

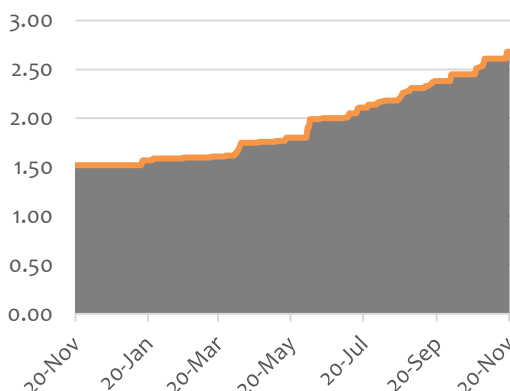


Ghana Oil Company PLC.

RECOMMENDATION	BUY
CURRENT PRICE	2.68
TARGET PRICE	3.58

COMPANY DATA	
TICKER	GOIL
PRIMARY EXCHANGE	GSE
52-WEEK LOW	1.45
52-WEEK HIGH	2.68
MARKET CAP. (GHM)	1,050.19
SHARES OUTSTANDING (M)	391.86

GOIL 1-YR PRICE GRAPH



SHAREHOLDERS	NO. OF SHARES	% HOLDINGS
Government of Ghana	134,123,596	34.23
Social Security and National Insurance Trust (SSNIT)	97,965,798	25.00
Other Institutional and Individual shareholders	159,773,734	40.77

RECOMMENDATION

We strongly recommend GOIL as a BUY stock because of its position as leading player in Ghana's downstream Petroleum Sector. Despite recent declines in Revenue growth for FY'23 and FY'24, we believe it's new leadership's strategic intent towards improved ROI and profitability as well as its diversification into new ventures will restore growth in the top and bottom lines. Again, the stock has been trading below book value for the past 5 financial years (FY'20-FY'24) averaging 0.85 which indicates an undervaluation by the market. International crude price volatility as well as intensifying competition pose risks to our growth outlook, but we believe GOIL's strong brand position and distribution network, margin expansion initiatives as well as venture diversification will drive profit growth and shareholder returns into the foreseeable future.

SUMMARY

We base our BUY recommendation for GOIL on the strengths and prospects that we foresee: (1) Dominant market position in Ghana's Downstream Petroleum Sector. (2) Diversification into upstream exploration and bitumen production to augment retail margins. (3) Improved energy-efficiency of infrastructure and an innovation strategy to control operational cost rise. (4) GOIL's renewed leadership with a strategic intent towards capital efficiency, improved ROI and dividend enhancement and (5) Sovereign interest and strategic institutional shareholders which will provide stable, high-volume revenue streams.

VALUATION

The valuation was conducted by observing the Price/Earnings and Price-to-Book multiples of the GOIL. Profitability and efficiency ratios were observed and forecasted to determine the company's growth and we also assessed its operational efficiencies. We value GOIL PLC. (GOIL) at ~1.02x P/B (~0.97x:FY'26), 20.52% ROE(29.05%:FY'26), a forward P/E of 5.10x and a target price of GH¢3.18 over the next 12-Months. This presents a potential 33.46% price return to shareholders. The five-year historic P/B reading and estimates which shows an undervaluation by the market, maintains the opportunity to buy cheap in wait of the upward price growth we anticipate. Again, the forward P/E of 5.10x for FY'25 against 3.18x for FY'26 suggests an opportunity for growth which is expected to translate into upward prices over the short to medium term.

KEY FINANCIALS

Key Financials	2020	2021	2022	2023	2024	2025E	2026E
(000's of GH¢)							
Revenue	5,560,040	8,437,994	22,000,243	20,606,778	19,348,106	19,831,808	20,327,603
Operating Profit	235,528	166,899	203,714	177,150	244,919	330,014	394,264
Profit After Tax	90,030	98,740	123,894	54,706.00	84,698.00	147,766.34	191,089.68
EPS(GH¢)	0.05	0.25	0.32	0.14	0.22	0.38	0.49
DPS(GH¢)	0.045	0.045	0.047	0.056	0.056	0.065	0.070
Price-To-Book	0.98	1.04	0.85	0.71	0.67	1.02	0.97
Assets	2,101,141	2,497,227	4,609,544	4,002,542	4,808,209	5,361,058	6,121,223
Liabilities	1,500,117	1,812,818	3,820,720	3,175,753	3,914,127	4,327,647	5,020,444
Equity	601,024	684,409	788,824	826,789	894,082	1,053,377	1,100,779

Source: 2024 GOIL Financials, SBL Research



RATIONALE

Dominant Market Position in Ghana's Downstream Petroleum Sector: Goil is one of the leading firms in the downstream petroleum sector, controlling a substantial portion of fuel distribution across Ghana. This scale advantage provides stable cash flows as a result of high and recurring sales volumes. It also results in better payment terms with suppliers resulting in more liquidity retained and less need for short-term debt to fund inventory. The stable cash flows is valuable to goil as it operates in a low-margin, high volume fuel retail industry, where small shocks such as international oil price volatilities can disrupt small players. Again, it has bulk procurement power enabling it to negotiate for better prices and lower costs. Thus, it enjoys economies of scale which allows it to keep prices competitive and retain customers.

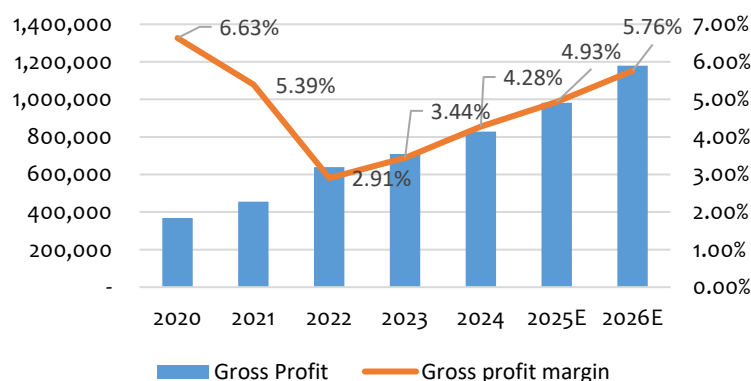
Board Renewal and Strategic Realignment: GOIL's newly constituted board brings a combination of seasoned leadership, strategic vision and energy-sector expertise to it's governance structure. Also, the board has stated its strategic intent towards profitability, improved ROI, dividend enhancement and share price appreciation. The board's energy-focused and results-driven makeup suggests a higher likelihood of prudent, growth-oriented capital deployment. In our view, this refreshed leadership architecture provides a foundation for more agile execution, cost optimization, and improved capital efficiency – all of which are essential levers for unlocking GOIL's margin expansion and sustaining long-term growth.

GROWTH DRIVERS

Strategic Diversification into Upstream Activities: Goil through its upstream subsidiary GOIL Upstream Limited, has partnered in the Deepwater Cape Three Points (DWCTP) block – a high-potential area within Ghana's offshore basin. This provides it with a long-term stake in crude production and access to upstream cashflows. Again, upstream production especially in oil typically carries higher EBITDA margins (30%-60%) once production commences. Further, GOIL's upstream diversification enables participation in profit oil, access to crude offtake for its own refining and retail which will increase its overall margin and cashflow diversification. By expanding upstream, goil will build a vertical integration model ensuring full participation in the value chain and a reduced reliance on imported or refined petroleum. We expect this to diversify it's income stream and reduce reliance on fuel retail margins.

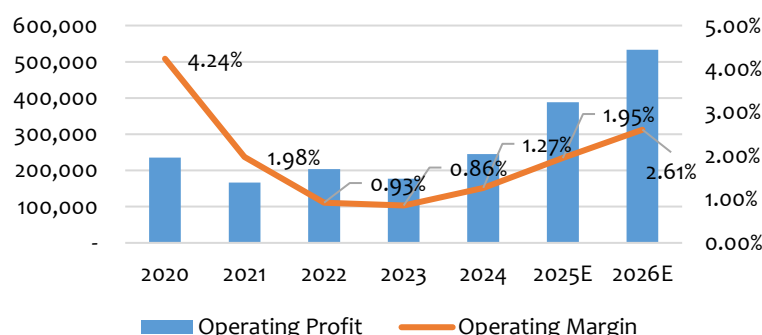
Scale Advantage as well as Operational Efficiency & Cost Control Measures to Sustain Margin Growth Trajectory: Goil's extensive retail network has enabled it to spread fixed costs over higher sales volumes and keep margins high. Also, it has embarked on network optimization of its retail outlets and supply chain such as restructure of underperforming stations and a shifted focus to franchisee/dealer-owned, dealer-operated (DODO) models for some stations, reducing GOIL's direct cost burden. Also, upgrades to fuel stock level monitoring and real-time sales tracking have been implemented to lower operational wastage. We expect these enhancements to contribute to our margin growth projections for FY2025E and FY2026E.

GROSS PROFIT & GROSS MARGIN



Source: 2024 GOIL website, SBL Research.

OPERATING PROFIT & OPERATING MARGIN



Source: 2024 GOIL website, SBL Research.



Positioned to Take on Government Business: Goil has positioned itself as a preferred choice to take on new government business including in key public and quasi-government fuel supply contracts. These contracts provide stable, high-volume revenue streams, even in volatile market conditions. Also, GOIL is often consulted during policy design especially around petroleum pricing frameworks, fuel subsidies/removal and fuel quality standards. This provides greater predictability and stability in its operating environment and reduced regulatory risk compared to its competitors.

Bitumen Business to Further Enhance Revenue Growth: Goil's entry into the bitumen market has provided it with a business line with strong revenue prospects. The government has earmarked intensive road construction for 2025 and 2026 under the "year of roads" initiative and we expect goil to be contracted to supply bitumen for road projects given its state ownership interest. Also, we anticipate government policy support to incentivize local bitumen procurement which will position it as a local substitute for imported bitumen as it is the only local bitumen manufacturer in Ghana. Again, it has a market opportunity in the West African region where 80% of its bitumen needs are imported. Goil's plant stands placed to serve as a regional export hub, especially given its coastal location and new port infrastructure. We believe these opportunities will further expand its bottom line.

INVESTMENT RISKS

Execution Risk on New Ventures: Although the bitumen and the upstream Oil participation are strategically sound for long-term growth and vertical integration, execution risk could mute returns over the near and far term. This could stem from slow market adoption of its product, as GOIL largely runs a cash and carry model as opposed to contractors' preference to credit purchases. Again, it faces import competition with tax waivers making imported bitumen cheaper as well as slow contractor migration from traditional bitumen to polymer-modified bitumen (PMB) both leading to low sales volumes. Also, with regards to its upstream business, early stages of exploration typically require high sunk costs with no revenue until production and a tolerance for long cash conversion cycles. This means upstream diversification may not generate revenue or profit in the short term, prolonging timelines for contributing to its overall bottom line.

Low Margin Industry Profile and Declining Market Share: Fuel retailing is a low-margin business, with a 3-5% gross margin. Profitability is volume-driven, meaning shocks to demand, or competition can rapidly erode earnings. Also, rising global oil prices don't always translate into higher profits, due to a regulated pump pricing and affordability issues. Hence earnings may be volatile despite high revenues. Again, GOIL's market share in Ghana's downstream petroleum market has declined from over 20% in 2022 to 12.6% in 2024 indicating growing competitor market share, exposing it to the risk of long-term margin compression and loss of pricing power if revenue boosting efforts are not as effective.

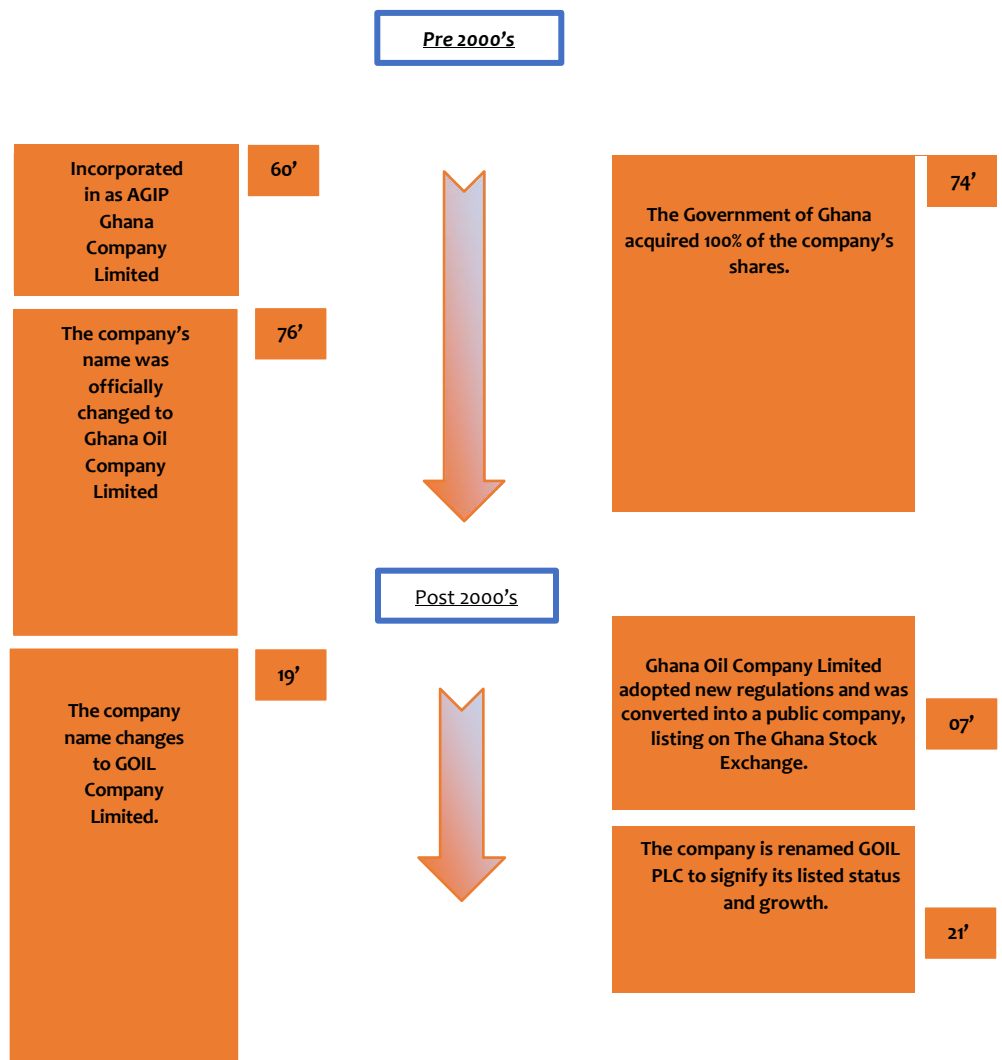
Sector Policies and Levies: The introduction of the ₵1.00 per liter energy sector levy and any such levies in the future present downside risk to GOIL's near-term operating performance. These levies, which increases the retail price of petroleum products may exert downward pressure on fuel demand and subsequently sales volumes. Given that GOIL derives most of its revenue from the sale of petrol and diesel through its extensive retail network, the company is particularly exposed to potential volume contraction as consumers of petroleum products may adjust to increased pump prices.



COMPANY PROFILE

GOIL plc. Is an indigenous oil and gas marketing company in Ghana formed on 14 June 1960. It was originally incorporated as a private limited liability company under the name AGIP Ghana Company Limited by AGIP SPA of Italy and SNAM S.P.A., succeeding the marketing arm of AGIP PETROLI in Ghana. It primarily carries on the business of marketing petroleum products such as fuels, liquefied petroleum gas (LPG), lubricants and bitumen, provision of payment services as well as upstream exploration. In 1974, the Government of Ghana acquired 100 percent shares and changed the Company's name to Ghana Oil Company Limited 1976. GOIL has three (3) subsidiaries: GOEnergy Limited, a Bulk Distribution Company (BDC), GOIL Upstream Limited to cater for its offshore business and GOBitumen Limited, a joint venture bitumen production and distribution company. The Government of Ghana, Social Security & National Insurance Trust (SNNIT), and Bulk Oil Storage and Transport (BOST) are its largest shareholders with 34.23%, 25.00% and 20.00% stakes respectively. GOIL was listed on the Ghana Stock Exchange in 2007 and has a current market capitalization of GH¢1,050.19 million.

A Timeline of GCB's Key Milestones



Source: GOIL website.



VALUATION

Based on FY25E projections, we are valuing GOIL at 1.02x P/B and 20.52% ROE. Also, based on FY26E projections, we assign a 0.97x P/B for the stock, a 29.05% ROE and a target price of GH¢3.58.

We anticipate its return to profit growth to be sustained for FY'25 and FY'26, compared to the decline in FY'23. This will mainly be propelled by growth in both its retail fuel business and bitumen business as well as enhanced efficiencies. We estimate shareholders' equity to be GH¢1.05 billion (FY25E: GH¢1.11 billion) and expect GOIL to deliver approximately 2.80% growth in Revenue FY25E (FY26E: 2.90%).

GOIL has traded within a P/B(x) range of 0.67x to 1.04x since FY2020, which may suggest an undervaluation by the market. Hence, we see a good opportunity to buy cheap in wait for the price upside we expect at the end of FY'25.

We project a forward P/E of 5.10x for FY25 and 3.18x for FY'26 against a trailing P/E of 6.81x. In addition, we forecast an ROE of 20.52% in FY'25 and 29.05% in FY2026. We believe GOIL will sustain its profit growth trajectory supported by enhanced efficiencies to scale growth into the long term.

Key Ratios	2020	2021	2022	2023	2024	2025E	2026E
Profitability							
Gross profit margin	6.63%	5.39%	2.91%	3.44%	4.28%	4.93%	5.76%
Operating Margin	4.24%	1.98%	0.93%	0.86%	1.27%	1.95%	2.61%
Return on asset ratio	4.72%	4.29%	3.49%	1.27%	1.92%	4.05%	5.75%
Return on equity ratio	15.95%	15.36%	16.82%	6.77%	9.84%	20.52%	29.05%
Leverage							
Debt to Equity Ratio	2.50	2.65	4.84	3.84	4.38	3.89	4.27
Equity Multiplier	3.50	3.65	5.84	4.84	5.38	4.82	5.27
Efficiency							
Accounts receivable turnover ratio	7.2	9.47	15.44	12.39	10.23	7.72	6.50
Accounts Payable Turnover Ratio	5	5.53	8.04	6.38	6.91	7.26	7.29
Asset Turnover ratio	2.91	3.67	6.19	4.79	4.39	3.91	3.56
Valuation							
P/E(x)	6.4	6.98	5.04	11.74	6.81	5.10	3.18
P/BV(x)	0.98	1.04	0.85	0.71	0.67	1.02	0.97

Source: 2024 GOIL website, SBL Research.



SUMMARY OF FINANCIALS

(in 000's of GH¢)	2020	2021	2022	2023	2024	2025E	2026E
Statement of Comprehensive Income							
Revenue	5,560,040.00	8,437,994.00	22,000,243.00	20,606,778.00	19,348,106.00	19,831,808.65	20,327,603.87
Gross Profit	368,801.00	455,114.00	639,185.00	708,763.00	828,293.00	923,079.58	1,040,700.21
Operating Profit	235,528.00	166,899.00	203,714.00	177,150.00	244,919.00	330,014.66	394,264.58
Profit Before Tax	118,870.00	141,370.00	173,311.00	87,272.00	136,839.00	219,773.06	281,818.15
Profit After Tax	90,030.00	98,740.00	123,894.00	54,706.00	84,698.00	147,766.34	191,089.68
Earnings Per Share	0.05	0.25	0.32	0.14	0.22	0.38	0.49
Statement of Financial Position							
Non-Current Assets	1,025,865.00	1,225,472.00	1,439,047.00	1,653,591.00	1,661,314.00	1,701,219.55	1,751,762.16
Current Assets	1,075,276.00	1,271,755.00	3,170,497.00	2,348,951.00	3,146,895.00	3,659,839.23	4,369,461.05
Total Assets	2,101,141.00	2,497,227.00	4,609,544.00	4,002,542.00	4,808,209.00	5,361,058.78	6,121,223.21
Non-Current Liabilities	198,310.00	142,674.00	109,871.00	36,906.00	300,360.00	335,242.26	365,309.73
Current Liabilities	1,301,807.00	1,670,144.00	3,710,849.00	3,138,847.00	3,613,767.00	3,573,851.29	3,733,686.34
Total Liabilities	1,500,117.00	1,812,818.00	3,820,720.00	3,175,753.00	3,914,127.00	4,327,647.13	5,020,444.00
Stated Capital	185,589.00	185,589.00	185,589.00	185,589.00	185,589.00	185,589.00	185,589.00
Income surplus account	378,957.00	455,136.00	554,417.00	584,444.00	643,216.00	790,982.34	982,072.02
Equity Attributable to owners	601,024.00	684,409.00	788,824.00	826,789.00	894,082.00	1,053,377.24	1,100,779.21
Cashflow Statement							
Net cash generated from Operating activities	182,893.00	419,642.00	652,700.00	50,924.00	(382,201.00)	(389,845.02)	(401,540.37)
Net cash used in investing activities	(388,154.00)	(274,188.00)	(308,972.00)	(369,565.00)	(424,180.00)	(432,663.60)	(445,643.51)
Net cash used in financing activities	76,753.00	(70,659.00)	(63,401.00)	(95,642.00)	790,516.00	766,800.52	778,302.53
Increase/(decrease) in cash and cash equivalents	(128,508.00)	74,795.00	280,327.00	(414,283.00)	(15,865.00)	(55,708.10)	(68,881.35)
Cash and Cash equivalents at the beginning of the year	61,296.00	(67,212.00)	7,583.00	287,910.00	(126,373.00)	(142,238.00)	(197,946.10)
Cash and cash equivalents at the end of the year	(67,212.00)	7,583.00	287,910.00	(126,373.00)	(142,238.00)	(197,946.10)	(266,827.45)

Source: 2024 GOIL Financials.



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