

## TOTAL 1Q2023 Results

Current rating **UNDER REVIEW**

Ghana | 2 May 2023

### Business as Usual

**TotalEnergies Marketing Ghana Plc (“TOTAL”) released its unaudited 1Q2023 financial results today, posting a significant improvement in profit-after-tax on the back of a strong increase in topline and other income. However, in line with our expectations, cost of sales and operating expenses increased on the back of the elevated inflationary pressures, higher utility costs and lingering FX challenges.**

Performance: Strong revenue and other income improves earnings

- TOTAL’s bottom-line increased by 48.3% y/y to GHS 40.4mn, on the back of strong revenue growth and a significant rise in other income
- The company’s topline increased by 59.3% y/y to GHS 1.6bn, owing primarily to increases in ex-pump fuel prices
- TOTAL’s average indicative ex-pump prices for petrol and diesel increased by 79.4%\* and 88.2%\*, respectively, in 1Q2023 when compared to the same period last year
- The growth in TOTAL’s ex-pump price was supported by the 21.6%\* average depreciation of the Cedi against the US Dollar in 1Q2023
- Cost of sales increased in line with the average inflation rate for 1Q2023, rising by 58.1% y/y to GHS 1.5bn, owing to the elevated inflationary pressures characterized by forex challenges, supply chain bottlenecks and higher utility costs
- Despite the high cost of sales, gross profit margin increased by 66.0bps to 9.2% on account of the robust revenue outturn
- Operating costs also increased by 66.0% y/y to GHS 86.6mn spurred by the elevated inflationary pressures
- However, operating margin increased by 90.0bps y/y to 4.7% on account of the growth in gross profit
- Resultantly, operating profit increased by 97.9% y/y to GHS 76.4mn, influenced by a 307.3% y/y rise in other income to GHS 12.5mn and a higher gross profit outturn
- We believe the increase in other income was due to an increase in TOTAL’s fees for rental spaces and services such as car washes and repairs at its network stations
- TOTAL’s net finance costs increased by 84-fold to GHS 21.3mn on account of the rising interest rates and the 32-fold increase in overdraft facilities
- Consequently, while net profit outturn increased, net profit margin decreased by 18.0bps to 2.5% in 1Q2023

Outlook: Cost to largely influence performance

- We remain bullish on TOTAL’s sales outturn in the coming quarters, as TOTAL’s expanded distribution coverage, improved efficiency, innovation from TotalEnergies Card and partnership with Autofast will sustain robust topline growth amidst sustained demand for petroleum products
- The above notwithstanding, we remain concerned that the “upper class only” tag on TOTAL as well as TOTAL’s prices being among the top two highest in the market could continue to constrain volume growth, as price-sensitive consumers will switch to OMCs with relatively cheaper prices
- On the cost front, we anticipate stable global crude prices as we observed in 1Q2023. However, we still expect TOTAL’s input cost and operating expenses to remain jacked up on the back of the country’s pressing macroeconomic challenges such as elevated inflation, higher utility costs, and the Cedi’s uncertain outlook against major currencies
- Lastly, owing to our anticipation of elevated inflationary pressures, we expect TOTAL’s margins to compress in the coming quarters. However, we expect decent earnings growth to continue in the quarters ahead

Valuation: Under Review

- TOTAL is currently trading at a P/E of 17.8x (TTM P/E of 4.03x) and EV/EBIT of 9.4x (TTM EV/EBIT of 2.3x)

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**\*Rates are from the Bank of Ghana**

**\*Indicative prices are from the National Petroleum Agency’s website**

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