TOTAL 1H2026 Results

Current rating: SELL

Year-to-date: -1.2%

Current Price: GHS 39.83 **I Current Fair Value:** GHS 30.18 **I Downside:** 24.2%

Ghana I 17 August 2026

Weaker Volumes Weigh on Profitability

1H2026 Earnings Update

TotalEnergies Marketing Ghana Plc ("TOTAL") released its unaudited 1H2026 financial results, posting a 14.7% y/y decline in profit after tax to GHS 143.5mn. The fall in earnings was on the back of an 18.9% y/y fall in revenue to GHS 2.6bn, a 7.1% y/y increase in operational expense to GHS 224.0mn and a 54.2% y/y plunge in finance income to GHS 0.3mn. The slump in revenue was driven by a 22.6% y/y contraction in sales volume, with ex-pump prices of petrol increasing by 20.9% y/y, and diesel increased by 31.4% y/y. Cost of sales plunged by 21.1% y/y to GHS 2.1bn. We attribute the decline in cost of sales to lower volumes, reflecting weaker consumption, especially retail customers. Gross profit fell by 6.4% y/y to GHS 437.1mn, despite the faster decline in cost of sales than the contraction in revenue. We believe this could reflect other costs within the gross profit calculation that are not captured in the reported cost of sales movement. Nevertheless, gross margin expanded by 2.3pp y/y to 17.0%. The rise in operating expense was driven by a 3.7% y/y growth in general, administrative and selling expense to GHS 216.9mn and a reversal from impairment gain of GHS 1.7mn to a loss of GHS 7.2mn in 1H2026. As a result, operating profit declined by 11.7% y/y to GHS 238.7mn, leading to a modest 0.8pp y/y growth in operating margin to 9.3%. Finance costs slumped by 61.6% y/y to GHS 8.0mn, due to a 21.1% y/y decline in total debt to GHS 104.9mn, which helped to mitigate the pressure on earnings.

During the second pricing window of June 2026, TotalEnergies Marketing Ghana Plc positioned its pump prices materially above those of key competitors. This followed the issuance of the National Petroleum Authority's (NPA) Petroleum Product Pricing Guidelines (PPPG), which set a GHS 13.39/litre petrol floor and GHS 15.11/litre diesel floor. TotalEnergies priced petrol 11.9% above the floor and diesel 12.2% higher. By comparison, GOIL PLC maintained premiums of 3.6% for petrol and 5.6% for diesel. Star Oil sold petrol at the floor price and priced diesel 5.4% above it. The resulting price differential likely weighed on TotalEnergies' volumes, particularly among price-sensitive retail consumers. TotalEnergies' petrol price exceeded GOIL's by 8.1% and Star Oil's by 11.9%. Its diesel price was also 6.3% and 6.4% above those of GOIL and Star Oil, respectively. TotalEnergies subsequently narrowed its pricing gap during the first pricing window of August. Its petrol price was only 1.9% above GOIL's, while diesel was 1.3% higher. TotalEnergies' petrol price was also 5.2% above Star Oil's, while its diesel price was 3.1% higher. Although the narrower price gap in August is encouraging, TotalEnergies remains more expensive than its key competitors. We believe its ability to sustain volumes will depend increasingly on narrowing this differential without materially sacrificing margins. Until pricing becomes more competitive and volumes show a sustained recovery, we expect the company's premium pricing strategy to remain a key constraint on topline growth. The NPA has set the price floor for the second pricing window of August at GHS 13.92/litre for petrol and GHS 15.19/litre for diesel. We expect Oil Marketing Companies to comply with the new price floors, albeit with TotalEnergies remaining a premium price above competitors which will continue to dampen its revenue outlook.

Overall, we maintain our fair value of GHS 30.18 with a "Sell" rating on TotalEnergies Ghana, reflecting our cautious outlook for topline growth in the near term despite the company's focus on operational efficiency. The value-over-volume strategy contributed to a drag in sales volumes and a contraction in revenue but appears to defend margins. We expect sustained volume pressure to constrain revenue recovery if TotalEnergies Ghana maintains a premium pricing position relative to competitors. The company's focus on higher-margin lubricants, solarisation and electric mobility provides longer-term opportunities to improve margins and strengthen operational efficiency. However, we expect these initiatives to take time to generate meaningful earnings contributions. Similarly, the disposal of non-core business (Ghana Bunkering Services) and its bitumen plant should improve capital allocation but will reduce revenue diversification and limit near-term topline growth. The company's cautious approach to Ghana's infrastructure programme also limits its near-term exposure to potential demand growth. While partnerships could allow the company to participate without significant capital or counterparty risk, this strategy may constrain the scale of potential upside. We believe the near-term pressure on volumes and revenue will weigh on earnings supporting our "sell" rating.

1H2026 Performance: Fall in Revenue Weigh on Earnings

Revenue and Income Performance

- Revenue ▼ 18.9% y/y → GHS 2.6bn
- Other Income ▲ 135.1% y/y → GHS 25.6mn
- Gross Profit ▼ 6.4% y/y → GHS 437.1mn
- Finance Income ▼ 54.2% y/y → GHS 0.3mn
- Operating Profit ▼ 11.7% y/y → GHS 238.7mn
- Net Profit ▼ 14.7% y/y → GHS 143.5mn

Cost and Risk Management

- Input Cost ▼ 21.1% y/y → GHS 2.1bn
- Operating Expenses ▲ 7.1% y/y → GHS 224.0mn
- Finance Cost ▼ 61.6% y/y → GHS 8.0mn

Margin Performance

- Gross Margin ▲ 2.3pp y/y → 17.0%
- Operating Margin ▲ 0.8pp y/y → 9.3%
- Net Profit Margin ▲ 0.3% y/y → 5.6%

Near-To-Medium Term Outlook

Revenue outlook subdued as pricing strategy weighs on volumes

Value-Over-Volume Strategy Will Constrain Topline Growth

- TotalEnergies continues to prioritise value over volume, focusing on profitable channels rather than pursuing sales volumes without adequate returns. However, this strategy coincided with a 22.6% y/y decline in sales volumes and an 18.9% y/y contraction in revenue to GHS 2.6bn in 1H2026. The June pricing differential further highlights the potential topline trade-off, as TotalEnergies' higher pump prices relative to key competitors likely encouraged price-sensitive consumers to shift towards lower-priced alternatives. We believe sustained volume weakness will constrain revenue growth if the company maintains a premium pricing position. We therefore expect management to balance value preservation with greater price competitiveness to stabilise volumes and support topline recovery.

Electric Mobility Provides a Longer-Term Growth Option

- TotalEnergies Ghana has begun supporting Ghana's electric mobility transition through the installation of EV charging infrastructure at its service stations. The company commissioned its first charging unit at its Liberation Road station in Accra in 2022. At its Annual General Meeting in 2026, management indicated that it is steadily installing additional EV chargers across its service station network to serve electric vehicle owners. We view this initiative as a strategic option as Ghana's transport sector gradually shifts towards cleaner mobility. Although EV adoption and public charging infrastructure remain at an early stage, TotalEnergies' extensive network provides a potential platform for further expansion. As EV adoption increases, TotalEnergies could leverage its existing network to expand charging services alongside its traditional fuel offering. We expect this to support revenue streams in the long term. We therefore view electric mobility as a long-term growth option.

Solarisation to Support Cost Savings and Operational Efficiency

- TotalEnergies Ghana has solarised 47% of its service stations, achieving its target of solarising approximately half of its network. The company is also considering further solarisation across its lubricants warehouse and other facilities. We expect continued deployment of solar infrastructure to generate gradual savings on electricity costs and improve operational efficiency. While the initiative primarily strengthens the company's sustainability profile and supports its transition towards lower-emission operations, the resulting cost savings could provide an additional benefit to margins over time. We therefore view further solarisation as a positive long-term efficiency and sustainability driver.

Lubricants to Support Margin Performance

- Management identified lubricants as an important growth opportunity, citing attractive margins. We expect the segment to benefit from sustained demand across the transport, industrial and commercial sectors, while allowing TotalEnergies to grow value without relying solely on higher fuel volumes. Management also indicated that it continues to work with customers and contractors where it identifies attractive opportunities. We expect further focus on lubricants to support a more favourable product mix and strengthen revenue quality. As TotalEnergies shifts towards higher-value businesses, we believe lubricants could become an increasingly important contributor to topline growth in the near-to-medium term.

Disciplined Divestments to Improve Capital Allocation, But Weigh on Revenue Diversification

- TotalEnergies has demonstrated a willingness to divest businesses where the required investment does not adequately support expected returns. In 2025, the company disposed of its 48.5% equity interest in Ghana Bunkering Services for GHS 4.3mn, following Board approval of the transaction. Management also cited the disposal of its bitumen plant as part of this broader strategy. We believe this allows TotalEnergies to redirect resources towards businesses with stronger profitability and growth prospects. Management remains open to returning to the bitumen market if industry conditions improve but intends to pursue such opportunities through partnerships rather than heavy upfront investment. We expect these divestments to weigh on near-term revenue growth by reducing the company's revenue diversification and contribution from non-core businesses. We therefore believe the efficiency benefits of improved capital allocation will need to outweigh the potential revenue impact from the disposal of these businesses.

Totalenergies Adopts a Cautious Approach to Infrastructure-Driven Opportunities

- Management sees opportunities from Ghana's major road infrastructure programme, particularly through lubricants and selected customer relationships. However, it remains cautious about re-entering the bitumen business because contractors have historically faced delayed government payments. Rather than committing significant capital, TotalEnergies is exploring supply arrangements with existing importers. This approach allows the company to participate in potential demand growth while limiting exposure. We view the potential partnership-led approach positively, as it allows TotalEnergies to capture potential infrastructure-driven demand while limiting capital and counterparty risk.

- **Industry Snapshot:**

PETROSOL Secures Regulatory Approval to Raise Long-Term Capital on The Ghana Stock Exchange

PETROSOL Platinum Energy PLC has secured approval from the Ghana Stock Exchange (GSE) and Securities and Exchange Commission (SEC) to raise long-term capital through the local bourse. Management described the approval as a significant milestone in the company's 20-year journey and a platform for its next phase of expansion. The proposed capital raise will support PETROSOL's expansion across its core petroleum operations and emerging clean-energy activities. Management plans to invest in additional fuel stations, solar power solutions and electric vehicle charging infrastructure. The company currently operates 115 fuel stations nationwide. the proposed IPO will deepen investor access to Ghana's downstream petroleum sector. If successful, PETROSOL would become the fourth oil marketing company listed on the Ghana Stock Exchange, following TotalEnergies Ghana, GOIL and ZEN Petroleum Holdings. The transaction would also represent the second Oil Marketing Company listing in 2026, following ZEN Petroleum's successful listing in April. We view the proposed listing positively, as access to long-term equity capital could strengthen PETROSOL's capacity to expand its retail network while funding higher-growth clean-energy opportunities. However, an exact IPO date, offer size and pricing have not yet been announced.

Summary of Outlook

- We maintain our fair value of GHS 30.18 with a "Sell" rating on TotalEnergies Ghana, reflecting our cautious outlook for topline growth in the near term despite the company's focus on operational efficiency. The value-over-volume strategy has contributed to a 22.6% y/y decline in sales volumes and an 18.9% contraction in revenue to GHS 2.6bn in 1H2026 despite defending margins. We expect sustained volume pressure to constrain revenue recovery if TotalEnergies Ghana maintains a premium pricing position relative to competitors. The company's focus on higher-margin lubricants, solarisation and electric mobility provides longer-term opportunities to improve margins and strengthen operational efficiency. However, we expect these initiatives to take time to generate meaningful earnings contributions. Similarly, the disposal of non-core businesses should improve capital allocation but will reduce revenue diversification and limit near-term topline growth. The company's cautious approach to Ghana's infrastructure programme also limits its near-term exposure to potential demand growth. While partnerships could allow the company to participate without significant capital or counterparty risk, we think this strategy may constrain the scale of potential upside. Overall, we believe the near-term pressure on volumes and revenue will weigh on earnings supporting our "sell" rating.

Valuation & Recommendation: SELL

- Our SELL rating is based on our weighted average fair value of GHS 30.18 per share, representing a downside of 24.2%, using the weighted average prices from our Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and relative valuation models.
- TOTAL is trading at a TTM P/E of 14.6x, above peer mean P/E of 12.8x and EV/EBITDA of 14.8x

Key risks to valuation

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

Downside: A weaker-than-expected recovery in fuel demand, intensifying competitive pressures, exchange rate volatility, unexpected global energy price shocks, regulatory risks and price controls, rising finance costs and supply chain disruptions

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