



# NASCON ALLIED INDUSTRIES

Investor Presentation

# Disclaimer



*This presentation contains forward looking statements which reveal Management's recent views and estimates. The forward looking statements contain certain risks and uncertainties that could cause actual results to vary materially from those contained in the forward looking statements. Potential risks and uncertainties include factors such as general economic conditions, foreign exchange fluctuations, pricing pressures and regulatory developments.*

# Dangote Industries

## Nigeria's Premier Diversified Business Conglomerate



- Founded by Aliko Dangote in 1981, Dangote Industries is the largest and most diversified industrial conglomerate in West Africa with revenues in excess of \$3bn
- The Group was originally established as a trading business with an initial focus on cement and over time, extended into trading cement, sugar, flour, salt and fish
- In 1990, the Group had grown into one of the largest trading companies in Nigeria and embarked on an ambitious construction programme, initially focused on the construction of flour mills, a sugar refinery and a pasta factory
- The Group's activities now encompass cement manufacturing, agri-business, natural resources, logistics, real estate, telecoms, etc.
- NASCON Allied Industries operates as a fully independent subsidiary with ~36% listed on the Nigerian Stock Exchange (market cap of \$93m)
  - Rest of ownership: 64% Dangote Industries

Business Activities					
 <b>DANGOTE CEMENT</b>	 <b>DANGOTE SUGAR</b>	 <b>DANGOTE SALT</b>	 <b>DANGOTE FLOUR</b>	 <b>DANGOTE PASTA</b>	 <b>DANGOTE NOODLES</b>
 <b>DANGOTE Industries</b>	<ul style="list-style-type: none"> <li>• Fully integrated cement manufacturing and bagging group with projects and operations in Nigeria, Benin, Ghana, Senegal, South Africa and Zambia</li> <li>• Existing production capacity of <b>36 Mtpa</b></li> </ul>	<ul style="list-style-type: none"> <li>• Dangote Sugar Refinery plc is the largest sugar refinery in sub-Saharan Africa and one of the largest in the world</li> <li>• Annual Refining capacity of 1.4 MMtpa</li> <li>• 70% domestic market share</li> </ul>	<ul style="list-style-type: none"> <li>• NASCON was founded in 1973 and listed on the Nigerian Stock Exchange in 1991 when the Dangote Group first invested in the company before becoming the majority shareholder in 1996</li> <li>• <b>773 KT</b> per annum of installed production capacity</li> <li>• Market Cap of <b>\$93m</b> <sup>(1)</sup></li> </ul> <p style="text-align: center; color: red;">Standalone entity</p>	<ul style="list-style-type: none"> <li>• Dangote Flour incorporates five flour and semolina mills located in strategic positions across Nigeria</li> <li>• Production capacity of <b>5,000 MT</b> per annum</li> <li>• In 2012, sold 63.5% stake to Tiger Brands for ~ \$190m</li> </ul>	 <b>DANGOTE PACKAGING MATERIALS</b>
					 <b>DANGOTE LOGISTICS</b>
					 <b>DANGOTE STEEL</b>
					 <b>DANGOTE REAL ESTATE</b>
				 <b>DANGOTE OIL And GAS</b>	
				 <b>DANGOTE TECHNOLOGIES LIMITED</b>	
				 <b>DANGOTE FOOD &amp; BEVERAGES</b>	

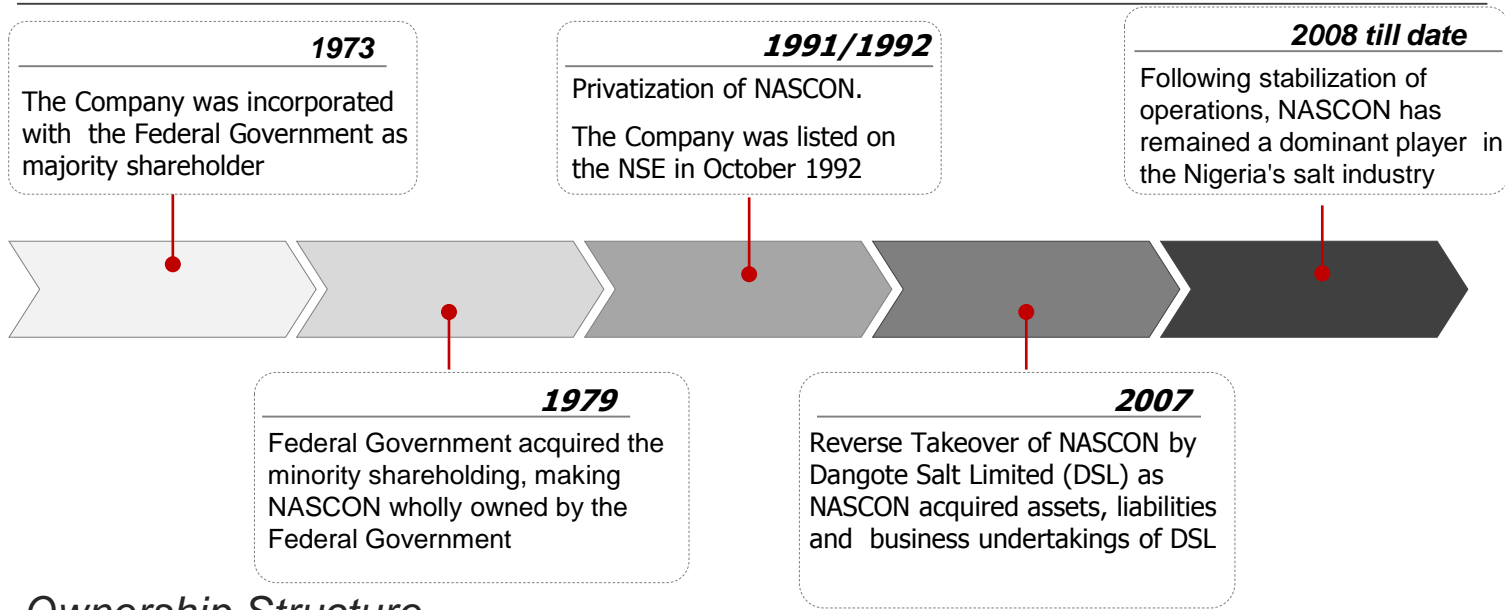
**Note**

1. Capital IQ as of 1 April 2016

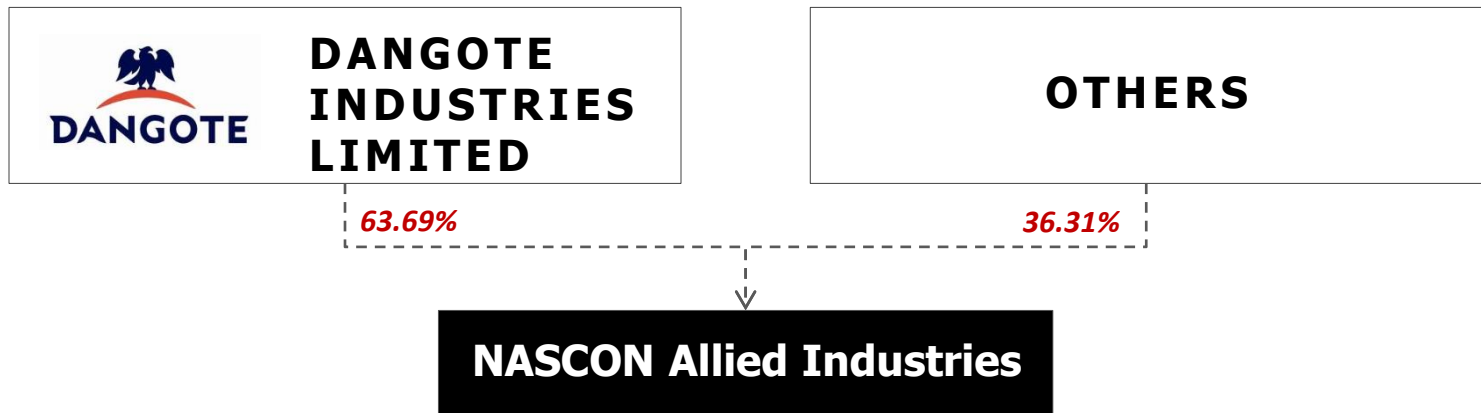
# Key Milestones



- NASCON Allied Industries PLC commenced operations as a salt producer in 1973
- Over the years, the company has successfully evolved into the largest salt producer and refiner in Sub-Sahara Africa



## Ownership Structure



# Company Overview

### Largest Nigerian Salt Producer

- Production capacity of 576,576MT in 3 locations (Oregon, Port Harcourt & Apapa)
- 60% of the Nigerian salt market share
- Capacity to produce 25 & 50kg bags of salt and 250, 500 and 1kg Sachets
- 500 employees

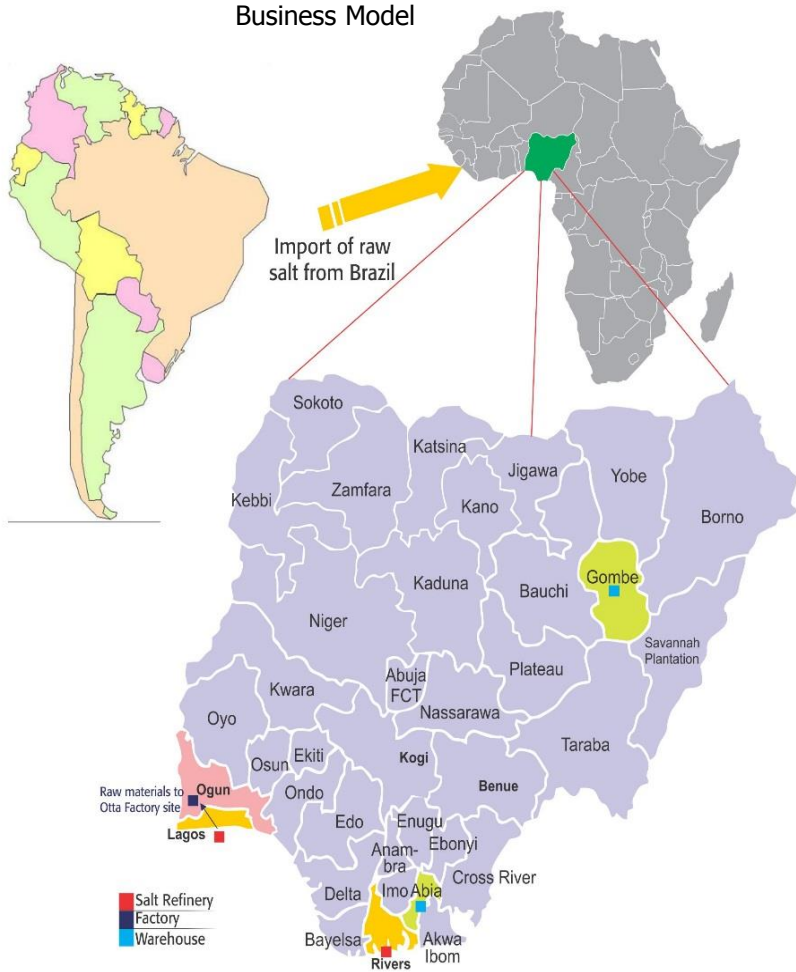
### Efficient Operations

- Low cost producer
- Energy efficient

### Front-line foods business strategy to transform to a diversified foods producer

- Vegetable Oil
- Seasoning- DANQ
- Tomato paste

### Listed on the NSE since 1992



# Product Range



## Installed Capacity Location

- Diversified product offering spanning the commercial, corporate and retail segments of the market
- Key revenue drivers are 50kg edible salt and refined sachet salt

## Installed Capacity Location

- New product offerings of cooking ingredients
- Flavour variants
- Seasoning commissioned Q2, 2015
- Tomato paste commissioned Q3, 2015
- Vegetable oil commissioned Q3, 2015

576,576 MT  
Apapa, Oregun, PHC

### Salt



37,440 MT  
Otta

### Tomato Paste



156,000 MT  
Otta

### Vegetable oil



# Product Distribution

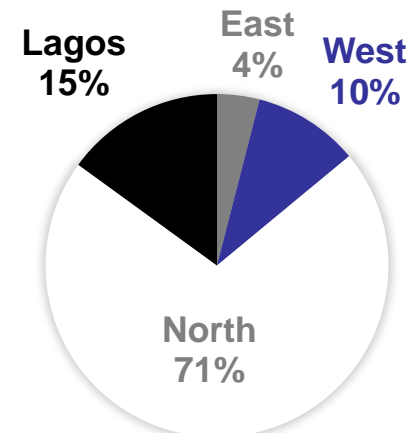
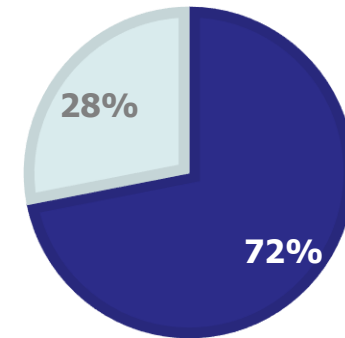


Aggressively penetrate selected markets to increase sales volumes and grow market share

- 150 own trucks for effective distribution "NASTRANS"
- 4 Factory Warehouses of 70,000MT combined storage capacity
  - Apapa, Oregun, Otta, Port Harcourt
- 7 Distributor Warehouses of 9,000MT combined storage capacity
  - Aba, Gombe, GM, NTM, Sokoto, Makurdi, Obajana
- Major customer include manufacturers of seasonings, refined edible oil, processed leather, animal husbandry, noodles, water treatment, cement, confectioneries, oil industry

Customer Segmentation

■ Distributors ■ Corporates



Regional Sales

# Investment Highlights



## Attractive Macro Fundamentals

- Favourable macro-economic environment for investments
- Strong salt market fundamentals characterized by potential upside of current low industrial consumption per capita
- High barrier to entry with capital intensive nature of business

## Leading Market Position

- Transitioned from a moribund business in 1996 to the market leader with 60% market share
- Strong brand loyalty
- Focus on increased market expansion and growth
- Superior distribution network

## Performance

- High turnover and high margins driven by tight operating structure
- Effective management structure that lowers cost and improves revenue
- Sustained EBITDA margins currently at about 26%
- Highly cash generative business



# Investment Highlights



## Efficient Manufacturing Facilities

- State of the art manufacturing facility
- Efficient energy source with conversion to gas
- All products are NAFDAC approved and SON endorsed
- ISO 9000:2001 Certification

## Growth Strategy

- Clearly defined strategy to maintain leadership position in domestic and regional markets
- Diversification into tomato paste, seasoning and oil
- Penetrate market through already established distribution channels
- Projects expected to contribute 30% to turnover

## Management

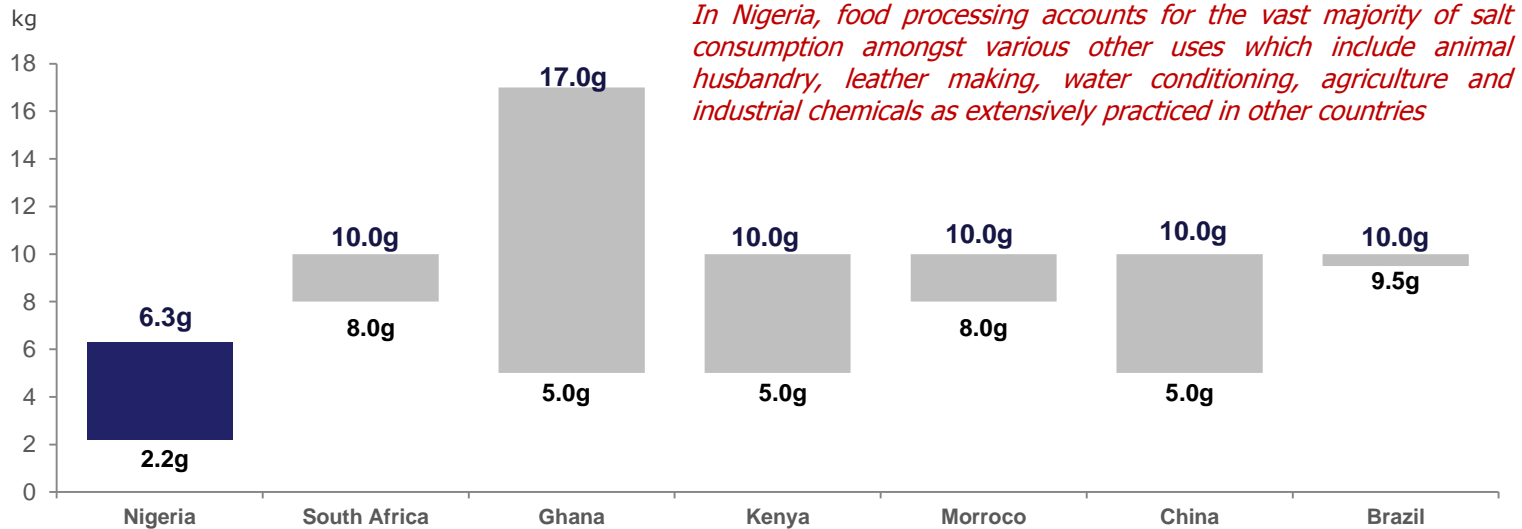
- Highly skilled management with experience averaging 25 years
- Structured and focused sales and distribution team

# Nigerian Salt Market



## Per Capita Salt Consumption

- With an estimated consumption of 600,000 metric tonnes per household, animal and industries, the country's annual salt import spend currently stands at an estimated amount of USD48 Million



Source: [www.iodinenetwork.net](http://www.iodinenetwork.net)

- Nigeria's per capita consumption of salt varies between 2.2g and 6.3g daily, lower than other African countries and emerging markets.
- The country's population (largest in Africa) has historically provided a good base for the growth in salt consumption
- Nigeria's estimated population growth rate of 2.8% per annum and expected industrial growth (Local substitution of indirect uses of salt) is expected to further spur salt consumption in the medium to long term

# Operational Highlights



## Salt

- Production of 370,033mt (2014: 328,112mt)
- Capacity utilization increased to 64% (2014: 56%)
- Sachet packaging redesigned and launched in Q4
  - Marketing campaign launched in Q4
  - Sales boost in Q4
- Rehabilitation of Oregon plant began in Dec 2015
- Gained 8% market share, now 60%
- Traffic gridlock and truck restrictions in Apapa constrained production and delivery

## DANQ Seasoning

- Production and sales of 561mt
- Aggressive competition activity

## Tomato Paste

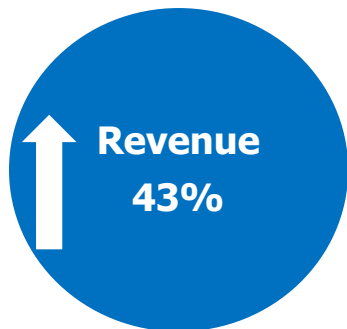
- Production equipment challenges resolved in Q3
- 1,664mt produced and sold
- Production paused due to FX restrictions on raw material

## Vegetable Oil

- Production and sales of 6,537mt in bulk tankers
- Production paused due to FX restrictions on raw material
- Local production of crude palm oil insufficient



# Financial Highlights



~~₺16.18B~~

2014: ~~₺11.25B~~

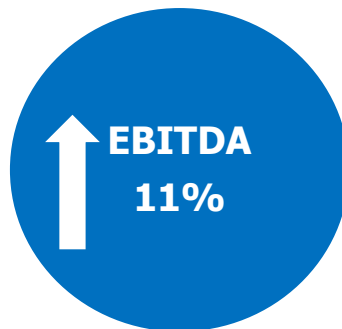
New businesses  
contribute ~~₺2.03m~~

15% growth in  
total sales volume



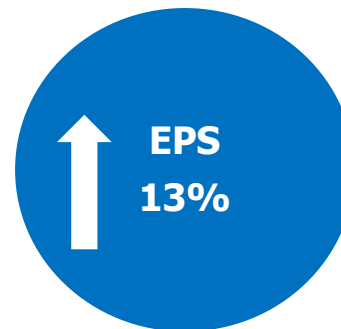
~~₺4.36B~~

26.9% margin



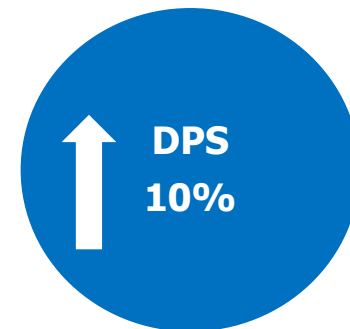
~~₺3.97B~~

24.6% margin



~~₺0.79~~

2014: ~~₺0.70~~



~~₺0.55~~

2014: ~~₺0.50~~



# Financial Highlights

Performance by Quarter	FY2015	FY2014	Change
Sales (mt)	377,816	328,112	15%
Production(mt)	363,819	337,431	8%
	FY2015	FY2014	Change
Revenue	16,178	11,251	44%
Gross Profit	4,359	3,876	12%
Gross Margin	32%	34%	-2pp
EBITDA	3,968	3,551	11%
EBITDA Margin	24.5%	31.6%	-7.1pp
Profit Before Tax	3,016	2,856	6%
PBT Margin	19%	25%	-6pp
Profit After Tax	2,016	1,867	8%

2015 was a challenging year

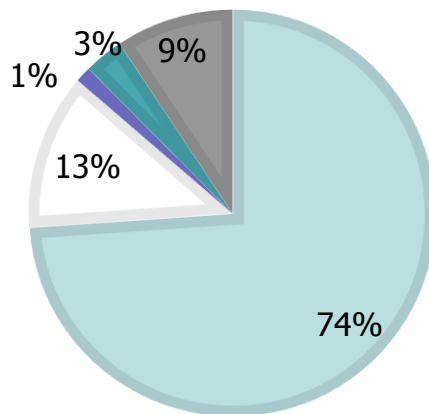
- Q1 and Q2 affected by political uncertainties and terrorist activities in the North
- Fall in price of oil led to exchange rate volatility and Naira devaluation
- CBN FX policy in Q3
  - increased raw material costs for salt and seasoning
  - Restricted import of raw material for vegetable oil and tomato paste
  - Lead time to access USD at CBN rates increased
- Official exchange rate ₦197:\$1; Parallel markets ₦260:\$1 by Dec 2015
- Inflation averaged 9.0%, consumer spending reduced

# Financial Highlights



Performance by Segment	Salt	Fleet	Seasoning	Tomato	Vegetable Oil
Sales (MT)	369,054	n/a	561	1,664	6,537
	MNGN	MNGN	MNGN	MNGN	MNGN
Revenue	11,912	1,971	239	541	1,514
Gross Profit	4,490	281	(84)	(230)	(98)
Gross Margins	38%	14%	-35%	-42%	-6%

Revenue contribution



## Salt

- 15% sales volume growth (2014: 328,112MT)
- Volume drivers- marketing activities, operational efficiencies
- PBT increased 22% (2014: N3.5B)

## Fleet

- Repairs and rehabilitation expenses in Q2
- Deliveries outsourced to meet demand

## Seasoning

- Production started in Q2
- Aggressive competitor activities
- Pre-trading costs expensed

## Tomato & Vegetable Oil

- All pre-trading costs & stock write offs expensed:
  - Tomato ₦253M
  - Vegetable Oil ₦132M

# 2015 Financial Highlights



Balance Sheet	31 <sup>st</sup> Dec 2015	31st Dec 2014
	MNGN	MNGN
Non Current Assets	6,909	6,933
Current Assets	9,385	5,623
Total Assets	16,295	12,556
Long Term Debt	0	0
Loans & Borrowings	39	39
Current Liabilities	7,952	5,346
Total Liabilities	9,207	6,249
Total Equity	7,055	6,307

Cash flow position	31st Dec 2015	31st Dec 2014
	MNGN	MNGN
Cash And Cash Equivalent At Beginning Of Period	883	1,188
Cash flow From Operating Activities	4,764	5,410
Capital Expenditure	(1,015)	(2,170)
Proceeds From PPE Disposal	4	25
Tax Paid	(757)	(1,216)
Dividend Paid	(1,348)	(2,384)
Cash And Cash Equivalent At End Of Period	2,543	883

# Board & Management Team



## Board of Directors

	<b>Title</b>	<b>Background</b>
Yemisi Ayeni	Chairperson	Audit, Corporate Planning & Restructuring
Paul Farrer	Chief Executive Officer	Marketing, Distribution, Operations
Fatima Dangote	Executive Director	Law, Strategy, Agriculture
Olakunle Alake	Non-Executive Director	Corporate Finance, Banking
Abdu Dantata	Non-Executive Director	Sales, Marketing, Logistics & Distribution
Halima Dangote	Non-Executive Director	Business Analysis, Marketing, Leadership
Knut Ulvmoen	Non-Executive Director	Corporate Finance, Manufacturing
Sada Ladan-Baki	Non-Executive Director	Marketing, Logistics & Distribution
Fatima Wali-Abdurrahman	Independent Non-Executive Director	Architecture, Real Estate, Construction
Chris Ogbechie	Independent Non-Executive Director	Marketing, Strategy & Corporate Governance

## Management Team

	<b>Title</b>	<b>Background</b>
Paul Farrer	Chief Executive Officer	Marketing, Distribution, Operations
Fatima Dangote	Executive Director, Commercial	Law, Strategy, Agriculture
Aderemi Saka	Chief Financial Officer	Accounting, Finance & Business Strategy
Adedayo Samuel	Company Secretary & Legal Counsel	Law, Company Secretarial
Gerhard Scheepers	Head, Production	Production Management & Operations
Yahaya Fufore	Head, Sales	Sales & Marketing
Olufemi Ashipa	Head, Marketing	Marketing, Branding & Product Development
Nura Shuaibuo	Head, Supply Chain	Mechanical Engineering & Maintenance
Anthony Uba	Head, Internal Audit	Internal Audit, Tax, Finance
Shittu Adebowale	Head, Human Resources	HR & Personnel Management



# Focus for 2016



- ❑ Reinvest to support growth
- ❑ Gain significant market share with re-focus on the DANQ seasoning
- ❑ Export to neighboring ECOWAS countries
- ❑ Develop strategies to manage prevailing business conditions for Tomato Paste & Vegetable oil
- ❑ Volume driven growth in west and eastern regions on the back of improved product quality, packaging and service delivery



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