

**Company:** Enterprise Group Limited | **Ticker GSE:** EGL | **Industry:** Insurance | **Recommendation:** **BUY**

## Impressive Profitability amid a difficult period. Diversified business to continue to provide cushion in the Medium to Long Term

### Results Summary

EGL has consistently reported strong profitability/growth metrics over the last five years with insurance premiums and investment income posting positive growth.

- Gross premium written grew by +29.40% from GH¢342.7 million in 1Q2022 to GH¢443.5 million in 1Q2023.
- Net Income advanced by +24.3% YoY to GH¢394.9 million.
- Net expenses rose by +25.1% YoY to 334.8 million owing to a significant increase in Operating Expenses. EGL's expense ratio increased to 47.6%.
- Net investment income rose by 36.4% YoY to GH¢ 79.3 million even on the back of elevated investment expenses.
- Net earned premium increased by 22.8% YoY to 285.0 million.
- Profit after Tax grew by 24.0% to GH¢52.4 million in 1Q2023 compared with GH¢42.2 million in 1Q22.

Profitability is expected to remain stable. EGL's retention ratio of 77.6% remains impressive. The combined ratio of 91.4% in 1Q2023 remains high, however, positive growth in investment income provided a good buffer. Return on Equity remains positive at 20.5% as of 1Q2023.

**Diversification benefits realized.** EGL Recorded growth in bottom-line profit despite the effects of the DDEP. This cements our view of how well-diversified the business is and its ability to absorb economic shocks.

**Valuation:** EGL has a proven track record of growing profitability at impressive rates, making it an ideal target for long-term investors while its dividend culture provides a channel for short-term gains. We believe EGL will continue to post profits in the future considering its dominance in the insurance industry. We believe EGL will continue to post strong growth in earnings in 2023.

We value the company at a price-to-book value of 0.37x and arrive at a target price of GH¢2.68 within the next twelve months a downward adjustment to our last target price of GH¢3.32. At the current price, our target price of GH¢2.68 reflects an upside potential of 10.3%. We maintain our BUY rating.

<b>RATING</b>	BUY
Maintain	
<b>CURRENT PRICE GH¢</b>	2.43
<b>TARGET PRICE GH¢</b>	2.68

<b>COMPANY DATA</b>	
52-WEEK LOW:	2.43
52-WEEK HIGH:	3.30
MARKET CAP. (GH¢M):	415.26
SHARES OUTSTANDING(M)	170.89

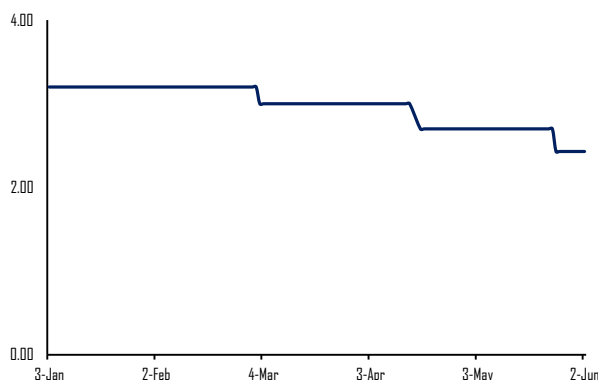
<b>SHAREHOLDING</b>		%
GRACE STRATEGIC VENTURES LIMITED		44.12
STD NOMS/TRUST ACCNT/CS SEC(US) LLC/ CLEARTRIDE ASSET HOLDINGS LTD		9.94 7.78
SOCIAL SECURITY AND NATIONAL INS TRUST		4.85
OTHERS		33.33

Key Financials GH¢'MN	1Q20	1Q21	1Q22	1Q23
Gross Premium Written	209.46	249.18	342.74	443.49
Net Income	192.41	245.73	317.59	394.91
Net Investment Income	27.75	49.39	58.07	79.29
Net Earned Premium	154.18	180.01	232.14	284.98
Profit After Tax	24.37	33.94	42.22	52.37
EPS (GH¢/share)	0.074	0.108	0.156	0.184

Key Ratios	1Q20	1Q21	1Q22	1Q23
Retention Ratio (%)	73.61	72.24	82.49	77.61
Incurred Claims Ratio (%)	18.82	43.75	41.48	43.77
Expense Ratio (%)	44.63	44.60	42.93	47.63
Combined Ratio (%)	63.45	88.36	84.42	91.40
PAT Margin (%)	12.67	13.81	13.30	13.26
ROE (%)	16.37	15.24	11.91	20.50

Valuation	1Q20	1Q21	1Q22	1Q23
P/E(X)	3.50	2.82	7.44	2.76
P/BV(X)	0.54	0.41	0.85	0.37

SHARE PRICE (2023)



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