

Equity Note | TRANSCORP Proposes Shares Reconstruction

- ❖ In a recent statement released on May 3, 2024, Transnational Corporation Plc (TRANSCORP) disclosed its intention to restructure its share capital by reducing the number of its issued ordinary shares.
- ❖ According to its Q1:2024 financials, the group currently has a share capital of NGN20,323,995,146.50 comprising of 40,647,990,293 ordinary shares of NGN0.50 kobo each. The restructuring process will involve the cancellation of 30,485,992,719 units of shares while the portion of the share capital being cancelled (NGN15,242,996,359.50) will be transferred to a “special reconstruction reserve”. Consequently, the group’s new share capital will now be reduced to **NGN5,080,998,787.00** as the number of outstanding shares falls to **10,161,997,574** ordinary shares of 50 kobo each. *See Table 1 for an overview.*
- ❖ Furthermore, **TRANSCORP** will consolidate the issued shares at a basis of 1 for 4 ratio. This means that every four (4) shares currently held in **TRANSCORP** will be converted to one (1) share. For example, if a shareholder currently holds 20,000 units of **TRANSCORP**, after the restructuring process, it will become 5,000 units of shares. Shareholdings that result in fractional shares post-reconstruction will be rounded up to the nearest whole number.
- ❖ Concurrently, there will be a proportional upward adjustment in the share price of **TRANSCORP** on the NGX, which will be reflected after the conversion. In other words, the value of the 1 share converted will be the summation of the market price of the four (4) previous shares. Consequently, the company’s market capitalization and each shareholder’s percentage holding in the company will remain unchanged.
- ❖ **Note that:** The proposed transaction is subject to approval by shareholders, the court, and relevant regulatory authorities. Further information from the group is awaited. For full details of the disclosure, kindly refer [here](#).

Chart 5: Movement in Shareholders’ Funds using Q1:2024 Financials (NGN’mn)

	Pre-Reduction of Shares	Movement	Post-Reduction of Shares
Issue Share Capital	20,324.00	(15,243.00)	5,081.00
Share Premium	6,249.87	-	6,249.87
Retained Earnings	93,767.91	-	93,767.91
Share Reconstruction Reserve	-	15,243.00	15,243.00
Other Reserves	36,054.48	-	36,054.48
Shareholders’ Funds	156,396.26	-	156,396.26
Number of Shares	40,647,990,293	30,485,992,719	10,161,997,574

Source: Company’s Financials, Meristem Research

For the company, the share capital reconstruction will enhance the outlook of the company’s capital structure, making it more streamlined and efficient. By reducing the number of outstanding shares and consolidating them, the company's balance sheet will appear stronger, potentially improving its attractiveness to investors and lenders.

For the Shareholders, the initial uncertainty around the process may trigger panic selling. However, given that the value of their holdings will remain unchanged, the risk of dilution is eliminated and as such is expected to provide shareholders with confidence in the stability of their investment. However, the reduction in the number of shares may lead to decreased liquidity of the stock on the exchange. With fewer shares available for trading, shareholders may encounter challenges in buying or selling shares, potentially resulting in less flexibility.