Nigeria | Equity Research | Cement | Company Update

March 13, 2026

BLOOMBERG: WAPCO NL

LAFARGE AFRICA PLC

BUY

BUY recommendation supported by strategic expansion

Target Price: N280.48

Ref Price: N204.00

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Lafarge Africa Plc (NGX: WAPCO) retains a compelling investment case, anchored on capacity expansion, improving utilisation, innovative product launches, and cost optimisation. The recently announced expansion plan under the new ownership, its first in a decade, introduces a new growth phase for the company as it looks to leverage the public and private sector drive to bridge the infrastructure and housing gaps in Nigeria. The move also positions WAPCO for sustained earnings growth and strengthens its competitive footprint in key markets.

In this report, we have adjusted our model to reflect the expansion plans and other insights from recent engagements with management. The adjustments resulted in a new 12-Month Target Price ('TP') of N280.48 (vs N202.87 previously), representing a 37.5% upside to our reference price. We maintain a BUY recommendation on the ticker.

Market Data	
Market Cap (N'mn)	3,285,990.3
Last close price (N)	204.00
52-week high-low price (N)	214.00/65.90
Avg 3M daily volume (mn)	5.36

1-year price performance (rebased)

Source: Bloomberg, Cardinalstone Research

Strong operating momentum supported by debottlenecking and product innovation

WAPCO delivered a strong operational performance in the past year. The company crossed the N1.0 trillion mark after expanding revenue by 53.0% YoY (vs 20.3% YoY and 34.6% YoY for DANGCEM and BUACEMENT, respectively). The revenue growth outperformance reflected the combination of improved capacity utilisation, introduction of new low-carbon products, and higher pricing across the sector. Production rose to 6.3Mt during the period, translating to a 12.5% YoY increase and an improvement in capacity utilisation to 66.3% in FY'25 (from 58.9% in FY'24 on the effective capacity of 9.5 MTPA*). The company's active debottlenecking activities should continue to unlock incremental capacity, particularly around its South-Western Ewekoro plant.

Product innovation also contributed to volume growth. WAPCO introduced ECOPlanet in Q2'25 and ECOcrete in Q3'25, with ECOPlanet accounting for about half of sales in the Western region since its launch and the two products contributing 27.0% of total company sales in FY'25. These initiatives helped the company grow volumes at a time when sector-wide volumes were largely stable. Pricing tailwind was also crucial, as average revenue per tonne for the period increased by c.36.0% YoY, providing a major lift for topline growth.

For FY'26, these drivers are expected to remain supportive. Cement demand is likely to remain firm due to infrastructure spending and a potential improvement in discretionary income for the private sector

*MTPA – Metric Tonnes Per Annum

following the recent moderation in inflation and relative stability of the Naira. The company's active debottlenecking activities should continue to unlock incremental capacity, particularly around its South-Western Ewekoro plant, and volume growth. In addition, FY'26 is set to be supported by the first full year contributions from the products introduced in 2025, with significant legroom for more innovative launches. We see legroom for an 8.0% YoY growth in volumes to 6.8Mt.

Pricing momentum across the sector has moderated after strong increases over the past two years, with price per tonne remaining broadly stable in recent quarters. We therefore project FY'26 average revenue per tonne at N179,410 (+6.0% YoY). This growth alongside movements in volumes should drive revenue to N1.3 trillion in FY'26. The key risks to our cement price expectation include a persistent rise in oil prices and any significant threat to the current stable exchange rate environment due to Middle Eastern geopolitical conflicts. These risks could lead to energy and imported cost pressures that may be passed to consumers in the form of higher prices. However, we see scope for a limited price response to the exogenous risks (compared to the last two years), given the company's diversification of energy mix from conventional volatile sources.

Figure 1: Revenue forecasts (N'billion)

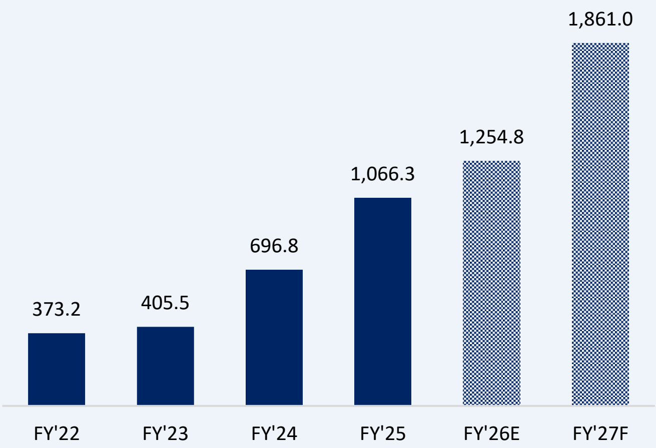
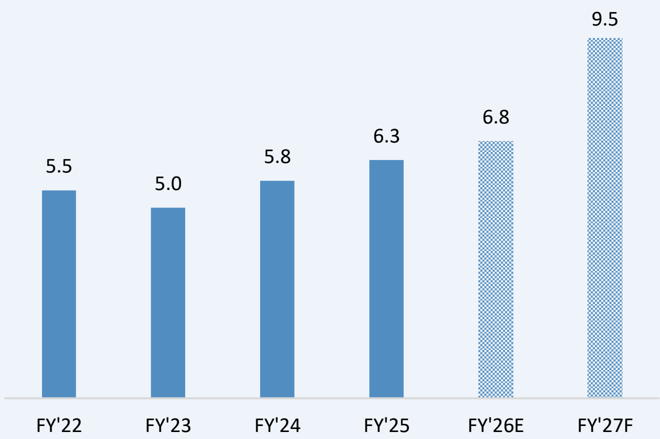


Figure 2: Volume forecast and trend (Mt)



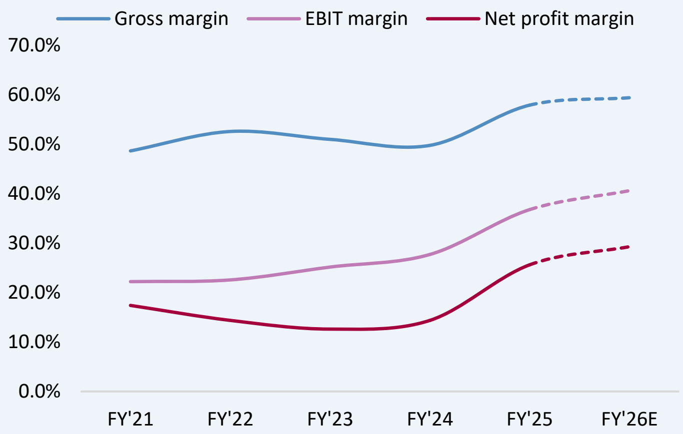
Source: Company Financials, CardinalStone Research

Cost optimisation and sustainability initiatives support margin strength.

WAPCO's transition to more sustainable manufacturing and distribution practices has accelerated in recent years. The company expanded its fleet of CNG vehicles by 500 trucks and raised alternative fuel substitution to c.15.0%, aided by reducing reliance on conventional fuels such as AGO and LPFO. The company also partnered with the Lagos Waste Management Authority (LAWMA) to convert municipal waste into alternative fuel energy in its Olusosun site in Ketu. These initiatives helped the company tame the increases in its cost of sales and distribution expenses in FY'25.

For FY'26, we expect these cost optimisation strategies to remain crucial for margin expansion. The company's plan to commission a CNG station at the Mfamosing plant is consistent with this view and suggests reliance on more CNG vehicles. WAPCO is also looking to commission the Ashaka captive power plant, which should minimise reliance on external power supplies and drive significant energy cost savings for its Northern operations. These actions are expected to catalyse a 1.5 ppts increase in gross margin to 59.4% and drive EBIT margin 3.8 ppts higher to 40.6% in FY'26. Over the forecast period, gross margins are expected to average 60.3% while EBIT margins should average 44.3%.

Figure 3: FY'26E margin projections



Source: Company Financials, CardinalStone Research

Capacity expansion to mark a strategic shift for WAPCO.

WAPCO has announced a plan to expand its capacity to 14.0 MTPA from 10.5 MTPA. The project is expected to extend the Sagamu plant in Ogun state to 3.5 MTPA (vs 1 MTPA currently) and its Ashaka plant in Gombe state to 2 MTPA (vs 1 MTPA currently). Importantly, the expansion is expected to reactivate the Sagamu facility, which was mothballed in 2021. This reactivation should result in the addition of 4.5 MTPA to WAPCO's effective 9.5 MTPA capacity. It also represents the company's first capacity expansion since 2016 and looks set to effectively double the company's capacity in the Southwest (a leading region for cement consumption) and increase its footprint in Northern Nigeria. The targeting of the Southwest is also important due to the growing demand for WAPCO's new carbon-friendly products in the market, while expansion in Ashaka should drive price competitiveness in Northern Nigeria due to its implied impact on freight or transportation expense.

The expansion project is expected to be completed by December 2026, with a knock-on effect on volume and revenue set to commence in 2027. Huaxin's strong technical and project execution expertise, as well as its engineering and equipment manufacturing capabilities, are expected to help drive effective completion of the project. From a CAPEX standpoint, the project is expected to cost $250.0 million and will be financed entirely with the company's internal cash flow in line with management's preference for low leverage. In Naira terms, the expansion project could cost N347.1 billion (assuming NAFEX rate of N1,388.26/$). Combining with ongoing debottlenecking initiatives and maintenance CAPEX, we estimate total FY'26 CAPEX at N440.5 billion. With commissioning expected by December 2026, we expect a significant uplift in volumes in the subsequent year. Assuming a conservative utilisation rate of 68.0%, the impact of the enlarged capacity should result in 39.9% YoY improvement in volumes to 9.5 Mt in FY'27, with the related topline projected to reach N1.9 trillion.

Figure 4: FY’26E cash flow projections (N’billion)

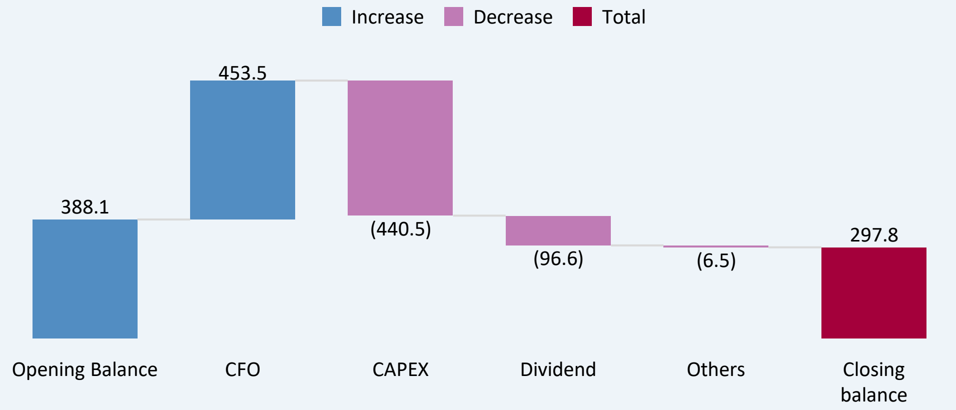


Figure 5: Higher CAPEX to pressure ROE in FY’26 due to lower asset turnover, recovery expected in FY’27

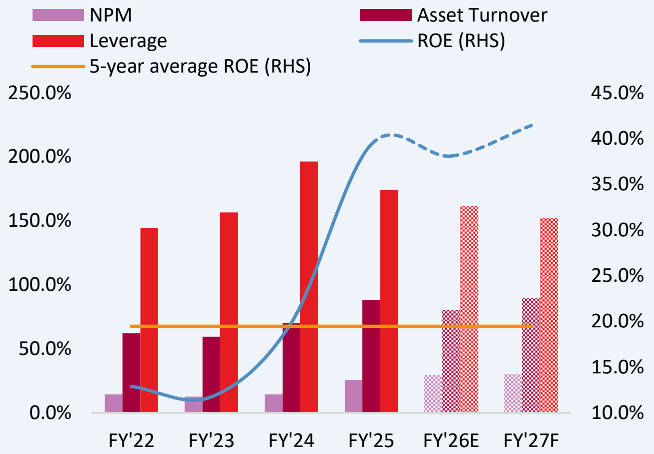
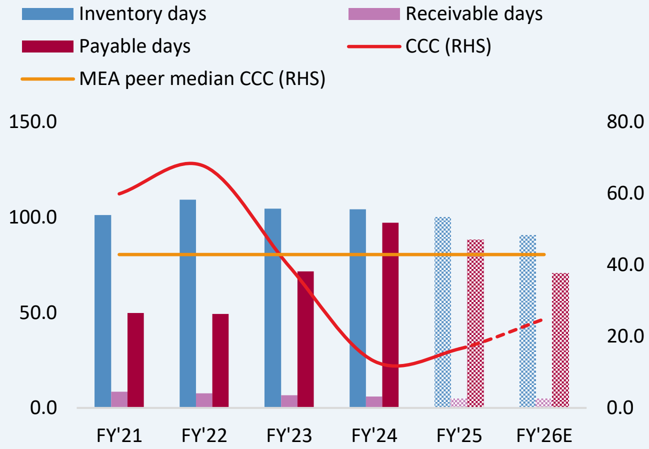


Figure 6: Robust liquidity management by WAPCO



Source: Company Financials, CardinalStone Research

Management reaffirmed its commitment to maintaining shareholders' return despite the investment programme, with the company's strong cash profile expected to cater to dividend payments in the medium term.

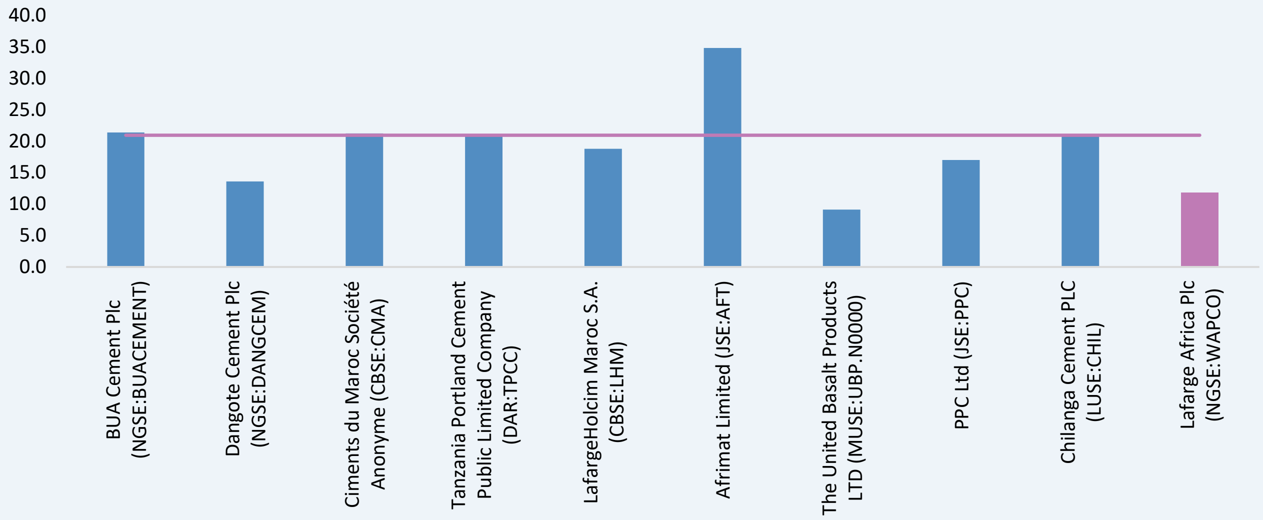
While Free Cash Flow to Equity Holders (FCFE) could be pressured in FY'26 due to the large CAPEX involved, we expect value accretion from improved operating cash flows in the medium term to more than compensate, resulting in a net increase in the value for the company.

Beyond the current expansion, there is potential for further capacity increase in the future, as Huaxin regards Nigeria as one of its most important markets outside of China. Management also highlighted that future expansion would be dependent on market demand and strategic fit. However, this has not been integrated into our model.

Valuation

Adjustments to our model resulted in a new 12-month TP of N280.48, suggesting a 37.5% upside relative to our reference price of N204.00. Our updated valuation also reflects a lower equity risk premium of 12.6% (vs. 13.8% previously), consistent with improving macroeconomic conditions in Nigeria. Our valuation reflects our constructive view on the potential of the construction and cement sectors, as well as our positive outlook on the company's expansion plans, operational improvements, and cost-saving initiatives. WAPCO's P/E and EV/EBITDA multiples of 11.8x and 6.7x, respectively, are also at significant discounts to the MEA peer medians of 21.0x and 9.8x, apiece, highlighting the ticker's compelling valuation. We maintain a BUY recommendation on the ticker.

Figure 7: WAPCO P/E multiple is below S&P CapitalIQ select MEA peer median



Source: S&P CapitalIQ, CardinalStone Research

Figure 8: Summary of Financials

Income Statement (N'million)	2024A	2025A	2026E	2027F
Revenue	**696,758**	**1,066,305**	**1,254,802**	**1,861,031**
COGS	(350,047)	(448,937)	(509,476)	(746,313)
Gross profit	**346,711**	**617,368**	**745,326**	**1,114,718**
Other Income	7,188	4,916	3,764	3,722
OPEX	(160,893)	(230,184)	(239,505)	(308,252)
EBIT	**193,005**	**392,100**	**509,585**	**810,189**
Net Interest	(40,486)	19,217	30,683	20,789
PBT	**152,519**	**411,317**	**540,269**	**830,977**
Tax	(52,374)	(138,196)	(172,886)	(265,913)
PAT	**100,146**	**273,121**	**367,383**	**565,065**
EPS	6.22	16.96	22.81	35.08
Total DPS (N)	**1.20**	**10.00**	**10.26**	**17.54**
Payout ratio	19.3%	59.0%	45.0%	50.0%
Shares outstanding	16,108	16,108	16,108	16,108

Cash Flow Statement (N'million)	2024A	2025A	2026E	2027F
Cash flow from operating activities	**214,127**	**292,629**	**454,494**	**665,103**
o/w Depreciation & amortization	29,300	34,784	56,645	71,846
o/w Changes in working capital	27,301	(129,635)	29,459	(42,047)
Cash flow from investing activities	**(71,372)**	**(49,300)**	**(445,700)**	**(166,066)**
o/w Capital expenditure	(72,992)	(74,610)	(440,529)	(93,400)
as % of sales	10.5%	7.0%	5.9%	5.3%
Cash flow from financing activities	**(74,863)**	**(93,265)**	**(98,020)**	**(166,559)**
o/w Dividends paid	(30,605)	(83,761)	(96,647)	(165,323)
o/w Debt issued/(repaid)	(28,341)	(211)	(131)	(118)
Opening Cash and cash equivalents (incl. FX diff.)	167,339	234,911	388,067	298,841
Net change in cash	67,891	150,064	(89,226)	332,478
Bank Placement & restricted cash	2,628	3,093	-	-
Closing Cash and cash equivalents	**237,858**	**388,067**	**298,841**	**631,319**

Balance Sheet (N'million)	2024A	2025A	2026E	2027F
Cash and cash equivalents	237,859	388,067	298,841	631,319
Accounts receivable	9,619	13,678	17,189	25,494
Inventories	104,192	112,117	125,624	184,022
Other current assets	62,333	45,641	45,641	45,641
Current assets	**414,003**	**559,503**	**487,295**	**886,475**
PP&E	409,761	448,580	832,464	854,018
Intangible Assets	1,667	1,626	1,626	1,626
Other non-current assets	165,079	198,315	238,412	334,986
Total assets	**990,510**	**1,208,024**	**1,559,798**	**2,077,105**
Short-term borrowings	1,684	940	56	51
Payables	181,731	164,558	211,036	235,691
Other short-term liabilities	225,430	251,864	286,554	379,581
Current liabilities	**408,846**	**417,363**	**497,646**	**615,323**
Long-term debt	530	368	1,121	1,009
Other long-term liabilities	76,494	96,299	96,299	96,299
Total liabilities	**485,869**	**514,029**	**595,065**	**712,630**
Shareholders' equity	504,641	693,996	964,732	1,364,475
Total liabilities & equity	**990,510**	**1,208,024**	**1,559,798**	**2,077,105**
BVPS (N)	**31.33**	**43.08**	**59.89**	**84.71**
Net debt/(cash)	(235,644)	(386,759)	(297,664)	(630,260)

Ratio Analysis	2024A	2025A	2026E	2027F
Gross Margin	49.8%	57.9%	59.4%	59.9%
EBITDA Margin	31.9%	40.0%	45.1%	47.4%
EBIT Margin	27.7%	36.8%	40.6%	43.5%
Net Profit Margin	14.4%	25.6%	29.3%	30.4%
ROE	19.8%	39.4%	38.1%	41.4%
ROA	10.1%	22.6%	23.6%	27.2%
ROIC	13.4%	25.2%	29.0%	28.3%
ROCE	25.9%	36.2%	40.3%	40.6%
OPEX/Sales	23.0%	21.6%	19.1%	16.6%
Net debt/Equity (x)	-0.5	-0.6	-0.3	-0.5
Net debt/EBITDA (x)	-1.1	-0.9	-0.5	-0.7
Sales/Assets (x)	0.7	0.9	0.8	0.9
Assets/Equity (x)	2.0	1.7	1.6	1.5
Interest cover (x)	95.5	337.0	410.1	724.5
Tax Rate	34.3%	33.6%	32.0%	32.0%

Valuation	2024A	2025A	2026E	2027F
P/E (x)	11.3	7.9	8.9	5.8
P/BV (x)	2.2	3.1	3.4	2.4
EV/EBITDA (x)	4.0	4.2	5.3	3.0
Dividend Yield	1.7%	4.5%	5.0%	8.6%

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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