

Buoyant demand and cost efficiency propel Q1'26 profitability

Lafarge Africa Plc (NGX: WAPCO; TP: UR*) reported an impressive Q1'26 performance, with EPS surging 101.4% YoY to N6.08. The earnings expansion was supported by sturdy revenue growth, easing cost pressures, and a net finance income reported for the period.

Revenue grew by 34.8% YoY to N334.9 billion, driven by an improvement in volume sold (+10.9% YoY to 1.80Mt), and higher pricing (+21.6% YoY to N186,046 per tonne). Both factors were driven by strong public demand, particularly for the company's products.

Cost of Sales grew by 3.2%, aided by a marginal growth in variable production costs (+2.6% YoY) and declining fixed costs (-11.1% YoY), highlighting the company's cost efficiency amidst a stable macroeconomic environment. This led to an 11.8 ppts increase in Gross margin to 61.4%.

OPEX grew by 23.3% YoY, largely driven by higher administrative expenses (+75.1% YoY to N22.6 billion). This offset the positive impact of the much tamer growth in total distribution costs (+0.3% YoY to N36.5 billion), despite the likely pressure in the final month of the quarter due to rising energy prices. Consequently, EBIT margins expanded by 13.3ppts to 42.2%.

Net finance income improved by 440.3% YoY to N7.9 billion. This was driven by a surge in Finance income (+559.6% YoY to N12.1 billion), and this offset the impact of unrealised foreign exchange loss of N4.4 billion reported in the quarter. The latter was due to an accumulation of cash dollars to fund the expansion program, and the consequent effect of the naira appreciation in the quarter. PBT margins expanded by 15.1 ppts to settle at 44.5%.

With the effective tax rate largely stable (+0.8ppts to 34.3%), Net profit margins improved by 9.7ppts to 29.3%, and Net income rose to N98.0 billion (+101.4% YoY). EPS settled at N6.08. Annualised ROAA and ROAE were computed at 63.3% (+26.5ppts YoY) and 30.4% (+9.9ppts YoY) respectively, indicating impressive returns on investments for the quarter.

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Q1'26 Earnings breakdown

Income Statement, N'million	Q1'26	Q1'25	YoY	FY'26E	% of FY'26E
Revenue	334,882	248,351	34.8%	1,254,802	26.7%
COGS	(129,392)	(125,374)	3.2%	(509,476)	25.4%
Gross Profit	205,490	122,976	67.1%	745,326	27.6%
Other Income	208	495	-58.1%	3,764	5.5%
Impairment reversal of receivables	(459)	55	NM	-	NM
OPEX	(63,971)	(51,866)	23.3%	(239,505)	26.7%
EBIT	141,268	71,659	97.1%	509,585	27.7%
Net Interest	7,854	1,454	NM	30,683	25.6%
PBT	149,122	73,113	104.0%	540,269	27.6%
Tax	(51,168)	(24,469)	109.1%	(172,886)	29.6%
Net Income	97,954	48,644	101.4%	367,383	26.7%
EPS (N)	6.08	3.02	101.4%	22.81	26.7%
Ratios	Q1'26	Q1'25		FY'26E	
Gross Margin	61.4%	49.5%		59.4%	
EBIT Margin	42.2%	28.9%		40.6%	
PBT Margin	44.5%	29.4%		43.1%	
Effec. Tax Rate	34.3%	33.5%		32.0%	
Net Profit Margin	29.3%	19.6%		29.3%	
ROAE	63.3%	36.8%		44.3%	
ROAA	30.4%	20.4%		26.5%	
EV/EBITDA	11.6x				
P/E	17.4x				
10 year average EV/EBITDA	6.2x				
10 year average P/E	11.9x				
Segmented Reporting	Q1'26	Q1'25	YoY	FY'26E	% of FY'26E
Volume (Mt)	1.80	1.62	10.9%	6.80	26.5%
Price Per Tonne (N)	186,046	153,019	21.6%	179,410	

Source: S&P CapitalIQ, Cardinalstone Research

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Hold +0.00% to +14.99% expected share price performance

Sell < 0.00% expected share price performance with weak fundamentals

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