

# LAFARGE AFRICA PLC



...Bottomline Performance Driven By Strong Revenue Outing

December 02, 2024.



Earnings Note

## Event

Lafarge Africa Plc (“the Group”) delivered a solid financial performance in Q3 2024, achieving an impressive 101% revenue growth to N183.92 billion from N91.40 billion in Q3 2023. We attribute this growth to the favorable impact of increased prices and volume sales growth during the period.

On the cost side, the growth reported, in our view mirrored the impact of high inflation and the increased volume during the period. Cost of goods rose by 101% year-on-year to N93.79 billion, compared to N46.73 billion in Q3 2023. This increase was primarily driven by a 121% surge in production variable costs, which comprises of expenses related to fuel, power, raw materials, and consumables. However, the revenue growth achieved effectively covered the cost incurred, and gross margin expanded by 13 basis points to 49%. In absolute terms the gross profit grew by 102% to N90.13 billion in Q3 2024 (Q3 2023: N44.67 billion).

Operating expenses rose by 42% year-on-year in Q3 2024, largely due to inflationary pressures impacting both administrative expenses, which grew by 41% and selling and marketing costs, which increased by 42%. Notwithstanding this increase, operating expense margin declined by 900 basis points to 21%, solely on the back of the solid revenue growth. This efficiency translated into an enhanced operating profit margin, which expanded by 900 basis points to 28% in Q3 2024, compared to 19% in Q3 2023. In absolute terms, operating profit experienced robust growth, soaring by 201% to N51.41 billion, up from N17.06 billion in Q3 2023.

Net finance costs surged by 497% in Q3 2024, primarily driven by a substantial increase in finance expenses, which rose by 132% to N1.71 billion, compared to N736.51 million in Q3 2023. This sharp rise solely reflects the impact of the prevailing elevated interest rate environment on finance cost. On a more positive note, the Group recorded an 87% reduction in foreign exchange losses, which declined significantly to N1.55 billion from N11.71 billion in the same period last year.

Overall, the Group achieved outstanding bottom-line growth in Q3 2024, with profit after tax surging by 703% to N30.73 billion, compared to N3.83 billion in Q3 2023. This growth contributed significantly to the total profit for the nine-month period ending September 2024.

# HOLD

**Fair Value Estimate: N49.75**

Total Return: **-9%**

## Stock Data

Current price (N)	58.00
Shares Outstanding (mn)	16,108
Market Cap (N'mn)	934,252
52-week high (N)	47.30
52-week low (N)	31.50
Trailing EPS (N)	3.17
Forward EPS (N)	6.37
Forward PE (X)	9.27
Justified PE Multiple (X)	7.81



Stock Data	FY 2022	FY 2023	FY 2024F
P/E	17.71x	18.58x	9.27x
P/BV	2.28x	2.18x	1.87x
PBT Margin	19%	19%	23%
PAT Margin	14%	13%	15%
RoE	14%	12%	22%
Dividend Yield	3%	3%	5%

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**Q3 2024 Financial Performance**

<b>Income Statement (N'mn)</b>	<b>Q3 2024</b>	<b>Q3 2023</b>	<b>Change (%)</b>
<b>Revenue</b>	<b>183,920</b>	<b>91,400</b>	<b>101%</b>
Cost of sales	(93,791)	(46,733)	101%
<b>Gross profit</b>	<b>90,129</b>	<b>44,668</b>	<b>102%</b>
Other income	613	116	430%
<b>Operating income</b>	<b>90,742</b>	<b>44,783</b>	<b>103%</b>
Selling expense	(29,250)	(20,559)	42%
Admin expense	(10,079)	(7,161)	41%
<b>Operating expense</b>	<b>(39,329)</b>	<b>(27,720)</b>	<b>42%</b>
<b>Operating profit</b>	<b>51,413</b>	<b>17,063</b>	<b>201%</b>
<b>Non-operating profit/(loss)</b>	<b>(3,717)</b>	<b>(11,222)</b>	<b>-67%</b>
Finance income	(218)	1,221	-118%
Finance expense	(1,709)	(736)	132%
FX loss	(1,545)	(11,708)	-87%
Impairment reversal/(charge) on receivables	(244)	0	-63918%
<b>Profit before tax</b>	<b>47,697</b>	<b>5,841</b>	<b>717%</b>
Tax	(16,971)	(2,015)	742%
<b>Profit after tax</b>	<b>30,726</b>	<b>3,826</b>	<b>703%</b>

**Source:** Company Accounts, WSTC Research

**Outlook**

We adjusted our revenue forecast for FY 2024 to N683.23 billion, an increase from our previous projection of N588.85 billion. This adjustment reflects expectations of higher pricing and continued volume growth, driven by strategic partnerships and infrastructure-focused initiatives. We also anticipate growing market acceptance of ECOPlanet, the Group's low-carbon multipurpose cement launched in July 2024, which is expected to boost sales volume. Given the Group's FX gains in Q2 2024 and a reduction in FX losses in Q3 2024, we expect that currency volatility will continue to have a favorable impact in the final quarter of the year. As a result, we raised our net profit forecast for the year to N102.57 billion, up from N64.73 billion.

Additionally, we adjusted our fair value estimate to N49.75, from the previous N38.18. The market has responded positively to the strong performance, and while we expect some profit-taking, we remain cautiously optimistic about short-term price returns. At the current stock price of N58.00, we project a total return of -9%. Therefore, we maintain our **HOLD** recommendation for the stock

## 9M 2024 Financial Performance

Income Statement (N'mn)	9M 2024	9M 2023	Change (%)
<b>Revenue</b>	<b>479,496</b>	<b>289,081</b>	<b>66%</b>
Cost of sales	(241,730)	(141,019)	71%
<b>Gross profit</b>	<b>237,766</b>	<b>148,063</b>	<b>61%</b>
Other income	2,270	541	320%
<b>Operating income</b>	<b>240,036</b>	<b>148,603</b>	<b>62%</b>
Selling expense	(82,898)	(60,835)	36%
Admin expense	(26,838)	(18,410)	46%
<b>Operating expense</b>	<b>(109,736)</b>	<b>(79,245)</b>	<b>38%</b>
<b>Operating profit</b>	<b>130,300</b>	<b>69,358</b>	<b>88%</b>
<b>Non-operating profit/(loss)</b>	<b>(35,974)</b>	<b>(8,202)</b>	<b>339%</b>
Finance income	811	3,374	-76%
Finance expense	(15,107)	(2,143)	605%
FX loss	(21,455)	(9,424)	128%
Impairment reversal/(charge) on receivables	(223)	(9)	2405%
<b>Profit before tax</b>	<b>94,326</b>	<b>61,156</b>	<b>54%</b>
Tax	(34,250)	(21,852)	57%
<b>Profit after tax</b>	<b>60,076</b>	<b>39,305</b>	<b>53%</b>
<b>Balance Sheet (N'mn)</b>	<b>H1 2024</b>	<b>H1 2023</b>	<b>Growth (%)</b>
<b>Assets</b>			
PP & E	376,211	343,384	10%
Inventory	84,056	55,231	52%
Receivables	9,142	7,195	27%
Cash	93,415	179,243	-48%
Others	172,282	81,942	110%
<b>Total Assets</b>	<b>735,105</b>	<b>654,695</b>	<b>12%</b>
<b>Liabilities</b>			
Loans & Borrowings	1,658	38,698	-96%
Payables	243,839	157,397	55%
Others	55,811	41,241	35%
<b>Total Liabilities</b>	<b>301,308</b>	<b>235,330</b>	<b>28%</b>
<b>Net Assets</b>	<b>433,797</b>	<b>419,365</b>	<b>3%</b>

Source: Company Accounts, WSTC Research

## Financial Projections

Income statement (NGN mn)	FY 2023	FY 2024F	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F
Revenue	405,503	689,054	861,318	1,016,355	1,178,972	1,332,238	1,505,429
EBITDA	129,238	240,667	296,988	348,590	412,720	462,405	534,963
EBIT	102,023	199,324	245,222	287,609	349,056	395,794	467,219
Profit before taxation (PBT)	80,695	159,696	245,420	278,320	334,165	370,201	432,933
Net profit (PAT)	51,141	102,567	166,885	189,258	227,233	251,737	294,394
EPS (₦)	3.17	6.37	10.36	11.75	14.11	15.63	18.28
DPS (₦)	1.90	3.00	4.88	5.54	6.65	7.36	8.61
Balance sheet (NGN mn)	FY 2023	FY 2024F	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F
Current assets	239,059	238,571	353,762	556,689	714,359	919,978	1,102,559
Non-current assets	442,313	545,837	597,085	569,139	599,065	618,887	639,554
Total assets	681,372	784,408	950,847	1,125,828	1,313,424	1,538,865	1,742,113
Current liabilities	208,963	240,465	287,963	352,706	401,988	482,347	509,613
Non-current liabilities	37,356	36,930	37,309	36,916	37,164	37,568	37,759
Shareholders' equity	435,052	507,014	625,576	736,206	874,272	1,018,950	1,194,740
Book value per share (₦)	27.01	31.48	38.84	45.70	54.28	63.26	74.17
Cash flow statement (NGN mn)	FY 2023	FY 2024F	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F
Cash from operating activities	150,897	47,653	208,045	350,465	317,032	385,511	417,773
Cash from investing activities	(36,835)	(69,623)	(66,110)	(66,554)	(63,633)	(68,673)	(73,458)
Cash from financing activities	(65,613)	(99,514)	(53,919)	(89,964)	(112,419)	(138,811)	(156,149)
Net increase/ (decrease) in cash	48,449	(121,485)	88,016	193,947	140,981	178,027	188,166
Free cash flow to equity	91,084	(95,364)	126,482	262,520	216,558	272,892	296,526
Ratio analysis	FY 2023	FY 2024F	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F
EBITDA margin	32%	35%	34%	34%	35%	35%	36%
Operating margin	25%	29%	28%	28%	30%	30%	31%
ROE	12%	22%	29%	28%	28%	27%	27%
ROA	8%	14%	19%	18%	19%	18%	18%
Dividend payout ratio (%)	60%	47%	47%	47%	47%	47%	47%

Source: Company Accounts, WSTC Research

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### Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is  $\geq 20\%$  above current market price.
- Hold Rating: estimated change in price is between  $-10\%$  and  $19\%$  of current market price.
- Sell Rating: estimated change in price is  $\leq -10\%$  of current market price.

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