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Weaker topline and cost pressures weigh on earnings

BLOOMBERG: OKOMUOIL NL

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Okomu Oil Palm Company Plc (NGX: OKOMUOIL; TP: N1,066.34), in its H1'26 results, reported a 16.4% YoY decline in EPS to N41.65. A softer revenue performance across both the CPO and rubber segments, combined with a heavier cost base, compressed margins and drove the earnings decline in the reported period.

Revenue slipped 3.5% YoY to N125.3 billion, with the decline broad-based across the CPO segment (-3.2% YoY to N113.2 billion) and the rubber segment (-6.4% YoY to N12.1 billion). We attribute the revenue decline, particularly in the CPO segment, to likely weaker realised prices and volumes, due to intensifying competition from imported palm oil.

Net general expenses rose 6.4% YoY to N65.4 billion, reflecting likely higher fertiliser and other input costs, alongside a notable increase in staff costs. With costs rising into a falling topline, operating profit fell 12.4% YoY to N59.9 billion, and EBIT margin narrowed 4.8ppts to 47.8%.

Net finance costs eased 29.5% YoY to N948.9 million, as interest income jumped to N622.5 million (N97.9 million in H1'25), outpacing a modest rise in finance costs (+8.9% YoY to N1.6 billion). Regardless, PBT margin shrank 4.6ppts to 47.1%, on account of the weaker operating performance.

Effective tax rate increased by 3.5ppts to 32.6%, compounding the pressure, and resulting in a 16.4% decline in net profit to N39.7 billion. Net profit margin hence compressed by 4.9ppts to 31.7%. Annualised Returns metrics, while relatively elevated, were weaker YoY, with ROAE* at 129.2% (142.2% in H1'25) and ROAA* at 52.0% (68.7% in H1'25).

The performance strain was concentrated in Q2'26. Revenue fell 7.5% YoY to N66.3 billion while net general expenses jumped 15.2% to N41.9 billion, compressing EBIT margin to 36.9% (49.3% in Q2'25). This resulted in a 30.8% decline in EBIT to N24.5 billion. A net finance income of N434.0 million (vs a N516.0 million net finance cost in Q2'25) offered modest relief, but a higher 35.2% tax rate resulted in a 37.5% YoY decline in Net income to N16.1 billion, and an EPS of N16.91 per share.

*ROAE and ROAA are calculated using annualised figures for Net Income

H1'26 Earnings breakdown

Income Statement, N'million	H1'26	H1'25	YoY	FY'26E	% of FY'26E
Revenue	**125,286**	**129,834**	**-3.5%**	**206,226**	**60.8%**
Net General Expenses	(65,350)	(61,435)	6.4%	(111,396)	58.7%
Operating profit	**59,936**	**68,400**	**-12.4%**	**94,830**	**63.2%**
Net finance costs	(949)	(1,346)	-29.5%	(4,832)	19.6%
PBT	**58,987**	**67,054**	**-12.0%**	**89,998**	**65.5%**
Tax	(19,256)	(19,516)	-1.3%	(28,799)	66.9%
Net Income	**39,731**	**47,538**	**-16.4%**	**61,198**	**64.9%**
EPS (Naira)	**41.65**	**49.83**	**-16.4%**	**64.16**	**64.9%**
Ratios	H1'26	H1'25		FY'26E	
EBIT Margin	47.8%	52.7%		46.0%	
PBT Margin	47.1%	51.6%		43.6%	
Effec.Tax Rate	32.6%	29.1%		32.0%	
Net Profit Margin	31.7%	36.6%		29.7%	
ROAE	129.2%	142.2%		89.8%	
ROAA	52.0%	68.7%		41.8%	
EV/EBITDA	13.0x				
P/E	24.3x				
10 year average EV/EBITDA	7.2x				
10 year average P/E	11.4x				

Q2'26 Earnings breakdown

Income Statement, N'million	Q2'26	Q2'25	YoY	Q1'26	QoQ
Revenue	**66,331**	**71,724**	**-7.5%**	**58,955**	**12.51%**
Net General Expenses	(41,873)	(36,357)	15.2%	(23,476)	**78.36%**
Operating profit	**24,457**	**35,367**	**-30.8%**	**35,479**	**-31.06%**
Net finance costs	434	(516)	NM	(1,383)	**-131.37%**
PBT	**24,891**	**34,851**	**-28.6%**	**34,096**	**-27.00%**
Tax	(8,761)	(9,052)	-3.2%	(10,495)	**-16.52%**
Net Income	**16,130**	**25,799**	**-37.5%**	**23,601**	**-31.66%**
EPS (Naira)	**16.91**	**27.05**	**-37.5%**	**24.74**	**-31.66%**
Ratios	Q2'26	Q2'25		Q1'26	QoQ
EBIT Margin	36.9%	49.3%		60.2%	
PBT Margin	37.5%	48.6%		57.8%	
Effec.Tax Rate	35.2%	26.0%		30.8%	
Net Profit Margin	24.3%	36.0%		40.0%	

Source: S&P CapitalIQ, Company financials, CardinalStone Research

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