

Enterprise Group Plc FY2024 Results

Current rating **UNDER REVIEW**

Current Price: **GHS 2.05**

Ghana | 03 March 2025

Soaring on insurance wind in the wings

Enterprise Group Plc (“EGL”) released its unaudited FY2024 results on 26 February 2025, demonstrating a remarkable performance for the year. The earnings outturn was primarily driven by a stellar 167.8% y/y surge in insurance service results (GHS 510.9mn), powered by robust premium growth via increased satellite branches, digitalization and promotions that increased brand engagement and visibility. Despite a 19.2% decline in net investment income, the robust growth in insurance service results supported net income to GHS 904.7mn (+64.8% y/y), propelling net profit to GHS 504.1mn (+161.0% y/y). Operating expenses rose by 14.8%, reflecting the impact of prevailing economic challenges. However, net expenses increased by a modest 3.6%, as impairment gains effectively offset the rise in finance costs and operating expenses. Although investment securities expanded by 32.6%, investment income declined by 19.2% due to the lingering effects of the DDEP bonds and the emphasis on high-quality but low-yielding fixed deposits investments with Class A Commercial and Universal banks, which undermined EGL’s investment income. Additionally, other revenue posted impressive growth, accelerating by 43.6% y/y on the back of increases in fees from pension services and rental income on investment properties.

FY2024 Performance: Cost discipline and robust revenue growth drive strong earnings

- Profit-after-tax soared by 161.0% y/y to GHS 504.1mn in FY2024, supported by strong insurance revenue growth despite rising service expenses.
- Net investment income declined by 19.2% y/y to GHS 266.9mn on account of low interest rates on DDEP bonds and a moderate decline in interest rates on fixed deposit investments with Class A Commercial and Universal banks, despite a 32.6% y/y increase in investment securities.
- Insurance revenue surged by 39.0% y/y to GHS 1.6bn, aided by robust premium collections.
- Insurance service result witnessed a 167.8% y/y increase to GHS 510.9mn, while insurance service result after reinsurance grew by 169.5% y/y, owing to a GHS 12.1mn reinsurance income.
- Other income and revenue amounted to GHS 205.571mn, representing a 43.6% y/y increase.
- Notably, EGL churned out an impairment gain of GHS 7.1mn in FY2024 from a loss of GHS 23.9mn in the previous year.
- Operating expenses and finance cost soared by 14.8% y/y and 107.0% y/y to GHS 284.8mn and GHS 8.1mn respectively, resulting in a 3.6% y/y surge in net expenses (GHS 285.8).
- Insurance contract liabilities grew by 26.1% y/y to GHS 1.5bn, while reinsurance contract liabilities surged by 2327.0% y/y to GHS 26.5mn.
- Owing to the robust performance in insurance service result and muted total expenses, net profit margin surged to 23.2% y/y in 2024 compared to 11.4% in 2023.

Outlook: Riding the digital wave to enduring growth

- In the year ahead, we expect EGL to expand its digital channel, targeting the youthful population while leveraging business intelligence, customer insights, and meticulous underwriting practices to drive disciplined, sustainable growth and reinforce its leadership in the industry.
- As the broader economy improves and demand for insurance products grows, we expect EGL’s insurance revenue to sustain its upward momentum, driven by the robust revenue mobilization efforts observed in 2024.
- We believe EGL is also well-positioned to capitalize on its enhanced investment capacity by reinvesting its growing revenue stream. The company plans to expand its investment portfolio and strategically channel funds into low-risk securities with competitive yields to generate consistent returns.
- Our projected decline in inflation over the coming year will ease the upward pressure on operating expenses and improve margins. Additionally, we anticipate a reduction in finance cost on the back of the declining interest rates, further supporting bottom-line growth.

Valuation: Under Review

- EGL is trading at a P/B value of 0.2x and we intend to re-initiate coverage on the stock soon.

Analyst:

Kwabena A. Obeng: +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 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.

