EQUITY RESEARCH CASE STUDY

Dangote Cement PLC Equity Research Model

Three-statement forecast and DCF valuation, 2025–2029

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Finance, Strategy & Decision Intelligence

Company and approach

The company

Dangote Cement PLC (NGX: **DANGCEM**) is a Nigerian cement manufacturer. The model uses its 2022–2024 results and a valuation date of 31 December 2024, when the share price was **₦493**.

Objective

Estimate what DANGCEM is worth and whether its share price offers upside.

Approach

1. **Restructure**
   Reorganised the reported 2022–2024 statements into one consistent model layout.

2. **Forecast**
   Drove 2025–2029 from an input sheet: growth, cost ratios, working capital and capex.

3. **Integrate**
   Linked the income statement, balance sheet and cash flow. The balance sheet balances every year.

4. **Value**
   Discounted free cash flow at a 24.2% WACC, after reviewing and correcting formula errors.

Strong 2024, margins set to normalise

Revenue 2024 (+69%)	EBITDA margin 2024	Net profit 2024	Finance income / PBT
₦2.19tn	**38.5%**	**₦1.03tn**	**66%**

Historical performance (₦ billion)

	2022	2023	2024
Revenue	1,205	1,298	2,193
Gross margin	67.6%	57.5%	59.5%
EBITDA margin	45.3%	34.7%	38.5%
Net profit	403	490	1,027

- Revenue grew **82%** from 2022 to 2024, but gross margin fell from 67.6% to 59.5%.
- Finance income was **66%** of 2024 profit before tax, so earnings lean on non-operating income.

Source: IS tab of the model. Net profit is EAT. 2024 effective tax rate was 12.7%.

Five-year forecast and DCF

₦ billion

	2025	2026	2027	2028	2029
Revenue	2,412	2,653	2,918	3,240	3,644
EBITDA	737	807	885	979	1,098
Net profit	729	770	814	868	936
Free cash flow	**354**	**364**	**384**	**409**	**444**

Assumptions: revenue grows 10–12.5% a year; production cost is 45% of revenue; tax 32%; WACC 24.2%; terminal growth 1.9%; admin costs scale with revenue.

Enterprise value	Net debt	Subsidiary receivables	Implied price
₦1.73tn	**₦2.09tn**	**₦2.73tn**	**₦141**

Model result: **Sell**. The implied price is 71% below the ₦493 share price.

Implied price (₦) by WACC and terminal growth

WACC / terminal growth	1.9%	5.0%	8.0%
22.0%	153	163	178
24.2% (model)	**141**	**149**	**159**
26.5% (market weights)	131	137	145

Recommendations

1. **Reconcile growth and discount rate.** Forecast growth of 10–12.5% sits below the 17.95% risk-free rate, and no case tested reaches ₦493.
2. **Review capex and tax inputs.** Capex is fixed at 3x depreciation and tax at 32% (2024 effective rate: 12.7%).
3. **Value the subsidiary stakes.** They are carried at cost (₦249bn); group accounts would capture their full value.

Source: IS and DCF tabs of the corrected model. Free cash flow is after tax on EBIT, capex and working capital.

What this project shows

Skills demonstrated

Three-statement modelling
Linked IS, BS and CF with a balance check

DCF valuation
CAPM, WACC and terminal value

Sensitivity analysis
Price tested across WACC and growth

Model auditing
Traced and corrected formula errors

Statement analysis
Margins and earnings quality

Model design
Input, calculation and output separation

Limitations

- The model uses standalone accounts: subsidiary receivables are at book (₦2.7tn) and subsidiary stakes at cost (₦249bn).
- Forecast growth of 10–12.5% is below the 17.95% risk-free rate, which keeps value low in every case tested.
- Funding is mechanical: new loans are held constant, so debt reaches ₦5.1tn while cash builds to ₦4.3tn.

TAKEAWAY

Reported earnings are strong, but the corrected DCF values DANGCEM at ₦141 against ₦493. Reconciling growth, capex and discount-rate assumptions is the next step.