

Conference Call transcript

25 March 2026

BUA CEMENT FY 2025 RESULTS

Operator

Good day, ladies and gentlemen, and welcome to the BUA Cement Plc full year 2025 earnings call for analysts and investors. All attendees will be in listen-only mode. There will be an opportunity to ask questions when prompted, at which time participants on the webcast are welcome to submit questions in the question box provided on your screen. Participants who have dialled in and would like to ask a verbal question may do so by keying in * and then 1 on your telephone keypad. If you should need assistance during the call, please signal an operator by keying in * and then 0. Please note that this event is being recorded. I will now hand over to the Managing Director and Chief Executive Officer, Mr Yusuf Binji. Please go ahead, sir.

Yusuf Binji

Good day, everyone, and welcome to BUA Cement's full year 2025 earnings call. My name is Yusuf Binji. I'm the Managing Director and CEO of BUA Cement Plc. And presenting alongside with me is Mr Chikezie Ajaero, the Chief Financial Officer. For those of you joining us for the first time, I will do a brief overview of who we are. We are the largest cement manufacturer in the Northwest, South-South, and South-East regions of Nigeria, and we operate from two states in Nigeria, Sokoto State in Northwest and Edo State in the South-South, using six ultramodern production lines.

In 2025, we achieved a landmark revenue of ₦1.2 trillion and closed the year with a market capitalisation of ₦6.1 trillion. We are sustainably led by the United Nations Sustainable Development Goals and the IFC's Performance Standards. Currently, we have started the process for the pilot issue of IFRS sustainability reporting following Nigeria's adoption of the disclosure standards in 2023. And finally, we have maintained our credit ratings at investment-grade levels, specifically an AA and an A+ by DataPro and Augusto & Co respectively.

Now I will begin the presentation, and if you will kindly turn with me to slide 10, I'm sure you have got copies of the presentation. Here we show the state of the economy in comparison to the previous year ended 2024. The broad assessment from the numbers released by the Central Bank of Nigeria and the National Bureau for Statistics is that the economy is improving. Not spending so much time on these macroeconomic indicators, I will now ask you to turn with me to slide 11.

On slide 11 is the highlight of our performance for the year. Our performance was driven by cost-based price recovery, cost management, and market diversification resulting in margins recovery and increased profitability. The net revenue for the year was up by 34.6% to ₦1.2 trillion from ₦876 billion in the previous year. EBITDA increased by 104.7% to ₦549.9 billion from the ₦268.6 billion in 2024, which translated to an EBITDA margin of 46.6% compared to 30.6% in 2024.

Profit after tax increased by 381.7% to ₦356 billion from ₦73.9 billion in 2024, with earnings per share equally increasing by the same rate to ₦10.51 from the ₦2.18 in 2024.

I'm pleased to announce that our expansion projects are progressing, including the greenfields 3 million metric tonnes per annum line one at Ososo in Edo State, which is scheduled for completion by the end of next year. We remain committed to minimising the impact of our activities on people and the environment by engaging with stakeholders and implementing community development initiatives through the tangible investments made.

If you'll turn with me to slide 12, we provide a breakdown on the performance drivers. First was disciplined cost management, which comprised the alignment of people and processes for efficiency and effectiveness, the strategic collaboration and alignment with business partners and suppliers, and the diversification of the fuel mix at the Obu Plant. Second was cost-based price recovery with a partial cost pass-through following the increase in input costs. Third was market diversification. We resumed cement and clinker export to neighbouring West African countries following the earlier border closure and we served a new market segment following our acquisition of bulk cement tankers during the year.

Fourth was digital transformation. The digital transformation journey of our customers continues to evolve. You will recall that in previous years, we automated our sales process and integrated our platform with Nigerian banks, ensuring seamless and stress-free experiences by customers. This year, we went a step further with the launch of a mobile app and a 24-hour service centre. These initiatives serve as tangible proof of our commitment to customer excellence. In view of these drivers and beside the growth net in net revenue, operating profit increased by 250.3% to ₦504.5 billion from ₦144.3 billion in 2024.

If you return to slide 13, you will see that the EBITDA bridge is driven by revenue and cost levers. EBITDA increased by 104.7% to ₦549.9 billion from ₦268.6 billion in 2024. Drivers for the increase were as follows. The revenue increased by 34.6% or ₦303 billion, to ₦1.2 trillion, as I earlier mentioned, from ₦876.5 billion in 2024. Secondly, the cost of sales declined by 0.2%, or ₦940.2 million, to ₦573.2 billion from the ₦576.2 billion in 2024. Like I said, this is a marginal decline of 4.2% due to reductions in operations and maintenance service charges, energy costs, decommissioning liability, selling & distribution, and administrative expenses. And this increased net by 1.7x or ₦22.6 billion to ₦54.3 billion from ₦31.6 billion in 2024. And it's attributed to an increase in distribution costs given the increase in fleet size and fuelling cost, staff costs, depreciation charges, security expenses, etc.

Slide 14 shows the cost scorecard following containment measures implemented during the year, especially the early direct cost efficiency gains. As I stated in the previous slide, cost of sales declined to ₦575.3 billion from ₦576.2 billion in 2024. Selling and distribution expenses increased by 48.4% or ₦20.8 billion to ₦63.6 billion from ₦42.9 billion due to an increase in distribution costs, depreciation charges, advertisement and promotional expenses, and staff costs. Administrative costs increased by 26.1% or ₦5.8 billion to ₦27.8 billion from ₦22.1 billion due to an increase in staff costs, depreciation charges and security expenses. The early gains from the containment measures are proving durable, giving us a foundation to drive cost efficiencies and recover margin improvements across the business.

If you will turn with me to slide 16, slide 16 focuses on the justification for our expansion. In our view, the urbanisation rate in Nigeria is presently approximately 55% and is expected to increase, aided by population growth, education, search for economic opportunities, etc. Similarly, across West Africa, we expect an increase. Housing and infrastructure deficit remains a concern in Nigeria, with the latest housing deficit estimate put at around 28 million units, together with inadequate social and economic infrastructures, which limits economic growth and development. This is not different across the West African landscape.

Cement consumption per capita in Nigeria is low but improving. When compared to other African countries, data shows there is still a lot of headroom for growth. With this in mind, we decided to increase our installed capacity with a greenfield line at Ososo in Edo State and further expand our operations at Sokoto with a sixth line. Both lines are 3 million metric tonnes per annum each in capacity and will be commissioned between December 2027 and end of 2028. Also in progress is the LNG regasification plant expansion in Sokoto by about 2,500 tonnes storage capacity. These investments target the Nigerian and broader West African markets.

Turning over to slide 17 are the strategic priorities for the year. These priorities are unchanged because they are anchored to the market model which continues to drive strong returns. Slide 18 showcases a few of the activities embarked on during the year. I now kindly request the phone lines to be opened so we can take and address your questions. Thank you.

Operator

Thank you, sir. Ladies and gentlemen, once again to the participants on the webcast, you are welcome to submit your questions in the question box provided on your screen. Participants who have dialled into the call and would like to ask a verbal question may do so by keying in * and then 1 on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may key in * and then 2 to leave the question queue. We will pause a moment while we assemble the questions. It appears at this stage we have no questions from the telephone lines. I will now hand over the written questions submitted by the webcast.

Ladipo Ogunlesi

Good afternoon, everyone. Our first question is from Nengi Isokrari from Athena Advisory Limited. Her question reads, please kindly speak on the decrease in accounts receivables and how this was achieved. Thank you.

Yusuf Binji

Okay, thank you so much, Nengi. Our CFO, Mr Chikezie, is here, and he will do justice to that question. Chike, please.

Chikezie Ajaero

Yeah, good afternoon and thank you for the question. The account receivable is not a decrease, it's an increase. So, I don't know whether the question is misdirected.

Ladipo Ogunlesi

Thank you, sir. The next question is from Dumebi Obiago from AFC. Her question reads, what West African countries did BUA export cement and clinker to? Please shed more light on the decommissioning activities

referenced on slide 13. What was the cost of cement per metric ton in 2024 versus 2025 and the outlook for 2026? Thank you.

Yusuf Binji

Okay. Our export activity is actually centred around the Sahel, and this comprises both of cement and clinker, of which we did substantially well during the year 2025. I may not be able to give you the specific costs per metric ton of cement in the previous two years. For 2026, it is just beginning. But just to say that our cost, the price of cement is cost reflective just to maintain a decent margin. And there have been a lot of shocks during the last three years, especially the forex fluctuations and also a rise in the input cost occasioned by the deregulation of the oil industry.

You are aware that the cement manufacturing process is energy intensive, between 50% to 60% depending on your type of process, and any slight change in the price of energy will have a big impact in the cost of production and with the deregulation, we have witnessed quite a surge. And that was compounded also by the devaluation of the Naira in mid-2023. And so, our cost went up. So, we have adjusted prices of cement to be cost-reflective. And so, this is where we are. Mr Chikezie, can you talk briefly on the decommissioning costs that we mentioned on page 13 of our presentation.

Chikezie Ajaero

Yeah. Thank you, MD. The commissioning cost is the provision that is made for reclamation of quarries after mining. So, as expected by law, when you are mining, you are expected to make provision that after mining, you are going to put the mines back to either economic use or make it habitable for the environment, people living around there, so it will not have any adverse effect on them. So, the decommissioning liability is just a provision for that reclamation that will be done on a future date. Thank you.

Ladipo Ogunlesi

Thank you, sir. Our next question is from Thomo Molatjane from Old Mutual Investment Group. His question reads, are there any risks to infrastructure in Northwest region in Nigeria? Thank you.

Yusuf Binji

Well, Mr Thomo, really, it's a difficult one. But our factory is located within the Sokoto metropolis an area called Kalambaina. So far it has been very safe. We have not witnessed any threat. We have a lot of staff and a lot of equipment and assets worth billions or hundreds of billions of Naira, and it has been safe and we continue to pray that it remains safe. So, I'm not aware of any threat and certainly there hasn't been any. Thank you.

Ladipo Ogunlesi

Thank you, sir. We have a follow-up question from Dumebi Obiogo, AFC. Her question reads, what is the current construction progress of the expansion project? Also, what will be BUA's market share in the cement sector post-expansion projects? Thank you.

Yusuf Binji

Okay. We have two major expansion projects ongoing in the cement sector. One is our plant in Oso in Edo State, for which the groundbreaking was done in June or July 2024. That project is progressing very well and is

due for commissioning in 2027. And then we have the second project that is in Sokoto and for which we signed a contract in January this year, and that is expected to be completed before the end of 2028. Now, presently we have a total installed capacity of 17 million metric tonnes. These two new lines will bring in an additional 6 million tonnes per annum. So, that will take our installed capacity to 23 million metric tonnes per annum.

Of course, there are other expansion projects that are ongoing by other cement manufacturers as has been announced, so definitely we will see an increase in the total install capacity in Nigeria. I will not be able to tell you what exactly will be the market share, but certainly our market share is going to expand because we are building more cement lines than what the others are doing. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Gareth Visser, Sustainable Capital. His question reads, what impact will higher oil and gas prices have on BUA? Will it impact our feedstock prices? And if so, by how much? Thank you.

Yusuf Binji

I think I've already mentioned quite a lot about the impact of energy on the cost of production. And I said energy plays a significant role in our cost of production. So, I think the previous answer suffices, Mr Visser. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Mustapha Umaru, CSL Stockbrokers Limited. Good afternoon. Please, I would love a bit of colour in terms of [break in audio]. Also, what is the outlook for volumes in 2026? Thank you.

Yusuf Binji

Okay. You know, before the end of 2025, there were three major players in the cement market in Nigeria, and a fourth one came into operation just before the end of 2025. And so, today we have four big players in the market. And from what I've seen of volumes is that in 2025 the total consumption in Nigeria was about 31.77 million tonnes and this moved up to 33.34 million tonnes in 2025, about 4.9% increase. So, you can see that the total consumption has increased during the year 2025.

We certainly expect that the consumption will increase during 2026 from the indications of the performances of volume sold within the first two months of the year. And also, this may not be unconnected to increase activities in the construction segment. A lot of government projects are ongoing, and a lot of private sector developments are also ongoing from what we can see from our own perspective here. So, certainly, we intend to see an improvement over the 33.3 million tonnes consumed in 2025. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Abeeblahi Rufai. Good afternoon. My name is Abeeblahi Rufai from CardinalStone Securities. A couple of questions. Could you provide full year 2025 volumes? I think we've answered that. Also, what amount of total volumes is export? What is the medium-term outlook for exports and how material could export contribution become within the revenue mix?

Trade payables remain elevated with a notable FX component. Should this be viewed as structural and how should we expect this to evolve over the medium term? Could you provide clarity on capital allocation over the

next few years, including medium-term capex plans and the IFC loan repayment profile, and any intention to utilise undrawn facilities? To what extent are operations exposed to developments in the Middle East? Could this translate to cost pressures or pricing adjustments in the near term? Could you provide the composition of your sales distribution to retail businesses and wholesalers, if possible?

Yusuf Binji

Thank you. I think we have answered the full year volumes for 2025. The export was restarted in 2025, like I said to the Sahelian states. And this comprised of cement and clinker. So, exports should continue to play a very significant role because now we have established a customer base and also a logistics system whereby our products go to two countries in Central West Africa.

Regarding the impact of the situation in the Middle East, this is global, so Nigeria is not insulated. And in particular, manufacturers are not insulated also because of the cost of energy. To give you an example, like the price of diesel about a month ago was below ₦1,000. Now people are talking about ₦1,800. So, you can see an almost 80% increase. And just take the movement of the cement from the factories to the end users, which is done mostly by road transport. And majority of the trucks use diesel. So, certainly this is going to impact on the cost of cement before it reaches the final end user. So, we only hope that the situation in the Middle East gets back to normal and prices stabilise and come back to the previous levels. Mr Chikezie, can you talk about the impact of the IFC repayment and the capital allocation?

Chikezie Ajaero

Thank you, MD. The IFC loan, we have started repayment in December 2025. Then if you remember the intention of the loan and the total amount of the loan is \$500 million, of which we have already drawn down \$300 million. Then the loan was supposed to be for the two lines that were constructed in Sokoto, which we have already completed in 2024. So, part of the plan is for us to use equity and debt in financing ongoing projects that we have in Oso and the Sokoto Line 6. So, there is a possibility of us using the balance of \$200 million that is still yet undrawn from the IFC loan in financing the Sokoto Line 4 and 5 that we have completed, which will probably give us a leeway in financing the two new projects that we have.

Then we are equally paying down heavily on the trades payable, which the foreign component is as a result of the retention of the three lines in Sokoto and one line in Obu that was completed between 2023 and 2024. So, we have a repayment arrangement with the EPC vendor that will last from 2025 to 2028. So, you will continually see a downward trend because of the arrangement that we have. We are consistently following it on a monthly basis, so it is expected that the exposure of trade payables to foreign denominated liability will continually be reduced.

Then, if you look at the import finance facility that we have, we have equally fully repaid the import finance facility in 2025. The outstanding that we have, that is reported in 2025 account is as a result of the undelivered forex forward that was already paid in 2022 and 2023 but was eventually returned by CBN which accounted for us to rebook them in our accounts. If not for that, we wouldn't have had any foreign denominated import finance facility as at the end of 2025. Thank you.

Ladipo Ogunlesi

Thank you, sir. The next question is from Desmond Gabriel, WSTC Financial Services. His question reads, do we expect the huge growth in revenue to continue going forward? Was the drop in cost margin caused by a lower inflation environment or lesser volume? What should we expect going forward? Thank you, sir.

Yusuf Binji

Yeah, certainly we expect improvements as we are able to sell more. You know, not all the cement plants in Nigeria are operating at full capacity. So, like I said, with the expected increase in demand during the year 2026, certainly we are going to sell more volumes. And so, we are going to have a growth in our revenue. Mr Chike, can you answer the second part of the question?

Chikezie Ajaero

Yes. And the cost is not majorly from reduction in value, in dispatch rather. It's as a result of energy mix efficiency that we had in 2025. If you can remember from the slide that my MD presented, we introduced the use of coal in our plants at Obu. Then one of our major costs before now is the O&M, the operation and maintenance, which used to account to a very sizable percentage of our cost of sales. We had to renegotiate with the vendor, and we were able to get a favourable pricing, which helped us in having a reduction of about 22% in 2023. So, it's as a result of efficiencies that we entered into with the vendor after that 2025 and which is still continuing. So, it's not generally because of a decrease in volume that was dispatched.

Ladipo Ogunlesi

The next question is from Isaac Osaro, First Securities Brokers. His question reads, when the 2028 project is completed, what will be the total installed capacity? Thank you, sir.

Yusuf Binji

That will be 23 million tonnes per annum.

Ladipo Ogunlesi

Thank you, sir. The next question is from Moses Njuguna, Mazi Capital. Thank you for the call. What's your target leverage ratio? Any covenants linked to the IFC loan? Could you share your installed clinker capacity and utilisation rate, if possible? Thank you, sir.

Yusuf Binji

Okay, Chike, can you answer the first two questions?

Chikezie Ajaero

Sorry, Ladipo, can you come again with the question?

Ladipo Ogunlesi

Yes, sir. His question reads, what's your target leverage ratio? Any covenants linked to that? Could you share your installed clinker capacity and utilisation rate, if possible?

Chikezie Ajaero

Every loan has a covenant. So, for the IFC loan, we have a financial covenant, especially on ratios that we need to meet. So, we have consistently been able to meet up with the ratios, and they saw that because of the devaluation that was suffered in 2023, we sought a waiver from the financial institution which was granted. So, based on the revised components, we have not defaulted in any form. So, based on the leverage that you talked of, presently we are at 80%. The expectation based on the new projects that we are having, the additional 6 million tonnes that is ongoing, the expectation is that the leverage should not be more than 110%. That's what we are looking at by the time the projects are fully completed. Thank you.

Yusuf Binji

Yes, and let me just add that the installed clinker capacity is 14 million metric tonnes per annum currently.

Ladipo Ogunlesi

Thank you, sir. The next question is a follow-up question from Mustapha Umaru, CSL Stockbrokers Limited. His question reads, given the explanations of the CFO, is it wise to forecast slower cost growth for 2026? Thank you.

Chikezie Ajaero

Yes, the efficiency is continuing. We still have one clinker line in Obu that have not been added to coal. So, it's expected that we'll continue to move along that trajectory. Then, in the negotiation of the contracts with the EPC vendor that is running the plant was mid-year 2025. So, it's expected that since this is the first full year that we'll be operating, so the cost savings that we have had in 2025 because of the renegotiation of that contract will continue to suffice in 2026. Thank you.

Ladipo Ogunlesi

Thank you, sir. I have no more questions on the webcast.

Operator

Thank you, sir. At this stage, we have no questions on the telephone lines either, at which point that brings us to the end of the question and answer session. I will now hand back for closing remarks.

Yusuf Binji

Thank you very much for spending a greater part of your day with us. It has been a pleasure hosting you, and we hope we have given you all the necessary answers. Thank you. Have a nice day. Bye-bye.

Chikezie Ajaero

Thank you.

Operator

Thank you, sir. Ladies and gentlemen, that concludes today's event. Thank you for attending, and you may now disconnect your lines.