



## PROPOSED MERGER BETWEEN CEMENT COMPANY OF NORTHERN NIGERIA PLC ("CCNN") & OBU CEMENT COMPANY PLC ("OBU CEMENT")

# FREQUENTLY ASKED QUESTIONS

### 1. Why are you merging the companies?

CCNN and Obu Cement (the "Merging Entities") are motivated by a joint aspiration to create value for stakeholders by strengthening the positioning of both companies in the Nigerian cement industry. The rationale for pursuing the Proposed Merger is to create a single entity that will benefit from consolidated capacity and expanded growth prospects which will ultimately maximize value for all key stakeholders, particularly shareholders.

### 2. What will happen to my shares as a result of the merger?

- The number of shares held by each shareholder of CCNN will not change on account of the Proposed Merger
- When the merger becomes effective, the entire share capital in CCNN will be cancelled. Certificates in respect of the shares of CCNN shall cease to be of value and the shareholders will receive 1 Obu Cement share for every 1 share held in CCNN.

### 3. What will the surviving entity be?

- Following the implementation of the Proposed Merger, Obu Cement will be the surviving entity (the "Enlarged Company").

### 4. Will CCNN be delisted from The Nigerian Stock Exchange?

- The objective is to ensure that post-merger, the Enlarged Company will be listed on The Nigerian Stock Exchange ("The NSE"). For execution efficiency, CCNN will be absorbed into Obu Cement and the Enlarged Company will be listed on The NSE.

### 5. What is the production capacity of Obu Cement?

- Obu Cement operates a 6 million metric tonnes per annum cement plant, with two lines of 3 million metric tonnes per annum each, situated in Okpella, Edo State. The second line became operational in March 2019.

### 6. What are the expected benefits of the Proposed Merger for shareholders?

- The Proposed Merger is expected to be beneficial to all key stakeholders, particularly all shareholders of the both companies. It provides a compelling opportunity to capture significant synergies and create value for the benefit of the shareholders of both companies in the form of stronger

competitive position of the Enlarged Company, economies of scale, enhanced operations and administrative efficiencies which are expected to accrue. Other benefits expected from the Proposed Merger include:

- Increased capacity to service new and existing markets:** The Proposed Merger will increase the production capacity of the Enlarged Company to eight million tonnes per annum. It is anticipated that in addition to meeting the demand from customers in our core regions in the country, the Enlarged Company would be positioned to distribute its products in new geographical markets, creating the potential for additional shareholder value creation.
- Operational efficiencies:** We expect the Proposed Merger to provide opportunities for significant cost savings and improved operational efficiencies by streamlining operations and optimising the use of combined resources.
- Economies of Scale:** The Proposed Merger will provide a platform where the Enlarged Company benefits from economies of scale in procurement, distribution and manufacturing of the products offered to our customers. We expect the benefits accruing from greater economies of scale to accrue to many stakeholders.
- Shareholder value creation:** CCNN's shareholders will become shareholders of a larger and highly profitable entity. Synergies created as a result of the Proposed Merger will create additional value for shareholders.
- Communities and economy:** The Enlarged Company will create a platform for further investment that will have a positive impact on the communities where the operations of the companies are present as well as for the economy.

### 7. What will happen under the merger if it receives approval? What will happen to my company?

- When the Scheme becomes effective, the assets, liabilities and undertakings of CCNN will be transferred to Obu Cement and the entire issued share capital of CCNN will be cancelled. CCNN will then be dissolved without being wound up and Obu Cement will emerge as the surviving entity.



## Frequently Asked Questions

- CCNN shareholders will be issued shares in the Enlarged Company.

- The Enlarged Company will be listed on The NSE.

### 8. Have offers been considered from other parties?

- No other offers have been received from other parties.

### 9. What is the timeline for the implementation of the merger?

- The Court-Ordered Meetings for both CCNN and Obu Cement is scheduled to hold on 04 December 2019.
- The merger is expected to be concluded before the end of January 2020, subject to shareholder and regulatory approval.

### 10. What approvals will this deal require?

- A number of approvals are required. Approval has been received from the Federal Competition and Consumer Protection Commission. The Securities and Exchange Commission ("SEC"), The NSE and Federal Inland Revenue Service have also granted their no-objection.
- The terms of the Proposed Merger will be presented to shareholders of each of the Merging Companies for their approval at separate Court-Ordered Meetings ("COM"), and if approved, will be presented to the Federal High Court for sanction and to the SEC and The NSE for final approval.

### 11. Will shareholders have the opportunity to contribute to deliberations?

- Shareholders' approval of the transaction is one of the key conditions required before the merger can be completed. Shareholders will have the opportunity to vote on the transaction during the Court-Ordered meeting convened on 04 December 2019 to consider the terms and conditions of the Scheme.

### 12. Is the transaction being driven by BUA Group?

- The Proposed Merger discussion was initiated by the board of directors of Obu Cement in recognition of the potential value to stakeholders of both institutions.
- After considering the implications of a merger, the Boards of CCNN and Obu Cement are independently convinced that there is merit in consummating a merger.
- BUA Group is supportive of the Proposed Merger.

### 13. Will BUA benefit from this transaction at the expense of minority shareholders?

- BUA does not stand to gain at the expense of other shareholders. BUA will be presented with the same terms and conditions as all shareholders.

### 14. How big is BUA's stake in the two companies?

- BUA indirectly owns a 97.03% stake in CCNN (through BUA Cement, Damnaz, BUA International and Alhaji Abdulsamad Rabi). Obu Cement is owned by Alhaji Abdulsamad Rabi and Alhaji Isiaka Rabi.

### 15. BUA is the majority shareholder in the merging entities. As a result, will it ultimately decide whether or not to merge the companies? What is the process for such merger decision to be made?

- A decision to merge has been taken by the Boards of both companies, in what they believe will be, in the best interest of both businesses and their people. BUA is represented on both boards but does not make these decisions on its own.

The decision to merge will have to be approved by the shareholders of both companies in separate Court-Ordered Meetings in which 75% of the shareholders present and voting need to approve the merger. Final approvals after the COMs will be provided by the SEC and The NSE.

For CCNN, the decision to merge will be made solely by the minority shareholders, as shareholders related to BUA Group (BUA Cement Company Limited, Damnaz Cement Company Limited, Alhaji Abdulsamad Rabi and BUA International Limited) will not vote at the COM of CCNN.

### 16. Will BUA vote at the shareholder meetings?

- Parties related to BUA Group (BUA Cement Company Limited, Damnaz Cement Company Limited, Alhaji Abdulsamad Rabi and BUA International Limited) will not vote at the Court Ordered Meeting of CCNN, in compliance with The NSE rules relating to conduct of related parties at General Meetings.

### 17. How much will I receive as a result of this transaction?

- If the Proposed Merger is approved by the shareholders at the separate Court-Ordered meetings of CCNN and Obu Cement, CCNN shareholders will receive 1 share in Obu Cement for every 1 share held in CCNN.
- Once effective, the Scheme will be binding on all shareholders of the Merging Entities and consideration will only be in the form of shares in Obu Cement. No cash will be paid.

### 18. Can shareholders receive consideration in cash?

- No. Consideration to CCNN's shareholders will only be in the form of shares in Obu Cement based on the share exchange ratio.
- Shareholders who would not like to remain shareholders of CCNN will be able to sell their shares on the floor of The NSE, following the completion of the Merger.



## Frequently Asked Questions

### 19. How was the share exchange ratio determined?

- The proposed consideration to shareholders of the merging entities was agreed to by the respective boards of directors. It was subsequently reviewed by the Fairness Opinion Adviser, who deemed the consideration to be fair.

### 20. What measures were put in place to ensure that shareholders receive fair value?

- The boards of directors of the Merging Entities are highly committed to ensuring that shareholders receive fair consideration. To demonstrate this commitment and to ensure fair valuation, the boards of directors engaged the services of renowned advisers to guide its decision-making process on the valuation and share exchange ratio.
- For CCNN, G. Elias & Co was appointed as Solicitors and Stanbic IBTC Capital Limited was appointed as Financial Adviser. For Obu Cement, Olaniwaun Ajayi LP was appointed as Solicitors while Rand Merchant Bank Nigeria Limited was appointed as Financial Adviser.
- An independent review of the share exchange ratio was carried out by KPMG, who assessed the transaction consideration and opined that the share exchange ratio was fair and reasonable for the shareholders of CCNN.

### 21. Was the consideration subjected to any independent examination?

- The board of CCNN engaged the services of KPMG, a firm of professional accountants to act as Fairness Opinion Adviser in connection with the Merger.
- KPMG conducted an independent review and issued a fairness opinion confirming that this was fair to shareholders of the Merging Entities. A copy of the Fairness Opinion report is available in the Scheme Document.

### 22. What will be the combined market cap of the new company?

- This information will be publicly available following the completion of the transaction.

### 23. Who is set to benefit from this merger?

- The Boards of directors of the Merging Entities are convinced that the Proposed Merger is a transaction that will best serve the interest of stakeholders of the two companies.
- The merger of the two companies should create opportunities for higher revenue growth and the extraction of positive synergies to the benefit of all stakeholders.

### 24. What will happen to employees post-merger?

- All the employees of CCNN that wish to continue their employment with the Enlarged Company will become

employees of the Enlarged Company.

- Any employee of CCNN who does not wish to become employed by the Enlarged Company after the Proposed Merger, will be entitled to obtain his/her terminal benefits based on his/her existing contract of service.
- The Enlarged Company will carry on the business of the two companies. Individual employees of the Merging Entities will become part of a larger entity that can offer growth and a wider range of career opportunities.

### 25. Do you expect retrenchments? For those retrenched, what conditions will prevail?

- Employees will be treated consistently and with respect, in accordance not only with the laws of Nigeria, but in line with Obu Cement's policies and procedures.

### 26. There will undoubtedly be cost savings in a deal of this nature. How many overlapping jobs do you think you can do away with?

- Our employees are one of our most important assets and upon completion of the Proposed Merger, employees of each merging entity will function as one company with the same long-term strategic interests.

### 27. What will happen to distributors post-merger?

- Our distributors are important partners of the companies. We believe the current distributor network will be complementary when combined.

### 28. Is there a plan for CCNN's brands and products?

- There are no immediate plans to make any changes to CCNN's brands which will be produced and distributed by the Enlarged Company.

### 29. What will be the composition of the board of the Enlarged Company?

- The composition of the Board of Directors of the Enlarged Company shall be in accordance with the Articles of Association of Obu Cement. From the Effective Date, the directors of CCNN will cease to hold office as directors of CCNN and only those persons who may already have been elected to Obu Cement, or who may subsequently be elected, shall be directors of the Enlarged Obu Cement.

### 30. What will be the name of the Enlarged Company?

- The name of the Enlarged Company following the completion of the Proposed Merger will be BUA Cement Plc.