DANGOTE SUGAR REFINERY PLC

...Cost Efficiencies Drive Earnings Recovery

August 21, 2026.

Earnings Note

Highlights

- Revenue declined by 6% YoY, from ₦216.28 billion in Q2 2025 to ₦204.07 billion in Q2 2026.
- The Group returned to profitability, recording a profit after tax of ₦22.36 billion, compared with a loss of ₦626 million in Q2 2025.
- Gross margin improved significantly from 20% in Q2 2025 to 25% in Q2 2026, reflecting stronger cost efficiency.
- Net finance costs declined by 40% YoY to ₦20.68 billion, supported by lower debt obligations.

Income Statement

Dangote Sugar Refinery Plc continued its earnings recovery in Q2 2026, building on the turnaround momentum recorded earlier in the year. Although revenue declined by 6% YoY from ₦216.28 billion in Q2 2025 to ₦204.07 billion, the improvement in profitability highlights the benefits of lower input costs, reduced financing expenses and stronger operating efficiency. The decline in revenue was largely attributable to lower sales volumes across the Group's major product segments.

The core 50kg sugar segment remained the dominant contributor to revenue, accounting for approximately 98% of total revenue. However, revenue from the segment declined by 4.74% YoY from ₦209.39 billion to ₦199.47 billion, reflecting weaker volumes during the period. Similarly, revenue from retail sugar declined by 32% from ₦5.38 billion to ₦3.65 billion, although its relatively small contribution of approximately 2% limits its impact on the Group's overall performance. Revenue from the sale of molasses also declined by 389% to ₦904 million.

Geographically, Lagos remained the Group's largest market, contributing approximately 60% of total revenue, while the North-West and Eastern regions followed.

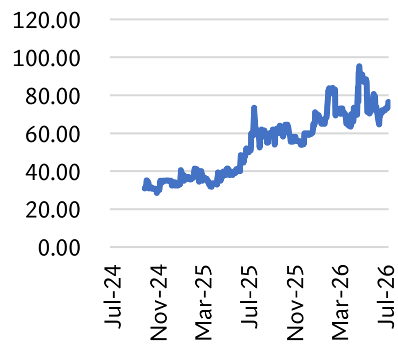
Despite the decline in revenue, the Group recorded a notable improvement in gross profitability. Cost of sales declined by 12% from ₦173.86 billion to ₦153.31 billion, falling at a faster pace than revenue. The improvement was primarily supported by lower raw material and freight costs, which helped offset the pressure from weaker sales volumes. Consequently, gross profit increased by 20% from ₦42.42 billion to ₦50.75 billion, while gross margin expanded from 20% to 25%. This improvement demonstrates the positive impact of cost normalization on the Group's earnings profile.

The improvement in gross profitability provided a stronger base to absorb higher operating expenses. Administrative expenses and selling and distribution expenses increased by 26% and 39%, respectively. Nevertheless, total operating expenses remained broadly stable at approximately ₦7.2 billion, compared with ₦7.18 billion in Q2 2025. This was partly due to the absence of the ₦511 million impairment charge

Fair Value Estimate: N93.92

Stock Data	
Current price (N)	67.90
Shares Outstanding (mn)	12,147
Market Cap (N'mn)	824,773
52-week high (N)	95.80
52-week low (N)	53.55
Trailing EPS (N)	-5.28
Forward EPS (N)	7.26
Forward PE (X)	9.35
Justified PE Multiple (X)	12.93

Price Movement



Stock Data	FY 2024	FY 2025	FY 2026F
P/E	N/A	N/A	9.35x
P/BV	2.33x	4.52x	3.80x
PBT Margin	-41%	-9%	11%
PAT Margin	-29%	-8%	10%
RoE	-132%	-38%	51%
Dividend Yield	0%	0%	0%

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recorded in the prior-year period. In addition, other income increased significantly from ₦102 million to ₦2.67 billion, largely driven by foreign exchange gains recorded during the quarter.

Consequently, operating profit increased by 31% YoY from ₦35.35 billion to ₦46.23 billion, while operating margin expanded from 16% to 23%. The stronger operating performance indicates that the Group is beginning to translate lower input costs and improved cost efficiency into stronger earnings, despite the challenging revenue environment.

Below the operating line, the improvement in profitability was further supported by lower financing costs. Finance costs declined by approximately 37% YoY to ₦21.97 billion, reflecting a reduction in the Group's debt position from ₦735.21 billion in H1 2025 to ₦584.15 billion in H1 2026. The reduction was primarily driven by lower obligations relating to Letters of Credit, bank overdrafts and commercial papers. At the same time, finance income increased from ₦457 million to ₦1.29 billion, supported by increased investments in short-term deposits. Consequently, net finance costs declined significantly from ₦34.65 billion to ₦20.68 billion.

The combined improvement in operating profitability and reduction in finance costs ultimately translated into a significant recovery in the bottom line. Profit before tax increased sharply from ₦524 million in Q2 2025 to ₦23.40 billion in Q2 2026, while profit after tax stood at ₦22.36 billion, compared with a loss of ₦626 million in the corresponding period of 2025. The return to profitability, despite lower revenue, highlights the extent to which cost efficiencies, lower financing expenses and foreign exchange gains have supported Dangote Sugar's earnings recovery.

Outlook

Going forward, we expect the sustainability of this recovery to depend increasingly on the Group's ability to maintain cost efficiencies, manage its financing obligations and recover sales volumes. Moreso, a more stable foreign exchange environment should provide further support to margins by reducing the volatility of imported input costs and foreign exchange-related pressures. In addition, the moderation in raw material and freight costs, if sustained, should provide further room for margin expansion and support the conversion of revenue into operating profit.

Continued investment in distribution infrastructure and deeper penetration of underserved markets could support volume recovery over the medium term, particularly as supply and distribution conditions improve across the country.

Nevertheless, revenue growth remains a key area to monitor. Persistent pressure on consumer purchasing power, particularly in major urban markets, could constrain demand and limit volume recovery. Similarly, movements in global and domestic sugar prices, input costs and foreign exchange rates could influence the sustainability of the margin gains recorded in Q2 2026.

Overall, we maintain a positive outlook on Dangote Sugar Refinery's recovery prospects. The combination of lower input costs, reduced finance expenses, improving operating margins and expanding regional distribution provides a stronger foundation for earnings growth. However, a sustained recovery in sales volumes will be critical to complement the gains from cost optimization and ultimately drive a more durable improvement in shareholder value.

Q2 2026 Financial Performance

Income Statement (N'mn)	Q2 2026	Q2 2025	(%)
Revenue	**204,066**	**216,281**	**-6%**
Cost of sales	(153,311)	(173,861)	-12%
Gross profit	**50,754**	**42,420**	**20%**
Other income	2,673	102	2527%
Operating income	**53,427**	**42,522**	**26%**
Selling expenses	(246)	(177)	39%
Admin expenses	(6,950)	(6,487)	7%
Operating expense	**(7,196)**	**(6,664)**	**8%**
Operating profit	**46,230**	**35,858**	**29%**
Non-operating loss	**(22,831)**	**(35,334)**	**-35%**
Finance cost	(21,966)	(25,367)	-13%
Finance income	1,290	457	182%
FX profit/(loss)	0	(9,738)	-100%
Impairment losses	0	(511)	-100%
Fair value adjustment	(2,155)	(176)	1127%
Profit/(loss) before tax	**23,399**	**524**	**-4367%**
Income tax	(1,043)	(1,150)	9%
Loss after tax	**22,357**	**(626)**	**-3671%**

Source: Company Accounts, WSTC Research

H1 2026 Financial Performance

Income Statement (N'mn)	H1 2026	H1 2025	(%)
Revenue	**391,855**	**430,212**	**-9%**
Cost of sales	(298,000)	(378,535)	-21%
Gross profit	**93,854**	**51,677**	**82%**
Other income	12,145	245	4858%
Operating income	**105,999**	**51,922**	**104%**
Selling expenses	(504)	(351)	44%
Admin expenses	(13,498)	(12,961)	4%
Operating expense	**(14,002)**	**(13,312)**	**5%**
Operating profit	**91,997**	**38,610**	**138%**
Non-operating loss	**(47,907)**	**(60,718)**	**-21%**
Finance cost	(50,418)	(42,907)	18%
Finance income	2,949	2,859	3%
FX profit/(loss)	0	(22,062)	-100%
Impairment losses	0	(511)	-100%
Fair value adjustment	(438)	1,903	-123%
Profit/(loss) before tax	**44,090**	**(22,108)**	**299%**
Income tax	(2,583)	(2,166)	-19%
Loss after tax	**41,507**	**(24,274)**	**-271%**

Balance Sheet (N'mn)	H1 2026	H1 2025	(%)
Assets			
PPE	632,531	612,379	3%
Inventory	145,600	108,558	34%
Receivables	82,164	105,825	-22%
Cash	29,167	147,750	-80%
Others	27,717	58,559	-53%
Total Assets	**917,178**	**1,033,071**	**-11%**
Liabilities			
Financial liabilities	584,149	735,209	-21%
Payables	142,343	97,251	46%
Others	20,198	15,823	28%
Total Liabilities	**746,691**	**848,283**	**-12%**
Net Assets	**170,488**	**184,788**	**-8%**

Source: Company Accounts, WSTC Research

Financial Projections

Income statement (N'mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Revenue	665,690	829,215	875,062	1,024,472	1,188,757	1,431,384	1,710,650	1,976,141
EBITDA	25,269	142,650	202,314	229,646	279,156	353,194	418,066	493,877
EBIT	12,671	96,130	187,438	215,303	263,702	334,586	399,249	473,128
Profit before taxation (PBT)	(270,894)	(72,279)	99,427	151,079	211,041	292,141	360,548	439,556
Net profit (PAT)	(192,617)	(64,117)	88,200	134,019	187,210	259,153	319,835	389,921
EPS (₦)	(15.86)	(5.28)	7.26	11.03	15.41	21.33	26.33	32.10
DPS (₦)	0.00	0.00	0.00	0.00	5.39	9.60	14.48	20.87

Balance sheet (N'mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Current assets	425,957	343,324	315,306	337,086	478,801	626,426	733,959	918,095
Non-current assets	624,876	622,602	633,978	645,247	653,568	655,000	655,855	656,843
Total assets	1,050,833	965,926	949,284	982,333	1,132,369	1,281,426	1,389,814	1,574,938
Current liabilities	798,798	791,849	693,732	597,777	562,439	520,172	429,707	402,118
Non-current liabilities	39,807	45,097	38,372	33,357	31,520	29,216	24,852	23,554
Long-term debt	37,254	37,254	30,627	25,612	23,775	21,471	17,106	15,809
Shareholders' equity	212,228	128,980	217,180	351,199	538,409	732,038	935,255	1,149,266
Book value per share (₦)	17.47	10.62	17.88	28.91	44.32	60.27	77.00	94.61

Cash flow statement (N'mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash from operating activities	(372,095)	13,675	211,480	208,047	260,934	342,995	386,897	490,837
Cash from investing activities	(22,300)	(40,220)	(22,996)	(21,828)	(19,787)	(15,965)	(15,598)	(17,373)
Cash from financing activities	225,248	15,943	(176,603)	(176,775)	(99,368)	(164,838)	(256,204)	(266,720)
Net increase/ (decrease) in cash	(169,147)	(10,602)	11,880	9,444	141,779	162,191	115,095	206,744
Free Cash Flow to Equity	(176,799)	(15,128)	8,624	5,660	137,791	223,641	227,639	378,289

Ratio analysis (%)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
EBITDA margin	3.80	17.20	23.12	22.42	23.48	24.68	24.44	24.99
Operating margin	1.90	11.59	21.42	21.02	22.18	23.38	23.34	23.94
ROE	(132.17)	(37.58)	50.96	47.16	42.09	40.80	38.37	37.41
ROA	(23.32)	(6.36)	9.21	13.88	17.71	21.47	23.95	26.30
Dividend payout ratio (%)	0.00	0.00	0.00	0.00	35.00	45.00	55.00	65.00

Source: Company Accounts, WSTC Research

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