HBM NIGERIA PLC

... Strong Cement Demand Sustain Earnings Momentum

August 31, 2026.

Earnings Note

Highlights

- *Revenue increased by 28% YoY from ₦268.63 billion in Q2 2025 to ₦343.53 billion in Q2 2026.*
- *Gross profit increased by 25% YoY to ₦216.33 billion from ₦172.79 billion.*
- *Operating profit rose by 24% YoY to ₦149.68 billion from ₦120.61 billion.*
- *Profit after tax grew by 31% YoY to ₦110.39 billion, while net margin remained strong at approximately 32%.*

Income Statement

HBM Nigeria Plc (formerly Lafarge Africa Plc) sustained its strong earnings momentum in Q2 2026, by strong revenue growth, improved reliability and continued operational efficiency in the plant operations.

Revenue increased by 28% YoY from ₦268.63 billion in Q2 2025 to ₦343.53 billion in Q2 2026. The performance was driven primarily by higher sales volumes, improved plant stability and more efficient distribution across the Group's operations.

The Cement segment remained the dominant contributor, with revenue increasing from ₦261.70 billion to ₦333.91 billion during the period under review. The continued strength in the core cement business provided the foundation for the improvement in profitability recorded during the quarter.

However, the strong topline performance was accompanied by higher production costs. Cost of sales increased by 33% YoY from ₦95.83 billion to ₦127.20 billion, driven largely by a 36% increase in production variable costs from ₦60.35 billion to ₦81.83 billion. The increase is due higher energy costs during the period.

Nevertheless, revenue growth remained sufficiently strong to absorb the increase in production costs, allowing gross profit to increase by 25% from ₦172.79 billion to ₦216.33 billion.

Furthermore, Operating expenses increased by 19% YoY, with selling and marketing expenses rising by 15% and administrative expenses increasing by 28%. The increase in administrative expenses was in part due to higher staff costs and technical service fees, the latter of which is linked to revenue through a 3% charge on net revenue. Similarly, higher energy costs contributed to increased transportation expenses within selling and distribution costs.

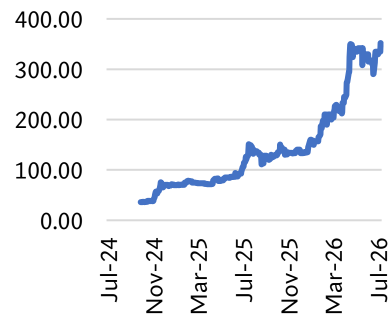
Despite these pressures, the slower growth in operating expenses relative to revenue supported further operating leverage. Operating profit increased by 24% YoY from ₦120.61 billion to ₦149.68 billion.

HBM Nigeria (The Group) non-operating performance provided an additional boost to earnings. Finance income increased significantly from ₦7.33 billion to ₦19.81 billion,

Fair Value Estimate: N386.15

Stock Data	
Current price (N)	334.00
Shares Outstanding (mn)	16,108
Market Cap (N'mn)	5,380,004
52-week high (N)	389.90
52-week low (N)	103.00
Trailing EPS (N)	16.96
Forward EPS (N)	27.44
Forward PE (X)	12.17
Justified PE Multiple (X)	14.07

Price Movement



Stock Data	FY 2024	FY 2025	FY 2026F
P/E	5.87x	13.21x	12.17x
P/BV	1.13x	7.72x	5.52x
PBT Margin	22%	39%	41%
PAT Margin	14%	26%	28%
RoE	21%	46%	53%
Dividend Yield	3%	11%	8%

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driven primarily by higher interest income earned on short-term deposits and current account balances. The increase in finance income reflects the benefit of the Group's cash position in the prevailing high-interest-rate environment and provided an important supplement to operating earnings.

At the same time, finance costs declined from ₦1.32 billion to ₦885.07 million. The reduction was largely attributable to lower bank charges, particularly charges associated with Letters of Credit and other banking-related operational expenses. The combination of significantly higher finance income and lower finance costs. The combination of both higher finance income and lower finance cost support to the Group's earnings performance.

Consequently, Profit before tax (PBT) increased by 33% YoY from ₦126.62 billion to ₦168.61 billion. This growth of 33% outperformed the growth in operating profit of 24%, due to the jump in finance income. In the same vein, Profit after tax (PAT) increased by 31% YoY to ₦110.39 billion, as net margin grew slightly from 31% to 32%.

Outlook

We expect HBM Nigeria's earnings momentum to remain positive, supported by sustained cement demand, improved plant reliability and continued gains in distribution efficiency. The Group's ability to maintain high plant utilization and reliable product availability should remain important to growth in volume, particularly as infrastructure and construction activity continue to support underlying demand for cement.

Energy costs remain a key risk to margins. The 33% increase in cost of sales during the quarter, driven by higher production variable costs, highlights the sensitivity of the business to energy prices.

HBM Nigeria is well poised and positioned to grow revenue. However, HBM Nigeria's ability to pass through cost increases while maintaining its focus on operational efficiency and cost optimization.

Overall, WSTC Research maintains a positive outlook on HBM Nigeria. The Group's strong market position, improving operational reliability, robust cement demand and ability to manage cost pressures provide a solid foundation for continued earnings growth. HBM Nigeria can be considered as a fundamental brick in the construction of a value investor's portfolio.

Q2 2026 Financial Performance

Income Statement (N'mn)	Q2 2026	Q2 2025	(%)
Revenue	**343,528**	**268,627**	**28%**
Cost of sales	(127,203)	(95,834)	33%
Gross profit	**216,325**	**172,792**	**25%**
Other income	122	4,227	-97%
Operating income	**216,447**	**177,019**	**22%**
Selling expense	(44,237)	(38,471)	15%
Admin expense	(22,817)	(17,802)	28%
Operating expense	**(67,055)**	**(56,274)**	**19%**
Operating profit	**149,392**	**120,745**	**24%**
	0	**0**	**-3%**
Non-operating profit/(loss)	**19,217**	**5,878**	**227%**
Finance income	14,864	5,337	179%
Finance expense	(885)	(1,318)	-33%
FX cost	4,955	1,993	149%
Impairment reversal/(charge)	284	(134)	-311%
Profit before tax	**168,610**	**126,623**	**33%**
Tax	(58,217)	(42,589)	37%
Profit after tax	**110,392**	**84,034**	**31%**

Source: Company Accounts, WSTC Research

H1 2026 Financial Performance

Income Statement (N'mn)	H1 2026	H1 2025	(%)
Revenue	**678,411**	**516,977**	**31%**
Cost of sales	(256,595)	(221,209)	16%
Gross profit	**421,815**	**295,768**	**43%**
Other income	329	4,722	-93%
Operating income	**422,145**	**300,490**	**40%**
Selling expense	(85,573)	(77,409)	11%
Admin expense	(45,453)	(30,731)	48%
Operating expense	**(131,025)**	**(108,140)**	**21%**
Operating profit	**291,119**	**192,350**	**51%**
Non-operating profit/(loss)	**26,612**	**7,386**	**260%**
Finance income	27,007	7,179	276%
Finance expense	(1,160)	(2,783)	-58%
FX cost	940	3,070	-69%
Impairment reversal/(charge)	(176)	(80)	121%
Profit before tax	**317,732**	**199,736**	**59%**
Tax	(109,385)	(67,059)	63%
Profit after tax	**208,347**	**132,677**	**57%**

Balance Sheet (N'mn)	H1 2026	H1 2025	(%)
Assets			
PP & E	566,894	422,258	34%
Other Asset	188,812	195,319	-3%
Inventory	109,453	115,769	-5%
Receivables	22,207	12,649	76%
Cash	330,642	210,013	57%
Others	87,725	70,950	24%
Total Assets	**1,305,733**	**1,026,959**	**27%**
Liabilities			
Loans & Borrowings	1,233	1,738	-29%
Payables	279,519	193,590	44%
Others	219,287	278,074	-21%
Total Liabilities	**500,038**	**473,401**	**6%**
Net Assets	**805,696**	**553,558**	**46%**

Source: Company Accounts, WSTC Research

Financial Projections

Income statement (NGN mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Revenue	696,758	1,066,305	1,599,457	2,159,267	2,699,084	3,184,919	3,662,657
EBITDA	222,305	426,884	701,990	979,146	1,207,756	1,432,372	1,642,082
EBIT	193,005	392,100	649,208	914,368	1,132,182	1,352,749	1,557,841
Profit before taxation (PBT)	152,519	411,317	650,033	921,555	1,137,291	1,355,141	1,560,546
Net profit (PAT)	100,145	273,120	442,023	626,658	773,358	921,496	1,061,171
EPS (₦)	6.22	16.96	27.44	38.90	48.01	57.21	65.88
DPS (₦)	1.20	10.00	27.44	35.01	43.21	51.49	59.29

Balance sheet (NGN mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Current assets	414,003	559,503	667,819	805,296	1,042,968	1,313,827	1,589,098
Non-current assets	576,507	648,521	797,170	865,041	912,154	926,039	945,491
Total assets	990,510	1,208,024	1,464,989	1,670,337	1,955,121	2,239,866	2,534,589
Current liabilities	397,102	417,363	392,151	412,304	487,182	545,968	608,388
Non-current liabilities	88,767	96,666	97,898	98,458	98,998	99,483	99,961
Shareholders' equity	504,641	693,996	974,940	1,159,575	1,368,941	1,594,415	1,826,240
Book value per share (₦)	32.24	43.28	60.53	71.99	84.99	98.98	113.38

Cash flow statement (NGN mn)	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Cash from operating activities	212,011	292,629	388,210	595,530	827,373	1,000,053	1,135,833
Cash from investing activities	-69,697	-49,300	-153,515	-59,743	-78,875	-77,777	-82,049
Cash from financing activities	-74,863	-93,265	-166,072	-443,949	-566,108	-697,905	-832,018
Net increase/ (decrease) in cash	67,451	150,064	68,623	91,838	182,390	224,371	221,766
Free cash flow to equity	95,994	208,745	223,271	524,508	738,886	915,362	1,045,257

Ratio analysis	FY 2024	FY 2025	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
EBITDA margin	32%	40%	44%	45%	45%	45%	45%
Operating margin	28%	37%	41%	42%	42%	42%	43%
ROE	21%	45%	53%	59%	61%	62%	62%
ROA	12%	25%	33%	40%	43%	44%	44%
Dividend payout ratio (%)	19%	59%	100%	90%	90%	90%	90%

Source: Company Accounts, WSTC Research

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- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is ≤ -10% of current market price.

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