

### Revenue Growth Bolsters Profitability

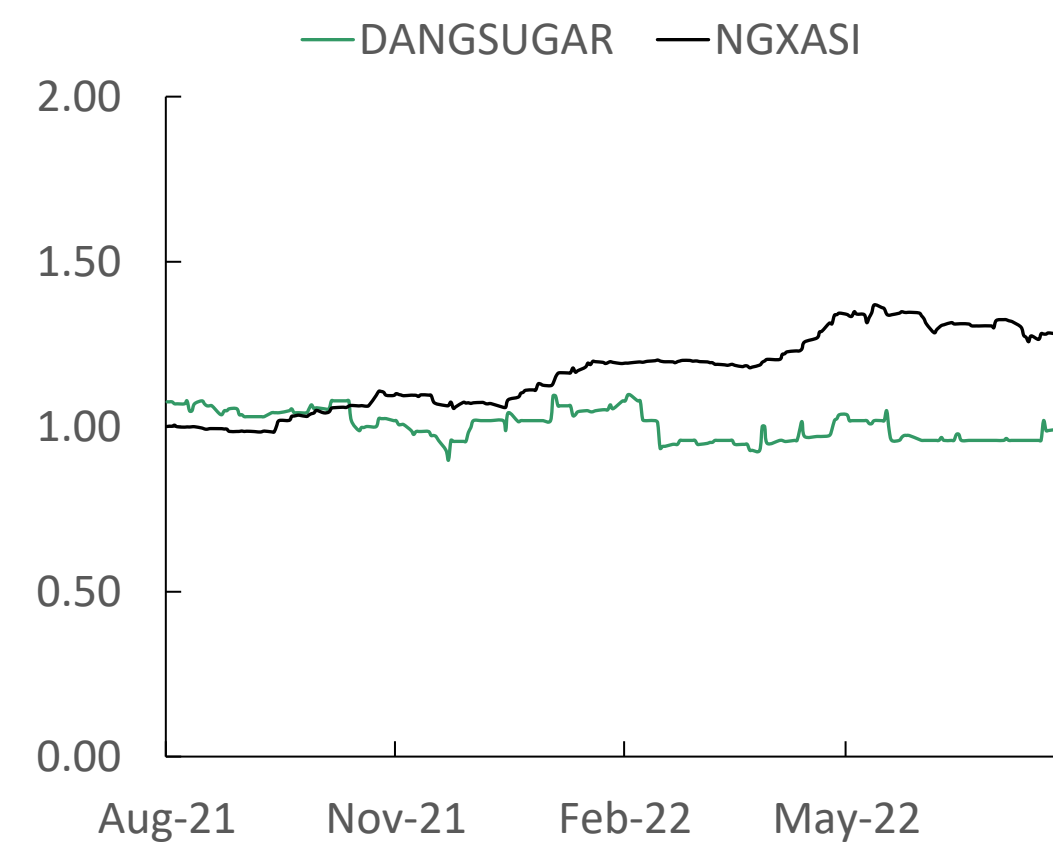
**Summary:** DANGSUGAR's revenue expanded by 40.55% YoY to NGN185.46bn in H1:2022 (vs. NGN131.95bn in H1:2021). This performance was driven by an increase in the sale of molasses (+19.85% YoY) and freight income (+30.28% YoY) which moderated the impact of the decline in the sale of sugar- 50kg (-33.39% YoY) and sugar – retail (-27.79% YoY). Production cost grew by 41.87% YoY mainly due to an expansion in the cost of raw materials (+44.79% YoY), freight expenses (+42.02% YoY) and direct labour (+32.53% YoY). Thus, cost to sales came in higher at 79.07% in H1:2022 (vs. 78.33% in H1:2022) while gross margin declined to 20.93% in H1:2022 (vs. 21.67% H1:2021).

Operating expenses shot up by 23.63% YoY to NGN9.93bn in H1:2022 propelled by an increase in selling and distribution expenses (+27.72% YoY) and exchange loss (+76.42% YoY). Nonetheless, operating profit grew by 40.51% YoY to NGN28.89bn in H1:2022 due to higher topline performance. Finance cost spiked by 18.65% YoY to NGN2.38bn in H1:2022 (vs. NGN2.01bn in H1:2021) driven by finance cost on letter of credit (+21.23% YoY). Overall, Profit Before Tax (PBT) and Profit After Tax (PAT) expanded up by 58.54% YoY to NGN29.73bn and 60.58% YoY to NGN20.24bn, respectively in H1:2022.

**Positives:** Interest coverage improved to 12.13x in H1:2022 (vs. 10.24x in H1:2021). Net margin increased to 10.91% in H1:2022 (vs. 9.55% in H1:2021).

**Negative:** Gross Margin declined to 20.93% in H1:2022 (vs. 21.67% in H1:2021). Asset Turnover declined to 0.49x in H1:2022 (vs. 0.87x in 2021FY).

Valuation		Stock Highlights	
Trailing EPS	0.15	Yr Hi	18.30
BVPS	0.68	Yr Lo	15.50
P/E	111.42	YTD return	-5.17%
P/BV	24.19	Beta	1.26
Target PE	8.10x	Adjusted Beta	1.18
Dec-2022 Exp. EPS	2.95	Shares outstanding	12.15bn
Dec 2022 Target		Market cap [NGN]	<b>194.35bn</b>
Price	NGN23.90	Financial year end	December
Current Price	NGN16.50		



Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	13.85			
						Max	27.76			
						EPS				
						1.95	2.45	2.95	3.00	3.05
Target PE	7.10x	13.85	17.40	20.95	21.30	21.66				
	7.60x	14.82	18.62	22.42	22.80	23.18				
	8.10x	15.80	19.85	<b>23.90</b>	24.30	24.71				
	8.60x	16.77	21.07	25.37	25.80	26.23				
	9.10x	17.75	22.30	26.85	27.30	27.76				

**Recommendation: BUY**      **TP: 23.90**      **CP: 16.00**      **UPP: +44.85%**

#### Financial Highlight (NGN'000)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Revenue	185,457,426	131,952,078	+40.55%
Cost of sales	146,639,101	103,360,643	+41.87%
OPEX	9,928,419	8,030,485	+23.63%
Operating Profit	28,889,906	20,560,950	+40.51%
Finance Cost	2,381,451	2,007,191	+18.65%
PBT	29,734,847	18,755,426	+58.54%
PAT	20,241,921	12,605,117	+60.58%

Balance Sheet	H1:2022	2021A	Y/Y Growth
Property, Plant and Equipment	150,435,487	144,678,058	+3.98%
Total Asset	399,453,920	359,505,765	+11.11%
Total Equity	136,726,197	128,625,073	+6.30%
Total Debt	3,225,014	3,339,367	-3.42%
Total Liabilities	262,727,723	230,874,615	+13.80%

#### Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
ROA	7.82%	6.92%	10.56%
ROE	22.38%	17.41%	21.53%
Net Margin	9.01%	7.99%	11.92%

Efficiency Ratio	H1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.49	0.87	0.88
Cash Conversion Cycle	150	30	21

Liquidity Ratio	H1:2022	2021A	3-yr Hist. Avg
Current Ratio	1.00	0.98	1.17
Quick Ratio	0.74	0.73	0.77
Cash Ratio	0.52	0.47	0.37

Solvency Ratio	H1:2022	2021A	3-yr Hist. Avg
Interest Coverage	12.13	10.24	28.47
Debt to Equity	0.02	0.03	0.03
Debt to Asset	0.01	0.01	0.01

\*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

# DISCLAIMER

---

## Analysts' Certification and Disclaimer

This research report has been prepared by the research analyst(s), whose name(s) appear(s) on the cover of this report. Each research analyst hereby certifies, with respect to each security or issuer covers in this research that:

- (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers (the Issuer); and
- (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. Research analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Meristem Securities Limited (the Firm). Like all of the Firm's employees, research analysts receive compensation that is impacted by overall Firm profitability, which includes revenues from other business units within the Firm.
- (3) each research analyst and/or persons connected with any research analyst may have interacted with sales and trading personnel, or similar, for the purpose of gathering, synthesizing and interpreting non-material non-public or material public market information.

As at the date of this report, any ratings, forecasts, estimates, opinions or views herein constitute a judgment, and are not connected to research analysts' compensations. In the case of non-currency of the date of this report, the views and contents may not reflect the research analysts' current thinking. This document has been produced independently of the Issuer. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the ratings, forecasts, estimates, opinions and views contained herein are fair and reasonable, neither the research analysts, the Issuer, nor any of its directors, officers or employees, shall be in any way responsible for the contents hereof, and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

## Analysts' Compensation

The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Investment Banking.

## Investment Ratings

### Fair Value Estimate

We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

### Target Price Estimate

While we believe that the fair value is underpinned by the future benefits stream and growth outlooks, which are primary drivers of value, the market might not align to the fair value estimate within the estimated investment horizon. Thus, we do not derive our target price from the fair value but from a trading perspective using the year projected earnings or book value and the respective target multiples. Notwithstanding, we are of the opinion that the variance between the two should not be too significant.

### Ratings Specification

**BUY:** Target Price of the stock is above the current market price by at least 10 percent

**HOLD:** Target Price of the stock ranges between -10 percent and 10 percent from the current market price.

**SELL:** Target Price of the stock is more than 10 percent below the current market price.

## Movements in Price Target

### Company Name: Presco Plc

Date	Price (N)	Previous Price(N)	Target	New Target Price (N)	Previous Recommendation	New Recommendation
17-August 2022	- 16.00	23.90		23.90	BUY	BUY

## Company disclosures

Meristem or the analyst(s) responsible for the coverage may have financial or beneficial interest in securities or related investments discussed in this report, which could, unintentionally, affect the objectivity of this report. Material interests, which Meristem or the analyst(s) have with companies or in securities discussed in this report, are disclosed below:

Company	Disclosure
Dangote Sugar Refinery Plc	

- a. The analyst(s) hold(s) personal positions (directly or indirectly) in a class of the common equity securities of the company.
- b. The analyst responsible for this report, as indicated on the front page, is a board member, officer or director of the company
- c. Meristem beneficially owns 1% or more of the equity securities of the company
- d. Meristem has been the lead manager or co-lead manager of any publicly disclosed offer of securities of the company over the past 12 months.
- e. Meristem beneficially holds a major interest in the debt of the company
- f. Meristem has received compensation for investment banking activities from the company within the last 12 months
- g. Meristem intends to seek, or anticipates receipt of compensation for investment banking services from the company in the next 3 months
- h. The content of this research report has been communicated with the company, following which this research has been materially amended before its distribution
- i. The company is a client of the stock broking division of the Meristem group.
- j. The company is a client of the investment banking division of the Meristem group.
- k. Meristem is the registrar to the company.
- l. The company owns more than 5% of the issued share capital of Meristem
- m. Meristem has other financial or other material interest in the company.

## CONTACT INFORMATION

---

### Brokerage and Retail Services

[topeoludimu@meristemng.com](mailto:topeoludimu@meristemng.com) (+234 905 569 0627)  
[isaaconaolapo@meristemng.com](mailto:isaaconaolapo@meristemng.com) (+234 803 234 8275)  
[contact@meristemng.com](mailto:contact@meristemng.com)

### Investment Banking/Corporate Finance

[rasakisalawu@meristemng.com](mailto:rasakisalawu@meristemng.com) (+234 806 022 9889)  
[seunlijofi@meristemng.com](mailto:seunlijofi@meristemng.com) (+234 808 536 5766)

### Wealth Management

[funmilolaadekola-daramola@meristemng.com](mailto:funmilolaadekola-daramola@meristemng.com) (+234 803 355 0008)  
[crmwealth@meristemng.com](mailto:crmwealth@meristemng.com) (+234 01 738 9948)

### Registrars

[muboolasoko@meristemregistrars.com](mailto:muboolasoko@meristemregistrars.com) (+234 803 324 7996)  
[martinaosague@meristemregistrars.com](mailto:martinaosague@meristemregistrars.com) (+234 802 303 1783)  
[www.meristemregistrars.com](http://www.meristemregistrars.com) (+23401-280 9250)

### Group Business Development

[saheedbashir@mersitemng.com](mailto:saheedbashir@mersitemng.com) (+234 802 454 6575)  
[ifeomaogalue@meristemng.com](mailto:ifeomaogalue@meristemng.com) (+234 802 394 2967)  
[info@meristemng.com](mailto:info@meristemng.com)

### Trust Services

[damilolahassan@meristemng.com](mailto:damilolahassan@meristemng.com) (+234 803 613 9123)  
[trustees@meristemng.com](mailto:trustees@meristemng.com)

### Investment Research

[research@meristemng.com](mailto:research@meristemng.com)  
[praiseihansekhien@meristemng.com](mailto:praiseihansekhien@meristemng.com) (+234 817 007 1512)  
[damilareojo@meristemng.com](mailto:damilareojo@meristemng.com) (+234 816 890 2771)

### Analyst Coverage:

[mosunmolaadeoye@meristemng.com](mailto:mosunmolaadeoye@meristemng.com) (+2348121105615)  
[rilwanatsalami@meristemng.com](mailto:rilwanatsalami@meristemng.com) (+2348162852225)

### Client Services

[adefemitaiwo@meristemng.com](mailto:adefemitaiwo@meristemng.com) (+234 803 694 3034)  
[car@meristemng.com](mailto:car@meristemng.com) (+23401-280 9250)

Corporate websites: [www.meristemng.com](http://www.meristemng.com) [www.meristemwealth.com](http://www.meristemwealth.com) [www.meristemregistrars.com](http://www.meristemregistrars.com)

Meristem Research can also be accessed on the following platforms:

**Meristem Research Portal:** [research.meristemng.com](http://research.meristemng.com)

**Bloomberg:** MERI <GO>

**Capital IQ:** [www.capitaliq.com](http://www.capitaliq.com)

**ISI Emerging Markets:** [www.securities.com/ch.html?pc=NG](http://www.securities.com/ch.html?pc=NG)

**Reuters:** [www.thomsonreuters.com](http://www.thomsonreuters.com)

**FactSet:** [www.factset.com](http://www.factset.com)