PRESCO PLC

... Ghana Headwinds Weigh on Earnings Despite Stronger Balance Sheet

August 27, 2026.

Earnings Note

Highlights

- Revenue dropped by 7% from ₦104.95 billion in Q2 2025 to ₦97.89 billion in Q2 2026
- Gross margin dropped from 78% in Q2 2025 to 76% in Q2 2026
- Net finance costs dropped from ₦7.48 billion in Q2 2025 to ₦1.86 billion in Q2 2026
- Profit after tax dropped from ₦41.14 billion to ₦33.02 billion.

Income statement

Presco Plc (The Group) recorded a weaker bottom-line performance in Q2 2026; Profit after tax (PAT) declined by 20% YoY from ₦41.14 billion to ₦33.02 billion. The decline was primarily driven by lower revenue, higher operating expenses and a significant increase in income tax expense.

The pressure on earnings began at the top line, as revenue declined by 7% YoY from ₦104.95 billion in Q2 2025 to ₦97.89 billion in Q2 2026. The decline was concentrated in the Crude and Refined Products segment, which remains the Group's largest revenue contributor. Revenue from the segment fell from ₦104.95 billion to ₦97.86 billion, largely due to a contraction in revenue earned from Ghana. Ghanaian revenue declined by 47% from ₦33.01 billion to ₦17.63 billion, which offset the 12% increase in Nigerian revenue from ₦71.94 billion to ₦80.25 billion.

The weakness in Ghanaian earnings emerged as the primary drag on Presco's topline performance. Although global crude palm oil (CPO) prices remained elevated, the increase was not fully reflected in domestic Ghanaian selling prices because pricing is largely determined by import parity in cedi terms. The appreciation of the Ghanaian cedi against the US dollar during H1 2026 lowered the local-currency cost of imported palm oil and increased the competitiveness of imported and smuggled products. Consequently, the benefit of higher global CPO prices was offset by currency appreciation, limiting Presco's ability to pass higher international prices through to customers in the Ghanaian market.

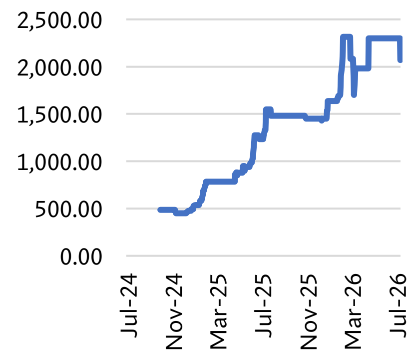
The weaker revenue YoY and inability to pass CPO price increases completely to the final consumer impacted gross profit negatively. Though, the impact was partly mitigated by a marginal reduction in cost of sales. Cost of sales declined by 1% from ₦23.57 billion to ₦23.36 billion, but this was insufficient to offset the decline in revenue. As a result, gross profit fell by 8% from ₦81.38 billion to ₦74.54 billion, while gross margin moderated from 78% to 76%.

However, the pressure on operating earnings deepened as higher operating expenses affected margins. Operating expenses increased by 43% YoY from ₦18.93 billion to ₦27.07 billion, driven by significant increases in administrative, selling and distribution expenses.

Fair Value Estimate: N2487.44

Stock Data	
Current price (N)	2,045.30
Shares Outstanding (mn)	1,167
Market Cap (N'mn)	2,386,183
52-week high (N)	2,315.40
52-week low (N)	1,425.00
Trailing EPS (N)	121.07
Forward EPS (N)	132.87
Forward PE (X)	15.39
Justified PE Multiple (X)	18.72

Price Movement



Stock Data	FY 2024	FY 2025	FY 2026F
P/E	4.61x	16.89x	15.39x
P/BV	1.72x	4.62x	3.87x
PBT Margin	55%	54%	55%
PAT Margin	37%	37%	38%
RoE	55%	37%	32%
Dividend Yield	12%	4%	3%

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Administrative expenses rose by 39%, largely reflecting higher staff costs and workers' travel and transportation expenses, while selling and distribution expenses increased by 98%, primarily due to higher marketing costs. Consequently, operating profit declined by 22% from ₦64.34 billion to ₦50.40 billion, while operating margin fell sharply from 61% to 51%.

The Group's financing position provided a significant earnings cushion. Finance costs declined by 36% from ₦8.97 billion to ₦5.75 billion, supported by a reduction of more than half in Group borrowings. At the same time, finance income increased by 161% from ₦1.49 billion to ₦3.88 billion, reflecting increased investment in fixed deposits. The combined effect of lower finance costs and higher investment income resulted in net finance costs falling from ₦7.48 billion in Q2 2025 to ₦1.86 billion in Q2 2026.

As a result, Profit before tax (PBT) remained broadly stable, declining by only 1% from ₦53.25 billion to ₦52.98 billion. However, the benefit of the stronger financing position was outweighed by a 65% increase in income tax expense (This is due to the new Nigerian Tax Act 2026), resulting in profit after tax declining by 20% from ₦41.14 billion to ₦33.02 billion.

Outlook

Presco's earnings outlook is highly dependent on its recovery within its Ghanaian operation, sustainable CPO Prices and management's ability to manage operating costs efficiently. While elevated palm oil prices remain supportive of revenue, the Ghanaian business could continue to face pressure if the cedi remains strong against the US dollar, as this could keep imported palm oil relatively competitive and limit the extent to which higher global prices translate into local selling prices.

However, the continued growth of the Nigerian business provides an important buffer against the weakness in Ghana. Presco's ongoing expansion initiatives, supported by its integrated plantation and processing operations, should strengthen production capacity and support longer-term volume growth. WSTC Research expect Nigeria to remain the primary driver of the Group's underlying earnings growth as the Company continues to scale its operations.

Furthermore, the Group's strengthened balance sheet also provides a positive earnings cushion. If the Group maintains this improved financing position, lower funding costs should continue to provide some protection against volatility in operating earnings.

From a corporate governance perspective, the substantive shareholder dispute remains an important risk to monitor. However, Presco's recent victory at the Court of Appeal reduces the immediate uncertainty surrounding the validity of its 2025 AGM resolutions and the ₦236.7 billion rights issue. The key residual risk remains the possibility of a further successful appeal or an adverse determination of the underlying shareholder dispute, which could introduce uncertainty around ownership, corporate governance and previously executed corporate actions.

Overall, we maintain a cautiously positive long-term outlook on Presco. The Group's integrated business model, expansion of Nigerian operations and stronger balance sheet remain key structural strengths. However, near-term earnings could remain under pressure until the Ghanaian business stabilizes and operating expenses normalize. A recovery in Ghanaian volumes and pricing, sustained CPO prices, continued expansion in Nigeria and tighter cost control should provide the key catalysts for a recovery in margins and earnings. A good to have if it already exists in your portfolio. However, it is not a key source of value for a shareholder in the immediate near-term i.e. over the next 3 months. This is due to the aforementioned legislative issues and impact of Ghanian business.

Q2 2026 Financial Performance

Income Statement (N'mn)	Q2 2026	Q2 2025	(%)
Revenue	**97,889**	**104,952**	**-7%**
Cost of sales	(23,355)	(23,572)	-1%
Gross profit	**74,535**	**81,380**	**-8%**
Administrative expense	(24,362)	(17,560)	39%
Selling and distribution expense	(2,707)	(1,367)	98%
Operating expense	**(27,069)**	**(18,926)**	**43%**
Operating profit	**47,466**	**62,454**	**-24%**
Non-operating income	**5,509**	**(9,208)**	**-160%**
Other gains and losses	1,474	353	318%
Other operating income/(losses)	2,937	1,885	56%
Finance income	3,883	1,490	161%
Exchange loss/(gain)	2,963	(3,966)	-175%
Finance cost	(5,747)	(8,970)	-36%
Profit before tax	**52,975**	**53,246**	**-1%**
Tax expense	(19,958)	(12,103)	65%
Profit for the period	**33,017**	**41,143**	**-20%**

Source: Company Accounts, WSTC Research

H1 2026 Financial Performance

Income Statement (N'mn)	H1 2026	H1 2025	(%)
Revenue	**198,750**	**198,737**	**0%**
Cost of sales	(32,931)	(31,223)	5%
Gross profit	**165,820**	**167,514**	**-1%**
Administrative expense	(39,500)	(34,876)	13%
Selling and distribution expense	(3,336)	(1,909)	75%
Operating expense	**(42,836)**	**(36,785)**	**16%**
Operating profit	**122,984**	**130,729**	**-6%**
Non-operating income	**(764)**	**(18,877)**	**-96%**
Other gains and losses	1,582	(362)	-537%
Other operating income/(losses)	5,314	3,215	65%
Finance income	9,017	1,549	482%
Exchange loss/(gain)	(3,403)	(3,782)	-10%
Finance cost	(13,273)	(19,496)	-32%
Profit before tax	**122,220**	**111,852**	**9%**
Tax expense	(39,945)	(23,131)	73%
Profit for the period	**82,274**	**88,721**	**-7%**
Balance Sheet (N'mn)	**H1 2026**	**H1 2025**	**(%)**
Assets			
PP & E	385,061	288,287	34%
Biological assets	123,655	69,765	77%
Inventory	65,796	69,948	-6%
Receivables	17,681	42,403	-58%
Cash	129,856	97,691	33%
Others	59,363	44,895	32%
Total Assets	**781,413**	**612,988**	**27%**
Liabilities			
Loans & borrowings	119,521	159,375	-25%
Payables	38,409	145,906	-74%
Others	119,866	77,824	54%
Total Liabilities	**277,795**	**383,105**	**-27%**
Net Assets	**503,617**	**229,883**	**119%**

Source: Company Accounts, WSTC Research

Financial Projections

Income Statement (N'mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Revenue	207,504	330,640	413,299	578,619	810,067	1,053,087	1,263,704	1,453,260
EBITDA	113,343	205,614	254,140	372,190	555,444	732,443	879,408	1,014,945
EBIT	104,280	187,506	234,989	345,887	517,297	681,718	820,312	946,830
Profit before tax	113,223	177,691	227,512	349,244	534,479	712,557	860,584	998,203
Net profit	77,793	121,066	155,010	237,949	364,156	485,485	586,339	680,104
EPS (N)	77.79	121.07	132.87	237.95	364.16	485.48	586.34	680.10
DPS(N)	42.00	44.66	59.79	107.08	182.08	267.02	351.80	442.07

Balance Sheet (N'mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Total assets	475,096	926,008	846,370	1,053,065	1,370,009	1,765,510	2,236,202	2,743,187
Total liabilities	263,912	483,259	245,980	228,355	223,244	217,707	236,039	251,124
Shareholders' equity	211,185	442,749	528,005	641,031	792,762	966,727	1,142,629	1,306,988
Book value per share (N)	208.80	442.75	528.00	641.03	792.76	966.73	1,142.63	1,306.99

Cash flow statement (N'mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Cash from operating activities	89,681	70,020	242,492	383,790	547,081	727,017	876,809	1,021,788
Cash from investing activities	(23,820)	(56,216)	(12,399)	(20,371)	(2,903)	(3,085)	(4,936)	(5,047)
Cash from financing activities	(45,356)	220,912	(306,289)	(164,919)	(238,450)	(337,497)	(414,044)	(518,494)
Net increase/(decrease) in cash	20,505	234,715	-76,195	198,500	305,729	386,435	457,829	498,247

Ratio analysis (%)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
EBITDA margin	55%	62%	61%	64%	69%	70%	70%	70%
Operating margin	50%	57%	57%	60%	64%	65%	65%	65%
ROE	55%	37%	32%	41%	51%	55%	56%	56%
ROA	11%	14%	16%	20%	23%	22%	21%	23%
Dividend payout ratio	54%	37%	45%	45%	50%	55%	60%	65%

Source: Company Accounts, WSTC Research

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