

October 08, 2025



Earnings Note

## Event

Dangote Sugar Refinery Plc (“the Group”) posted a revenue of N216.28 billion in Q2 2025, up 25% from N172.90 billion in Q2 2024. The growth represents a normalisation from the exceptional 72% expansion recorded in Q2 2024, which was largely driven by price adjustments following elevated input costs and inflationary pressures.

The 50kg sugar segment remained the main revenue driver, contributing 97% of total sales and rising 25% to N209.39 billion. Revenue from retail sugar and molasses also improved by 22% and 33%, respectively, underscoring sustained demand across product categories. In contrast, freight income declined sharply by 80%, reflecting reduced logistics activity.

From a regional standpoint, Lagos remained the dominant market, contributing 54% of total revenue, though growth was modest at 10%. The Northern region recorded impressive growth of 84%, now accounting for 38% of total revenue on the back of stronger market penetration and logistical improvements. Meanwhile, sales from the Western and Eastern regions declined 20% and 15%, respectively.

The standout performance for the quarter came from margin recovery. Cost margin improved significantly to 80.39% from 94.57% in Q2 2024, reflecting a leaner cost base and better inventory utilisation. Rather than sourcing new raw materials at higher prices, DSR strategically utilised pre-purchased inputs acquired last year. This approach reflected in the sharp contraction in inventory levels, which fell 40% year-to-date to N108.55 billion, and 34% quarter-on-quarter from N163.62 billion in Q1 2025. The drawdown in inventory, particularly raw materials in store and in transit, indicates a focus on cost discipline and working capital optimisation.

As a result, gross profit surged 352% to N42.42 billion, up from N9.39 billion in Q2 2024. Consequently, gross margin expanded to 20% from 5%, marking a major turnaround in operational profitability.

Operating expenses grew 59% to N7.18 billion, largely due to a 53% rise in administrative expenses, while selling and distribution costs rose modestly by 11%. Despite the expense uptick, operating profit jumped 603% to N35.35 billion, translating to a robust 16% operating margin, compared to 3% in Q2 2024.

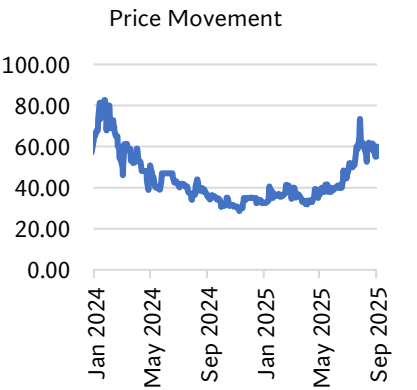
Finance costs remained elevated, as interest expense spiked by 251% to N25.37 billion, driven by higher accrued interest on bank loans and a 15% year-on-year rise in financial liabilities following the issuance of commercial papers. Meanwhile, interest income dropped 81% to N457 million, further widening the net finance burden.

# HOLD

Fair Value Estimate:  
N65.90

Total return: +10%

Stock Data	
Current price (N)	60.00
Shares Outstanding (mn)	12,147
Market Cap (N'mn)	728,813
52-week high (N)	75.60
52-week low (N)	28.55
Trailing EPS (N)	(15.86)
Forward EPS (N)	0.29
Forward PE (X)	206.71
Justified PE Multiple (X)	227.02x



Stock Data	FY 2023	FY 2024	FY 2025F
P/E	N/A	N/A	206.71x
P/BV	4.04x	2.33x	3.38x
PBT Margin	-25%	-41%	1%
PAT Margin	-17%	-29%	0%
RoE	-59%	-132%	2%
Dividend Yield	0%	0%	0%

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The major relief came from a 91% decline in FX losses, down to N9.73 billion from N104.42 billion, thanks to a more stable exchange rate environment.

The Group recorded a profit before tax of N524 million, a dramatic improvement from a loss before tax of N104.56 billion in Q2 2024. After a N1.15 billion tax charge, the Group reported a loss after tax of N626 million, a significant recovery from the N75.02 billion loss recorded in Q2 2024.

### Q2 2024 Financial Performance

Income Statement (N'mn)	Q2 2025	Q2 2024	(%)
<b>Revenue</b>	<b>216,281</b>	<b>172,897</b>	<b>25%</b>
Cost of sales	(173,861)	(163,509)	6%
<b>Gross profit</b>	<b>42,420</b>	<b>9,388</b>	<b>352%</b>
Other income	102	163	-38%
<b>Operating income</b>	<b>42,522</b>	<b>9,551</b>	<b>345%</b>
	20%	5%	
Selling expenses	(177)	(159)	11%
Admin expenses	(6,487)	(4,250)	53%
<b>Operating expense</b>	<b>(6,664)</b>	<b>(4,409)</b>	<b>51%</b>
<b>Operating profit</b>	<b>35,858</b>	<b>5,142</b>	<b>597%</b>
	17%	3%	-14%
<b>Non-operating loss</b>	<b>(35,334)</b>	<b>(109,704)</b>	<b>-68%</b>
Finance cost	(25,367)	(7,235)	251%
Finance income	457	2,350	-81%
FX profit/(loss)	(9,738)	(104,427)	-91%
Impairment losses	(511)	(111)	360%
Fair value adjustment	(176)	(280)	-37%
<b>Profit/(loss) before tax</b>	<b>524</b>	<b>(104,562)</b>	<b>101%</b>
Income tax	(1,150)	29,547	104%
<b>Loss after tax</b>	<b>(626)</b>	<b>(75,015)</b>	<b>-99%</b>

**Source:** Company Accounts, WSTC Research

## H1 2024 Financial Performance

Income Statement (N'mn)	H1 2025	H1 2024	(%)
<b>Revenue</b>	<b>430,212</b>	<b>295,624</b>	<b>46%</b>
Cost of sales	(378,535)	(277,486)	36%
<b>Gross profit</b>	<b>51,677</b>	<b>18,139</b>	<b>185%</b>
Other income	245	216	14%
<b>Operating income</b>	<b>51,922</b>	<b>18,354</b>	<b>183%</b>
Selling expenses	(351)	(310)	13%
Admin expenses	(12,961)	(7,752)	67%
<b>Operating expense</b>	<b>(13,312)</b>	<b>(8,062)</b>	<b>65%</b>
<b>Operating profit</b>	<b>38,610</b>	<b>10,293</b>	<b>275%</b>
			0%
<b>Non-operating loss</b>	<b>(60,718)</b>	<b>(221,712)</b>	<b>-73%</b>
Finance cost	(42,907)	(8,343)	414%
Finance income	2,859	4,243	-33%
FX profit/(loss)	(22,062)	(225,844)	-90%
Impairment losses	(511)	34	-1605%
Fair value adjustment	1,903	8,198	-77%
<b>Profit/(loss) before tax</b>	<b>(22,108)</b>	<b>(211,420)</b>	<b>90%</b>
Income tax	(2,166)	67,412	103%
<b>Loss after tax</b>	<b>(24,274)</b>	<b>(144,008)</b>	<b>-83%</b>

Balance Sheet (N'mn)	H1 2025	FY 2024	(%)
<b>Assets</b>			
PPE	612,379	616,645	-1%
Inventory	108,558	179,825	-40%
Receivables	105,825	102,763	3%
Cash	147,750	108,167	37%
Others	58,559	43,433	35%
<b>Total Assets</b>	<b>1,033,071</b>	<b>1,050,833</b>	<b>-2%</b>
<b>Liabilities</b>			
Financial liabilities	740,711	717,508	3%
Payables	97,251	98,678	-1%
Others	10,321	22,420	-54%
<b>Total Liabilities</b>	<b>848,283</b>	<b>838,605</b>	<b>1%</b>
<b>Net Assets</b>	<b>184,788</b>	<b>212,228</b>	<b>-13%</b>

**Source:** Company Accounts, WSTC Research



## Outlook

We expect Dangote Sugar Refinery to sustain its recovery momentum into the second half of 2025, supported by a more stable foreign exchange environment, improved cost control, and steady domestic demand for refined sugar. The sharp reduction in FX losses and cost margin compression in Q2 created a leaner operating structure, which should translate to stronger margins in subsequent quarters, even if revenue growth moderates.

We also expect further efficiency gains from tighter working capital management, as the company continues to draw down on previously stockpiled raw materials and benefits from lower freight costs. In addition, the recent decline in global sugar prices since July is expected to provide some relief to input costs, especially for imported raw sugar. This should help sustain the margin improvement recorded. These factors, combined with the absence of major one-off FX shocks, forms the foundation for a full-year profit rebound.

However, while operational fundamentals are clearly improving, elevated finance costs remain the biggest drag on net earnings. That said, this pressure is expected to ease from 2026 as a significant portion of the Group's commercial papers mature next year. With borrowing rates projected to decline sharply barring any major shocks, Dangote Sugar could refinance these short-term obligations at lower rates, which should substantially reduce interest expense pressure and support stronger profitability going forward.

Based on our revised assumptions, we project a profit after tax of N3.53 billion for FY 2025, reflecting a cautious return to profitability. We maintain our view that topline performance will remain resilient, with revenue driven largely by sustained demand from industrial buyers and ongoing expansion in the Northern region.

In line with this, we raised our fair value estimate to N65.90 (previously N36.68). At the current market price of N60.00, this implies an upside potential of 10%. Although we recognise the operational turnaround, the valuation already appears to price in most of the near-term recovery as seen in the 25% jump in the price of the stock in Q3 2025. Consequently, we maintain our **HOLD** recommendation on the stock, pending clearer evidence of sustained earnings growth and lower finance costs.

**Financial Projections**

Income statement (N'mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Revenue	441,453	665,690	961,373	1,363,263	1,642,350	1,956,382	2,415,029	2,963,753
EBITDA	82,611	25,269	105,270	163,592	183,943	228,310	316,973	417,519
EBIT	72,686	12,671	86,043	140,416	160,950	202,877	285,577	384,917
Profit before taxation (PBT)	(108,922)	(270,894)	5,185	73,634	102,226	153,068	249,886	359,365
Net profit (PAT)	(73,760)	(192,617)	3,526	50,071	69,514	104,086	169,922	244,368
EPS (₹)	(6.07)	(15.86)	0.29	4.12	5.72	8.57	13.99	20.12
DPS (₹)	0.00	0.00	0.00	1.44	2.29	3.86	6.99	11.06
Balance sheet (N'mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Current assets	400,562	425,957	492,435	462,640	465,739	483,587	555,367	676,926
Non-current assets	200,228	624,876	625,838	628,564	636,776	648,514	650,929	652,411
Total assets	600,790	1,050,833	1,118,272	1,091,205	1,102,515	1,132,101	1,206,296	1,329,337
Current liabilities	521,214	798,798	895,981	818,563	775,669	728,225	679,458	642,379
Non-current liabilities	330	39,807	6,537	6,816	9,033	9,782	9,660	10,373
Long-term debt	246	37,254	0	0	1,642	1,956	2,415	2,964
Shareholders' equity	79,246	212,228	215,754	265,825	317,813	394,094	517,178	676,585
Book value per share (₹)	6.52	17.47	17.76	21.88	26.16	32.44	42.58	55.70
Cash flow statement (N'mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Cash from operating activities	62,807	(372,095)	153,815	143,592	140,968	215,016	298,484	369,537
Cash from investing activities	(8,955)	(22,300)	(14,936)	(19,282)	(23,063)	(28,042)	(24,406)	(24,352)
Cash from financing activities	(20,334)	225,248	(44,815)	(176,949)	(159,421)	(165,724)	(181,117)	(188,063)
Net increase/ (decrease) in cash	33,518	(169,147)	94,064	(52,638)	(41,516)	21,250	92,961	157,122
Free Cash Flow to Equity	41,139	(176,799)	88,811	(59,258)	(32,132)	39,926	130,395	232,352
Ratio analysis (%)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
EBITDA margin	18.71	3.80	10.95	12.00	11.20	11.67	13.13	14.09
Operating margin	16.47	1.90	8.95	10.30	9.80	10.37	11.83	12.99
ROE	(58.90)	(132.17)	1.65	20.79	23.82	29.24	37.29	40.94
ROA	(13.49)	(23.32)	0.33	4.53	6.34	9.32	14.53	19.27
Dividend payout ratio (%)	0.00	0.00	0.00	35.00	40.00	45.00	50.00	55.00

**Source:** Company Accounts, WSTC Research



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- Buy Rating: estimated fair value is  $\geq 20\%$  above current market price.
- Hold Rating: estimated change in price is between  $-10\%$  and  $19\%$  of current market price.
- Sell Rating: estimated change in price is  $\leq -10\%$  of current market price.

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