

# Okomu Oil’s problem isn’t cash but how to spend it

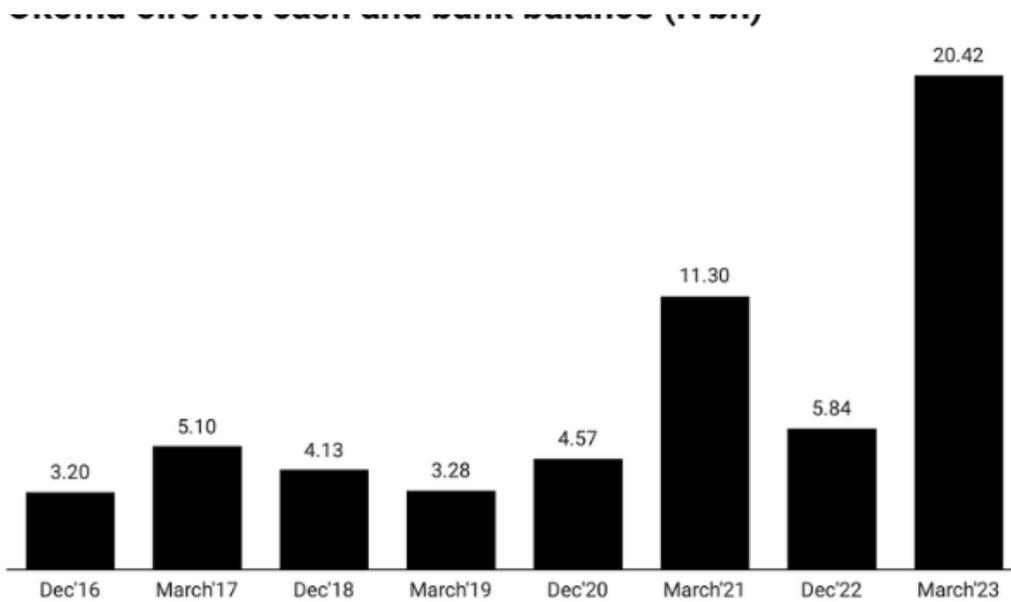


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Okomu Oil is awash with cash to fund future capital expenditure, pay dividend and reduce debt.

During the oil boom of the early seventies, former military ruler, General Yakubu Gowon once said that Nigeria’s problems aren’t money but how to spend.

The above development mirrors the position of Okomu oil as data shows the firm’s net cash balance increased by 250 percent to N20.42 billion in March 2023.

“The company reported a N14.6 billion increase in its net cash balance from N5.8 billion to N20.4 billion, driven by a 26.2 percent surge in

customer receipts to N26.8 billion,” analysts at CardinalStone said in a note.

Net cash refers to the amount of cash remaining after a transaction has been completed and all associated charges and deductions have been subtracted.

The firm’s net cash balance comprises a bank balance at N20.41 billion and cash balance which stood at N11.28 million in March 2023.

Further analysis reveals that Okomu oil’s bank balance amounted to N20.41 billion in March 2023, 250 percent increase from N5.83 billion in December 2022 while cash balance amounted to N11.28 million in March 2023, a 27.3 percent increase from N8.86 million in December 2022.

Okomu oil’s profit for the period stood at N10.18 billion in the first quarter of 2023, a 7.2 percent increase from N9.5 billion in the same period of 2023.

The palm oil firm reported turnover amounted to N24.21 billion in the first quarter of 2023, an 18.2 percent increase from N20.49 billion in the first quarter of 2022.

“We attribute the rise in top-line to a likely increase in volumes and the impact of the parallel market weakness on pricing. For context, the average parallel market rate for Q1’23 was 30.7 percent higher YoY at N752.98/\$,” analysts at CardinalStone said in a note.

Okomu oil’s cost of sales increased by 52 percent to N4.39 billion in the first quarter of this year from N2.89 billion in a similar period last year.

Okomu incurred N3.14 billion as oil palm cost of sales while N1.25 billion was spent on rubber during the period.

The firm’s net operating expenses increased by 20.3 percent to N4.68

billion in the first quarter of 2023 from N3.89 billion in the similar period of 2022.

“The company, however, witnessed some significant cost pressures, with general expenses rising by 33.7 percent year on year to N9.1 billion due to the impact of rising energy prices on the cost of production and increasing staff strength on OPEX,” analysts at CardinalStone said.

The firm realised the sum of N1.14 million from fixed deposit account and others in the first quarter of 2023 while N1.28 million was recorded in the same period of 2022.

However, exchange gain dropped to N27,000 in the first quarter of this year from N2.6 million in the same period of 2022.

Okomu oil paid income tax of N4.41 billion in the first quarter of 2023, 15.4 percent increase from N3.82 billion in the first quarter of 2022.

Net cash inflow from operating activities stood at N16.6 billion in the first quarter of 2023, 12.8 percent increase from N14.71 billion in the first quarter of 2022.

Net cash outflow from investing activities amounted to N1.63 billion from N894.77 million in the comparable period.

Net cash inflow from financing activities stood at N402.04 million from N231.92 million in the period reviewed.

Okomu oil’s cash and cash equivalent dropped 13.3 percent to N20.42 billion in the first quarter of 2023 from N23.55 billion in the first quarter of 2022.

Earnings per share rose to N10.67 per share from N9.96 per share in the reviewed