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Kay: Good morning and good afternoon, ladies and gentlemen. Welcome to the BUA Cement Investor Presentation for Full Year 2019, and Q1 2020. Your speakers are Yusuf Binji, Managing Director and CEO, Finn Arnoldsen, Group Operating Officer, and Chike Ajaero, CFO. There will be a question and answer session at the end of today's presentation. Please, go ahead.

Yusuf: Good afternoon everyone, my name is Yusuf Binji, and thank you for taking the time to be part of our maiden conference call for the enlarged BUA Cement Plc. Presenting with me on this call today are Mr Finn Arnoldsen, Group Chief Operating Officer, and Mr Chike Ajaero, the Acting Chief Financial Officer. I trust all of you are keeping safe during this period of the Covid-19 pandemic, and observing all the preventive measures and protocols as advised by the health authorities. Over the next few minutes, I will share with you valuable insights covering BUA Cement financial year 2019 and Q1 2020 operations. Thereafter I will be very happy to take your questions. Before I go through the details, I will like to quickly showcase our value creation models in an environment that is characterized by low GDP per capita.

If you will kindly turn to slide number six on the presentation that has already been distributed to you. Today, Africa and indeed Nigeria, is experiencing rapid urban growth, with this trend said to continue into the foreseeable future. Ordinarily, the prospects of such levels of urbanization should result in higher GDP and inclusive growth, yet sadly this has not been the case. With low-level GDP per capita limited resources, we are met with questions bordering on affordable housing, dilapidated, and insufficient infrastructure, and dealing with the housing deficit among others. The Nigerian cement consumption witnessed an upward surge of 7% in 2019, while the Sub Saharan African growth was 5-6%. The Cement consumption per capita in Nigeria last year was about 110 kilogram.

The key point here to note is the likely future huge deficit in local manufacturing capacity were Nigeria to reach the world average of 520 kilograms per person. This in simple terms means we will need to produce a 100 million tonnes of cement as against the 23.5 million metric tonnes we did in 2019. For us, identifying and leading on some of these issues epitomizes our value offering which seeks to create a product that is readily available, easily affordable, exceeding superior performance characteristics, while we continue to engage and educate the end-users. These are aimed at not only reducing the housing deficit but also helping to resolve some of the challenges and weaknesses faced by government institutions, in terms of not only quality housing but also quality infrastructure; thereby reducing certain vulnerabilities.

Through a re-surging housing sector, we can create an environment that employs more people with an attending multiplier effect on the Nigerian economy. Our growth trend over the years has been supported by our continuous focus on governance, systems, processes, the contributions of our people, while not forgetting our resolve to ensure a positive impact to host communities and the environment. Altogether, this has lead to increasing market acceptance alongside profitability. It is noteworthy that early this year, we took the step to further strengthen our governance framework by working with a reputable consulting firm.

If you will please turn with me to slide number seven, here we present an overview of BUA Cement. Today, we are also the largest producer of cement within the South-South, South East, and North West regions of the country. We operate from two states in Nigeria, Edo and Sokoto, using best in class production facilities, while attaining a capacity utilization rate of above 60% last year. We listed our company on the Nigerian Stock Exchange in early 2020 with an initial market capitalization of N1.2 trillion, becoming the third-largest company on the exchange. In 2019, we sold 4.5 million tonnes of cement, the highest ever in our history and representing 20% of the total cement market in Nigeria.

Sustainability is important to our operation and gross strategy. As a result, we ensured our footprints record minimal impact on the environment while opening up economic opportunities or communities and making positive impact to the societies. Furthermore, our sustainability initiative is guided by global standards along with our sustainability governance framework, with our plant designed according to the stringent and environment regulations. And our particulate emissions well below international prescribed limits. In 2019, we achieved a 53.2% growth in cement dispatched translating to a turnover of N175.52 billion, aided by a value-oriented approach as a critical enabler.

If we move on to slide number eight, this is showcasing our evolution alongside achieved milestones, pre and post-merger, leading to our emergence as the third most capitalized company on the Nigerian Exchange, and our inclusion in the MSCI Frontier Index. As at today, our market capitalization has grown to N1.43 trillion and we are still maintaining our third position. Turning to slide number nine, we highlight the strategic positioning of our operations in Nigeria. Currently, as I mentioned earlier, we operate from Okpella in Edo State and Kalambaina in Sokoto State, using four production plants with a total installed capacity of 8 million metric tonnes per annum.

Furthermore, plans are underway to increase existing capacity by 3 million metric tonnes per annum, that is at the Sokoto site, resulting to a combined capacity of 11 million metric tonnes per annum by the first half of 2021. With the merger of Obu Cement and CCNN, we are not only well placed to satisfying demand but also able to showcase the value in-built in our product offering which remains the hallmark of our brand. If you will turn with me to slide number ten, this is an overview of the macro-environment in 2019, and its impact on the housing and construction sectors. These are the key sectors to our business. In 2019, Brent Crude was up 22.7% from $53.8 per barrel as at December 2018 to $66 to a barrel as at December 2019 as a result of Opec Production cuts and increased shocks particularly in the middle east.

GDP expanded by 2.27% as against 1.191% in 2018 supported by increased contribution from the oil sector, while the Naira appreciated marginally by (-)0.5% against the Dollar with N362.84 kobo to a Dollar, which arose from the stable economic environment. On the activity front, Real Estate activities continue to falter, although the construction segment remains resilient, supported by the government's increasing focus on infrastructure development and modernization. If we move on to slide number twelve, we will show you the financial highlights of our 2019 operations. We showed the impact of our value-driven strategy on growing market acceptance and the solid performance delivery during that year. Against this background, cement dispatch increased by 55% to 4.5 million tonnes from 2.9 million tonnes in we did to 2018, leading to an increased market share which was up 7% points to approximately 20%.

Sales revenue was up 47.5% year on year, from N119.01 billion in 2018 to N175.52 billion in 2019. Operating profit EBIT rose 67% to N71.4 billion with Ebit margin at 41% as at 2018. That was 36%, though Ebitda margins recorded flat trend at approximately 47% in 2019 due to increased push to new markets. I will speak more on this in the next two slides. Net finance costs increased from 3.7 billion in 2018 to 5.2 billion in 2019 as a result of increased bank borrowings to support our expansion and working capital requirements. Profit before tax was 69% to N66.2 billion whereas profit after tax declined 5% due to the deferred tax credit recognized in 2018. Notably, approval for the extension of pioneer status on our Obu Line 1 and Kalanbaina Line 2 plants was granted in February 2020 for two and three years respectively.

This will offer a tax shield over the next couple of years. Moving our attention to leverage and cash flow, net debt increased from 1.1 billion in 2018 to N5.8 billion, necessitated by capacity expansion as earlier highlighted, but without sounding equivocal, our leverage position using the equity multiplier ratio declined from 1.58 in 2018 to 1.29 due to the increased shareholders' fund balance. Clearly, this alongside the increased tax burden had an impact on reported return on equity despite improving 16.7% to 17.7% year on year. We are optimistic that we can further improve the return on investment in 2020.

On free cash flow, we recorded a revision from a negative 5.4 billion in 2018 to 3.2 billion in 2019 arising from increased cash flow operations. We now move on to slide 13, and we did the conversation on Ebitda, which increased by 47.2% year on year to N82 billion. Drivers for the movement include gross profit which increased by 22.5 billion from increased activity. Selling, distribution and administration costs rose 33.3% or N3.373 billion from an enlarged entity and depreciation charges rose 113.8% or 7.52 billion as a result of the capitalization of Obu Line 2. In spite of the challenging economic environment, slide 14 if you return to that page, highlights how our disciplined approach has ensured Ebitda margins remains resilient at approximately 47%, though Ebitda per tonne recorded a N731 decline per tonne.

Undoubtedly, our task going forward is to sustain margins at these levels, and we believe this is achievable. Turning to slide 15, we highlight the cost components of our operations. Cost of sales per tonnes increased by 2.9% due to increased output activity, however, we continue to keep firm lead on production costs. Similarly, we recorded an increase in energy costs due to higher gas pricing and energy mix during the year. Expectedly, our distribution costs rose by 27.2% to N2,631 per tonne during the period. In line with our strategic focus of increasing footholds in existing markets while moving into new markets, we will continue to invest in our distribution strategy in 2020.

If we now move on to slide 16, what we have shown here is the evolution of the reported net debt between 2018 and 2019. As at 2019, we reported a net debt balance of N5.8 billion. This is against 1.2 billion for 2018 due to increased borrowings to finance our current capacity expansion at our Kalambaina Plant in Sokoto State, and working capital requirement. On the whole, net cash flow from operations rose from 69.0% to N26.5 billion compared to N15.7 billion in 2018. Earlier, I mentioned how sustainability drove our activities. Slide 17 shows some of the activities we embarked on particularly with the host communities and we can elaborate on that later on during the Q&A.

Covid-19 impact and 1st Quarter 2020 performance. The release of the full year 2019 result coincided with the Q1 2020 result, and so we felt it is pertinent to also run over the performance particularly in the wake of the Covid-19 outbreak. The macro-environment which seems prime for an upward trajectory from discerning on the landmark trade agreement between the US and China was punctuated by continued geopolitical tensions and the outbreak of coronavirus. Amicably, the outbreak of the coronavirus pandemic at the turn of the year continues to ravage economies, even as government instituted measures aimed at slowing the spread whilst expanding testing capacity in the wake of the rising number of affected persons. In response to the Covid-19 outbreak, we implemented our COVID Business Continuity Business Program.

This is instituted in our corporate governance framework aimed at minimizing possible disruptions across the value chain, prioritizing the safety of our staff, visitors and customers while conducting scenario planning to measure probable impact in the event of a prolonged lockdown. A summary of our activities can be found on slide 18. Turning to slide 19, the domestic economy expanded 1.7% in Q1 2020 year on year, although slower than 2.1% reported in the 1st Quarter of 2019, and supported by increased oil sector contribution. Oil price during the quarter declined 66% to $22.74 per barrel from an over-supplied market wrapped by the coronavirus outbreak whose ramification for the exchange rate which fell 6.26% to N385.55 to a Dollar at the IIE Window.

The construction sector continues to remain the harbinger for growth expanding by 1.69% in the 1st Quarter of 2020 with the Real Estate sector further contracting in Q1 2020 by 4.75%. Slide 20 showcases continuous growth in cement sales which increased by 20% to 1,328,000 tonnes. This translates to a 25.1% increase in sales revenues to N54 billion. Ebitda margin was down 3.3% points to 45.6%. In view of our continued push to new markets along with an increased depreciation charge for Obu Line 2. A similar trend was recorded with Ebit margin which was down 3.2% point. Net finance costs increased by 11.6% year on year by N88.9 million to finance working capital and capital expenditure requirement with net debt at N10.6 billion as at Q1 2020.

Again the size of leverage continues to trend downwards. We reported a negative free cash flow balance in Q1 2020, which was largely due to payments for supply and parts. However, our cash position for the period closed at N17.7 billion from N15.6 billion at December 2019. Turning over to slide number 21, we showed the evolution of Ebitda for the quarter. Gross profit was up by 16.3%, arising from increased production volumes, selling, distribution, and administrative costs. Net of other income increased by N0.62 billion due to continued investments in our Route to Market strategy while depreciation fell by N0.71 billion from Obu Line 2 charge.

Altogether, Ebitda balance for the quarter rose from N21.10 billion in the 1st quarter of 2019 to N24.63 billion as at the 1st quarter of 2020. Amid the strained economic environment, our results symbolize a resilient performance which we highlight on slide 22. Despite the decline in Ebitda margin by 3% points to 45.6% for the quarter, we believe the numbers are decent even as we look at strengthening certain aspects of our value chain along with other synergy gains. Equally, Ebitda per tonne declined by 3%. Turning to slide number 23, we provide insights to our (force) drivers during the quarter. Cost of sales increased by 11% to N22,188 per tonne, resulting from changes to the energy mix and the rising costs of some raw materials.

Energy costs per tonnes rose by 2.6% or N245 per tonne, arising from increased production volumes, higher gas prices and changes to the energy mix. Distribution costs recorded a marginal increase as we (coast) through new markets. The marginal increase was led by a reduction in marketing spending for the quarter. Year on year, distribution costs was up north 0.4% with N2,538 per tonne. Slide 25 showcases our strategic priorities in 2020, and undoubtedly, they are all very important because of the role each plays in value delivery to customers, communities, shareholders, and economic development in general. If you will permit me, I will touch on the (?) in the area of expansion.

We had previously announced the expansion of our Sokoto plant by the third production line which is scheduled for completion by the 1st half of 2020. This will add another 3 million metric tonnes to our capacity, bringing total capacity of BUA Cement to 11 million metric tonnes. In conclusion, as we look ahead we remain up-bit as we continue to showcase the strength of our value and service offering. This concludes the performance review. I will now request for the lines to be opened so that we can take your questions. Thank you for your patience.

Kay: Thank you. We will now open the lines for questions. To ask a question, please press "0" on your phone's keypad, that's "0" to ask a question, and "7" to cancel your question request. Once again, to ask a question, please press "0" on your phone's keypad or "7" to cancel your request. Thank you. Your first question is from Babatunde Ogunleye. Please, go ahead.

Babatunde: Good afternoon and thank you for the call. So I just want to have a much more sense in terms of your pricing. So for instance now, coming into Q1, we've kind of seen like evolution of pricing, how the industry has been in terms of changes in pricing. Just to have more sense, I wanted to know in terms of like your pricing in terms of Dollar per tonne - even though its Naira per tonne, compared to like the overall industry level. Would you have said that you are above or in-line with the industry level, and if so, can we just have a sense as to what is the amount in Naira terms or probably in Dollar terms, preferably anyone you want?

So the second question is related to like I understand the fact that you kind of add additional lines which kind of increased your overall installed capacity, so you are also coming up with additional 3 million tonnes. So I'm just trying to sense it that if your utilization rate is above 60% as you have presented in the presentation, and you are coming up with additional 3 million tonnes coming in 2021 going on, can we just further have a sense as to what plant - probably maybe there's a particular plant that is producing below the full capacity that is probably necessary for these additional capacities that is coming up on stream because my thought is that if there is an additional capacity that's almost like 40% capacity un-utilized, so as against like adding more additional capacity. Why not just look for a means or way to further grow the capacity that is left? So also if you can just give a sense of utilization rate probably in the Obu Cement and also the Kalanbaina plant as well.

On the third part is the Capex breakdown. So if you are having an additional 3 million tonnes coming up in 2021, can we just have a sense as to like what rate currently is your maintenance Capex and also your instrumental Capex. (?) to (?) analysis guidance, and also in terms of your borrowing costs. I noticed that you kind of use overdraft and short term borrowing. So I'm looking at it in terms of the overall interest rate environment. You are in kind of in a low interest rate environment so I feel that you take advantage of. So I'm just asking, is there any restriction or limit of borrowing that is (making) you in terms of taking a long term debt? Probably it's a (?) or something. I'm just kind of looking at it in terms of - because looking at it in 2019, your average interest rate was between 18.5% to 19% and coming to Q1, it was 10 - 14%. So if we can just have a sense of it that - is something that you are looking at chasing a long term debt or something?

And then which brings me to my second to the last question which is in terms of your holding structure. So currently when I look at the holding structure, the majority holding structure was around 96.9%. In fact correct me if I am wrong, which kind of give minority like a 3.71%. But what are you doing because when you look at the NFA minimum (?) rule, which kind of a breach on the NFA 2020 rule and also if you are going to - because I kind of get in the sense that you are going to look from the premium board, so you kind of look from the premium board, are you still going to be holding this like significant - if the majority shares are still going to be holding this kind of significant (?). This brings me to my final question.

My final question, I kind of noticed that there is a section in your order income that speaks to haulage income on goods delivery. I am kind of having a sense of it that if other incomes on haulage - I don't have a proper understanding of it. If you can throw more lights on the haulage income on goods delivery. What I am having is that instead of using this, can't you just use this - instead of receiving other income from this haulage kind of things, is it not something that can be used for the company own purpose to be able to reduce the overall distribution costs given what is your distribution costs per tonne. And then the final question has to speak with the inter-company (?) from inter-company related activities. So I noticed that its been a trend and then sometimes its kind of coming up, compared to 2018 it kind of came down in 2019 and then coming into 2019, I kind of see that it was 16.7 billion in FY 2019 and then coming to Q1 2020, it was 27.5 billion. There's kind of discrepancy like, to what extent, like where are you willing to draw the line between the inter-company related activities? That's it for my questions. Thank you. Thank you.

Yusuf: Okay. Can I go ahead and answer?

Kay: Yes, please.

Yusuf: Okay. Thank you very much for these questions. I'm not sure I got all of them, but I will try my best to respond to those that I understood. regarding our pricing, we have a segmented pricing structure that we apply all over Nigeria, the prices are not really the same. They move up and down depending on the seasons, locations, and the amount of discount that we give and the amounts of our payments made by customers and the lifting bonuses. So it's really a very complex structure. We will be very happy to explain this on a one on one basis. How the pricing structures affects the other regions. Regarding your second question for our additional line 3 million metric tonnes in Sokoto, why we have 60% capacity utilization. Let me explain the 60% capacity utilization we mentioned. This 60% is an average. Our total production over the total installed capacity. You noticed in the slides, we mentioned the Obu line 2 actually came into operation during the second quarter of 2019, so it didn't have the benefit of the full operational line of the full year.

In addition, our line 1 in Sokoto did not operate all the time because of the challenges of sourcing LPFO. So this actually dragged the capacity utilization of the individual production line. If you take for example our line number 1 in Obu, it operated more than 80% together with line number 2, and Sokoto also, because of the seasonal effect. If you recall last year, Sokoto is doing about a substantial percentage of exports and the borders were closed and we lost that additional opportunity, and it affected us for about two to three months before we were able to sell in other regions. Now like I said, Line 1 operating on (?) was mostly closed for more than nine months so this dragged the capacity utilization down.

But when you're investing in additional capacity, you are not doing that based on today. It takes about three to four years to set up a new cement plant and by then, expectedly the demand consumption in Nigeria would have gone up. Somebody has got to be ready to fill in the gap. If you look from 2003 when the government of former President Olusegun Obasanjo started the Backward Integration Policy. At that time, the cement in Nigeria was supplied, was more of imports than of local capacity. This Backward Integration Policy was meant to encourage the importers to invest in Nigeria and boost local production, and there were periods in which year on year, cement consumption was going up and at an average of 15%, sometimes 10% year on year. In 2016 and 2017, when we have a bit of a recession, the cement consumption remains flat but we saw that in 2018, it went up by 12%, and in 2019, it went up by a further 7%. 2020 we don't know how much it's going to go up, but if this trend in demand continues, there must be sufficient local capacity to breach the supply gap.

So that is why we are investing. We are looking for opportunities and wherever there are opportunities, we are going to really unlock them. The Capex for this is a combination, and it's ongoing. It's an ongoing project. I will not be able to put a number on it. So many things are in the pipeline. Regarding your fourth question, I didn't get it clearly, but I thought you are talking of Coronavirus pandemic. This is something that came unexpectedly and towards the end of the 1st quarter. Of course, it has some disruptions and during the Q2, I think also we are going to have much more impact than the Q1, when the results are presented you will see that but for us, we have given on the various slides in our presentation, the measures we have taken to really mitigate the big impact on this.

The key thing is that we are very resilient and we have the ability to attack easily. We are not expecting a significant impact on our performance. We are still also looking at issues of (?) whether we go to the premium board or other things, that is being considered by the board. I will like to say something on your last question on the inter-company related transactions. I need to explain this so that people understand fully what we mean. Related party transaction and balances relate to the movement of funds between BUA Cement Plc and other companies where Alhaji Abdul Samad Rabiu have controlling interests. The balances represent a net amount due to or due from BUA Cement for funds that are obtained from the companies account but used in related companies, or amounts that were obtained in related companies but used in financing BUA Cement's operations.

There are so many common services where BUA Cement derives a lot of benefits by latching on to the BUA Group. For example, in foreign procurement amidst the scarcity of foreign currency, and also the long time it takes to open letters of credit. So we latch on to this with the BUA purchasing office located outside the country to fast track the purchase of spare parts for our cement plants. So this is where the inter-company balances come in. But I will also like Mr Chike the acting CFO to say a little bit on this. And also the Ebit income. I didn't get that question clearly. But I hope he has gotten it. Chike, are you there?

Chike: Yes. I'm here. Good afternoon, on the other income that represents haulage that we are doing through a third party, based on IFRS-15, the sale of cement and the delivery of cement to the customer is treated as the same performing obligation. So before now, especially in Obu plant where we engaged a third party to do our haulage, we recognized the deposits that are made by customers to that third party as other income and at the same time, we expense the money that is paid to the third party through our selling and distribution expenses. Then on the related party issues, as my MD rightly said, we have a relationship with the Group, BUA Group. The increase in the 1st quarter came as a result of payment that were made in respect of our Sokoto Line 3 that has not been certified. By the 2nd Quarter of this year, we received some certification which we moved due from a related party to (Swip).

So by the time we are releasing our 2nd quarter 2020, you will see a significant drop and movement that would be represented by certified work at our Sokoto Line 3. Then on the short term borrowing, its presently being restructured. So we are looking at longer repayments of three to seven years knowing that we have a project at hand. So there is no way, we can sustain the financing of projects from internally generated funds and short term funds. So by the 2nd quarter, we have already secured some approvals and the loans are being restructured into a longer payment period at a lower cost too. I hope that answers your question?

Yusuf: Thank you Chike. I think we can move on to the next question. Thank you.

Kay: Thank you. Your next question is from Ebovi Wale. Please go ahead

Ebovi: Hi, good afternoon. Thank you very much for the call, great presentation and it provided a lot of insight. So I think the question that is very pertinent for me right now is basically around risk outlook for your Obu plant, Obu operations, basically. What is on context around what is going on currently with Dangote. So there has been this legal tit for tat, we saw it in the newspapers today. Dangote put out a statement regarding mining lease, that you are supposed to put out a statement. So would you like to give the investing public colour around what is happening and what could be the potential risks for your operations in Obu? how much impact could it have on you if it is proven on a competent court shows that your mining licenses are expired as have been quoted by your competitor? I was going to ask about the constituent of your related parties but I think that's fine.

So the second question for me would be, so was there any transaction relating to your share premium, because if you do a calculation by the listing, your set premium could have been as much as a trillion, so was there any transaction because it's not reflected in your audited financial? And how that laid it out. Just for colours for investors basically. And do you see growth slowing down because, for instance, we are looking at signing of uptime for your capacity? The plant came on in Q2 2019 which obviously affected the strong growth that we saw in Q1 2020. So do we see that slowing down to where other industry players are because of flattering of that growth curve from your additional capacity? And what are other initiatives around your exports particularly the Port Harcourt Plant? That is basically from me. Thank you.

Yusuf: Mr Wale, thank you very much. I think your first question regards the operations of the Obu quarry and I think BUA Group made a publication in newspapers which is self-explanatory but you have referred to another publication by Dangote Group regarding an appeal. So what I will say is that since there is an appeal, this matter is subjunctive, its under judicial consideration and therefore prohibited from public discussions elsewhere. Regarding our licenses, we have so many licenses that we are operating in Obu. We have sufficient license reserve to sustain the operations of our two production line up to the end of their life span. You know Nigeria is naturally endowed with a lot of limestones. And wherever you go and set up a cement plant, you must have acquired substantial reserve that will justify a good return on investment and development plans are built sometimes to last 25-30-35-40 year.

Even in Nigeria, we have our Sokoto line 1 that has been in operation since 1958, over 60 years. So we have sufficient reserve even without the Obu quarry to sustain the operations of our two production lines in Obu. Thank you.

Chike: Yes. You made mention of share premium. The share premium came about from CCNN and Kalanbaina, CCNN acquisition of Kalanbaina in 2018. So the net assets of Kalanbaina that was acquired and the shares that were exchanged for the acquisition of the net asset of Kalanbaina gave right to the share premium which is recognized in our financial as organization reserve. So that's where the share premium is coming about. It's not between Obu Cement and CCNN merger but between CCNN and Kalanbaina merger that took place in 2018.

Kay: Thank you. Your next question is from (?). Sir Please go ahead. Thank you. Your next question is from Gbolahun Olukonro. Please, go ahead. Please, Gbolahun your line is un-mute, please ask your question. Thank you. Thank you. Your next question is from Khalil Wole. Please, go ahead.

Khalil: (?)

Kay: Can you speak up please, Khalil? Thank you.

Khalil: I'm sorry. Could you hear me better now?

Kay: Yes. that's better.

Yusuf: We can hear you now

Khalil: Okay. So from the presentation, you mentioned there were some LPFO challenges you faced, I think from Sokoto line. So I just wanted to ask, are there any plans currently in place so as to de-risk the plants upon future challenges and secondly as you all know LPFO is way way more expensive compared to other energy sources such as gas and coal, so is the company looking at exploring these options going forward? Secondly is that I just wanted to ask about the impact of this recent FX devaluation on the company's operations in terms of expenses. If we could just get a colour on the percentage of expenses that are linked to foreign exchange. Thirdly, it's just like to get more colour on other market opportunities that are out there. From the presentation, you mentioned that this recent closure of land borders has so much limited market opportunities, and the company is looking in other lights to at least retain some of its market share both here and also exports. Thank you. That's all from me.

Yusuf: Thank you, Mr Khalil Wale, for the heavily loaded question. I will answer the first one, Mr Chike will answer the one on the depreciation and the devaluation, and we will bring in Mr Finn Arnoldsen, if he is still with us, to talk about...

Finn: I am still here

Yusuf: Yes. Okay, excellent. So I will discuss on the LPFO. Sokoto is located in the North-West part of Nigeria, all of you are very much aware of that and you are also very much aware that there is no gas pipeline running up to Sokoto. So most of the cement plant operating in the core North have to rely on LPFO which before used to be a very cheap industrial fuel and these plants were operating very well. But I think lately due to the shut down of the Refineries in Kaduna and Warri, and sometimes Port Harcourt, we have not been able to get this LPFO for the last one year. So we have resorted to importing very expensive LPFO and indeed even AGO to sustain the operations of line 1 and also our generators. The line 2 that we commissioned in 2018, the one we call Kalanbaina line 2, we re-designed it so that it will run on coal and you know is a very cheap source of energy.

At the moment, that production line is running 100% on coal which is a combination of local coal with very high volatility and some quantity of imported coal with low volatility in order to mitigate the safety risks that are there. We do not intend to really abandon the line 1 but we are also looking at means in which we can reduce the cost of production. And don't forget we also mentioned that line 3 is going to come on stream in Sokoto by the 1st half of 2021, and that line has been designed to run on liquefied natural gas which is a bit cheaper than LPFO, more readily available. We have entered into a contract with a reputable company to supply the required quantities of LNG all the way from Port Harcourt to Sokoto.

We have commenced the building of re-gasification plant because this is in liquid form so we have to re-gasify it and the use it in our furnace to (?). So that will ensure more reliability. We are also in the process of converting the Kalanbaina Line 2 to use LNG also. And at the same time, we have ordered 50 megawatts power plant generators that are going to run entirely on LNG. These generators are just about to be shipped and they should be operational before the end of the year. So overall, as you know, energy is the biggest cost in cement production. So we have taken all the necessary measures that by next year Sokoto will no longer be relying on expensive and scarce LPFO or AGO. Mr Chike can you take the issue on the devaluation and then Mr Finn will talk about the markets after the border closure last year and what we are doing inwards. Chike...

Chike: Yes. On the devaluation, we have minimal raw materials that have imported components that we are using in operation. So it's mostly importation of spares and few raw materials that we are using that will be affected by the devaluation. The major raw material is mostly gas based on the devaluation of the official rate from 306 to 360. We witness a 15% increase in gas costs. The rising cost is already associated with the economy and its not peculiar to us so we will continually strive to maintain our margin through other costs savings and price adjustments that the industry will witness. I'm not too sure it will have a significant impact based on the level of raw material that is imported then and the other cost measures that we will take to make sure that the impact is minimized.

Yusuf: Okay, Mr Finn, can you talk briefly on the market?

Finn: Good afternoon. I will capture just the play and quick comments on the Nigerian markets in particular, what happened with the border closing and how we are compensating for these volumes, normally moving it to Niger. First of all, when you see the markets today in Nigeria taking into consideration all these external threats and issues, we see actually not so much reactions in general and we also have seen these earlier that the market somehow remain robust. Still, if you have a lot of factors generally should have an impact on the costs for cement, The reason might be here that you already have a pretty low consumption per capita and that means most likely it's already absorbed a lot of uncertainties. If you have issues like low uprise, Covid-19 and other issues, it doesn't have that immediate impact. Long term it will have for sure but as we see it now, we're still are positive, we still see growth during Q1. We have no exports these days out of Nigeria, you know the whole country is insulated into some sort of export of cement. We hope this will be resolved pretty quickly. For us, over export to Niger is then happening from Sokoto plant and its roughly around 20% of our production most actually target for the nearby markets into this year.

Middle of last year, it stopped due to the border closing, and of course, then they have to reactivate and intensify all the markets and to push into new areas in the country. This is only applicable for Sokoto. From Obu they don't do any export to the northern border. So the (?) over marketing efforts and the volumes actually lost into the share before (?) be pushed partly into the central North, to the Kano Axis, and into the North East. So we embarked immediately on a crucial strategy and actually managed to compensate for the loss of the export. So in terms of the volumes, they are quite okay for that. So a bit over, very strong and I would say aggressive marketing efforts we managed to compensate. And this is actually all the strategy, they are no (?) we're consolidating on the marketing departments and we want to have approved strategy into new locations where we've not have been before.

Consolidate export. We hope that we can resolve this pretty quickly. Its also dialogues going on so very natural market as he said for all the business from Sokoto, easily shared and it can also be into Burkina Faso and Republic of Benin at the latest stage. Thank you.

Yusuf: Thank you, Mr Finn. Can we go on to the next question?

Kay: Thank you. Your next question is from Abdulrauf Bello. Please go ahead.

Abdulrauf: Good afternoon. Well done for the presentation. Okay, so my question is about the market share of BUA cement. I just have to have a bit of insight around the regions where the company is very strong in. So North East, West and South, an insight on that. And there is a part I saw, so I just want a bit of clarification around that. So I saw a part where 10% of the company's revenue - a particular entity or sort of concentration risk where 10% of the company's revenue is accounted for by just a few numbers of entities. I just want a clarification around that. And if that sounds to be a concentration risk and what the company is doing to mitigating issues such as concentration risks. Then another question is about the guide on capital expenditure. So what's the plan for the year and what do we expect to see in subsequent years. Okay. so earlier during the presentation, the management spoke on 60% capacity utilization average across the board and quite it's understandable. So say in 2020-2021 and in the near to mid-term, so what is the capacity utilization we should expect to see. And then lastly, it's about transportation and haulage. So I'd really appreciate if the management could give a bit of explanation around how transportation and haulage is done within the company. Thank you.

Yusuf: Okay. Thank you very much. I missed out on some of the questions. maybe I will have to ask you to repeat the first two. I just got the one on capacity utilization and transportation. If that is Mr Bello, can I get your first questions?

Finn: Yes? It was about the market share?

Yusuf: Yes. Okay. Go ahead.

Finn: I can. Good afternoon, again. Yes. about the market share, you know the two plants, one in the north, one in the south, and they are very much complementary. So what we are trying now is to optimize the market from each of them. And if you look into Sokoto in the North-west corner of the country, (we) have to do the Sokoto operations, we are covering roughly 90% of the market in all the states coming from Zamfara, Kebbi, Sokoto, it's been the finest of the (?) whole market. So the area almost that is a (?) market around 90% market share. Then they have lesser market share let's say in the central north around Kano, Kano is huge, a very big market. So over the years stronghold is up north defined as the whole market down there but they are also participating in the area Kano, Niger, Nigerian States, and also down to Abuja. But over the real market dominance is around the fact that we don't have any real competitor nearby there. That is on the advantage.

For the Obu plants, this of course in volumes is much much bigger. that is to say, their market is either in a whole market this is Edo State partly into Kogi and you know into the South-South, at Delta and so on. And we are then trying to move south East and also trying now to define a strategy and we have already started to go into the South West. As you know, the consumption pattern in Nigeria is that 70% of all cement is going from (?) so that means when you are a big producer with big volumes, you need to go into the big areas which is the South-West and also the South-East. North. Total market in the is around 5 million to 6 million tonnes (?) 17-18 is coming from the access, from let's say the Ogun State to the Cameroon border. So with a dynamic marketing strategy, being beamed out to try to penetrate much more into areas, this is a little bit more traditional over competitors because of volumes are growing so that is the only way for us to have that push strategy into these areas as well.

So on the market share, we are around 30%. So we are targeting, of course, to grow this as much as we can through these crucial strategies as we have launched. Thank you.

Yusuf: Okay. Thank you, Mr Finn. I will just talk briefly on the capacity utilization regarding the Obu plant. This is why we have the two most modern plants in our stable. The capacity utilization there is roughly around 80%. This is higher than the capacity utilization of other cement plants in Nigeria. The Sokoto Kalanbaina Line 2 is also averaging around 75%. The line 1 using LPFO, you know the operations were affected by lack of LPFO and so last year, the capacity utilization was low and that was what dragged our overall capacity utilization. But if you look at the cement industry in Nigeria, if you look at the published figures, you will see that the capacity utilization is just around 50%. So we are doing better than other producers in terms of capacity utilization. It's because of the higher capacity utilization that we are investing in building new plants because you can not push your existing plants to 100%. It's not like you will go full speed on MAC 1 on a commercial aeroplane. You always leave some margins there.

Regarding the transport policy, at the moment from our Obu plant, we do what we call "Company delivery". That means customer pays money including transportation to any part of Nigeria and we deliver with our own company truck. So we have a fleet that is dedicated to this. Some customers prefer to do self-collection, so we give them a price net of the transportation costs and once they pay and they are ready to collect, we schedule them and they bring in their own trucks, whether own by them or hired and they transport the cement to wherever they want to. Its the same thing also we do operate in Sokoto though the percentages of company deliveries versus self-collection do vary between the two plants. So there are opportunities for third-party contractors to actually latch in also and benefit from this. Thank you. Next question.

Kay: Next question is from Oluwasegun Aranbada. Please go ahead.

Oluwasegun: Okay. Good afternoon everyone. Thanks for the call. Quickly I just want to ask - if you go to note four on your Q1 2020 financial statement, I saw something about (Info tonne EOSB). Could you please clarify the meaning of EOSB? More so your 2019 Full Year Result, it said the company is now making in-route into new markets. So how soon. I just want to have an understanding of which geographical regions are now gaining tractions. Also, I will like an idea of your export volumes, and to which countries the exports are going to aside the Niger Republic. Are we seeing exports to new countries? So my last question would be - we understand that Nigeria is not yet efficient in coal production, we also know that coal is a clean energy source for your energy plants. So I would just like to get a sense of what proportion of your coal is source domestically and what proportion is imported. Thank you.

Yusuf: Thank you very much. EOSB stands for End Of Service Benefit. This is what is commonly referred to as the gratuity. You know, after the merger, we have these two companies, the one from Sokoto which has been in existence for over fifty years. So they have this system of the end of service benefit. That is a lump sum of money given to staff when they are leaving the service either by retirement or resignation. But as you know also the pension reform has mandated a statutory Pension contribution scheme which every staff is subscribed to. So for those that are still with us, they still have their money in the dedicated gratuity account and this is earning interest. That is where that thing came from. Regarding the new markets, our home market is Nigeria because now we have the capacity and we have the reach. Some few years back, we were constrained. So now we sell to North West, North-Central, North-East, South-South, South-East. We reach everywhere. We sell cement to all the regions we have customers.

Regarding exports, it was only the Sokoto Plant that was involved in exports before the border was shut in August 2019, and the exports have been to the Niger Republic only, concentrating in Niamey, Agadez, Zinder, (Badegishiri), Tillabéri, these are the places that we have been sending cement to. But there are a lot of opportunities especially when the free border system kicks off and Nigerian borders are re-opened under the African Continental Free Trade Agreement, we have the reach to get up to Burkina Faso and from there also other places. Cement is a very bulky product but our Sokoto which is just 90 kilometres from the Niger Border places us at a strategic advantage to be able to export Cement to countries that are land-locked, that are within the centre of West Africa.

I will have to correct you a little bit where you said Nigeria is not self-sufficient in coal production. I believe Nigeria, especially regarding our industry, is self-sufficient. Why we really talked about the mix is because of the quality of the coal. Ours is very young coal, it has what we call a lot of volatile matter contents. This volatile matter some time could be more 40% , sometimes up to 48%. In simple terms, what it means is that this is a product that is liable to spontaneous ignition. spontaneous ignition means just keeping it with ordinary air, it can catch fire on its own without the application of a (negate) flare. So that makes it very risky and very dangerous to store and to use. You have to take a lot of extra precautions, and then also it has a lot of ash contents that goes into the cement thereby depressing the quality of the product.

So we try to import some quantity of cement in which we are going to dilute the chemistry, the product characteristics of the Nigerian coal to such a level whereby it is safe to use, and also does not have any adverse effect on the cement quality. So you go for imported coals that are low in volatility and low in ash contents. Next question, please.

Kay: Thank you. Your next question is from Abdularauf Bello. Please, go ahead.

Abdulrauf: Okay, as a follow up to my previous question. I just want to please confirm that in terms of demand how would you describe the demand that comes from the public sector and the demand that comes from the private sector? And so there was one question that was not answered previously, there's the concentration risk. Is the company exposed to any concentration risks at the moment? Thank you.

Yusuf: Okay, I will ask Mr Finn to just elaborate more on this demand nature, construction segment versus the private sector. Mr Finn.

Finn: Okay thank you. Yes. concerning the (?) public consumption, which is currently allocated infrastructure (?) mainly, that has always being a very high part, very high rise ratio compared to let's say the private segments. If you look into the traditional ratio in Nigeria, it has been around 60% public (prospect), or let's say public consumption here up to around the year 2010 comparable to other countries. If you go to the neighbouring countries, also the Ghana you will see that the public prospect consuming cement is around 20%, so the high ratio on public process has made the market a little bit volatile here because if the government is not allocating funds or not allocating (projects) it will have immediate effect impact on the consumption. But what we have seen in the last few years is that private initiative, the private segment is taking more and more orders.

So today, it's very hard to be too precise, but some say like 25-30% public and 65-70 private, and that means you will be made more insensitive to changes in the environment because the private sector they are not on the short term, demanding or (?) funds from any government in order to execute (process). So if the old price drops you will not see it, you will see it maybe later because its a kind of a general impact but its much more robust situation now in (?) of total consumption than earlier but infrastructure are allocations to a (?) was a (?) in the consumption much more than today. Thank you.

Kay: Thank you. Your next question is from Gbolahun Olugoroe. Please, go ahead. Hello Gbolahun, your line is un-muted, please ask your question. Thank you. Thank you. Your next question is from Babatune Ogunleye. Please, go ahead.

Babatunde: Thank you so much. This is a follow-up question on my previous question. So for the part that I asked about the minority and the majority share open, I did not kind of get the response to the question and for the second question, its on the outlook on volume growth. So we've like some 54% coming in in FY 2019-2018 and then coming in the Q1, we see a 30% increase. With the impact of Covid-19 and then previous economic obstacles, are we expecting that particular amount sustainable throughout the year? I think that's all. Thank you.

Yusuf: (?) Hello, Mr Chike are you there with us? Can you respond to Babatunde?

Chike: No, I didn't get the question.

Yusuf: He was asking about the minority shareholders as a follow up to his former question.

Chike: Efforts are being made to ensures that we meet up with the minimal requirement. So in less couple of months, we are already striving and we are discussing with some investors, most likely before the end of the year, we will be able to live up with the minimum requirement so that the minority shareholders percentage will increase.

Yusuf: Okay. Thank you.

Chike: I hope that (?)

Yusuf: Yes. Can we go to the next question, please? Thank you

Kay: That concludes the question and answer session. I will now like to hand the call over to the management team for any closing remarks. Thank you.

Yusuf: Ladies and gentlemen, thank you very much for spending a greater of your day with us. We are very pleased to have heard you on this Q&A on BUA cement on BUA Cement full year 2019 and 1st quarter 2020 operations. Thank you very much and have a very nice day.

Kay: Thank you. That concludes the BUA Cement Investor Presentation for the full year 2019 and 2020. You may now hang up.

[End of Recording]