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Transcorp Hotels H1 2026 Results: Cost Discipline Drives Record Profit Growth

Issue Date:
Wednesday, August 12, 2026

A Market Intelligence and Strategic Advisory Group Report

Production:
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Transcorp Hotels Plc's H1 2026 unaudited results confirm that cost discipline, not revenue growth, is now the primary driver of profitability at Nigeria's largest single-asset hospitality franchise. Profit before tax of N13.69bn, a record H1 outcome, was delivered even as revenue fell by 5.33% and gross profit declined by 4.48%, as a 12.79% cut in operating expenses, led by a 27.37% reduction in repairs and maintenance, more than absorbed the N1.59bn gross-profit shortfall. Earnings per share rose by 21.18% to 103 kobo, and the OPEX-to-Revenue ratio improved by 372 basis points to 43.57%, suggesting the underlying efficiency measures, menu re-engineering, a dual-fuel burner installation, and the replacement of four service lifts are structural rather than one-off.

That improvement, however, coincides with a materially changed balance sheet. Total borrowings rose on a new N42.92bn term loan priced at 22%, well above the Group's other facilities, while receivables owed by related parties, Transnational Corporation Plc, Transcorp Power, and Transafam Power, rose by N34.98bn to N39.00bn. Management has clarified that the intercompany lending was priced broadly in line with external borrowing costs and that reported net intercompany income reflects the netting of a legacy loan converted into a receivable, rather than concessionary terms, but the pace and scale of the leverage and related-party build-up are worth tracking against the five watchpoints the note sets for H2 2026.

The market appears to be pricing the resilience rather than the leverage: the shares gained 56.81% over the twelve months to June 2026, outpacing the NGX All-Share Index's 47.40% H1 return, to trade at 104.49x trailing earnings and 26.61x book value, versus 12.50x and 2.14x for peer Ikeja Hotel Plc on an annualised, like-for-like basis. Proshare views this premium as reflecting confidence in the Group's operational resilience and its position within the wider Transcorp Group, compounded by the scarcity value of a 12.79% free float concentrated between Transnational Corporation Plc and Ministry of Finance Incorporated. Whether that premium holds through H2 2026 will depend on the cost efficiencies and room-revenue resilience seen in H1 proving durable rather than seasonal.Stock Exchange Data

Financial Performance

Transcorp Hotels Plc filed its unaudited results for the six months ended 30 June 2026 on July 21, 2026. Profit before tax of N13.69bn was a record H1 2026 outcome, even as revenue declined, on a 4.48% fall in gross profit and a 7.40% rise in operating profit. Earnings per share rose by 21.18% to 103 kobo in H1 2026 from 85 kobo in H1 2025, tracking profit-after-tax growth, with no material share-count dilution in the period.

Table 1:

FINANCIAL PERFORMANCE AND EARNINGS COMPOSITION, H1 2025 VS H1 2026

Metric	H1 2025 (N'bn)	H1 2026 (N'bn)	Change	Analyst Note
Revenue	46.93	44.43	-5.33%	Decline concentrated in F&B and conference/events revenue
Cost of Sales	11.36	10.45	-8.02%	Direct costs fell faster than revenue
Gross Profit	35.57	33.98	-4.48%	Gross margin expanded by 70bps to 76.49%
Operating Expenses	22.19	19.35	-12.79%	81.95% of the net saving traces to one undisaggregated line tagged Other expenses
Operating Profit	13.75	14.76	7.40%	Operating margin expanded by 395bps to 33.24%
Net Finance Cost	1.52	1.07	-29.39%	Improvement driven by related-party interest income
Profit Before Tax	12.23	13.69	11.97%	Record half-year performance despite lower revenue
Profit After Tax	8.68	10.54	21.44%	Effective tax rate fell by 600bps to 23.02%
Earnings Per Share (kobo)	85	103	21.18%	Tracks PAT growth; no material dilution

Source: Transcorp Hotels Plc H1 2026 unaudited financial statements, Proshare Research **Proshare.**

Revenue Headwind vs Profit Resilience

Revenue fell by 5.33% while profit after tax rose by 21.44%, as operating expenses declined by N2.84bn, more than offsetting the N1.59bn drop in gross profit. The reduction was broad-based, led by a 27.37% cut in repairs and maintenance following the completion of several cost-efficiency initiatives, alongside savings in the other expenses line and further reductions in energy, staffing, and revenue-linked management fees.

Cost Discipline and Margins

OPEX decline of 12.79% against revenue decline of 5.33% delivered a 372 basis points improvement in the OPEX-to-Revenue ratio to 43.57%, consistent with management's own characterisation of the period. Repairs and maintenance spend fell by more than a quarter, reflecting an efficiency gain driven by targeted cost-management initiatives, including menu re-engineering, energy savings from the installation of a dual-fuel burner, and the replacement of four service lifts, which reduced repairs and maintenance needs for a single-asset, brand-managed hotel where guest experience and asset condition remain central to the investment case.

Table 2:

MARGINS AND COST EFFICIENCY

Indicator	H1 2025	H1 2026	Change	Analyst Note
Gross Margin	75.79%	76.49%	+70bps	Direct costs scaled down with lower occupancy-linked volume
Operating Margin	29.29%	33.24%	+395bps	Assisted largely by the decline in opex
Opex to Revenue Ratio	47.29%	43.57%	-372bps	81.95% of the improvement traces to one opaque cost line - Others expenses
PBT Margin	26.06%	30.82%	+476bps	Showed improvement
PAT Margin	18.49%	23.72%	+523bps	Showed improvement
Effective Tax Rate	29.02%	23.02%	-600bps	Deferred tax movement, not a disclosed one-off tax credit
Repairs and Maintenance (N'bn)	1.85	1.34	-27.37%	Cut deeper than revenue decline; deferred-maintenance risk

Source: Transcorp Hotels Plc H1 2026 unaudited financial statements, Proshare Research **Proshare.**

Leverage and Related Party Exposure

Total borrowings rose almost fivefold in the half, driven by a new N42.92bn term loan drawn in March 2026 at 22%, a materially higher rate than the Group's other facilities (10.00%-16.75%). In near-parallel, receivables owed by related parties, the parent, Transnational Corporation Plc, and two power-sector affiliates, Transcorp Power and Transafam Power, rose by N34.98bn to N39.00bn. Management has clarified that the intercompany lending was extended at rates broadly comparable to the Group's external borrowing cost, and that the lower net intercompany interest income reported for the period reflects the netting of costs on a legacy loan previously owed by the hotel to the related party, which was subsequently converted into a loan receivable, rather than a below-market lending rate.

Table 3:

LEVERAGE, RELATED PARTY RECEIVABLES AND CASH FLOW

Indicator	FY 2025 (N'bn)	H1 2026 (N'bn)	Change	Analyst Note
Total borrowings	10.52	51.38	388.53%	New N42.92bn loan at 22%, drawn March 2026 with maturity on Mar. 17, 2031
Cash and bank balances	16.96	17.44	2.81%	Driven by 32.35% rise in short term deposit
Net debt/(Net cash)	-6.44	33.94	Swing of N40.38bn	Group moved from net cash to net debt in six months
Related-party receivables	4.02	39.00	870.06%	Loans to parent and two non-hospitality affiliates
Net cash from operating activities	+10.69(H1'25)	(22.21) (H1'26)	Swung negative	Driven by the related-party build, not core trading
Total equity	95.23	93.06	-2.28%	Dividend paid (N12.29bn) exceeded H1 profit earned

Source: Transcorp Hotels Plc H1 2026 unaudited financial statements, Proshare Research **Proshare.**

Market Performance and Valuation

The shares rose from N142.40 on July 23, 2025, to N223.30 as of June 30, 2026, a gain of 56.81%, against a backdrop in which the NGX All-Share Index returned 51.19% in FY 2025 and a further 47.40% in H1 2026. Free float is 12.79%, with 87.20% of the register held by Transnational Corporation Plc and Ministry of Finance Incorporated combined, a structure that leaves price discovery unusually sensitive to a small number of trades.

Table 4:

VALUATION AND MARKET INDICATORS

Indicator	Value	Basis and interpretation
Current share price	N241.90	As of July 23, 2026
Shares in Issue	10.24bn	As of July 23, 2026
Market capitalisation	N2.48trn	As of July 23, 2026
Book value per share	N9.09	Equity of N93.06bn at June 30, 2026
Price to book	26.61x	24.57x at June 30, 2026 price of N223.30
Price to earnings, trailing	104.49x	Based on twelve months trailing EPS
Free float	12.79%	87.20% held by two related, non-trading shareholders
Dividend yield	0.54%	On FY 2025 total dividend of N1.30/share

Source: NGX, Proshare Research

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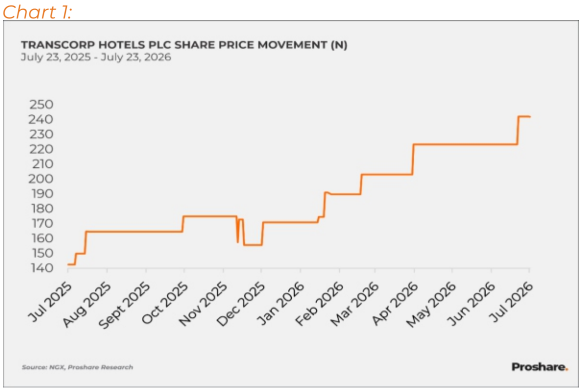
At a current price of N241.90, Transcorp Hotels trades at 104.49x trailing earnings and 26.61x book value, a premium to Ikeja Hotel Plc, which trades at 12.50x annualised H1 2026 earnings and 2.14x book value. The valuation gap is even more pronounced on a like-for-like basis, as Ikeja Hotel's FY 2025 earnings were boosted by a one-off restructuring gain, making the annualised H1 2026 performance a more representative basis for comparison. Proshare views the premium as reflecting the market's confidence in Transcorp Hotels' operational resilience, scale, and its position within the broader Transcorp Group, alongside the scarcity value created by the stock's thin free float.

Chart 1:



H2 2026 Investor Watchpoints

Five indicators will help confirm the sustainability of the H1 2026 margin expansion into the second half of the year.

Table 5:

INSTITUTIONAL INVESTOR WATCHPOINTS FOR H2 2026

Watchpoint	Position at H1 2026	Evidence to monitor	Signal that would change the reading
Cost-line transparency	81.95% of the opex saving traces to one undisaggregated "other expenses" line	FY 2026 audited accounts breakdown of the line	A disclosed, recurring driver rather than a one-off swing
Related-party lending	N39.00bn owed by the parent and two power-sector affiliates	Interest-rate spread and repayment-term disclosure	Confirmation of a positive spread or a defined repayment schedule
Leverage	Net debt/equity moved from net cash to 36.47%	Use-of-proceeds disclosure for the N42.92bn facility	Explicit confirmation that proceeds funded hospitality capex
Cash conversion	Operating cash flow swung to -N22.21bn on the receivables build	Q3 and FY 2026 operating cash flow trend	A reversal toward positive reported operating cash flow
MICE and international-business recovery	Event centre hall rental revenue fell 58% despite the new Transcorp Centre	H2 2026 conference and events revenue	A recovery in event centre and F&B revenue lines

Note: MICE represents meetings, Incentives, Conferences and Exhibition

Source: Transcorp Hotels Plc disclosures and Proshare Research

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Closing Thoughts and Forward Outlook

Transcorp Hotels enters the second half of 2026 with a resilient core asset: room revenue fell by just 1.17% against a 5.33% decline in total revenue, operating margins improved, and the still-profitable single-property franchise continues to generate substantially all Group revenue, per the company's own segment disclosures. The revenue softness was concentrated in the conference and international-business lines, while disciplined cost management across repairs and maintenance, energy, and other operating lines supported the margin gains, even as the Group increased borrowings and related-party funding to support its expansion plans.

The share price performance reflects continued market confidence in the Group's operational resilience, and Proshare expects H2 2026 results to further validate the sustainability of the cost efficiencies and profitability gains achieved in the first half.

External References

1. Transcorp Hotels Plc H1 2026 Unaudited Consolidated and Separate Financial Statements for the Period Ended 30 June 2026
2. Transcorp Hotels Plc HY 2026 Results Press Release
3. Transcorp Hotels Plc FY 2025 Annual Report
4. Corporate Disclosures – Nigerian Exchange Group

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8. Transcorp Hotels Plc Declares N5.05bn PAT in Q1 2025 Unaudited Results, (SP: 145)
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12. Transcorp Hotels Plc Declares N6.62bn PAT in H1 2024 Unaudited Results, (SP: N98.40)
13. Transcorp Hotels Plc Declares N5.02bn PAT in Q1 2024 Results,(SP:N96.5)
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21. Transcorp Hotels Plc Commences Closed Period Effective April 01 2023 In Respect of Q1 2023 Unaudited Financial Statements
22. Transcorp Hotels Plc Declares N2.62bn PAT in 2022 Audited Results, Proposed N0.13k Final Dividend; (SP: N6.5k)
23. Transcorp Hotels Plc Notifies of Resolution Passed at its Board Meeting Held on Thursday, Feb 16, 2023
24. Transcorp Hotels Plc Appoints Udechukwu Obi Osakwe as a Non-Executive Director
25. Transcorp Hotels Plc to Hold Board Meeting on February 16, 2023; Declares Closed Period
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29. Transcorp Hotels Plc Reports N2.27bn PAT in Q3 2022 Unaudited Results, (SP: N6.25k)
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33. Transcorp Hotels Plc Notifies of Dealings in 0.0025m Volume of Shares by Bolanle Onagorowa
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Creation Date

This report was published on August 12, 2026, and is based on the best publicly available information at that time. The PDF version was created on August 13, 2026. For comments, feedback, and updates, kindly send us an e-mail via **research@proshare.co**. Thank you.

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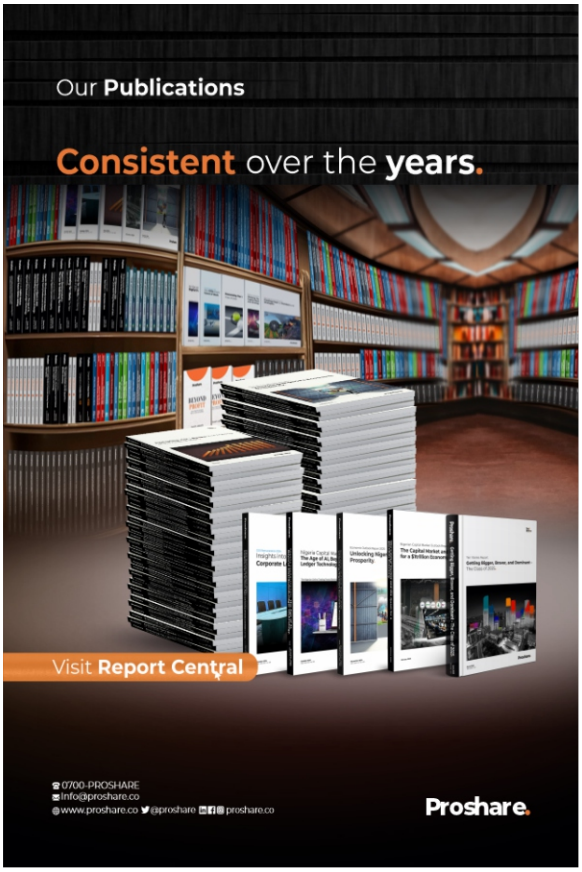

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