17 November 2026
Financial Results Review

NGX: DANGSUGAR | CONSUMER GOODS | MAIN BOARD

Dangote Sugar Refinery Plc

Q3 2026 Results Review

Nine months ended 30 September 2026

Re-capitalised, de-leveraged and back in profit - with softer Q3 sales.

RECOMMENDATION	CURRENT PRICE	TARGET PRICE	UPSIDE TO TARGET
BUY	N65.15	N89.94	+38.1%

Price: NGX close, 16 Nov 2026. 12-month target price: N89.94. 52-week range: N53.55 - N95.80.

9M REVENUE	9M PAT	GROSS MARGIN	GEARING
N569.4bn	N74.2bn	22.2%	13%
-9.1% YoY	vs N10.6bn loss	vs 14.4% in 9M 2025	vs 562% at Dec 2025

Prepared by Valmon Securities Limited from the company's published consolidated and separate financial statements.
All figures in Naira (N); Group basis unless stated. bn = billion. YoY = year on year. See disclaimer on the final page.

Investment view: BUY, 12-month target price N89.94

Rating	Price (16 Nov)	Target price	Upside	52-wk low	52-wk high	Market cap
BUY	N65.15	N89.94	+38.1%	N53.55	N95.80	N1,318.9bn

Where the share trades: 52-week range, current price and target (N)



Price: NGX close on 16 November 2026 (delayed market data). 52-week range is the intraday range; sources differ slightly on a closing basis (N53.85 - N95.30). Market cap uses 20.24bn shares in issue after the rights issue.

Our view: We rate Dangote Sugar a **BUY** with a 12-month target price of **N89.94**, **38.1% above** the current N65.15. The share trades 32% below its 52-week high of N95.80 even though the balance sheet has been repaired, interest costs are collapsing and the company is generating strong operating cash flow.

Why we are positive

- **Earnings inflection:** 9M PAT of N74.2bn against a N10.6bn loss; Q3 PAT of N32.7bn is more than double last year despite lower sales.
- **Lower financing burden:** borrowings fell from N725.3bn to N89.3bn. Q3 finance cost of N7.1bn compares with N50.4bn in H1, so the earnings benefit should carry into 2027.
- **Reasonable valuation:** at N65.15 the shares trade at 1.9x book value and 13.3x annualised 9M EPS. The N89.94 target implies 2.7x book and 18.4x annualised 9M EPS, a premium that a repaired balance sheet and growing earnings can support.
- **Asymmetric risk/reward:** upside to target is 38.1%, while a return to the 52-week low of N53.55 would be a 17.8% decline, roughly 2.1 times as much upside as downside.
- **Growth optionality:** N60.7bn of capex in 9M and N78.8bn funded into backward-integration projects (Nasarawa, Adamawa, Taraba) support medium-term volume and cost advantages.

Risks to the call

- **Margin pressure:** Q3 gross margin of 18.4% is well below the H1 level of about 24%; further compression would weaken the earnings trajectory.
- **Earnings quality:** N23.4bn of FX gains and a 5.0% effective tax rate lifted 9M profit; both may normalise.
- **Working capital and concentration:** payables rose 69% and one customer is 29% of revenue.
- **Market risk:** the stock has fallen 4.2% over 30 days and fell from N95.80 within the year; macro and FX moves can overwhelm company-specific progress.

Valuation at target	Current N65.15	Target N89.94
Market capitalisation	N1,318.9bn	N1,820.8bn
Price / book (BVPS N33.5)	1.9x	2.7x
P/E, annualised 9M EPS N4.89	13.3x	18.4x

Executive summary

Headline: Dangote Sugar swung from a N10.6bn loss in 9M 2025 to a **N74.2bn profit** in 9M 2026. The turnaround was driven by a stronger gross margin (22.2% vs 14.4%), N23.4bn of foreign-exchange gains and a 40% cut in finance costs after the **N485.9bn rights issue** (closed June 2026) was used to retire most short-term borrowings. Q3 itself was softer on the top line: revenue fell 9.4% YoY and gross margin slipped to 18.4%.

Key takeaways

- **Earnings recovery:** 9M operating profit rose 58.7% to N128.7bn; PBT of N78.2bn compares with a N8.7bn loss a year ago. Group EPS was N3.67 (Company N3.86) against a loss of N0.87.
- **Q3 momentum is mixed:** revenue N177.6bn (-9.4% YoY) and gross profit N32.6bn (-15.0%), yet Q3 PAT more than doubled to N32.7bn because quarterly finance cost fell 77% to N7.1bn.
- **Balance sheet transformed:** financial liabilities fell from N725.3bn (Dec 2025) to N89.3bn; equity rose from N129.0bn to N678.5bn; the current ratio improved from 0.43x to 1.19x.
- **Cash generation:** operating cash flow of N211.3bn (9M 2025: outflow of N73.4bn) was helped by N61.0bn higher payables and N31.5bn released from receivables and prepayments.
- **Quality-of-earnings flags:** N23.8bn other income (mostly FX gains), a 5.0% effective tax rate, a 29% single-customer concentration and rising inventory (+14.5% YTD) warrant monitoring (page 8).

Scorecard (Group, N bn)

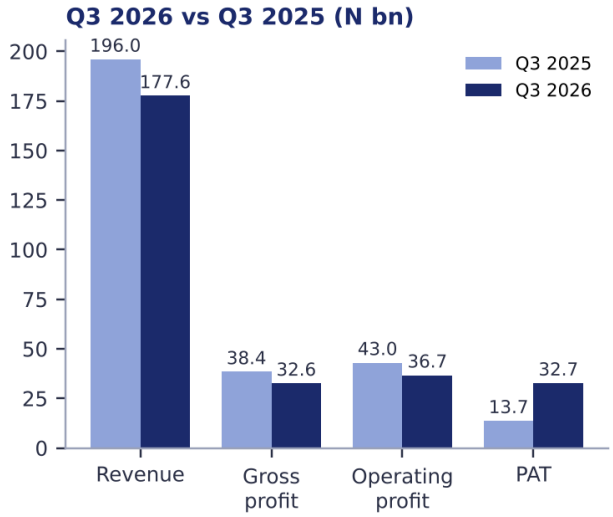
Metric	Q3 2026	Q3 2025	YoY	9M 2026	9M 2025	YoY
Revenue	177.6	196.0	-9.4%	569.4	626.2	-9.1%
Gross profit	32.6	38.4	-15.0%	126.5	90.1	+40.4%
Gross margin	18.4%	19.6%	-1.2pp	22.2%	14.4%	+7.8pp
Operating profit	36.7	43.0	-14.7%	128.7	81.1	+58.7%
Finance cost	7.1	30.6	-76.8%	57.5	95.6	-39.8%
Profit before tax	34.1	13.4	+154.7%	78.2	(8.7)	n.m.
Profit after tax	**32.7**	**13.7**	**+139.3%**	**74.2**	**(10.6)**	**n.m.**
Basic EPS (N, Group)	-	-	-	3.67	(0.87)	n.m.

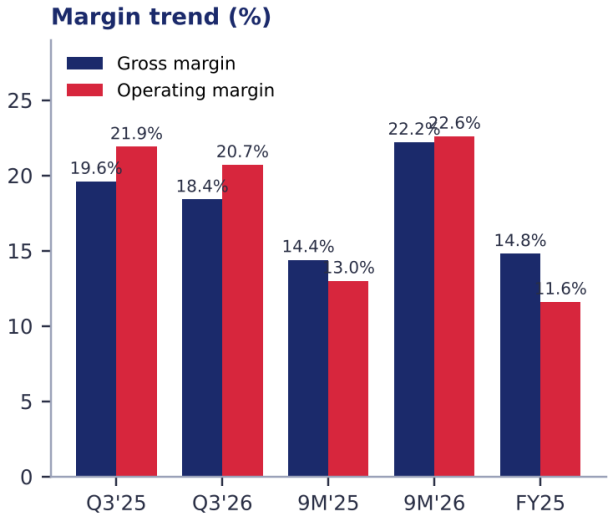
Note: Q3 columns are the three months to 30 September; 9M columns are year-to-date. n.m. = not meaningful. Percentages are Valmon calculations.

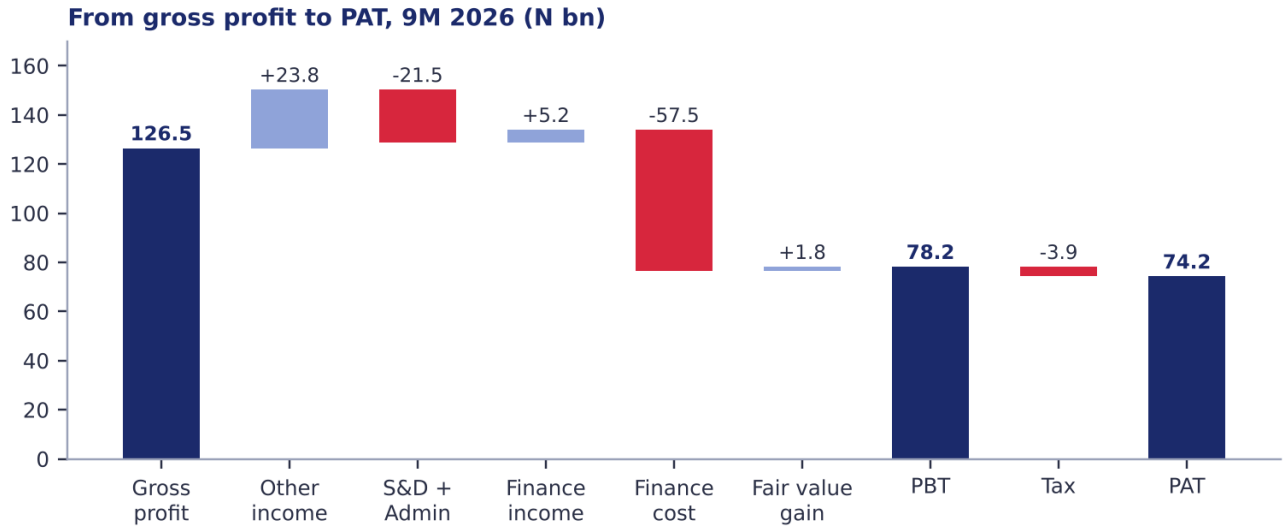
Earnings performance

Group statement of profit or loss, N bn

Revenue slipped 9.1% over nine months to N569.4bn and 9.4% in Q3, with sugar (50kg) contributing N555.1bn, retail packs N12.0bn and molasses N2.1bn. Despite lower sales, cost of sales dropped 17.4% (raw material cost N337.6bn vs N450.7bn), lifting the gross margin 7.8 percentage points. The margin gain was concentrated in the first half: **implied H1 gross margin was about 24.0%, versus 18.4% in Q3**, signalling that input-cost relief and pricing have narrowed.

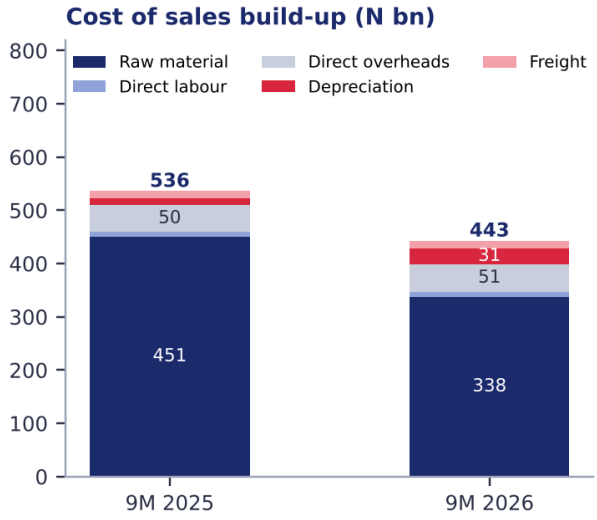


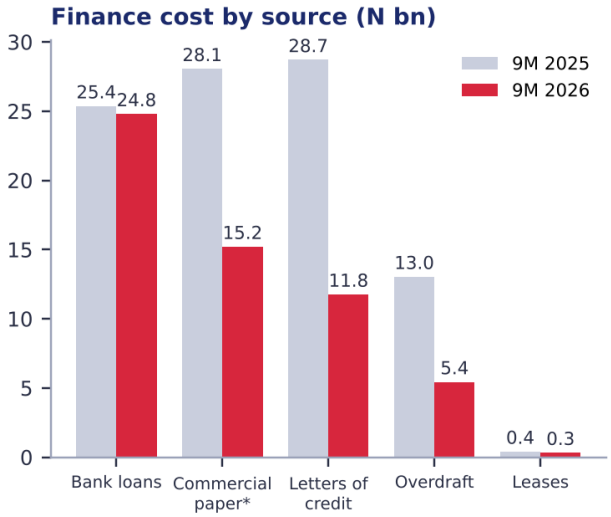




Reading the bridge: finance cost of N57.5bn still absorbed 45% of gross profit in 9M, but it is falling quickly: Q3 finance cost was only N7.1bn against N50.4bn in H1. On the current run-rate, interest should no longer be the dominant drag on earnings.

Cost structure and financing costs





What changed

- **Raw materials** fell to 76% of cost of sales (9M 2025: 84%); a mix of lower raw sugar cost and a lower volume base. **Depreciation** in cost of sales rose to N30.7bn from N12.4bn, reflecting the revalued asset base.
- **Selling and administrative expenses** were contained: administrative expenses of N20.8bn were up only 1.3% YoY; selling and distribution expenses remain negligible at N0.7bn.
- **Finance cost** fell 39.8% to N57.5bn. Commercial paper interest (N14.6bn vs N27.2bn) and letter-of-credit charges (N11.8bn vs N28.7bn) halved. No exchange loss was booked in 9M 2026 (9M 2025: N0.2bn realised).
- **Interest cover** (operating profit / finance cost) improved to 2.2x from 0.85x.
- **Other income** of N23.8bn (9M 2025: N12.7bn) is dominated by N23.4bn of exchange gains. Excluding other income, 9M operating profit would be about N104.9bn.

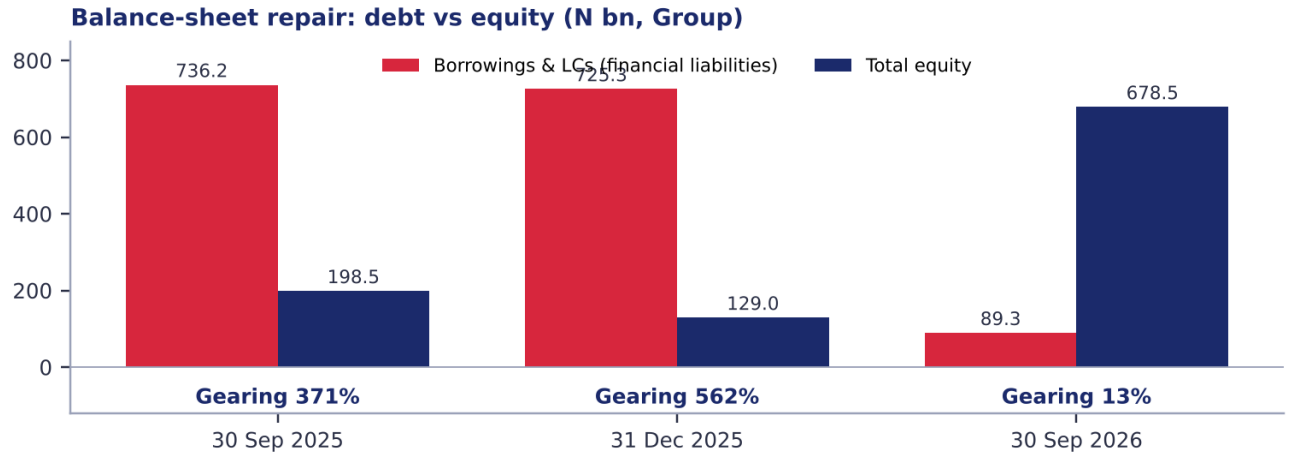
* Commercial paper includes issuance costs. Bank loan interest of N24.8bn relates to facilities drawn and repaid within the period; the loan balance was nil at 30 September 2026.

Tax

The 9M tax charge was N3.9bn on PBT of N78.2bn (**effective rate 5.0%**), versus the 30% statutory rate. The company carries deferred tax assets backed by accumulated tax losses and unutilised tax credits, and a 4% development levy applies from 1 January 2026 under the Nigeria Tax Act 2025. A normalisation of the tax rate as losses are used would reduce net earnings conversion.

Balance sheet and liquidity

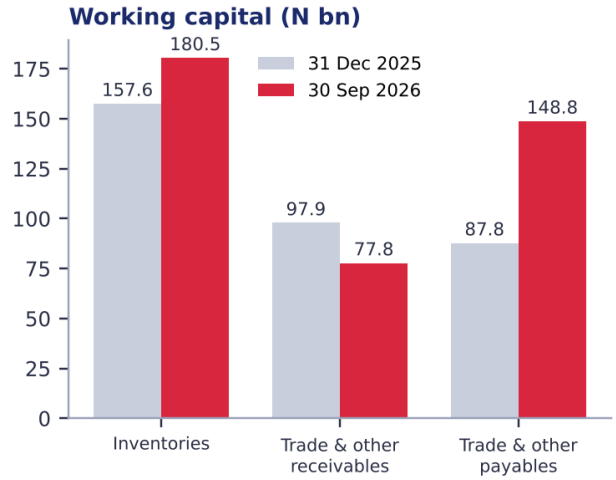
Group statement of financial position, N bn

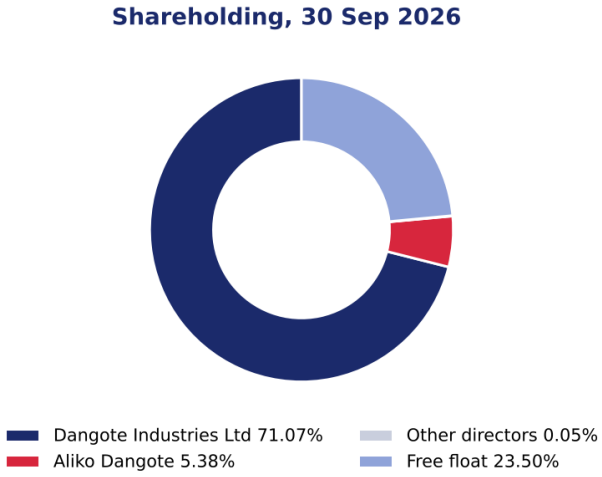


The rights issue of 8.10bn new shares at N60 (2-for-3) raised N478.5bn net in the accounts (N4.0bn share capital, N474.4bn share premium). Proceeds were used mainly to repay bank borrowings (N479.3bn repaid in the period), commercial paper (N221.7bn) and letters of credit. Total liabilities dropped by 68% year-to-date to N264.7bn.

Item (N bn)	30 Sep 2026	31 Dec 2025	30 Sep 2025	Change vs Dec
Property, plant & equipment	630.6	613.4	615.7	+2.8%
Inventories	180.5	157.6	130.5	+14.5%
Trade & other receivables	77.8	97.9	131.9	-20.5%
Cash & equivalents	23.8	52.6	79.9	-54.7%
Total assets	**943.2**	**965.9**	**1,015.6**	**-2.4%**
Trade & other payables	148.8	87.8	63.9	+69.4%
Financial liabilities (borrowings, LCs)	89.3	725.3	736.2	-87.7%
Total liabilities	264.7	836.9	817.2	-68.4%
Total equity	**678.5**	**129.0**	**198.5**	**+426%**
Current ratio (x)	1.19	0.43	0.48	+0.76x
Gearing (borrowings / equity)	13%	562%	371%	-549pp

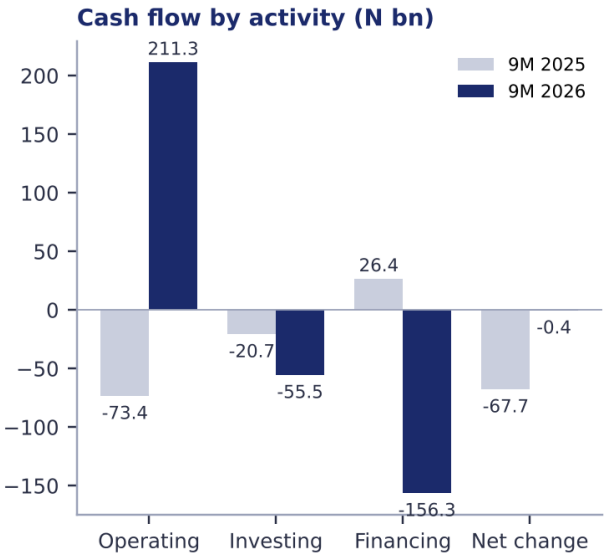
Note: gearing as reported by the company (total borrowings over equity). Net borrowings after cash were N65.5bn. Current ratio is a Valmon calculation (total current assets / total current liabilities).

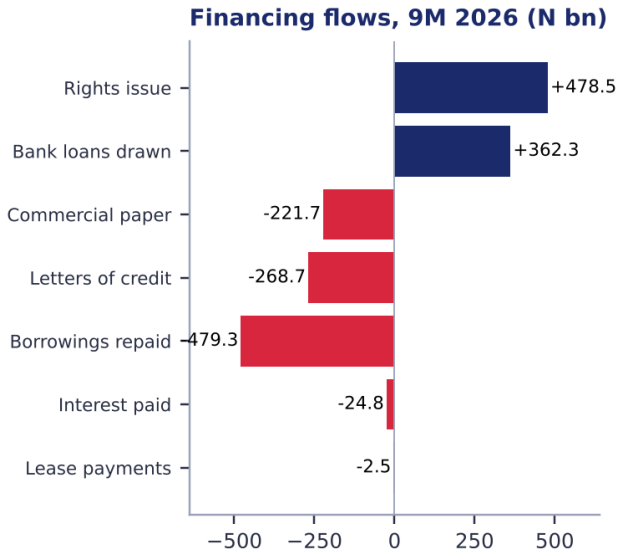




Cash flow and capital allocation

Group statement of cash flows, N bn



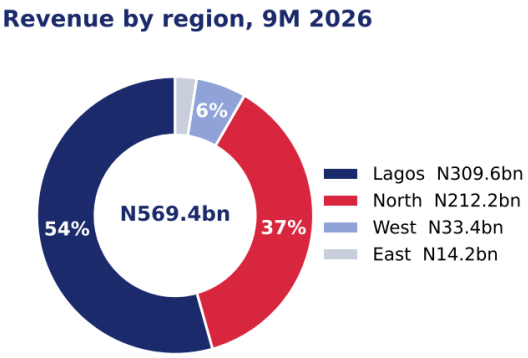


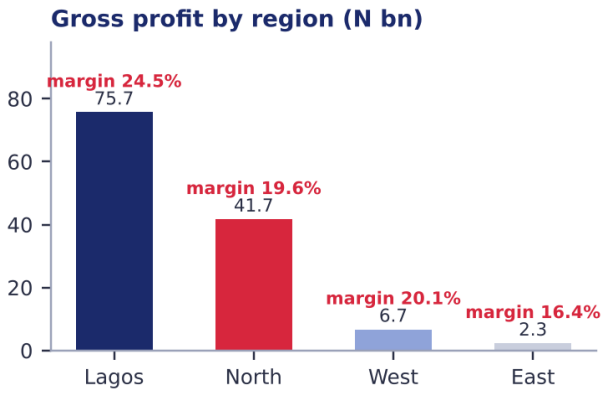
Operating cash flow

Operating cash-flow drivers, 9M 2026	N bn
Profit before tax	78.2
Depreciation	36.0
Interest on bank loans (non-cash add-back)	24.8
Increase in trade payables	61.0
Decrease in receivables	20.1
Decrease in other assets (prepayments)	11.4
Increase in inventory	(22.9)
Other adjustments (net)	2.8
Net cash from operating activities	**211.3**

- **Capex:** N60.7bn of property, plant and equipment additions (9M 2025: N24.1bn), including N34.6bn on motor vehicles and N15.9bn on capital work-in-progress, plus N3.3bn of further deposits for shares in backward-integration subsidiaries (total funded to date: N78.8bn).
- **Cash balance** ended at N23.8bn (Dec 2025: N52.6bn): the company chose to use the rights proceeds and operating cash to retire debt rather than hold cash.
- **Sustainability:** Net working-capital movements contributed about N74.0bn of the operating inflow, primarily from higher payables. Some of this is likely to reverse; free cash flow should be judged on a full-year basis.

Segments, valuation snapshot and watch-points





Lagos generated 54% of revenue and 60% of gross profit at the highest margin (24.5%). Northern Nigeria contributed 37% of revenue at a 19.6% margin. Distributors account for 65% of revenue and one customer accounts for 29.06% of revenue (about N51bn in Q3).

Indicative valuation (Valmon calculations)

Metric	Value	Basis
Share price	N65.15	NGX close, 16 Nov 2026
12-month target price	N89.94	Valmon target; +38.1% upside
52-week range	N53.55 - N95.80	Price is 21.7% above low, 32.0% below high
Market capitalisation	N1,318.9bn	Price x 20.24bn shares in issue
Book value per share	N33.5	Equity N678.5bn / 20.24bn shares
Price / book	1.9x	At current price (2.7x at target)
P/E (annualised 9M EPS)	13.3x	N3.67 x 4/3 = N4.89; simple annualisation

Annualising nine-month earnings is a simplification: Q4 seasonality, FX movements and tax normalisation could change the full-year outcome. Target price and recommendation are set out on page 2.

Watch-points

- **Q3 margin compression:** gross margin fell to 18.4% from about 24% in H1; confirm whether this is pricing, raw-material cost or product mix.
- **FX-driven other income:** N23.4bn of exchange gains flattered operating profit; these are not recurring by nature.
- **Tax normalisation:** 5.0% effective tax rate relies on losses and credits; a shift towards the statutory rate would lower net profit.
- **Working capital:** payables +69%, inventory +14.5% and raw material in transit of N31.0bn; watch the reversal and the cash cycle.
- **Concentration and related parties:** one customer is 29% of revenue; N21.2bn is owed to parent Dangote Industries Ltd (Dec 2025: N14.3bn), which holds 71.07%.

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