

Bamburi Cement: FY2019 Financial results.

Bamburi cement announced their FY19 results, recording a 37% decrease in Profit after tax from **KES 572 Mn** to **KES 359 Mn**. The slump in Bamburi's earnings are as a result of higher finance costs and a nearly seven fold increase in taxation charge.

- **Negative top-line growth underlines subdued demand for cement.** The company's revenues declined by 1.25% as the overall cement industry woes piled on in the year ended. Furthermore, the delay in the construction of the second half of the Standard gauge railway as well as an inability to access the Rwandan market conspired to lower revenues.
- **Operating profit grows despite constrained revenues.** Operating profit grew 44.13% from KES 0.78Bn to Kes 1.17Bn. The increase in operating profit comes following the restatement of FY 2018, that had previously failed to take into account cost accrual of KES 60 Mn. Operating expenses reduced by
- **Profit Before Tax grows 17% from KES 0.73Bn to KES 0.62Bn.** The company faced severe headwinds in the Rwandan markets that resulted in the discontinuation of operations and impairment of Rwandan assets. The full-year cost of financing Hima capacity expansion was felt as finance costs increased 150% over the period.
- **Discontinuity of Rwandan operations leads to a seven fold tax increase.** Tax expenditure increased by KES 321 Mn following the suspension of Rwanda operations. The absence of the investment deduction allowance benefit for Hima in 2019 also contributed to the higher tax charge in 2019 due to the amortization of the associated deferred tax asset.

Our View

The slowdown in the construction sector is likely to continue to negatively affect Bamburi's revenues in 2020. The additional capacity that the company invested in, at a time when the market was slowing down, is negatively affecting the company.

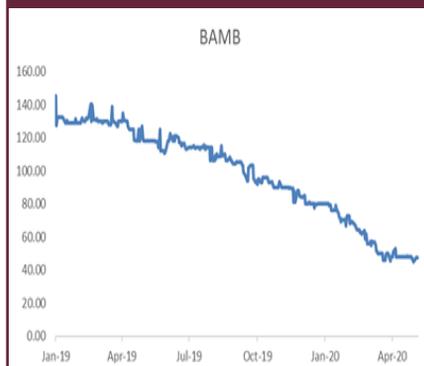
Date: 8th May 2020

Target Price: Under Review

52 week range: KES 45.1 to KES 125.00

Earnings Per Share: KES 1.74

Latest Results: FY2019, 0.36Bn



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Income Statement 'KES 000'	KES Millions	KES Million	% Change
	31-Dec-18	31-Dec-19	
Turnover	36796	37262	1.27%
Total operating costs	(35,621)	(36,178)	1.56%
Other Gains and losses	149	(208)	>100%
Impairment Losses	-207	-101	-51.21%
Operating profit	1117	775	44.13%
Finance costs net	(389)	(155)	150.97%
Profit before tax	728	620	17.42%
Taxation	(369)	(48)	668.75%
Profit for the year	359	572	-37.24%
Other Comprehensive Income(loss) net of tax	(9)	776	>-100%
Total Comprehensive Income for the year.	350	1348	-74.04%
Earnings (basic and diluted)	1.74	2.37	-26.58%

Statement of Financial Position.	(Resrared)		
KES BN	2019	31-Dec-18	%Change
Non Current Assets	36993	37913	-2.4%
Current Assets	8986	9867	-8.9%
Current Liabilities	(7,009)	(8,020)	-12.6%
Cash and bank Balances	3106	2366	31.3%
Short-term borrowings	(1,772)	(1,403)	26.3%
Total Assets	40304	40723	-1.0%
Shareholder Funds	28703	29576	-3.0%
Non Current Liabilities	6116	5443	12.4%
Non Controlling Interest	3429	3694	-7.2%
Long term loan	2056	2010	2.3%
Total Equity and Non-Current Liabilities	40304	40723	-1.0%

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