



**BUA Foods Plc HI 2024 Result: Sales Growth Doubles by +109.51% Amidst Cost Pressures.**



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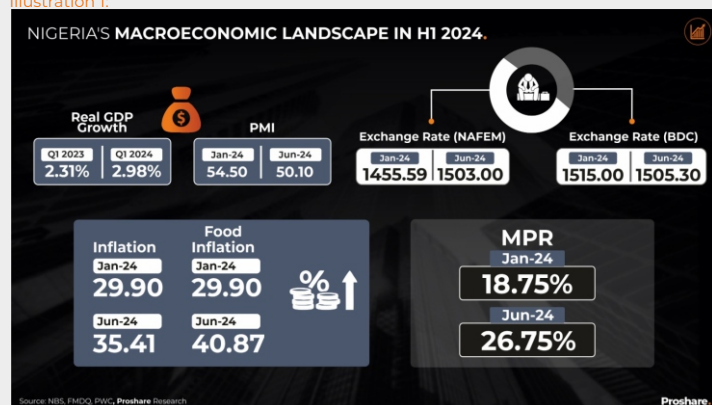
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The global consumer goods market is projected to rise to about US\$18,934.4bn by 2031, growing at a compound annual growth rate (CAGR) of 5.1% from 2022 to 2031, despite current global volatility and shocks affecting consumer goods companies.

In Nigeria, the market has faced challenges in HI 2024, including **inflation rising to 34.19%** in June 2024 from 29.90% in January 2024, coupled with the naira depreciation against the dollar. These factors, amongst others, increased production cost pressures and shrunk consumers' purchasing power through HI 2024.

Proshare analysts observed that the growth of the consumer goods market index by 40.54% between January 2, 2024, and June 28, 2024, may imply resilience and momentum. However, they caution that macroeconomic constraints may persist (see *Illustration 1*).

Illustration 1:



**BUA Foods Plc** showed tenacity and competitiveness relative to industry peers in H1 2024.

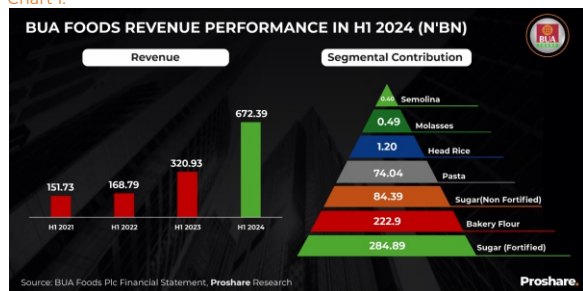
**Key Highlight for H1 2024.**

- Revenue grew by +109.51% to N672.39bn in H1 2024 from N320.93bn in H1 2023.
- Cost of sales increased by +141.31% to N453.95bn in H1 2024 from N188.10bn in H1 2023.
- Gross profit grew by +64.45% to N218.44bn in H1 2024 from N132.83bn in a similar period in 2023.
- Operating expenses rose by +59.18% to N28.45bn in H1 2024 from N17.86bn in H1 2023.
- Finance cost increase to N19.61bn in H1 2024 from N6.30bn in H1 2023.
- Profit before tax (PBT) climbed to N137.19bn (+25.43%) in H1 2024 from N109.38bn in H1 2023.
- Total asset increased by +45.98% to N1106.43bn in H1 2024 from N757.92bn in H1 2023.
- Total borrowings stood at N364.48bn in H1 2024 from N198.03bn in H1 2023.
- Inventories rose by +204.57% to N98.70bn in H1 2024 from N32.41bn in H1 2023.
- Retained earnings grew by +21.01% to N384.93bn in H1 2024 from N318.10bn in H1 2023.

**Revenue.**

BUA Foods doubled sales by +109.51% to N672.39bn in H1 2024 from N320.93 bn in H1 2023. Analysts observe that BUA’s revenue in H1 2024 was majorly driven by three segments (fortified sugar, bakery flour, and non-fortified sugar segments), collectively accounting for 88.07% of total revenue reported in H1 2024 (see chart 1).

Chart 1:



**Segmental Performance.**

The company’s bakery operation was identified as its top performer in H1 2024, distinguished by its dominant contribution to revenue and a strong

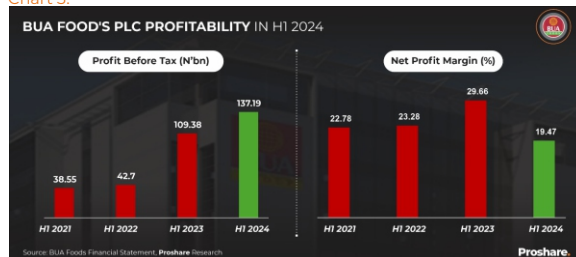
growth rate. Additionally, the head rice segment stands out as the highest growth section, given investment expansion activities and market availability (see chart 2)



**Profitability.**

The sugar producer recorded its highest pre-tax earnings in H1 2024. Conversely, finance cost rose by +211.27%, from N6.30bn in H1 2023 to N19.61bn in H1 2024, accompanied by a foreign exchange loss of N54.67bn in H1 2024, combining to represent severe cost pressures that plunged the company’s net profit margin to its lowest rate in over four years (see chart 3).

Chart 3:



**Financial Position.**

The increase in Inventories by +204.57% and the +222.26% rise in amounts due from related companies stood as major contributors to total asset growth (+45.98%) to N1106.43bn in H1 2024 from N757.92bn in H1 2023. Concurrently, the company’s reliance on borrowings, which rose by +84.05%, drove liabilities growth by +65.24%, while the consumer goods producer saw an over 20% increase in retained earnings in H1 2024 (see table 1).

Table 1:

	H1 2023	H1 2024	Change
<b>Assets</b>	757.92	1,106.43	45.98%
<b>Liabilities</b>	431.76	713.44	65.24%
<b>Total Borrowings</b>	198.03	364.48	84.05%
<b>Share Capital</b>	9.00	9.00	0.00%
<b>Retained Earnings</b>	318.10	384.93	21.01%
<b>Shareholders Equity</b>	326.16	392.99	20.49%

### Cash Flow.

BUA Foods Plc's cash position improved +21.85%, with cash and cash equivalent rising to N80.24bn in H1 2024 from N65.85bn in H1 2023. Cash generated from operating activities increased by +284.51% as net cash generated from financial activities rose by +1,435.61%. Conversely, net cash flows from investing activities declined by -90.54% to N1.30bn in H1 2024 from N16.91bn in H1 2023 (see table 2).

Table 2:

	H1 2023	H1 2024	Change
Net cash generated from operating activities	75.03	288.50	284.51%
Net cash flows from investing activities	-16.91	-1.60	-90.54%
Net cash generated from financial activities	19.94	306.20	1435.61%
Cash and cash equivalent	65.85	80.24	21.85%

### Ratios.

BUA Foods Plc's higher gearing ratio to 0.72 in H1 2024 from 0.41 in H1 2023 showed increased debt reliance. Nevertheless, BUA showed stronger capacity to meet immediate trade obligations, given its current ratio of 1.08 in H1 2024, despite a dip from 1.21 in H1 2023. Conversely, its ability to meet current obligations declined, given the fall in acid test ratio. Profit margins were positive in H1 2024 but below previous period returns (see table 3).

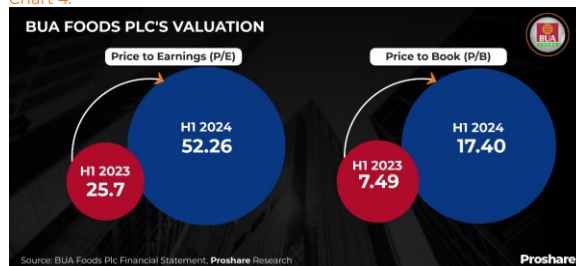
Table 3:

	H1 2023	H1 2024
Gearing Ratio	0.41	0.72
Current Ratio	1.21	1.08
Return-on-Assets	12.56%	11.83%
Return on-Equity	29.19%	33.32%
Gross profit margin	41.39%	32.49%
Net profit margin	29.66%	19.47%
Inventory turnover ratio	1.91	5.55
Acid test ratio	1.11	0.94

### Valuation.

BUA Foods Plc's price-to-earnings (P/E) ratio rose to 52.3x in H1 2024, above the industry average of 10.2X. Concurrently, the company's price-to-book (P/B) ratio stood at 17.40x in H1 2024 exceeding the industry average of 1.7x and 7.49X in H1 2023 (see chart 4).

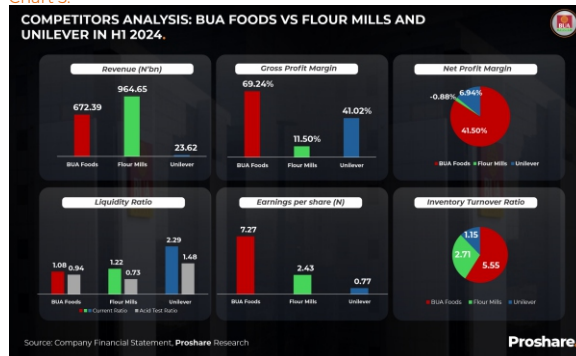
Chart 4:



### Competitor Analysis.

Analysts note that higher costs of operations transferred to prices largely drove revenue growth while taking a chunk of the revenue pie of consumer goods players. Flour Mills Plc reported the highest revenue in H`1 2024, with BUA Foods closely on its heels. BUA Foods Plc showed dominance over its peers in gross and net profit performance, as evidenced by its earnings per share. The consumer goods industry showed strength in meeting short-term obligations; however, BUA Foods and Flour Mills trialled Unilever Nigeria Plc's ability to meet current obligations outside inventories (see chart 5).

Chart 5:



### Closing Thoughts.

BUA Foods Plc maintained positive performance at the end of H1 2024, leveraging its dominant market presence, income statement, and balance sheet size.

Analysts believe these factors will continue to drive growth at the current pace heading into H2 2024. Proshare analysts observe limitations in the contribution to revenue by smaller segments, such as the head rice and semolina segments introduced in H1 2024. Strategies geared towards driving investment and expansion across these segments while making provisions to curb risk and create affordability will drive profit margins above current levels in H2 2024.

## Related Items..

1. BUA Foods Plc to Hold Annual General Meeting on September 26, 2024.
2. BUA Foods Plc Declares N130.9bn PAT in H1 2024 Unaudited Results, (SP: N379.9k).
3. BUA Foods Plc: Improved Earnings Amidst Biting Cost Pressures.
4. BUA Foods Plc Q1 2024 Result: Finance Costs Soar +611.74% on the Back of Rising Interest Rates.
5. BUA Foods Plc Declares N55.82bn PAT in Q1 2024 Results, (SP: N379.9).
6. BUA Foods Plc FY 2023 Result: Revenue Rises 74.36%, as Operating Costs Escalate.
7. BUA Foods Plc Declares N112.10bn PAT in Q4 2023 Results, (SP: N379.9).
8. Airtel Africa, MTN, BUA Foods and Cement, FBN Holdings, 6 Others Hit Over N1trn Market CAP as of January 9th 2024.
9. BUA Foods Plc Declares N105.62bn PAT in Q3 2023 Results, (SP: N202:80k).
10. 2023 AGM: BUA Foods Plc Shareholders Approve N4.50k Final Dividend, Commits to Supporting FG Food Security Agenda.
11. BUA Foods Plc Declares N95.19bn Profit in Q2 2023 Unaudited Results, (SP: N135.75k).
12. BUA Foods Plc Appoints Mrs Yemisi Low-Adesola as an Independent Non-Executive Director.
13. BUA Foods Restates Commitment to Supporting Local Rice Farmers for Food Security in Nigeria.
14. BUA Foods Plc Declares N40.47bn PAT in Q1 2023 Results, (SP: N114:00k).
15. BUA Foods Plc Declares N91.34bn PAT in FY 2022 Audited Results; Proposes N4.50k Final Dividend, (SP: N102:00k).
16. BUA Foods Plc Company Plc to Hold Board Meeting on March 29, 2023: Declares Closed Period.
17. BUA Foods Plc Declares N68.76bn PAT in Q3'22 Results, (SP: N55.5K).



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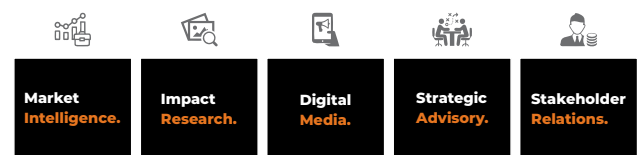
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**Teslim SHITTA-BEY**  
 Managing Editor/CE

  
**Tosin IGE**  
 Head, Research



### Contacts.

 Olufemi <b>AWOYEMI</b> , <i>mni</i> ceo@proshare.co	 <a href="http://www.proshare.co">www.proshare.co</a>
 Teslim <b>SHITTA-BEY</b> teslim.bey@proshare.co	 +234 902 407 5284
 Tosin <b>IGE</b> research@Proshare.co	 @proshare
 Ademidun <b>SHOGO</b> ireconomist@Proshare.co	 proshare.co
	 proshare.co
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 Plot 590b, Lekan Asuni  
 Close, Off Toyin Omotosho Street,  
 Omole Phase 2, Isheri Olowora  
 Ikeja, Lagos, Nigeria **PC: 105102**  
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 E-mail: [info@proshare.co](mailto:info@proshare.co)