Conference Call transcript

08 April 2021

BUA CEMENT FY 2020 RESULTS

Operator
Good day ladies and gentlemen and welcome to the BUA Cement FY 2020 Results. All participants will be in listen-only mode. There will be an opportunity to ask questions later during the event. If you should need assistance during the call, please speak to an operator by pressing star then zero. Please note that this call is being recorded. I will now like to hand the conference over to Yusuf Binji. Please go ahead sir.

Yusuf Binji.
Good day to everyone from wherever you are joining us from. We are delighted to have you join us on this call and I hope you are all keeping safe still. My name is Yusuf Binji, the Managing Director/CEO and presenting with me today are Mr. Finn Arnoldsen, Group Chief Operating Officer for BUA Cement and Mr. Jacques Piekarski, the Chief Financial Officer. Jacques joined BUA Cement in October 2020 and we are delighted to have him join the team. In the next few minutes I will go through our operational, financial and strategic activities, open with our sustainability footprint during the year. On this note, may I kindly ask you to turn with me to Slide 1 of the presentation that has already been shared? May we have Slide 1 on the screen Mr. Aradibu [? 00:01:29]?

So I will move on to Slide 6 which gives an overview of the company. BUA Cement is the second largest cement producer in the North-West, South-South and the South East regions of Nigeria though we will become the second largest producer of cement in Nigeria this year. Currently we operate across two states, with three modern lines and continue attain a capacity utilisation rate of 60%. In 2020 we sold 5.1 million metric tonnes of cement which translated to ₦209.4 billion in revenues. We are guided by sustainability principles which prioritises the impact our activities have upon the environment and communities.

In 2019 the merger between CCNN Plc and Obu Cement Company Limited emerged as best M&A Deal in Africa owing to the explicit value to be unlocked with which everyone can attest to. Today we are being assigned investment great ratings by famous rating agencies, Agusto & Co and GCR, citing our solid financial position evidenced by our profitability, experienced management team, cash flow, etc. The next slide provides key timelines to our journey which in 2020 culminated in the listing of BUA Cement on the floor of the Nigeria Stock Exchange and our emergence, at the time, as the third most capitalised company on the exchange. Today we are the fourth largest most capitalised company on the exchange. Our inclusion in the MSCI frontier index and the issuance of the largest corporate bond in the history of Nigerian debt capital market.

The next slide on page eight highlights the strategic position of our plants across Nigeria which affords us the ability to respond to market demands. To make inroads into new markets including the focus on growing in our export market particularly with the commencement of the African Continental Free Trade Agreement. Turning to the financial highlight section on Slide 10. Our performance in 2020 was guided by the good fit between the needs of current and intended customers and our product offerings. The activation of our Business Continuity Plan which not only ensured we remain insulated against production or supply chain shorts but also effectively ensured our customers did not have occasions of stock out.

EBITDA increased by 18% to ₦96.8 billion from ₦82 billion in 2019 resulting in still a resilient EBITDA margin even though it declined by 50 business points to 46.2% in 2020. Profit before tax and profit after tax were up 19.1% and 19.4% respectively to ₦78.9 billion and ₦72.3 billion respectively. Return on equity rose by 1.5%

points to 19.6% lending [unclear] to sustain growth of the business and most importantly the value created by our business model. Earnings by share were up 19.6% to ₦2.14 from ₦1.79 in 2019. We expect further stellar performances in 2021.

Despite the effect of the coronavirus pandemic on economic activity we remain on course to commission our 3 million ton per annum plant Sokoto State which will bring our overall output stick to 11 million tonnes per annum in 2021 thereby making us the second largest cement producer in Nigeria. And 20 million tonnes per annum with the additional lines plan at Adamawa, Edo and Sokoto States. Sustainability remains crucial to how we operate as a model corporate citizen and we are proud to showcase some of the activities embarked upon and attained in 2020.

Slide 11 provides the proper context the challenging environment which we operated in. I believe this gives greater appreciation of our business model in these challenging times. Oil price declined 21.5% to $51.8 a barrel as at December 2020 compared to $66 a barrel as at December 2019, having dropped as low as $19 a barrel in April 2020, one year ago. GDP contracted by 1.92% in 2020 while the naira depreciated by 12.6% to ₦410.2/$ as at December 2020, having opened the year at ₦364.51/$. On the sectoral front real estate activities picked up in the fourth quarter of 2020 owing to the flight to alternative investment asset classes and the low-yield environment in the money market. Though the year's assessment in the [unclear] sector remained fragile. Construction activities were largely impacted during the second quarter of 2020 when the lockdown commenced which pulled the year's assessment into negative territory.

If you will kindly turn with me to Slide 12. Now, Slide 12 shows our performance which was built on readiness. The revenue per ton was up 5.3% to ₦41,066 per ton from ₦38,995 per ton in 2019 due to lifting bonus adjustment during the year. This resulted in an 18% growth in EBITDA which rose to ₦96.8 billion from increased sales activities. However, the EBITDA margin declines slightly by 0.5% to 46.2% led by the devaluation of the naira and increased energy costs. Nevertheless, we are upbeat about our ability to improve margins particularly with the commissioning of the line-3 at Sokoto.

Turning to Slide 13 which showcase EBITDA drivers led by increased sales activity, sales volume. Selling, distribution and administrative costs was flat during the period by 0.26% to ₦14.8 billion. The marginal increase was attributed to distribution and selling expenses. Depreciation and amortization charges were up 5.6% to ₦15.5 billion resulting from asset purchases namely plant and machinery and buildings. Cost containment in an environment of rising inflation is important in delivering value to our shareholders without compromising on the [unclear] product quality to customers.

If we turn to Slide 14 we show that on the whole our production cost per ton remained well below inflation rate which in 2020 aggregate 15.8% year-on-year. Cost of sales per ton rose 8.1% to ₦22,345 per ton from ₦20,679 per ton as at 2019 which was largely driven by the devaluation of the naira. The devaluation of the naira alongside changes to our energy mix impacted our energy cost per ton during the period. This led to a 4.7% rise to ₦8,441 per ton from ₦8,063 per ton as at 2019. Our distribution strategy continues to yield the targeted traction as we covered new locations during the year. Alongside we successfully harmonised some of our offices for greater efficiency and effectiveness. Distribution and selling cost per ton declined 0.27% to ₦954 per ton from ₦957 per ton as at 2019.

Turning to Slide 16, we highlight our strategic intents for 2021. Though some of the intents remain unchanged, we have added new pursuits. [Break in audio] activities at Adamawa, Edo and Sokoto States for the additional lines and sustaining innovation in the area of customer experience and rebranding. We believe the pursuit of such strategic intents will unleash added value to all stakeholders particularly our esteemed shareholders. On Slide 17 we provide an update on our current expansion plans in Adamawa, Edo and Sokoto States. The total cost for these projects is estimated to be around $1.1 billion and which will be funded via internal and external funding sources. With this we expect in the near future to commence the process for the issuance of our Series II Bond from the earlier ₦200 billion program.

Slide 18 highlights the duration of these projects alongside the total expected capacities at these locations. Consequently, we expect all projects to be completed within 30 months thus bringing our total install capacity to 20 million metric tonnes per annum. Turning to Slide 19, we attempt to answer some of the questions which some of you might have bordering on why the added capacities. Well, we expect the housing and infrastructural deficit in Nigeria and indeed across Africa to remain high with urbanization rate at 47.7% from 44.5% as at mid-year 2018 and Africa's annual infrastructural deficit estimated at approximately $60 billion to $90 billion. We also expect an increase in social investment, ranging from education, healthcare, etc. as governments aim to strengthen existing facilities and lift millions out of poverty through a more educated population.

As you are aware, integrated cement plants are limited across Africa owing to limited deposit of limestone reserves. With Nigeria well-endowed in limestone reserve we believe our strategic positioning, market offerings and customer support give us a good footing in Nigeria and across the broader market. Slide 21 provides an update on sustainability and our targets for 2021 while also showcasing the community development at Sadom Garin Gidam Bailu. Where we have constructed an entirely new settlement with access to clean water and electricity, school with administrative blocks and a hospital. Furthermore, we donated patrol vehicles to host communities at Okpella in our bid to strengthen existing security architecture. Along with the donation and installation of 6 units of 500KVA transformers to boost access to electricity availability and also the donation of 6 solar powered boreholes to the community members at Okpella. Further projects like scholarships, skills acquisition, road construction under the community development agreement are about to kick off.

Slide 22 showcases some of the CSR activities in the wake of the COVID-19 outbreak. Through the BUA Foundation we were involved in the construction of a 200-bed specialist care centre in Kano state. We provided Suko [?] with daily feeding of [unclear] meals during the lockdown. The supply of over 65 ambulances and patrol vehicles to all state governments across the federation, the provision of nose [?] masks, monetary donation, etc. Indeed, it has been a heart-warming experience. The impact of our footprint across communities who had to live through the lockdown. I will now ask that the lines be unmuted so we can answer your questions. May I kindly remind the moderator not to leave out those joining us via the webcast? Thank you very much for listening.

Operator
Thank you. Thanks ladies and gentlemen. If you would like to ask a question you are welcome to press star and then one on your touch-tone phone or on the keypad on your screen. If you are connected on the webcast you may use the text box at the [break in audio] to submit your question. We will take questions from the conference call first. We have a question from Ayodeji Dawodu of Standard Bank Group.

Ayodeji Dawodu
Good afternoon. Thank you for the call and congratulations on the numbers. Just a few questions form my side. I noticed raw materials and consumables per ton in full year 2020 increased considerably, could you elaborate on the driver of this please? Also on energy mix you highlighted during the presentation there was a shift or change in energy mix. Could you elaborate on this, as well as when you expect to see increase use of LNG in the Sokoto plants? Also on LNG could we have some guidance on the relative costs of LNG to gas, local coal and imported coal as well please? In terms of the funding for the capacity expansion, the 9 million metric tonnes, is there a funding split that's been finalised yet or a rough idea? And would the bond issuance be sometime this year or maybe next year? And finally, on tax, have there been any updates on the Obu Line 2 tax pioneer status application? That's all from me. Thank you.

Yusuf Binji

Thank you very much Ayodeji. Your questions are noted. I will attempt to answer the first three then I will also call on Mr. Jacques Piekarski who is our CFO and is on this call to answer the funding split and the bond issuance and also the pioneer tax status. Regarding the increase in the raw material and consumable cost, this is simply due to the increase in production. If you notice, our production and sales went up from 4.5 million metric tonnes in 2019 to 5.1 million metric tonnes in 2020. So we produced more, so definitely you will see an increase in these costs.

Regarding the energy mix. I will give you a little background regarding the two plants. Generally, our energy mix centres around coal, gas, LPFO, diesel, rice husk. You have to understand that energy accounts for about 34% of the total production cost. However, we are taking steps to wean all our operations off the higher priced fuel to cleaner fuel sources like LNG, for example, in Sokoto operations. While we still continue to use [unclear] operation. The pipeline gas is utilised for powering the kiln and also the turbines for generating electricity. So what we have done, we have moved from using imported coal in 2020 to using [unclear]. And now, later on we are going to substitute that portion of the energy by LNG.

LNG is both available locally and it's also is cleaner fuel, it's also cheaper. Depending on the economics probably a cost-saving of roughly 20% should be expected. So relative cost of the LNG still local coal remains the cheapest energy source for just using solid fuel followed by LNG and then followed by imported coal. But however, I think I can be very definite on this, I can even give you a timeframe before the end of May we will stop using imported coal and will also start use of LNG. At the moment the project is being commissioned and they will transportation of LNG from Port Harcourt to Sokoto. And that will be used our furnace also to fire some of the generators that we rented from Abrigo [?] while ours are being installed and they should be ready in the fourth quarter. And that is a 50MW power plant and that will use LNG. So I hope this satisfies you. I will ask Mr. Jacques to talk about the funding split and also the pioneer status. Jacques, over to you.

Jacques Piekarski

Thank you Yusuf. Good afternoon Ayodeji. Jacques is here for BUA Cement. On the bond issue and issuance timing, as you know we have ₦85 billion left as a Series II. The timing has not been yet clearly defined, this depends of course of first the timing of the advances to be done to this prior and too on internally generated cash flows. But definitely this financing will be used in the short to medium term. On the pioneer status, we have submitted a requested for this pioneer status to the Nigerian authorities and we're awaiting an answer. So this is in progress. And it is not only on the Line-2 but is also on the other line. There was your fourth question. Sorry because you were going a little bit fast I missed it so if you may repeat it please?

Ayodeji Dawodu

Jacques, yes, asking about the funding split.

Jacques Piekarski

Okay. So this again, our goal of course is, number one, the priority is to use internally generated cash flows and then of course I mentioned the bond. Normally, this should suffice for the financing of the new lines.

Ayodeji Dawodu

Thank you.

Operator

Our next question is from Adedayo Ayeni of Renaissance Capital.

Adedayo Ayeni
Thank you very much. A few questions from my side. So the first is you don't specifically disclose the breakout of what you exported in the year. If you could share that with us, it will help. That is just on my side. So the second is, if I take you to this Slide 11 where you have the macro, the oil price and the real estate and construction. The chart that is not here is also provided by the NBS where it says cement output was up by about 3%. I'm trying to reconcile, if you don't mind, is if the industry as a whole based on the numbers you have published and do an adjustment for exports and numbers published by your peers show that at least over the last two-year period cement demand grew quite strongly in Nigeria last year, in 2020, upwards of 12%, I think. But real estate down by 9.2%, construction activities down by 7.7% and cement output itself is only up by, I think, 3%. Could you help us reconcile this because you are the producer, you're selling, you see that the activity levels are concentrated. Could you just talk slightly to probably where this discrepancy could be coming from and if there is a likelihood that there is like a disconnect between the numbers published by the producers and what has been put out by the national statistics office. That is the second.

Thirdly, on pricing, could you tell us, if you don't mind, what you're seeing in terms of the pricing trend. You have mentioned that your cost base saw a reflation given the devaluation of the currency also the same thing that has been highlighted by your peers in the market. Have you started seeing a recovery rate on the Naira business which you adjusted for the devaluation of the currency in pricing? So have you started seeing cement prices quite recover what has been lost in terms of the dollar per ton cost of cement in Nigeria. That is the third question. I think I do have a final question which I'll hold onto that for now and then maybe I can come back and ask when these are numbers are addressed. Thank you.

Yusuf Binji.
Thank you very much, Adedayo. Regarding the export figures, we exported about 123,000 tonnes in 2019 before the boarders were closed. Last year, in 2020, we got some limited permits and I think we did something like 35,000 tonnes. So roughly a third of what we did the previous years. Well, regarding your question on Slide 11 and the numbers, definitely the numbers you quoted are not there on my slide so obviously you'll like to shed more light on where you got those numbers. But what I can tell you because you asked a question regarding cement demand and the demand has actually been very, very strong during the third quarter of 2020 and it still remains strong up to now. We are very hopeful that is going to continue. Our own estimate, based on local consumption minus export, is that there was an increase in demand from 23.5 million tonnes in increase in consumption spent in Nigeria from 23.5 million tonnes in 2019 to 27 million tonnes in 2020 when you add up all the published figures by the three main manufacturers. So I believe these three companies are listed entities, their production numbers must be very reliable so I've not seen any cement projection by the Nigerian Bureau of Statistics.

Regarding the pricing, the prices are very low in Nigeria compared to other African countries. We believe these prices are going to remain stable. Currently, outside the country they are between $100 to $120 per bag, in some countries even a bit higher compared to Nigeria where prices are about $100 per bag. We do not see a downward pressure in prices because cement is cheap in Nigeria compared to other countries. The devaluation of the naira has indeed impacted on production cost and we did not institute any price increase during the year 2020, we made some adjustments in the lifting bonuses. But what I can say is that there is still a big gap between our ex-factory prices and end-user prices. And this is largely as a result of the factors of supply and demand. So I'm sure the cement prices in the market are an all-time high currently in Nigeria but definitely we believe with the ramping of capacities by the plants definitely this will exact a downward pressure on these prices. Thank you.

Finn Arnoldsen
Mr [unclear].

Male speaker
Yes, Mr Finn.

Finn Arnoldsen
Can I just add one comment to the second question here? You were talking about the macro figures and also this Slide 11. You know these two tables about the real estate and construction, this is public figures. This is nothing to do with the retail markets, with the private consumers. This is figures which have been taking out of the public notification from the government and the institutions. And as we know all these figures are also pre-commercially made so when we talk about 220 it might even be kind of a backlog from a few quarters before. But the key point here is that the drive in the market is not so much coming from the public profits anymore as before. Now, is the private consumers who are taking over up to around 70% of the consumption in this country is coming from the private users, compared to the public which was more than 50% if you just go seven, eight years back. These are the mains reason or those are the main drivers in the market for this year. Then last year [unclear] increased up to 16%, 17%. Thank you.

Operator
Thank you. Our next question is from [unclear] of Quattro Securities.

Male speaker
Good afternoon. Thank you for that real detailed and insightful presentation. Actually, majority of my questions have been answered but I have some few questions I would still like to get clarification on. So, with regards to your raw materials and consumables you mentioned that significant increase of, I think about, it's 1% year-on year roles, largely driven by increased volumes in 2020. So, aside that can you provide information on other factors that contributed to the increase? Maybe some other strategic raw materials or some other factors. My second question is, in terms of your sales volumes where are you seeing the bulk of the money coming from, so, if you decompose your sales volume into private sector and public sector demand? So, I know last year one of your major competitors mentioned that the bulk of demand came from private sectors but what has been the trend for you? Is it more of private sector or public sector demand? My third question is did you raise prices in 2020 and if you did by how much? Going into 2021 we saw pressure on EBITDA margin in 2020, so do you intend to raise prices in 2021 just to cushion the impact of the pressure on cost on your margins? Thank you.

Yusuf Binji
Thank you very much. Basically the increase in the raw material and consumable cost, like I explained earlier, came from the increased production majorly. Of course we have some things that are related to the exchange rate. Probably a purchase of equipment, payments of the outsource quarrying, which is dollar denominated. I know the dollar underwent some devaluation during last year. But this is not so significant as the increase in the volumes. Yes, regarding the consumption pattern, like you mentioned it was said by one of the competitors, but I think we were the ones that actually said it first, that the consumption was largely driven by the private sector. We saw an increasing big presence of private sector consumption especially last year and as we said earlier, probably because of the shift in alternative asset classes, with the collapse of the Money Market and the low interest for treasury bills. So, there was a lot of investment in infrastructure. In 2020 we did not increase the price of cement. We had some adjustments in the lifting bonuses which to the dealers may have meant that the price changed depending on the season. Typically how a strategy works is that during the low season you tend to give out a lot more discounts than you would normally during the peak season and then when the demand picks up you sort of withdraw some of these incentives. Just like other companies are doing promo, their own ways of giving out incentives. So, all this are adding up to our cost. When these are withdraw, yes you will see a slight increase in the net price that the customers are really paying but there has not been any increase in price as of last year. We hope to sustain the EBITDA margins subsequently without increasing any price. We are trying

to absorb all the extra costs in transportation because of fuel, distribution, logistics, the devaluation of the Naira, by investing in other forms of energy that are cheaper, like the energy that we are doing, so as to cushion the effect on Nigeria. So, we still expect the EBITDA margins to remain as they are. A lot of work we are doing from cost saving without necessarily passing on the extra cost to the consumers. Thank you very much.

Male speaker
Please, a follow-up question to where you said… So, you mentioned that there's a wide discrepancy between ex-factory price and your usual price of cement. So, what accounts for that difference? Is it the distributors who are charging a high margin based on the price to them, the price they were paying those cement from you?

Yusuf Binji
It is basically a function of supplier and demand, like as in any other market it happens in the currency market, it happens in any other market where the demand exceeds the supply, that kind of [unclear]. It might well be that this is what led out. But the prices from the manufacturers have remained consistent throughout last year. We were not unmindful of the effect of the economic recession occasion [?] by the pandemic and the hardship that Nigeria is facing through. So, we maintain our ex-factory prices and did little adjustments on some of the bonuses and transportation costs. So, I think that was entirely due to demand and supply forces. Thank you.

Male speaker
Thank you.

Operator
Thank you. Our next question is from Kayode Eseyin of CardinalStone Partners Limited. Kayode, line is live. You may go ahead with you questions.

Kayode Eseyin
Please confirm you can hear me.

Yusuf Binji
Yes, we can hear you. Go ahead.

Kayode Eseyin
Hello, can you hear me? Oh, okay. Good afternoon once again and congrats on the stellar performance. I just have a few questions, particularly as regards the whole operation, situation dynamics. So, my question is how did the evaluation affect your cost within the year? Can you provide some kind of guidance as to what affect will 10% evaluation informing [?] you have on your cost going forward and also what's this…? I think someone already handled the question. I was going to ask about [unclear] mix. If you can shed more light on the target, [unclear] mix in the future. And then what are the current capacities utilisation for each plant, that was the initial managements forecast. That's it for me, for now, I guess. Did you get that? I'm having network issues here.

Yusuf Binji
Yeah, thank you very much, Kayode. I got your three questions. I will start with the last one, the capacity utilisation. Average was 60% for all our plants. It's not the same for all the new lines. You have some doing higher, some doing lower. We are particular affected by line 1 in Sokoto which was using HFO, lower for fuel oil and this had to be imported. So, it had the greatest down time due to lack of fuel, somehow affected the capacity utilisation for the other three lines that did well above the 60%. We have answered the question on the fuel mix, and we do not intend to change. We currently have in the short-term I will… Jacque Piekarski to talk on the impact of the devaluation, how it is affecting our cost. Jacque, go ahead.

Jacque Piekarski
Yes, good afternoon. Actually we… The devaluation last year is not really affecting our bottom line. Of course we had an impact because as we mentioned some of our energy supplies are dollar denominated like one the gas and other one is the imported coal. But most of the other raw materials of course is local and the other are mostly about our capex. But these were covered properly so of course it is affecting us, but it is not to a… Let's say it's a low figure.

Kayode Eseyin
Okay, thank you. [Unclear] with the percentage or…?

Jacque Piekarski
Well, I don't have an exact figure but as I mentioned, it depends as well. Some years you may have huge imports of equipment. Some other years less. So in general really the main, let's say the recurring cost is only about this energy cost and we have, as we mentioned, we have some operations and maintenance which are dollar denominated but we are speaking about a few million dollars at the maximum.

Kayode Eseyin
Okay, thank you very much.

Jacque Piekarski
You are welcome.

Operator
Thank you. Our next question is from Anderson Edim of the VG Fund Company [?].

Anderson Edim [?]
Hello, good afternoon. Congratulations on your numbers. I have only two questions. My first question is does BUA Cement have any plan for a share buyback program at the end of this quarter? And second question is in the five-year plan because I expect cement [unclear] to increase to 20 million. Will BUA Cement have any plans to export cement to other countries, say, China in their [unclear], in their economic expansion group, are there any plans to export to countries outside of Africa? Thank you.

Yusuf Binji
Thank you very much. We do not plan any share buyback. Yes, it's true. We are increasing put capacity to 20 million tons and that should happen in 30 months, starting this year. So probably by the first quarter of 2023. So a 35 [?] year plan is usually a 31 [?] plan. So, we do not plan to export… Did you say China?

Anderson Edim [?]
Yes, I did.

Yusuf Binji
Okay, I just wanted to make sure I heard you right. So, let me put that in proper perspective. Cement is a very, very bulk product. It has a relatively low value compared to its size. When you transport a trailer of cement carrying 45 tons over 500 km, like say from Sokoto or Kaduna state or from Lagos to say Kogi state. The transportation cost is already costing nearly half the value of the cement. If you are operating in a time now and you can load the cement in bulk because sea transport is considerably cheaper than land transport. You cannot really go very far with it. So definitely we do not have plans to export to China, but we have plans to expert any surplus capacity that we have. Nigeria remains our priority. We can export to any West African country or any

neighbouring country. Probably where we export to Republic of [unclear] and Burkina Faso. This is absorbing our excess capacity but when [unclear] in Nigeria we satisfy the local market and with the African Continental Free Trade Agreement we definitely expect that there will be opportunities for reginal trade and cooperation. So, thank you very much.

Anderson Edim [?]
Thank you.

Operator
Thank you. We have a follow-up question from Ayodeji Dawodu of Standard Bank Group.

Ayodeji Dawodu
Thank you. Just, I guess, two more general questions, maybe updates. I remember from the H1 Conference Call you described your export strategy as "maybe looking to export excess production to neighbouring countries." Does that remain or has it evolved since then? A final question, just looking at the energy mix on a longer term basis, are there any plans to incorporate alternative cheaper fuels like biomass into the energy mix? Just, I guess, diversify away from FX exposed gas. Thank you.

Yusuf Binji
Okay, thank you very much. I think [unclear] Ayodeji is correct. The export is, like I mentioned in the last call, is just on our surplus capacity and when Nigeria cannot absorb our surplus capacity we sell to neighbouring countries. And we said we are going to take advantage of the Continental Free Trade Agreement and supply to neighbouring countries. Regarding alternative fuels, this is something we are constantly looking into. The coal production line in Sokoto has being using biomass, [unclear] and wood shavings to the tune of about 20% to 25% in the past. Of course alternative fuels provide a cheaper source of energy and in some cases also you are helping in cleaning up the environment of West. So, this is certainty something under consideration in the near future for our newer production lines. Thank you.

Ayodeji Dawodu
Thank you. You mentioned it was used in the past. Was it with line 2, in Sokoto?

Yusuf Binji
Line 1.

Ayodeji Dawodu
Okay, thank you.

Operator
Thank you. Our next question is from Janet Ogunkoya of Tellimer Capital.

Janet Ogunkoya
Hello. Good afternoon. Thank you for my question. I have three little questions. My first is on [unclear].

Yusuf Binji
We can't hear you. Madam please, come closer to the mic maybe.

Janet Ogunkoya
Is this better?

Yusuf Binji
Yes.

Janet Ogunkoya
Awesome, thank you. So, I said my first question would be on the Dangote court case regarding the [unclear] limestone site could you give us an update on that because Dangote has announced they're going to have their new plant, their 6 million metric ton plant, in an [unclear] site. So, could you give us an update on that particular court case? And then my other question would be, just further, a follow-up to what you mentioned about the public consumption being really lower at 30%. Do you see that changing any time soon? I know there was an announcement of the 300 000 local housing project that you, Lafarge [?] and Dangote would be suppliers for. Do you see that maybe affecting your sales? Maybe this year and next year, do you see some improvements on public consumptions soon? There are a lot of capital projects going on. And then finally regarding exports, from what you said about using your ideal capacity to meet exports but there was a feedback last year from one of your competition about how there's a lot of strong demand domestically that is not permitting exports or hindered exports in Q4. So, I understand there's quite a lot of strong demand at the moment in Nigeria. Do you see that affecting export markets, going into the next year? Because there's a lot of ideal capacity in the market, about 50% ideal capacity which should just be able to meet export and growing domestic demand. So, I was hoping to get your view on that. And then finally on pricing. There's been a lot of turmoil in markets about consumers are complaining about how the distributors are adding a lot of margin on pricing. So, I understand ex-factory price is not increasable. There's a lot of margin target in the market. Do you see this as…? Are there any measures really to address this going forward or is there really nothing that the manufactures can do about it? Thank you very much.

Yusuf Binji
Okay. Thank you very much, Ogunkoya. The Dangote BUA court case is [unclear] and we cannot publicly comment on it. Regarding the public consumption we hope that, of course, there will be an increase in public consumption but right now the consumption is mostly driven by the private sector. So, definitely the construction of mass housing and as well as other projects by the Federal Government in the health, education and infrastructure sectors will guide public consumption. I think that will be good for the country. Regarding the export of cement, what I can say is that we export the surplus that we have. The ideal capacity of 50% you mentioned we have to be a bit more careful. Is it ideal capacity that can be realised or not because from my own experience no factory operates at 100% of its physical capacity and also some of the plants are aging and there a lot of factors that do hinder the achievement of full capacity utilisation. So, it's not really that there is ideal capacity in my own view. Certainly for BUA we do not have any ideal capacity, that is why we are building up more cement plants. If we had the ideal capacity we will not invest money to build up three new cement plants. If Mr Finn is still with us I will ask him to comment on the pricing structure and the margins between… And the difference from the ex-factory and the end user prices. Mr Finn?

Finn Arnoldsen
Yes, Binji. I'm still here. Hopefully you can hear me. For the ex-factory prices of course then the market is, let's just call it accelerating as it has been doing during the last part of last year, during Q4 and also what we see today. It's all about how each player are able to cover their market areas. Of course we are realising that in certain areas that the market demand is bigger than others. So, we can see that in part of the country we have a higher margin than we see or let's just say we have a higher price to the end users that we have in other areas. The ex-factory is, as long as we having a kind of a strategy and that is applicable to all of the operators that we are selling mainly. Most of the sales are coming through dealers and of course dealers are dealing directly with retailers. But when the retail market is very hot of course the prices will go up. So, you will always have in these circumstances a difference between the ex-factory and the end user price, and it doesn't help us much if we

want dealer to go retail directly which is clearly a possibility because at the end of the day it will still be the retailers who is controlling the end user price. So, the key point here is got all the operators to optimise the…

Yusuf Binji
I think apparently we have lost Mr Finn. So, if you can hear me we can continue and then when we…

Operator
We have Mr Arnoldsen reconnected.

Yusuf Binji
Thank you.

Finn Arnoldsen
I don't know where I was in that thought but the key point is that [unclear] high pressure market. All the players are [unclear] in order to meet the market demand and the end user reach market the prices usually go up. But you have to realise that this is very seasonal. [Unclear]. Ramadan starts within a couple of weeks' time. We will see, generally, a downwards trend and the prices should stabilise a little bit more. But as I said, for us the main focus is to increase capacity, optimise existing capacity and try to meet the market demand to the best ability. Thank you.

Operator
I would just like to confirm, is there more time for questions? Mr Binji, can we take more questions?

Yusuf Binji
Yes, I think we can take one more.

Operator
Thank you.

Web operator
Sorry, we have a question on the web. We'll just take this one and we can then end call. A customer, Ayolowa [?] of United Capital wants to know if there's any kind of risk, revenue risk that emanate from the two customers that account for 23.9% of our revenue from cement sales in 2020. That will just be the final question.

Yusuf Binji
No absolutely there is no risk. This is normal business. Even among your customers you have some that have more financial muzzle than the others and definitely they are able to pay for more of our product. But definitely there is no risk. There are a lot of customers around Nigeria. The product we have is very good product and we will always... We are confident that we will always be prioritised by the customers when they are making their choice. That gives us the confidence that we do not have any risk in the event that one of the major customers actually drops out from our marketing cycle. So definitely no risk at all. Thank you. So, on that note I think we would like to thank you all for participating on this call with us. We look forward to you joining us on our next call, where we intend, as always, to provide you with insights to our activities and that will be at the end of the first quarter of 2021. Thank you very much. Have a very nice evening.

Operator
Ladies and gentlemen, that concludes today's event. Thank you for joining us. You may now disconnect.

END OF TRANSCRIPT