## GOIL 9M2023 Results

Current rating **UNDER REVIEW**

Ghana I 17 November 2023

### A rollercoaster 9M2023 as revenue surges and margins tumble

**Ghana Oil Company Limited ("GOIL" or the "Group") released its unaudited 9M2023 financial results yesterday, posting a 33.0% y/y decline in profit-after-tax to GHS 69.4mn. The decline in earnings was on the back of 148.4% y/y surge in financial charges, a 23.8% y/y increase in operating expense and a 13.7% y/y increase in cost of sales. The spike in financial charges was occasioned by the higher cost of borrowing whereas the increase in cost of sales and general administrative expense was due to the elevated inflation, rising utility costs and the Cedi depreciation. GOIL reported a 13.4% y/y growth in revenue on the back price increases during 9M2023.**

#### Performance: Financial charges chip away profit despite growth in revenue

- GOIL's profit-after-tax declined by 33.0% y/y to GHS 69.4mn, largely due to 148.4% y/y increase in financial charges
- The Group's topline increased by 13.4% y/y to GHS 15.8bn, supported by increases in ex-pump fuel prices during 9M2023
- The price increase was underpinned by an 8.4%y/y rise in global crude oil prices in 9M2023, despite the y/y decline in the previous two quarters (-26.1% in 1Q2023, -34.8% in 1H2023)
- GOIL's ex-pump price was also supported by the Cedi's 22.9% depreciation against the US Dollar in 9M2023
- Cost of sales increased by 13.7% y/y to GHS 15.3bn, firmly below inflation of 38.1% in September 2023 (vs 37.2% in September 2022) and the Cedi's depreciation of 22.9% against the US Dollar in 9M2023
- The growth in GOIL's topline resulted in a 3.8% y/y increase in gross profit to GHS 536.5mn.
- As a result of the steeper growth in cost of sales compared to topline, gross margin decreased by 0.3pp y/y to 3.4% in 9M2023
- However, sundry income significantly improved from a loss of GHS 13.0mn to a gain of GHS 39.2mn
- Operating expense increased by 23.8% y/y to GHS 422.6mn, solely driven by general, administrative and selling expense.
- Resultantly, operating profit dipped by 5.8% y/y to GHS 153.1mn, reducing GOIL's operating margin by 0.2pp y/y to 1.0%
- Financial charges surged by 148.4% y/y to GHS 60.5mn, due to a 12.1% y/y increase in bank overdraft
- Consequently, net profit plunged by 33.0% y/y to GHS 69.4mn, resulting in a drop in profit margin by 0.3pp y/y to 0.4%

#### Outlook: Optimistic outlook for profitability and margins

- We anticipate mixed outlook with a slight upside risk to global crude oil prices as supply-side uncertainties over the prolonged Middle East conflict counteract possible declines in demand from weakening economic conditions in major oil consumers. We foresee additional short-term support from Saudi Arabia and Russia's willingness to prolong voluntary output cuts through the end of 2023. Due to the inelastic nature of fuel consumption, we anticipate that this upside risk will maintain GOIL's topline growth, supporting the outlook for profit.
- We expect GOIL to tightly control financial charges and OPEX to boost margins with the help of continued moderation in inflationary pressures
- Finally, we expect the growth in GOIL's input cost to moderate in the short term due to the declining inflationary pressures and the steady movement of the Ghanaian Cedi

#### Valuation: Under Review

- We are in the process of re-initiating coverage on GOIL and have therefore placed our recommendation under review
- GOIL is currently trading at a P/E of 8.6x, TTM P/E of 6.4x and EV/EBIT of 2.4x

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***Currency rates are from the Bank of Ghana**
***Petroleum price is from the National Petroleum Agency's website**