

GOIL 1H2025 Results

Current Price: **GHS 2.18**

Year-to-date: **+43.4%**

Current rating **UNDER REVIEW**

Ghana | 07 August 2025

Tightening the Purse Strings Pays Off

GOIL Plc ("GOIL") released its unaudited 1H2025 financial results on 30 July 2025, posting a 25.7% y/y increase in profit-after-tax to GHS 73.3mn. The upturn in earnings was on the back of a 2.7% y/y decline in input cost to GHS 8.9bn, a surge in sundry income by 138.7% y/y to GHS 58.5mn and a 12.0% y/y decline in operating expense to GHS 268.1mn. Revenue declined by 2.9% y/y to GHS 9.3bn. In our view, the revenue contraction reflects a 1.1% y/y decline in sales volume despite a 3.2% q/q increase. The sequential rebound in volume points to a gradual recovery in demand, likely supported by rising consumer purchasing power amid lower fuel prices. We believe the higher sales volume in 2Q2025 is attributable to declines in GOIL's ex-pump prices for petrol (-15.2% y/y) and diesel (-12.7% y/y). The decline in revenue outpaced the decline in input cost, resulting in an 8.3% y/y decline in gross profit to GHS 383.9mn. However, the 1.1% y/y drop in sales volume translated into a 0.8% y/y decline in market share to 10.6%, making GOIL the second largest OMC in Ghana's downstream petroleum sector. Operating expense was well contained, declining by 12.0% y/y, supported by 42.6% appreciation of the Cedi against the USD during 1H2025 and impressively below 20.4% average inflation in 1H2025 (vs 23.9% in 1H2024). A 21.7% y/y rise in finance charges to GHS 73.7mn is attributable to a 47.4% y/y surge in debt to GHS 655.3mn. Overall, we are concerned about the 2.9% y/y drop in revenue but impressed by GOIL's cost containment. Although the newly introduced GHS 1.0/litre energy sector levy presents a downside risk, we do not anticipate a material impact on sales volumes in the near term, supported by the emerging stability in the macroeconomic landscape. While ex-pump prices moderated in 2Q2025 and are likely to remain relatively stable in the near term, the momentum in revenue growth appears vulnerable if the price decline is not compensated with a significant increase in volume particularly in such a competitive landscape.

1H2025 Performance: Surge in sundry income, fall in input cost and decline in operating expense propel bottom-line growth

Revenue and Income Dynamics

- GOIL's profit-after-tax increased by 25.7% y/y to GHS 73.3mn on the back of a 138.7% y/y surge in sundry income to GHS 58.5mn, a 2.7% y/y drop in input cost to GHS 8.9bn and a 12.0% y/y decline in operating expense to GHS 268.1mn
- GOIL's topline declined by 2.9% y/y to GHS 9.3bn due to a 1.1% y/y drop in sales volume. However, we observe a q/q rebound in sales volume during 2Q2025, which we attribute to the 15.2% y/y and 12.7% y/y decline in GOIL's ex-pump prices for petrol and diesel, respectively.
- Sundry income surged by 138.7% y/y to GHS 58.5mn

Cost and Risk Management

- Cost of sales declined by 2.7% y/y to GHS 8.9bn, which likely underscores the lower sales volume for the period.
- Operating expense declined by 12.0% y/y to GHS 268.1mn, solely driven by general, administrative and selling expense.
- Financial charges increased by 21.7% y/y to GHS 73.7mn, due to a 47.4% y/y surge in debt to GHS 655.3mn

Margin Performance

- Gross margin inched down by 0.2pp y/y to 4.1% in 1H2025
- Operating margin nudged up by 0.4pp to 1.9% in 1H2025
- Consequently, net profit margin ticked up by 0.2pp to 0.8% in 1H2025

Outlook: Near-Term Revenue Recovery Hinges on Volume Gains

Volume recovery to support revenue growth

- We expect GOIL's revenue performance to remain strongly tethered to its ability to convert the improving macroeconomic landscape into sustained volume growth. The sequential rebound in sales volume during 2Q2025, driven by the sharp moderation in ex-pump prices, presents an early signal of recovering demand. With fuel prices likely to remain relatively stable in the near term and inflationary pressures easing, we believe GOIL is well-positioned to benefit as its dominant physical presence provides a strategic advantage

Non-fuel strategy anchoring ancillary income growth

- In 2024, GOIL rolled out key infrastructure upgrades. We believe GOIL's intensified push to reposition its service stations as full-service retail hubs underpinned the notable surge in sundry income during the period. The company's retail transformation strategy, characterised by infrastructure enhancements such as convenience stores, lube bays, tyre service facilities, and food

vendor spaces, has begun to yield incremental benefit outside core fuel operations. In our view, this emerging non-fuel income stream will continue to support earnings, particularly in periods of subdued fuel demand. We expect the company's non-fuel retail strategy to continue supporting ancillary income growth in the near term, especially as competition intensifies within the fuel retail space, we see this service enhancements playing a key role in supporting bottom-line.

Bitumen as a growth lever

- GOIL's commissioning of the SMB Bitumen plant in Tema in September 2024 marks a critical milestone in its strategic diversification efforts. In our view, the bitumen plant offers GOIL a compelling opportunity to diversify earnings and reduce reliance on traditional fuel margins, which are increasingly under pressure from price competition and regulatory levies. Furthermore, as the government plans to intensify road construction (under the USD 10.0bn "Big Push Programme) in the near-to-medium term, we expect this to create demand opportunity for GOIL's bitumen, given the material's crucial role in road construction. This potential volume growth, combined with the plant's proximity to key transport corridors, provides operational and logistical advantages that should support competitive pricing and market penetration. We view the SMB Bitumen plant as an anchor asset that aligns with GOIL's broader goal of strengthening its non-fuel revenue streams. While short-term earnings contribution may be modest, the long-term commercial viability of the project appears promising, particularly if GOIL succeeds in building out sustainable offtake agreements with contractors and state agencies. We believe this initiative could become a reliable earnings buffer, especially in periods of fuel price volatility.

Summary of Outlook

- Looking ahead, GOIL's near term performance hinges on its ability to convert improving macroeconomic conditions into sustained sales volume recovery, as seen in the rebound during 2Q2025. While the company effectively contained operating expenses in 1H2025, elevated finance expenses exert additional pressure on margins. Overall, we are concerned about the 2.9% y/y drop in revenue but impressed by GOIL's cost containment, which suggests ongoing implementation of efficiency measures to anchor profitability. Although the newly introduced GHS 1.0 energy sector levy presents a downside risk, we do not anticipate a material impact on sales volumes in the near term, supported by the emerging stability in the macroeconomic landscape. While ex-pump prices moderated in 2Q2025 and are likely to remain relatively stable in the near term, the momentum in revenue growth appears vulnerable if the price decline is not compensated with a significant increase in sales volume particularly in a competitive landscape.

Key risks

- Uncertain outlook for demand recovery, competitive landscape, exchange rate volatility, global energy price shocks, energy sector levies and policy shifts

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 6.1x and EV/EBIT of 7.6x

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