

June 19, 2019

## Strong profitability improvement in Q1 2019

- Operating profit up 35% with profitability improved in all business segments
- Net income positive in Q1
- Significant reduction in net debt
- Successful rights issue fully subscribed in Q1 2019 for N88,4bn
- Divestment of South Africa operations signed on May 31<sup>st</sup>, for a cash consideration of N114,1bn

### PERFORMANCE OVERVIEW

#### Group Quarter 1 2019

(in million NGN)	Q1 2019	Q1 2018	Var. (±%)
Net sales	78,512	80,643	-2.6%
Recurring EBITDA (pre-IFRS 16)	15,113	14,161	6,7%
Recurring EBITDA (post-IFRS 16)	18,686	-	
Operating profit/loss	8,425	6,256	35.0%
Net income	3,145	(2,002)	

Michel Puchercos, CEO of Lafarge Africa: “Our Strategy 2022 ‘Building for Growth’ in Nigeria is delivering the expected results with strong increase in operating EBITDA and profit. Our momentum is very positive and is expected to be sustained in 2019.”

“South Africa continued the turnaround plan with significant improvement in Q1 2019 compared to prior year.”

“Our strategic decision to divest South Africa with a sale to another affiliate of the LafargeHolcim Group, will strengthen our balance sheet.”

“The Rights Issue together with the divestment of our South African Operations will deleverage Lafarge Africa by c.N246bn, enabling to fully repay USD Shareholder Loan and short-term naira overdraft.”

“This will support Lafarge Africa’s ambition to accelerate the execution of its Strategy 2022 and to fully focus on the development of the Nigerian market.”



## **BENEFITS OF THE TRANSACTION**

On May 31<sup>st</sup>, Lafarge Africa has signed an agreement with Caricement B.V. an affiliate of the LafargeHolcim Group, for the divestment of its entire 100 percent shareholding in Lafarge South Africa Holdings (Pty) Ltd for a consideration of US\$317m. Closing of the Proposed Sale is expected in Q3 2019 and is subject to customary and regulatory approvals as well as the approval of Lafarge Africa's shareholders' meeting.

The Proposed Sale is expected to enhance the value of shareholders' investments in Lafarge Africa. The proceeds of the Proposed Sale (US\$317m) will be used to completely extinguish Lafarge Africa's shareholder loan of US\$293 million as at July 31, 2019, and related interest due. This full repayment of the shareholder loan will protect and preserve Lafarge Africa's net Income and cash flows.

The improvement in cash-flow and net income, resulting from the reduction in debt service outflows, will enable Lafarge Africa to consider additional investments in cement production capacity and to improve its market share in Nigeria. The Proposed Sale is expected to boost the Lafarge Africa's profitability, through positive cash flow generation.

In summary, the conclusion of the Proposal Sale is expected to:

- a. boost Lafarge Africa's cash-flow and net income, given the reduction in debt service outflows;
- b. 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;
- c. enable Lafarge Africa to reinvest in (and expand) operations in existing plants;
- d. enable the management of Lafarge Africa to devote attention to its Nigerian operations;
- e. strengthen Lafarge Africa's Balance Sheet.

Subsequent to the closing of the Proposed Sale, the only remaining debt on the books of Lafarge Africa will be the 2nd Tranche of the Corporate Bond (N33.8 billion) with maturity in June 2021, and the CBN Power Intervention funds through Bank of Industry (N19.9 billion).

## **GOOD PROGRESS ON STRATEGY 2022 – “BUILDING FOR GROWTH”**

Lafarge Africa continue to execute Strategy 2022 – “Building for Growth” at full speed in Q1 with strong progress made in all four drivers of the strategy, delivering results as planned.

**Growth** – Switching gears to growth is the most fundamental principle of Strategy 2022. Nigeria is strongly contributing to this growth and acceleration of our improvement is expected in 2019 with new products, increased capacity, and our new Route-to-Market strategy.

**Simplification & Performance** – Visible progress was made towards ensuring best-in-class performance by improving and unifying our business processes and logistics across the country. This has made our business simpler



and gives us access to data that will help improve our speed to market in 2019 and beyond. Our successful Go-live on SAP will be a strong enabler to our 2019 performance.

**Financial Strength** – The recent Rights Issue (100% subscribed) and the Sale of South Africa operations will deleverage Lafarge Africa Plc by c.N246bn. This will strengthen Lafarge Africa's balance sheet while significantly reducing financing costs.

**Vision & People** – Our leadership team is fully established and empowered to deliver results. A simplified performance management system and incentive system is being implemented. We are building local capabilities for improved efficiency and performance in 2019.

### **OUTLOOK**

- Market demand is expected to remain strong in Q2
- Implementation of our new strategy 2022 is expected to further improve operational and financial performance



## **REGIONAL PERFORMANCE**

### **Nigeria**

Q1 2019 continued to show positive trends with the market up +6%. Despite a strong increase in January, market growth was affected by the delays in the context of February's general elections.

Lafarge Africa's Cement volumes were up +5% in Q1, impacted during the first week of January by our SAP Go-Live and in February by limited dispatch capacity. March sales were the highest of the last 3 years.

Net Sales of Nigeria operations grew in Q1 by 0.6% compared to last year, affected by price erosion following capacity increase from competition. Price increased announced after quarter ended.

Recurring EBITDA reached N20,6bn (post IFRS 16) supported by our new Route-to-Market strategy, our Energy and Alternative Fuel strategy and Performance Improvement plans on Logistics and Industrial. Our strict cost discipline on all Support functions delivering approx. N0,7bn savings.

### **South Africa**

In Q1 2019, our cement volumes were flat in a depressed South African Cement Market, thanks to the execution of our commercial strategy. However, our Aggregate and RMX volumes were still down in Q1 due to delay in infrastructure spending. Cement Prices in ZAR were increased in February and March, but overall Q1 prices were affected by FX translation. Net Sales for the Q1 2019 dropped to N20,5bn, down 10.8%.

Cement Performance continued to show improvement, despite kiln shutdown. The Aggregate delivered positive EBITDA while the RMX activities significantly improved during the quarter. Overall, Recurring EBITDA (post IFRS 16) for South Africa operations improved by 57% compared to last year, and closed at N-1,6bn.

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### ***About Lafarge Africa Plc***

Lafarge Africa Plc, a leading Sub-Saharan Africa building materials company is a subsidiary of LafargeHolcim, a world leader in building materials. Listed on the Nigerian Stock Exchange with a presence in Africa's two largest economies, Nigeria and South Africa, Lafarge Africa is actively participating in the urbanization and economic growth of Africa.

Combining its operations in Nigeria - Ewekoro and Sagamu plants in Ogun State, Ashakacem in Gombe State, Mfamosing in Cross Rivers State, Atlas cement in Rivers State and Ready-Mix Nigeria with its varied operations in South Africa, Lafarge Africa has a current installed cement capacity of 14.8Mtpa. This is in addition to strong market-leading positions in Aggregates, Ready-mix concrete and Fly Ash.

Lafarge Africa leverages on its innovative expertise to provide value-added products and services solutions in the building and construction industry in Sub-Saharan Africa. Additional information is available on the web site at [www.lafarge.com.ng](http://www.lafarge.com.ng)

### ***About LafargeHolcim***

LafargeHolcim is the global leader in building materials and solutions. We are active in four business segments: Cement, Aggregates, Ready-Mix Concrete and Solutions & Products.

With leading positions in all regions of the world and a balanced portfolio between developing and mature markets, LafargeHolcim offers a broad range of high-quality building materials and solutions. LafargeHolcim experts solve the challenges that customers face around the world, whether they are building individual homes or major infrastructure projects. Demand for LafargeHolcim materials and solutions is driven by global population growth, urbanization, improved living standards and sustainable construction. Around 75,000 people work for the company in around 80 countries.

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## **CONTACT**

**Folashade Ambrose-Medebem**

[folashade.ambrose-medebem@lafargeholcim.com](mailto:folashade.ambrose-medebem@lafargeholcim.com)