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INVESTMENT COMMITTEE NOTE 9 SEPTEMBER 2026

Dangote Petroleum Refinery & Petrochemicals FZE

Initial Public Offering — Investment Note

Prepared on the SEC-cleared Prospectus dated 7 September 2026 (“Project Verdant”)

PREPARED BY	Eric Jackson, Chief Investments Officer
DATE	9 September 2026
SUBJECT	Participation decision — Offer for Subscription of 4,100,000,000 Ordinary Shares at ₦525.00 per share. Application list opens 14 September 2026 and closes 13 October 2026.

SUPERSEDES ALL PRIOR NOTES

This note replaces our July 2026 pre-IPO analyses in full. All prior estimates, scenario assumptions and unverified third-party figures are withdrawn. Every number in this document is taken from, or computed directly from, the SEC-cleared Prospectus dated 7 September 2026 and the audited financial statements it incorporates (KPMG Professional Services as Reporting Accountant; Deloitte & Touche as auditor). Two matters we previously flagged as unresolved are now settled and are addressed explicitly in Sections 3 and 5.

1. Executive summary and recommendation

Dangote Petroleum Refinery & Petrochemicals FZE (“DPRP” or the “Issuer”) is offering 4.1 billion ordinary shares at ₦525.00 per share, raising gross proceeds of ₦2.1525 trillion (approximately US$1.58 billion) and valuing the enterprise at ₦65.22 trillion (approximately US$47.8 billion) at listing. The Offer is not underwritten. Applications open 14 September and close 13 October 2026.

The audited H1 2026 accounts show a decisive operational turnaround: revenue of US$13.91 billion (up 150.0% year-on-year), gross profit of US$2.50 billion against US$145 million in H1 2025, and profit after tax of US$1.82 billion versus a US$282 million loss in the prior-year period. Net debt has fallen to US$1.40 billion, giving a Net Debt/EBITDA ratio of 0.27x. The business is now demonstrably profitable, cash-generative and lightly levered.

P / E	EV / EBITDA	P / S	P / B
13.1x	**9.5x**	**1.7x**	**4.5x**

On annualised H1 2026 earnings the Offer is priced at 13.1x P/E, 9.5x EV/EBITDA, 1.7x P/S and 4.5x P/B. Those multiples are not demanding against Nigerian listed comparables, and are covered by earnings that are now audited rather than projected. The central analytical question is no longer whether DPRP is profitable — it plainly is — but whether H1 2026 profitability is representative. It was earned during the most favourable refining-margin environment in over a decade, and the multiples above are therefore computed on what is very likely peak-cycle earnings.

RECOMMENDATION — PARTICIPATE, WITH SIZE DISCIPLINE

We recommend participating in the Offer at ₦525.00, sized as a satellite rather than a core position (our guidance: no more than 3–5% of a diversified portfolio, and toward the lower end for income-oriented mandates). The asset quality, audited earnings, balance sheet strength and structural position are genuine. The case for restraint is cyclical, not company-specific: at a mid-cycle gross refining margin the same price implies roughly 19x earnings rather than 13x (Section 6). Investors should also understand that the free float is only 3.3% and that the Offer is not underwritten.

2. Terms of the Offer

ITEM	DETAIL (PER PROSPECTUS)
Issuer	Dangote Petroleum Refinery & Petrochemicals FZE (OGFZA registration FZ/0/08/00004)
Offer	Offer for Subscription of 4,100,000,000 Ordinary Shares of US$0.000013 each
Offer price	₦525.00 per share (US$0.385 at ₦1,364/US$1 as at 5 August 2026)
Mode	Fixed price; payable in full on application; not underwritten
Application list	Opens 14 September 2026; closes 13 October 2026
Gross proceeds	₦2,152,500,000,000 (~US$1.58bn)
Offer costs	₦41,492,782,688.91 (1.93% of gross proceeds)
Net proceeds	₦2,111,007,217,311 (~US$1.55bn)
Existing shares	120,128,915,901 in issue at the date of the Prospectus
Post-offer shares	124,228,915,901
Free float from Offer	3.30% of post-offer share capital
Market cap pre-listing	₦63.07tn (~US$46.2bn)
Market cap at listing	₦65.22tn (~US$47.8bn)
Listing	NGX Main Board; application made for admission of all 124.23bn shares
Minimum subscription	10 Offer Shares, and multiples of 10 thereafter
Qualified Investor minimum	50,000 Offer Shares via Investor Application Form
Oversubscription	Issuer may absorb up to 30% of the Offer, subject to SEC approval
Anchor commitment	Pan-African Refinery Investment SPV (Mauritius) has committed up to US$400m — ~1,038,961,038 shares, or 25.34% of the Offer
Settlement	CSCS accounts credited within 15 business days of Allotment Date
Lead Issuing House	Vetiva Advisory Services Limited (25 joint issuing houses including Stanbic IBTC Capital, FirstCap, Chapel Hill Denham, Absa, Afrinvest, Coronation, Rand Merchant Bank)
Shariah status	Buraq Capital Limited opinion: the Issuer satisfies applicable AAOIFI Standard No. 21 screening criteria

Shareholding structure (pre-Offer)

SHAREHOLDER	SHARES	%
Dangote Oil Refining Company Limited	79,086,556,154	**65.835%**
Dangote Industries Limited	17,903,461,538	**14.904%**
Nigerian National Petroleum Company Limited	8,186,982,308	**6.815%**
Greenview International Corporation	7,803,769,230	**6.496%**
Others (private placement participants)	7,148,146,671	**5.950%**

Note on the private placement: the Prospectus confirms the placement raised approximately US$2.50 billion in two tranches — Tranche 1 of ~US$2.24bn (completed 30 June 2026) and Tranche 2 of ~US$258m (completed 22 July 2026) — with both tranches fully allotted on 7 August 2026, issuing 7,148,146,671 new shares. NNPC's 6.815% direct holding is a material governance feature: the Federal Government's oil company is a shareholder as well as a principal crude counterparty.

3. Audited financial performance

PRIOR RECONCILIATION QUESTION — NOW RESOLVED

Our July note flagged that management accounts then in circulation showed a ~US$1.96bn four-month “Finance Income” line that did not reconcile, and we advised against relying on any profit figure derived from it. The audited H1 2026 statements resolve this. Finance income for the six months was only US$49.6 million, and the Prospectus states it comprises interest on Naira fixed deposits placed with commercial banks, with no related-party income. The H1 2026 profit of US$1.82 billion is driven by genuine gross profit of US$2.50 billion, not by a finance or revaluation item. Our earlier caution was warranted on the data then available; it is now discharged.

3A. Income statement (US$'000, audited)

	H1 2026	H1 2025	FY2025	FY2024	FY2023
Revenue	13,909,531	5,564,761	12,330,455	6,337,607	—
Cost of sales	(11,414,280)	(5,419,702)	(12,101,191)	(6,937,390)	—
Gross profit/(loss)	2,495,251	145,059	229,264	(599,783)	—
Gross margin	**17.9%**	2.6%	1.9%	(9.5%)	—
Operating profit/(loss)	2,365,271	60,025	146,534	(635,634)	428,869
Finance income	49,574	93	21,940	—	—
Finance costs	(308,769)	(338,319)	(644,280)	(873,056)	—
Profit/(loss) before tax	2,106,076	(282,129)	(475,806)	(1,508,690)	428,869
Taxation	(285,562)	—	—	—	—
Profit/(loss) after tax	**1,820,514**	(282,129)	(475,806)	(1,508,690)	428,869
Net margin	**13.1%**	(5.1%)	(3.9%)	(23.8%)	—

The turnaround is unambiguous. Revenue rose 150.0% year-on-year in H1 2026, driven by the Refinery's transition to stable full-capacity production from March 2026 and performance testing rates of up to 700,000 bpd achieved in June 2026 — now the rerated nameplate capacity. Gross profit rose more than seventeenfold. Both volume and price contributed: PMS volumes grew from ~3.09m MT to ~6.06m MT with realised prices rising from ~US$723 to ~US$975 per tonne; AGO volumes from ~1.76m MT to ~2.86m MT at prices up from ~US$688 to ~US$1,225; jet fuel from ~2.06m MT to ~3.02m MT at prices up from ~US$663 to ~US$1,092. For AGO and jet fuel, price was the larger contributor than volume — a point we return to in Section 6.

3B. Revenue by product, H1 2026

PRODUCT	₦'MILLION	US$'000	% OF TOTAL
PMS (petrol)	8,131,187	5,910,704	**42.5%**
AGO (diesel)	4,813,074	3,498,709	**25.2%**
Jet fuel	4,537,101	3,298,100	**23.7%**
RCO	1,198,919	871,516	6.3%
CBFS	211,644	153,848	1.1%
Polypropylene	139,840	101,652	0.7%
LPG	93,432	67,918	0.5%
Propane	9,745	7,084	0.05%
Total	**19,134,942**	**13,909,531**	**100%**

Three fuels account for 91.4% of revenue. Polypropylene contributes only 0.7% today — the petrochemicals “optionality” frequently cited in pre-IPO commentary is, on current disclosure, immaterial to earnings, though capacity is targeted to rise to 2.4m tpa by 2030 from an installed 830,000 tpa.

3C. Balance sheet (US$'000, audited)

	30-JUN-2026	FY2025	FY2024	FY2023
Total assets	21,059,925	15,472,910	15,177,085	12,654,652
Cash & equivalents	4,267,422	1,075,261	312,830	766
Total equity	10,631,415	6,099,369	575,175	2,083,865
Total borrowings	5,665,890	6,242,530	2,230,814	—
Net debt	1,398,468	5,167,269	1,917,984	—
Net Debt/EBITDA	**0.27x**	n/m	n/m	n/m
Net Debt/Equity	13.2%	84.7%	333.5%	n/m
Current ratio	1.50x	0.42x	0.22x	0.05x
Quick ratio	1.17x	0.26x	0.10x	n/m

The balance sheet has been transformed. Equity rose from US$575m (FY2024) to US$10.63bn, cash from US$313m to US$4.27bn, and net debt fell to US$1.40bn. Net Debt/EBITDA of 0.27x is confirmed in the Prospectus risk factors. Liquidity ratios are above 1.0x for the first time. Much of the equity build came from the US$2.5bn private placement and the conversion of related-party funding — the FY2025 unsecured US$3.99bn owed to Dangote Industries Limited was repaid during H1 2026, so all indebtedness at 30 June 2026 is secured third-party borrowing.

3D. Cash flow and subsequent events

- **Operating cash flow:** US$1.27bn generated in H1 2026, against US$537m in H1 2025 and US$1.20bn for the whole of FY2025 — earnings are converting to cash.
- **Capital expenditure:** only US$33.4m in H1 2026, reflecting the completion of the original build; the expansion capex cycle has not yet begun in earnest.
- **Post-period financing:** US$750m senior unsecured notes issued at 7.5% per annum, maturing 16 July 2031, with make-whole redemption before 16 July 2028 and step-down call prices of 103.75% (2028), 101.875% (2029) and 100% thereafter. Initially unsecured and unguaranteed.
- **Taxation:** a US$285.6m charge was recognised in H1 2026 — the first in the Issuer's history — comprising minimum effective tax rate (METR) top-up tax, development levy and deferred tax, giving an effective rate of 13.6%.

4. Valuation at the Offer price

The following multiples annualise audited H1 2026 results (revenue US$27.82bn, EBITDA US$5.20bn, PAT US$3.64bn) against the post-offer market capitalisation of US$47.82bn and net debt of US$1.40bn.

METRIC	AT ₦525.00	BASIS
Price / Earnings	13.1x	Annualised H1 2026 PAT of US$3.64bn
EV / EBITDA	9.5x	EV US$49.21bn / annualised EBITDA US$5.20bn
Price / Sales	1.72x	Annualised H1 2026 revenue US$27.82bn
Price / Book	4.50x	30 June 2026 equity of US$10.63bn
Annualised EPS	~₦40.0 (US$0.0293)	On 124.23bn post-offer shares
Earnings yield	~7.6%	Inverse of P/E

4A. Price sensitivity around the Offer

PRICE (₦)	MARKET CAP (₦TN)	MARKET CAP (US$BN)	P/E (ANNUALISED H1)	VS OFFER PRICE
400	49.7	36.4	10.0x	−23.8%
450	55.9	41.0	11.3x	−14.3%
475	59.0	43.3	11.9x	−9.5%
500	62.1	45.5	12.5x	−4.8%
525 (Offer)	**65.2**	**47.8**	**13.1x**	**—**
550	68.3	50.1	13.8x	+4.8%
600	74.5	54.6	15.0x	+14.3%
650	80.7	59.2	16.3x	+23.8%
700	87.0	63.8	17.5x	+33.3%

4B. Peer comparison

COMPANY	MARKET CAP	P/E	COMMENT
DPRP at Offer	US$47.8bn	**13.1x**	Annualised audited H1 2026; EV/EBITDA 9.5x
Dangote Cement (NGX: DANGCEM)	₦17.45tn (~US$12.8bn), 9 Sep 2026	~17.9x TTM	Same-sponsor NGX benchmark; P/B 5.74x; ₦1,034/share, +69.8% YTD
Sasol (JSE: SOL)	~US$6.7bn	Volatile	Africa-listed refiner/chemicals; EV/EBITDA ~4.5x, thin net margins
US pure-play refiners (VLO, MPC, PSX)	Large cap	Mid-single digit at peak	Sector EV/EBITDA historically 3.6x median, 1.8–7.0x five-year range

Reading the comparison. Against Dangote Cement — the closest NGX reference, same sponsor, same market, similar investor base — DPRP is priced at a discount (13.1x versus ~17.9x) on materially higher growth. Against global pure-play refiners the multiple looks expensive, but that comparison is misleading in both directions: US refiners are cyclical businesses whose P/Es compress at cyclical peaks precisely because earnings are known to be temporary, and their EV/EBITDA multiples of 3–7x reflect mature, low-growth asset bases. DPRP has a Nelson Complexity Index of 11.5 against an emerging-market weighted average of 8.9, a monopoly-like domestic position, and a capacity-doubling programme — characteristics that justify a premium to a mature US refiner. The honest conclusion is that 13.1x is reasonable if the earnings hold, and expensive if they do not.

5. The investment case

1. **Audited, cash-backed profitability at scale.** US$1.82bn of profit after tax and US$1.27bn of operating cash flow in six months, on 17.9% gross and 13.1% net margins. This is no longer a projection.
2. **Dominant and defensible domestic position.** As at 31 May 2026 the Issuer supplied 100% of domestically produced PMS in Nigeria and ~87.6% of total PMS supply including imports. Import-parity pricing on domestic sales preserves margin discipline.
3. **Technical superiority.** NCI of 11.5 versus an 8.9 emerging-market average, 36 crude grades processed to 30 June 2026, and a proprietary linear-programming model used to optimise feedstock selection — a genuine and durable structural advantage in crude flexibility.
4. **A deleveraged balance sheet with expansion headroom.** Net Debt/EBITDA of 0.27x and US$4.27bn of cash provide real capacity to fund growth without distressing the equity.
5. **Established export reach.** Products sold into Togo, Ghana, Cameroon, Benin, Ivory Coast, South Africa, Morocco and Mauritius, and beyond Africa to Singapore, Oman, Malaysia, the United States, Brazil and Europe — diversifying away from single-country demand risk.
6. **Free zone tax efficiency (for now).** The effective tax rate was 13.6% in H1 2026 under the OGFZ framework — well below Nigeria's headline corporate rate. See Section 6 for the 2028 change.
7. **Structural domestic demand.** As at January 2026, Nigerian consumption exceeded regulatory benchmarks across every major category — PMS at 60.2m litres/day against a 50m benchmark, AGO at 19.2m against 14m, ATK at 3.5m against 3m.
8. **USD dividend intent.** The Issuer's functional and reporting currency is the US dollar and it intends, subject to law and approvals, to declare dividends in USD — a scarce hard-currency income characteristic on the NGX.

6. Risks — what we would put to the Committee

PRINCIPAL RISK: THESE ARE PEAK-CYCLE EARNINGS

The Issuer estimates a gross refining margin of approximately US$24.2 per barrel for 2026. That figure sits far above historical norms. Global refining margins in 2026 have been inflated by geopolitical disruption — the Nymex 3:2:1 crack spread reached roughly US$70/bbl in this cycle against a February 2016–February 2026 average of about US$21.68/bbl, with the 2027 forward curve already more than 35% below spot. Every peer refiner has posted record results in this window. A normalisation of margins is not a tail risk; it is the base expectation over a multi-year holding period.

6A. Margin sensitivity — what the same price implies at different GRMs

GRM (US$/BBL)	IMPLIED GROSS PROFIT	IMPLIED PAT	P/E AT ₦525
24.2 (Issuer 2026 estimate)	US$6.18bn	US$4.83bn	**9.9x**
18.0	US$4.60bn	US$3.25bn	**14.7x**
15.0	US$3.83bn	US$2.48bn	**19.3x**
12.0	US$3.07bn	US$1.72bn	**27.9x**
10.0	US$2.56bn	US$1.21bn	**39.7x**

Method: GRM applied to 700,000 bpd over 365 days, less the US$1.35bn of annualised operating costs, finance costs and tax implied by H1 2026 actuals. Simplified, but it frames the exposure honestly: the entire valuation case rests on where refining margins settle. At a mid-cycle GRM the Offer is priced at roughly 19x — no longer cheap.

6B. Other material risks

9. **Very thin free float (3.3%).** Only 4.1bn of 124.23bn shares are being offered. Thin floats cut both ways: they can amplify early price appreciation, but they also mean poor liquidity, wide spreads, and difficulty exiting a position of institutional size without moving the price. Investors should assume this is difficult to sell in scale.

10. **The Offer is not underwritten.** At the Issuer's instance. There is no guarantee of full subscription and no underwriter support for the aftermarket.

11. **Free zone tax status changes from 1 January 2028.** The Prospectus states that from that date, profits derived from sales into the Nigerian customs territory may be fully subject to Nigerian taxes. Given that domestic PMS sales are the largest revenue line, this is a material and dated step-up in the effective tax rate, roughly 15 months after listing.

12. **Single-site concentration.** All refining, power generation, storage and logistics infrastructure sits on one 2,635-hectare coastal site, with the marine terminal ~14km from the main processing area. The Prospectus specifically cites flooding risk given the coastal location, alongside fire, explosion, equipment failure, sabotage and civil unrest.

13. **Limited operating history at nameplate capacity.** Performance testing at 650,000 bpd completed only in February 2026 and at 700,000 bpd in June 2026. The Prospectus itself cautions that performance achieved during testing may not be sustained in normal operations. No major turnaround has yet been completed at full rates — planned CDU and RFCC shutdowns took place in December 2025 and January 2026.

14. **Crude supply dependency and counterparty concentration.** Approximately 60% of 2025 feedstock was Nigerian, sourced partly through NNPC term contracts including the crude-for-Naira programme, with access to up to 350,000 bpd under the Domestic Crude Supply Obligation framework subject

to availability. NNPC is simultaneously a 6.815% shareholder, a principal supplier and a competitor in fuel importation.

15. **Expansion funding gap.** The programme to 1.4m bpd by 2029 carries estimated capex of US$14.3bn. Net Offer proceeds of ~US$1.55bn cover only 10.8% of that. The remaining ~US$12.75bn must come from internally generated cash flow, debt, trade and project finance — roughly 2.5 years of current annualised EBITDA, at a time when that EBITDA is cyclically elevated. Execution risk, cost overruns and further equity issuance are live possibilities.
16. **Related-party transactions.** The Issuer transacts with other Dangote Group entities across procurement, logistics and shared services. NGX Rulebook disclosure obligations will apply post-listing, but the ~80.7% combined control held by Dangote Oil Refining Company and Dangote Industries means minority influence over these arrangements is limited.
17. **Litigation.** As at 26 August 2026, fourteen pending cases, nine above the ₦100m materiality threshold, with aggregate claims of ₦4.08bn and US$216.1m excluding interest and unquantified claims. The Joint Solicitors consider an adverse outcome unlikely to be materially adverse.
18. **Retail incentive shares are not yet approved.** The programme offering up to two bonus shares for twelve- and twenty-four-month continuous holdings remains subject to shareholder, SEC, OGFZA and NGX approvals which, per the Prospectus, had not been obtained at the date of the Prospectus. It may be amended, suspended or withdrawn, and no investor has a claim if it is. It should carry no weight in the decision.
19. **Currency.** Subscription is in Naira while the Issuer reports in USD and intends USD dividends, so returns depend partly on the Naira/USD path. The Prospectus notes exchange rates of ₦1,388.89/US$1 at 30 June 2026 against ₦1,532.00 a year earlier, and ₦435.00 as recently as year-end 2021. The natural hedge is real — revenue, feedstock and financing are largely USD-linked — but Naira receivables and balances remain exposed, and FX illiquidity can delay conversion.

7. What changed since our July note

ISSUE	JULY POSITION	POSITION ON THE PROSPECTUS
Profitability	Two audited loss-making years; 2026 profit claim unreconciled	**Resolved.** Audited H1 2026 PAT of US$1.82bn, driven by gross profit, not finance income
Finance income anomaly	~US$1.96bn unexplained line; advised no reliance	**Resolved.** Audited finance income US$49.6m — interest on Naira deposits only
Pricing	US$0.53 pre-IPO offer implied ~US$59.2bn	**Vindicated.** IPO price is US$0.385 — the pre-IPO offer was a 37.7% premium to it
Private placement	US$0.35 reported	**Confirmed.** US$2.5bn raised; that entry was a 9.1% discount to the IPO price
Leverage	Net Debt/Equity 49% (Apr-2026 mgt accounts)	**Improved.** 13.2% at 30 June 2026; Net Debt/EBITDA 0.27x
Capacity	650,000 bpd nameplate	**Rerated.** 700,000 bpd is now nameplate following June 2026 testing
Recommendation	Do not commit pre-IPO at any price	Participate at ₦525, sized as a satellite position

> **A note on the pre-IPO channel**
>
> Investors who paid US$0.53 per share through pre-IPO intermediaries did so at a 37.7% premium to the price now available to the general public in a regulated, SEC-cleared offering with full disclosure. Our advice to wait for the Prospectus has been borne out in cash terms. The lesson is worth carrying into the next transaction of this type.

8. Recommended action

20. **Subscribe at ₦525.00, sized as a satellite position** — our guidance is no more than 3–5% of a diversified portfolio, toward the lower end for income-oriented mandates given the absence of any dividend track record.

21. **Assume poor liquidity.** With a 3.3% free float, size the position on the assumption that exiting in scale will be difficult and costly. Do not treat this as a tradeable position.

22. **Apply early.** Applications open 14 September and close 13 October 2026. The allotment methodology allots small applications in full up to a Full Allotment Threshold, then scales back larger ones — institutional applicants should expect scaling in an oversubscribed book.

23. **Underwrite to mid-cycle, not to H1 2026.** For internal modelling we suggest a GRM of US$15–18/bbl as the central case, giving a P/E of roughly 15–19x at the Offer price. If the investment still clears the hurdle rate on that basis, it is a sound position; if it only works at US$24/bbl, it does not.
24. **Give no weight to the retail incentive shares** in the return calculation until the required approvals are confirmed.
25. **Monitor four things post-listing:** (i) quarterly GRM disclosure against the US$24.2/bbl 2026 estimate; (ii) sustained utilisation at 700,000 bpd through the first full turnaround; (iii) the funding mix announced for the US$12.75bn expansion gap, and any signal of further equity issuance; (iv) preparation for the 1 January 2028 change in free zone tax treatment of customs-territory sales.

Sources: Dangote Petroleum Refinery & Petrochemicals FZE Prospectus dated 7 September 2026 (SEC-cleared; Solicitor to the Issuer: Banwo & Ighodalo; Reporting Accountant: KPMG Professional Services; Auditor: Deloitte & Touche), including audited financial statements for H1 2026 and FY2021–FY2025 and the risk factors at pages 134–155. Peer data: NGX/Investing.com/Mansa Markets for Dangote Cement as at 9 September 2026; Zacks and CNBC for refining sector multiples and crack spread history (February–August 2026). All ratios computed by mystocks.africa directly from Prospectus figures at ₦1,364/US$1 unless otherwise stated.