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Subject: CardinalStone Earnings Update - Transcorp Power Plc 9M'24
Unaudited Results - Triple-digit growth in 9M'24 earnings
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Earnings Update

TRANSPower: Triple-digit growth in 9M'24 earnings

In its 9M'24 unaudited results, Transcorp Power Plc reported a triple-digit growth in PAT to N58.4 billion (EPS: N7.79), predominantly driven by a robust growth in revenue (+152.8% YoY) to N223.6 billion, which assuaged pressures emanating from the cost of sales and operating expenses.

A disaggregation of TRANSPower's revenue showed material improvements in its key revenue streams—energy delivered (+164.4% YoY to N149.4 billion) and capacity charge (+132.2% YoY to N74.2 billion). The company also earned N13.5 million in ancillary services, such as Blackstart operations and frequency control services provided. Cross-border power sales of spare capacity amounted to 17.5% of total revenue, while local sales accounted for c.82.5% of total revenue.

Cost of sales surged by 176.6% YoY to N127.1 billion, on the back of a 3x expansion in natural gas & fuel costs – pressuring gross margin, which printed at 43.1% (vs 48.0% in 9M'23). We believe this to be a direct consequence of the upward revision in natural gas price to \$2.42 per million metric British thermal units (MMBtu), up from \$2.18. Similarly, operating expenses surged by 197.6% YoY on account of higher administrative expenses and impairment loss on financial assets,

which compressed the EBIT margin to 36.0% (vs 42.6% in 9M'23).

Elsewhere, net finance income amounted to N538.4 million (from a loss of N10.4 billion in 9M'23) following a material uptick in interest income and foreign exchange gains, which eclipsed the increase in finance cost. The support from positive net finance income translated to a stronger PBT margin of 36.3% (vs 30.8% in 9M'23).

Moreover, the company reported a 233.1% YoY jump in income tax expense to N22.7 billion in line with the strong performance and a higher effective tax rate of 28.0% (vs 25.0% in 9M'23). Nevertheless, the PAT margin strengthened to 27.2% (vs. 19.7% in H1'23).

Akin to its 9M'24 performance, TRANSPOWER also reported triple-digit growth in topline and bottom-line in its Q3'24 results. In particular, revenue increased to N88.1 billion (+171.1% YoY), while PAT jumped to N20.5 billion (+173.6% YoY). The stellar performance underscores the company's efforts to ramp up capacity utilisation, coupled with higher pricing, which bolstered topline performance. However, pressures from the cost of sale and OPEX adversely impacted margins as gross, and EBIT margins contracted to 38.0% (vs 48.6% in Q3'23) and 33.4% (vs 44.9% in Q3'23), respectively, in the review period. Nevertheless, PBT and PAT margins settled higher at 34.2% and 23.3%, respectively, in light of the strong net finance income of N762.0 million (vs a net loss of N3.6 billion in Q3'23).

9M'24 Earning breakdown

<u>Income Statement, N'million</u>	<u>9M'24</u>	<u>9M'23</u>	<u>YoY</u>	<u>FY'24E</u>	<u>% of FY'24E</u>
Revenue	223,556	88,439	152.8%	310,825	71.9%
COGS	(127,093)	(45,948)	176.6%	(141,425)	89.9%
Gross Profit	96,463	42,491	127.0%	169,399	56.9%
Other Income	21	493	-95.7%	37	56.8%
OPEX	(15,901)	(5,333)	198.2%	(23,312)	68.2%
EBIT	80,583	37,651	114.0%	146,125	55.1%
Net Interest	538	(10,392)	NM	(219)	NM
PBT	81,121	27,259	197.6%	145,906	55.6%
Tax	(22,700)	(6,815)	233.1%	(36,476)	62.2%
Net Income	58,421	20,444	185.8%	109,429	53.4%
EPS (Naira)	7.79	258.00	-97.0%	14.59	53.4%
Weighted Avg. shares outst. (m)	7,500	80			
<u>Ratios</u>	<u>9M'24</u>	<u>9M'23</u>		<u>FY'24E</u>	
Gross Margin	43.1%	48.0%		54.5%	
EBIT Margin	36.0%	42.6%		47.0%	
PBT Margin	36.3%	30.8%		46.9%	
Effective Tax Rate	28.0%	25.0%		25.0%	
Net Profit Margin	26.1%	23.1%		35.2%	
Annualised ROA	26.6%				
Annualised ROE	95.6%				
P/E (x)	21.8x				

Q3'24 Earning breakdown

Income Statement, N'million	Q3'24	Q3'23	YoY	Q2'24	QoQ
Revenue	88,113	32,505	171.1%	67,581	30.4%
COGS	(54,626)	(16,723)	226.7%	(39,383)	38.7%
Gross Profit	33,487	15,782	112.2%	28,198	18.8%
Other Income	-	181	-100.0%	21	NM
OPEX	(4,099)	(3,462)	18.4%	(6,434)	-36.3%
EBIT	29,387	14,582	101.5%	21,785	34.9%
Net Interest	762	(3,563)	NM	414	84.0%
PBT	30,150	11,019	173.6%	22,200	35.8%
Tax	(9,648)	(3,526)	173.6%	(7,679)	25.6%
Net Income	20,502	7,493	173.6%	14,520	41.2%
EPS (Naira)	2.73	93.66	-97.1%	1.94	40.9%
Weighted Avg. shares outst. (m)	7,500	80			
Ratios	Q3'24	Q3'23		Q2'24	
Gross Margin	38.0%	48.6%		41.7%	
EBIT Margin	33.4%	44.9%		32.2%	
PBT Margin	34.2%	33.9%		32.8%	
EffectiveTax Rate	32.0%	32.0%		34.6%	
Net Profit Margin	23.3%	23.1%		21.5%	

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