

Dangote Cement Share Buy Back

Key take aways

Dangote Cement has announced the commencement of its share buy-back programme in what will become the first buy back scheme in Nigeria. Based on the shareholders' approval, the number of shares to be repurchased under the Share Buy-Back Programme will not exceed 10% of DCPs issued capital. The Company will at its discretion purchase its shares in the open market over the duration of Tranche I, subject to prevailing market conditions and under the current daily trading rules of The NSE. However, there would be no obligation whatsoever to purchase any or all of the DCP shares put on offer over the duration of Tranche I.

The shares being bought back by the Company under the Share Buy-Back Programme will be held as treasury shares, and may subsequently be cancelled.

Implications:

- 1) The share buy back will reduce the number of shares outstanding and will pose better ratios for the company such as Earnings per share, dividend per share etc. The treasury stock will not be part of dividend distribution, and voting rights.
- 2) A reduced number of shares in circulation will drive the share price upward.

- 3) As the pioneer share-buy back scheme in Nigeria, investor sentiments will step in due to perceived benefits.
- 4) The company's earnings will not be affected in the short run, except it decides to sell the treasury stock at a later date and makes a gain or loss. However, the company has hinted that the shares may subsequently be cancelled.
- 5) Since a buyback boosts the share price, it's an alternative to rewarding investors with a cash dividend
- 6) Though investors may benefit from a share price increase, adding treasury stock could weaken the company's balance sheet in the short term. As the company will have to pay a large chunk of cash for the buy back. However, the company has said it will not significantly affect its financial position. This claim is backed up by the improved and robust cash balance posted in its Q3 Financial statement.
- 7) DCP can decide to hold onto treasury stocks indefinitely, reissue them to the public or even cancel them.

Total Bid Qty	Bid Qty	Price	Pos/Orders		Total Offer Qty	Offer Qty	Price	Pos/Orders
3,744,693	5,000	195.70	108	▲				
3,749,693	5,000	194.00	109					
3,849,693	100,000	191.10	110					
3,849,893	200	190.00	111					
3,850,018	125	190.00	112					
4,350,018	500,000	190.00	113					
4,352,018	2,000	190.00	114					
4,602,018	250,000	189.00	115					
5,102,018	500,000	188.60	116	▼				
Total Order Qty	5,102,018 (116)							

As seen above, DANGCEM saw over 5 million bids without a single offer, this situation of excess demand pushed the stock to gain 10% closing at N230.4. The stock had already experienced gains throughout the course of last week's trading activity as seen below

Displaying one month



Source: NSE

Details of Tranche I is seen below:

Tranche Number:	Tranche I
Current Issued Shares:	17,040,507,404 fully paid up ordinary shares of 50 Kobo each
Tranche Size:	Up to 85,202,537 fully paid up ordinary shares of 50 Kobo each, representing 0.5% of the entire current issued shares
Commencement Date:	Wednesday, 30 December, 2020
Completion Date:	Thursday, 31 December, 2020, or when the entire Tranche Size has been purchased; whichever is earlier
Duration:	Two (2) trading days
Mode/Exchange:	Open Market/The Nigerian Stock Exchange
Stockbrokers:	Meristem Stockbrokers Limited and Vetiva Securities Limited

Dangote Cement will provide weekly updates on the progress of Tranche I of the Programme on its website over the duration of this tranche. The Company will continue to monitor the evolving business environment and market conditions, in making decisions on further tranches of the Share Buy-Back Programme.

Shareholders and investors are advised to exercise caution when dealing in the securities of Dangote Cement until the completion of Tranche I of the Share BuyBack Programme. An announcement will be published upon completion of Tranche I of the Programme.



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