TOTAL 9M2026 Results

Current rating: REDUCE

Year-to-date: -13.6%

Current Price: GHS 34.80 **| Current Fair Value:** GHS 30.18 **| Downside:** 13.3%

Ghana | 06 November 2026

Earnings Hit a Roadblock as Volumes Retreat

9M2026 Earnings Update

TotalEnergies Marketing Ghana Plc ("TOTAL") released its unaudited 9M2026 financial results, posting a 16.1% y/y decline in profit after tax to GHS 221.8mn, 19.4% below our forecast. The fall in earnings reflects an 18.1% y/y contraction in revenue to GHS 4.2bn, an 8.2% y/y rise in operating expenses to GHS 336.6mn and a 34.2% decline in finance income to GHS 0.5mn. We note that the headline revenue decline overstates the weakness in the core fuel business. Revenue from the 55% owned subsidiary, Ghanstock Limited, collapsed by 96.7% y/y to GHS 23.9mn, contributing to the group's 18.1% y/y revenue decline. However, revenue for the core fuel business fell by a more modest 5.0% y/y to GHS 4.2bn. We attribute the core fuel business revenue decline to a 9.6% y/y contraction in sales volume, partly offset by higher pump prices in 2Q2026 and 3Q2026. Cost of sales fell by 19.7% y/y to GHS 3.6bn, tracking lower volumes and the loss of low-margin subsidiary sales. Gross profit declined by 7.7% y/y to GHS 647.2mn, but gross margin expanded by 1.7pp y/y to 15.4%. In our view, this expansion reflects a mixed effect. The subsidiary earned a gross margin of only 2.6% in 9M2025, so the exit of Ghana Bunkering Services (GBS) lifted the group average. At the core fuel business level, gross margin eased by 0.5pp y/y to 15.0%. Group gross margin also narrowed through the year, from 19.4% in 1Q2026 to 17.0% in 1H2026 and 15.4% in 9M2026. Other income almost doubled (+97.2% y/y) to GHS 39.1mn, providing a useful but non-core earnings cushion. However, general, administrative and selling expenses rose by 8.4% y/y to GHS 337.3mn. A smaller impairment release of GHS 0.6mn (vs GHS 2.2mn in 9M2025) offered less relief, leaving net operating expenses up 8.2% y/y at GHS 336.6mn. As a result, operating profit fell by 15.2% y/y to GHS 349.8mn. Operating margin nonetheless rose by 0.3pp y/y to 8.3%, again flattered by the smaller, higher-margin revenue base. At the core fuel business level, operating margin declined by 1.0pp y/y to 8.0%. Finance income fell by 34.2% y/y to GHS 0.5mn. Finance costs dropped by 56.0% y/y to GHS 12.2mn, due to a 13.1% y/y decline in borrowing to GHS 247.1mn. The GBS disposal also removed the share of associate profit (nil vs GHS 0.7mn in 9M2025). Consequently, net profit margin edged up by only 0.1pp y/y to 5.3%, while the core fuel business net margin fell by 0.8pp to 5.1%. Looking ahead, we expect TotalEnergies Ghana's near-term earnings to remain under pressure as its premium pricing strategy continues to weigh on volume growth in an increasingly competitive downstream market. Unless the company narrows its price differentials, we expect further volume losses to constrain revenue growth and gross profit, despite its focus on higher-return sales channels. Selective divestments should improve capital allocation by removing lower-return activities, but the reduced revenue base leaves earnings more exposed to fluctuations in the core fuel business. We expect lubricants to offer a more attractive growth avenue, with higher margins and lower exposure to pump price volatility and competition, supporting product mix and profitability over time. However, its contribution is unlikely to offset weaker fuel volumes in the near term. Similarly, continued solarisation should gradually reduce energy costs, although rising operating expenses suggest that meaningful margin benefits may take time to emerge. Overall, we expect limited near-term earnings upside, with the medium-term outlook dependent on volume stabilisation, stronger lubricants contribution and tighter cost control.

Valuation Update
We maintain our fair value estimate of GHS30.18. While the share price has declined by 24.2% to GHS34.80 since our 1H2026 report, the price correction has narrowed the downside to our valuation, prompting us to revise our recommendation from "Sell" to "Reduce", despite leaving our fair value unchanged. We perceive limited near-term upside, with a more constructive earnings outlook dependent on volume stabilisation, stronger lubricants contribution and tighter cost control.

9M2026 Performance: Lower Revenue Weigh on Earnings

Revenue and Income Performance

- Revenue ▼ 18.1% y/y → GHS 4.2bn
- Other Income ▲ 97.2% y/y → GHS 39.1mn
- Gross Profit ▼ 7.7% y/y → GHS 647.2mn
- Finance Income ▼ 34.2% y/y → GHS 0.5mn
- Operating Profit ▼ 15.2% y/y → GHS 349.8mn
- Net Profit ▼ 16.1% y/y → GHS 221.8mn

Cost and Risk Management

- Input Cost ▼ 19.7% y/y → GHS 3.6bn
- Operating Expenses ▲ 8.2% y/y → GHS 336.6mn
- Finance Cost ▼ 56.0% y/y → GHS 12.2mn

Margin Performance

- Gross Margin ▲ 1.7pp y/y → 15.4%
- Operating Margin ▲ 0.3pp y/y → 8.3%
- Net Profit Margin ▲ 0.1pp y/y → 5.3%

Near-To-Medium Term Outlook

Strategic Refocusing to Support Earnings Quality, but Volume Risks Remain

Value-Over-Volume Strategy Faces a Sharper Volume-Margin Trade-Off

- TotalEnergies Ghana continues to pursue a value-over-volume strategy, prioritising higher return sales channels over volume growth. This approach partly contributed to the decline in sales volumes, which fell by 9.6% y/y to 219,888MT in 9M2026. The quarterly trend highlights the sensitivity of demand to the company's pricing position. Volumes contracted by 22.6% y/y in 2Q2026, when TOTAL's diesel premium over GOIL widened by 19.1% during the first pricing window in May 2026. As the price differential narrowed, volumes recovered by 2.1% y/y in 3Q2026, suggesting some improvement in price competitiveness. Nevertheless, the recovery was insufficient to offset the earlier weakness, leaving 9M2026 volumes lower and gross profit down by 7.7% y/y to GHS647.2mn. In our view, this underscores the trade-off between preserving margins through premium pricing and sustaining volumes in a highly competitive downstream market.

Divestments Sharpen Capital Allocation but Narrow the Revenue Base

- TotalEnergies has shown a willingness to exit businesses where returns do not justify the required investment. In 2025, the company sold its 48.5% stake in Ghana Bunkering Services (GBS) for GHS 4.3mn and cited the disposal of its bitumen plant as part of the same strategy. The GBS exit removed the share of associate profit, which contributed GHS 0.7mn in 9M2025. Separately, revenue from the Ghanstock subsidiary fell by 96.7% y/y to GHS 23.9mn in 9M2026. We believe a narrower focus should improve capital efficiency, as much of the lost revenue carried thin margins. However, it also reduces revenue diversification and leaves earnings more dependent on the core fuel network. That said, management remains open to returning to the bitumen market through partnerships rather than heavy upfront investment.

Solarisation Gains Yet to Offset Cost Inflation

- TotalEnergies Ghana has solarised 47% of its service station network, bringing coverage close to the 50% initial target mark at the launch of its first solar-powered service station . Management is also considering extending the initiative to its lubricants warehouse and other operational facilities. We expect the continued rollout to progressively lower the company's reliance on grid electricity, contain energy costs and improve operational resilience. However, the cost-benefits have yet to translate into a leaner operating cost base. General, administrative and selling expenses increased by 8.4% y/y in 9M2026, exceeding average inflation of 4.2%, despite a 5.0% contraction in core fuel business revenue. This suggests that the efficiency gains from solarisation have yet to meaningfully offset broader cost pressures. Accordingly, we view the initiative as a structural cost-efficiency and sustainability lever, with its contribution to margin improvement likely to materialise gradually over the medium term.

Lubricants Offer Higher-Quality Growth as Fuel Volumes Soften

- Management continues to identify lubricants as an important growth opportunity, citing attractive margins. The segment benefits from demand across the transport, industrial and commercial sectors, and is less exposed to pump price volatility and competition. With fuel volumes under pressure and core fuel business gross margin down 0.5pp y/y, a larger lubricants contribution could support revenue quality and margin resilience. We therefore expect lubricants to improve the product mix gradually, rather than offset the drag from fuel volumes in the near term.

Industry Snapshot: CBOD and NPA Engages IMF on Fuel Supply and Affordability

- The Chamber of Bulk Oil Distributors (CBOD) engaged the International Monetary Fund (IMF), Ministry of Finance and National Petroleum Authority (NPA) on 30 October 2026, as part of the Fund's first review of Ghana's Policy Coordination Instrument. Discussions centered on fuel affordability, foreign exchange availability and the sustainability of government interventions in the downstream petroleum sector. Participants examined how foreign exchange constraints and elevated international petroleum costs influence import financing, domestic supply and consumer prices. The engagement also highlighted the need to balance consumer protection with the financial viability of importers and distributors, as prolonged cost pressures could undermine their capacity to maintain reliable product supply. While the meeting produced no new policy commitments, it indicates growing scrutiny of the sector's pricing framework, fiscal support measures and foreign exchange requirements. We believe the outcome of the IMF review could shape future policy interventions and the operating environment for downstream petroleum players.

Summary of Outlook

- We expect TotalEnergies Ghana's near-term earnings to remain under pressure as its premium pricing strategy continues to weigh on volume growth in an increasingly competitive downstream market. Unless the company narrows its price differentials, further volume losses could constrain revenue growth and gross profit, despite its focus on higher-return sales channels. Selective divestments should improve capital allocation by removing lower-return activities, but the reduced revenue base leaves earnings more exposed to fluctuations in the core fuel business. We expect lubricants to offer a more attractive growth avenue, with higher margins and lower exposure to pump price competition supporting product mix and profitability over time. However, its contribution is unlikely to offset weaker fuel volumes in the near term. Similarly, we expect continued solarisation to gradually reduce energy costs, although rising operating expenses suggest that meaningful margin benefits may take time to emerge. Overall, we expect limited near-term earnings upside, with the medium-term outlook dependent on volume stabilisation, stronger lubricants contribution and tighter cost control.

Valuation & Recommendation: REDUCE

- Our REDUCE rating is based on our weighted average fair value of GHS 30.18 per share, representing a downside of 13.3%, 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 14.7x, above peer mean P/E of 12.8x and EV/EBITDA of 11.3x

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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