



Transnational Corporation Plc FY 2024 Audited Result: PAT Grows Triple Digits Despite 141.62% Rise in Cost of Sales.



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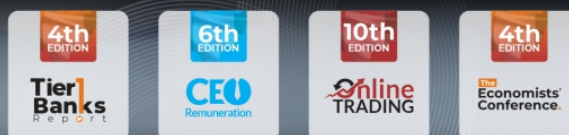
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Key Highlights.

Transnational corporation plc leaned on growth in the hospitality and power businesses to achieve stronger financial performance in FY 2024. The higher energy charges by Ughelli Power plant and TransAfam Power strengthened the power segment contribution to the Group's total revenue by 82%. Meanwhile, higher occupancy rates and price adjustment effects at Transcorp Hotel accounted for the remaining 17.2% revenue increase. This brought the conglomerate's revenue to N407.92bn in FY 2024 from N196.99bn in FY 2023. However, higher operating costs exemplified by a **+141.62%** increase in cost of sales, **+100.15%** rise in administrative expenses, and N18.53bn finance costs diluted the conversion of revenue to profit. Nevertheless, gains on the disposal of shares, net foreign exchange gains, and dividends provided income buffers. Thus, profit before tax (PBT) rose by **+132.41%** to N136.67bn in FY 2024 and a tax deduction of N42.58bn made net earnings settle at N94.09bn.

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Notably, the group repaid a US\$215m loan obtained to fund the purchase of Ugheli Power Plc, reducing its FX exposure as other borrowings were in naira. The power sector's dominance and the business's downside operating risk (single-buyer model) resulted in higher trade receivables, which rose to N322.50bn in FY 2024, or higher than its payables of N281.22bn, thereby thinning out operating cash flow and raising short-term debt reliance (see table 1).

Table 1:

Key Highlights	FY 2023 (N'bn)	FY 2024 (N'bn)	Growth Rate (%)
Revenue	196.99	407.92	107.07%
Cost of sales	87.85	212.25	141.62%
Gross Profit	109.14	195.67	79.27%
Finance income	1.42	1.81	27.38%
Finance cost	25.00	18.53	-25.88%
Net foreign exchange gain	0.95	4.35	359.85%
Profit Before Tax	58.81	136.67	132.41%
Profit After Tax	32.48	94.09	189.72%
Earnings per share	0.40	1.45	262.50%
Total Assets	529.92	751.56	41.82%
Shareholder's Equity	187.30	271.69	45.06%
Borrowings	103.374	88.511	-14.38%
Cash and Cash equivalent	12.54	14.06	12.12%
Trade and other receivables	146.40	320.64	119.02%

Ratios

The group's financial ratios revealed notable improvements relative to FY 2023. The net profit margin, return on equity, and return on assets increased, indicating higher efficiency in utilising assets and shareholder funds. Furthermore, liquidity metrics increased, and the debt-to-equity ratio declined, signifying a reduction in financial leverage risk (see Table 2).

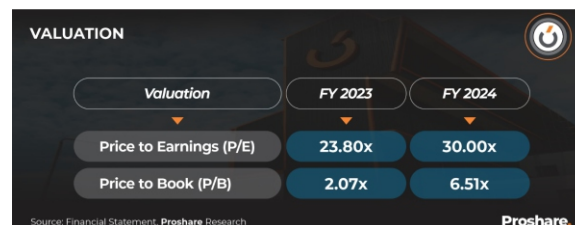
Table 2:

Ratios	FY 2023	FY 2024
Gross profit margin	55.41%	47.97%
Net profit margin	16.49%	23.07%
Return on equity	17.34%	34.63%
Return on assets	6.13%	12.52%
Current Ratio	0.68x	0.92x
Acid-Test Ratio	0.67x	0.90x
Inventory Turnover Ratio	22.05x	45.32x
Debt-to-equity ratio	0.55x	0.33x

Valuation

The company's P/E and P/B ratios rose to 30.00x and 6.51x from 23.8x and 2.07x, respectively. The combined increase in valuation multiples suggests significant investor confidence relative to fundamental value (See Table 3).

Table 3:



Share Price Movement.

The group's share price commenced 2024 at a 52-week low of N9.52, with a modest appreciation to N18.99 on March 6th before slumping to a trading range of between N11.00 and N13.00. In October 2024, the company reconstructed its share capital by consolidating the total number of issued shares at a ratio of 1 to 4 ordinary shares at the par value of 50 kobo per share. This reconstruction moved the share price to a 52-week high of N48.60 and returned +356.93% to investors in 2024, greater than the NGX ASI year-to-date (YTD) return of +37% over the same period (see chart 1).

Chart 1:

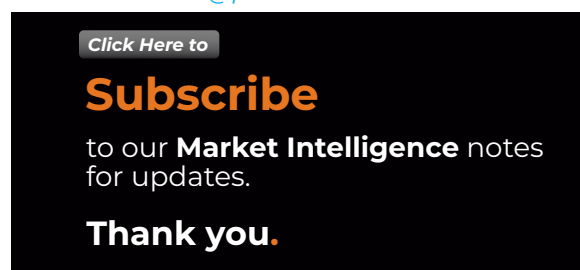


Closing Thought.

Transnational corporation plc's stronger earnings is expected to continue in 2025, considering Nigeria's large power supply deficit and consumer's larger middle class luxury lifestyle reflected in Proshare's 'lifestyle sub-economy' outlook. Falling global oil and gas prices may gradually reduce power costs, generating higher profitability and shareholder value. However, the single buyer model under the power segment will continue to create a volatile cash position and sustain persistently high operating receivables.

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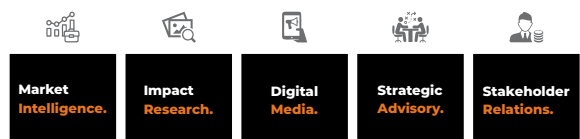
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