GOIL FY2024 Results

Current Price: **GHS 1.59**

Current rating **UNDER REVIEW**

Ghana | 19 February 2025

A chink in the armor

GOIL Plc ("GOIL") released its unaudited FY2024 financial results on 14 February 2024, posting an unexpected 85.2% y/y surge in profit-after-tax to GHS 101.3mn. The upturn in earnings was on the back of a 25.0% y/y surge in sundry income to GHS 64.1mn and a 6.9% y/y decline in input cost to GHS 18.5bn which outpaced a 6.1% y/y decline in revenue. In our view, the decline in revenue is attributable to a 14.5% y/y drop in sales volume which in turn contributed to a 6.9% y/y reduction in input costs. Operating expense was well contained despite the cedi depreciation and inflationary pressures while the rise in finance expense is attributable to a 131.6% y/y surge in debt to GHS 982.6mn amidst the high cost of borrowing. Overall, GOIL's earnings outturn was a pleasant surprise. However, we are concerned about the 14.5% y/y decline in sales volume which led to the decline in revenue. While the factors driving bottom-line growth in the period were supportive, we do not believe they are sufficiently sustainable to maintain earnings momentum in the near term. We therefore remain cautious on near-term prospects for GOIL despite positive medium-term prospects.

FY2024 Performance: Decline in input cost and surge in sundry income propel bottom-line growth

- GOIL's profit-after-tax surged by 85.2% y/y to GHS 101.3mn, on the back of a 6.9% y/y decline in input cost to GHS 18.5bn and a 25.0% y/y surge in sundry income to GHS 64.1mn
- GOIL's topline declined by 6.1% y/y to GHS 19.3bn due to a 14.5% y/y drop in sales volume. The decline in sales volume eroded the 19.0% and 18.9% y/y increase in GOIL's ex-pump prices for petrol and diesel, respectively, weighing on revenue
- Cost of sales dropped by 6.9% y/y to GHS 18.5bn, despite the impact of the Cedi's depreciation but likely underscores the lower sales during the period.
- Resultantly, gross margin inched up by 0.8pp y/y to 4.2% in FY2024
- Sundry income surged by 25.0% y/y to GHS 64.1mn
- Operating expense increased by 9.5% y/y to GHS 638.5mn, solely driven by general, administrative and selling expense.
- Resultantly, operating margin nudged up by 0.4pp to 1.3% in FY2024
- Financial charges spiked by 22.0% y/y to GHS 109.7mn, due to a 131.6% y/y surge in debt to GHS 982.7mn
- Consequently, net profit margin ticked up marginally by 0.3pp y/y to 0.5% in FY2024.

Outlook: Cautious on near-term earnings momentum

- We were pleasantly surprised by the significant surge in GOIL's earnings for FY2024. However, the decline in revenue drivers leaves us doubtful about the sustainability of the current earnings trajectory in the near term. As a result, we maintain a cautious stance on GOIL's earnings outlook, in the absence of a credible information on the strategy to revive sales volume
- We believe the decline in sales volume reflects weak demand due to price increases in a highly competitive market, in addition to a likely reduced product supply, considering the 13.8% y/y decline in inventory. We believe GOIL's near-term performance will depend on its ability to navigate competitive pressures, revive demand, and optimize pricing strategies to drive sustainable revenue recovery.
- Given the elevated interest rates, the increased use of bank credits poses a risk to the earnings outlook and we think GOIL may require a different financing structure to control its finance expenses. We also foresee the potential for refinancing the existing credit facilities with more sustainable funding to ease the financing cost and the strain on bottom-line.
- Overall, GOIL's earnings outturn appears impressive. However, we are concerned about the 14.5% y/y decline in sales volume which led to the decline in revenue. While the factors driving bottom-line growth in the period were supportive, we do not believe they are sufficiently sustainable to maintain earnings momentum in the near term. We therefore remain cautious on near-term prospects for GOIL despite positive medium-term outlook. Additionally, continued elevation in finance expenses will further strain profitability.
- The appointment of a new Chief Executive Officer by the new Ghanaian administration also deepens our cautious stance as we await the strategic direction under the new leadership.

Key risks

- Uncertain outlook for demand recovery, competitive landscape, exchange rate volatility, and a new strategic direction under the new management.

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 TTM P/E of 5.9x and EV/EBIT of 5.6x

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