



## Unaudited Group Results for the three months Ended 31 March 2016

**Lagos, 22 April 2016:** Dangote Sugar Refinery PLC (Bloomberg: DANGSUGA-NL), Nigeria's largest sugar producer, announces unaudited Group results for the three months ended 31 March, 2016.

### Financial highlights

- Group revenue up 44.8% to ₦32.60 billion (2015: ₦22.5bn)
- Gross profit increased to ₦6.8 billion, 20.8% margin achieved (2015: ₦5.5 bn)
- EBITDA ₦5.93billion, EBITDA margin 18.2% (2015: ₦4.1bn)
- Profit before tax increased 34.5% to ₦5.1 billion (2015: ₦3.8bn)
- Profit after tax increased 40.9% to ₦3.3 billion (2015: ₦2.4bn)
- EPS at ₦1.11 (2015: ₦0.79)
- Proposed dividend of ₦0.50 for the 2015 financial year

### Operating highlights

- First quarter sugar production at Savannah 8,441 tonnes (2015: 4,930 tonnes)
- First quarter Refinery production at Apapa 187,150 tonnes (2015: 180,085 tonnes)
- Group Sugar sales volume 211,793 tonnes (2015: 171,924 tonnes)
- Construction of 1-tonne bagging facility commissioned in February

**Abdullahi Sule, Acting Group Managing Director, said:**

***"Our first quarter performance was inline with our expectations for the period and was driven by real internal growth and pricing as we successfully executed our improved route to market strategy, growing our sales through resource optimization and achieving greater efficiency."***

***As anticipated, the operating environment continued to prove challenging and we struggled to match sales demand with production, not withstanding, our outlook for the year remains promising as we expect top line and margin improvements against the previous year."***

***I am excited about the positive developments in our "Sugar for Nigeria" projects as we continue in our drive towards self-sufficiency in sugar production."***

## About Dangote Sugar Refinery

Dangote Sugar is Nigeria's largest producer of household and commercial sugar with 1.44 million tonnes of refining capacity, with the ability to supply most of the country through an extensive network of distributors. Our refinery at Apapa imports raw sugar from Brazil and refines it into white, Vitamin A fortified sugar suitable for household and industrial uses. Our Savannah cane sugar factory located near Numan, in Adamawa State has an installed sugar capacity of 50,000 tonnes. Covering 32,000 hectares in extent, the Savannah estate has considerable opportunity for expansion, which is underway.

Our strategy is to become a global force in sugar production, working within the guidelines of the new Nigeria National Sugar Master Plan to end importation and sell about 1.5 million metric tonnes of locally produced sugar in Nigeria and neighbouring countries. As part of this plan we acquired Savannah Sugar in December 2012 and are currently improving its farm acreage and upgrading its production facilities. We intend to augment Savannah's 32,000 hectares in Adamawa state by acquiring and planting 150,000 hectares across Nigeria, supporting the new plantations with modern production facilities that are located closer to the consumer.

Dangote Sugar Refinery was spun out of Dangote Industries in 2006 and was listed on the Nigerian Stock Exchange in March 2007.

## Contact details

Ayeesha Aliyu  
Investor Relations Lead  
Lagos  
+234 1 448 0815-6  
[ayeesha.aliyu@dangote.com](mailto:ayeesha.aliyu@dangote.com)

## Conference call details

A conference call for analysts and investors will be held on **27 April 2015, at 3:00pm** Lagos time.

The dial-in details are as follows:

Nigeria: +234 (0) 800 1234 646 / +234 (0) 1440 5158

UK: +44 (0) 800 327 7280 / +44 (0) 207 043 4129

USA: +1 866 840 9752 / +1 646 663 7922

South Africa: +27 (0) 800 982 759

Pin code: 252481#

Speakers:           Abdullahi Sule, Deputy Group Managing Director  
                          Babatunde Ajao, Chief Financial Officer

## Key Performance Indicators

	Group	Group	
	31-03-2016	31-03-2015	% change
Refined Sugar Produced (mt)	195,591	185,015	5.7%
Refined Sugar Sold (mt)	211,793	171,924	23.2%
	N'B	N'B	
Revenue	32.62	22.52	44.8%
Gross profit	6.77	5.52	22.6%
Gross margin (%)	20.8%	24.5%	-3.7pp
EBITDA	5.93	4.06	46.1%
EBITDA margin (%)	18.2%	18.0%	0.2pp
Profit before taxation	5.11	3.80	34.5%
Profit for the year	3.34	2.37	40.9%
EPS –(Naira)	1.11	0.79	40.5%

## Global sugar market

World raw sugar prices averaged to around 14.33USc/lb in the first three months of 2015, which is around the same levels seen in the same period of 2015.

On-going poor weather conditions due to the effects of El Nino coupled with four consecutive years of declining world market prices and returns to sugar producers has stagnated production globally despite growing consumption. A rise in sugar prices will have to happen to encourage renewed investments in sugar production world-wide to combat this deficit.

Analysts forecast the 2015/16 sugar deficit, at an average of 3million tonnes, with Thailand, India and China expected to be in deficit and global sugar production at 174million tonnes.

Global sugar consumption rose by 1.5% in the last year, which is 0.5% less than the steady 2% average seen over the past decade. This is still slightly ahead of the global population growth of 1.13% which means that consumption per capita is still rising.

Brazil has been on the rebound from last season in contrast to other major producers with production set to reach the highest levels since the 2013/14 campaign.

The proposed European Union sugar policies reform in 2017 will see price subsidy and production limits removed with planting expected to rise by about 5% in the long term if these quotas are removed.

## Nigerian Market Overview

According to the National Bureau of Statistics, headline inflation reached a four-year high in March at 12.8%, with an average for the first quarter of 2016 at 11.8% the highest in 4 years. This was largely driven by significant rise from imported foods.

Manufacturers continued to face operational challenges with persistent petrol shortages and major gas supply disruptions. Scarcity and volatility of foreign exchange, which is required to procure raw materials further hindered commercial activities.

The disputes surrounding the 2016 budget were overcome as the senate passed the budget at ₦6.06 trillion, broadly comprising Statutory Transfers- ₦351 billion, Debt Service- ₦1.4 trillion, Recurrent Expenditure- ₦2.6 trillion and Capital Expenditure- ₦1.5 trillion for the President's ascent on March 23,

2016. The implementation of the budget is expected to improve the general condition of the Nigerian Economy, as government spending trickles down to stimulate consumer spending.

Consumer spending was generally constrained due to reduced disposable income. However, sugar consumption did not see an obvious decline. By our estimates, Nigeria's consumption of sugar in the first quarter of 2016 was around 298,000 tonnes. Sugar in Nigeria was consumed by households and industries such as pharmaceuticals, beverages, confectioneries, dairy, which accounted for around 65% of sugar consumption.

The Nigerian Sugar operators continue activities towards the implementation of the Federal Government's National Sugar Master Plan. This plan has seen the existing sugar operators begin to invest in existing and green field (identified in the National Sugar Master Plan) sugar plantations across the country in addition to consolidating their own refining activities to achieve Nigeria's self-sufficiency of 1.7million tonnes. A phased increase in duty on imported raw sugar for refining- currently at 20% against 70%, together with fiscal incentives to encourage local sugar cane production provides a backdrop to the backward integration and these expansion plans.

## **Operating review**

### **Savannah Sugar**

The 2015 harvesting season commenced at Savannah on January, 5 2015 and 154,244 tonnes (2015: 120,000 tonnes) of cane had been harvested as at April. The cane quality and yield continues to improve with each season. We will continue harvesting through the month of April and recommence in October/November 2015, after the rains.

We nearly doubled refined production this year with a total of 8,441 tonnes (2015: 4,930) of sugar, bagged by the end of the period under review, proving an improvement in yield output.

### **Apapa Refinery**

Production for the first quarter of 2016 at the Apapa refinery improved compared to the previous quarter but did not reach our target utilization rate as gas supply disruptions coupled with insufficient LPFO supplies, which is our back up energy source. Gas to LPFO usage for the period was 80:20.

In February, we carried out a ten-day scheduled maintenance shut-down.

The import tariff for raw sugar was increased from 10% to 20%. This is still a concession from the Federal Government as the proposed tariff should have returned to 70% at the beginning of 2016 following the initial grace period that ended in December 2015.

Production totalled 187,150 tonnes for the quarter, which is 3.7% higher compared to the first quarter of 2015, when 180,085 tonnes was produced.

The one tonne bagging facility was completed in February and we have started to fulfil orders from our corporate customers.

### **Sales & Distribution**

Group sugar sales volume was 211,793 tonnes (2015: 185,531 tonnes). Sales demand improved significantly compared to the previous quarter. Production struggled to meet demand because of the operational challenges experienced highlighted above and we sold everything that we produced in the quarter. We received increased orders from both our trade and corporate customers, which is encouraging and proves that the Nigerian economy remains strong. 30% of our sales went to the

corporate customers, who mostly buy non-fortified sugar; while 70% of our sales where to the trade customers (distributors), who buy Vitamin A fortified sugar.

The sales volume from the Apapa refinery was 206,348 tonnes (2015: 180,086 tonnes). Savannah Sugar sold 5,445 tonnes (2015: 1,830 tonnes). The sales campaign at Savannah started towards the end of the quarter after sufficient stock of bagged white sugar had been accumulated at prices aligned with the refinery.

Our new 20-tonne trucks proved especially efficient in deliveries to customers, as we were able to evacuate more sugar from our refinery in the very crowded Apapa area.

We increased our selling prices at the end of January to offset cost increases brought about by the proposed increase in the raw sugar import tariff concession from 10% to 20% and other increasing operating costs including the increased use of LPFO in production. The average selling price in the quarter was ₦7,574 per 50kg bag compared to an average price of ₦6,218 in 2015.

Our retail (250g, 500g and 1kg sachets) sales volume has increased 20.6% against last year to 3,200 tonnes. We will continue to service this growing retail segment with our sachet sugar as well as through our partnerships with local cubing sugar companies- Dogan Sugar and Macnioles.

The North and Lagos region made up the majority of our sales in the first quarter of 2015, accounting for 43% and 42% of sales respectively in the period. The West and East account for 11% and 4% respectively.

### **New projects "Sugar for Nigeria" update**

Our sugar development projects strategy, which was revised at the beginning of the year will see the green field development of 46,000 ha in Zaria KalaKala (Kebbi State), full rehabilitation of 23,000 ha at Savannah along with the Guyuk annex of 6,000 ha with a 12,000TCD factory installed within the next three years. This will bring our sugar production from sugar cane to close to 700,000 a year, nearly replacing our current production at the Apapa refinery.

The total cost estimated and funding plan to achieve this first phase of our "Sugar for Nigeria" project is being finalized by our strategy and finance teams.

The Lau/Tau seed cane farm was harvest began in February with 70% of the seed cane replanted in the development areas at Savannah, and the rest crushed and refined along with the Savannah stock.

Phase 2 of the project, which includes Taraba, Kwara/Kogi and Jigawa will begin in 3-5 years when we have reached full capacity in Phase 1. Site approvals have been obtained from the relevant local authorities with soil and topographical surveys concluded. The land acquisitions processes are yet to be finalized but once concluded, pre-project activities will commence at these locations.

### **A new Savannah Sugar Company Board**

The Board of Savannah Sugar Company was reconstituted in February 2016 with a mandate to drive our Backward Integration ambition, with focus on the Company's performance and risk mitigation strategies. The newly reconstituted members of the Board are:

Aliko Dangote as Chairman  
Abdullahi Sule  
Mansur Ahmed  
Olakunle Alake  
Maryam Bashir  
Joseph Makoju

We are confident that the Directors have the relevant skills, expertise and diversity to provide strategic direction and monitor proper implementation and execution of our strategic plans.

## Financial Review

Group revenue increased by 44.8% to ₦32.62bn (2015: ₦22.52bn), reflecting the higher sales volumes and higher prices in the period. The price at which we sell refined sugar to customers increased by 21.8% per 50kg bag to an average of ₦7,574 (2015: ₦6,218).

Gross profit increased by 22.6% to ₦6.77bn, (2015: ₦5.52bn) with cost of sales impacted by increased import tariffs, higher freight expenses and production costs mainly driven by increased LPFO use, which is 1.5x more expensive than gas to power our plant. The unit prices for gas and LPFO were also higher than in the comparative period. The effect of lower raw sugar costs, which decreased by 6.1% from an average of USD372 per tonne in the equivalent period in 2015 to USD349 per tonne in 2016 did offset some of these higher costs and as a result, gross margins fell slightly from 24% in 2015 to 21% in 2016.

We continued to source dollars from the CBN at the official exchange rate of ₦197-199:USD1 during the period.

Investment income for the period was at ₦7.07m and represents interest earned on bank deposits at an average of 7% per annum, on a short-term (30 days) bank deposits.

Other income, totalling ₦86m, represents rental income from Nascon Allied Industries (₦16.88m), electricity supply to Tiger Branded Consumer Goods (₦58.08m), sale of scrap and others (₦11.05m).

Group Profit Before Tax for the period increased by 34.5% to ₦5.11bn (2015: ₦3.80bn) and Group Profit After Taxation for the year increased by 40.9% to ₦ 3.34bn (2015: ₦2.37bn).

A ₦2.0 billion short-term working capital loan was received from Dangote Industries Limited, for a period of 90 days at the prevailing market interest rate of 13.5%. The loan is repayable in full at the end of the tenor plus interest on maturity. The loan is not secured by any assets of the company.

## Outlook

The outlook for the remainder of 2016 is very encouraging as demand continues to rise, as market conditions turn more positive and sales volumes continued to increase into the second quarter of the year. Operational challenges such as gas supply remain a concern. We will stock up our alternative fuel LPFO to mitigate this fuel supply challenge and to sustain production from the Apapa refinery.

We expect raw sugar prices to remain volatile in 2016 but do not expect to exceed the averages experienced in 2015. We will continue to sustain our sales growth and increase our sugar production from locally grown sugar cane during 2016, as we race to achieve our set target for phase one of our Sugar for Nigeria plans.

Ends...