EQUITY RESEARCH REPORT: LAFARGE AFRICA PLC (WAPCO)

Date: December 15, 2025, **Ticker:** WAPCO **Sector:** Industrial Goods (Cement)

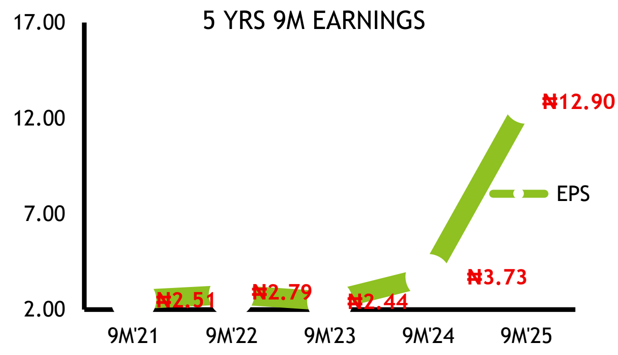
Executive Summary

Current Market Price: ₦140.00

Intrinsic Value (Base Case): ₦113.12

Recommendation: REDUCE / HOLD

Risk Profile: High



SOURCE: NGX, Atlass portfolios

OVERVIEW: WAPCO delivered an exceptional operational performance in the first nine months of the year, fueled by notable enhancements in cost efficiency and pricing power, while the company progresses through a major ownership transition. The company's revenue surge to ₦780,50 billion and Profit After Tax (PAT) has more than tripled year-on-year.

However, the stock has surged by nearly 100% in a brief period, pushing its valuation into stretched territory. Our Discounted Cash Flow (DCF) analysis indicates the stock may be overvalued by roughly 19-36%, while technical indicators show signs of buyer fatigue, suggesting a near-term pullback is likely.

HISTORICAL PERFORMANCE REVIEW (9M 2021 – 9M 2025)

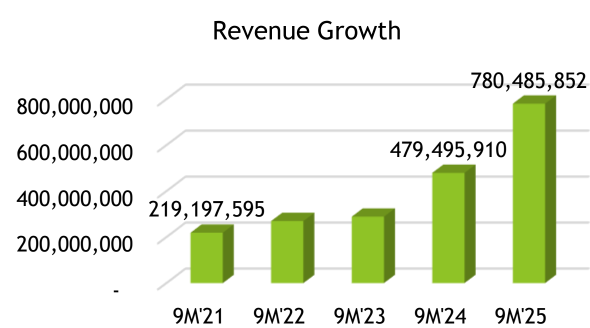
A retrospective analysis of WAPCO's performance over the last five 9-month periods reveals a company that has undergone a radical transformation in scale and efficiency.

Top-Line Evolution: Revenue Growth

Revenue has grown from ₦219.2 billion in 9M 2021 to ₦780.5 billion in 9M 2025.

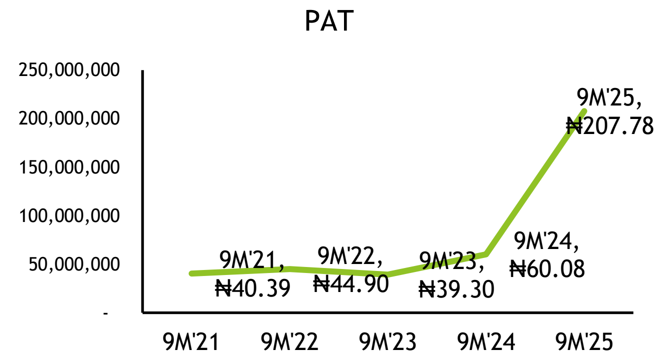
CAGR; This represents a staggering Compound Annual Growth Rate (CAGR) of approximately 37% over the 4-year period.

Key Driver: While volume growth has been steady, the aggressive jumps seen in 2024 (+66% Year-on-Year) and 2025 (+63% Year-on-Year) highlight the company's strong price power in an inflationary environment.



SOURCE: NGX, Atlass portfolios

Bottom-Line Evolution

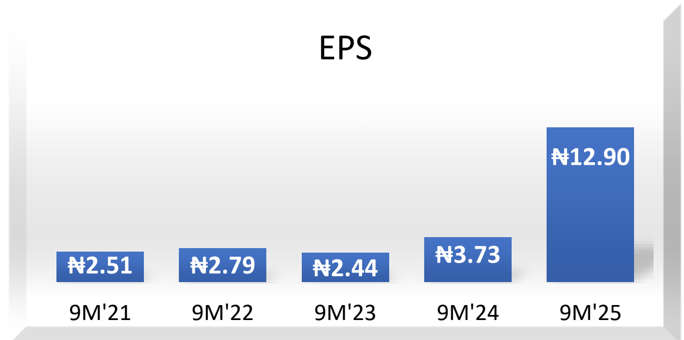


SOURCE: NGX, Atlass portfolios

From 2021 to 2023, WAPCO's bottom line remained relatively flat despite rising revenue, indicating that cost pressures were eating into gains. The company struggled to convert top-line growth into shareholder value due to thinner margins, as PAT hovered between ₦39 billion and ₦45 billion during this period. This narrative changed drastically in 2025.

9M 2025 Breakout: In 9M 2025, its PAT exploded to ₦207.80 billion, a 246% increase from the ₦60.10 billion recorded in 9M 2024.

Consequently, **Earnings Per Share (EPS)** has surged from a modest ₦2.51 in 2021 to a robust ₦12.90 in 2025, directly fueling the recent stock rally.



SOURCE: NGX, Atlass portfolios

Efficiency & Returns Analysis

Gross Margin Expansion: In 2021, the company retained only 29.18% of revenue as gross profit. By 2025, this metric nearly doubled to 58.44%. This massive expansion proves that price increases have far outpaced the rising cost of sales.

Operational Efficiency: Operating Profit Margin improved from approximately 21% in 2021 and 2022 to 38.23% in 2025, showing superior operating leverage.

Return on Equity (ROE): After languishing in the single digits to low double digits (i.e. 9% - 11%) for years, ROE spiked to 33.02% in 9M 2025. This confirms that management is currently generating exceptional returns on shareholder capital compared to historical norms.

Metric	9M 2025	9M 2024	9M 2023	9M 2022	9M 2021
Revenue (₦'000s)	780,485,852	479,495,910	289,081,398	269,852,450	219,197,595
PAT (₦'000s)	207,780,138	60,075,920	39,304,655	44,899,539	40,394,597
Gross Margin	58.44%	49.59%	51.22%	49.94%	29.18%
Operating Margin	38.23%	27.13%	23.99%	20.96%	21.96%
ROE	33.02%	11.90%	9.29%	10.79%	10.52%
EPS (₦)	12.9	**3.73**	**2.44**	**2.79**	**2.51**

Table 1: Table showing WAPCO's performance movement from 9M (2021-2025)

VALUATION ANALYSIS (DCF MODEL)

We utilized 5 years Discounted Cash Flow (DCF) model to determine the intrinsic value of WAPCO.

Model Assumptions

Revenue Growth: 30% in 2025, tapering down to 7% by 2029.

EBIT Margin: 38% flat (Optimistic Case).

WACC (Discount Rate): ~27% (Reflecting high inflation and Interest rate environment).

Terminal Growth Rate: 6%.

Valuation Output

Component	Value (₦'000s)	Notes
Sum of PV (2025-2029)	939,254,246	Strong cash flows driven by 38% margin.
Terminal Value	1,987,154,109	Projected value beyond forecast period.
Enterprise Value	1,164,234,912	Operating Value.
Add: Net Cash	205,418,705	Cash (207.1B) - Debt (1.7B).
Equity Value	1,822,054,423	Total Shareholder Value.
Intrinsic Price per Share	**₦113.12**	Base Case Target Price.

Other Estimations from the Model

Item	**2024 (Base)**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Revenue	780,485,852	1,014,631,608	1,166,826,349	1,283,508,984	1,386,189,702	1,483,222,981
Growth %	-	30.00%	15.00%	10.00%	8.00%	7.00%
EBIT (Operating Profit)		385,560,011	443,394,013	487,733,414	526,752,087	563,624,733
EBIT Margin		38.00%	38.00%	38.00%	38.00%	38.00%
Less: Tax (30%)		115,668,003	133,018,204	146,320,024	158,025,626	169,087,420
NOPAT		269,892,008	310,375,809	341,413,390	368,726,461	394,537,313
Add: Depreciation		44,643,791	51,340,359	56,474,395	60,992,347	65,261,811
Less: CapEx		-60,877,896	-70,009,581	-77,010,539	-83,171,382	-88,993,379
Less: Change in WC		-14,438,988	-21,459,459	-22,053,018	-22,281,716	-23,218,678
Free Cash Flow (FCFF)		268,096,890	313,166,046	342,930,264	368,829,142	394,024,423
Discount Period		0.50	1.50	2.50	3.50	4.50
Discount Factor (WACC)		0.89	0.70	0.55	0.43	0.34
PV of FCFF		237,880,388	218,763,698	188,599,322	159,695,716	134,315,120

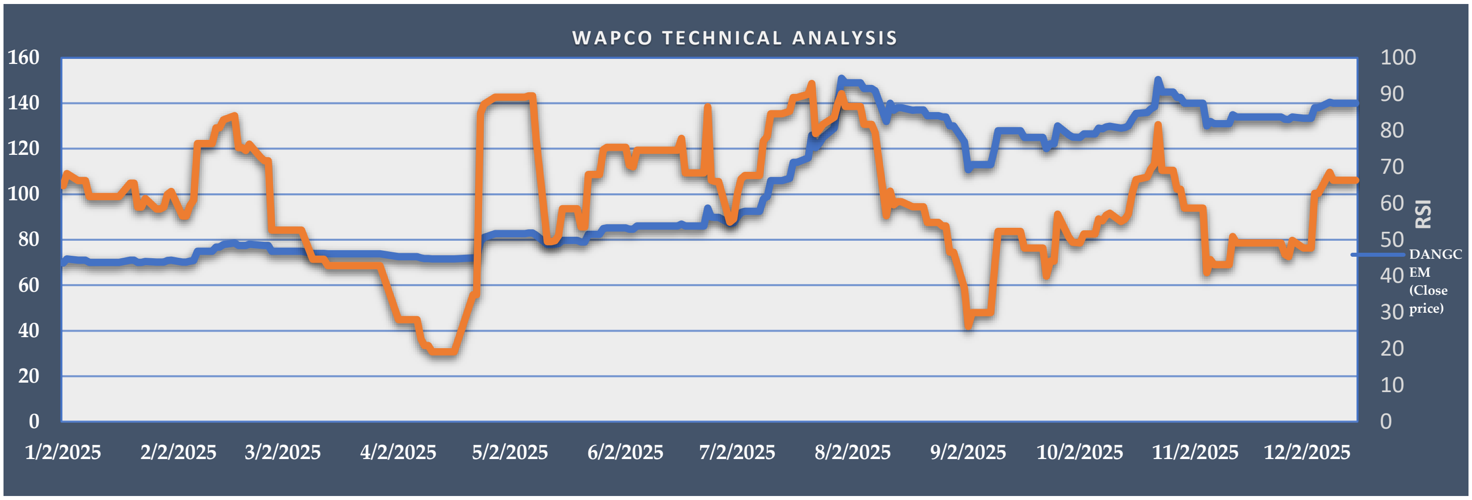
Sensitivity Analysis (Downside Risk): If operating margins normalize to a historical average of 30% (instead of the current peak of 38%), the Intrinsic Price drops to ~₦89.50. This indicates significant downside risk if efficiency gains are not permanent.

TECHNICAL ANALYSIS

Price Action & Relative Strength Index (RSI)

Trend: The stock is in a strong uptrend but shows signs of stalling near ₦140-₦150.

RSI: Currently between 60-70. While not yet OVERBOUGHT, the RSI is making lower highs while price makes higher highs (Bearish Divergence), indicating weakening momentum.

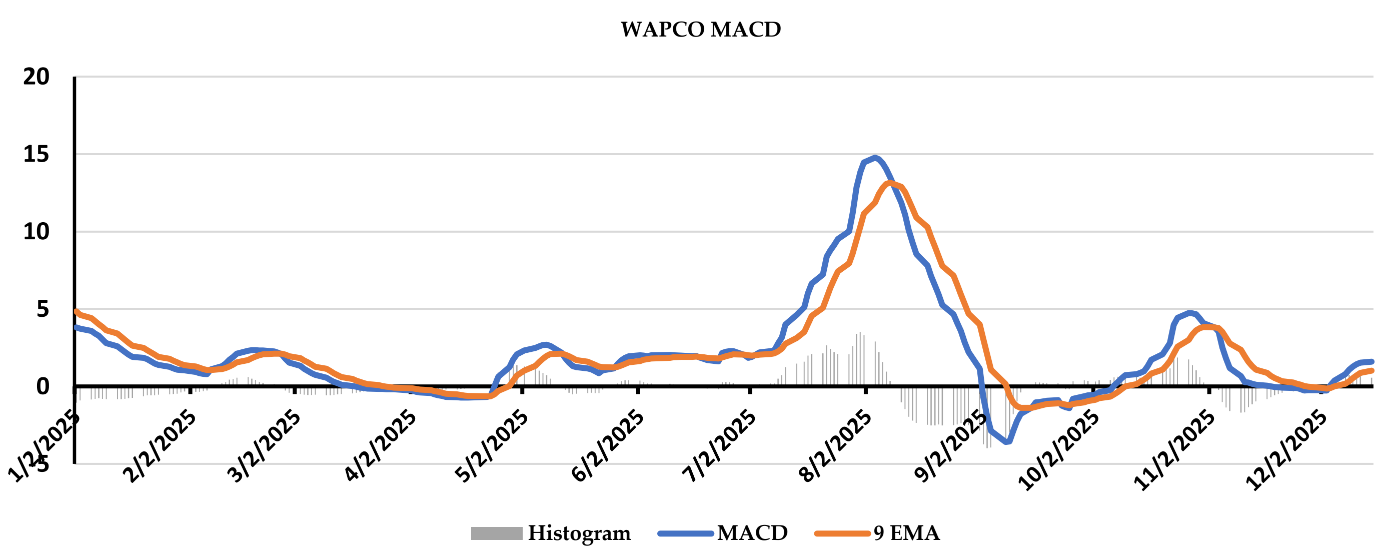


Price Action and RSI chart: Visual inspection shows price rallying while momentum indicators flatten

MACD (Momentum Indicator)

Signal: SELL

Observation: The MACD line (Blue) has crossed below the signal line (Orange). This bearish crossover is a classic technical sell signal, often preceding a price correction or consolidation phase



MACD chart: The crossover on the far right of the chart confirms the slowing momentum

INVESTMENT RECOMMENDATION

While WAPCO’s fundamental turnaround is impressive, the market has arguably overreacted. At ₦140.00, the stock is trading at a premium to its intrinsic value of ₦113.12.

For existing Holders: Consider taking partial profits to lock in gains from the recent rally.

For New Entrants: Wait for a pullback, an entry point near ₦115 – ₦125 would offer a much safer margin of safety.

Verdict: **REDUCE/HOLD**.

Risks of Target Price

1. Upside Risk: Further devaluation of the Naira could inflate revenue and nominal profits, pushing the stock higher despite fundamental overvaluation.
2. Downside Risk: Energy cost spikes could compress margins back to the 25-30% range, invalidating the current valuation premium.

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