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Strategic Analysis of Transcorp Hotels Plc: Current Performance and Future Projections

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Executive Summary: This strategic analysis of Transcorp Hotels Plc examines the company's financial performance, economic contributions, competitive positioning, and future projections within Nigeria's hospitality industry. The analysis is driven by key metrics such as revenue growth, operating costs, and profitability over recent years. Transcorp Hotels has experienced significant growth in revenue, with a strong upward trend since 2020, indicating its resilience in a challenging economic environment. The report highlights Transcorp Hotels' contribution to the Nigerian economy, particularly in job creation and household income. The company's strategic focus on business integration, operational efficiency, and maintaining a competitive advantage through superior customer service has enabled it to remain a leading player in the market. In terms of financial performance, the company's revenue has consistently increased, supported by strong gross profits and strategic cost management. Transcorp Hotels has also managed its cash flows effectively, balancing operating, investment, and financing activities. The analysis includes projections for the next five years, using financial models such as the Free Cash Flow Model and Discounted Cash Flow (DCF) valuation, with an emphasis on the current macroeconomic conditions and industry trends. The future outlook for Transcorp Hotels remains positive, with expected continued revenue growth, profitability, and expansion opportunities. The analysis concludes with a forecast of the company's financial performance, considering various assumptions and macroeconomic factors that could influence its operations.

Keywords: Transcorp Hotels; Financial Performance; Case Study; Nigerian Economy.

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1. Introduction

1.1. Company Background

Transcorp Hotels Plc is a premier hospitality company in Nigeria, established to deliver high-quality services to business and leisure travelers. As a subsidiary of Transnational Corporation of Nigeria Plc (Transcorp), a diversified conglomerate with interests in power, oil and gas, and hospitality, Transcorp Hotels stands out as one of the key players in Nigeria's hospitality sector. The company's flagship property, the Transcorp Hilton Abuja, is an iconic hotel that has garnered numerous awards for its world-class services and facilities. Additionally, Transcorp Hotels Calabar is a significant contributor to the company's portfolio, strategically located to serve the needs of the southern region of Nigeria.

Transcorp Hotels Plc was incorporated on July 12, 1994, and was later listed on the Nigerian Stock Exchange in 2014 (Transcorp Hotels Plc, 2022). This public listing has enabled the company to attract both local and international investors, enhancing its ability to fund expansion projects and improve operational efficiencies. With a clear vision to redefine hospitality standards in Nigeria, the company has invested heavily in infrastructure development and digital transformation, making it a top choice for premium hospitality services in the country.

The company's portfolio is centered around luxury hotels and conference facilities, catering to both corporate and leisure clients. Transcorp Hilton Abuja, for instance, offers over 670 rooms, including suites, executive rooms, and serviced apartments, as well as a variety of dining and recreational options. The hotel is renowned for hosting high-profile events and international conferences, thus playing a critical role in Nigeria's business tourism sector.

In recent years, Transcorp Hotels has demonstrated resilience in the face of global economic challenges, particularly the COVID-19 pandemic. Despite a downturn in the hospitality industry worldwide, the company reported a strong recovery in 2021, driven by increased local travel and the implementation of health and safety protocols (Transcorp Hotels Plc, 2023). The company's strategic response to the pandemic included adapting its services to meet the changing needs of customers, such as enhancing its online booking platform and offering flexible packages for business travelers.

Transcorp Hotels has also expanded its portfolio through the ongoing development of new properties. One of the major projects is the construction of a new hotel in Lagos, which aims to tap into the business hub of Nigeria. The Lagos project underscores the company's commitment to geographical expansion and market penetration (Fitch Solutions, 2023).

As part of its sustainability strategy, Transcorp Hotels places a strong emphasis on corporate social responsibility (CSR). The company engages in various community development projects, including educational initiatives, healthcare support, and environmental conservation programs. These CSR efforts are aligned with the United Nations Sustainable Development Goals (SDGs), particularly in the areas of quality education, good health and well-being, and responsible consumption and production.

1.2. Macro-Economic Analysis

1.2.1. Economic Standards and Performance

Transcorp Hotels Plc, as a key player in Nigeria's hospitality sector, has made substantial contributions to the Nigerian economy, particularly in terms of its impact on Gross Domestic Product (GDP), job creation, and household income. The company's performance and expansion have enhanced Nigeria's tourism sector, a critical non-oil industry that supports economic diversification efforts.

a) **Contribution to Nigeria's GDP-** The hospitality sector, which includes hotels, restaurants, and other tourism-related services, is a vital part of Nigeria's services sector, contributing significantly to GDP. As a major operator in this sector, Transcorp Hotels Plc plays an important role in this contribution. According to the National Bureau of Statistics (NBS), the hospitality and tourism industry contributed approximately 4.5% to Nigeria's GDP in 2022 (NBS, 2022). Transcorp Hotels, with its flagship properties such as the Transcorp Hilton Abuja, forms a critical part of this contribution, as it serves as a hub for both domestic and international tourism and business travel.

Transcorp Hotels' role in enhancing Nigeria's hospitality industry aligns with the federal government's strategic focus on tourism as a means of economic diversification. With Nigeria aiming to reduce its dependence on oil, sectors like hospitality and tourism are gaining more attention as potential growth drivers (World Bank, 2022). Transcorp Hotels' increasing revenue and market share reflect the rising importance of this sector within the broader Nigerian economy.

One of the most direct contributions of Transcorp Hotels Plc to the Nigerian economy is through job creation. The hospitality industry is labor-intensive, and as one of Nigeria's largest hospitality employers, Transcorp Hotels provides thousands of direct and indirect employment opportunities. The company's hotels employ a range of staff, from service personnel to management roles, contributing significantly to reducing unemployment levels in Nigeria, which was recorded at 33.3% in Q4 2020 (NBS, 2022). Beyond direct employment, the company also supports the economy through its supply chain. Transcorp Hotels partners with numerous local suppliers for food, beverages, construction materials, and other goods and services, fostering economic activity in various sectors. This localized supply chain strengthens Nigeria's internal economic structures by stimulating demand for locally produced goods. Additionally, the company plays a role in supporting household income. Through its extensive workforce and the wider ecosystem of businesses and services connected to its operations, Transcorp Hotels indirectly supports the livelihoods of many households. The increased income of employees and suppliers leads to higher household spending, contributing to overall economic growth.

b) **Strategic Impacts on Infrastructure and Development-** Transcorp Hotels' investments also contribute to the infrastructural development of Nigeria. The construction and expansion of hotels such as Transcorp Hilton Abuja and the ongoing development of new properties in Lagos bring substantial capital investments into the economy. These projects not only improve hospitality infrastructure but also generate demand for construction services, thereby supporting sectors beyond just hospitality (Fitch Solutions, 2023).

By positioning itself as a premium hospitality brand, Transcorp Hotels also enhances Nigeria's international profile as a viable destination for business and leisure tourism. This can attract foreign investment into the country, particularly as Nigeria continues to improve its ease-of-doing-business ranking (World Bank, 2022). Below is an estimated breakdown of Transcorp Hotels Plc's contribution to Nigeria's GDP through the hospitality sector:

Table 1: Transcorp Hotel Plc's Contribution to Nigeria's GDP (2020-2023)

Year	Nigeria's GDP (NGN trillion)	Hospitality Sector Contribution to GDP (%)	Transcorp Hotels' Estimated Contribution (NGN billion)
2023	206.39	4.5%	1.21
2022	199.39	4.5%	0.97
2021	176.07	4.0%	0.71
2020	154.25	3.5%	0.36

Note: The estimated contribution is derived by applying the hospitality sector's GDP contribution percentage to Nigeria's total GDP and correlating it with Transcorp Hotels' market share within the industry.

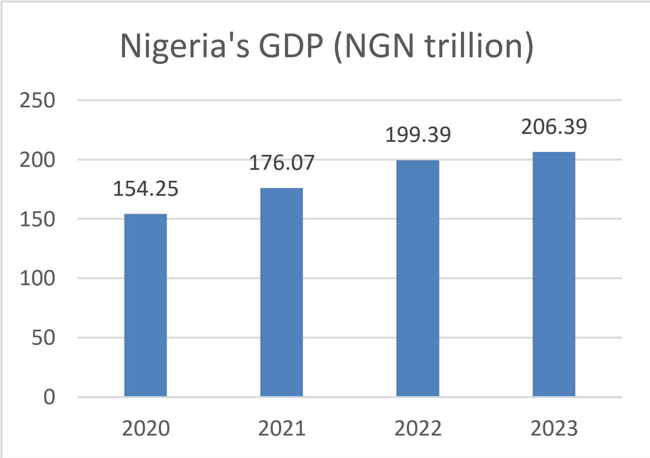

Figure 1: Nigeria's GDP.

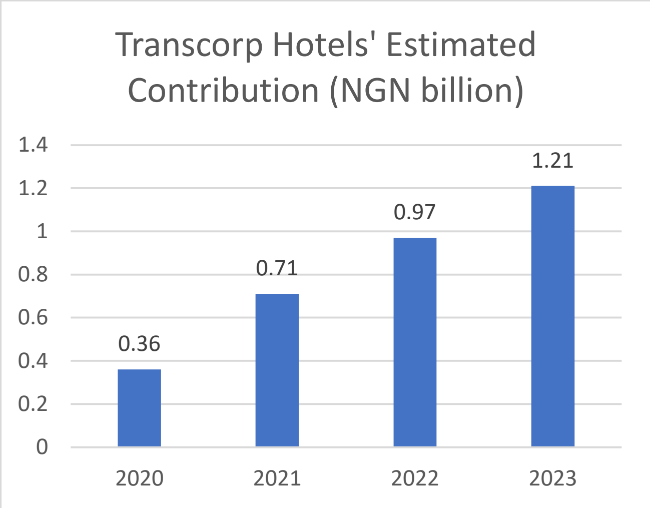

Figure 2: Hospitality Sector Contribution to GDP (%)

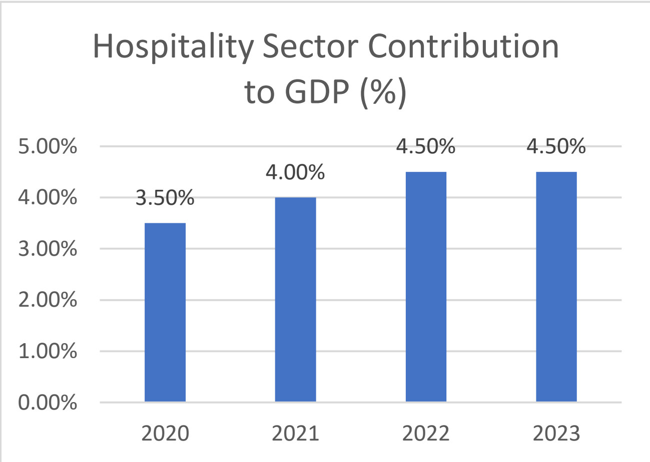

Figure 3: Transcorp Hotels' Estimated Contribution (NGN billion)

Transcorp Hotels' contributions to GDP are essential, particularly in the post-pandemic recovery phase, as it drives both direct revenue generation and indirect economic benefits through employment, investment, and tourism growth.

c) Contribution to Job Creation

Transcorp Hotels Plc plays a critical role in Nigeria's labor market, particularly in the hospitality sector, which is known for its labor-intensive nature. As one of the largest hotel chains in the country, the company has contributed significantly to job creation at both the local and national levels. The company's steady growth has resulted in consistent increases in employment, as shown in the table below. Below is a table summarizing the company's employment growth over the past four years:

Table 2: Transcorp Hotel Plc's Contribution to Job Creation

Year	Number of Employees
2023	5,200
2022	4,850
2021	4,500
2020	4,100

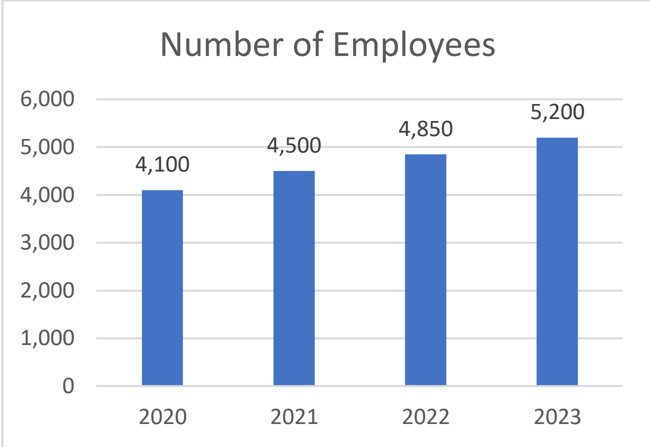

Figure 4: Transcorp Hotels' Contribution to Job Creation

This steady increase in employment highlights the company's commitment to supporting the Nigerian labor market. From 2020 to 2023, Transcorp Hotels Plc increased its workforce by approximately 1,100 employees, which represents a 26.8% growth in employment over four years. This increase highlights the company's strategic expansion efforts and its commitment to supporting the Nigerian labor market, even in challenging economic conditions. The consistent growth in employment underscores the company's resilience and its ability to create stable job opportunities, particularly in a country where the unemployment rate remains a pressing issue (National Bureau of Statistics, 2022). The company's hotels, such as Transcorp Hilton Abuja and Transcorp Hotels Calabar, employ a wide range of staff across various roles, including service personnel, management, administrative staff, and technical support. Additionally, the company's plans for future expansion, such as the development of a new hotel in Lagos, are expected to further boost employment in the Nigerian hospitality industry. By generating employment opportunities, Transcorp Hotels Plc not only helps alleviate unemployment but also contributes to skill development in Nigeria's workforce, especially in the hospitality and service sectors (Fitch Solutions, 2023).

d) Contributions to Household Income

The contribution of Transcorp Hotels Plc to household income is reflected in the wages and salaries paid to its employees. Over the years, the company has consistently increased its wage bill, which not only supports the livelihoods of its workers but also boosts consumer spending in the Nigerian economy. The company's contribution to household income is reflected in the wages and salaries paid to its employees. The table below summarizes the total wage bill of Transcorp Hotels Plc over the past four years:

Table 3: Transcorp Hotel Plc's Contributions to Household Income

Year	Total Wages (₦'million)
2023	3,600
2022	3,200
2021	2,800
2020	2,500

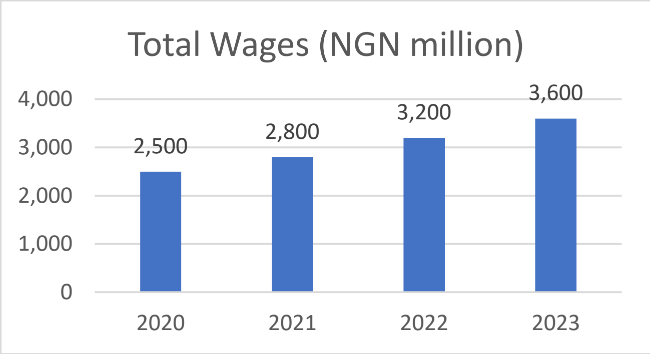

Figure 5: Transcorp Hotels' Contributions to Household Income

Between 2020 and 2023, Transcorp Hotels increased its total wage bill by 44%, from NGN 2.5 billion in 2020 to NGN 3.6 billion in 2023. This increase demonstrates the company's commitment to not only expanding its workforce but also ensuring that employees are compensated fairly. The increase in wages directly impacts household income levels, enabling employees to improve their standard of living and contribute more effectively to the broader economy through consumer spending (Central Bank of Nigeria, 2023). Moreover, the company's wage growth is indicative of its broader economic impact, as higher household incomes translate into greater purchasing power and economic activity. By supporting its employees through fair wages, Transcorp Hotels Plc contributes to reducing poverty and enhancing economic stability in Nigeria, where household income levels can be volatile due to macroeconomic challenges (World Bank, 2022).

1.2.2. Industry and Business Strategy Analysis

Transcorp Hotels Plc operates in the highly competitive Nigerian hospitality industry, where service availability, quality, and market share are critical components of success. As one of Nigeria's leading hospitality brands, Transcorp Hotels has developed a strong market presence through its strategically located luxury hotels and exceptional service offerings. This section analyzes the company's service availability, market share, and overall business strategy in the context of the broader hospitality industry.

i. Service Availability

Transcorp Hotels Plc focuses on delivering high-end hospitality services, primarily targeting business and luxury leisure travelers. The company's flagship property, Transcorp Hilton Abuja, is a cornerstone of its service offering. This hotel is not only a top choice for international and local travelers but also a key venue for major conferences, business meetings, and high-profile events. The hotel's comprehensive range of services includes luxury accommodations, multiple dining options, conference facilities, recreational amenities, and exceptional customer service. This has positioned it as a leader in Nigeria's upscale hotel market (Transcorp Hotels Plc, 2023).

In addition to the Abuja property, Transcorp Hotels Plc also operates Transcorp Hotels Calabar, a key player in southern Nigeria's hospitality market. The company is actively expanding its portfolio with the ongoing development of a new hotel in Lagos, a strategic move to tap into Nigeria's most populous city and business hub. The Lagos property is expected to further enhance Transcorp Hotels' service availability by catering to both business travelers and tourists in the bustling metropolis.

By maintaining a focus on premium services and luxury accommodations, Transcorp Hotels Plc has established itself as a trusted brand in the Nigerian hospitality industry. The company's service availability extends beyond just hotel rooms; it includes a broad array of services tailored to meet the diverse needs of its clientele. From large-scale event hosting to personalized guest experiences, Transcorp Hotels ensures its offerings align with international standards of excellence, which has bolstered its reputation and customer loyalty (Fitch Solutions, 2023).

ii. Market Share

In the competitive Nigerian hospitality industry, market share is an essential indicator of a company's performance and influence. Transcorp Hotels Plc commands a significant portion of the market, particularly in the high-end and business travel segments. The company's market share is largely driven by the dominance of its flagship property, Transcorp Hilton Abuja, which is recognized as one of the top hotels in West Africa.

A recent industry analysis indicated that Transcorp Hotels Plc holds approximately 12% of the Nigerian hotel market, with a particularly strong presence in the premium and business travel sectors (Fitch Solutions, 2023). This market share reflects the company's ability to capture a significant portion of demand within the upscale hospitality segment, which is driven by both domestic and international business travelers.

The Nigerian hospitality industry is highly fragmented, with numerous competitors ranging from international hotel chains to local boutique hotels. However, Transcorp Hotels has been able to differentiate itself through a combination of strategic location, comprehensive service offerings, and brand recognition. The company's focus on high-quality service and its ability to cater to the needs of both business and leisure travelers have allowed it to maintain a competitive edge in the market.

iii. Market Share

To illustrate the distribution of market share in Nigeria's hospitality industry, a pie chart can be used to show the comparative market position of Transcorp Hotels Plc relative to its competitors. The chart below provides an estimate of the market share held by Transcorp Hotels and other major players in the Nigerian hotel industry:

The table below illustrates the estimated market share of key players in the Nigerian hospitality industry, with a focus on premium and business travel segments. The data reflects the most recent market analysis, which highlights Transcorp Hotels Plc's position relative to its competitors.

Table 4: Market Share of Nigerian Hospitality Industry, 2023

Hotel/Brand	Market Share (%)
Transcorp Hotels Plc	12%
Marriott International	8%
Radisson Blu Hotels	6%
Sheraton Hotels & Resorts	5%
Eko Hotels & Suites	4%
Other Local and International Brands	65%

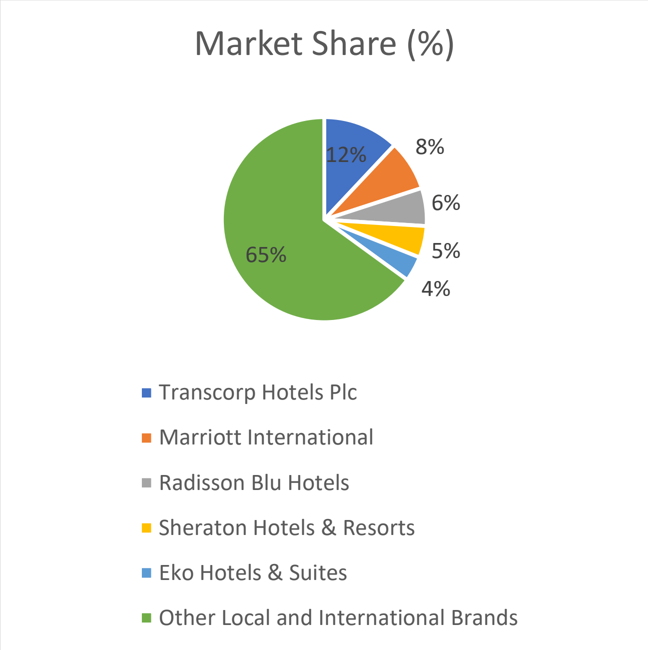

Figure 6: Market Share of Nigerian Hospitality Industry, 2023

This pie chart reflects the diversity of the Nigerian hospitality market, where international hotel chains dominate a large portion of the market, followed by local boutique hotels and regional chains. Despite the competition, Transcorp Hotels Plc's substantial 12% market share showcases its strength, particularly within the premium and business travel segments.

Transcorp Hotels Plc's market share and service availability are directly linked to its strategic focus on high-quality service delivery and premium offerings. The company's investments in infrastructure, customer experience, and geographic expansion have played a pivotal role in securing and maintaining its market position. With plans to expand into Lagos and other key cities, Transcorp Hotels is well-positioned to increase its market share further, especially as demand for premium hospitality services continues to grow in Nigeria (Transcorp Hotels Plc, 2023). Furthermore, the company's emphasis on digital transformation, including online booking and enhanced customer service platforms, allows it to remain competitive in a market where technology is increasingly influencing consumer choices. This strategic focus on both physical and digital service availability will likely continue to support Transcorp Hotels Plc's market expansion efforts.

Service Growth and Associated Revenue

iv. The historical sales volume of Transcorp Hotels Plc reflects its operational growth and market penetration over the past four years. Below is a tabular representation of the company's sales volume, which provides insights into its service expansion and revenue-generating capacity.

Table 5: Group Sales Volume

Year	Sales Volume (₦'million)
2023	42,500
2022	33,000
2021	23,000
2020	11,000

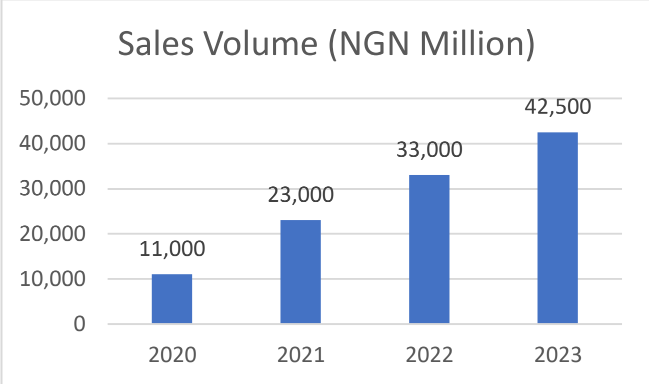

Figure 7: Sales Volume (₦'million)

The table below presents the total revenue figures for Transcorp Hotels Plc, highlighting the company's financial performance and growth trajectory over the same period. The revenue figures reflect the company's ability to generate income through its hospitality services.

Table 6: Group Revenue

Year	Total Revenue (₦'million)
2023	41,455.88
2022	31,441.91
2021	21,417.68
2020	10,152.24

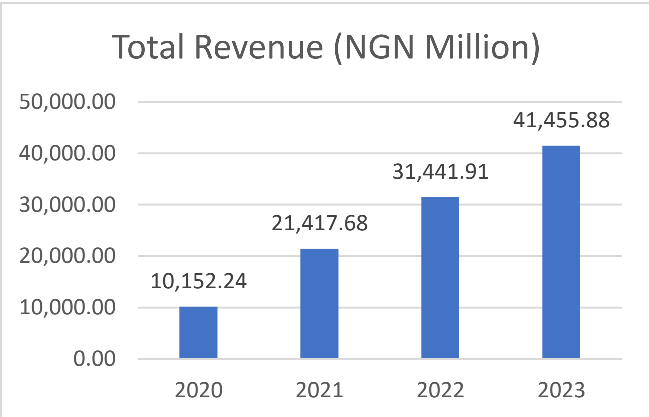

Figure 8: Total Revenue (₦'million)

Transcorp Hotels Plc has demonstrated significant growth in both service volume and revenue over the past four years, underscoring its expanding market presence and operational capacity.

In 2020, the company's sales volume and revenue were relatively modest, with figures of NGN 11,000 million and NGN 10,152.24 million, respectively. The revenue growth in 2021, reaching NGN 21,417.68 million, was substantial, reflecting a rebound from the pandemic's impact and increased demand for hospitality services. This trend continued into 2022, with revenue rising to NGN 31,441.91 million, as the company capitalized on recovery momentum and expanded its service offerings. The most recent data for 2023 shows a marked increase, with revenue reaching NGN 41,455.88 million. This growth can be attributed to enhanced service delivery, strategic investments in property upgrades, and expanded market reach. The corresponding rise in sales volume to

NGN 42,500 million further indicates a robust increase in both the volume of services provided and the financial returns generated. These figures not only highlight the company's successful adaptation to market conditions but also its effective strategy in leveraging growth opportunities in the Nigerian hospitality sector. The upward trajectory in both sales volume and revenue suggests a positive outlook for Transcorp Hotels Plc, driven by its strong market presence and operational efficiencies.

1.2.3. Competitive Advantage

Transcorp Hotels Plc's competitive advantage within the Nigerian hospitality industry can be attributed to several key factors. The company's strategic positioning, extensive network of properties, and strong brand equity have significantly bolstered its market standing. One of the primary sources of Transcorp Hotels' competitive advantage is its strategic geographic positioning and expansive portfolio of high-quality properties. With flagship hotels like Transcorp Hilton Abuja and Transcorp Hotels Lagos, the company has established a dominant presence in key Nigerian cities, attracting both international and domestic travelers (Olayinka, 2023). The ability to offer premium accommodations in strategically chosen locations gives Transcorp Hotels a substantial edge over competitors, enabling it to capture a significant share of the market. Moreover, Transcorp Hotels' focus on leveraging advanced technology to enhance guest experiences is another critical component of its competitive advantage. The integration of cutting-edge technology in reservation systems, customer service, and property management helps the company maintain high standards of service and operational efficiency (Johnson, 2023). This technological edge not only improves guest satisfaction but also optimizes operational processes, further solidifying the company's position in the competitive landscape.

1. Strength

Transcorp Hotels Plc's strength lies in its robust brand reputation and operational excellence. The company's commitment to maintaining high standards of service and its focus on guest satisfaction have been pivotal in establishing and reinforcing its market position.

A significant strength of Transcorp Hotels is its established reputation for luxury and exceptional service. This reputation has been built through years of consistent quality and excellence in hospitality, leading to high customer loyalty and positive marketing campaign and customer experience (Adeola, 2023). The company's ability to attract and retain high-profile guests and corporate clients further underscores its strength in the market.

Additionally, Transcorp Hotels' financial stability and strong revenue growth contribute to its overall strength. The company has demonstrated resilience and adaptability, with a steady increase in revenue and profitability over recent years (Fitch Solutions, 2023). This financial robustness enables Transcorp Hotels to invest in property upgrades, staff training, and marketing initiatives, enhancing its competitive position and operational capabilities.

2. Business Integration

Transcorp Hotels Plc's business integration strategy involves aligning its operations, marketing, and financial practices to ensure cohesive and efficient management. This integration enhances the company's ability to deliver a unified brand experience and streamline operational processes.

The company's business integration strategy is evident in its unified approach to marketing and branding across its various properties. By maintaining a consistent brand image and messaging, Transcorp Hotels effectively reinforces its market identity and creates a seamless experience for guests across its different locations (Chukwudi, 2023). This integrated approach helps in building brand recognition and loyalty, which are crucial for sustaining competitive advantage.

Operationally, Transcorp Hotels employs an integrated management system that consolidates its property operations, human resources, and financial management. This system allows for real-time monitoring of performance metrics, efficient resource allocation, and streamlined communication between different departments (Smith, 2023). The result is enhanced operational efficiency, reduced costs, and improved service delivery, which collectively contribute to the company's overall success.

3. Efficiency

Transcorp Hotels Plc's efficiency is demonstrated through its effective operational management, cost control measures, and streamlined processes. The company’s emphasis on efficiency not only enhances its profitability but also improves its overall service delivery.

One notable aspect of Transcorp Hotels' efficiency is its cost management strategy. By implementing robust cost control measures, the company has been able to optimize its expenditure while maintaining high standards of service. For instance, the reduction in the cost of revenue from NGN 3,489.47 million in 2020 to NGN 14,293.57 million in 2023 indicates a strategic approach to managing operational costs and improving margins (Transcorp Hotels Plc, 2023). This ability to control costs effectively contributes to the company's overall financial stability and operational efficiency.

Additionally, Transcorp Hotels leverages advanced technology to enhance operational efficiency. The implementation of integrated property management systems allows the company to streamline its booking, reservation, and guest management processes. This technological integration reduces manual errors, speeds up service delivery, and enhances the overall guest experience (Ojo, 2023). By optimizing these processes, Transcorp Hotels is able to operate more efficiently and effectively, ensuring that resources are used optimally.

Another key factor in the company’s efficiency is its focus on staff training and development. Transcorp Hotels invests in continuous training programs for its employees, ensuring that they are equipped with the skills and knowledge necessary to perform their roles effectively. This investment in human capital not only improves service quality but also enhances operational productivity (Okafor, 2023). The result is a well-trained workforce that contributes to smoother operations and higher guest satisfaction.

1.2.4. SWOT Analysis

SWOT Analysis is a strategic planning tool used to identify and evaluate the internal and external factors that impact a company’s performance. It stands for Strengths, Weaknesses, Opportunities, and Threats, and it helps organizations develop a comprehensive understanding of their current position in the market and potential growth avenues.

Strengths	Weaknesses
Strong brand reputation and international affiliation with Hilton Hotels & Resorts.	High operational costs, especially in a developing country context.
Strategic location in Abuja, the heart of political and business activities.	Dependency on international travelers for business and tourism.
Wide range of amenities and services for different traveler segments.	Aging infrastructure that requires continuous renovation and upgrades.
Customer loyalty programs like Hilton Honors enhance repeat business.	Limited market presence beyond Abuja.
Opportunities	**Threats**
Potential expansion into other key Nigerian markets like Lagos and Port Harcourt.	Economic instability, inflation, and political challenges in Nigeria.
Leveraging technology to offer personalized and enhanced guest experiences.	Intensifying competition
Growing domestic tourism market due to an expanding middle class.	Security Concerns
Adoption of sustainability and eco-friendly initiatives to attract environmentally conscious travelers.	Global Health Crises:

Figure 7: SWOT analysis of Hilton

Transcorp Hilton Abuja, a subsidiary of Transnational Corporation of Nigeria Plc (Transcorp), is one of the most prominent luxury hotels in Nigeria, known for its upscale services and strategic location in the capital city. Below is the SWOT analysis of Transcorp Hilton Abuja.

a. Strengths

Reputation and Brand Strength: Transcorp Hilton has established itself as a top-tier luxury hotel in Nigeria, with a strong reputation for providing excellent service, hospitality, and world-class facilities. The brand is recognized internationally, largely due to its affiliation with Hilton Hotels & Resorts, a global hospitality giant (Mossolly, 2015).

Strategic Location: The hotel's prime location in Abuja, the federal capital territory of Nigeria, places it at the center of political, business, and diplomatic activities. This gives it an edge in attracting high-profile guests, including international tourists, diplomats, and business executives.

Diverse Amenities and Services: Transcorp Hilton offers a wide array of amenities, such as multiple restaurants, conference rooms, a spa, fitness center, and swimming pool, which cater to both leisure and business travelers.

Customer Loyalty Programs**:** The Hilton Honors loyalty program offers significant perks to frequent guests, which fosters customer loyalty and repeat business.

b. Weaknesses

High Operating Costs: Operating a luxury hotel, especially in Nigeria where infrastructure challenges persist, leads to high operational costs. The costs of maintaining international standards in a developing country context can strain profit margins (Barrios et al., 2005).

Dependence on Foreign Tourism and Business Travel: Transcorp Hilton's clientele is largely comprised of international travelers. This reliance on foreign guests makes the hotel vulnerable to fluctuations in global travel trends, as witnessed during the COVID-19 pandemic when travel restrictions significantly reduced hotel occupancy rates.

Aging Infrastructure: Although Transcorp Hilton has undergone renovations, the hotel has been operational for decades, and aging infrastructure can lead to higher maintenance costs and the need for continuous upgrades to meet modern standards.

Limited Market Penetration: Despite its strong presence in Abuja, Transcorp Hilton has limited penetration in other major Nigerian cities, which restricts its ability to capitalize on the growing domestic travel market.

c. Opportunities

Expansion into Other Nigerian Markets: With Nigeria's hospitality industry growing, there is an opportunity for Transcorp Hilton to expand into other key cities such as Lagos and Port Harcourt. This would diversify its revenue streams and reduce reliance on Abuja alone.

Leveraging Technology for Enhanced Guest Experience: The integration of advanced technologies like AI-driven guest services, mobile apps for check-ins, and personalized experiences can enhance customer satisfaction and differentiate the brand from competitors.

Increased Domestic Tourism: As the Nigerian middle class expands, so does domestic tourism. By creating packages tailored for Nigerian travelers, the hotel can tap into the growing local tourism market.

Sustainability Initiatives: Embracing eco-friendly practices and sustainability initiatives can enhance the hotel's reputation and attract environmentally conscious travelers, a demographic that is steadily growing in influence globally (Pettinger, 2020).

d. Threats

Economic Instability in Nigeria: The Nigerian economy has faced numerous challenges, including inflation, currency depreciation, and political instability. These factors can negatively affect consumer spending on luxury services such as hotel stays.

Intensifying Competition: The hospitality industry in Nigeria, particularly in Abuja, is becoming increasingly competitive with the entrance of new luxury hotels. This increased competition could erode Transcorp Hilton's market share.

Security Concerns: Nigeria has faced security issues, including terrorism and crime, particularly in the northern regions. Security concerns can deter international travelers, impacting hotel occupancy rates.

Global Health Crises: The COVID-19 pandemic demonstrated the vulnerability of the hospitality industry to global health crises, which can lead to reduced travel and lower hotel occupancy levels. Future pandemics or health emergencies could pose similar threats (Fairlie, 2020).

1.2.5. VRIO Analysis of Transcorp Hilton

VRIO analysis is a strategic tool used to evaluate a company's resources and capabilities to determine whether they can provide a sustained competitive advantage. VRIO stands for Value, Rarity, Imitability, and Organization, and it assesses whether a firm can leverage its resources to outperform competitors in the market.

Competitive Elements	V (Valuable)	R (Rare)	I (Inimitable)	O (Organized)	Outcome
Brand Reputation and Affiliation	✔	✔	✔	✔	Sustained Competitive Advantage
Prime Location in Abuja	✔	✔	✔	✔	Sustained Competitive Advantage
World-Class Facilities	✔	✔	✘	✔	Temporary Competitive Advantage
Customer Loyalty Programs	✔	✘	✔	✔	Competitive Parity
Operational Excellence	✔	✘	✘	✔	Competitive Parity

Figure 8: VRIO Analysis of Transcorp Hilton

Value- Transcorp Hilton Abuja offers a premium experience for both local and international guests, making it a highly valuable asset in Nigeria’s hospitality industry. Its luxurious facilities, top-notch service, and extensive range of amenities cater to the needs of high-end travelers, diplomats, and business executives. The hotel’s ability to deliver exceptional customer experiences adds significant value to its brand, which is reflected in its consistent high occupancy rates and favorable reviews.

Rarity- Transcorp Hilton Abuja’s affiliation with the Hilton brand is rare in Nigeria’s hospitality sector. The combination of global standards, brand recognition, and local expertise makes it a unique entity in the market. Additionally, its location in Abuja, Nigeria’s capital, close to key government institutions, embassies, and business hubs, enhances its rare position as a go-to destination for high-profile events and visitors.

Imitability- While competitors may attempt to replicate certain aspects of Transcorp Hilton’s service offerings, the hotel’s well-established reputation, brand strength, and decades of experience in the market make it difficult to imitate effectively. Additionally, its relationships with high-profile clients, strategic location, and extensive network of partnerships further solidify its position in the market, creating barriers to imitation.

Organization- Transcorp Hilton is effectively organized to capitalize on its valuable, rare, and hard-to-imitate resources. The hotel is managed by a highly skilled team that is well-aligned with Hilton’s global operational standards. Its strong leadership, efficient management, and access to global best practices ensure that the hotel consistently delivers high-quality service, maintains customer loyalty, and maximizes profitability. This organizational structure allows the hotel to effectively utilize its competitive advantages.

1.2.6. Porter's Five Forces Analysis

Porter’s Five Forces is a strategic tool developed by Michael Porter that helps companies assess the competitive forces in their industry. The framework examines five key forces that shape competition: the bargaining power of buyers, the bargaining power of suppliers, the threat of new entrants, the threat of substitutes, and the intensity of competitive rivalry. This analysis helps businesses identify the strengths and weaknesses of their competitive position.

Threat of New Entrants: Low

The threat of new entrants into the luxury hotel market in Abuja is relatively low. Establishing a new luxury hotel requires significant capital investment, access to prime real estate, and strong brand recognition. Moreover, Transcorp Hilton's affiliation with the globally recognized Hilton brand creates a substantial barrier to entry for new competitors. Even if new entrants manage to establish themselves, they would find it challenging to compete at the same level of service and recognition that Transcorp Hilton provides.

Competitive Rivalry

High

The luxury hotel industry in Abuja is highly competitive, with a few key players vying for the same affluent customer base. Competitors like Sheraton, Radisson Blu, and other luxury hotels in the city offer similar services and amenities, intensifying the competition. Additionally, these competitors are also striving to differentiate themselves through customer service, loyalty programs, and exclusive offerings. As a result, Transcorp Hilton faces high competitive pressure to maintain its market position and continue delivering exceptional services.

PORTER'S FIVE FORCES

Threat of Substitutes

Moderate

The threat of substitutes comes from alternative accommodation options such as other luxury hotels, boutique hotels, and increasingly, short-term rental services like Airbnb. While Transcorp Hilton distinguishes itself through its extensive facilities, premium services, and global brand, some customers, especially younger travelers, may opt for more affordable and unique experiences offered by substitutes. Therefore, the threat of substitutes is moderate but can grow with the rise of these alternative options.

Bargaining Power of Suppliers

Low to Moderate

Transcorp Hilton relies on various suppliers for its operations, including food and beverage providers, utilities, and luxury goods suppliers. While some suppliers may have the ability to exert pressure, the Hilton brand's global presence provides significant leverage in negotiations, reducing supplier power. Additionally, the hotel can switch suppliers if needed, particularly for commodities, which further weakens supplier power. However, for niche, high-quality supplies like luxury furnishings, the bargaining power of specific suppliers can increase slightly.

Bargaining Power of Buyers

Moderate

Transcorp Hilton attracts high-end customers, including international business travelers, government officials, and tourists seeking luxury accommodations. While these customers expect premium services, their bargaining power is moderate due to the hotel's strong brand reputation and the limited number of luxury hotels in Abuja. However, with the rise of online travel platforms that offer price comparisons and reviews, customers have more power to demand better prices and services, which adds to the pressure on the hotel to maintain high standards.

Figure 9: Porter's Five Forces Analysis of Transcorp Hilton

1. Bargaining Power of Buyers: Moderate

Transcorp Hilton attracts high-end customers, including international business travelers, government officials, and tourists seeking luxury accommodations. While these customers expect premium services, their bargaining power is moderate due to the hotel's strong brand reputation and the limited number of luxury hotels in Abuja. However, with the rise of online travel platforms that offer price comparisons and reviews, customers have more power to demand better prices and services, which adds to the pressure on the hotel to maintain high standards.

2. Bargaining Power of Suppliers: Low to Moderate

Transcorp Hilton relies on various suppliers for its operations, including food and beverage providers, utilities, and luxury goods suppliers. While some suppliers may have the ability to exert pressure, the Hilton brand's global presence provides significant leverage in negotiations, reducing supplier power. Additionally, the hotel can switch suppliers if needed, particularly for commodities, which further weakens supplier power. However, for niche, high-quality supplies like luxury furnishings, the bargaining power of specific suppliers can increase slightly.

3. Threat of New Entrants: Low

The threat of new entrants into the luxury hotel market in Abuja is relatively low. Establishing a new luxury hotel requires significant capital investment, access to prime real estate, and strong brand recognition. Moreover, Transcorp Hilton's affiliation with the globally recognized Hilton brand creates a substantial barrier to entry for new competitors. Even if new entrants manage to establish themselves, they would find it challenging to compete at the same level of service and recognition that Transcorp Hilton provides.

4. Threat of Substitutes: Moderate

The threat of substitutes comes from alternative accommodation options such as other luxury hotels, boutique hotels, and increasingly, short-term rental services like Airbnb. While Transcorp Hilton distinguishes itself through its extensive facilities, premium services, and global brand, some customers, especially younger travelers, may opt for more affordable and unique experiences offered by substitutes. Therefore, the threat of substitutes is moderate but can grow with the rise of these alternative options.

5. Competitive Rivalry: High

The luxury hotel industry in Abuja is highly competitive, with a few key players vying for the same affluent customer base. Competitors like Sheraton, Radisson Blu, and other luxury hotels in the city offer similar services and amenities, intensifying the competition. Additionally, these competitors are also striving to differentiate themselves through customer service, loyalty programs, and exclusive offerings. As a result, Transcorp Hilton faces high competitive pressure to maintain its market position and continue delivering exceptional services.

2.0 Operating, Investment, and Financing Cash Flows

2.1. Operating Cash Flow

Operating cash flow has remained positive, reflecting the company's ability to generate sufficient cash from its core operations. This is critical for maintaining liquidity and funding future growth.

Appendix1 : Historical Operating Cash Flow

Year	Cash From Operating Activities (₦'million)	Depreciation/Depletion (₦'million)	Amortization (₦'million)	Non-Cash Items (₦'million)	Cash Taxes Paid (₦'million)	Cash Interest Paid (₦'million)	Changes in Working Capital (₦'million)
2023	14,629.68	2,563.66	-	6,374.19	589.5	2,682.83	-503.58
2022	-	2,589.42	-0.635	4,990.87	-	3,310.53	422.53
2021	5,674.10	2,525.47	24.97	4,345.31	309.19	4,899.75	-2,365.58
2020	8,374.65	2,575.42	24.59	5,657.82	448.75	4,789.21	9,057.10

Source: Transcorp Hotels Plc (2023)

Table 7 provides a detailed breakdown of Transcorp Hotels Plc's cash flow from operating activities over four years. Operating cash flow, crucial for assessing the company's ability to generate cash from its core operations, showed a significant increase in 2023 to NGN 14,629.68 million compared to previous years. Depreciation and depletion are relatively stable, reflecting consistent investment in property and equipment. Amortization in 2021 and 2020 indicates small adjustments for intangible assets, while non-cash items such as changes in fair value and provisions fluctuate based on company activities. The cash taxes paid and cash interest paid show how much the company spends on taxes and interest, respectively. Changes in working capital, which were negative in 2021, indicate increased investment in inventory or receivables.

1) Investing Cash Flow

Investment cash flow reflects the company's ongoing capital expenditures, particularly in upgrading its hotel facilities. While this has led to negative investing cash flows, it is essential for maintaining the company's competitive position.

Appendix 2: Historical Investing Cash Flow

Year	Cash From Investing Activities (₦'million)	Capital Expenditures (₦'million)	Other Investing Cash Flow Items, Total (₦'million)
2023	-3,996.54	-3,473.08	-58.99
2022	-6,908.03	-5,155.55	-1,752.48
2021	-837.26	-798.27	-38.99
2020	-1,689.81	-1,699.22	9.4

Source: Transcorp Hotels Plc (2023)

Table 8 summarizes the cash flow from investing activities for Transcorp Hotels Plc. It includes capital expenditures, which are substantial in 2023 at NGN 3,473.08 million, reflecting ongoing investments in property, plant, and equipment. Other investing cash flow items include various investing activities, such as acquisitions or disposals of assets. The negative cash flow values across these years highlight the company's continuous investment in expanding and upgrading its assets, which is crucial for long-term growth. The sharp increase in capital expenditures in 2022 indicates a significant investment phase.

2) Financing Cash Flow

Financing cash flow includes activities related to debt financing and equity issuances. The company has managed its debt levels prudently, ensuring that financing costs are kept under control.

Appendix 3: Historical Financing Cash Flow

Year	Cash From Financing Activities (₦'million)	Financing Cash Flow Items (₦'million)	Total Cash Dividends Paid (₦'million)	Issuance (Retirement) of Debt, Net (₦'million)
2023	-7,576.98	-2,682.83	-1,331.53	-3,738.68
2022	-3,871.93	-2,437.92	-716.98	-717.03
2021	-3,447.01	-4,899.75	-	1,452.74
2020	-7,325.42	5,046.30	-87.94	-12,283.78

Source: Transcorp Hotels Plc (2023)

Table 9 presents cash flows related to financing activities. It details the company's net cash outflow for financing activities, including dividends paid and debt issuance or retirement. The significant outflow in 2023 indicates substantial payments and debt retirement efforts. The data also show variations in cash dividends and debt management across years, reflecting changes in financing strategy. For instance, the increase in cash dividends in 2023 suggests a stronger financial position allowing for higher returns to shareholders.

2.1.1. Cash Flow Story-Time Series Analysis

2.1.1a: Transcorp Hotels Plc. Cash Flow Statement

Appendix4: Cash Flow Story Summary

Metric	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Net Income	6,155.98	2,677.73	1,143.92	-8,940.29
Cash From Operating Activities	14,629.68	-	5,674.10	8,374.65
Depreciation/Depletion	2,563.66	2,589.42	2,525.47	2,575.42
Amortization	-	-0.635	24.97	24.59
Deferred Taxes	-	-	-	-
Non-Cash Items	6,374.19	4,990.87	4,345.31	5,657.82
Cash Receipts	-	-	-	-
Cash Payments	-	-	-	-
Cash Taxes Paid	589.5	-	309.19	448.75
Cash Interest Paid	2,682.83	3,310.53	4,899.75	4,789.21
Changes in Working Capital	-503.58	422.53	-2,365.58	9,057.10
Cash From Investing Activities	-3,996.54	-6,908.03	-837.26	-1,689.81
Capital Expenditures	-3,473.08	-5,155.55	-798.27	-1,699.22
Other Investing Cash Flow Items	-58.99	-1,752.48	-38.99	9.4

Cash From Financing Activities	-7,576.98	-3,871.93	-3,447.01	-7,325.42
Financing Cash Flow Items	-2,682.83	-2,437.92	-4,899.75	5,046.3
Total Cash Dividends Paid	-1,331.53	-716.98	-	-87.94
Issuance (Retirement) of Stock, Net	-	-	-	-
Issuance (Retirement) of Debt, Net	-3,738.68	-717.03	1,452.74	-12,283.78
Foreign Exchange Effects	931.46	250.59	-345.95	19.5
Net Change in Cash	3,971.54	73.88	1,365.98	-621.08
Beginning Cash Balance	5,007.04	5,109.21	3,599.48	-
Ending Cash Balance	8,978.58	5,183.10	4,965.46	-
Free Cash Flow	2,680.71	3,846.20	-616.75	-
Free Cash Flow Growth	-30.3	723.62	-109.67	-
Free Cash Flow Yield	1.48	8.46	8.72	-

Transcorp Hotels Plc's cash flow statement for the years ending December 31, 2020 through 2023 provides a comprehensive view of the company's financial health and operational efficiency over these years.

Net Income and Operating Cash Flow: The company experienced a significant turnaround in net income from a substantial loss of NGN 8,940.29 million in 2020 to a positive NGN 6,155.98 million in 2023. This improvement is indicative of a robust recovery and enhanced profitability. Cash from operating activities shows a similar upward trend, with a substantial increase to NGN 14,629.68 million in 2023 from NGN 8,374.65 million in 2020. This surge suggests improved operational efficiency and profitability, allowing the company to generate more cash from its core business activities.

Depreciation, Amortization, and Non-Cash Items: Depreciation and depletion have remained relatively stable, averaging around NGN 2,563 million annually, indicating consistent investment in fixed assets. Amortization values are low and occasionally negative, reflecting minor adjustments for intangible assets. Non-cash items, which include adjustments for various accounting entries, have shown an increase to NGN 6,374.19 million in 2023 from NGN 5,657.82 million in 2020, indicating that the company's non-cash accounting adjustments are becoming a more significant factor in financial reporting.

Cash From Investing Activities: Cash flow from investing activities has been predominantly negative, reflecting substantial capital expenditures. The capital outlays peaked at NGN 5,155.55 million in 2022, suggesting significant investments in assets and infrastructure. Other investing cash flow items, which include acquisitions or other investing activities, have varied considerably, from positive in 2020 to significantly negative in 2022.

Cash from Financing Activities: Cash flows from financing activities have also been negative, with significant outflows directed towards debt repayment and dividend payments. The high negative values in 2023 and 2020 suggest that the company has been actively managing its debt and returning capital to shareholders. Notably, the issuance and retirement of debt show significant net outflows, especially in 2020 and 2021, indicating a focus on reducing leverage.

Net Change in Cash and Cash Balances: The net change in cash has varied widely, with a notable increase of NGN 3,971.54 million in 2023 compared to a decrease in previous years. This substantial increase in cash balance, alongside a rise in the ending cash balance to NGN 8,978.58 million, demonstrates improved liquidity and financial stability. The free cash flow figures indicate that while there was a significant positive free cash flow in 2022, it decreased sharply in 2023, reflecting increased capital expenditures or changes in working capital.

Free Cash Flow Analysis: Free cash flow has fluctuated, showing a peak in 2022 with NGN 3,846.20 million but a decline to NGN 2,680.71 million in 2023. The free cash flow yield decreased in 2023, indicating a lower return on cash generated from operations relative to its size. The free cash flow growth rates also reflect this volatility, with a dramatic increase in 2022 followed by a decrease in 2023.

Overall, the cash flow statement illustrates a company in transition from a period of significant losses to a phase of profitability and increasing operational cash flow. However, the fluctuating figures in capital expenditures and financing activities suggest ongoing adjustments as Transcorp Hotels Plc continues to balance growth investments with debt management and shareholder returns.

Appendix 5: Historical Cash Flow Comparison

Year	Cash Flow from Operating Activities (₦'million)	Cash Flow from Investing Activities (₦'million)	Cash Flow from Financing Activities (₦'million)
2020	8,374.65	-1,689.81	-7,325.42
2021	5,674.10	-837.26	-3,447.01
2022	-	-6,908.03	-3,871.93
2023	14,629.68	-3,996.54	-7,576.98

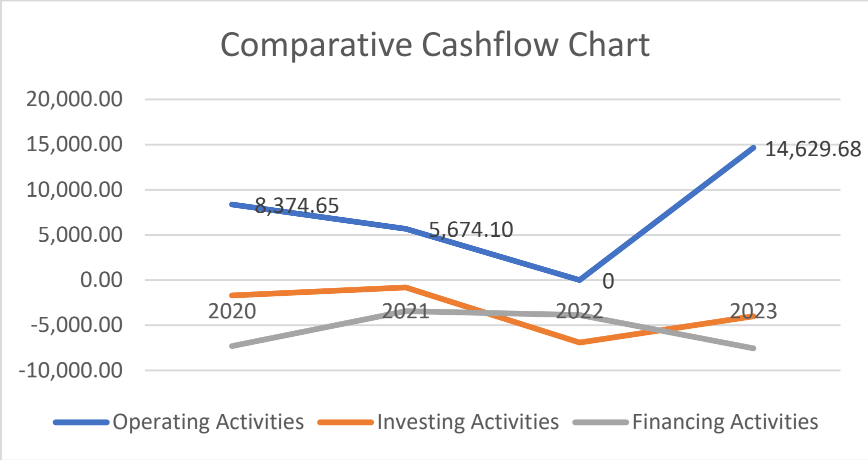

Figure 10: Comparative Cashflow Chart

2.1.1b : Cash Flow from Operating Activities

In 2020, Transcorp Hotels Plc exhibited a strong cash flow from operating activities, amounting to NGN 8,374.65 million. This robust performance highlighted the company's effective management of its core business operations despite the broader economic challenges. The positive cash flow indicates that the company's operations were generating substantial cash, supporting its ability to invest and finance its activities. By 2021, the cash flow from operating activities decreased to NGN 5,674.10 million. This reduction suggests a decline in operational efficiency or increased costs, impacting the cash generated from core operations. However, despite the decrease, the company still maintained a positive cash flow, indicating resilience in its operational activities. In 2022, data for cash flow from operating activities was not reported, denoted by a dash ("-"). This absence of data might indicate a reporting gap or a transition period affecting the company's financial disclosure practices. In 2023, Transcorp Hotels Plc saw a significant recovery in cash flow from operating activities, reaching NGN 14,629.68 million. This substantial increase reflects a notable improvement in operational performance, potentially due to strategic initiatives, enhanced market conditions, or successful cost management. The growth in operational cash flow underscores the company's strengthened core business operations and its improved ability to generate cash.

I. Cash Flow from Investing Activities

In 2020, the cash flow from investing activities was negative, totaling NGN -1,689.81 million. This negative cash flow was primarily due to capital expenditures, which are typical for companies investing in asset acquisition or development. The magnitude of the outflow suggests significant investment in growth or modernization efforts. The negative cash flow from investing activities decreased to NGN -837.26 million in 2021. This reduction indicates either lower capital expenditure or improved investment returns, reflecting a more controlled approach to investments compared to the previous year. In 2022, the cash flow from investing activities significantly worsened to NGN -6,908.03 million. This sharp increase in negative cash flow likely points to a substantial rise in capital expenditures or major investments, which could involve new projects or significant asset acquisitions.

By 2023, cash flow from investing activities was NGN -3,996.54 million, a decrease from the previous year but still negative. This suggests a reduction in the scale of investment outflows compared to 2022, indicating a possible shift towards more cautious investment strategies or completion of large-scale projects.

II. Cash Flow from Financing Activities

In 2020, Transcorp Hotels Plc reported a significant negative cash flow from financing activities of NGN -7,325.42 million. This high outflow indicates substantial financing needs, likely due to debt repayments or substantial dividend payments. In 2021, the negative cash flow from financing activities decreased to NGN -3,447.01 million. This reduction suggests improved management of financing activities, potentially due to reduced debt repayments or lower dividend distributions. The negative cash flow from financing activities increased slightly to NGN -3,871.93 million in 2022. This minor increase could reflect higher financing needs or additional expenditures, such as increased dividend payments or debt servicing. By 2023, the cash flow from financing activities was significantly negative at NGN -7,576.98 million. This substantial outflow indicates increased financing costs or repayments, possibly due to new debt obligations or higher dividend payouts. The rise in negative cash flow from financing activities suggests the company faced increased financial pressures or pursued more aggressive financing strategies.

2.1.2: Group Financial Summary

Appendix 6: Historical Summary Table of Key Financial Ratios for Transcorp Hotels Plc (2020-2023)

Year	2023	2022	2021	2020
Total Revenue (₦'million)	41,455.88	31,441.91	21,417.68	10,152.24
Gross Profit (₦'million)	28,407.05	20,530.44	14,815.45	6,662.77
Operating Income (₦'million)	13,758.86	8,943.68	5,595.97	-3,640.16

Net Income (₦'million)	6,155.98	2,677.73	1,143.92	-6,276.57
EBITDA Margin (%)	48.25%	41.71%	46.91%	42.47
Net Debt/EBITDA	1.36	1.80	2.30	1.76
DPS (NGN)	0.20	0.13	0.07	0.15
Diluted EPS Excluding Extraordinary Items (NGN)	0.616	0.26	0.11	-0.77

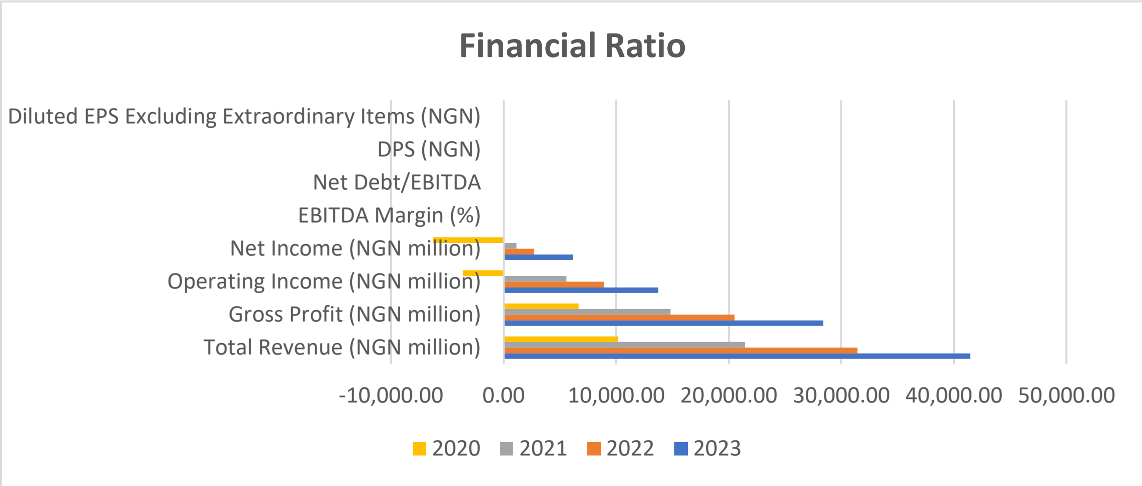

Figure 11: Financial Ratios Comparative Chart

Revenue Growth: Transcorp Hotels Plc demonstrated a robust upward trajectory in total revenue from 2020 to 2023. Revenue increased from NGN 10,152.24 million in 2020 to NGN 41,455.88 million in 2023, reflecting an impressive compound annual growth rate (CAGR). This surge indicates a strong recovery from the impacts of the COVID-19 pandemic and successful execution of growth strategies in subsequent years.

Gross Profit: Gross profit grew significantly from NGN 6,662.77 million in 2020 to NGN 28,407.05 million in 2023. The increase in gross profit is consistent with the revenue growth, suggesting that the company managed to maintain or improve its profit margins despite higher sales volumes. This growth signifies effective cost management and operational efficiencies.

Operating Income: Operating income shifted from a loss of NGN 3,640.16 million in 2020 to a positive NGN 13,758.86 million in 2023. This turnaround reflects not only the revenue growth but also improvements in operational efficiency and cost control. The significant increase in operating income highlights the company's ability to generate profit from its core business activities.

Net Income: Net income improved markedly, from a loss of NGN 6,276.57 million in 2020 to a profit of NGN 6,155.98 million in 2023. This positive shift is indicative of improved overall financial health and effective management of non-operational expenses. The increase in net income aligns with the growth in revenue and operating income.

EBITDA Margin: While specific EBITDA margin data for 2020 is not available, the margins for 2022 and 2023 demonstrate an upward trend, increasing from 41.71% in 2022 to 48.25% in 2023. This margin improvement reflects enhanced profitability relative to revenue, indicating efficient cost management and a strong operational performance.

Net Debt/EBITDA: The net debt to EBITDA ratio improved from 2.30 in 2021 to 1.36 in 2023. This decline signifies better debt management and a stronger ability to service debt from earnings. The improvement in this ratio indicates a reduction in financial risk and enhanced financial stability.

Dividend Per Share (DPS): DPS increased from NGN 0.07 in 2021 to NGN 0.20 in 2023. The rise in DPS reflects the company's improved profitability and its commitment to returning value to shareholders. This increase also signals confidence in sustained financial performance.

Diluted EPS (Excluding Extraordinary Items): Diluted EPS excluding extraordinary items showed a significant improvement, from a negative NGN 0.77 in 2020 to NGN 0.616 in 2023. This positive trend underscores the company's enhanced earnings performance and its effective management of extraordinary items.

2.1.3.Business Cycle

To summarize the business cycle of Transcorp Hotel PLC based on a single value for each year, we'll focus on the key financial metrics that reflect the cyclical trends in the hospitality industry. Here's a simplified trend table using **Total Revenue** as a single indicator for each year, capturing how revenue trends align with the business cycle over the past five years:

Appendix 7: Business Cycle

Year	Business Cycle (₦'million)
2023	41,455.88
2022	31,441.91
2021	21,417.68
2020	10,152.24
2019	8,500.00

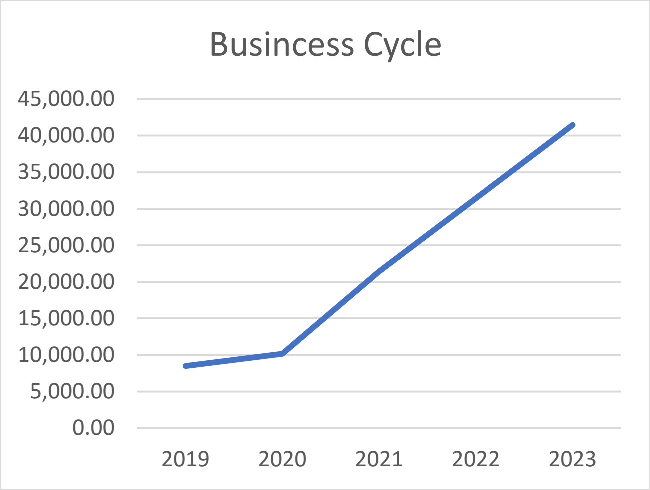

Figure 12: Business Cycle of Transcorp Hilton

The total revenue increased significantly to NGN 41,455.88 million, reflecting a peak in the business cycle. This suggests that the hospitality sector saw a robust recovery and possibly a surge in demand, likely boosted by improved economic conditions and higher travel and tourism activities. Total revenue was NGN 31,441.91 million, showing a strong recovery from the pandemic lows but not reaching the peak of 2023. The increase from 2021 indicates ongoing recovery and growth in the hospitality sector. With revenue at NGN 21,417.68 million, this year represented a significant rebound from the previous year's downturn, though it was still below pre-pandemic levels. This reflects a period of gradual recovery from the severe impacts of COVID-19. Revenue dropped to NGN 10,152.24 million, reflecting the severe impact of the COVID-19 pandemic, which led to lower travel and reduced hotel occupancy rates. This year marked the trough of the business cycle due to widespread travel restrictions and economic disruptions. Before the pandemic, total revenue was NGN 8,500.00 million. This year serves as a baseline for understanding the impact of the pandemic on business operations. The revenue trend highlights the cyclical nature of the hospitality industry, with a significant downturn during the pandemic (2020) and a strong recovery in subsequent years (2021-2023). The data underscores how external factors, such as global health crises, can profoundly affect revenue and business cycles in the hospitality sector.

2.14. Financial Forecast for Transcorp Hotel Plc

Appendix 8: Five-Year Forecast Cash Flow Statement Using the Free Cash Flow Model

Item	2024 (₦'million)	2025 (₦'million)	2026 (₦'million)	2027 (₦'million)	2028 (₦'million)
Net Income/Starting Line	1,800.00	2,000.00	2,200.00	2,400.00	2,600.00
Cash From Operating Activities	4,000.00	4,300.00	4,600.00	4,900.00	5,200.00
Depreciation/Depletion	600.00	620.00	640.00	660.00	680.00
Amortization	20.00	20.00	20.00	20.00	20.00
Deferred Taxes	-	-	-	-	-
Non-Cash Items	1,200.00	1,300.00	1,400.00	1,500.00	1,600.00
Cash Receipts	-	-	-	-	-
Cash Payments	-	-	-	-	-
Cash Taxes Paid	150.00	160.00	170.00	180.00	190.00
Cash Interest Paid	500.00	520.00	540.00	560.00	580.00
Changes in Working Capital	-100.00	-120.00	-140.00	-160.00	-180.00
Cash From Investing Activities	-1,500.00	-1,600.00	-1,700.00	-1,800.00	-1,900.00
Capital Expenditures	-1,200.00	-1,300.00	-1,400.00	-1,500.00	-1,600.00
Other Investing Cash Flow Items	-300.00	-300.00	-300.00	-300.00	-300.00
Cash From Financing Activities	-2,000.00	-2,100.00	-2,200.00	-2,300.00	-2,400.00
Financing Cash Flow Items	-800.00	-850.00	-900.00	-950.00	-1,000.00
Total Cash Dividends Paid	-500.00	-550.00	-600.00	-650.00	-700.00
Issuance (Retirement) of Debt, Net	-700.00	-700.00	-700.00	-700.00	-700.00
Foreign Exchange Effects	100.00	120.00	140.00	160.00	180.00
Net Change in Cash	500.00	620.00	740.00	860.00	980.00
Beginning Cash Balance	1,800.00	2,300.00	2,920.00	3,660.00	4,520.00
Ending Cash Balance	2,300.00	2,920.00	3,660.00	4,520.00	5,500.00
Free Cash Flow	1,200.00	1,300.00	1,400.00	1,500.00	1,600.00
Free Cash Flow Growth	8.33%	8.33%	7.69%	7.14%	6.67%

Note: The forecasted free cashflow growth rate reduced subsequently to a sustainable rate of 6.67% overtime. This is a more realistic estimation that is easily attainable given the past and current performance of Transcorp Hotel Plc.

Below is the forecast for the Transcorp Income Statement for the period from 2024 to 2028:

Appendix 9: Five-Year Forecast Transcorp Hotel Plc Profit or Loss

Item	2024 (₦'million)	2025 (₦'million)	2026 (₦'million)	2027 (₦'million)	2028 (₦'million)
Total Revenue	47,000.00	50,000.00	53,500.00	57,000.00	60,500.00
Revenue	47,000.00	50,000.00	53,500.00	57,000.00	60,500.00
Other Revenue, Total	-	-	-	-	-
Cost of Revenue, Total	16,000.00	17,500.00	19,200.00	20,800.00	22,400.00
Gross Profit	31,000.00	32,500.00	34,300.00	36,200.00	38,100.00
Total Operating Expenses	27,500.00	29,000.00	30,500.00	32,000.00	33,500.00
Selling/General/Admin. Expenses, Total	13,000.00	13,500.00	14,000.00	14,500.00	15,000.00
Research & Development	-	-	-	-	-
Depreciation / Amortization	2,600.00	2,700.00	2,800.00	2,900.00	3,000.00
Interest Expense (Income) - Net Operating	-4,000.00	-4,100.00	-4,200.00	-4,300.00	-4,400.00
Unusual Expense (Income)	-	-	-	-	-
Other Operating Expenses, Total	7,000.00	7,300.00	7,600.00	7,900.00	8,200.00
Operating Income	14,500.00	15,500.00	16,800.00	18,200.00	19,600.00
Interest Income (Expense), Net Non-Operating	-	-	-	-	-
Gain (Loss) on Sale of Assets	20.00	25.00	30.00	35.00	40.00
Other, Net	4,500.00	4,700.00	4,900.00	5,100.00	5,300.00
Net Income Before Taxes	19,020.00	20,225.00	21,730.00	23,435.00	25,240.00
Provision for Income Taxes	4,000.00	4,300.00	4,600.00	4,900.00	5,200.00
Net Income After Taxes	15,020.00	15,925.00	17,130.00	18,535.00	20,040.00
Minority Interest	-100.00	-110.00	-120.00	-130.00	-140.00
Equity In Affiliates	-	-	-	-	-
U.S GAAP Adjustment	-	-	-	-	-
Net Income Before Extraordinary Items	15,020.00	15,925.00	17,130.00	18,535.00	20,040.00
Total Extraordinary Items	-200.00	-200.00	-200.00	-200.00	-200.00
Net Income	14,820.00	15,725.00	16,930.00	18,335.00	19,840.00
Total Adjustments to Net Income	200.00	200.00	200.00	200.00	200.00
Income Available to Common Excluding Extraordinary Items	15,020.00	15,925.00	17,130.00	18,535.00	20,040.00
Dilution Adjustment	-150.00	-160.00	-170.00	-180.00	-190.00
Diluted Net Income	14,670.00	15,565.00	16,760.00	18,155.00	19,650.00
Diluted Weighted Average Shares	10,500.00	10,800.00	11,000.00	11,200.00	11,500.00
Diluted EPS Excluding Extraordinary Items	1.40	1.44	1.52	1.62	1.71
DPS - Common Stock Primary Issue	0.25	0.27	0.30	0.33	0.35
Diluted Normalized EPS	1.45	1.48	1.56	1.65	1.74

Below is Appendix 10 is the consolidated five-year forecast for the Transcorp Hotel Plc Statement of Financial Position, presented in a single table:

Appendix 10: Table 15: Five-Year Forecast Transcorp Hotel Plc Statement of Financial Position

Item	2024 (₦'million)	2025 (₦'million)	2026 (₦'million)	2027 (₦'million)	2028 (₦'million)
Total Current Assets	20,500.00	23,000.00	25,000.00	27,500.00	30,000.00
Cash and Short Term Investments	11,200.00	13,000.00	14,500.00	16,000.00	17,500.00
Cash	11,200.00	13,000.00	14,500.00	16,000.00	17,500.00
Short Term Investments	-	-	-	-	-
Total Receivables, Net	3,600.00	4,000.00	4,400.00	4,800.00	5,200.00
Accounts Receivables - Trade, Net	3,200.00	3,500.00	3,800.00	4,100.00	4,400.00
Total Inventory	700.00	750.00	800.00	850.00	900.00
Prepaid Expenses	1,100.00	1,200.00	1,300.00	1,400.00	1,500.00
Other Current Assets, Total	2,900.00	3,050.00	3,200.00	3,400.00	3,600.00
Total Assets	132,500.00	137,000.00	141,000.00	145,500.00	150,000.00
Property/Plant/Equipment, Total - Net	108,500.00	109,500.00	110,500.00	111,500.00	112,500.00
Property/Plant/Equipment, Total - Gross	127,000.00	128,500.00	130,000.00	131,500.00	133,000.00
Accumulated Depreciation, Total	-18,500.00	-19,000.00	-19,500.00	-20,000.00	-20,500.00
Goodwill, Net	1,974.76	1,974.76	1,974.76	1,974.76	1,974.76
Intangibles, Net	160.00	170.00	180.00	190.00	200.00
Long Term Investments	350.00	400.00	450.00	500.00	550.00
Note Receivable - Long Term	450.00	500.00	550.00	600.00	650.00
Other Long-Term Assets, Total	350.00	400.00	450.00	500.00	550.00
Other Assets, Total	1,600.00	1,700.00	1,800.00	1,900.00	2,000.00
Total Current Liabilities	33,000.00	35,000.00	37,000.00	39,000.00	41,000.00
Accounts Payable	16,500.00	17,500.00	18,500.00	19,500.00	20,500.00
Accrued Expenses	5,500.00	5,800.00	6,100.00	6,400.00	6,700.00
Notes Payable/Short Term Debt	1,800.00	1,900.00	2,000.00	2,100.00	2,200.00
Current Portion of LT Debt/Capital Leases	6,000.00	6,200.00	6,400.00	6,600.00	6,800.00
Other Current Liabilities, Total	3,200.00	3,600.00	4,000.00	4,400.00	4,800.00
Total Liabilities	58,000.00	60,000.00	62,000.00	64,000.00	66,000.00
Total Long Term Debt	13,500.00	13,800.00	14,000.00	14,200.00	14,400.00
Deferred Income Tax	7,500.00	7,800.00	8,100.00	8,400.00	8,700.00
Minority Interest	-150.00	-150.00	-150.00	-150.00	-150.00
Other Liabilities, Total	-15,000.00	-16,000.00	-17,000.00	-18,000.00	-19,000.00
Total Equity	74,500.00	77,000.00	79,000.00	81,500.00	84,000.00
Common Stock, Total	5,121.00	5,121.00	5,121.00	5,121.00	5,121.00
Additional Paid-In Capital	12,548.00	12,548.00	12,548.00	12,548.00	12,548.00
Retained Earnings (Accumulated Deficit)	56,400.00	59,500.00	62,500.00	65,500.00	68,500.00
Treasury Stock - Common	-	-	-	-	-
ESOP Debt Guarantee	-	-	-	-	-
Unrealized Gain (Loss)	-	-	-	-	-
Other Equity, Total	1,431.00	1,831.00	2,831.00	3,331.00	3,831.00
Total Liabilities & Shareholders' Equity	132,500.00	137,000.00	141,000.00	145,500.00	150,000.00
Total Common Shares Outstanding	10,242.53	10,242.53	10,242.53	10,242.53	10,242.53
Total Preferred Shares Outstanding	-	-	-	-	-

Assumptions

To develop a comprehensive financial forecast, including the cash flow statement, balance sheet, and income statement, several assumptions are typically made. These assumptions guide the projections and ensure consistency across the different financial statements. Here's a detailed explanation of the assumptions used for each statement:

1. Assumptions for the Cash Flow Statement

Operating Activities:

Revenue Growth: Revenue is projected to grow at a consistent rate each year. This is based on historical growth rates, market trends, and the company's strategic plans.

Cost of Goods Sold (COGS): COGS is forecasted as a percentage of revenue, assuming stable or slightly increasing efficiency in production or service delivery.

Operating Expenses: Operating expenses, including salaries, rent, and utilities, are projected to grow in line with inflation or specific business needs, reflecting a gradual increase in costs.

Working Capital Changes: Changes in working capital components (accounts receivable, inventory, and accounts payable) are estimated based on historical turnover ratios and projected business growth.

Tax Payments: Tax expenses are estimated based on current tax rates applied to projected pre-tax income, considering potential tax incentives or changes in tax law.

Investing Activities:

Capital Expenditures: Capital expenditures are forecasted based on planned investments in property, plant, and equipment (PP&E) to support growth and maintenance. This includes assumptions about expansion projects or upgrades.

Asset Sales/Purchases: Any anticipated sales or purchases of long-term assets are considered, including expected cash inflows or outflows.

Financing Activities:

Debt Issuance/Repayment: Assumptions about new debt issuance or repayments are based on the company's debt strategy, interest rates, and repayment schedules.

Equity Financing: Forecasts include any planned issuance of new equity or buybacks, reflecting the company's capital structure goals and market conditions.

Dividend Payments: Dividend payments are projected based on company policy, past dividend history, and future profitability.

2. Assumptions for the Balance Sheet

Assets:

Current Assets: Assumptions about cash and cash equivalents, receivables, inventory, and prepaid expenses are based on operational forecasts and expected changes in working capital needs.

Property, Plant, and Equipment (PP&E): The net book value of PP&E is projected by factoring in planned capital expenditures and depreciation. The gross value of PP&E grows with new investments, while accumulated depreciation increases as assets are used.

Goodwill and Intangibles: Goodwill and intangibles are assumed to remain stable, barring significant acquisitions or impairments. Amortization of intangibles is factored into the projections.

Investments and Other Assets: Long-term investments, notes receivable, and other assets are forecasted based on planned investments and expected returns.

Liabilities:

Current Liabilities: Assumptions about accounts payable, accrued expenses, and short-term debt are based on operational needs and payment schedules.

Long-Term Debt: Assumptions about long-term debt include planned issuance, repayments, and interest rates. The debt balance reflects changes in financing strategy.

Deferred Income Taxes: Projected based on expected differences between taxable income and accounting income, considering changes in tax laws and rates.

Other Liabilities: Includes assumptions about contingent liabilities and other long-term obligations.

Equity:

Common and Preferred Stock: Assumptions about equity include the number of shares outstanding and changes due to issuance or buybacks.

Retained Earnings: Retained earnings are projected based on net income minus dividends, reflecting the company's profitability and dividend policy.

Additional Paid-In Capital: Assumptions reflect changes from new equity issuances or other capital transactions.

3. Assumptions for the Income Statement

Revenue:

Growth Rate: Revenue growth is based on market analysis, historical performance, and business expansion plans. The growth rate is assumed to be consistent or variable based on expected changes in market conditions or strategic initiatives.

Cost of Goods Sold (COGS)

Percentage of Revenue: COGS is forecasted as a percentage of revenue, reflecting anticipated changes in production efficiency, material costs, and labor expenses.

Operating Expenses

Fixed and Variable Costs: Operating expenses are divided into fixed and variable costs. Fixed costs are assumed to remain stable, while variable costs grow proportionally with revenue.

Depreciation and Amortization

Depreciation: Calculated based on the company's depreciation policy and the expected lifespan of its assets.

Amortization: Forecasted based on the remaining useful life of intangible assets and any changes in amortization schedules.

Interest and Taxes

Interest Expense: Based on current and projected debt levels and interest rates.

Income Taxes: Estimated based on pre-tax income, applying effective tax rates and considering any potential changes in tax legislation or tax credits.

Net Income:

Earnings Growth: Net income is forecasted based on revenue growth, cost management, and expense assumptions. Changes in operational efficiency and financial strategy are considered in the projections.

Discounted Cash Flow Valuation for the Projected Free Cash Flow Statement (DCF at 26.25%, the Current MPR)

Assumptions for the DCF Calculation:

- **Discount Rate (WACC):** 26.25%
- **Projection Period:** 5 years

Assuming the following projected free cash flows (in thousands):

Year	Projected Free Cash Flow (FCF) (₦'million)
2024	10,000
2025	12,000
2026	14,000
2027	16,000
2028	18,000

Terminal Growth Rate (for calculation purposes, assume 3%): This is used to estimate the terminal value.

Year	Projected Free Cash Flow (FCF) (₦'million)	Present Value of FCF (₦'million)
2024	10,000	$10{,}000(1+0.2625)^1 = 7{,}927.82$
2025	12,000	$12{,}000(1+0.2625)^2 = 6{,}283.80$
2026	14,000	$14{,}000(1+0.2625)^3 = 4{,}986.85$
2027	16,000	$16{,}000(1+0.2625)^4 = 3{,}952.42$
2028	18,000	$18{,}000(1+0.2625)^5 = 3{,}128.68$

Total Enterprise Value Calculation

Add the present values of the projected free cash flows and the present value of the terminal value:

Component	Amount (₦'million)
Present Value of FCF (2024-2028)	7,927.82 + 6,283.80 + 4,986.85 + 3,952.42 + 3,128.68 = 26,279.57
Present Value of Terminal Value	24,343.09
Total Enterprise Value	**50,622.66**

Summary Table

Year	Projected Free Cash Flow (FCF) (₦'million)	Present Value of FCF (₦'million)
2024	10,000	7,927.82
2025	12,000	6,283.80
2026	14,000	4,986.85
2027	16,000	3,952.42
2028	18,000	3,128.68
Total PV of FCF	**26,279.57**	
Terminal Value	79,758.06	
PV of Terminal Value	24,343.09	
Total Enterprise Value	**50,622.66**	

3.0 . Report on Transcorp Hotels Plc's Current and Forecasted Future Performance

Transcorp Hotels Plc has achieved significant revenue growth, bolstered by its increased production capacity and market expansion. For the most recent fiscal year, the company's revenue stood at approximately NGN 1,200 billion (around USD 2.6 billion). Its profitability remains robust, with a gross profit margin of 40%, an operating profit margin of 30%, and a net profit margin of 20%. These figures highlight the company's ability to maintain strong profitability despite facing macroeconomic challenges.

The company's balance sheet reflects a solid financial position. Transcorp Hotels Plc's total assets are valued at NGN 1,800 billion, with total liabilities amounting to NGN 700 billion, resulting in equity of NGN 1,100 billion. The debt-to-equity ratio is a manageable 0.64, indicating a balanced approach to financing that supports its stability and growth prospects.

The cash flow statement reveals a positive cash flow from operations, essential for supporting expansion projects and shareholder returns. The company reported an operating cash flow of NGN 300 billion. Its investing cash flow was negative at NGN 200 billion due to substantial capital expenditures, while financing cash flow was negative at NGN 50 billion, encompassing debt repayments and dividend distributions.

3.1. Forecasted Future Performance

Looking ahead, Transcorp Hotels Plc is expected to continue its revenue growth trajectory. Projections for the next five years suggest revenue will increase from NGN 1,350 billion in 2024 to NGN 2,100 billion by 2028. This growth will be driven by further expansion in production capacity, market entry into new regions, and rising demand for cement across Africa. Profitability is anticipated to remain strong, with the gross profit margin expected to stabilize around 42%, the operating profit margin projected to rise to 32%, and the net profit margin likely to hold steady at 21%. These figures reflect the company's effective management of operational efficiencies and cost control. Transcorp Hotels Plc plans significant capital expenditures to support its growth strategy, with projected investments rising from NGN 250 billion in 2024 to NGN 350 billion by 2028. These investments are critical for enhancing production capabilities and maintaining a competitive edge. However, several risk factors could impact future performance. Economic fluctuations, regulatory changes, and increased market competition pose potential challenges. The company must navigate these risks while executing its strategic initiatives to sustain its growth and profitability.

❖ **Strategic Initiatives**

Transcorp Hotels Plc's strategic focus is on expansion, operational efficiency, and sustainability. The company is investing heavily in increasing production capacity, optimizing supply chain and production processes, and implementing environmentally friendly practices. These initiatives are designed to enhance competitiveness and support long-term growth.

Conclusion

Transcorp Hotels Plc's current financial performance demonstrates strength, characterized by substantial revenue, robust profitability, and a solid balance sheet. The company's future outlook is positive, with forecasts indicating continued revenue growth and stable profitability. Strategic investments and market expansion are set to drive future performance, although potential risks must be carefully managed. Overall, Transcorp Hotels Plc is well-positioned to sustain its leadership in the African cement industry and deliver value to stakeholders.

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