TOTAL 1Q2025 Results

Current rating **UNDER REVIEW**

Current Price: GHS 24.92

Ghana | 23 May 2025

Running on High Octane

TotalEnergies Marketing Ghana Plc ("TOTAL") released its unaudited 1Q2025 financial results on 21 May 2025, posting an impressive 68.0% y/y surge in profit-after-tax to GHS 81.7mn. The growth in earnings was mainly on the back of a 20.8% y/y growth in revenue to GHS 1.9bn, an 86.9% y/y surge in other income to GHS 12.1mn, a 39.3% y/y decline in finance cost to GHS 14.9mn and a turnaround from an impairment loss to a gain of GHS 1.6mn. In our view, topline growth was mainly driven by increase in ex-pump prices, despite a 2.5% y/y decline in sales volume. Also, operating expense was well contained, increasing by 18.4% y/y to GHS 103.7mn below 23.0% average 1Q2025 inflation (vs 24.2% in 1Q2024) despite a 17.1% y/y depreciation of the cedi. Finance expense declined by 39.3% y/y to GHS 14.9mn owing to a 66.0% y/y plunge in bank overdraft to GHS 101.6mn and a 9.8% y/y decline in long term loan to GHS 100.4mn. Overall, we are impressed by the surge in TOTAL's earnings. However, we are concerned by the 2.5% y/y and 9.6% q/q decline in sales volume as this suggests slight erosion in demand amidst the stiff price competition in the industry, evidenced by a 1.2% y/y decline in market share to 5.6%. We expect TotalEnergies' diversified service offerings, extensive distribution network, and the ongoing recovery in the Ghanaian economy to drive higher fuel and non-fuel demand. These factors should serve as key growth catalysts, supporting revenue expansion in 2025.

1Q2025 Performance: Topline growth, surge in other income and decline in finance expense stimulates bottom-line growth

- TOTAL's bottom-line surged by 68.0% y/y to GHS 81.7mn, on the back of a 20.8% y/y increase in topline to GHS 1.9bn, an 86.9% y/y surge in other income to GHS 12.1mn, a 39.3% y/y decline in finance cost to GHS 14.9mn and a turnaround from an impairment loss to a gain of GHS 1.6mn
- In our view, topline growth was supported by a 14.8% y/y increase in ex-pump petrol prices and a 6.9% y/y rise in ex-pump diesel prices, despite a 2.5% y/y decline in sales volume in 1Q2025.
- As a result of the increase in topline, gross profit surged by 27.9% y/y to GHS 226.4mn
- Cost of sales was well contained, increasing by 19.9% y/y to GHS 1.7bn, below a 23.0% average 1Q2025 inflation (vs 24.2% in 1Q2024) despite a 17.1% y/y depreciation of the Cedi
- Resultantly, gross margin nudged up by 0.7pp y/y to 12.0% in 1Q2025
- TOTAL posted GHS 1.7mn as impairment gain on trade receivables in 1Q2025 compared to impairment charge of GHS 2.1mn in the prior year
- Operating expense increased by 18.4% y/y to GHS 103.7mn, solely driven by General, administrative and selling expense.
- Consequently, operating profit surged by 45.5% y/y to GHS 136.4mn, improving TOTAL's operating margin by 1.2pp y/y to 7.2%
- Finance income increased by 68.7% y/y to GHS 0.2mn,
- Other income surged by 86.9% y/y to GHS 12.1mn.
- Resultantly, net profit margin increased by 1.2pp y/y to 4.3%.

Outlook: Bullish on positive momentum for FY2025 top-line performance

Sales Volume & Price Moderation

- Following the sharp appreciation of the Ghanaian Cedi in 2Q2025 with downward pressure on ex-pump prices, we expect marginal volume recovery on the back of lower ex-pump prices to sustain topline growth in 2Q2025

Economic Recovery Driving Fuel Demand

- We anticipate that the ongoing recovery in the Ghanaian economy will drive higher fuel demand in 2025, supported by increased industrial activity and commercial transportation needs.

Solarization & Sustainability Initiatives

- TotalEnergies continues to expand its solarization project across its service station network, increasing the number of outlets equipped with solar installations. Stations that have adopted this initiative have realized significant electricity cost savings and enhanced operational efficiency. This aligns with TotalEnergies' broader climate ambition of achieving net-zero carbon emissions by 2050. Looking ahead, management remains committed to the phased rollout of this project, further strengthening the company's sustainability profile and long-term cost optimization strategy. We anticipate that the phased rollout of solar installations will yield long-term cost benefits.

Currency Appreciation & Cost Control

- We anticipate that the Cedi's appreciation will ease input costs and operating expenses, which TOTAL can leverage to tighten cost controls across both OPEX and input cost. A strategy that should support margin improvement and solidify bottom-line growth.

Summary of Outlook

- Overall, 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. We are impressed by the surge in TOTAL's earnings. However, we are concerned by the 2.5% y/y and 9.6% q/q decline in sales volume as this suggests slight erosion in demand amidst the stiff price competition in the industry, evidenced by a 1.2% y/y decline in market share to 5.6%. We expect TotalEnergies' diversified service offerings, extensive distribution network, and the ongoing recovery in the Ghanaian economy to drive higher fuel and non-fuel demand. These factors should serve as key growth catalysts, supporting revenue expansion in 2025.

Key risks

- Uncertain outlook for demand recovery, competitive landscape, exchange rate volatility and unexpected shock to global energy prices,

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 8.7x and EV/EBIT of 20.8x

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