

Enterprise Group Plc FY2022 & 1Q2023 Results

Current rating **UNDER REVIEW**

Ghana | 1 May 2023

EGL delivers excellent results

Enterprise Group Plc (EGL) published its FY2022 and 1Q2023 results last week on Friday, reporting strong bottom-line performance. Profit after tax increased by 81.2% y/y to GHS 222.6mn on the back of a 37.4% y/y growth in net income, notwithstanding the 30.4% y/y increase in net expenses. Notably, impairment charge increased sharply to GHS 328.9mn, reflecting the losses on investment securities arising from the Domestic Debt Exchange Programme (DDEP).

EGL continued to register double-digit growth in revenue which drove up profit after tax by 24.0% y/y to GHS 52.4mn in 1Q2023. However, the growth in gross insurance premium in 1Q2023 softened relative to 1Q2022 as the elevated inflationary pressures continued to squeeze purse strings.

FY2022 Performance: Revenue growth anchors positive bottom-line performance

- Profit after tax rose by 81.2% y/y to GHS 222.5mn, propelled by strong growth in revenue.
- Net income increased to GHS 1.6bn (+37.4% y/y), driven by strong growth in investment income and insurance premium.
- Net investment income rose by 84.1% y/y to GHS 451.2mn.
- Net insurance premium revenue increased by 21.3% y/y to GHS 1.0bn.
- Net expenses increased by 30.4% y/y to GHS 1.3bn, nudging the expense ratio to 49.5% (+2.6pp y/y). Losses arising from the DDEP pushed impairment charges up to GHS 328.9mn (+12,641.2% y/y).

1Q2023 Performance: Profit after tax grows on strong revenue performance

- Profit after tax grew by 24.0% y/y to GHS 52.4mn, driven by robust increase in revenue.
- Net income increased to GHS 394.9mn, driven by strong growth in investment income and insurance premium.
- Net investment income rose by 36.5% y/y to GHS 79.3mn
- Net insurance premium revenue increased by 22.8% y/y to 285.0mn.
- Net expenses increased by 25.1% y/y to GHS 334.8mn, driven by a 19.2% y/y rise in net benefit and claims and 37.8% y/y increase in operating expenses.

Outlook: Diversification benefits will keep shining through

- We were pleased to see EGL report growth in bottom-line performance in spite of the losses on investment securities arising from the DDEP.
- We maintain our expectation of sustained growth in EGL's net income as the top insurer continues to benefit from its diversified portfolio of businesses and its market leadership.
- However, we flag the elevated inflationary pressures as a potential drag on the growth in gross premium in the near term. We reiterate that high policyholder surrenders and partial encashment from the life business may continue to play out as observed in 2022 given the difficult economic terrain.
- Overall, we expect EGL to remain resilient and record positive growth in earnings in 2023.

Valuation: Under Review

- EGL is trading at a P/B value of 0.4x and we intend to re-initiate coverage soon

Analyst:

Lydia Adzobu: +233 30 825 0051

For further information, please contact our Insights Team. T: 233 308-250051 | Email: insights@ic.africa

Disclaimer:

This report is designed to be utilized by qualified institutional and professional investors only. Private investors must consult their investment adviser or broker for professional advice before seeking to act on the contents of this report. This advice has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. IC Securities' investment research reports are provided for informational purposes only. All information provided in this report is the intellectual property of IC Securities, is for the use of intended recipients only, and may not be reproduced in any form whatsoever without the express written consent of IC Securities. Descriptions are not intended to be complete and cannot be guaranteed to be accurate; therefore, IC Securities does not assume any legal liability or responsibility for any inaccuracies or misrepresentations contained in this report. Neither IC Securities nor its management, officers or employees accept responsibility or liability for, or make any representation, statement or expression of opinion or warranty, express or implied, with respect to the accuracy or completeness of the information or any oral communication in connection therewith. There may be regulatory or confidentiality obligations which prevent IC Securities from disclosing information, material or otherwise, which would normally be expected to be included in this report. The price of any securities stated in this report is the reported market price as of the date indicated, taken from sources IC Securities believes to be reliable. IC Securities does not represent that this price may be achieved in any transaction. Due to the inherently illiquid and relatively opaque nature of most of the Firm's coverage markets, any price stated in this report may not reflect the true trading price of the security referenced. This document does not constitute an offer by, or on behalf of IC Securities to enter into any transaction with you and will not form the basis of a contract for any such transactions. This report does not constitute an offer to sell or solicitation of a purchase order in respect of any securities, derivative or other instrument by the Firm.

