



BUA CEMENT 9M 2024 RESULT: REVENUE HITS 73.71% AS INVENTORY TURNOVER DECLINES.



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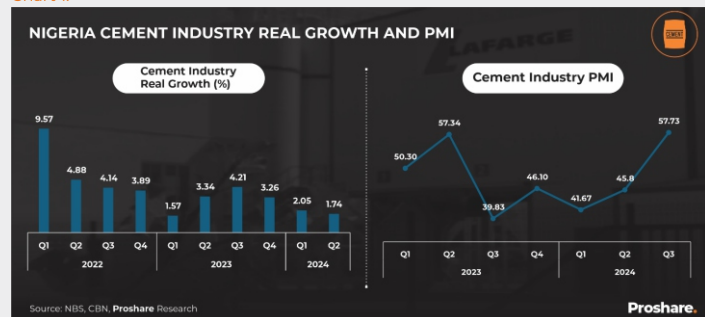


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The Nigerian cement industry is poised for growth, with analysts anticipating an annual expansion of 3.2% by the end of 2024. These projections follow increased growth in the “*infrastructural development sector activities*” as a significant cement industry player reported in Nigeria.

The **National Bureau of Statistics (NBS)** sectoral growth data reveals that the cement industry's real growth stood at 3.10% at the end of 2023. However, as macroeconomic headwinds persisted through 9M 2024, manufacturing sector activities were observed to have weakened, as observed by the below 50 points cement industry PMI in the first two quarters of 2024, shrinking the industry's growth to 1.89% in H1 2024 from 2.46% in H1 2023 (see *Chart 1*).

Chart 1:



Source: NBS, CBN, Proshare Research

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BUA Cement, with a strong focus on growth and capacity expansion, commissioned a new 3mn metric tons per annum plant in Sokoto during the 9M 2024 period. Additionally, the cement producer increased investments in vertical integration activities and adopted cleaner technologies in its carbon reduction drive to enhance operational efficiency and sustainable production practices. The cement company's Greenhouse Gas Emission stood at 650kg CO₂/ton cement produced in 2023 from 644kg CO₂/ton cement Produced in 2022. Analysts observe that the extent of reduction in the Nigerian cement industry's carbon footprint reduction by carbon reduction strategies of Nigerian cement-producing firms from current levels remains undisclosed.

BUA Cement reported a revenue of N583.41bn, reflecting a **+73.71%** year-on-year increase. A significant risk to the cement maker's performance in the 9M period was impacted by elevated macroeconomic risks driving the cost of sales per ton. Notably, inflation persisted, increasing operating costs, interest rates reached 27.25% at the end of 9M 2024 from 18.75% at the beginning of 2024, impacting interest expense and depreciated exchange rate conditions, which the company reported in 2023 as a major concern feeding into the company's energy cost per ton, increased, reaching a total of N196.65bn in 9M 2024 from N82.34bn in 9M 2023, a rise by **+138.83%**. (see Table 1).

Table 1:

KEY HIGHLIGHTS	9M 2024(N'BN)	9M 2023 (N'BN)	Change (%)
Revenue	583.41	335.86	73.7 ↑
Cost of Sales	402.59	186.44	115.94 ↑
Operating Expenses	43.2	30.86	40.00 ↑
Operating Profit	137.83	199.68	-30.97 ↓
Foreign Exchange Loss	57.44	26.93	133.25 ↑
Profit Before Tax	61.75	85.75	-27.99 ↓
Earning per share	N145k	N225k	-35.56 ↓
Retained Earnings	150.76	176.13	-14.40 ↓
Cash and Cash Equivalents	158.37	185.19	16.94 ↑
Total Assets	1,016.90	1,563.65	53.77 ↑
Total Borrowings	609.18	258.26	135.88 ↑

Source: Company's Financials, Proshare Research

BUA Cement's 9M 2024 financial performance provides investors, analysts, and stakeholders vital financial insights. It offers a comprehensive overview of one of Nigeria's leading cement companies and its economic performance (see Illustration 1).

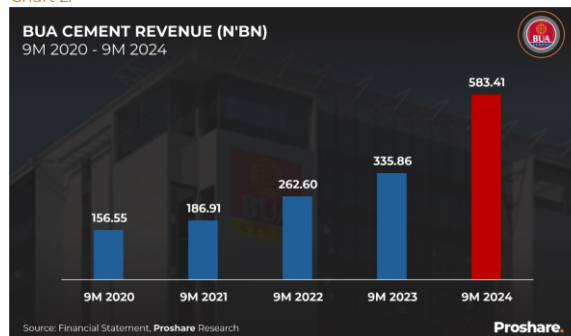
Illustration 1:



Revenue

BUA cement revenue increased by **+73.71%** in 9M 2024 to N583.41 from N335.86bn in 9M 2023, representing the highest revenue growth recorded in the past 5 years following improved cement sales (see Chart 2)

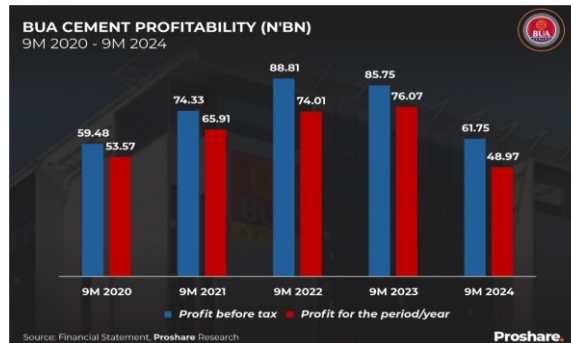
Chart 2:



Profitability

The company's pretax and post-tax profit declined by **-27.99%** and **-35.63%**, as cost pressures dipped into robust topline gains. Cost of materials (**+125.45%**), energy cost (**+138.83%**), net interest expense (**+148.20%**), and FX loss posed as major cost drivers in the 9M 2024 period (see Chart 3).

Chart 3:



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Financial Position

BUA Cement's total assets rose by **+53.77%** to 1563.65bn in 9M 2024 from N1016.90bn in 9M 2023, buoyed by Inventories, Prepayment, and other receivables, and Property, Plant, and Equipment, which grew by **+96.95%**, **+75.62%**, and **+55.69%**, respectively. Work in progress, raw materials and higher finished goods in hand saw inventories increase by **+96.96%** (see Table 2).

Table 2:

FINANCIAL POSITION (N'BN)			
	9M 2023	9M 2024	Change
Total Assets	1,016.90	1,563.65	53.77%
Total Liabilities	624.55	1,197.18	91.69%
Total Borrowings	258.26	609.18	135.88%
Trade and other receivables	0.15	0.16	6.67%
Inventories	75.30	148.31	96.96%
Cash and cash equivalents	158.37	185.19	16.94%
Trade and other payables	79.79	292.06	266.04%
Shareholders equity	392.35	366.47	-6.60%
Retained Earnings	176.13	150.76	-14.40%

Source: Financial Statement, Proshare Research

Table 4:

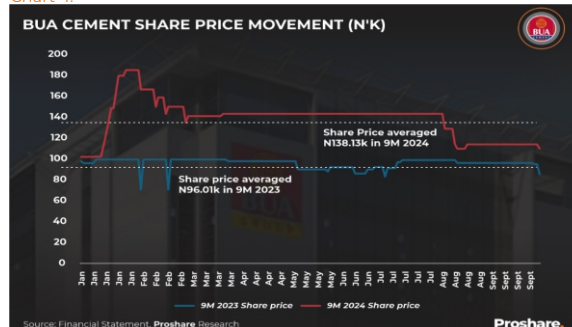
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BUA Cement Plc's Share Price Performance

BUA Cement's share price averaged N137.94 in 9M 2024. The company share price, which averaged N133.94 in January 2024, rallied to N185.00 in February 2024. However, BUA's Cement share price remained stable for 6 months, from March to August 2024, at N143.20 oscillating below the average share price in September 2024 (see Chart 4).

Chart 4:



Cash Flow

BUA Cement Plc generated N167.63bn net cash in 9M 2024 from its core activities, up by 21.77% from N137.66bn in 9M 2023. The cement producers' investment in plants and equipment purchase reached -N204.07bn in 9M 2024 from N110.91bn in 9M 2023, driving investment activities (see Table 3).

Table 3:

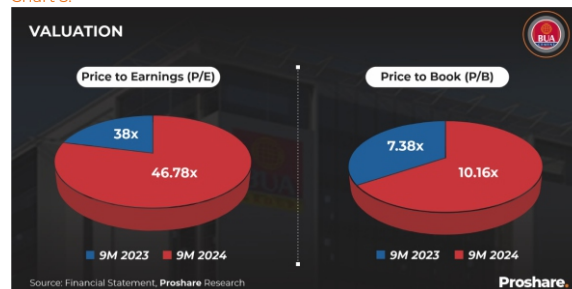
CASH FLOW (N'BN)			
	9M 2023	9M 2024	Change
Cash From Operating Activities	137.66	167.63	21.77%
Cash From Investing Activities	44.47	-219.76	-594.18%
Cash From Financing Activities	17.14	-89.34	-621.24%
Cash and Cash Equivalent	158.37	185.19	16.94%

Source: Financial Statement, Proshare Research

Valuation

The company's price-to-earnings (P/E) ratio increased to 75.86x in 9M 2024, compared to 38x in 9M 2023. Similarly, BUA Cement's price-to-book (P/B) ratio rose from 7.38x in 9M 2023 to 10.16x in 9M 2024 (see Chart 5).

Chart 5:



Competitors Analysis:

Nigerian Cement industry peers tacked their sails through challenging macroeconomic conditions that persisted in 9M 2024. The cement industry players, adopting varying operational models to manage escalated cost and liquidity constraints presented by currency risks, inflationary pressures, and high interest rates, ensured profitability sustenance and value delivery to shareholders. Lafarge Africa, closely followed by Dangote Cement, returned the most robust return to shareholders in 9M (see Chart 6).

Chart 6:

COMPETITORS ANALYSIS IN 9M 2024				
	DANGOTE CEMENT	BUA	LAFARGE AFRICA	Industry Average
PBT (N'bn)	406.39	61.75	94.33	187.49
Total Assets (N'bn)	5,536.04	1,564	810.24	2,636.64
ROA	5.04%	3.13%	7.41%	5.20%
ROE	12.19%	13.36%	12.93%	12.83%
EPS	16.55	1.45	3.73	7.24
P/E	32.15x	75.86x	9.92x	39.31x
Inventory Turnover	2.38	3.60	3.12	3.03
Liquidity Ratio	0.73	0.81	1.27	0.94
Market Cap (N'bn)	8912.10	3725.08	595.99	4,411.06
Production Volume ('000 tonnes)	20,261.00	-	-	-

Source: Financial Statement, Proshare Research

Closing Thought:

Cement Industry Outlook for Q4 2024.

Despite increasing risks driving cost concerns, cement manufacturers in Nigeria reported increased revenues and improved net profit margins at the end of 9M 2024. Proshare Analysts anticipate a promising outlook for cement industry players, as seen in the resurging momentum of the cement industry activities/PMI in Q3 2024 (see Chart 1 for cement Industry recovering PMI).

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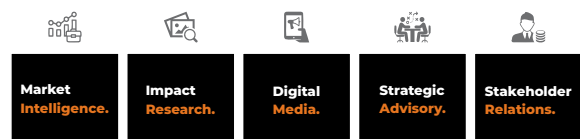
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