FIGURES

Cement Volumes Sold	Net Sales	Operating Profit	Free Cash Flow
<p><b>+4%</b> (+9% Nigeria)</p> <p>6,097 kt</p>	<p><b>+3,1%</b> (+7% Nigeria)</p> <p>N308,4 bn</p>	<p><b>+215%</b></p> <p>N24,8 bn</p>	<p><b>+121%</b></p> <p>N1,9 bn</p>
<p>Q4 2018</p> <p><b>+6%</b> (+10% Nigeria)</p>	<p>Q4 2018</p> <p><b>-1,8%</b> (+7% Nigeria)</p>		

# FINANCIAL PERFORMANCE Q4 AND FY 2018

(in NGN Million)	Q4 2018	Q4 2017	Variation	FY 2018	FY 2017	Variation
<b>Net Sales</b>	<b>74,125</b>	<b>75,485</b>	<b>-1.8%</b>	<b>308,425</b>	<b>299,153</b>	<b>3.1%</b>
<b>Operating EBITDA</b>	<b>12,982</b>	<b>12,920</b>	<b>0.5%</b>	<b>51,044</b>	<b>57,610</b>	<b>-11.4%</b>
<i>% margin</i>	<i>18%</i>	<i>17%</i>		<i>17%</i>	<i>19%</i>	
Restructuring, litigation and others <sup>1</sup>	(652)	(7,623)		(2,812)	(10,378)	
Depreciation & amortization	(5,889)	(25,578)		(22,877)	(41,752) <sup>2</sup>	
Net other income/(expenses)	(762)	(427)		(543)	2,406 <sup>3</sup>	
<b>EBIT</b>	<b>5,679</b>	<b>(20,708)</b>		<b>24,811</b>	<b>7,886</b>	<b>214.6%</b>
<i>% margin</i>	<i>8%</i>	<i>-27%</i>		<i>8%</i>	<i>3%</i>	
Net finance costs & FX loss	(10,772)	(14,278)		(44,254)	(41,778)	
Share in net income or (loss) from Associates	(54)	(140)		(65)	(140)	
<b>Net Income Before Taxes</b>	<b>(5,148)</b>	<b>(35,126)</b>	<b>85.3%</b>	<b>(19,508)</b>	<b>(34,032)</b>	<b>42.7%</b>
Income taxes	6,719	(413)		10,707	(569)	
<b>Profit After Tax</b>	<b>1,571</b>	<b>(35,539)</b>	<b>104.4%</b>	<b>(8,802)</b>	<b>(34,601)</b>	<b>74.6%</b>

<sup>1</sup> Others include SAP implementation and other non-recurring costs

<sup>2</sup> Includes impairment of Mfamosing road and Ashaka pre-heater, S.A. PPE impairment of kiln 2 Lichtenburg

<sup>3</sup> Other Income relates largely to the disposal gain on building (Elephant House) sold in 2017

- Net sales increased by 3,1% in FY 2018, slow growth largely affected by South Africa
- Nigeria performance remain strong. Positive performance trend in South Africa with recovery in Q4.
- Operating profit x3
- Pioneer Certificate delivered for Mfamosing Line 2

# REGIONAL PERFORMANCE - NIGERIA

## NIGERIA CONTINUE GOOD PROGRESS ON TURNAROUND AND STRATEGY EXECUTION

(in NGN Million)	Q4 2018	Q4 2017	Variation	FY 2018	FY 2017	Variation
Volume						
- Cement (kt)	1,158	1,057	9.6%	4,841	4,458	8.6%
- Ready-Mix (Kcm3)	47	31	51.9%	191	174	9.8%
<b>Net Sales</b>	<b>52,186</b>	<b>48,874</b>	<b>6.8%</b>	<b>217,813</b>	<b>204,485</b>	<b>6.5%</b>
<b>Operating EBITDA</b>	<b>12,569</b>	<b>16,213</b>	<b>-22.5%</b>	<b>58,432</b>	<b>66,085</b>	<b>-11.6%</b>
% margin	24%	33%		27%	32%	
Restructuring, litigation and others <sup>1</sup>	(355)	(2,729)		(716)	(5,189)	
Depreciation & amortization	(4,705)	(20,684)	-77.3%	(18,734)	(34,042)	-45.0%
Net other non-operating income/(expenses)	(560)	504		(453)	3,302	
<b>EBIT</b>	<b>6,949</b>	<b>(6,696)</b>	<b>203.8%</b>	<b>38,528</b>	<b>30,156</b>	<b>27.8%</b>
% margin	13%	-14%		18%	15%	
Net finance costs & FX loss	(8,909)	(13,610)		(40,038)	(39,815)	
Share in net income or (loss) from Associates	-	(112)		-	(112)	
<b>Net Income Before Taxes</b>	<b>(1,960)</b>	<b>(20,418)</b>	<b>90.4%</b>	<b>(1,510)</b>	<b>(9,772)</b>	<b>84.5%</b>
Income taxes	9,711	(2,328)		9,607 <sup>2</sup>	(6,127)	
<b>Profit After Tax</b>	<b>7,751</b>	<b>(22,746)</b>	<b>134.1%</b>	<b>8,097</b>	<b>(15,899)</b>	<b>150.9%</b>

<sup>1</sup> Others include SAP implementation and other non-recurring costs

<sup>2</sup> Pioneer status and deduction of evacuation road

- Implementation of route-to-market strategy impacting performance favorably despite price erosion in 2018
- Strong contribution from fuel and energy strategy and strict cost discipline
- Decline in FY 2018 EBITDA (-22,5% vs LY), largely attributable to inventory movement and SAP related costs
- Significant improvement in net finance costs and FX in Q4 (-35% vs LY) thanks to hedging and additional BOI fund

# REGIONAL PERFORMANCE – SOUTH AFRICA

STRONG IMPROVEMENT IN Q4 DESPITE WEAK RESULTS FROM FULL YEAR

(in NGN Million)	Q4 2018	Q4 2017	Variation	FY 2018	FY 2017	Variation
<b>Net Sales</b>	<b>21,940</b>	<b>26,611</b>	<b>-17.6%</b>	<b>90,612</b>	<b>94,669</b>	<b>-4.3%</b>
<b>Operating EBITDA</b>	<b>413</b>	<b>(3,292)</b>	<b>112.5%</b>	<b>(7,388)</b>	<b>(8,475)</b>	<b>12.8%</b>
<i>% margin</i>	<i>-4%</i>	<i>-12%</i>		<i>-9%</i>	<i>-9%</i>	
Restructuring, litigation and others <sup>1</sup>	(297)	(4,895)		(2,096)	(5,189)	
Depreciation & amortization	(1,184)	(5,744)	-79.4%	(4,144)	(8,559)	-51.6%
Net other non-operating income/(expenses)	(199)	(81)		(90)	(47)	
<b>EBIT</b>	<b>(1,267)</b>	<b>(14,012)</b>	<b>91.0%</b>	<b>(13,718)</b>	<b>(22,270)</b>	<b>38.4%</b>
<i>% margin</i>	<i>-10%</i>	<i>-53%</i>		<i>-16%</i>	<i>-24%</i>	
Net finance costs & FX loss	(1,863)	(668)		(4,216)	(1,962)	
Share in net income or (loss) from Associates	(54)	(28)		(65)	(28)	
<b>Net Income Before Taxes</b>	<b>(3,185)</b>	<b>(14,707)</b>	<b>78.3%</b>	<b>(17,999)</b>	<b>(24,261)</b>	<b>25.8%</b>
Income taxes	(2,992)	1,914		1,100	5,558	
<b>Profit After Tax</b>	<b>(6,177)</b>	<b>(12,793)</b>	<b>51.7%</b>	<b>(16,899)</b>	<b>(18,703)</b>	<b>9.6%</b>

<sup>1</sup> Others include other non-recurring costs

- South African construction market continued to decline in Q4 affecting our aggregates operations by -15,8%, while progressive recovery in our cement activities. Price increase to compensate for inflation
- Continuous implementation of the turnaround plan yielding significant EBITDA improvement in Q4 (+113% vs LY)
- Restructuring costs reflecting the SG&A cost saving program



# Q1 2019 Results

Michel Puchercos, CEO

Bruno Bayet, CFO

# Q1 2019 HIGHLIGHTS

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## Turnaround plan retaining momentum in line with plan in Q1

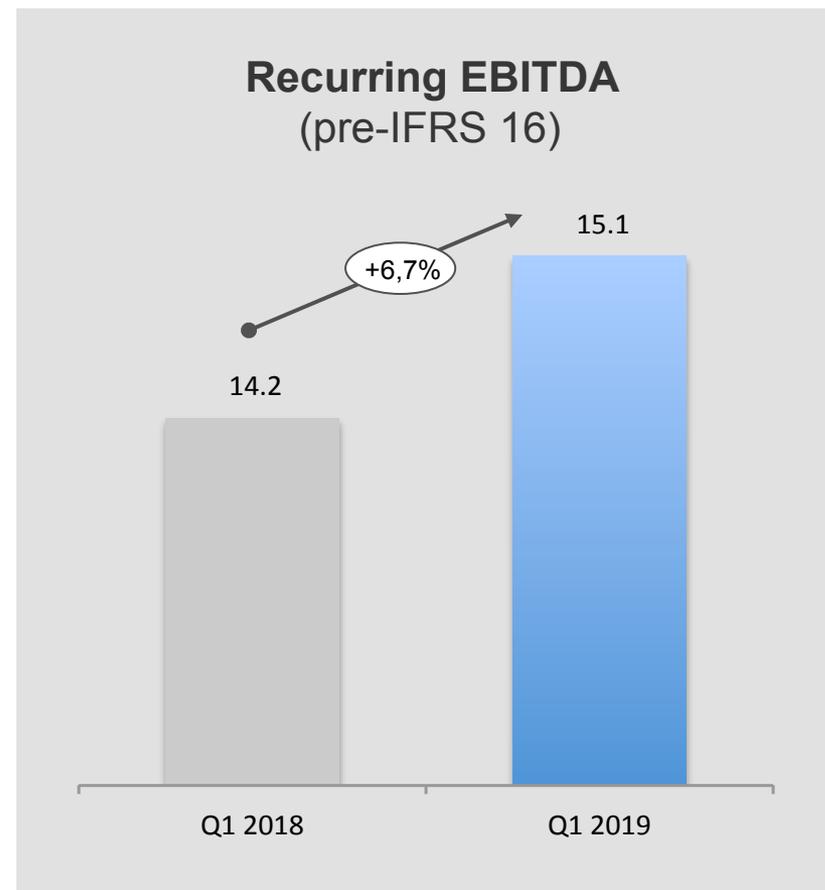
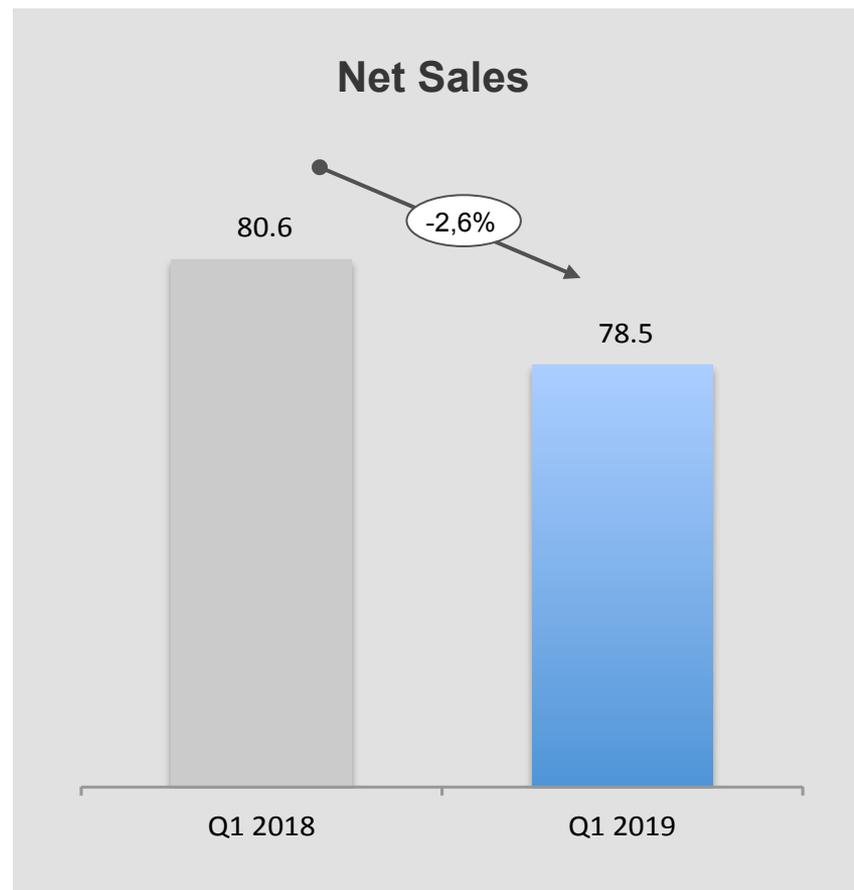
- ❑ **Q1 2019 Revenue down 2,6% to N78,5bn**
  - Q1 2019 revenue in Nigeria grew +0,6% vs LY with revenue at N58bn
  - South Africa Q1 2019 revenue at N20,5bn (-10,8% vs LY), impacted by economic slowdown
- ❑ **Recurring EBITDA at N15,1bn in Q1 2019 (+6,7% vs LY) (pre-IFRS 16)**
  - Nigeria: Recurring EBITDA of N16,9bn and EBITDA margin of 29%
  - Restructuring plan delivering in South Africa. EBITDA in Q1 up 55,7%
- ❑ **Restored earnings** with Profit After Tax of N3.1bn
- ❑ **Successful Rights Issue** fully subscribed deleveraging Lafarge Africa by N88,4bn

# Q1 2019 KEY FIGURES

Cement Volumes Sold	Net Sales	Recurring EBITDA (pre-IFRS 16)	Free Cash Flow
<b>+1%</b> (+2% Nigeria)	<b>-2,6%</b> (+1% Nigeria)	<b>+6,7%</b> (+55,7% South Africa)	<b>+N10,8bn</b>
1,635 kt	78,5 bnN	15,1 bnN	25,0 bnN

# Q1 2019 PERFORMANCE

(NGN'bn)



# Q1 2019 PERFORMANCE

(in NGN Million)	Q1 2019	Q1 2018	Variation
<b>Net Sales</b>	<b>78,512</b>	<b>80,643</b>	<b>-2.6%</b>
<b>Recurring EBITDA (pre-IFRS 16)</b>	<b>15,113</b>	<b>14,161</b>	<b>6.7%</b>
<i>% margin</i>	<i>19%</i>	<i>18%</i>	
Recurring EBITDA (post-IFRS 16)	18,686	-	
Restructuring, litigation & others	(345)	(92)	
Depreciation and amortization	(8,434)	(5,644)	
Net other non-operating income/expenses	(1,482)	(2,169)	
<b>Operating profit</b>	<b>8,425</b>	<b>6,256</b>	<b>34.7%</b>
<i>% margin</i>	<i>11%</i>	<i>8%</i>	
Net finance costs	(8,281)	(9,202)	10.0%
Share in net income from Associates	(21)	-	
<b>Net Income Before Taxes</b>	<b>123</b>	<b>(2,946)</b>	
Income taxes	3,022	944	
<b>Profit (Loss) After Tax</b>	<b>3,145</b>	<b>(2,002)</b>	

- Net sales down 2,6% in Q1 2019, largely affected by South Africa
- Significant improvement in Q1 2019 EBITDA and operating profit, attributable to turnaround and cost reduction strategy
- Reduction of finance costs since proceed from Rights Issue
- Strong improvement in earnings with Profit After Tax of N3,1bn



# REGIONAL PERFORMANCE – NIGERIA

## VISIBLE RESULTS FROM TURNAROUND AND STRATEGY EXECUTION

(in NGN Million)	Q1 2019	Q1 2018	Variation
<b>Net Sales</b>	<b>58,016</b>	<b>57,671</b>	<b>0.6%</b>
<b>Recurring EBITDA (pre-IFRS 16)</b>	<b>16,916</b>	<b>18,233</b>	<b>-7.2%</b>
<i>% margin</i>	<i>29%</i>	<i>32%</i>	
Recurring EBITDA (post-IFRS 16)	20,305	-	
Restructuring, litigation and others	-	-	
Depreciation and amortization	(7,350)	(4,630)	
Net other non-operating income/expenses	(1,461)	(2,169)	
<b>EBIT</b>	<b>11,494</b>	<b>11,433</b>	<b>0.5%</b>
<i>% margin</i>	<i>20%</i>	<i>20%</i>	
Net finance costs	(6,907)	(8,441)	18.2%
Share in net income from Associates	-	-	
<b>Net Income Before Taxes</b>	<b>4,588</b>	<b>2,992</b>	<b>53.3%</b>
Income taxes	1,714	(616)	
<b>Profit (Loss) After Tax</b>	<b>6,302</b>	<b>2,376</b>	<b>165.2%</b>

- Q1 2019 net sales at N58bn, up +0,6%, despite election impact and price erosion
- Turnaround strategy and cost reduction effort delivering results.



# REGIONAL PERFORMANCE – SOUTH AFRICA

## ECONOMIC SLOWDOWN STILL IMPACTING PERFORMANCE

(in NGN Million)	Q1 2019	Q1 2018	Variation
<b>Net Sales</b>	<b>20,495</b>	<b>22,972</b>	<b>-10.8%</b>
<b>Recurring EBITDA (pre-IFRS 16)</b>	<b>(1,803)</b>	<b>(4,072)</b>	<b>55.7%</b>
<i>% margin</i>	<i>-9%</i>	<i>-18%</i>	
Recurring EBITDA (post-IFRS 16)	(1,619)	-	
Restructuring, litigation & others	(345)	(92)	
Depreciation and amortization	(1,084)	(1,014)	
Net other non-operating income/expenses	(21)	-	
<b>EBIT</b>	<b>(3,069)</b>	<b>(5,178)</b>	<b>40.7%</b>
<i>% margin</i>	<i>-15%</i>	<i>-23%</i>	
Net finance costs	(1,374)	(761)	
Share in net income from Associates	(21)	-	
<b>Net Income Before Taxes</b>	<b>(4,465)</b>	<b>(5,938)</b>	<b>24.8%</b>
Income taxes	1,308	1,560	
<b>Profit (Loss) After Tax</b>	<b>(3,157)</b>	<b>(4,378)</b>	<b>27.9%</b>

- Net sales was down 10,8% vs LY, despite price increase
- Continuity of accelerated industrial performance and cost reduction effort in line with turnaround strategy
- Q1 2019 impacted by kiln shut down and purchase of clinker
- Improvement in EBITDA , compared to LY



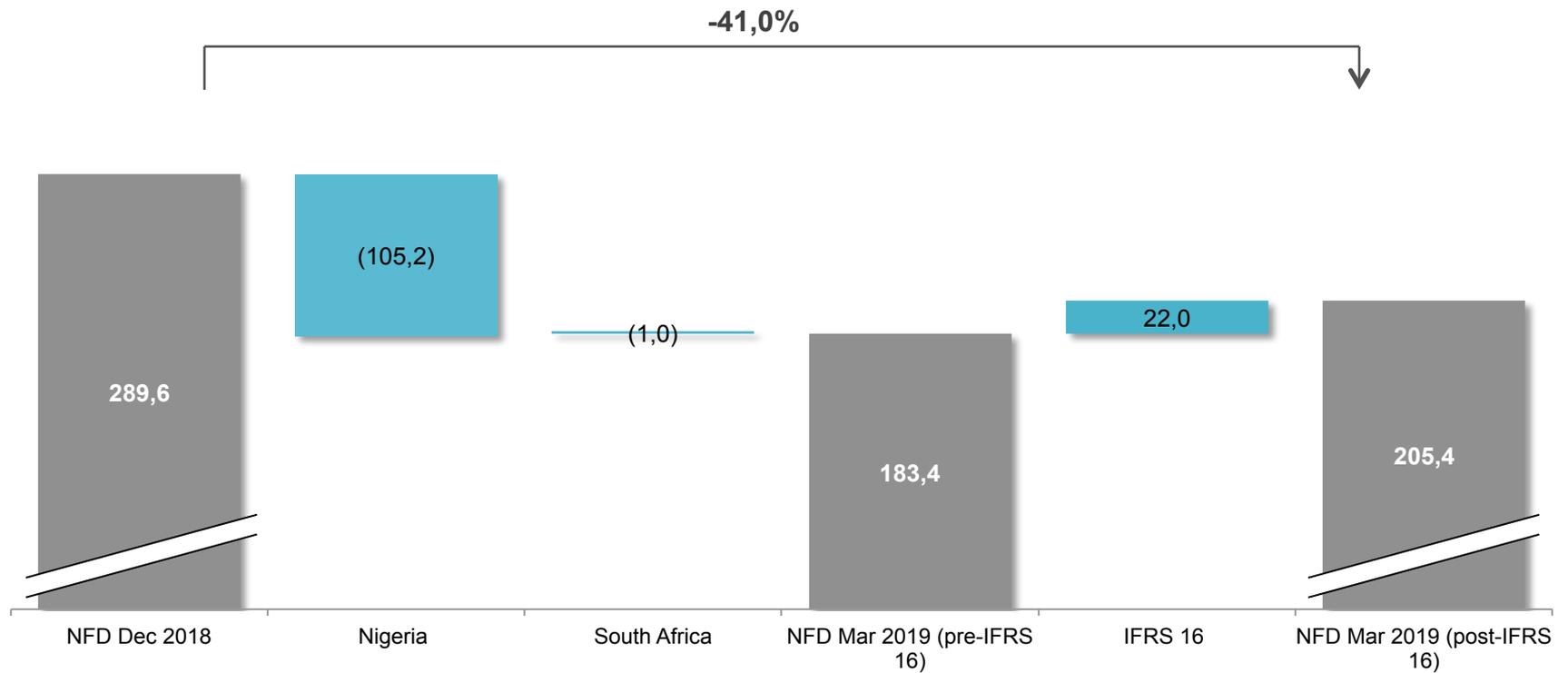
# DELEVERAGING : SUCCESSFUL RIGHTS ISSUE FOR N88,4BN

- Successful rights issue concluded on 8 March 2019
- Fully subscribed enabling the deleveraging of Lafarge Africa
- Proceed to affect favorably Q1 2019 financial charges



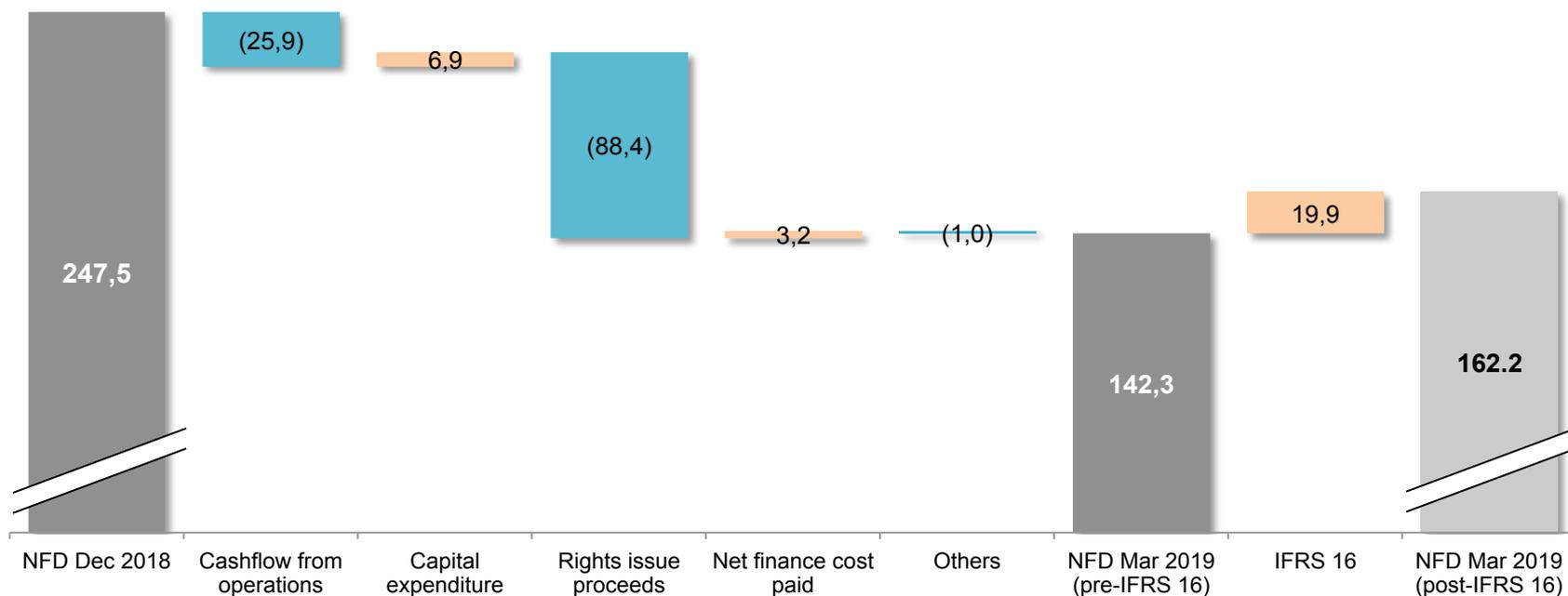
# GROUP NET FINANCIAL DEBT Q1 2019

(NGN'bn)



# NIGERIA NET FINANCIAL DEBT Q1 2019

(NGN'bn)



# OUTLOOK 2019

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## Nigeria

- Positive trend in cement growth expected in Q2
- Stable pricing environment foreseen in Q2
- Cost reduction strategy, route-to-market and energy initiatives to continue to deliver in Q2
- Significant deleverage and reduction in finance costs from Q2

# STRONG AMBITION FOR 2019

## ACCELERATION OF GROWTH AND IMPROVEMENT OF EARNINGS



### Growth initiatives

To be achieved through full deployment of route-to-market commercial strategy and product portfolio expansion



### Logistics & supply chain

Further improve service delivery to meet clients' demands and deepen penetration



### Production efficiencies

Continuous implementation of energy efficiency initiatives to drive down production costs

SAP implementation as an enabler performance efficiency



### Fixed costs reduction and tax savings

Cost optimization and pioneer tax status to lead expense savings



### Deleveraging

Restructure existing debt from rights issue proceeds and divestment from South Africa to optimize shareholders' returns



# Proposed Divestment of Lafarge South Africa Holdings (LSAH)

Bruno Bayet, CFO

# DIVESTMENT OF SOUTH AFRICA OPERATIONS

Parties to the Transaction	<ul style="list-style-type: none"> <li>➤ Lafarge Africa Plc (Seller)</li> <li>➤ Caricement BV, an affiliate of the LafargeHolcim Group (Buyer)</li> <li>➤ Lafarge South Africa Holding (Pty) (Target)</li> </ul>
Stake being sold	<ul style="list-style-type: none"> <li>➤ 100%</li> </ul>
Transaction value	<ul style="list-style-type: none"> <li>➤ US\$317 mn</li> </ul>
Use of proceeds	<ul style="list-style-type: none"> <li>➤ Set-off of 100% intercompany loan (293 mn\$) plus interest as per 31/07/2019</li> </ul>
Financial Advisers	<ul style="list-style-type: none"> <li>➤ Standard Chartered Bank</li> <li>➤ PwC</li> </ul> <div style="text-align: right;">     </div>
Legal Advisers	<ul style="list-style-type: none"> <li>➤ Aluko &amp; Oyebode</li> </ul> <div style="text-align: right;">  </div>

# BACKGROUND

## External Auditors Assessment of LSAH

KPMG Professional Services as auditors informed the management that, based upon its assessment of the 2018 performance of LSAH, the valuation of LSAH in the accounts of the Company would have to be impaired to a tune of ₹ 70 billion.

## Action taken by the Board Of Directors

- The Board sought optimal resolution of this significant issue
- Considered various options including an immediate exit
- The Board then arrived at the conclusion that the disposal of LSAH was the best option for limiting any further downside
- The Board reached the conclusion that a buy-back by LafargeHolcim (LH) was the most appropriate means of deriving the best value from the proposed sale in the interest of all stakeholders and most especially the minority shareholders.
- Understanding the implication of the potential impairment on the Company, LH acted timeously by agreeing to enter into negotiations with the Company with respect to the potential sale.

# PROCESS AND VALUATION

## Action taken by the Board Of Directors

- › Constitution of the Independent Committee
  - Recusal of LH Group Directors
  - Appointment of Transaction Advisers
  - Valuation of LSAH by the Financial Adviser
- › Negotiation on terms of the transaction done by the Independent committee and representatives of the LH Group
- › Fairness opinion by PwC
- › Independent Committee's recommendation to the Board for approval
- › NSE Clearance of Explanatory Note and "No Objection" of the Securities & Exchange Commission

## Valuation Summary

- › Valuation range
  - Equity value range of US\$50 million – US\$117 million
  - SCB estimated current market value at US\$50 million or less (bottom end of EV/2020 EBITDA range, plus estimated value of tax losses)
- › Market Value could increase to US\$100 million – US\$140 million, if LSAH demonstrates progress towards its 2021 financial projections
- › LSAH's carrying value on the books of Lafarge Africa is a historical cost of N118.10 billion (c.US\$328.05 million)

# BENEFITS OF THE PROPOSED TRANSACTION

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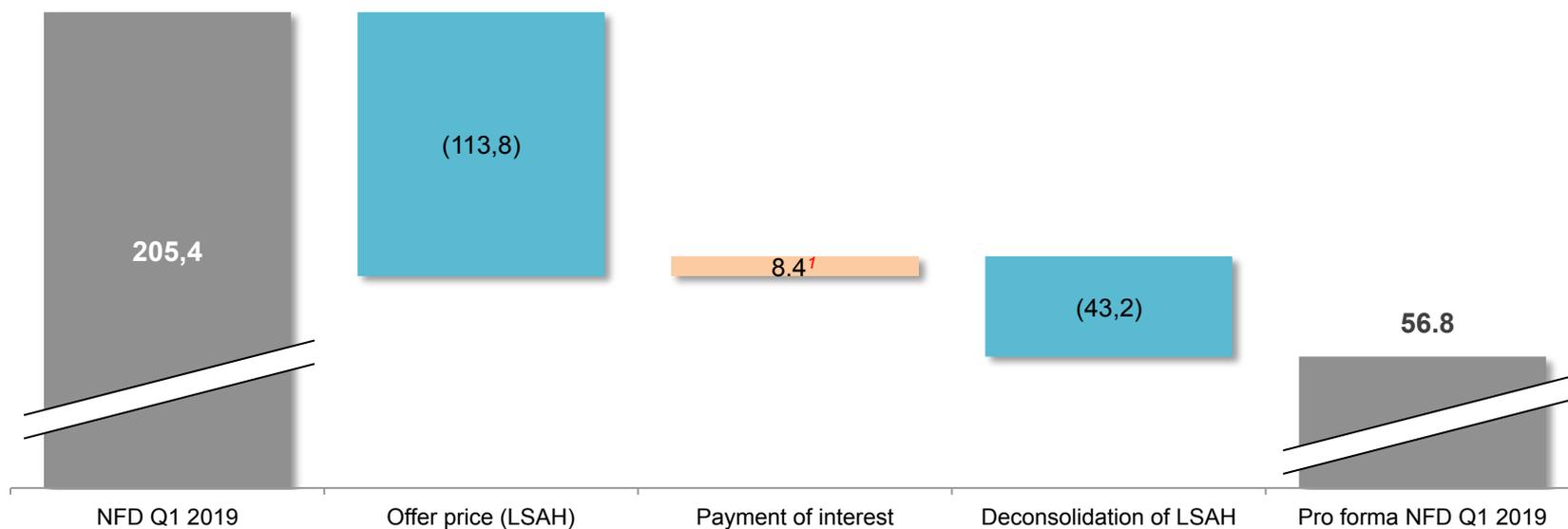
## Transaction objective

- The Proposed Sale is expected to enhance the value of shareholders' investments in Lafarge Africa. The proceed of the Proposed Sale (US\$317m) will be used to completely extinguished Lafarge Africa's shareholder loan of US\$293 million and accumulated interests as at July 31, 2019.

## Benefits of the transaction

- Boost Lafarge Africa's cash-flow and net income, given the reduction in debt service outflows;
- Eliminate fully all foreign currency denominated debt and cut annual interest expense by c.N9.9 billion on account of the full repayment of the foreign currency shareholder loan;
- Enable Lafarge Africa to reinvest in (and expand) operations in existing plants;
- Enable the management of Lafarge Africa to devote attention to its Nigerian plants;
- Strengthen Lafarge Africa's Balance Sheet

# PRO FORMA IMPACT ON THE NET FINANCIAL DEBT



<sup>1</sup>Interest paid on shareholders' loan. Agreement signed on 26 September 2018 included the provision of a 2-year moratorium on the payment of the interest



# Appendix

# FY 2018 CONDENSED STATEMENT OF FINANCIAL POSITION

	31/12/2018	31/12/2017		31/12/2018	31/12/2017
<b>ASSETS</b>			<b>LIABILITIES</b>		
Property, plant and equipment	394,488,765	393,651,934	Borrowings	172,373,209	78,278,215
Intangible assets	6,194,518	2,634,326	Deferred tax liabilities	10,200,112	1,463,106
Other assets	16,837,851	20,803,114	Provisions	3,645,751	3,472,388
Other financial assets	1,135,057	1,582,622	Deferred revenue	2,597,602	1,518,467
Deferred tax asset	28,720,032	17,514,432	Employee benefits obligation	4,729,183	4,916,931
<b>NON-CURRENT ASSETS</b>	<b>447,376,223</b>	<b>436,186,427</b>	<b>NON-CURRENT LIABILITIES</b>	<b>193,545,857</b>	<b>89,649,107</b>
Inventories	47,156,521	58,266,466	Trade & other payables	80,537,817	113,000,180
Trade & other receivables	21,163,993	25,110,116	Borrowings	93,833,850	187,831,583
Other assets	10,594,409	15,162,092	Provisions	1,281,247	1,166,217
Other financial assets	1,140,956	592,539	Deferred revenue	315,452	110,732
Current tax asset	658,291	917,797	Current tax payable	1,156,231	3,251,525
Derivative assets	95,573	640,091	Derivative liability	244,176	4,212,406
Cash and cash equivalents	12,550,697	50,414,757	Bank overdraft	35,280,945	31,081,780
<b>CURRENT ASSETS</b>	<b>93,360,440</b>	<b>151,103,857</b>	<b>CURRENT LIABILITIES</b>	<b>212,649,718</b>	<b>340,654,422</b>
<b>TOTAL ASSETS</b>	<b>540,736,663</b>	<b>587,290,284</b>	<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<b>540,736,663</b>	<b>587,290,284</b>

# Q1 2019 CONDENSED STATEMENT OF FINANCIAL POSITION

	31/3/2019	31/3/2018		31/3/2019	31/3/2018
<b>ASSETS</b>			<b>LIABILITIES</b>		
Property, plant and equipment	419,603,074	394,488,764	Borrowings	190,745,218	172,707,588
Intangible assets	6,061,431	6,194,518	Deferred tax liabilities	10,040,362	10,200,112
Other assets	15,050,728	16,671,760	Provisions	2,720,365	3,645,751
Other financial assets	1,327,655	1,301,148	Deferred revenue	2,517,079	2,597,602
Deferred tax asset	32,065,541	28,720,032	Employee benefits obligation	4,840,192	4,394,804
<b>NON-CURRENT ASSETS</b>	<b>474,108,430</b>	<b>447,376,222</b>	<b>NON-CURRENT LIABILITIES</b>	<b>210,863,216</b>	<b>193,545,857</b>
Inventories	43,330,783	47,156,521	Trade & other payables	93,489,374	80,537,818
Trade & other receivables	21,397,926	21,163,993	Borrowings	41,199,276	93,833,850
Other assets	9,221,389	10,594,409	Provisions	1,291,038	1,281,247
Other financial assets	819,109	1,140,956	Deferred revenue	555,925	315,452
Current tax asset	466,439	658,291	Current tax payable	1,770,034	1,156,231
Derivative assets	95,574	95,574	Derivative liability	1,748,176	244,176
Cash and cash equivalents	47,758,296	12,550,697	Bank overdraft	21,242,000	35,280,945
<b>CURRENT ASSETS</b>	<b>123,089,516</b>	<b>93,360,441</b>	<b>CURRENT LIABILITIES</b>	<b>161,295,823</b>	<b>212,649,719</b>
<b>TOTAL ASSETS</b>	<b>597,197,946</b>	<b>540,736,663</b>	<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<b>597,197,946</b>	<b>540,736,663</b>

# Disclaimer

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