

GOIL FY2025 Results

Current rating: ACCUMULATE

Year-to-date: +33.8%

Current Price: GHS 3.96 | Current Fair Value: GHS 4.47 | Upside: 12.86%

Ghana | 23 February 2026

Cost Gains Mask Weak Topline

Rating Summary

We issue an ACCUMULATE rating on Ghana Oil Company PLC (GOIL) with a fair value of GHS 4.47. This represents a 6.4% upgrade to our previous provisional fair value of GHS 4.2, despite the stock's 33.8% year-to-date rally, as we perceive further upside driven by our anticipated volume recovery and ancillary revenue streams. We expect Ghana's "Big Push" road construction programme to materially lift petroleum demand through higher utilisation of diesel and petrol-powered trucks, construction vehicles and heavy machinery, while intensified equipment use should also support consumption of maintenance fuels and lubricants across project corridors. These dynamics underpin our expectation of a revenue recovery in 2026, with topline projected to rise 26.5% y/y to GHS 21.6bn in FY2026, reversing the 11.6% y/y contraction in FY2025 and supporting a five-year revenue CAGR of 13.6%. While this trails the historical five-year CAGR of 28.7%, the divergence reflects a distortion in FY2022, when revenue surged 175.2% y/y on the back of a 20.4% y/y increase in sales volume alongside upward price adjustments. Excluding FY2022, historical average growth moderates to 9.9%, below our projected 13.6%. Beyond core fuel sales, we expect the road construction drive to unlock substantial demand for bitumen, with GoBitumen Ltd, GOIL's wholly-owned subsidiary, well positioned to capture part of this demand and generate incremental revenue alongside the core distribution business. In addition, the restored price stability and ongoing rebound in consumer purchasing power amid expectation of a less spike in petroleum prices will support demand recovery. However, potential quarterly hikes in utility tariffs remain a key cost risk although we expect management's ongoing cost containment measures to keep a lid on cost growth. Taken together, these factors justify our ACCUMULATE stance, as we believe GOIL remains positioned for sales volume recovery in 2026 amid management's ongoing cost control measures. We obtained our fair value estimate using a blended valuation approach comprising Discounted Cash Flow (40% weight), Enterprise Value to Earnings Before Interest and Taxes – EV/EBIT (40% weight), and Dividend Discount Model (20% weight). The intrinsic value estimate is based on a 15.01% risk-free rate, a weighted average cost of capital (WACC) of 13.5%, and a terminal growth rate of 5.0%.

FY2025 Earnings Update

GOIL Plc ("GOIL") released its unaudited FY2025 financial results on 30 January 2026, posting a modest 1.4% y/y increase in profit-after-tax to GHS 85.9mn, falling below our expectation by 2.3%. The upturn in earnings was on the back of an 11.5% y/y decline in cost of sales to GHS 16.4bn, a 17.0% y/y increase in sundry income to GHS 75.6mn, a 12.7% y/y decline in operating expense to GHS 565.5mn and lower tax charge for the period compared to prior year. Revenue declined by 11.6% y/y to GHS 17.1bn. In our view, the revenue contraction is driven by an 18.7% y/y and 16.2% y/y reduction in ex-pump prices for petrol and diesel, respectively, alongside a muted 0.2% y/y increase in sales volumes. In our view, the decline in cost of sales is partly due to lower procurement volumes and a 40.7% y/y appreciation of the cedi against the USD in FY2025. The decline in revenue outpaced the decline in input cost, resulting in a 13.1% y/y decline in gross profit to GHS 719.9mn. The 0.2% y/y muted growth in sales volume translated into a 1.41% y/y decline in market share to 10.32%, making GOIL the second largest OMC in Ghana's downstream petroleum sector in FY2025, a decline from first place in the prior year. Operating expense was well contained, declining by 12.7% y/y, solely driven by general, administrative and selling expenses. Financial charges increased by 1.3% y/y to GHS 109.5mn, though total debt fell by 34.0% y/y to GHS 817.9mn. In our view, the decline in debt is partly due to the cedi's appreciation, which lowered the local-currency value of FX-denominated obligations. Overall, non-core income provided support to earnings growth for the period. However, we view these contributions as largely one-off in nature and unlikely to persist over the near term. Looking ahead, we expect Ghana's "Big Push" road construction programme to create sustained demand for fuel, lubricants and bitumen, offering a more durable source of revenue support. As infrastructure activity accelerates, these demand drivers should lift fuel sales volumes and underpin revenue growth in 2026.

FY2025 Performance: Lower Cost of Sales, Reduced OPEX and Higher Sundry Income Propel Bottom-Line Growth

Revenue and Income Dynamics

- GOIL's profit-after-tax inched up by 1.4% y/y to GHS 85.9mn on the back of an 11.5% y/y decline in cost of sales to GHS 16.4bn, a 17.0% y/y increase in sundry income to GHS 75.6mn, a 12.7% y/y decline in operating expense to GHS 565.5mn and lower tax charge for the period compared to prior year
- GOIL's topline declined by 11.6% y/y to GHS 17.1bn in FY2025, driven by an 18.7% y/y and 16.2% y/y reduction in ex-pump prices for petrol and diesel, respectively, alongside a muted 0.2% y/y increase in sales volumes.
- Sundry income increased by 17.0% y/y to GHS 75.6mn

Cost and Risk Management

- Cost of sales declined by 11.5% y/y to GHS 16.4bn, which we attribute to a 40.7% y/y appreciation of the cedi against the US Dollar in FY2025
- Operating expense declined by 12.7% y/y to GHS 565.5mn, solely driven by fall in general, administrative and selling expense.
- Financial charges increased by 1.3% y/y to GHS 109.5mn, though total debt fell by 34.0% y/y to GHS 817.9mn. In our view, the decline in debt is partly due to the cedi's appreciation, which lowered the local-currency value of FX-denominated obligations.

Margin Performance

- Gross margin inched down by 0.1pp y/y to 4.2% in FY2025
- Operating margin nudged up by 0.1pp to 1.3% in FY2025
- Consequently, net profit margin ticked up by 0.1pp to 0.5% in FY2025

Near-Term Outlook

Construction-driven demand to support a more favourable revenue outlook

Infrastructure-led fuel demand to drive revenue recovery in FY2026

- We expect Ghana's "Big Push" road construction programme to stimulate demand for transport and logistics services, with direct implications for petroleum consumption. The scale-up in construction activity will increase the use of diesel and petrol-powered trucks, construction vehicles and heavy machinery, lifting fuel demand across project corridors. In addition, the intensive deployment of equipment will raise consumption of maintenance-related fuels and lubricants, supporting ancillary revenue streams for Oil Marketing Companies (OMCs), including GOIL. Taken together, these dynamics should translate into a meaningful uplift in fuel sales volumes, supporting a recovery in revenue performance in 2026. We project revenue to rise by 26.5% y/y to GHS 21.6bn in FY2026, reversing the 11.6% y/y contraction recorded in FY2025. This outcome implies a five-year revenue CAGR of 13.6%. While this remains below the historical five-year CAGR of 28.7%, the gap reflects a distortion in FY2022, when revenue surged 175.2% y/y on the back of a 20.4% y/y increase in sales volume alongside upward price adjustments. Excluding FY2022, the historical five-year average revenue growth moderates to 9.9%, below our projected average of 13.6%.

Road construction to drive GOIL's bitumen sales and generate ancillary revenue in 2026

- We expect Ghana's "Big Push" road construction programme to drive substantial demand for bitumen, a critical input in road infrastructure projects. While a significant portion of bitumen will be imported, GoBitumen Ltd, a wholly-owned subsidiary of GOIL PLC, is well-positioned to supply locally and capture a share of this demand. We anticipate that GOIL will benefit from increased sales of bitumen and generate ancillary revenue streams that complement its core fuel distribution operations. This supports our revenue forecast for FY2026.

Utility tariff hikes pose OPEX headwinds for GOIL

- We expect the quarterly utility tariff adjustments to place moderate upward pressure on GOIL's operating expenses, with electricity rising by 9.86% and water tariffs by 15.92% in the recent revision. These increases will elevate costs across station operations, storage facilities, and administrative activities. However, ongoing cost management and operational efficiency measures should help mitigate some of the impact. Against this backdrop, we project operating expenses to rise by 14.1% to GHS 645.3mn in FY2026.

Industry Performance Snapshot: Competitive pressures drive strategic pricing

- In a fiercely competitive market, GOIL led in volume among 211 Oil Marketing Companies in FY2024, with TotalEnergies Ghana ranking fourth, behind Star Oil Co. Ltd and Vivo Energy Ghana Limited. By FY2025, Star Oil had overtaken the market, claiming the top position by volume, while GOIL fell to second place and TotalEnergies Ghana slipped to sixth. The number of active Oil Marketing Companies also declined to 196, with the exit of 30 operators and the entry of 15 new players, highlighting the sector's intense competitive landscape. Pricing behaviour illustrates differing competitive approaches. In the second pricing window of December 2025, TotalEnergies priced petrol 17.2% above the GHS 10.67 floor and diesel 14.8% above the GHS 11.32 floor, according to National Petroleum Authority (NPA) data. Over the same period, GOIL set petrol at 12.4% above the floor and diesel at 14.3% above the diesel floor. In contrast, Star Oil, the FY2025 volume leader, pursued a more aggressive pricing stance, selling petrol at only 6.4% above the floor and diesel at 10.0% above the floor. This assertive pricing approach allowed Star Oil to displace the traditional industry leaders and secure market leadership. Thus far in 1Q2026, we observe GOIL's adaptation of its pricing strategy to match Star Oil's discounted price in key high-traffic service stations. While this new competitive pricing strategy could claw back some lost volumes for GOIL, a sluggish volume recovery than the price discounts will hold back revenue and weigh on earnings in 1Q2026. We view these competitive dynamics as a headwind to GOIL's valuation.

In recent communication, the Chamber of Oil Marketing Companies (COMAC) has condemned what it describes as the unlawful diversion of funds from the Liquefied Petroleum Gas (LPG) Fund to the Ghana Cylinder Manufacturing Company (GCMC). COMAC argues that the move breaches the statutory mandate of the fund and undermines its safety and infrastructure objectives. In a joint statement with the Chamber of Bulk Oil Distributors (CBOD), COMAC warned that the diversion threatens LPG accessibility, delays the rollout of safety programmes, weakens private sector investment and erodes overall sector credibility. The advocacy associations have therefore called for an immediate reversal of the transfer, greater transparency and strict adherence to the statutory framework governing the fund.

Summary of Outlook

- We expect Ghana's "Big Push" road construction programme to strengthen demand across transport and logistics, with clear spillovers into petroleum consumption. Increased deployment of construction vehicles and heavy equipment should lift demand for diesel and petrol along key project corridors, while higher equipment utilisation will support incremental consumption of maintenance fuels and lubricants. Together, these trends should drive a rebound in fuel volumes and support a recovery in GOIL's revenue performance. In parallel, rising infrastructure activity should stimulate demand for bitumen, positioning GoBitumen Ltd, GOIL's wholly-owned subsidiary, to capture local supply opportunities and generate ancillary revenues alongside the core fuel

distribution business. However, potential quarterly hikes in utility tariffs remain a key cost risk although we expect management's ongoing cost containment measures to keep a lid on cost growth.

Valuation & Recommendation: **ACCUMULATE**

- Our ACCUMULATE rating is based on our weighted average fair value of GHS 4.47 per share, representing an upside of 12.86%, using the weighted average prices from our Discounted Cash Flow (DCF), Dividend Discount (DDM) and relative valuation models.
- GOIL is trading at a TTM P/E of 18.06x and EV/EBITDA of 5.41x (vs peer mean of 6.90x).

Valuation panel

In valuing GOIL Plc, we applied three techniques, the Discounted Cash Flow (DCF) model, the Dividend Discount Model (DDM), and a relative valuation model, to determine the intrinsic value. Our relative valuation model uses the Enterprise Value to Earnings Before Interest and Taxes multiple, which measures operating performance relative to the company's value. The DDM focuses on intrinsic value based on actual cash returns to shareholders, while the DCF model captures a company's intrinsic value based on future cash flows adjusted for the time value of money. Using DCF, DDM, and EV/EBIT together provides a balanced perspective by combining long-term intrinsic value, tangible shareholder returns, and market-based relative valuation into a comprehensive view of the company's worth. We assigned a weighting of 20.0% to the DDM, 40.0% to the DCF and 40.0% to the EV/EBIT models. We assigned a higher rating to both the DCF and EV/EBIT valuations to reflect cash flow generation and core operating earnings.

Valuation inputs – Cost of Capital

Parameter	Value	Note
Risk-free rate	15.01%	This rate reflects the average yield on restructured bonds listed on the Ghana Fixed Income Market (GFIM) as of the valuation date by end of January 2026. The recent improvement in bond trading amidst the downturn in yields has enhanced price discovery for the DDEP bonds, restoring the bond yields in our model as the risk-free rate.
Market risk premium	5.0%	This aligns with the mid-band of our preferred range from 4.0% to 6.0% and reflects our view of the prevailing risk premiums in developing markets
Beta	0.85	We calculate beta using daily, weekly, monthly and quarterly data over a one to fifty-year period. We employed betas that are statistically significant with the highest coefficient of determination.
WACC	13.5%	Based on a book value equity of GHS 979.9mn and book value debt of GHS 817.9mn, we calculate the WACC with a cost of debt of 6.6% and cost of equity of 19.3%
Peer mean ratio (P/E)	18.05	The peer mean P/E is computed using the P/E of OMCs including TotalEnergies Ghana, Total Cote D'Ivoire, Vivo Energy Cote D'Ivoire and Total Kenya Ltd

Valuation summary (GHS/share)

EV/EBIT	DCF	DDM	WEIGHTED AVG
8.7	2.14	0.80	4.47

Key risks to valuation

Upside: Sustained recovery in fuel demand, stable or appreciating local currency, expansion of non-fuel income streams and favourable regulatory or tax reforms

Downside: Lower than expected demand for Bitumen, lower-than-expected demand recovery, intensifying competitive pressures, exchange rate volatility, unexpected global energy price shocks, regulatory risks and price controls, unexpected spike in finance costs and supply chain disruptions

Income statement

GHS 000	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	19,348,106	17,111,581	21,640,253	24,989,159	26,238,617	29,649,637	32,318,104
Cost of Sales	(18,519,813)	(16,391,716)	(20,858,075)	(24,185,649)	(24,748,106)	(28,283,148)	(31,175,020)
Gross Profit	828,293	719,865	782,178	803,510	1,490,511	1,366,489	1,143,084
Sundry Income	64,622	75,601	90,721	114,309	144,029	181,477	228,660
Deposit and Station Expenses	(159,660)	-	(152,525)	(172,755)	(320,460)	(273,298)	(251,478)
Selling and Administrative Expenses	(488,336)	(565,485)	(492,772)	(537,548)	(1,110,431)	(1,093,191)	(914,467)
Operating profit	244,919	229,981	227,602	207,516	203,649	181,477	205,799
Finance income	-	-	-	-	-	-	-
Finance expenses	(108,080)	(109,498)	(94,616)	(71,301)	(63,721)	(26,705)	(31,150)
Profit before Income Tax	136,839	120,483	132,987	136,215	139,929	154,771	174,649
Income tax expense	(52,141)	(34,577)	(33,247)	(34,054)	(34,982)	(38,693)	(43,662)
Profit for the Year	84,698	85,906	99,740	102,161	104,946	116,079	130,987

Analyst, Insights:

Emmanuel Dadzoe: +233 30 825 0051

For further information, please contact our Research Team. T: 233 308-250051 | +233 302-252517 Email: insights@ic.africa

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