

## Enterprise Group Plc 9M2022 Results

Current rating **UNDER REVIEW**

Ghana | 28 October 2022

### Profit growth quickens on strong premium outturn

**Enterprise Group PLC (EGL) published its unaudited 9M2022 financials yesterday, posting 22.6% y/y growth in profit after tax despite the prevailing cost pressures. Net income increased by 19.9% y/y, mainly on the back of strong growth in premiums. Annual growth in net investment income remained in single-digit territory despite the 27.8% y/y increase in the stock of investment securities.**

Performance: Growth in premiums drive earnings momentum

- Profit after tax grew to GHS 119.7m (+22.6% y/y), driven by strong growth in premiums and modest growth in investment income
- Net income increased by 19.9% y/y to GHS 1.0bn, mainly on the back of an 18.4% y/y rise in net insurance premium
- Net investment income grew by 7.2% y/y despite the 27.8% y/y rise in investment securities
- Net expenses jumped by 19.4% y/y to GHS 883.9m. Notably, insurance benefits and claims increased by 30.0% y/y with operating expenses rising by 21.5% y/y amidst elevated price pressures and local currency weakness

Outlook: Prevailing economic headwinds to weigh on revenue growth in the near term

- Although EGL's revenue performance has remained broadly positive, we take note of the slight moderation in gross premiums over the first 3 quarters of the year in absolute terms
- Overall, we expect growth in EGL's net income to stay strong, benefiting from its diversified business and market leadership. However, we anticipate a softening of the growth in gross premiums as rising inflation squeezes purse strings in the near term
- In line with our expectations, the rise in net benefit and claims persisted in 3Q2022 amidst elevated price pressures and Cedi depreciation. We reiterate that high policyholder surrenders and partial encashment from the life business may continue to play out as it did in 2021 as economic challenges persist
- Like other financial stocks in our coverage universe, EGL also has exposure to Government of Ghana securities and the advent of debt restructuring as part of an IMF bailout package will adversely impact solvency and profitability. As at the end of September 2022, the stock of investment securities constituted 69.7% of total assets and is 1.9x the value of shareholder funds

Valuation: Under Review

- EGL is trading at a P/B value of 0.6x and we intend to re-initiate coverage soon

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