

Conference Call transcript

8 March 2023

BUA CEMENT FY 2022 RESULTS

Operator

Good day, ladies and gentlemen, and welcome to the BUA Cement Plc conference call for analysts and investors for the full year ended December 2022. All participants will be in listen only mode. For the participants on the webcast, please type your questions in the webcast question box. For the participants that have dialled in, there will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal phone operator by pressing * then 0. Please note that this call is being recorded. I'd now like to turn the conference over to Managing Director and CEO, Mr Yusuf Binji. Please go ahead, sir.

Yusuf Binji

Good day everyone. Thank you for taking the time to be part of this conference call. Presenting with me is Jacques Piekarski, the Chief Financial Officer. My name is Yusuf Binji, Managing Director/CEO of BUA Cement Plc. Before we start, let me take this time to recognise and celebrate all the women on this call and say to them, happy International Women's Day. The operating environment in 2022 was a challenging one for us, as every other manufacturing entity will allude to, which was exacerbated by the crisis in Eastern Europe. Nevertheless, it was not all doom and gloom as we attained new feats, first with additional line commissioned at Sokoto, which increased the volumes dispatched into the market.

Furthermore, our adoption of the multi fuel system complemented by adequate fuel stock aided our manufacturing and distribution activities. During the year, we strengthen our HSE policies and guidance to guard against the loss of life and property. And finally, we were awarded the global best premium quality cement brand at the Global Quality Excellence Awards in November last year. If you will kindly turn with me to slide six, I'm sure most of you have copies of the presentation. You will see that BUA Cement is the largest cement producer in North West, South-South and South-Eastern parts of Nigeria, with a total installed capacity of 11 million metric tons per annum. We are led by the United Nations Sustainable Development Goals and maintain investment ratings assigned by Agosto & Co and DataPro.

Turning to slide seven is a highlight of the milestones attained over the years. On slide eight, we show our strategic positioning across Nigeria. Turning to slide 10, you will recall in my introductory statements that I'd mentioned how the increase in output capacity from Sokoto, the adoption of multi fuel systems, together with an abundance of storage supplies had mitigated against production and distribution challenges. In view of these, we recorded a 40.3% rise in net revenue to ₦361 billion from ₦257 billion, as at December 2021. In addition, EBITDA increased by 29.2% to ₦154.5 billion from ₦119.6 billion in 2021. However, EBITDA margin decreased by 3.7 points to 42.8% from the 46.5% in 2021, owing to rising cost. Profit after tax increased by 12.1% to ₦101 billion from ₦90.1 billion in the prior year, with earnings per share equally up by 12% to 298 kobo from 266 kobo.

The expansion projects at Sokoto and Obu are advancing as planned, as you will have seen in the previous slide, and you will see in the subsequent slide too. Also, we are committed to minimising the impact of our activities on people on the environment, engagement with stakeholders and implementing community development initiatives through tangible investments into the community. To this end BUA Cement invested sum of ₦1.1 billion on individual enhancing and community enriching activities.

Moving to slide 11, is the impact assessment of the cost pressures encountered during the year and our attempt to hold off some of the cost pressures without overburdening our customers. Revenue per ton increased by 21.2% to ₦57,511 per ton from ₦47,448 per ton in 2021 following price changes during the year, with EBITDA recording a 29.2% increase to ₦154.5 billion from ₦119.6 billion, led by a 14.4% rise in net revenue, but was partly offset by increases in energy costs, operation and maintenance charges, distribution costs arising from an increase in fleet size and fuel costs, foreign exchange losses, depreciation charges just to mention a few. As a result, EBITDA margin declined by 3.7% points to 42.8% from 46.5% in the prior year. On slide 12, we depict EBITDA drivers, led by net revenue, buoyed by both price and volume increases, including added volumes from the line that was commissioned in Sokoto.

Costs of sales rose by 45.1%, or ₦61.6 billion to ₦197.9 billion from ₦136.4 billion in 2021 due to increases in energy costs, operation and maintenance charges, depreciation charges and raw material costs. Net selling and administration costs increased by ₦7.2 billion to ₦8.5 billion given foreign exchange losses from adverse foreign exchange rate movement, distribution costs resulting from the acquisition of additional trucks, and higher fuel costs, depreciation charges, and donation and public relation investments. If we turn to slide 13, we show the cost movement by nature and an important line item.

Cost of sales per ton rose by 25.4% to ₦31,535 from ₦25,149 per ton in 2021, which was due to energy cost, operation and maintenance charges, deprecation charges and raw material costs. Energy costs was up by 36.6% to ₦14,527 per ton from ₦9,441 per ton for the corresponding period ended 2021. This was due to a combination of adverse movement in foreign exchange rate, changes in market price and increased operational activity. Net selling and distribution costs rose by 72.3% to ₦5,309 per ton from ₦3,082 per ton for the 12 months ended December 2021. Factors responsible were foreign exchange losses, depreciation costs, which resulted from an increase fleet size and higher fuel prices, depreciation charges and donation and public relations investments.

On slide 15 we highlight what our priorities are for the current year. As I've highlighted in earlier presentations, value added activities will always be pursued. Some existing objectives will be rolled over on a continuous basis while others will drop off upon attainment. So, the pursuit of synergy and new market or should I say market consolidation, since there is no market without our presence in Nigeria, will continually be pursued. The construction of new lines in Obu and Sokoto remain on course and should be completed within the first quarter of 2024. The payment integration exercise is expected to be completed within the next few weeks. Currently the system is operational. Customers have been migrated, but we have just one or two added checks before the final sign off. Finally, the transition from LPFO should have been concluded, but for the energy challenges experienced we have had to assess for potential risks.

If you turn with me to slide 16, we show some of the activities we undertook during the year. These include the donation of 1,000 sets of students desks and chairs at Sokoto, construction of a 3.4 kilometre Afokpella Road in Edo state, which is in progress, the provision of the solar borehole to the community in Sokoto, the renovation of a block of six classrooms at Utayokhe Primary School in Edo State. On this note, I kindly ask that the phone lines be opened so we can respond to the questions that you have coming into this call. Thank you.

Operator

Thank you very much, sir. Are we ready to proceed with questions?

Yusuf Binji

Yes please. You can go ahead.

Operator

Thank you very much. Ladies and gentlemen, if you have dialled in, and you'd like to ask a question, please press * and then 1 on your touchtone phone on the keypad on your screen. If you decide to withdraw the question, please press * and then 2 to remove yourself from the list. Again, if you would like to ask a question, please press * and then 1. And just a reminder for the participants on the webcast. If you'd like to ask a question, please type your questions in the webcast question box. We will pause to see if we have questions. Just a reminder for the participants on the phone lines. If you'd like to ask a question, please press * and then 1. Ladipo, at this point in time, it seems like there are no questions on the phone lines. If I could please hand over to you for questions on the webcast.

Ladipo Ogunlesi

I have no questions on the webcast at the moment.

Operator

Okay, that's fine. It seems like we have a question that just came in from the phone lines. The first question comes from Chibuzor from Business Day. Please proceed with your question.

Business Day

Hi. Can you hear me? Good afternoon.

Operator

We can hear you. Thank you.

Business Day

Okay. Great stuff with your results. Congratulations once again. And I would love to know your volume for 2022. And as regarding the contribution, what part of the volume contribution came from your Okpella and Sokoto plants? Can you throw light on that? Thank you.

Yusuf Binji

Okay. Thank you very much, the gentleman from Business Day. Our volumes in 2022, we sold a total of 6,276,907 tonnes of cement. That is the total for the two plants.

Operator

Chibuzor, do you have any further questions?

Business Day

Yes, I got that. So, I was just asking the contribution from Okpella and Sokoto plants to these 6.3 million tonnes that was sold in the period.

Yusuf Binji

Yeah, we only give out the consolidated figures because it's one company. We do not segment by plant.

Business Day

Okay, thank you.

Operator

Thank you. Ladies and gentlemen, just another reminder, if you'd like to ask a question, please press * and then 1. Ladipo, can I just check with you if there are any questions on the webcast?

Ladipo Ogunlesi

Yes, I have a few questions on the webcast. The first question is from Michael Oyeleye from Stanbic Pension. His question goes: what is the potential impact of increased capacity on pricing? Thank you.

Yusuf Binji

Okay. Thank you very much, Michael. Usually, the impact you will expect when you have increased capacity would be that the consumers will be able to get the product at almost the same as a company price. You know, there is a certain margin that has been added by retailers. And in times of insufficiency in supply of the product at market where the demand far exceeds the supply, you find a situation whereby it is the retailers that make a substantial part of the profit. They add a higher margin because these are naturally forces of supply and demand. So, what we will expect is that by the time each of the manufacturers bring in more volume into the market, there will be a relative stability of the end user prices to the advantage of the consumer. And whenever we make any price adjustment, especially a reduction during favourable conditions, that immediately will have a will have an impact into the market because of the availability of the product. Thank you, Michael.

Ladipo Ogunlesi

Thank you, sir. The next question is from Aminat Ogungbola from Stanbic IBTC. When does management plan to begin expansion into international markets. What specific countries are being targeted? Thank you.

Yusuf Binji

We are already there. We have been doing export of cement into Niger Republic for quite some time. But of course, like we have always mentioned, Nigeria remains our key priority. But whenever we have any surplus capacity, we shall continue with the export. The export has never ceased, except for the period when the borders were closed. But I think that was only for about a year between 2019 and 2020. But we have been exporting to Niger Republic and last year we experimented with some test cargo to Burkina Faso. So, we intend to pursue this policy aggressively, especially as we are adding new capacity at the plant in Sokoto. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Adedayo Ayeni from Absa. This question goes: Congratulations on delivering volume growth above your peers. Is there any view on the state of demand in the market at this time? Is pricing still trending upwards? And given the sharp contraction in EBITDA margins, are we likely going to see another year of sharp price increases? Thank you.

Yusuf Binji

Thank you very much, Adedayo. The question of demand, I believe the year started well, not really as strong as it was compared to January, February last year. The market was much stronger. But interestingly, when you look at the volume development, you will have seen that the demand remained flat between 2021 and 2022. All the three manufacturers produced and sold almost the same volume into the market, total volume into the market. Of course, there were a little ups and downs amongst the producers. But basically, I think it was around 29.5 million tonnes into the market for the last two years. So, the demand seems to have flattened. If you may recall, we had a big price between 2019 to 2020 and also between 2020 to 2021. Despite the COVID, we witnessed almost a year-on-year increase in demand of about 12% to 13%. But it has remained somehow flat between 2021 and 2022.

Definitely what you refer to as sharp prices came as a result of the very astronomical increases in cost of so many products within the last year, the depreciation of the Naira. And you know energy plays a very significant role, accounting for a significant portion of our production cost. And definitely we tried as much as we can not to pass this burden on to our consumers. But where it became necessary, we had to do so. And that was why I think in the last one year, you may have witnessed what you will call these sharp prices. But so far coming into 2023, we have not seen huge fluctuation in prices of these major inputs. Especially if you take diesel, for example, that is used in most of the trucks. You know cement is distributed by cement trailers going all over Nigeria. And majority of them use diesel as the major fuel.

So, the cost of our diesel has not increased so far within the last three to five months. It has remained stable. So, in that perspective, you will not expect to see us passing the cost of higher energy on to the consumers. The Naira also, I think exchange rate to the Dollar has fairly remained stable between November and now, except for the period in which it jumped astronomically probably as a result of speculation, when the cashless policy was announced. But I think it has been stable now. So, just two factors if they continue to remain stable, I will not expect you are going to see any sharp increase in prices. But like I said, we try as much as possible to absorb any marginal increase during the course of the year. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Wahab Yusuf, NPF Pensions. This question reads: Good afternoon, sir. Just to confirm the conclusion of line three in Obu and five in Sokoto will be concluded in the first quarter of 2024. What volume would they add to your production capacity?

Yusuf Binji

These two lines have a capacity of 3 million metric tons per annum each. So, by the time they are completed, the total installed capacity of BUA Cement will move from 11 million tonnes to 17 million tonnes per annum. That means we will be adding 6 million tonnes per annum almost at the same time. Thank you.

Ladipo Ogunlesi

Thank you, sir. We have a follow up question from Michael Oyeleye from Stanbic Pensions. He wants to know the impact of the current cash shortages on the business model, at least at the retail level. Thank you.

Yusuf Binji

Okay. If I have Mr Jacques Piekarski, the CFO, can you probably take that question?

Jacques Piekarski

Sure. Good afternoon, ladies and gentlemen. Good afternoon, Michael. This cash scarcity at the beginning has not really affected us, but then it started. Most of our sales are cash in advance. So, these are done by bank transfer, so this is not affecting us. But what is affecting us is at the market level. There are a number of customers who are just purchasing few bags of cement in remote marketplaces mostly. So obviously, these kinds of purchases were done actually with cash payments. Now, with this cash scarcity, it happened that the cash disappeared. So, they are not able to purchase these few bags of cement. However, this is a small percentage of our sales. Another impact was on the distribution as well. Partly when we look at offloading trucks, the offloaders in remote places are also paid sometimes in cash. And they couldn't be paid, so sometimes there were delays in offloading trucks. But this is just maybe a day or two or so. You're just not having the truck back on time. But apart from this, there was no big impact from that. So overall, yes, we were affected, but not too much. Not like FMCG businesses, for example, that are mostly a retail based because we're still a B2B business. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Abdulrauf Bello, WSTC Financial Services. He says good afternoon. The 2022 fiscal year was more higher operating cost across the group's expense lines. What is the management's outlook on cost for 2023? And how do you intend to manage it? Thank you.

Yusuf Binji

Jacques, can you also take that please? Thank you.

Jacques Piekarski

Yes. As you know very well, it's very difficult to forecast quite precisely what the costs or inflation will be for the year. Of course, there are trends. There are a lot of studies. One thing that we know is that there will be an inflation. We hope it will be lower than last year. So far it has actually even slightly increased, but let's hope that there will be some stability in the prices. That also depends on the FX availability, obviously. So yes, costs will increase. But in my own opinion, again, I don't think it will be to the extent of last year. There was really apart from the inflation in general [unclear] energy cost. As we explained before, there was a huge increase. Like diesel prices have quadrupled from ₦200 at the beginning of the year to ₦800 at the end. I don't think this will be happening again.

So, to me, just to be very general, probably inflation will be what the cost increase will look like in average, and we don't expect anything much bigger than that, in general. But there are a lot of new parameters this year. One is the presidential election. Secondly, is this war that continues in Eastern Europe. And then yes, the world

economy is not doing that great. So, we depend on these parameters and sometimes it's difficult really to forecast more precisely than that. Thank you.

Ladipo Ogunlesi

Thank you sir. We have a follow up question from Aminata Ogungbola, Stanbic IBTC. Do you have any guidance for volumes going into 2023? Thank you.

Yusuf Binji

Well, that actually depends on what the market will take. Please don't forget that this is an election year. We also have a change in government coming up in May. So, we do not know to which extent these are going to affect consumer choice and demand. But definitely I believe it shouldn't be anything less than what we are seeing. In fact, we are quite optimistic that we will see an increase in 2023 compared to 2022, because like I mentioned earlier, the 2022 total demand was similar to 2021. But we are optimistic that definitely this is going to go up during 2023. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Akosile Oluwasanmi, Investment One Research. Can you give clarity on year-on-year growth for volumes and pricing? Which of these was more responsible for revenue growth? Thank you.

Yusuf Binji

Well, definitely for BUA Cement I will say the year-on-year growth on volumes is quite significant. If you look at 2019 before we did the merger, BUA Cement was able to produce and sell 4.5 million tonnes of cement. And this went up to 5.1 million in 2020. And then still went up again to 5.4 million tonnes 2021. And last year, it went up to almost 6.3 million tonnes. So, you can see that I believe amongst all the cement players in Nigeria BUA Cement witnessed the highest growth in terms of volumes, like I said. I do not have the specific figures for the prices, but I will generally say that the prices did not go up much except within 2022. And this is because of the increase in prices of especially energy products and the exchange rate also because we have some critical supplies that are indexed to the market rate of the Dollar. If you remember two years ago, it was ₦405. As of today, it is ₦461. So, that's quite a big jump. So, definitely the volume growth for BUA Cement has been more phenomenal. Thank you.

Ladipo Ogunlesi

Thank you, sir. We have our next question from Bolaji Balogun, Augusto & Co. His question reads: may I ask for an update on the royalty increase by the Ministry of Steels and Mines? Is it already been implemented? Any potential adverse impact on costs? Thank you.

Yusuf Binji

Yes, thank you very much. When the royalty was increased by the Federal Ministry of Mines, the cement manufacturers, especially under the umbrella of Cement Manufacturers Association of Nigeria, CMAN, made a collective presentation to the Honourable Minister of Ministry of Mines and Steel Development. And definitely, this received a very favourable response. And we sort of got a reduction in the charges for limestone and

gypsum, which are our primary raw materials for cement manufacturing. So, that we greatly appreciate. And it has gone into effect, I think, sometime middle of last year, and it's been implemented in a nutshell. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Nabila Mohammed, Chapel Hill Denham. Her question reads: Considering the price increase last year, should we expect more price increases this year considering we are two months into 2023? Thank you.

Yusuf Binji

Thank you very much, Nabila. I believe I've already addressed that question. It was asked by the previous two speakers on the web. Like I mentioned, it is not our desire to increase prices. We only do it when we have no option. And last year, we were faced with so many different choices. But we actually had no option. Like was mentioned by Jacques, the price of diesel rose up from about ₦200 per litre to ₦800. Like I also mentioned, it has remained stable. So, in that respect, there may be no need to increase this transport component on our company delivery cement to customers. But it's something we will look at and review depending on the cost inputs, so that we still try to maintain our own margins. So, I cannot really say. The situation in Nigeria is quite dynamic. The currency has been stable recently. The price of energy has been stable. But if there are big jumps, then definitely a substantial part of that will have to be passed on to the customer so that we can recoup what we are spending on this energy. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Uwa Osadiaye. Congrats on your results. What are the main headwinds for the business this year? And you think that inflationary pressures are likely to impact on demand yet again? Thank you, sir.

Yusuf Binji

Thank you very much, Mr Uwa. Yes, Nigeria has witnessed substantial inflation within the last one year around 20%. But of course, also, the economy is very resilient. As long as there is continued investment in infrastructure, there will be the need and the demand for cement. And we are there to really supply the market. So, I am not really convinced that demand will be dampened by such, because Nigeria is a developing economy. And definitely you will see a lot of investments in infrastructure, and substantially the major component there will cement. So, I think we are very optimistic it will continue to be good, and the demand will grow. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Olayinka Adesola, SBG Securities. His question reads: Thank you for the presentation and congratulations on the performance. Please, I would like to get your view on the market in 2022. Would you say the market is slowing down or largely impacted by energy disruption? Also, what portion of your sales was exports? Has there been any improvement in gas supply in 2023 so far? Can you give percentages of the gas supply in 2022 versus current supply with respect to your requirements? Lastly, what are the sources of funding for the expansion, and should we expect more debt in 2023? Thank you.

Yusuf Binji

Thank you very much, Olayinka. Heavily loaded. Let me attempt to answer some of your questions, and at a point I will also ask Mr Jacques to really come in. Regarding the market in 2022, like I said, our own estimate is it was around 29.5 million tonnes from all the three cement manufacturers, and this is the same as we did in 2021. So, there hasn't been any significant increase in the market. But, like I said, we expect the market to increase in during the year 2023. Regarding the export, I will ask Jacques to give that figure. I think he has them top of his head. We have had challenges with gas supply, as most of the manufacturers also. You know, there has been a lot of disruption to the oil wells and oil facilities, especially the national pipelines. And this has forced a lot of the major oil producers that are producing onshore and also into marginal fields to shut off production. And this affected the supply of gas to the national gas pipeline.

Our factory in Edo I think suffering from that. We are not getting enough gas, and partly the reason why we have had to supplement by using LPFO. And also, when it comes to supply of LNG to our Sokoto plant, that also was affected. So, in a nutshell, the gas requirements to each of the two plants was not met by the suppliers in 2022. And even though it has been partly alleviated by some of the measures we have taken, it is not yet [unclear]. We still have some shortfall in in supply. But that is not affecting our production, because our plants are multi fuel. They are designed to run on various sources of energy - liquid, solid and gaseous. So, definitely it will not have an impact on the production itself because we have alternatives. I will ask Jacques to touch on the sources of funding for the new lines and also the figures for the export to Niger Republic. Thank you.

Jacques Piekarski

The export for last year totalled almost 50,000 tonnes. That was a continuous increase from the past based on availability of cement. Now, as far as debt is concerned, as you know we're financing with debt the expansion of the lines. But this expansion will also generate a certain amount of profit and cash. And with this in the future, if we exclude any future expansion, this should suffice actually to cover all our future investment with the cash we will generate. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Peter Bell, International Cement Review. He's question reads: What percentage of the Company's cement sales are now blended cement, Portland limestone cement compared to OPC? Has BUA Cement any plans for calcined clay cement production? Thank you.

Yusuf Binji

Thank you very much, Peter. We produce CEM II with limestone addition CEM II only. Thank you. And we do not intend to go into calcined additives.

Ladipo Ogunlesi

Thank you, sir. The next question is from Moses Njuguna, EFG Hermes. He wants to get an update on discussions with IFC and syndicate partners. Thank you.

Yusuf Binji

Okay. Thank you very much. Sometime last year, we made a disclosure on the portal of NGX saying that we are into discussions with IFC plus some other syndicate lenders towards obtaining a facility to finance our expansion

activities in Sokoto. The discussions have progressed to an advanced stage. And the IFC together with the other syndicate partners like the African Finance Corporation and African Development Bank, plus other minor lenders have commenced the process of finalising this transaction that will go towards financing the lines in Sokoto. Thank you.

Ladipo Ogunlesi

Thank you, sir. He had a follow up question. He wants to know if access to US Dollar has eased in 2023 so far. Thank you.

Yusuf Binji

Unfortunately, the situation didn't get any better. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Adewale Eniola, Stanbic IBTC. Hello. Are there any new product lines you have launched or plan to launch across markets in a bid to sustain impressive gains from last year? Also with the new incoming government, do you anticipate a new policy that may impact your sector of operation? Thank you.

Yusuf Binji

Thank you very much, Adewale. Definitely, the sales and marketing department are always aligning themselves with the demands and aspirations of the customers. And very likely, probably, we will launch a new product this year. I cannot say anything more than that. Secondly, regarding the policy of the new administration, I am yet to see anything towards that with regards to the cement industry in particular. But definitely the Nigerian government has done quite a lot. It introduced the backward integration policy about 20 years ago. And that is what encouraged companies like the two local players to come into play. And now they are actually the dominant players in Nigeria. And so, I'm sure if there is a new policy by the new government, it will not have an adverse effect on the domestic production capacity or the local manufacturers. Suffice to say, the policy introduced by the government that time is what brought us to this level, the level where Nigeria has now become even a net exporter of cement. If you recall 20 years back, we were still importing cement into Nigeria, different products. But because of that favourable policy, it encouraged the local producers to set up capacity and expand their production base. And today, Nigeria is not only self-sufficient, but it's also exporting both cement and clinker. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Samson Owolabi, ARM Securities. He's asking about price increase. I want to ask about price increased by BUA Cement during 2022. How many times was price increased and can we get a break down?

Yusuf Binji

Well, Mr Samson, yes. Like we mentioned during our previous calls, and also today, and also mentioned in the presentation, we have had quite a number of price increases during 2022, partly to reflect the realities of the market because of the increased prices of inputs, especially energy products. I do not have it top of my head, how much was increased and what time. But I think there have been a number of adjustments. And it was not

only price increase that we had last year. We had basically what was actually a reduction in the bonuses being given to our customers. So, it was a sort of realignment of prices. Of course, that has somehow had an impact into the market. But I think there were one or two price increases so to say. But what we basically did mostly last year two or three times was to adjust the incentive that we give to our dealers. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Wahab Yusuf, NPF Pensions. His question reads: What's the current float of BUA Cement in the market? And also, is that is the float likely to go beyond current levels this year?

Yusuf Binji

Mr Jacques, over to you please.

Jacques Piekarski

I think the float, this is difficult to say because this is a shareholders decision. So, we will not know what the decision will be. And the first question? Sorry, could you repeat, Ladipo, please?

Ladipo Ogunlesi

What is the current float of BUA Cement in the market. Also, is the float likely to go beyond current levels this year?

Jacques Piekarski

The current float was published in the audited financial statements. So, we have above 80%. Less than 20% is a free float. And we are in compliance with the NGX regulations in this regard.

Ladipo Ogunlesi

Thank you, sir.

Jacques Piekarski

In value, if you want to know the number, it's on page seven of the audited financial statements. The free float is ₦59 billion, around that. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Bayo Adebajo, Coronation. Good afternoon, sir. Congratulations on the results. Speaking to energy costs, what steps are being taken to address gas supply disruption? Also, what is the current energy mix for the kilns in light of alternative energy sources? Thank you.

Yusuf Binji

Okay. Thank you very much, Bayo. Like I mentioned, our plants are multi fuel. And that means the major pyro processing unit called the kiln is designed to run on solid, liquid or gaseous fuels. So, we try to balance on whatever is available and at a cheaper cost. So, currently, in Obu we are running on natural gas and sometimes we add LPFO, which is a liquid fuel. However, our turbines are running on gas, both in Obu and also in Sokoto. And in Sokoto, you know we have coal as the main fuel into the kiln. And this has been complemented by LNG whenever available, or also by LPFO, whichever is available. So that is the fuel mix. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Moses Njuguna, EFG Hermes. What's the weighted average time period of pioneer tax status for your lines, if any. Just for clarity, the industry does not enjoy pioneer status incentive from August 2020. Is that correct? Thank you.

Yusuf Binji

Not exactly correct. I think the date you mentioned was the sunset date. But pioneer status is applicable for a number of years. And probably, Mr Jacques, if you can shed some light on this. Thank you.

Jacques Piekarski

Actually, the current pioneer status that companies enjoy normally is three years. So, for example we have on our new line in Sokoto. After commissioning, we got this pioneer status. This date that the gentleman mentioned, 2020, is correct. But then in 2021, the President offered the extension of the pioneer status for cement manufacturers. So, I'm not sure about other industries. And in 2022, there was a deadline for all cement manufacturers to announce or inform the government about their new lines coming up. And those who have done that, they will get the pioneer status. After that, or if it was not declared at that time, there be no more pioneer status for cement manufacturers' new lines. Thank you.

Ladipo Ogunlesi

Thank you, sir. I have no more questions on the webcast. Claudia, do you have any questions on queue?

Operator

There are no questions on the phone lines.

Ladipo Ogunlesi

Thank you so much. MD.

Yusuf Binji

Okay. Thank you all for being part of this call. I will look forward to you joining us in April for the first quarter review. Has a very good day. Once again, thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, that does conclude today's conference. Thank you very much for joining us. You may now disconnect your lines.

END OF TRANSCRIPT