



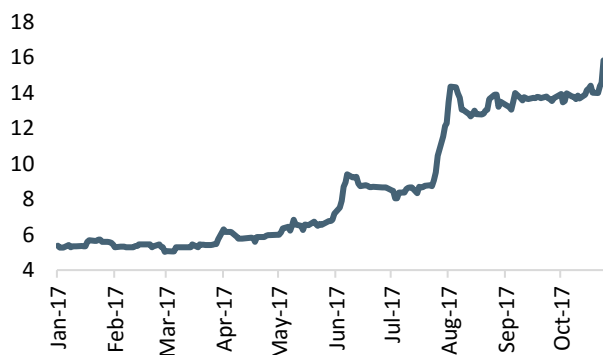
Dangote Sugar Refinery Plc. (DANGSUGA.NL)

Initial View

Quarterly EPS	Q1	Q2	Q3	Q4
2015 A	0.20	0.33	0.25	0.15
2016 A	0.28	0.34	0.23	0.36
2017 A	0.4	0.98	0.78	-

Stock Data	
Price	₦15.1
52-week range	₦5.71 – ₦16.4
Market Cap. (N'bn)	190.8
1-month Avg. Vol	9,173,296
Curr. PE	6.3x

Dangote Sugar Refinery Plc- Share Price Trend



Analyst(s)

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- Easing cost pressures underpin sturdy bottom line.** In line with our expectation, Dangote Sugar Refinery Plc (DSR) posted an impressive 9M 17 result, wherein revenue rose 44% YoY to ₦163 billion while EPS surged to ₦2.21 (+2.6x YoY). Taking DSR's Q3 17 result as a standalone, PAT jumped 3.44x YoY to ₦9.4 billion to establish the business' strongest earnings growth on record. In our view, this performance was reflective of bearish commodity prices which offset the impact of marginal decline in revenue (-1% YoY). Precisely, global raw sugar price was lower (-7.8% QoQ, -31.5% YoY) relative to the corresponding period of 2016 with the attendant impact underpinning the company's first decline in COGS (-26% YoY to ₦29.7 billion) in seven quarters. Against this backdrop, DSR's gross margin expanded 21.5pps YoY to a record level of 32.9%. Elsewhere, OPEX also moderated marginally (-2% YoY to ₦1.9 billion) in the period to leave operating profit fourfold higher YoY at ₦12.7 billion with related margin expanding 21.6pps YoY to 28.6%.

- In addition to declining cost pressures, DSR also benefitted from sturdy finance income (+4x YoY to ₦709 million) underpinned by its sizeable outstanding cash balance (+15% YoY to ₦38.1 billion) even as interest expense grew at a slower pace (+14% YoY to N126 million). Finally, DSR paid lower effective taxes in the quarter (-1.6pps YoY to 32.7%) to bolster realised gains from easing cost pressures and higher finance income.

- Currently, DSR trades at a P/E of 6.3x compared to 14.3x for Bloomberg Middle and East Africa Peers. We have a BUY rating on the stock with a FVE of ₦17.75.
- More analysis to follow.

Income statement – (₦'million)	Q3 17	YoY growth	QoQ Growth	Deviation		
				From forecast	9M 17	YoY growth
Revenue	44,354	-1.0%	-25.0%	-16.2%	163,031	41.5%
Cost of sales	29,769	-25.0%	-25.8%	-20.3%	121,556	26.3%
Gross profit	14,585	187.0%	-23.4%	-6.4%	41,475	118.3%
Operating expenses	1,901	-1.5%	32.2%	17.8%	5,306	14.3%
Operating profit	12,684	302.3%	-28%	-9.2%	36,170	151.9%
Net interest income	583	N/A	N/A	N/A	1,940	N/A
PBT	13,998	236.2%	-20.5%	1.5%	39,251	156.2%
PAT	9,418	244.3%	-19.8%	0.5%	26,520	162.1%

Key Ratios	Q3 17	Q3 16	Change (pps)	Change (pps)		
				9M 17	9M 16	Change (pps)
Gross margin	32.9%	11.3%	21.5%	25.4%	16.5%	9.0%
EBIT margin	28.6%	7.0%	21.6%	22.2%	12.5%	9.7%
PBT margin	31.6%	9.3%	22.3%	24.1%	13.3%	10.8%
PAT margin	21.2%	6.1%	15.1%	16.3%	8.8%	7.5%
Effective tax rate	33.3%	55.6%	-22.3%	32.4%	34.0%	-1.5%

Source: ARM Research *unless otherwise stated