

TOTAL 9M2024 Results

Current rating **UNDER REVIEW**

Ghana | 30 October 2024

On solid footing

TotalEnergies Marketing Ghana Plc (“TOTAL”) released its unaudited 9M2024 financial results on 28 October 2024, posting an impressive 53.1% y/y surge in profit-after-tax to GHS 193.8mn. The growth in earnings was mainly on the back of a 10.4% y/y growth in revenue to GHS 5.1bn. Also, operating expense was well contained, increasing by a modest 5.6% y/y to GHS 275.0mn despite the cedi depreciation. Finance expense increased slightly by 1.4% y/y to GHS 61.5mn owing to the 17.3% y/y rise in long term borrowings. Overall, TOTAL's earnings outturn was impressive on the back of strict cost containment which allowed a trickle down of the topline growth. In our view, topline growth was mainly driven by price and volume increase. While the NPA has not yet released official 3Q2024 consumption volumes, we anticipate a y/y increase in volumes sold, on account of rising demand and strategic price reviews amidst the stiff competition. In 1H2024, TOTAL recorded a slight 0.2% y/y decline in consumption to 169,325 metric tonnes, indicating emerging stabilization in demand. Having bottomed-out in 4Q2023, we observed a steady quarter-on-quarter recovery in 1H2024 volumes, boosting our confidence for sustained rebound in demand with strategic price reviews. Inventory data for 9M2024 reveals a notable 30.9% y/y reduction to GHS 295.7mn, suggesting that increased sales volumes have likely driven inventory depletion, as demand potentially rebounded in 3Q2024. This trend could imply a positive momentum for end-of-year sales performance, provided demand conditions persist.

9M2024 Performance: Topline momentum stimulates bottom-line growth

- TOTAL's bottom-line surged by 53.1% y/y to GHS 193.8mn, on the back of a 10.4% y/y increase in topline to GHS 5.1bn
- In our view, topline growth was supported by 7.4% and 7.5% increase in ex-pump prices for petrol and diesel respectively in 9M2024 as well as an ongoing recovery in sales volume.
- As a result of the increase in topline, gross profit surged by 29.4% y/y to GHS 592.9mn
- Cost of sales was well contained, increasing by 8.3% y/y to GHS 4.5bn
- Resultantly, gross margin increased by 1.7pp y/y to 11.6% in 9M2024
- TOTAL posted GHS 1.8mn as impairment charge on trade receivables in 9M2024 compared to impairment gain of GHS 0.96mn in the prior year
- Operating expense increased by 5.6% y/y to GHS 275.0mn, solely driven by General, administrative and selling expense.
- Consequently, operating profit surged by 44.4% y/y to GHS 342.2mn, improving TOTAL's operating margin by 1.6pp y/y to 6.7%
- Finance expense increased by 1.4% y/y to GHS 61.5mn, owing to a 17.3% y/y rise in long term borrowings to GHS 126.4mn
- Other income plunged by 31.8% y/y to GHS 26.1mn.
- Resultantly, net profit margin increased by 1.1pp y/y to 3.8%.

Outlook: Bullish on positive momentum for FY2024 bottom-line performance

- We anticipate that strategic price adjustments, coupled with an uptick in sales volumes, will support robust topline expansion and contribute positively to year-end 2024 bottom-line performance. This growth is likely to be driven by sustained demand levels and the company's focus on optimizing pricing structures to capture market share, effectively positioning the company well for strong earnings as we close the financial year.
- We expect that TOTAL will maintain stringent cost control measures on both OPEX and input costs, a strategy that should support margin improvement. By keeping OPEX growth minimal and actively managing input costs, TotalEnergies can leverage its topline growth to further drive improvements in operating and net profit margins, solidifying year-end bottom-line resilience.
- Recent discussions among officials from Israel and the United States indicate that a potential deal to end hostilities between Israel and Hezbollah could be reached within the next few weeks. Should a ceasefire materialize, we anticipate this to exert some downward pressure on upstream profitability for TotalEnergies. However, the company's diversified operations and strengths in downstream segments are likely to mitigate this impact, allowing for an overall balanced performance in the near term.
- We continue to monitor the geopolitical landscape as the situation remains fluid and could influence market conditions significantly. TotalEnergies' ability to leverage its operational diversity will be crucial in navigating any challenges arising from this situation.
- Overall, we maintain a positive outlook on TOTAL's performance, reflecting notable improvements in revenue and profitability, driven by both price adjustments and volume expansion. The company has successfully leveraged strategic pricing and operational efficiencies to bolster topline growth, which has translated to stronger bottom-line results. We expect continued discipline in managing operating expenses and input costs, likely supporting sustained margin improvements. This approach, combined with the favourable market dynamics observed in 9M2024, suggests TOTAL is well-positioned to maintain its earnings momentum into year-end.

Valuation: Under Review

- We are in the process of re-initiating coverage on TOTAL and have therefore placed our recommendation under review
- TOTAL is currently trading at a TTM P/E of 5.9x and EV/EBIT of 4.3x

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