

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

**Mary:**

I would like to call upon our Group Managing Director, Mr. Seddiq Hassani to kick off the presentation and hand over to our Group Finance Director, Mr. Vasileios Karalis. Seddiq, over to you.

**Seddiq:**

Thank you, Mary. And good afternoon, everyone and welcome to our half yearly call to present our H1 for 2022 results. And I will be presenting, as usual, with the Group CFO, Vasileios.

So, we have taken into account your feedback during the previous session. So, we'll not go into too many details because I guess that you know the Group very well. So, I will go very quickly in the presentation of our activities and vision.

But just to remind you that Bamburi is part of the Holcim Group and is active in two countries, Kenya and Uganda, through the two or four activities: cement, ready mix, precast, and also Lafarge ecosystem.

The vision remains the same and it relies on its six pillars; growth, competitiveness, innovation, sustainability, people, and health and safety. Again, I will not go into the details of each pillar, but if you have any questions about them, I will be happy to answer.

And also, through our innovation pillar. By the way, we do have the widest range of products and solutions, not only in the countries, Kenya and Uganda, but across the area through our cement activities, ready mix activities, precast activities, and also building our product portfolio through an application-based solution so that we can answer to each and every need of our customers.

And last but not least, we remain committed to sustainability because we don't believe in growth which is not sustainable, taking care of the environment and the planet. And sustainability relies on our quarry rehabilitation programs, our biodiversity conservation, our caring of water and our water consumption, dust emissions, but also taking care of the communities which are within our operations.

**Seddiq:**

All right, so maybe we can go now directly to the highlights of what happened in the first half of this year. So first, let's talk about turnover. The turnover has grown by almost 3%, 2.6% compared to last year. And we continued to support, during this first half, many key projects in both countries. But also to supply the retail market as usual.

However, when we look at the first half of this year, we can see that it is somehow split into two quarters. The first quarter where the market was very, very dynamic, and then the second quarter where we have seen a slowdown in the markets coming from many factors, among them the preparation and the uncertainty of the elections, but also the worldwide crisis, mainly driven by what's happening in Eastern Europe. This, we will see that later on when we'll be talking about cost. This had affected the input cost of our operations. And of course, it had also... Not only our operations, but I would say the global sector. We have seen the steel prices going up, the fuel prices going up, and it has impacted the whole economy and the whole building sector.

But it is not because we are in a crisis that we don't innovate. We keep innovating. And it is also to be committed to our vision and to our pillars, innovation. We have launched this year, a new product, which does not belong to the cement family, but to the tile additive and mortars family. So it is, of course, based on cement, but not only. And it is also meant to reply to many needs and requests and complaints from the end users about the quality of the work when they were tiling either the floors or the bathrooms or whatever. So, we have launched this in March this year, and we can say that it is quite promising in terms of volumes, but also bringing some good margins as well.

**Seddiq:**

You can go to the next slide where we'll be talking about costs, because this was really the main factor which impacted negatively our results in the first half of this year. So, our costs went up because of, as I

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

already said, the increase of many of the input costs coming from fuel, coming from freight, coming from the commodity prices such as coal.

And just to give you an order of magnitude of this inflation; the coal price went up by more than 110%, which means three times what it was last year, same period. Last year, the coal was below \$100 per ton. As of March, it went up above \$300. And still, as of now, the coal is above \$300 per ton.

The import of clinker as well went up, mainly driven by the freight cost, went up by 30% which is also quite massive. In addition to that, I already mentioned the fuel price. Packaging as well, went up. We can see that in the next slide. But also, because the freight went up, all the other imports such as spare parts, equipment went up as well. And it had impacted the cost of our kiln shutdowns that we had in the first half of this year.

In addition to that, and I'm sure that you have all noticed that, there is also a kind of devaluation of forex, losses of both currencies, the Kenya shilling and the Uganda shilling against all the other currencies such as the dollars or the euros. Remember that last year, the Ugandan shilling appreciated compared to the foreign currencies while this year, it is the other way around. And of course, it impacted our results.

And unfortunately, I must also remind you that we also had a tragedy in Uganda in January where some of our people lost their lives in an accident. We had to get all the costs related to that accident. We also had to stop our operations for some weeks in order to correct the gaps that we had, and in order to get the license again from the authorities to operate again. So, all this has impacted our costs quite heavily.

But we didn't stay, I mean, crossing our hands, but we have decided to take actions in order to mitigate those actions. These actions, they have been implemented since the second quarter mainly starting in April. And we will see that later when we look at the results by quarter, the impact of these actions and these initiatives in our results, and how it had impacted positively the results.

So, we have decided to review our pricing strategy in order to optimize our margin by product, by region in order to make sure that we take the full potential of our wide range of products. We have also reviewed our costs. So, we have decided to move from the imported coal from Mozambique or South Africa, which was the case the years before, to move to the Tanzanian coal - coal from Tanzania, which is delivered by road to our plant in Mombasa. The gap in price is quite important because we are moving from more than \$300 per ton to below \$200, around 180 to 190, depending on the fuel price. And we have also decided to stop importing clinker because first, the market has declined in the first, second quarter and also the third quarter due to the elections, and I'm sure that you have also noticed that in the past weeks. So, not importing clinker so that we don't increase our cost base. And we have also pushed further... Sorry, just to mention that the import clinker was mainly in Kenya. Uganda was not impacted by the election. So, they kept importing clinker, of course, to supply the Uganda market. And in terms of substitution, we have pushed further our substitution of coal where we have moved from below 10% of substitution rates by biomass, biofuel, tires, waste to above 10% today and we will increase that number in H2 to reach between 12-14%.

### **Seddiq:**

And yeah, if you can go to the next slide, as I said, sustainability remains a key focus for us. I've talked about it in the introduction when I was talking about our vision about sustainability, talking about just as one of the important matters.

So, this is what we have done in H1 where we have upgraded a filter into a batch filter. And now our test emission is below, by far, below the limit but it is almost below five milligrams, which is very, very low. And it required quite a heavy investment of more than \$2.5 million. And we keep pushing on our green cements in order to also reduce our CO2 footprint. And I will not talk again about our substitution of coal.

I have already talked about it. I also said in the introduction, if you can go to it, that among our sustainability initiatives is to take care of our communities through many, many initiatives such as education, health and safety, environment. And employment creation through an initiative that we have launched called Women on Wheels where we train, coach women in order to become truck drivers, and it

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

is highly appreciated. And yesterday, we have just celebrated the third cohort of the trainees who got their, I would say, license as drivers for our operations.

So, this is a nutshell, a summary of what happened in the first half of this year. We optimized our cost base in order to take into account what happened worldwide in terms of inflation. And we have also optimized our top line in order to focus more on the profitable markets, profitable customers, profitable products in order to improve our margins globally. And now in order to go into a bit more details on our financials, I hand over to Vasileios. Thank you.

### Vasileios:

Thanks, Seddiq. I will thank the one who have spotted the typo during the publication of the results. So, I'm sure that you're well-aware of the figure.

I want to highlight a few points. One is the one that Seddiq also mentioned. We are talking about two very distinguished quarters in the first half, while the picture that we have in the financial when we are publishing them, it was the average of the first half of the year. That's why we have incorporated later on, you will see on the presentation, if not already, the split between the quarters to understand what are the actions.

One thing that I also want to highlight is that we took a hit in terms of input cost, kind of one-off during this first half, which is reflected immediately in our financial, while the mitigating actions that we'll take immediately after this, it will take a bit of more time to see the results. So, from the quarter two to the second year, we will have the benefit of the actions that we took during the first half. So, there is an unbalance between the actions and the cost in the first half of the year compared to the remaining of the period.

I would like also to show you the slide 20, which is the waterfall because it's the visual and I think it's the key point, the key message here. So, if we go to slide 20, the waterfall, I think this is the picture of the first half, even as an average, improvement in prices, big impact in the distribution costs coming mainly from fuel and the production costs coming mainly from the energy. This is the big picture for the first half of the year. Seddiq, we can go to the quarter and the environment overall. And then I think the questions would be most of the interest. Right?

### Seddiq:

Thank you, Vasileios. So, we can go to the next slide, Mary. All right. I think I've already talked about this, of the macro environment. Something that I didn't mention, but it had also an impact is that the first half and hopefully the second half will not be impacted, but the first half was impacted by drought. Hopefully, we'll see some rains and we expect that it will help to have a good agricultural season this year. But for the first half, it had quite a big impact. I mentioned during my presentation the split between the two quarters, and I think the next slide will be very interesting for you.

When we split our results by quarter, you can see that the first quarter, we made a loss, all right, on the profit from operations, -460m. And the EBITDA margin was about 5%. But when you look at Q2, when we have implemented our mitigating actions to reduce our energy price, to reduce our usage of imported clinker, and to optimize our margins through what I've already said, you can see that Q2, profit was 671m with an EBITDA margin of 16%.

And Q2, EBITDA margin is higher than last year, half year, 15%. And that's the reason why we are confident that the second half of this year will be closer to Q2 and probably even better than Q2 this year and Q1 this year. And this is driven by many things. First, the continued impact and probably even bigger impact of the actions that we have implemented in Q2. Because now, they are fully implemented.

Second, because in Kenya, we believe that now, the elections are behind us so that we will have a more stable environment. And we expect the market to recover. And Uganda remains very dynamic, driven by

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

many projects. And among those projects, there is the oil sector, which is also driving the economy and the sector. And we believe that it will also impact positively the second half.

And lastly, but it is also very important, that all our kiln shutdowns, which are very heavy in terms of maintenance operations, and then in terms of cost, were all done in H1. So, which means that H2 will be free of any kiln maintenance, kiln shutdown. So, when we take into account all this, we believe that H2 will be strong and it will enable us to compensate what we have lost in Q1 in order to deliver what we should expect from a company like Bamburi. I think that's it for me. Yeah, thank you.

**Mary:**

Thank you, Seddiq.

**Vasileios:**

One comment on my side.

**Mary:**

Yes, Vasileios.

**Vasileios:**

Even the first, let's say, two months of the Q3, the trend of the first two months is at the same. Actually, it's higher than the Q2, the trend in terms of margins. So, we are quite confident that we are implementing the right strategy.

**Mary:**

Well, thank you. Thank you, Seddiq and Vasileios once again for very clear presentations, for positive outlook that you have shared with us. And ladies and gents, it's now time for questions and answers. And like I had mentioned earlier, Ephantus from Kestrel Capital will facilitate the Q&A session. We have received quite a bit of questions before this meeting. I don't know, Ephantus, if you want to begin with those. We remain guided by you, Ephantus. The screen is yours.

**Ephantus:**

Thank you, Mary. And thank you, Seddiq and Vasileios, for that presentation. So, I'll start the questions, the Q&A session, the first question is that, "Can you provide an update of the clinker project in terms of any changes in timelines, funding or the commissioning? Number two, what are the current utilization rates in Kenya and Uganda? And then number three, what are the average cement prices in Kenya and Uganda in USD terms?" Thank you. I think you can take the three set of questions first.

**Seddiq:**

Right. Thank you. So, I will start with the first question on clinker project, and then I will hand over to my team for the two others. In terms of clinker project, of course, I mean, for Kenya, you will know that... I mean, not only for any investment..you know that building a cement plant is not an easy matter. So, it's not just to push the button and then you can start building. So, we have to go through a very heavy process and we have closed in May, this year, the permitting process and we got the permits from NEMA. And we have cleared all the actions that they have required from us. Now, we are in the process of

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

acquiring the shell and we know that the shell is also an important raw material to produce clinker. And it's important to control the shell.

And you might know also that land matters are not that easy. So again, we had to go through a deep and lengthy process. And as of now, we have already sent our expressions of interest to all the land owners and also the affected persons in the project. However, there are still a few, I would say, around 20% of those lands where there is an issue because there is... between what is in the land registry and what is in the title deeds, and we need to make sure that these are reconciled so that we can be able to acquire the land.

So, we expect to close this. We have already cleared a lot of these conflicts that we have since the beginning. Now, we have remained with a few others and we expect to close this shell acquisition before the end of this year. Then in terms of... And of course, all this was already factored in our schedule. It is not something that we have underestimated, or we haven't expected. No, we knew that. And we knew that it was a lengthy process. So, it was already factored in our schedule. And the plan is still to produce clinker in the first quarter of 2025. That was the plan and it is still the plan today. There was a question about the utilization factor. So, I don't know, Vasileios, if you have the numbers.

**Vasileios:**

No, but what we can say based on the market demand in the first quarter, the second quarter, they are very different, let's say, structure of the market and demand. We started from a Q1 which was almost sold-out, let's say, period and the demand was very high. Moving to the second quarter, where progressively, we saw a drop in demand at the rate of 15%, even higher, as we got closer to the election. So, the latest figures, and I guess the figures from overall demand will come later on, but that was the big picture for this period.

**Seddiq:**

In terms of cement prices, so I don't have them in dollars, but I have them in local currencies. In Kenya, the price, average price, of course, it differs between the products. But the average price is at 11,150 Kenya shilling per ton. And in Uganda, it is at 515,000 Uganda shilling per ton.

**Ephantus:**

Thank you for that.

**Vasileios:**

If I may, just to highlight on the dollar side, we cannot say a fixed amount in dollars because the devaluation of both currencies in Uganda and Kenya is constant. So, if you take the dollar price at the beginning of the year with the dollar price now, there is at least a 10% increase because the devaluation of Kenya shilling, it's at that range if not more, at least the one that we have on the market.

**Ephantus:**

Thank you. The next question is what are your thoughts on the current competitive landscape in Kenya and Uganda. And also, probably the market share statistics? Number two, please update us on the sales to the Rwandan market after the reopening of the Uganda-Rwanda border. And then number three, what's the expected evolution of the individual home builder segment vis-à-vis the infrastructure revenue split going forward? Thank you.

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

**Seddiq:**

All right. So competitive landscape, I mean, it didn't change. We still have the same players in both countries. And when you look at 2022, there was no new investment so far in both countries. So, it is quite stable, nothing really happened. So, in terms of market share, well, of course, it's information that we don't have yet because you know that the statistics are published with a kind of delay of three to four months. So as of now, we don't know yet what are the market shares in both countries.

In terms of sales to Rwanda, so yeah, we heard a lot about this, the opening of the border between Uganda and Rwanda. However, the border opened but only for passengers and for some specific goods, but not yet for cement, which means that as of now, we are not yet able to export cement from Uganda to Rwanda. And that's the reason why we are still exporting some cement from Kenya to Rwanda, not the same volume as we would have expected from Uganda because of the transport cost, which is quite high. But still, we are selling cement to Rwanda from Kenya. On the IHB and infrastructure, maybe I can hand over to Kanyi, the Commercial Director, who can give you some insights on this.

**Kanyi:**

Thank you, Seddiq. In terms of the IHP segment, I think we should continue to see it grow naturally for a number of reasons. The economy is growing. We look at our GDP and also our population is growing as well. So, there's a big demand for housing. And this dovetails into the second point around infrastructure. We see the government very keen to continue... the new administration..., very keen to continue the affordable housing as one of their key pillars. This is clearly well-enumerated in their manifesto. Likewise, I think the President-Elect has been very clear about the fact that they will continue to complete all the projects that were started in the previous administration. So, we expect to see quite a bit of activity in the infrastructure segment, and also a lot of investment in healthcare and education. So very confident that both segments will continue to grow for those reasons. Thank you.

**Ephantus:**

Thank you. Moving ahead. So, the next section would be what are the actual volume performance in Kenya and Uganda? I think Vasileios had mentioned something like 15%.

**Seddiq:**

Okay. So, I think it was mentioned, but in... The volumes are slightly below last year in both countries. And in Kenya, as I said, it was mainly impacted by the second quarter. So, I said the first quarter was quite dynamic and we have started to see a slowdown in Q2 because of the inflation and then also the preparation of the election. That's why the volumes are slightly below what we have done last year in both countries, about 50,000 tons in both countries. However, thanks to the margin optimization that I've talked about, our top line, our turnover has grown. So, with lower volumes, we're able to deliver a higher turnover.

**Ephantus:**

Okay. Thank you. Just a reminder to the participants, if you have any questions, please feel free to share the questions on the Q&A tab, or you can raise your hand. I'll give you an opportunity to ask that question.

So, some questions on the Q&A tab, how much debt do you expect to take for the clinker plant and what are the terms with respect to the tenure and interest rates? The other question is how much did the prices increase by? Thank you.

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

**Vasileios:**

I will take the debt for the Matuga project, Seddiq. We are still under review on the financing terms of the project. What we were communicating in the past, it was around 70% of the project to be financed with the local banks. This is something that we are reviewing. And of course, given the current inflation, the project is now more expensive than a few years back. Therefore, we're reviewing our financing strategy. And once we have the go-ahead, we will communicate accordingly. Thank you.

**Seddiq:**

I guess that the price, we're talking about the cement price.

**Mary:**

Yes. I believe so.

**Seddiq:**

It has increased. Yeah.

**Mary:**

Yeah.

**Seddiq:**

So, I've already given the prices in both countries. So, the increase compared to last year was, in Kenya, around 8% and Uganda, around 12% or 13%. But this is, again, an average. So, it gives, let's say, a global perspective of the price increase. But then you need to know also that when we compare H1 this year with H1 last year, as an average, it is impacted this year by the price of Q1 before we increased the prices. But if you take the prices in Q2 compared to Q1 before we increased the prices of some of the products, the price increase is slightly higher than that.

**Ephantus:**

Thank you. The next question is the effective tax rate dipped to about 23%. What led to the dip? The other question is on, is there an improvement in the dollar accessibility currently? Thank you.

**Vasileios:**

Not so far. There is no improvement in the dollars. The scarcity is there. However, following discussions that we have had with our bank colleagues, given now that the elections have finished, we have a new government and there would be stability, this will release some funds that already exist in the country. And some deposits in US dollar, that it's already in the country, has not been released. This will give a kind of breadth for all sectors. So, we expect towards the end of the year to start seeing an improvement in this area. Thank you.

**Ephantus:**

There's another question on the effective tax rates, which dips to about 23%. What led to the dip?

## BAMBURI CEMENT 1H22 RESULTS CONFERENCE CALL TRANSCRIPT

### Vasileios:

This is a calculation. This depends on the... You apply the tax rate, the usual tax rate on the results and you calculate it based on that. It's a theoretical, say, calculation of the tax. If you need more details about that, we can provide at a later stage.

### Ephantus:

Thank you. So far, I think most of the questions on the input costs have been covered through the presentation. And so far, I don't see any other questions. I would like to hand it over back to Mary.

### Mary:

Thank you very much, Ephantus and thank you everyone for your questions and for a very engaging session. We very much appreciate your questions and we do hope that they've all been responded to. Should you have any more questions ladies and gents, please feel free to email us. You can email Emma Kirungu or Mercy Randa, our PR agency or myself, and we will come back to you.

Ladies and gentlemen, we are now drawing close to the end. I'd like to hand over the screen to Seddiq for any closing remarks. Seddiq, the screen is yours.

### Seddiq:

Thank you, Mary. And thank you all for your participation and attending this call, but also for the very interesting questions that you have all raised.

And we are very, let's say, confident. Despite the numbers that we have shared with you for H1, we are still confident that we have a brilliant future and we have implemented the right actions, which have already given some very positive results as I have shared with you earlier, comparing Q2 with Q1. So, we are committed to deliver some values from the business. I mean, this has always been our, I would say, motto. Our vision remains the same. We want to grow profitably and we want to grow sustainably, and this is exactly what we are doing as of now. So, I just wanted to reassure you again that we will create the maximum value from the business.

There was a question talking about the share price. Of course, we cannot control the share price. But I'd like to take this opportunity to thank again all those who are trusting Bamburi and placing their funds in Bamburi, because I am convinced that that's the right way to do. So, thank you again, and I am looking forward to meeting you again in a few months from now to share the full results of 2022. Thank you and see you soon. Bye-bye.

### Mary:

Thank you, Seddiq. Thank you, ladies and gentlemen. We have come to the end of this session and you're free to leave at your leisure.