

## RAK UNITY PETROLEUM COMPANY PLC

Rak Unity Petroleum Company Plc ("Rak Unity/the Company") was incorporated on 20<sup>th</sup> December, 1982 as a private liability company under the Companies Act 1968, and was converted to a public company on 16<sup>th</sup> November, 1987. Its registered office is located at Block 5, Water Corporation Road, GRA Ijora, Lagos. It was listed on the Alternative Securities Market (ASem) of the Nigerian Stock Exchange on 21<sup>st</sup> March 1989.

On 7<sup>th</sup> October, 2015, Rak Unity released its audited account for the year ended 31<sup>st</sup> March, 2015 and recommended a dividend of 30 kobo per share. On that day, the shares of the Company opened at 50 kobo on the floor of the Nigerian Stock Exchange.

### SHAREHOLDING STRUCTURE

The total number of outstanding shares of the Company was 56,624,893 as contained in its audited account for the year ended 31<sup>st</sup> March, 2015. However, 48,131,159 or 85% is owned by Toparte Nigeria Limited, while 15% is owned by the public.

**(NB: the minimum float for companies listed on the ASem of the Nigerian Stock Exchange is 15%)**

The table below presents the shareholding structure of the Company.

Range	No. of Shareholders	No. of Shares Held	% Holdings	Cumm. % Holdings
1 - 1,000	5,132	1,923,267	3.40%	3.40%
1,001 - 5,000	660	1,404,416	2.48%	5.88%
5,001 - 10,000	65	478,904	0.85%	6.72%
10,001 - 50,000	44	872,212	1.54%	8.26%
50,001 - 100,000	4	340,000	0.60%	8.86%
100,001 - 500,000	1	140,000	0.25%	9.11%
500,001 and above	2	51,466,094	90.89%	100.00%
<b>TOTAL</b>	<b>5,908</b>	<b>56,624,893</b>	<b>100.00%</b>	

Apart from three of the Directors of the Company who indirectly jointly own 48,131,159 shares on behalf of the majority shareholder, Toparte Nigeria Limited, none of the other four directors of the company has any shareholding in the Company.

### OPERATIONS

The principal activity of the Company is the sale and distribution of petroleum products.

The Company noted on its website that it had signed several agreements with So Energy, the downstream, retail operation arm of the Sahara Group, with a network of retail operations in Nigeria, Ghana and Ivory Coast, covering the following:

- **Product supply agreement:** under the term of this agreement, Rak Unity has a formal supply relationship with So Energy for products at favourable terms.
- **Licensing agreement:** under this agreement, Rak Unity will operate its retail stations under the So Energy trade name prior to Rak Unity's roll-out of its own brand nationally.
- **Technical services agreement:** With the execution of this agreement, So Energy provides RAK Unity with a range of technical and management services, hence allowing RAK Unity to run a lean operation, while embarking on an expansion strategy to drive increased profits and in-house competence for its operations.

The nature of the agreement between the Company and So Energy is such that So Energy procures products on behalf of the Company and sells to customers with a 10% commission on the margins made on such sales. This puts So Energy in the position of an "agent" of the Company. Despite the

fact that such operations are funded by So Energy, the agreement effectively transfers the risk and reward of such transactions to Rak Unity.

Below are the breakdown of the sales and the associated cost of the Company highlighting the proportion associated with the above agreement for the years 2014 and 2015.

	2015	2014
	₦'000	₦'000
Sales Made by So Energy under Agreement	5,763,409	2,089,272
Sales Made by Rak Unity to Third Parties	1,482,625	1,742,166
	<b>7,246,034</b>	<b>3,831,438</b>
Cost of the Sales Made by So Energy under the Agreement	5,408,784	1,982,872
Cost of the Sales Made by Rak Unity to Third Parties	1,602,125	1,697,660
	<b>7,010,909</b>	<b>3,680,532</b>

## FINANCIAL PERFORMANCE

The table below shows the financial performance of the Company for the years ended 31<sup>st</sup> March, 2014 and 2015.

	2015	2014	%age incr.
Revenue	7,246,034	3,831,438	89.12%
Cost of Sales	(7,010,909)	(3,680,532)	90.49%
<b>Gross Profit</b>	<b>235,125</b>	<b>150,906</b>	<b>55.81%</b>
Administrative Expenses	(103,973)	(71,838)	44.73%
<b>Operating Profit</b>	<b>131,152</b>	<b>79,068</b>	<b>65.87%</b>
Other Income	1,112	201	453.23%
<b>Profit before Taxes</b>	<b>132,264</b>	<b>79,269</b>	<b>66.85%</b>
Income Taxes	(42,505)	(25,396)	67.37%
<b>Profit after Taxes</b>	<b>89,759</b>	<b>53,873</b>	<b>66.61%</b>
<b>Earnings per Share</b>	<b>1.59</b>	<b>0.95</b>	<b>67.37%</b>
Total Assets	696,140	1,185,833	-41.30%
Total Equity	469,977	380,218	23.61%
Total Liabilities	226,163	805,615	-71.93%
<b>Financial Ratios</b>			
Gross Profit Margin	3.24%	3.94%	
Net Profit Margin	1.24%	1.41%	
Return on Assets	12.89%	4.54%	
Return on Equity	19.10%	14.17%	

The table above shows a significant improvement of 89% in the revenue of the Company from 2014 to 2015. Similarly, the gross profit, operating profit, profit before tax, and profit after tax figures of the Company showed significant improvements between those periods.

However, looking at the balance sheet figures, the total assets (and total liabilities) of the Company declined by 41% (and 72%) between 2014 and 2015, while the total equity of the company increased by 24% between the same periods. Further analysis revealed the following:

- The decline in the total assets was as a result of significant reduction in the "trade and other receivables" and the "cash and cash equivalents" between 2014 and 2015.

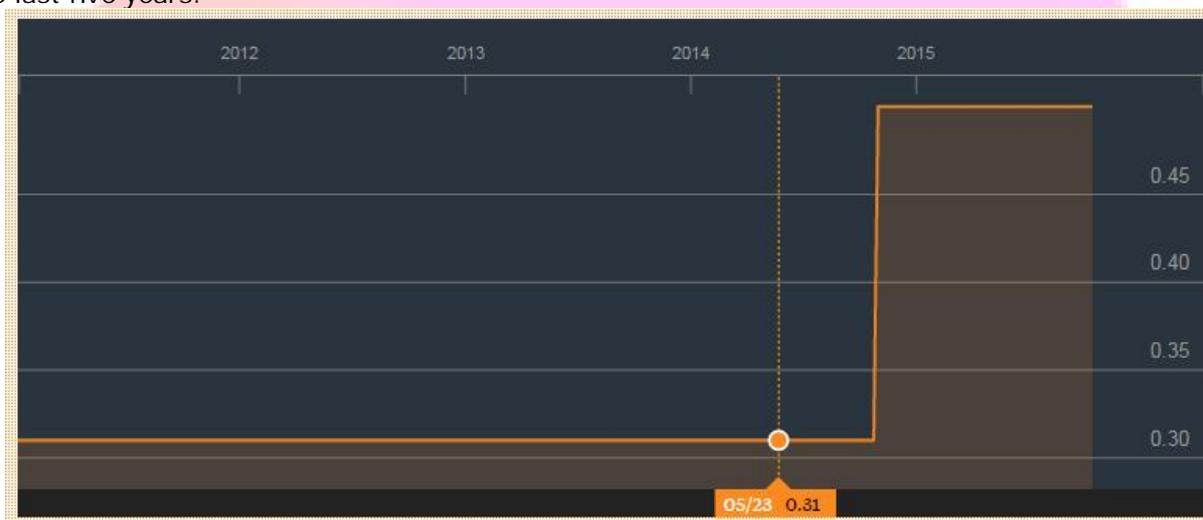
- The decline in the total liabilities arose from a significant reduction in the “trade payables and other payables” between 2014 and 2015.
- The accretion in the total equity figure arose from increment in the “retained earnings” of the company.

The table below shows the movements in the figures described above.

	2015	2014	%age incr.
Trade and Other Receivables	512,205	779,524	-34.29%
Cash and Cash Equivalents	44,933	241,829	-81.42%
Trade Payables and Other Payables	177,481	784,641	-77.38%
Retained Earnings	134,089	44,330	202.48%

## STOCK MARKET PERFORMANCE

The table below shows the Bloomberg screen of the performance of the shares of the Company for the last five years.



As observable from the graph above, between 7<sup>th</sup> January, 2011 and 30<sup>th</sup> October, 2014, the share price was 31 kobo. However, on 31<sup>st</sup> October, 2014, the price moved up to 50 kobo per share and it has remained at that point till date.

The trend revealed in the above screen indicates the extent of illiquidity of the shares of the Company. In fact, from 7<sup>th</sup> October, 2015, the date the 30 kobo dividend of the Company was announced, to 13<sup>th</sup> October, 2015, no trading occurred in the shares of the Company.

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