

Research Note

Dangote Cement Plc Q3 2011 Results

04 November, 2011

- Dangote Cement Plc recently released its Q3 results to September 30th, 2011, showing an 18.6% increase in sales to N173.8bn from N146.6bn in Q3 2010. PBT and PAT achieved a similar positive trajectory, growing by 22.0% and 23.3% to N93.9bn and N92.8bn respectively. On a quarterly basis, at N61.1bn, sales were 4.9% higher than in the preceding quarter although lower than the 6.9% Q-o-Q growth seen between Q1 and H1 2011. Similarly, profits before and after tax grew by 15.2% and 16.2% (Q-o-Q) at N35.3bn and N35.1bn respectively.
- These results are broadly in line with our expectations and previous management guidance, as the company experienced higher production and sales volumes during the period despite low capacity utilization from the Gboko plant as a result of LPFO supply dynamics. Profitability margins improved over the period as PBT and PAT margins stood at 54.0% and 53.4% from 52.5% and 51.4% in 2010. On a quarterly basis, the improvement see margins appear more pronounced, with quarterly margins of 57.8% and 57.5% for the period from 52.7% and 51.9% for pre and post tax margins respectively. Further analysis of the numbers provided indicates a marginal decline in Dangote Cement's annualized ROE and ROA, dropping from 47.5% and 25.2% to 45.9% and 24.6% respectively.
- We remain positively disposed to the counter, although its price has been severely punished in recent times. Dangote Cement is trading at 13.5x its trailing EPS of N8.01, a slight premium to its peer average of 12.8x. We therefore maintain our **BUY** recommendation on the stock based on our **N141.49** price target derived from a blend of valuation methods, which yields an implied intrinsic value of N121.46.



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Table: Dangote Cement Plc; Q3A 2011, Q3A 2010

DANGOTE CEMENT PLC	30-Sep-11	30-Sep-10	% change
	N'000	N'000	
TURNOVER	N173,837,000	N146,560,000	18.6%
PBT	N93,884,000	N76,927,000	22.0%
TAX	(N1,061,000)	(N1,628,000)	
PAT	N92,823,000	N75,299,000	23.3%
PBT MARGIN	54.0%	52.5%	
PAT MARGIN	53.4%	51.4%	

Source: NSE, Afrinvest Research

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