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BLOOMBERG: HBMNG NL

Pricing gains and interest income drive H1’26 earnings performance

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HBM Nigeria Plc (NGX: HBMNG; TP: UR*) delivered a strong H1’26 performance, with EPS up 57.0% YoY to N12.93. Earnings growth was driven by revenue expansion that outpaced cost increases, further supported by a sharp increase in net finance income.

Revenue grew 31.2% YoY to N678.4 billion, driven by a 9.9% rise in volumes sold (to 3.50Mt) and a 19.5% increase in average revenue per tonne (to N193,832). The pricing gains reflect the Q1’26 price increases implemented in response to higher energy costs, while strong government demand underpinned volume growth.

Cost of Sales rose 16.0% YoY to N256.6 billion, largely reflecting higher energy prices within production variable costs. Gross margins, however, expanded by 5.0 ppts to 62.2%, owing to revenue growth outpacing cost growth. OPEX increased 21.2% YoY, driven by higher distribution costs (+10.5% YoY) and general expenses (+43.6% YoY). Regardless, EBIT margin widened by 5.7ppts to 42.9%.

Net finance income surged 258.8% YoY to N26.8 billion, driven chiefly by higher interest income on robust cash and short-term investments (+276.2% YoY to N27.0 billion). This was also complemented by a drop in finance costs (-58.3% YoY to N1.2 billion). Consequently, PBT margin was lifted by 8.2ppts to 46.8%.

While the effective tax rate ticked up slightly by 0.9ppts to 34.4%, net profit still grew by 57.0% YoY to N208.3 billion. Net profit margin also expanded by 5.0ppts to 30.7%, with EPS settling at N12.93.

The Board declared an interim dividend of N16.00 per share (+300.0% YoY), implying a payout ratio of 123.7% on its H1’26 EPS.

In Q2’26 standalone**,** Revenue grew 27.9% YoY (+2.6% QoQ) to N343.5 billion, though gross margin eased to 63.0% (from 64.3% in Q2’25) as cost growth outpaced sales. EBIT still rose 24.1% YoY to N149.7 billion, while a sharp jump in net finance income (+214.9% YoY) lifted PBT margin to 49.1%. Net income rose 31.4% YoY to N110.4 billion, with EPS of N6.85 (+12.7% QoQ).

* UR – Under Review

H1'26 Earnings breakdown

Income Statement, N'million	H1'26	H1'25	YoY	FY'26E	% of FY'26E
Revenue	**678,411**	**516,977**	**31.2%**	**1,393,402**	**48.7%**
COGS	(256,595)	(221,209)	16.0%	(537,883)	47.7%
Gross Profit	**421,815**	**295,768**	**42.6%**	**855,520**	**49.3%**
Other Income	329	4,722	-93.0%	4,180	7.9%
Impairment reversal of receivables	(176)	(80)	120.7%	-	NM
OPEX	(131,025)	(108,140)	21.2%	(261,780)	50.1%
EBIT	**290,944**	**192,270**	**51.3%**	**597,920**	**48.7%**
Net Interest	26,788	7,466	258.8%	37,867	70.7%
PBT	**317,732**	**199,736**	**59.1%**	**635,787**	**50.0%**
Tax	(109,385)	(67,059)	63.1%	(203,452)	53.8%
Net Income	**208,347**	**132,677**	**57.0%**	**432,336**	**48.2%**
EPS (N)	**12.93**	**8.24**	**57.0%**	**26.84**	48.2%
DPS (N)	**16.00**	**4.00**	**300.0%**	**10.74**	149.0%
Ratios	**H1'26**	**H1'25**		**FY'26E**	
Gross Margin	62.2%	57.2%		61.4%	
EBIT Margin	42.9%	37.2%		42.9%	
PBT Margin	46.8%	38.6%		45.6%	
Effec. Tax Rate	34.4%	33.6%		32.0%	
Net Profit Margin	30.7%	25.7%		31.0%	
ROAE	55.6%	50.2%		50.2%	
ROAA	33.2%	27.9%		30.0%	
EV/EBITDA	12.0x				
P/E	18.0x				
10 year average EV/EBITDA	6.2x				
10 year average P/E	11.9x				

Q2'26 Earnings breakdown

Income Statement, N'million	Q2'26	Q2'25	YoY	Q1'26	QoQ
Revenue	**343,528**	**268,627**	**27.9%**	**334,882**	**2.6%**
COGS	(127,203)	(95,834)	32.7%	(129,392)	**-1.7%**
Gross Profit	**216,325**	**172,792**	**25.2%**	**205,490**	**5.3%**
Other Income	122	4,227	-97.1%	208	**-41.2%**
Impairment reversal of receivables	284	(134)	NM	(459)	**-161.8%**
OPEX	(67,055)	(56,274)	19.2%	(63,971)	**4.8%**
EBIT	**149,676**	**120,611**	**24.1%**	**141,268**	**6.0%**
Net Interest	18,934	6,012	214.9%	7,854	**141.1%**
PBT	**168,610**	**126,623**	**33.2%**	**149,122**	**13.1%**
Tax	(58,217)	(42,589)	36.7%	(51,168)	**13.8%**
Net Income	**110,392**	**84,034**	**31.4%**	**97,954**	**12.7%**
EPS (N)	**6.85**	**5.22**	**31.4%**	**6.08**	**12.7%**
Ratios	**Q2'26**	**Q2'25**		**Q1'26**	
Gross Margin	63.0%	64.3%		61.4%	
EBIT Margin	43.6%	44.9%		42.2%	
PBT Margin	49.1%	47.1%		44.5%	
Effec. Tax Rate	34.5%	33.6%		34.3%	
Net Profit Margin	32.1%	31.3%		29.3%	

Source: S&P CapitalIQ, Cardinalstone Research

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Buy ≥ +15.00% expected share price performance

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A POSITIVE WATCH is given to equities whose fundamentals may improve significantly over the next six (6) months, in our view

Rating	**Buy**	**Sell**	**Hold**	**Negative Watch**
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