Nigeria | Equity Research | Earnings Update

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TRANSNATIONAL CORPORATION PLC

Robust diversified topline drive stellar Q1'24 earnings

Adebayo Adebanjo, ACA
adebayo.adebanjo@cardinalstone.com

Philip Anegbe, CFA
Philip.anegbe@cardinalstone.com

In its unaudited Q1'24 results, Transnational Corporation Plc (TRANSCORP - TP: N32.59) recorded stellar growth in PAT to N35.9 billion, driven by robust topline performance across the power and hotel subsidiaries.

Revenue expanded by 173.4% YoY to N88.6 billion, reflecting 1.) the significant progress in the group's implementation of its integrated power strategy in the power businesses and 2.) an increase in occupancy rate from 75.0% to 82.0% in the hotel business. Specifically, the power businesses contributed a combined N74.7 billion (84% of the group's total revenue), up 208.7% YoY. Similarly, the hospitality business recorded a 67.5% YoY growth in topline to N13.9 billion (16% of the group's total revenue).

Expectedly, the cost of sales expanded by 133.0% YoY to N42.3 billion, largely due to elevated natural gas and fuel costs (+157.5% YoY) and higher repairs and maintenance expenses (+160.0% YoY). Nonetheless, gross margins improved by 8.3 ppts YoY to 52.2%. Similarly, operating expenses surged by 60.6% YoY, driven by higher management fees, employee costs, repairs & maintenance, among other administrative expenses. Notably, the company reported a substantial N12.5 billion emanating from a gain on sales of investments. Consequently, EBIT margin grew to 55.5%.

Further down, TRANSCORP reported a 14.4% YoY increase in net finance costs, primarily owing to a substantially lower interest income in the period. In addition, the company recorded a net foreign exchange gain on borrowing of N210.1 million (vs a foreign exchange loss of N2.4 billion in Q1'23). This supported the PBT margin growth to 51.6%.

In line with its stellar performance, the group reported an 882.3% YoY surge in income tax expense to N9.8 billion, albeit a lower effective tax rate of 21.4% (vs Q1'23: 34.8%). This culminated in a 1,832.4% surge in net profit of N35.9 billion for the period. For context, the Q1'24 PAT performance outperforms FY'23 earnings by 10.6%.

Given that Transcorp Power and Transcorp Hotel are not wholly owned subsidiaries of the group, the profit attributable to the group grew by 1,663.2% YoY to N24.8 billion. Consequently, the EPS grew to N0.61 (vs Q1'23: N0.03).

Q1'24 Earning breakdown

Income Statement, N'million	Q1'24	Q1'23	YoY
Revenue	**88,552**	**32,394**	**173.4%**
COGS	(42,342)	(18,175)	133.0%
Gross Profit	**46,210**	**14,219**	**225.0%**
Other Income	12,526	238	5160.7%
OPEX	(9,582)	(5,965)	60.6%
EBIT	**49,154**	**8,492**	**478.8%**
Net Interest	(3,679)	(3,217)	14.4%
Foreign exchange gain	210	(2,422)	NM
PBT	**45,685**	**2,853**	**1501.4%**
Tax	(9,762)	(994)	882.3%
Net Income	**35,922**	**1,859**	**1832.4%**
Attrib. to Parent Company	**24,845**	**1,409**	**1663.2%**
EPS (Naira)	**0.61**	**0.03**	**1933.3%**

Ratios	Q1'24	Q1'23
Gross Margin	52.2%	43.9%
EBIT Margin	55.5%	26.2%
PBT Margin	51.6%	8.8%
Tax Rate	21.4%	34.8%
Net Profit Margin	40.6%	5.7%
Annualised ROAA	26.0%	1.6%
Annualised ROAE	69.8%	4.8%
EV/EBITDA	8.1x	
P/E	25.0x	
10-year average EV/EBITDA	7.0x	
10-year average P/E	17.9x	

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