



HANDY WITH CEMENT: Aliko Dangote, founder of the Dangote group and friend of several presidents.  
REUTERS/AKINTUNDE AKINLEYE

Africa's richest man has global ambitions for his cement business. Can he succeed on the world stage?

# In Nigeria, a concrete get-rich scheme

BY TIM COCKS

LAGOS, SEPTEMBER 11, 2012

**A**liko Dangote has always liked making things to sell. As a child he boiled up sugar to make sweets he sold around town; these days he cooks up limestone in factories that produce millions of tonnes of cement.

Dangote's entrepreneurial skills have helped make him Africa's richest person, with cement plants opened or under construction everywhere from Senegal to Ethiopia to South Africa. He dreams of owning the largest cement firm on the planet. By 2015, he hopes, his industrial

conglomerate will be worth four times its current estimated \$15 billion.

“We’ve taken the flag of Nigeria and flag of Africa and put them in places they never expected to be seen,” beams the slightly greying, young-faced tycoon sitting in his office in the commercial hub of Lagos. Behind him is a map of Africa and a photograph of his cement plant in the town of Obajana, set to have a capacity of 13.25 million tonnes a year by 2015, which would make it the world’s biggest.

But the 55-year-old is not without controversy. To some, he is an unassuming man whose quiet demeanour stands out in a nation where success is usually marked by talkative swagger; to others, he is a monopolist who uses aggressive tactics and political ties to beat competitors.

Critics accuse him of using his influence with successive governments to ban imports by his competitors, pushing port authorities to halt rivals’ shipments, and using sharp price drops to put them out of business.

Dangote admits he has been friends with several recent presidents of Nigeria and has enjoyed lucrative tax breaks, though he denies receiving any special favours.

However he got there, there is little doubt his success in manufacturing is a rarity in a continent seen as too dependent on exports of raw materials - minerals and cash crops - with no added value. By contrast, the Dangote Group refines sugar, mills flour, processes salt, and produces cement.

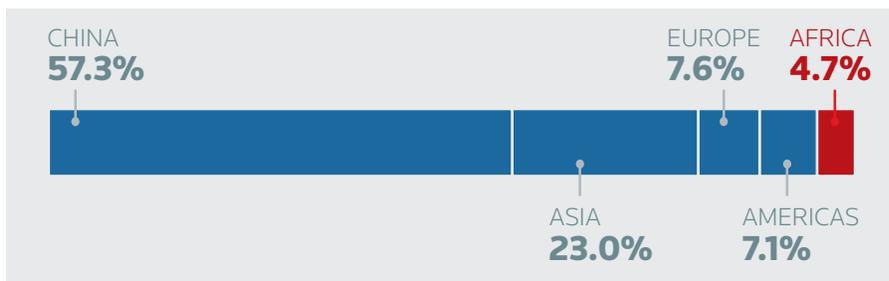
At present only 5 percent of Dangote Cement and 25 percent of his flour and sugar companies are publicly traded; almost all of the other shares are held by Dangote. His total annual pay cheque isn’t public, but Dangote Cement, Dangote Flour Mills and Dangote Sugar are all hugely profitable.

Dangote Cement’s pretax profit for the first half of 2012 grew by 23 percent to 71.3 billion naira (\$443 million). The sugar refiner nearly doubled its profits to 8.5 billion naira over the same period.

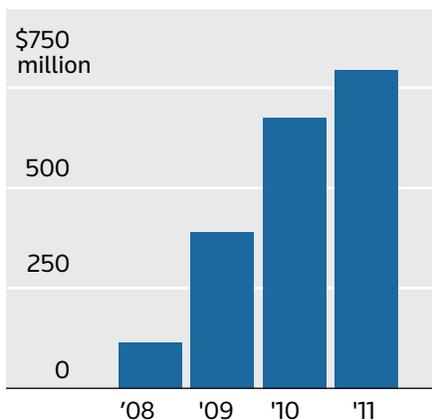
When Dangote floated the cement

## Foundations of a fortune

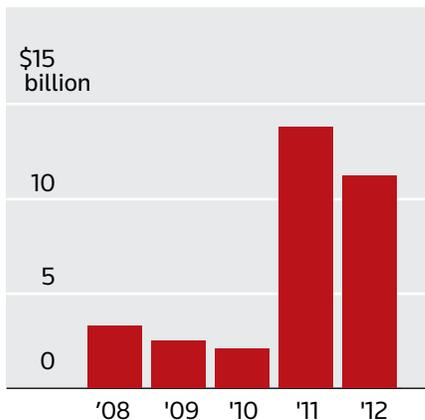
How cement production is shared worldwide. Though Africa’s share is modest, Aliko Dangote dominates there



Profits at Dangote Cement have been rising sharply



Dangote’s estimated net worth: despite a dip, he remains Africa’s richest person



Note: Profit figures converted from Nigerian naira at rate of \$1=158 naira  
Source: Cembureau (cement production); The companies (profit after taxes); Forbes (net worth)

firm in late 2010, it boosted his estimated personal wealth five-fold to \$13.8 billion, making him the fastest riser on the Forbes rich list. After a bad year on the Nigerian stock market, he is still worth \$11.2 billion.

Dangote now wants to list 20 percent of the cement company on the London Stock Exchange late next year, at a price that would value it at \$35 billion to \$40 billion. That would make it the world’s top cement firm by market capitalisation, bigger than Lafarge of France, and surpassing mobile phone operator MTN as Africa’s top stock.

Hurdles remain. The tycoon will have to convince investors and regulators that his personal empire can be a FTSE 100 firm

with the necessary corporate governance standards. That would be a rare feat for a Nigerian company. Guaranty Trust Bank and Diamond Bank have secondary listings in London, but both are too small to make the top FTSE index.

Born in April 1957 in the northern Nigerian city of Kano, Dangote comes from a family of wealthy Muslim merchants. After demonstrating his early entrepreneurial spirit selling sweets, he headed to Egypt to study business at Cairo’s Al-Azhar university.

In 1977 he borrowed about 500,000 Nigerian naira from his uncle to trade basic foods: cooking oil, sugar, pasta. Four years later he bought trucks to start a transport

firm and within a decade was importing bulk goods, including cement. By the time he turned his hand to manufacturing the stuff - buying a defunct cement plant in 2000 and reviving it - he was a rich man.

Dangote, who married young and has three daughters - he and his wife are now estranged - says he has never been motivated by wealth.

"I'm not in it for the money. No, no," he says. "I like to run a business that's successful ... I'm a very creative person." He says he eschews conspicuous consumption.

"I have a very simple life."

Up to a point. Like many billionaires, he owns a yacht as well as large properties in Ikoyi, a leafy Lagos suburb, and neighbouring Victoria Island, home to Africa's most expensive real estate. Then there's the private jet, which he says he bought to avoid hangers-on who used to book first class tickets on the same flight as him.

Still, by the standards of Nigeria's champagne-swigging, sports car-collecting rich, he's not that extravagant.

Old friend Bismarck Rewane, CEO of Lagos-based consultancy Financial Derivatives, remembers a business dinner at the palm-fringed Eko Hotel in the city. When he and Dangote left in Dangote's black Mercedes, hotel staff charged 5,000 Nigerian naira (\$32) for parking - excessive, but peanuts for a man of Dangote's wealth. Indignant at the attempted rip-off, the cement king negotiated it down to 1,000 naira.

"He spent a good few minutes doing it. I said to him: 'let's just go. Our time is more valuable than a few thousand naira.' But he wouldn't let it go," Rewane said of the tycoon. "He smiled afterward. He was so happy he'd got a good deal."

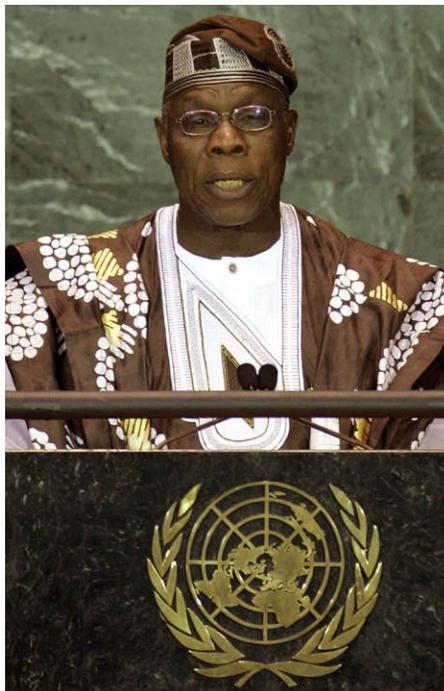
Dangote is not always so frugal.

"He dreams big, some might say too big. In 2004-5 we owed 80 billion naira (about \$500 million)," recalled Uzo Nwankwo, a fund manager who was Dangote Cement's executive director of corporate finance from 2005 to 2007.

“He’s not in it for the money or the opulent lifestyle; he’s in it to win. It’s all like a game to him.”

**Bismarck Rewane**

CEO of Financial Derivatives,  
on his friend Aliko Dangote



CLOSE FRIEND: Former Nigerian president, Olusegun Obasanjo, granted Aliko Dangote exclusive import rights on key products.

REUTERS/RAY STUBBLEBINE

"The banks were nervous, but they couldn't stop the money. We were too big to fail."

### POLITICAL CONNECTIONS

Dangote's success has not been without controversy. In a 2007 diplomatic cable that ended up last year on the WikiLeaks website, the then U.S. Consul General in Lagos, Brian Browne, wrote: "To detractors, he is a predator using connections in a corrupt political economy to tilt the playing field in his favour."

Critics say Dangote owes as much to political favours as business acumen. His

fortunes blossomed when his close friend Olusegun Obasanjo became president in 1999, Browne wrote in the cable.

Browne could not be reached for comment.

Obasanjo - whose 1999 election ended years of kleptocratic military dictatorship - gave Dangote exclusive import rights to cement, sugar and rice, the cable suggests, in return for Dangote's support, including funding Obasanjo's re-election campaign in 2003.

"It is no coincidence that many products Nigeria's import ban lists are items in which Dangote has major interests," Browne wrote. "He has had success in blocking trade and investment that might compete with his enterprises." He concluded that Dangote is "harmful to Nigeria's interests".

Dangote frowned, visibly annoyed, when Reuters read him the cable during an interview. Building relationships with presidents is a normal part of being a business leader, he said, denying he had used connections to stifle competition.

"We've been close to almost all the presidents that have passed," he said, naming military dictators Muhammadu Buhari, Ibrahim Babangida and the notorious Sani Abacha as examples. But, he insists, "we have never taken advantage ... and we were not even always treated fairly."

These days, Dangote's relationship with presidential power has become symbiotic: presidents need to court him too.

He is on President Goodluck Jonathan's economic management team and the government's job creation committee, which effectively enables him to help shape trade and economic policy. Jonathan, who last year awarded Dangote Nigeria's second-highest honour, Grand Commander of the Order of the Niger, attended a ceremony for the opening of a production line at the Obajana plant in June.

When asked if he would run for president, Dangote is adamant: "Never, never. I don't want to go beyond my life ambition ... Most of the presidents, I've been giving them advice, whether they solicit it or not. So far they

## Africa's wealthiest people

The routes to riches: cement, luxury goods and telecoms



**Aliko Dangote**  
Nigeria

Interests in cement manufacture, sugar refining and flour milling

**\$11.2 billion**



**Nicky Oppenheimer**  
South Africa

Fortune from diamonds, sold family stake in De Beers in 2011

**\$6.8 billion**



**Nassef Sawiris**  
Egypt

Heads construction company, has stakes in cement producers

**\$5.1 billion**



**Johann Rupert**  
South Africa

Runs Richemont, luxury goods firm with brands such as Cartier

**\$5.1 billion**



**Mike Adenuga**  
Nigeria

Heads oil company Conoil Producing, owns Globalcom, Nigeria's second largest telecom

**\$4.3 billion**



**Naguib Sawiris**  
Egypt

Built up Orascom Telecom, then sold family stake. Now pursuing other investments and politics

**\$3.1 billion**

Source: Forbes 2012 list of billionaires

always listen to me. If I have an idea, I can actualise it through our political leaders.”

But Dangote's methods don't just involve political connections. One tactic for protecting his virtual monopolies is the use of temporary price drops - lawful in Nigeria where anti-trust legislation is scant.

In 2010, for instance, as Lafarge set up a packing plant in Ogun state, Dangote dropped its prices to 27,000 naira from 30,000 naira, enough to squeeze its rival's margins. A few weeks later Dangote put its prices back up, says an executive in Nigerian industry.

“It sent out a strong message, that he's in control,” said the executive, who would not be named.

Nor does Dangote shy away from using litigation. He is currently embroiled in a legal tussle with one of his arch-rivals in the cement business, Cletus Ibeto.

Former president Obasanjo shut down Ibeto's cement plant for allegedly claiming investment tax breaks on false pretences. When Umaru Yar'Adua became president in 2007,

he reopened Ibeto's business and gave him preferential import duties and zero VAT to compensate him for losses under Obasanjo.

Now Dangote is asking a court to cancel those tax breaks. And in a country where the bigger fish tend to win, few think Ibeto stands a chance. Ibeto did not return calls for comment.

Dangote says he always acts lawfully, and that one particular source of irritation to competitors - the five-year tax holiday he got on all his factories - is available to any Nigerian business if they promote domestic industry. Such tax breaks are open to companies that receive 'pioneer status', which dozens of Nigerian firms have. To get it, a company has to prove it has made substantial new investments, which none of Dangote's competitors in the cement business have been able to do.

Supporters say Dangote demonstrates that Nigeria can succeed internationally in sectors besides fossil fuel extraction or on-line fraud, and that Africa can succeed in

industry without having to rely on foreign investment from the West or China.

“He's an African investing in Africa, creating jobs in Africa that will eventually build a sustainable middle class,” says Nigerian Stock Exchange Director General Ade Bajomo. “The wealth created by Africans is the wealth that tends to stay onshore.”

The other lesson - that Africa must process the minerals it digs up if it wants to create jobs - chimes with what African leaders such as Uganda's Yoweri Museveni have said for years.

With an annual turnover of \$2.5 billion, the Dangote Group contributes nearly 1 percent of the GDP of Africa's second biggest economy, and employs 23,000 people in a country with massive unemployment.

Dangote also makes cement domestically on a continent with a booming population, dilapidated infrastructure and a chronic housing shortage.

“We are putting these cement facilities in sub-Saharan Africa where there is need,” he

says. “The market is already there, so we are closing the gap between supply and demand.”

A London listing would mean replacing the board of Dangote Cement, of which he is chairman, as it is currently made up of Dangote’s relatives and close associates. Dangote says he is seeking an independent board; colleagues doubt he’ll find it easy to step back.

Analysts say the speed at which Dangote is building his pan-African empire is risky, citing project delays and management issues as their greatest concerns.

In a report in May, Renaissance Capital warned that his factories may struggle to get the gas supply they need, which would lower projected margins.

Another worry is that Dangote’s success in a corrupt, closed economy like Nigeria

may not be easily reproduced in countries with a more level playing field.

“The question is: if you are good at doing business in Nigeria, does that mean you have a business model that can adapt to an environment outside Nigeria?” asks Antony Goldman, head of London-based PM Consulting, who lived in Nigeria in the 1990s. “Can he make it a global brand?”

Dangote clearly thinks so, though for the time being he wants to focus on sub-Saharan Africa. He says expansion is being financed by profits so that, when it’s com-

pleted, “we’ll not owe any bank money.”

“For now, we don’t want to have too many balls in the air, but of course we have ambition to expand (beyond Africa),” he says. Then, pausing to smile, he adds: “If you don’t have ambition, you shouldn’t be alive.”

*Editing by Richard Woods, Sophie Walker and Simon Robinson*

### REUTERS TV



See the video on:  
<http://link.reuters.com/quw52t>

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MAKING A PILE: Limestone at the Obajana cement plant, which is a key part of Aliko Dangote’s business empire. **REUTERS/AKINTUNDE AKINLEYE**