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NASCON ALLIED INDUSTRIES PLC Q2 2026

Earnings Report Update

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Company Overview

Nascon Allied Industries Plc is a Nigerian food and industrial products company engaged in the processing and production of refined salt, seasonings, and spices. Its core operations span edible and industrial salt production, seasoning blends, and spice products serving consumer and industrial markets.

The company produces table, vacuum, pure dried, butter, and industrial salts under the Dangote brand, alongside seasonings and spices under the Dangote and Dan Q brands.

Outlook

"Looking ahead, NASCON is well positioned to sustain earnings growth through the second half of 2026, supported by resilient demand for essential consumer staples, continued pricing optimization, an extensive nationwide distribution network and a strong liquidity position. Nevertheless, management will need to carefully balance pricing strategies against weakening consumer purchasing power while maintaining tight cost discipline. Provided inflation moderates gradually and input cost pressures stabilize, the Company is likely to continue delivering healthy profitability, robust cash generation and attractive shareholder returns over the remainder of the financial year."

Revenue by Geographic

Million NGN	Q2 2026	Q2 2025	YOY
East	2,477.50	2,130.64	16.28%
West	7,950.63	5,732.92	38.68%
North	31,388.07	28,439.83	10.37%

Source: *Company's Financial Statement*

Financial Summary

Million NGN except EPS	Q2 2026	Q2 2025	YOY
Total revenues	41,816.20	36,303.39	15.19%
Gross Profit	20,359.81	19,489.49	4.47%
Operating profit	11,985.58	10,902.88	9.93%
Profit / (loss) before taxation	14,721.09	11,968.94	22.99%
Profit / (loss) after taxation	9,715.92	8,019.19	21.16%
Earnings per share	1,438	1,187	21.15%

Source: *Company's Financial Statement*

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Financial Summary

Million NGN	6M 2026	6M 2025	YOY
Net cash from operation	16,914.34	17,913.85	-5.58%
Net cash from investing	4,004.66	1,580.06	153.45%
Net cash from financing	(16,497.84)	(7,624.92)	-116.37%
Net change in cash	4,421.15	11,868.99	-62.75%
Closing cash balance	46,053.39	36,569.14	25.94%
Total assets	161,561.67	111,627.05	44.73%
Total liabilities	86,993.33	58,379.43	49.01%
Total stockholders' equity	74,568.35	53,247.62	40.04%

Source: *Company's Financial Statement*

Q2 2026 performance was underpinned by strong consumer demand for staple food products, continued pricing discipline, improved distribution efficiency and higher returns on surplus cash investments. The Company also benefited from a sharp improvement in other operating gains compared with losses recorded in the prior year, while maintaining an exceptionally low financing cost profile due to its conservative capital structure. The combination of resilient operating performance, strong liquidity and disciplined financial management enabled NASCON to sustain earnings growth despite ongoing inflationary pressures across Nigeria's consumer goods industry.

Performance Highlights

- NASCON Allied Industries delivered a resilient Q2 2026 performance, with revenue increasing by 15.2% YoY. The growth reflects sustained demand for the Company's salt and seasoning products, continued expansion of its nationwide distribution network, and improved pricing amid Nigeria's still-elevated inflationary environment. Revenue growth outpaced cost expansion, allowing the Company to preserve healthy margins despite operating in a challenging consumer environment.

- The Company's cost management remained relatively disciplined during the quarter. Cost of sales increased by 27.6% YoY, exceeding revenue growth due to persistent inflation in raw materials, energy, logistics and packaging costs. Nevertheless, NASCON generated gross profit of ₦20.36 billion, representing a 4.5% improvement from the prior year. Although gross profit growth was modest relative to sales, the Company maintained an impressive gross margin of 48.7%, underscoring the resilience of its pricing power and operational efficiency within Nigeria's highly competitive FMCG sector. Distribution expenses declined by 6.9%, reflecting improved logistics efficiency and cost optimization initiatives, partially offsetting a 16.8% increase in administrative expenses associated with inflationary operating costs.

- Profitability improved across all major earnings metrics during Q2 2026. Operating profit rose 9.9% YoY, supported by higher sales volumes, improved distribution efficiency and a return to positive other operating gains. More notably, finance income surged by 122.6% to ₦2.82 billion, largely reflecting higher yields on cash investments and treasury placements, while finance costs declined by 57.6% to only ₦85.1 million, highlighting the Company's minimal leverage. Consequently, profit before tax increased 23.0% to ₦14.72 billion, while profit after tax expanded 21.2% to ₦9.72 billion despite a higher tax charge. Earnings per share similarly increased by 21.1% to 1,438 kobo, reinforcing shareholder value creation.

- NASCON maintained a significantly stronger balance sheet during the period. Total assets expanded by 19.4%, driven primarily by a 63.0% increase in trade and other receivables and a 10.6% rise in cash and cash equivalents to ₦46.05 billion. Shareholders' equity increased by 4.8%, supported by retained earnings growth despite dividend distributions. Meanwhile, total liabilities rose 35.7%, largely reflecting higher trade payables and current tax obligations rather than financial debt, as borrowings remained negligible. This continues to position NASCON as one of the least leveraged companies within Nigeria's consumer goods sector.

- Cash generation remained robust despite significant shareholder distributions. Net operating cash flow stood at ₦16.91 billion, down 5.6% YoY, while investing activities generated ₦4.00 billion. Financing recorded a ₦16.50 billion outflow, largely from ₦16.21 billion in dividends. Despite this, cash balances rose 10.6% to ₦46.05 billion, underscoring NASCON’s strong liquidity.

Concerns Raised

Despite delivering another strong quarter, NASCON continues to face margin pressure from elevated production costs. Cost of sales increased 27.6%, significantly faster than revenue growth, indicating that inflationary pressures on raw materials, packaging, transportation and energy remain substantial. While pricing actions have supported earnings, there remains a limit to future price increases given the increasingly constrained purchasing power of Nigerian consumers.

Another area requiring close monitoring is the significant 63.0% increase in trade and other receivables to ₦65.20 billion. Although partly attributable to higher sales volumes, the sharp expansion could lengthen the Company's cash conversion cycle if customer collections weaken. Investors should monitor receivable quality and working capital management over subsequent quarters.

Additionally, administrative expenses increased 16.8%, while current tax liabilities rose materially to ₦21.77 billion. Should inflation remain elevated or fiscal policies tighten further, operating costs and tax obligations could continue weighing on future earnings growth despite the Company's otherwise strong operating fundamentals.

OUR INSIGHT

NASCON's Q2 2026 results reinforce its position as one of Nigeria's highest-quality consumer goods companies. The Company continues to demonstrate strong pricing power, resilient demand, healthy margins, excellent cash generation and a virtually debt-free balance sheet. Its ability to deliver double-digit revenue and earnings growth while maintaining substantial liquidity reflects sound operational execution and disciplined financial management.

From a long-term investment perspective, NASCON remains an attractive defensive FMCG play. The Company's leadership in the salt market, expanding seasoning business, strong dividend-paying capacity and conservative capital structure provide considerable resilience through economic cycles. Furthermore, its sizeable cash position and minimal leverage offer significant financial flexibility to fund future expansion or navigate macroeconomic volatility.

Key watchpoints include sustained inflation in production inputs, consumer purchasing power, receivables growth, working capital efficiency and the Company's ability to continue passing higher costs to customers without materially affecting sales volumes. Investors should also monitor margin sustainability as competitive pressures within Nigeria's FMCG industry intensify.

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