

## Quick take: A Resilient Performance

In its recently released FY 2023 results, Lafarge Africa reported an 8.6% y/y Revenue growth to N405.50bn in FY 2023 from N373.25bn in the prior period (FY 2022). Similarly, on a q/q basis, Revenue was up by 27.4% to N116.42bn in Q4 2023 from N91.40bn in Q3 2023. The broad-based growth in cement sales (up 8.5% to N392.57bn), aggregate and concrete sales (up 12% to N12.25bn), and other products (up 97.4% to N680m) contributed to the rise in topline growth in 9M 2023. While no information has been provided on the Revenue breakdown, we attribute the company's top-line growth to a mix of price and volume growth.

Given a y/y increase in variable costs (up 9.5% y/y to N121.71bn), production fixed costs (up 20.4% y/y to N30.40bn) and maintenance fixed costs (up 21.8% y/y to N20.66bn), Cost of Sales (adjusted for depreciation) increased 12.6% y/y (vs. Revenue growth of 8.6%) to N172.82bn in FY 2023 from N153.43bn in FY 2022. We attribute the rise in cost to the impact of the persistent devaluation of the currency on cost of imported raw materials, elevated inflationary pressures, and rising energy costs. Consequently, Gross profit grew 5.9% y/y to N232.68bn in FY 2023, while Gross margin declined by 1.5ppts to 57.38% in FY 2023 from 58.89% in FY 2022.

Operating Expenses (adjusted for depreciation) decreased by 6% y/y to N104.36bn in FY 2023 from N110.96 in FY 2022. The decline in OPEX was driven by the decline in Selling & Distribution Expenses adjusted for depreciation (down 12.9% y/y to N78.06bn), despite a rise in Administrative Expenses adjusted for depreciation (up 23% y/y to N26.31bn) Other Income which comprises of gain on disposal of property, plant and Equipment, government grants and sale of scraps, and other miscellaneous income was also up significantly by 59.9% to N892m from N557m in FY 2022. EBITDA increased by 18.6% to N129.24bn in FY 2023. Consequently, EBITDA margin increased by 2.7ppts to 31.87% in FY 2023 from 29.20% in FY 2022. Depreciation and Amortisation grew 9.8% to N27.22bn while Operating Profit grew by 21.2% y/y to N102.02bn from N84.19bn in FY 2022.

Lafarge recorded a 47.6% increase in Net Finance Income to N21.33bn in FY 2023. The significant increase reflects a 203.38% y/y increase in Finance Income amidst a 62.56% rise in Finance costs. We note that the growth in Finance Income was driven by a significant increase in interest income from current accounts, while the growth in Finance Costs was due to a significant increase in Net FX losses. The company reported FX losses of N21.04bn in FY 2023 indicating a significant rise of 60.3% from the N13.3m reported in FY 2022. Despite the FX losses recorded by the company, Pre-Tax profit was up by 15.7% y/y to N80.7bn in FY 2023 from N69.75bn in FY 2022.

Due to the expiration of its Pioneer Status Incentive in 2022, Tax Expenses increased to N29.55bn in FY 2023 from N16.10bn in FY 2022. Consequently, Net Income declined by 4.7% y/y to N51.14bn in FY 2023 from N53.65bn in FY 2022. Earnings per share also declined by 4.7% y/y to N3.17/s for FY 2023 from N3.33/s in FY 2022.

We have a target price of N45.96/s for Lafarge Africa with a Buy recommendation. Current Price; N31.95/s.

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## Wapco FY 2023

Nm, except mentioned otherwise	FY'23	FY'22	y/y	Q4'23	Q3'23	q/q
Sales	405,503	373,245	8.6%	116,421	91,400	27.4%
Cost of Sales (Ex-Dep)	(172,823)	(153,429)	12.6%	(51,694)	(40,106)	28.9%
<b>Gross Profit</b>	<b>232,679</b>	<b>219,816</b>	<b>5.9%</b>	<b>64,728</b>	<b>51,295</b>	<b>26.2%</b>
Other Income	892	557	59.9%	351	116	203.4%
Selling and Distribution Expenses (ex-dep)	(78,055)	(89,576)	-12.9%	(17,220)	(20,559)	-16.2%
Administrative Expenses (ex-dep)	(26,309)	(21,387)	23.0%	(9,151)	(6,969)	31.3%
<b>EBITDA</b>	<b>129,238</b>	<b>108,978</b>	<b>18.6%</b>	<b>38,708</b>	<b>23,883</b>	<b>62.1%</b>
Depreciation and Amortization	27,215	24,784	9.8%	6,758	6,819	-0.9%
<b>EBIT</b>	<b>102,023</b>	<b>84,194</b>	<b>21.2%</b>	<b>31,950</b>	<b>17,064</b>	<b>87.2%</b>
Net Finance Income/ (Cost)	(21,329)	(14,449)	47.6%	(13,136)	(11,223)	17.0%
<b>Profit before tax</b>	<b>80,695</b>	<b>69,745</b>	<b>15.7%</b>	<b>18,814</b>	<b>5,841</b>	<b>222.1%</b>
Tax expense	(29,554)	(16,097)	83.6%	(7,703)	(2,015)	282.2%
<b>Net Profit</b>	<b>51,141</b>	<b>53,647</b>	<b>-4.7%</b>	<b>11,112</b>	<b>3,826</b>	<b>190.4%</b>
Net income attributable to equity holders	<b>51,141</b>	<b>53,647</b>	<b>-4.7%</b>	<b>11,112</b>	<b>3,826</b>	<b>190.4%</b>
<b>Diluted EPS</b>	<b>3.17</b>	<b>3.33</b>	<b>-4.7%</b>	<b>0.69</b>	<b>0.24</b>	<b>190.4%</b>

Margins:	FY'2023	FY'2022	y/y	Q4'2023	Q3'2023	q/q
Gross margin	57.38%	58.89%	-1.5ppts	55.6%	56.1%	-0.5ppts
EBITDA Margin	31.87%	29.20%	2.7ppts	33.2%	26.1%	7.1ppts
PBT Margin	19.90%	18.69%	1.2ppts	16.2%	6.4%	9.8ppts
Net margin	12.61%	14.37%	-1.8ppts	9.5%	4.2%	5.4ppts

Source: Company data, CSL Research

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