

Benue Cement Company Plc

Proposed merger of Benue Cement
Company Plc and Dangote Cement Plc

22 September 2010



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Introduction

Overview

- The Management of Benue Cement Company Plc (“BCC”) welcome the opportunity to present the Scheme of Merger between BCC and Dangote Cement Plc (“DCP”) and their respective shareholders to this forum of stockbrokers
- The Board of Directors and Management are confident that the Scheme of Merger will achieve a variety of strategic, operational and administrative goals and recommend that shareholders vote in favour of the sub-joined resolutions to be proposed at the Court ordered meeting holding on Tuesday, 28 September 2010

Purpose of this presentation

- Provide an overview of Benue Cement Company Plc
- Present the rationale for the proposed merger
- Discuss valuation methodologies and relative values for the two merging entities
- Determine the effects of the proposed merger

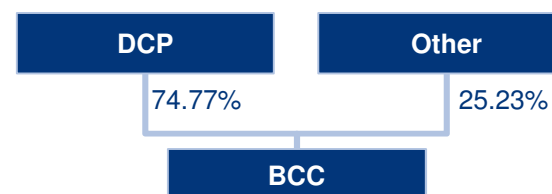


Overview of Benue Cement Company Plc

Company overview

- Listed on NSE in 1991 and privatized in 2000
- DIL became core investor in 2000 as BCC was privatized, and took over management control in 2004
- DIL subsequently transferred its stake in BCC to DCP
 - DCP currently holds 74.77% of the equity in BCC
- Principal activity is the production and sale of cement

Shareholding Structure



Subsidiaries

- BCC Lions Football Limited

Shareholdings

Shareholding range	No of holders	Units	%
1 – 1,000	22,343	11,105,230	0.28
1,001 – 10,000	15,852	45,439,718	1.16
10,001 – 50,000	2,217	46,387,901	1.18
50,001 – 100,000	296	20,901,556	0.53
100,001 – 500,000	319	67,165,372	1.72
500,001 – 1,000,000	46	31,628,750	0.81
1,000,001 – 10,000,000	44	106,981,084	2.73
10,000,001 – 1bn	10	658,430,724	16.82
1bn and above	1	2,927,488,009	74.77
Total	41,128	3,915,528,344	100.00

Directors' interests*

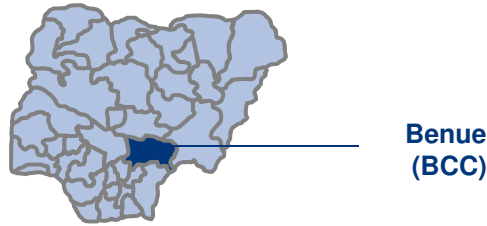
Shareholding range	No of shares
Alhaji Aliko Dangote	49,359,339
Mr Shree Junnarkar	
Mr Olakunle Alake	6,911,171
Mr D. V. G. Edwin	
Mr Olusegun Olusanya	29,661
Engr. (Chief) Isaac Wakombo	
Col. Basil Kwembeh (Rtd)	12,500
Chief David Attah	
Senator John Wash Pam	
Chief E. K. Ashiehaa	29,661
Total	56,342,332

* Directors' interest as at March 2010



Overview of Benue Cement Company Plc (continued)

Location



Plant capacities after modification

	Capacity
Crusher 1	800 TPH
Crusher 2	750 TPH
VRM	350 TPH
Ball Mills 1&2 *	120 TPH
Kilns 1&2 *	3500 TPD
Cement Mills 1&2 *	80 TPH
Cement Mills 3&4 *	125 TPH
Packaging Machines (5 No.)	720 TPH

Mines data

Lease area prospected	307 hect
Reserve up to 100 mtrs	250 m MT
Reserve up to 30 mtrs	130 m MT
Lease to be prospected	520 hect

Loading equipment

	Capacity	Avail. (NOS)
Excavators	(5.7& 7.0)M ³	2
Cat hammer rock breaker (330dl)	1.1 M ³	1
Wheel loaders	(5.7 &7.0)M ³	2
Drilling m/c	-	3
Bull dozer (d6r,d8r,d8k)	-	3
Dumper	40 TONS	9
Cat 140 g grader	-	1

Major modifications and future projects

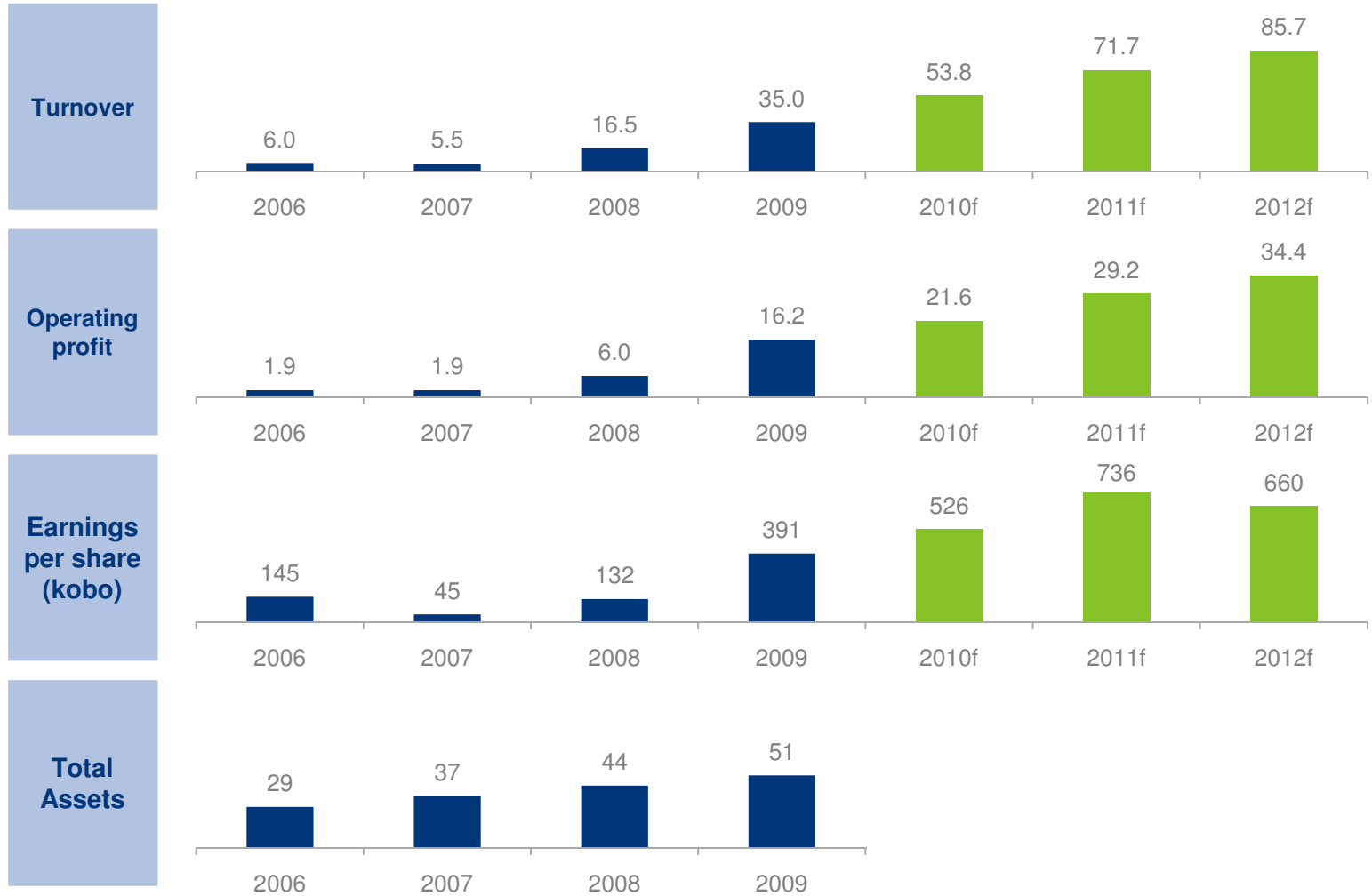
- New cement VRM: 300 TPH
- Two new coal mills
- Additional power

* Each

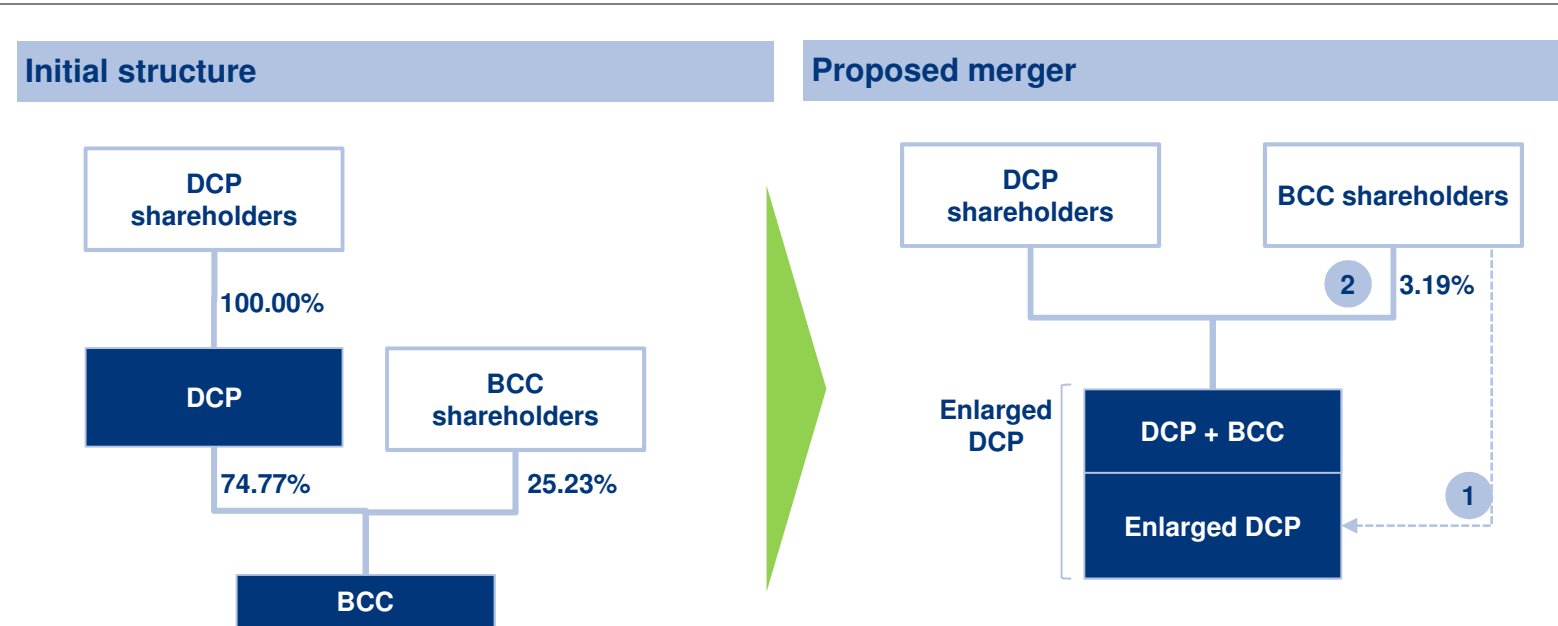


Overview of Benue Cement Company Plc (continued)

Financial performance (N'bn)



Proposed transaction



- 1 All the assets and liabilities and undertakings including real properties and intellectual property rights of BCC be transferred to DCP
 - ▶ The issued ordinary shares in BCC be cancelled and BCC be dissolved without being wound up
- 2 BCC shareholders will:
 - ▶ Receive ordinary shares in the Enlarged DCP to be credited as fully paid in exchange for ordinary shares held in BCC on the terminal date
 - ▶ BCC shareholders become shareholders of the Enlarged DCP

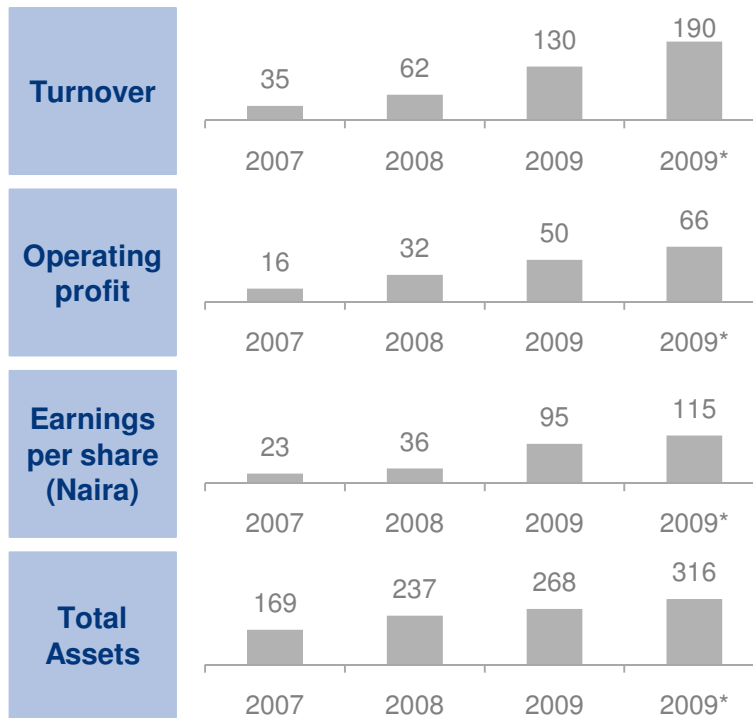


Overview of Dangote Cement Plc

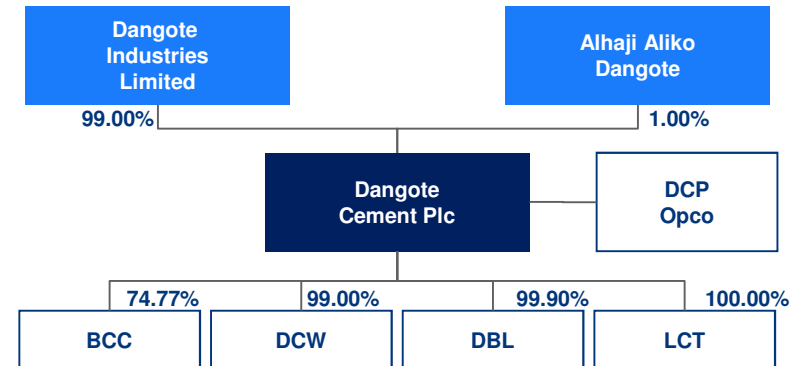
Company overview

- Incorporated in 1992 (previously Obajana Cement)
- Operates multiple domestic cement manufacturing and bulk import terminal operations across Nigeria
- Obajana plant is the largest in Sub-Saharan Africa

Financial performance (₦'bn)



Group structure



Cement production capacity (MT)

Current Capacity

Obajama 5m

Expected Capacity (12-18 months)

Obajana 5m

Ibese 6m

Total production 16m

Dangote BAIS Terminals 3m

Lagos Terminals 3m

Total Terminals 6m

Total Production and Terminals 22m

* Group consolidated



Strategic rationale

- The Merger was conceived to increase value generation through:
 - Streamlining of the management, operation and processes of both companies
 - Leveraging positive economies of scale in purchasing and manufacturing
 - Unifying the two companies' distribution and sales strategies
- The directors of DCP and BCC are of the opinion that significant cost and revenue synergies will accrue from the proposed merger to create additional value to the shareholders of both companies

Robust shareholder value proposition through:

Better access to financing



- Enlarged DCP will have a bigger balance sheet
- Larger collection of high quality assets that can be pledged as collateral to lenders
- Financing costs may be lower

Operational efficiencies



- Greater operational integration – Consolidation of supply and distribution chains
- Share facilities, inventory and other resources – no cumbersome tracking and reconciling
- BCC to benefit from the superior production technology of DCP – significant cost savings

Improved organisational efficiencies



- Single set of expenses – AGMs, Board of Directors and communications to shareholders

Enlarged Cement Production Platform



- In line with government policy to encourage domestic manufacturing of cement
- Robust platform to achieve self-sufficiency in domestic cement production
- Create more jobs in the cement industry and other support sectors



Scheme highlights

Transfer and consideration

Proposal:

All assets, liabilities and undertakings including real and intellectual property rights of BCC be transferred to DCP

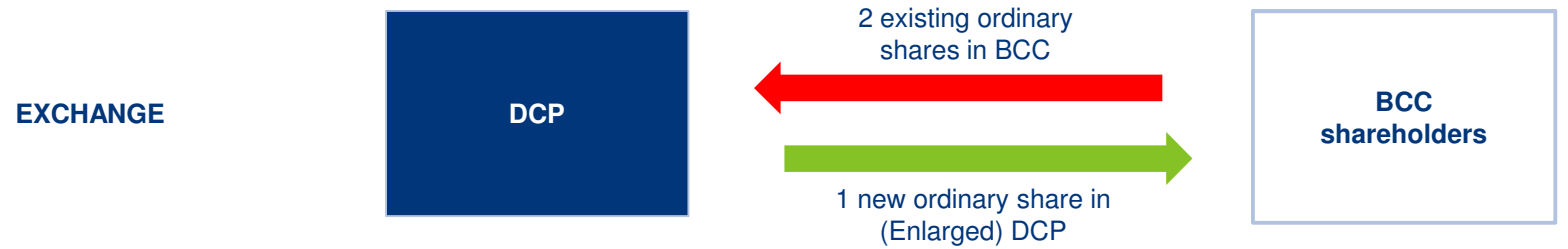
Receive:

- 1 ordinary share in Enlarged DCP

In exchange for:

- 2 ordinary shares in BCC

Transfer illustrated



POSITION AFTER THE SCHEME

BCC shareholders own shares in Enlarged DCP that owns all the assets and liabilities of BCC



Scheme highlights (continued)

Dissenting shareholders

- Shareholders who vote against the Scheme may receive a cash consideration for all their shares at ₦67.50 per share upon the submission of written notice electing to receive cash

Post merger dividends and other rights

- Shares issued will rank *pari passu* in all respects to existing DCP ordinary shares
- Shareholders will continue to expect 75% dividend payout ratio

Conditions precedent for the scheme to become binding

- Approved majority of not less than three quarters in value of the ordinary shares of those shareholders present and voting (in person or by proxy) at each of the two separate Court Ordered Meetings
- SEC approves the terms and conditions of the Scheme
- Court sanctions the Scheme

Tax implications

- Shareholders receiving shares as consideration are exempt from Capital Gains Tax
- Dissenting shareholders may be liable for Capital Gains Tax and should consult professional advisors

Settlement








- New DCP share certificates will be dispatched to BCC shareholder accounts within 21 days of the Court sanction
- Central Securities Clearing Systems accounts will be updated and credited with ordinary shares in Enlarged DCP



Valuation

Considerations

- DCP and BCC have similarities that make them ideal merger participants
- From a valuation perspective, however, key differentiating factors needed to be considered to accurately attribute value to companies in different growth phases

	DCP	BCC
Core business 	Pure play cement	
Other business 	Bulk cement import Bagging operation (two load terminals)	NA
Capacity expansion 	Substantial greenfield and expansion projects Cement capacity to grow from 5 to 16 million MT p.a.	Cement capacity of 2.8 million MT p.a. Increase to 4 million MT p.a. by 2012
Growth prospects 	High	Moderate
Energy source 	Primarily Natural Gas (Cheaper Source – 56% of LPFO cost/MT)	Low Pour Fuel Oil ("LPFO")
Listed 	NA	NSE
Share price 	NA	₹62.99 *

* As at 27 July 2010



Valuation (continued)

Methodologies considered

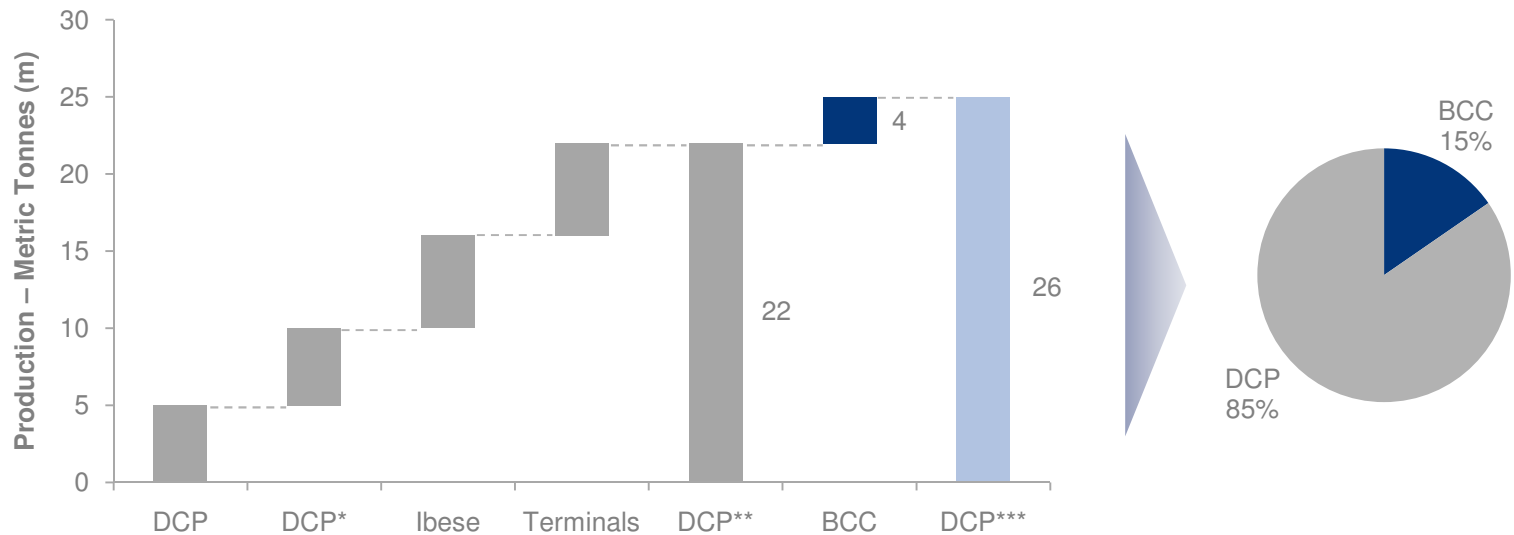
Valuation Approach	Description	Suitability
Trading Multiples	<ul style="list-style-type: none"> • Price-to-earnings multiple • Enterprise value-to-EBITDA multiple • Cement companies listed on NSE • Cement companies operating in EM 	<ul style="list-style-type: none"> • DCP has significant installed production and expansion projects coming on stream • Absence of truly close comparable domestically or internationally
Precedent Transactions	<ul style="list-style-type: none"> • EBITDA multiple • EPS multiple • Installed Cement Capacity multiple 	<ul style="list-style-type: none"> • Prevailing market conditions are significantly different • Involved acquisitions of majority stakes • Transactions primarily in low growth developed markets • Companies had significant aggregates in business mix
Historical Market Trading Analysis	<ul style="list-style-type: none"> • Closing share price • 30-day average price • 60-day average price • 90-day average price 	<ul style="list-style-type: none"> • BCC's share price largely represents market determined benchmark for fair value • Can serve as a general guideline to ascertain reasonableness
Discounted Free Cash Flow	<ul style="list-style-type: none"> • Discounting cash flows using 5-year financial projections prepared by management • Assumptions of key drivers (discount rates, terminal growth multiples) in line with global best practice 	<ul style="list-style-type: none"> • More appropriate for valuing high growth companies such as BCC and OCP • A fair value was assigned to DCP's Greenfield and expansion projects

Having evaluated the underlying assumptions, strengths and potential drawbacks of each valuation approaches, the DCF approach was adopted



Valuation (continued)

Additional production capacity of Enlarged DCP is due to expansion projects and merger



Commentary

- DCP has a substantial portfolio of greenfield and expansion projects expected to come on-stream within the next year and become accretive to the post-merger DCP's revenue stream
- BCC has indicated no major expansion project except for standard performance improvement projects
- DCP currently has 5 Million MT/annum of cement production capacity in place; an additional 11 Million MT/annum of production expected to be added in the next 12-14 months; five cement bagging terminals across the country
- BCC's Gboko plant has an installed production capacity of 2.8 Million MT/annum of cement which is expected to increase to 4 Million MT/annum by 2012

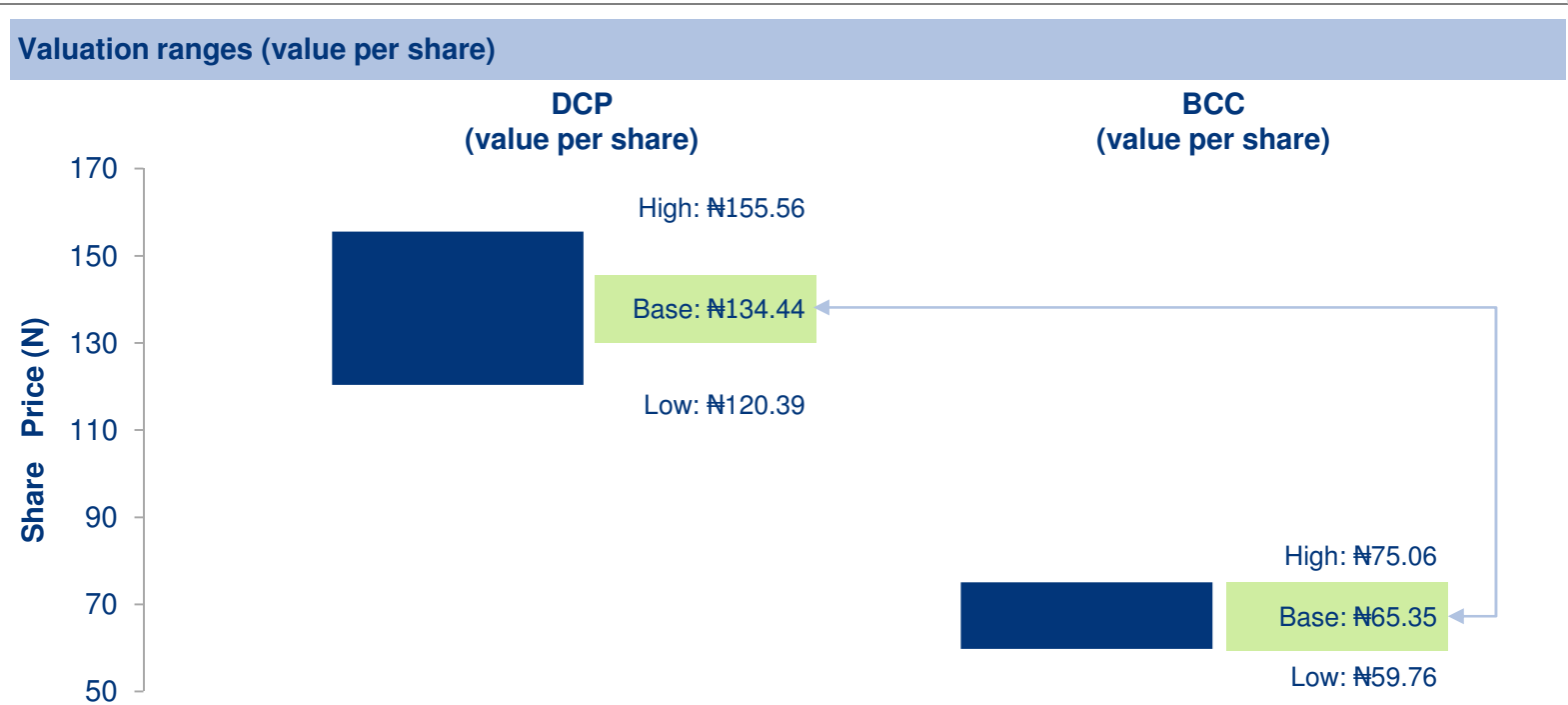
* 5 million MT production line to be completed by July 2011

** DCP's expanded capacity including terminals

*** Enlarged DCP



Valuation (continued)



- The Financial Advisors jointly recommended fair value estimates of ₦67.50 and ₦135.00 for BCC and DCP respectively, resulting in a share exchange ratio of 2 BCC shares for every 1 DCP share
- The exchange ratio valued BCC at a 7.16% premium to the closing price of ₦62.99 on 27 July 2010
- The ratio was approved at separate meetings of the Board of Directors of BCC and DCP

Agreed value

Company	Total value (₦'bn)	Number of shares (bn)	Value per share (₦)	Exchange ratio (x / BCC share)
DCP	2,025	15.0	135.00	2.0
BCC	256	3.9	65.50	1.0



Conclusion and way forward

Conclusion

- The merger presents an opportunity for shareholders to benefit from the synergies that would result from the Merger
- The enlarged company will trade under the name of Dangote Cement Plc, listed on The NSE and better placed to perform effectively in the industry
- Board and management consider the terms of the Merger to be fair and reasonable
- Shareholders are encouraged to attend the Court Ordered meeting in person or by proxy and vote in favour of the Scheme

Key dates

- 28 September 2010 Court Ordered Meetings for DCP and BCC
- 15 October 2010 Receive SEC final approval of the Scheme
- 20 October 2010 Obtain Court Order sanctioning the Scheme/Effective date
- 05 November 2010 List DCP shares on The NSE and commence trading

