Nigeria | Equity Research| Cement| Company Update

March 17, 2026

BLOOMBERG: DANGCEM NL

Margin uplift and expansion drive to shape medium-term outlook

HOLD

Target Price: N898.61

Ref Price: N802.90

We are cautiously optimistic on DANGCEM, as the pace of price increases that supported the company's performance in FY'25 may be less pronounced in FY'26. On volumes, we expect modest growth, supported by stable demand for public infrastructure spending in Nigeria and across the company's Pan-African markets. Elsewhere, management has shown commitment to aggressively expand its footprint in the African region, planning to invest $1.0 billion over the next five years and increase plant capacity to 80.0 MTPA from the current 55.0 MTPA. As such, volume growth outlook beyond 2026 looks promising and should support the company's performance in the medium term.

Adjustments to our model have led to a revision of the 12-Month Target Price (TP) to N898.61 (vs N778.20 previously). Adjustments also included a reduction in Equity Risk Premium to 12.6% (vs. 13.4% previously). However, with an upside of 11.9% compared to our reference price, we have downgraded our recommendation to a HOLD.

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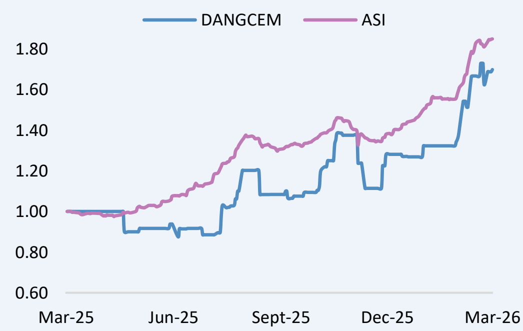
Market Data	
Market Cap (N'mn)	13,450,304.9
Last close price (N)	802.90
52-week high-low price (N)	829.50/420.00
Avg 3M daily volume (mn)	1.55

1-year price performance (rebased)



Source: Bloomberg, Cardinalstone Research

Stable operations supported by steady demand and export growth

For the Nigerian segment, volume growth of cement and clinker sales was relatively flat, settling at 17.7Mt in FY'25. For the current year, we project volumes to improve slightly to 18.2Mt, supported predominantly by continued public infrastructure spending and an improved demand from the private sector, reflecting moderating inflationary pressures and a positive FX outlook.

Export sales have become an increasingly important revenue source for the company, particularly in the Nigerian market. Management has claimed that it is focusing on the export business, citing its importance as a natural FX hedge and sourcing route, which helps to manage risks associated with importing inputs. In FY'25, cement and clinker shipments to neighbouring countries Niger, Togo, Cameroon, and Ghana settled at 1.4 million tonnes (+19.0% YoY). In fact, management disclosed that they dispatched over 34 ships of clinker from Nigeria to Ghana and Cameroon, up from 10 shipments three years earlier. We see room for more export growth in FY'26, particularly reflecting the recent action of the company to have 2 dedicated port terminals for export-import activities. Additionally, the company plans to scale export volumes to 10.0Mt by 2030, which will clearly support volume growth particularly for the Nigerian segment.

Elsewhere, the Pan African segment saw softer volumes in FY'25, after reporting a decline of 1.6% to 11.0Mt. This was mostly due to macroeconomic obstacles observed in major markets during the first half of the year, such as budget delay in Ethiopia, which constrained government spending, post-election concerns in Senegal, and adverse weather conditions in South Africa. However, performance improved in the latter two quarters of the year, as macro narratives improved.

We perceive that Pan African cement volumes will recover in FY'26, supported by rapid construction projects in Congo, Cameroon, and Tanzania. Also, we particularly like that the company is ramping up output at its recently commissioned 3.0 MTPA grinding mill in Cote d'Ivoire. As such, we expect Pan African volume growth to scale by 6.0% YoY to 11.6Mt.

The pace of pricing growth is likely to slow this year, following a substantial rise in prices over the previous two years, notably in the Nigerian segment. To corroborate our view, since the second half of last year, we have begun seeing a more stable pricing environment. As such, we expect that the group's revenue per tonne in FY'26 will average N162,020 (+7.7% YoY). Overall, we anticipate group revenue to reach N4.8 trillion in FY'26 (vs N4.3 trillion in FY'25).

Figure 1: Prices have remained largely stable over the last few quarters (Naira per tonne)

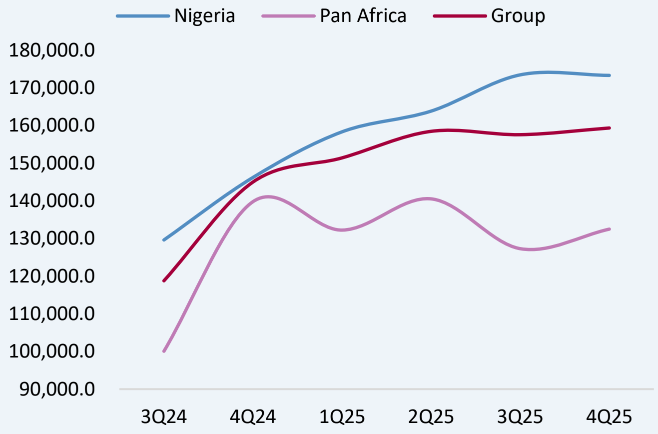
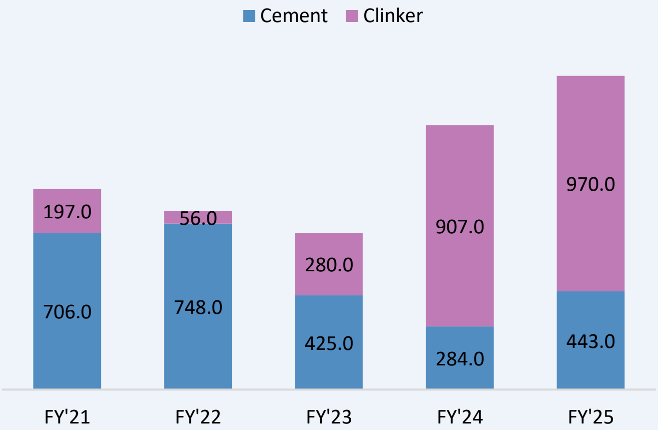


Figure 2: DANGCEM Nigeria export profile and trend (KT)



Source: Company Financials, Investor presentation, CardinalStone Research

Cost discipline and efficiency gains to sustain margin strength.

Cost control is fundamental to DANGCEM's value creation. The company has made progress in alternative fuel substitution, with the adoption rate across the group estimated at 10.0%, reducing exposure to expensive fuel inputs (gas, AGO, and LPFO) for plant production and cementing its position as a cost leader. For context, in the Nigerian cement sector, DANGCEM remains the lowest cost per tonne producer in the country. Similarly, the group's production cost per tonne is on the decline, with thermal substitution more advanced in certain regions of its Pan-African operations. Already, the gradual transition from AGO-powered vehicles, which included the deployment of 3,000 CNG trucks and 1,000 dual-fuel trucks across its operations in FY'25, has begun moderating haulage costs while boosting energy efficiency. These initiatives helped the company record an 8.0ppt and 8.8ppt increase in gross and EBIT margins to 62.0% and 41.0%, respectively. In FY'26, we expect this trend to continue, and we forecast gross and EBIT margins at 63.5% and 43.8%, respectively, while averaging

64.4% and 46.7% over the forecasted 5-year period.

Figure 3: DANGCEM is the lowest cost producer in the country (Naira per tonne)

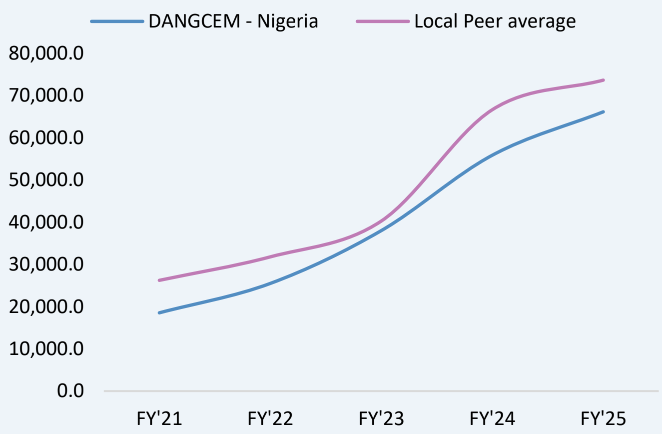
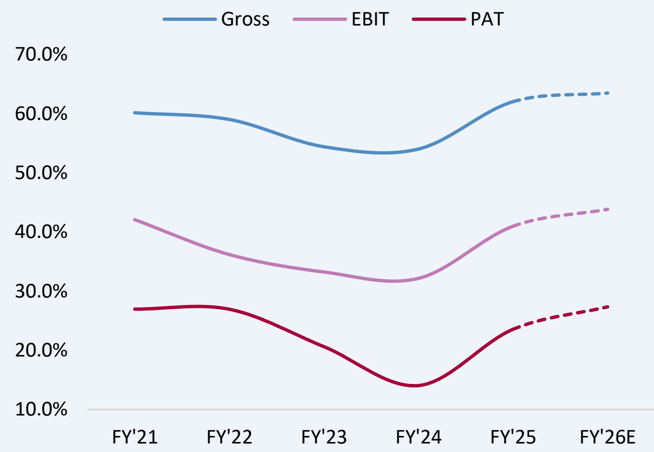


Figure 4: Margin strength key for profitability growth



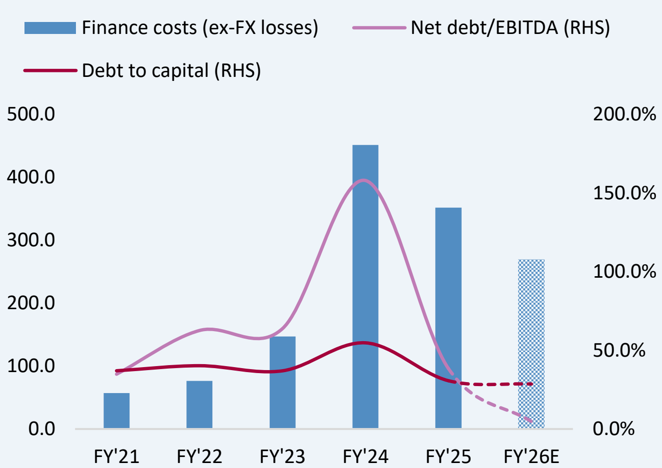
Source: Company Financials, Investor presentation, CardinalStone Research

Deleveraging to strengthen the balance sheet and provide bottom-line support

In FY'25, the firm undertook major deleveraging (N2.3 trillion debt repayments), including the redemption of the $675.0 million Afreximbank loan, the N100.0 billion bond, and other debt repayments. As a result, the total debt composition of the capital structure as of FY'25 is 30.7% (compared to 54.8% in FY'24). Given the current high-interest rate environment, management has stated a preference for maintaining prudent leverage levels. Additionally, the company intends to fund most of its long and short-term capital investments through internal cash flow generation and supplier credit, which provides a lower-cost alternative to traditional debt sourcing.

As a result of the lower leverage, we expect finance costs to decline by 23.4% to N269.4 billion in FY'26, providing a further tailwind to profitability. Hence, PBT and PAT margins are expected to settle at 40.2% (+4.7ppts YoY) and 27.4% (+3.8ppts YoY), respectively. Overall, we expect net profit to increase by 30.4% YoY to N1.3 trillion, translating to an EPS of N78.22.

Figure 5: Impact of recent deleveraging efforts



Source: Company Financials, CardinalStone Research

Figure 6: Working capital ratios

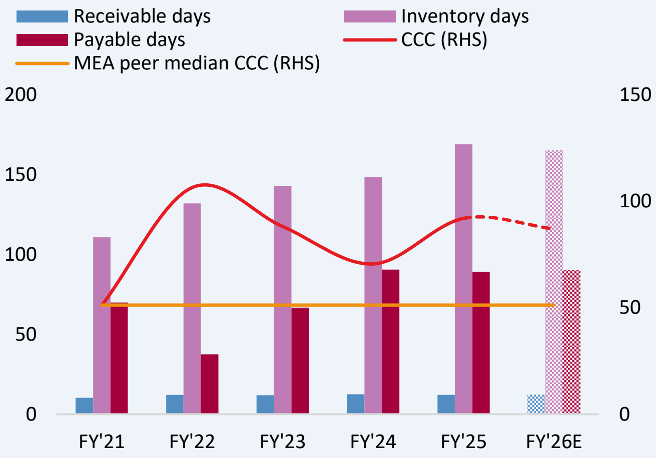


Figure 7: ROE above 5-year average on strong net profit margin, despite lower leverage

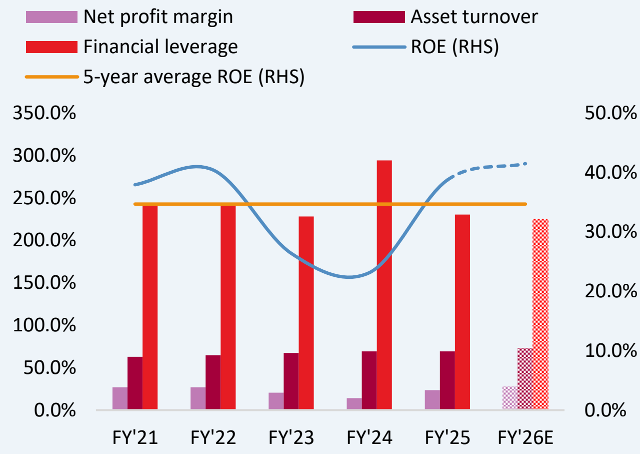
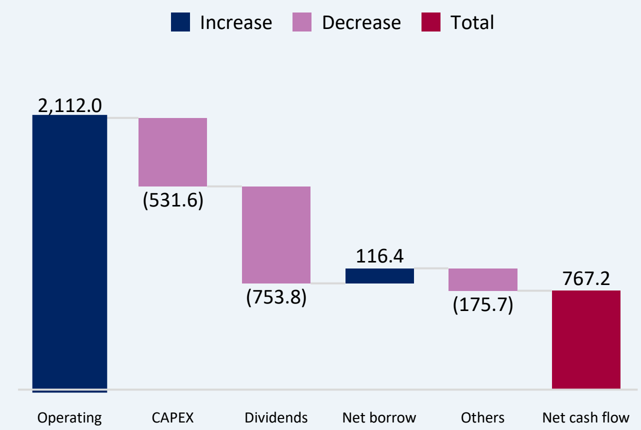


Figure 8: Solid operating cash flows are enough to finance CAPEX and dividend obligations in 2026



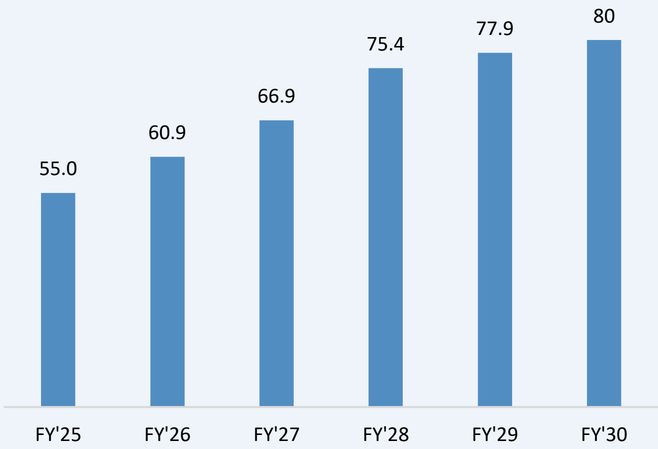
Source: Company Financials, CardinalStone Research

Expansion strategy and proposed capital deployment

Beyond 2026, the company remains focused on the strategic expansion of its production capacity across its operating markets. The company has outlined plans to increase capacity from its current 55.0 MTPA to 80.0 MTPA by 2030, supported by several ongoing and planned projects, including the 6.0 MTPA Itori plant in Nigeria, the 2.5 MTPA Mugher cement plant expansion in Ethiopia, as well as additional capacity expansions in Cameroon, Senegal, South Africa, and Zambia, alongside a planned entry into Zimbabwe. To support these initiatives, alongside energy transition-related investments, management has earmarked a total spend of $1.0 billion over the next 5 years. We estimate Capex intensity to settle at 11.0% in FY'26, while averaging 7.0% over the forecast period.

The expansion drive is expected to drive volume accretion as the company positions plants in strategic markets across Africa. Group volumes are forecasted to reach 43.2 Mt by 2030 (vs.28.6 Mt from FY’25). However, utilisation rates may lag the pace of growth for nameplate capacity in the near term.

Figure 9: Production capacity growth projections (MTPA)



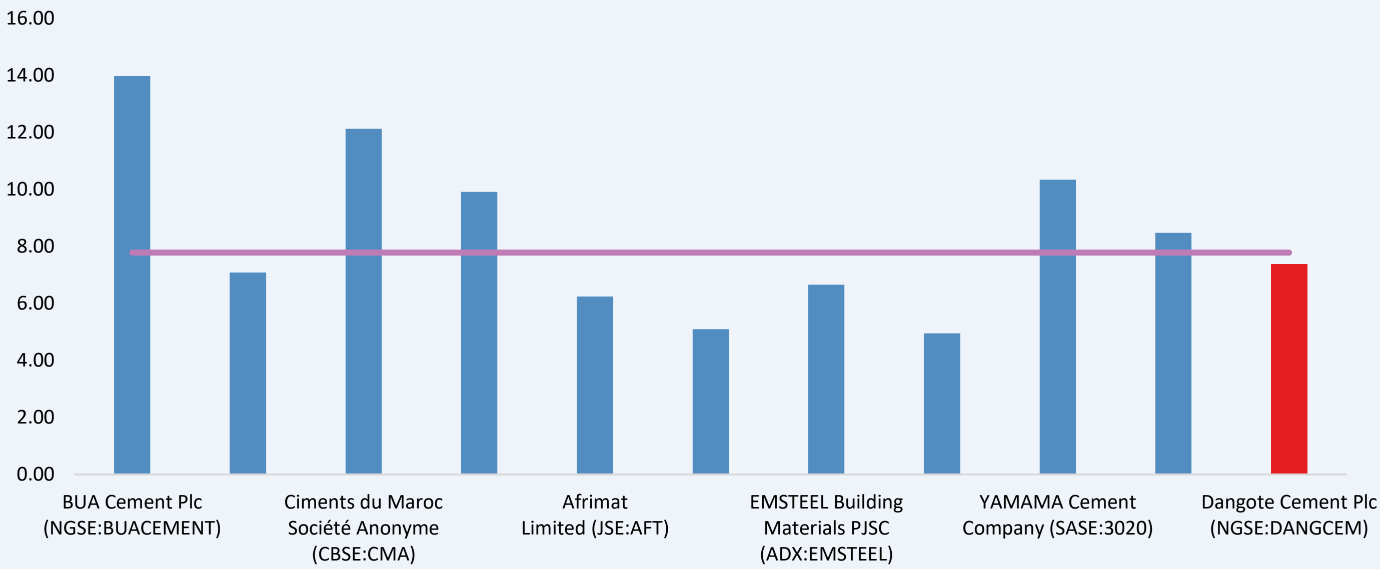
Source: DANGCEM Investor presentation, CardinalStone Research

Valuation

Following adjustments to our model, it resulted in a target price of N898.61 (vs N778.20 previously). This represents a 11.9% upside to the current reference price. Our revised assumptions account for a reduction in Equity Risk Premium (ERP) to 12.6% from 13.4% previously, indicating the improving macro backdrop. We have increased our weighting for relative valuation to 50.0% (from 40.0% earlier), reflecting recent repricing to MEA peers.

DANGCEM (EV/EBITDA 7.2x; P/E 13.3x) is now trading slightly below select MEA peer medians of 7.8x and 15.1x, respectively, as well as its 5-year averages of 8.0x and 14.9x, according to S&P CapitalIQ, implying that the company is trading closer to its intrinsic value. We downgrade our recommendation to a HOLD.

Figure 10: DANGCEM EV/EBITDA compared to peers



Source: S&P CapitalIQ, Cardinalstone Research

Figure 11: Summary of Financials

Income Statement (N'million)	2024A	2025A	2026E	2027F
Revenue	**3,580,550**	**4,306,704**	**4,832,984**	**5,463,113**
COGS	(1,645,651)	(1,634,430)	(1,764,039)	(1,966,721)
Gross profit	**1,934,899**	**2,672,274**	**3,068,945**	**3,496,392**
Other Income	57,070	42,251	48,330	54,631
OPEX	(839,927)	(949,248)	(998,180)	(1,076,424)
EBIT	**1,152,042**	**1,765,277**	**2,119,095**	**2,474,599**
Net Interest	(531,727)	(241,562)	(172,704)	(172,301)
Gains on monetary assets	112,222	8,945	-	-
PBT	**732,537**	**1,532,660**	**1,946,391**	**2,302,298**
Tax	(229,290)	(517,739)	(622,845)	(736,735)
PAT	**503,247**	**1,014,921**	**1,323,546**	**1,565,563**
PAT Attributatble to owners	**498,192**	**1,002,847**	**1,310,383**	**1,549,993**
EPS (NGN)	30.0	60.6	79.0	93.5
EPS (attributable to owners)	29.7	59.9	78.2	92.5
DPS (NGN)	**30.0**	**45.0**	**45.0**	**70.0**
Payout ratio	99.9%	74.3%	57.0%	74.9%
Shares outstanding (million units)	16,752	16,752	16,752	16,752

Cash Flow Statement (N'million)	2024A	2025A	2026E	2027F
Cash flow from operating activities	**821,184**	**1,710,762**	**2,112,017**	**2,116,355**
o/w Depreciation & amortization	228,959	215,026	244,262	254,846
o/w Changes in working capital	(227,638)	(165,780)	99,831	9,754
Cash flow from investing activities	**(834,883)**	**620,354**	**(437,918)**	**(330,307)**
o/w Capital expenditure	(413,777)	(861,089)	(531,628)	(437,049)
as % of sales	12%	20%	11%	8%
Cash flow from financing activities	**(311,543)**	**(2,076,566)**	**(906,852)**	**(590,678)**
o/w Dividends paid	(502,580)	(502,942)	(753,847)	(753,847)
o/w Debt issued/(repaid)	537,105	(1,170,666)	116,359	444,733
Opening Cash and cash equivalents (incl. FX diff.)	456,958	108,036	362,586	1,129,833
Net change in cash	(325,242)	254,550	767,247	1,195,370
Closing cash and cash equivalent (cash flows)	**131,716**	**362,586**	**1,129,833**	**2,325,203**
Overdraft	318,115	34,983	34,983	34,983
Closing Cash and cash equivalents (Balance sheet)	**449,831**	**397,569**	**1,164,816**	**2,360,186**

Balance Sheet (N'million)	2024A	2025A	2026E	2027F
Cash and cash equivalents	449,831	397,569	1,164,816	2,360,186
Accounts receivable	116,742	147,472	158,893	179,609
Inventories	669,662	756,835	797,442	808,241
Other current assets	674,786	670,081	702,845	739,007
Current assets	**1,911,021**	**1,971,957**	**2,823,996**	**4,087,044**
PP&E	3,271,322	3,917,363	4,204,729	4,386,932
Intangible Assets	17,003	16,383	19,332	21,852
Other non-current assets	1,203,892	135,024	135,024	135,024
Total assets	**6,403,238**	**6,040,727**	**7,183,081**	**8,630,852**
Short-term borrowings	1,245,181	799,765	612,448	825,920
Payables	992,119	1,269,622	1,454,245	1,531,677
Other short-term liabilities	332,284	534,307	805,981	919,871
Current liabilities	**2,569,584**	**2,603,694**	**2,872,674**	**3,277,468**
Long-term borrowings	1,386,383	359,810	663,486	894,747
Other long-term liabilities	272,026	457,087	457,087	457,087
Total liabilities	**4,227,993**	**3,420,591**	**3,993,247**	**4,629,302**
Shareholders' equity	2,122,043	2,520,236	3,089,935	3,901,650
Minority interests	53,202	99,900	99,900	99,900
Total liabilities & equity	**6,403,238**	**6,040,727**	**7,183,081**	**8,630,852**
BVPS (Owners)	**126.67**	**150.44**	**184.45**	**232.90**
Net debt/(cash)	2,181,733	762,006	111,117	-639,519

Ratio Analysis	2024A	2025A	2026E	2027F
Gross Margin	54.0%	62.0%	63.5%	64.0%
EBITDA Margin	38.6%	46.1%	48.9%	50.0%
EBIT Margin	32.2%	41.0%	43.8%	45.3%
Net Profit Margin	14.1%	23.6%	27.4%	28.7%
ROE	23.1%	38.7%	41.5%	39.1%
ROA	7.9%	16.8%	18.4%	18.1%
ROIC	24.8%	22.2%	34.5%	29.9%
ROCE	30.1%	51.4%	49.2%	46.2%
OPEX/Sales	23.5%	22.0%	20.7%	19.7%
Net debt/Equity (x)	1.0	0.3	0.0	-0.2
Net debt/EBITDA (x)	1.6	0.4	0.0	-0.2
Sales/Assets (x)	0.6	0.7	0.7	0.6
Assets/Equity (x)	2.9	2.3	2.3	2.2
Interest cover (x)	2.6	5.0	7.9	8.8
Tax Rate	31.3%	33.8%	32.0%	32.0%

Valuation	2024E	2025A	2026E	2027F
P/E (x)	15.9	10.1	10.2	8.6
P/BV (x)	3.8	4.0	4.4	3.4
EV/EBITDA (x)	7.4	5.5	5.7	4.7
Dividend Yield	6.3%	7.4%	5.6%	8.7%

Source: Company reports, CardinalStone Research estimates
Note: N in millions (except per-share data). Fiscal year ends in December. o/w - out of which

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