

# 1H 2023 Report

9<sup>th</sup> August 2023

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

## Operating Profits remain strong, albeit Profit after tax recorded a decline. Combined Ratio hovers around unhealthy levels.

We maintain our **BUY** rating on EGL, while adjusting our target price from GH¢2.68 to GH¢2.69, an upside of 11.20% within twelve months at the current market price of GH¢2.41. Our valuation is based on P/E estimates of future earnings.

### Results Summary

Enterprise Group Limited recorded an increase in operating profits, however, an average increase of 32.5% in operating and commission expenses resulted in a decline of 7.6% in profit after tax. EGL's market share continues to support growth in insurance premiums while the company looks for better alternatives for its investment portfolio.

- Gross premium written grew by +27.70% from GH¢655.9 million in 1H2022 to GH¢837.4 million in 1H2023.
- Net Income advanced by +22.5% YoY to GH¢797.8 million.
- Net expenses rose by +26.9% YoY to 715.4 million owing to a significant increase in Operating and Commission Expenses. This increased EGL's expense ratio to 45.11%.
- Net investment income rose by a lean 9.4% YoY to GH¢135.1 million as investment securities saw an -8.6% reduction.
- Net earned premium increased by 23.7% YoY to 599.5 million.
- Profit after Tax fell by -7.6% to GH¢67.00 million in 1H2023 compared with GH¢72.5 million in 1Q22.

Profitability is expected to remain moderate with inflationary pressures appearing to be on the rebound. EGL's retention ratio still remains impressive even though it reduced slightly by 1.83pp to 80.1%. The combined ratio of 118.4% in 1H2023 remains elevated and a reduction in claims and expenses should go a long way to reduce the combined ratio to a healthier level of 75.0% to 90.0%.

**Investment securities reduce amidst capital market uncertainties.** EGL appears to have reduced its positions in securities as the treasury continues to restructure its debt. It is yet to be seen how management plans to make use of its investment portfolio.

**Valuation:** We believe EGL will continue to post profits albeit at a moderate level. We value the company at a price-to-book value of 0.50x and arrive at a target price of GH¢2.69 within the next twelve months. We maintain our **BUY** rating.

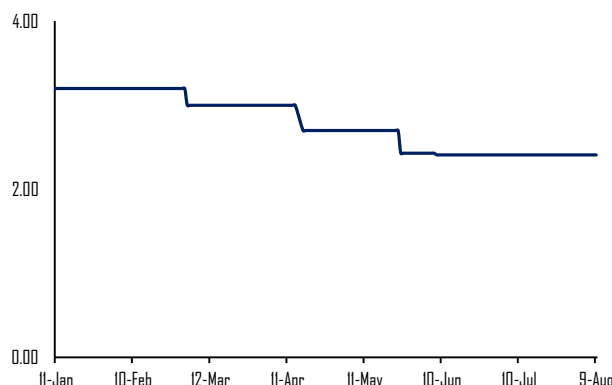
<b>RATING</b>	BUY
Maintain	
<b>CURRENT PRICE GH¢</b>	2.41
<b>TARGET PRICE GH¢</b>	2.69

<b>COMPANY DATA</b>	
52-WEEK LOW:	2.41
52-WEEK HIGH:	3.30
MARKET CAP. (GH¢M):	411.85
SHARES OUTSTANDING(M)	170.89

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

Key Financials GH¢'MN	1H20	1H21	1H22	1H23
Gross Premium Written	389.16	481.37	655.86	837.44
Net Income	378.27	531.21	651.06	797.77
Net Investment Income	48.49	121.85	123.49	135.11
Net Earned Premium	306.44	376.14	484.63	599.48
Profit After tax	63.88	66.29	72.48	66.97
EPS (GH¢/share)	0.213	0.211	0.275	0.236
Key Ratios	1H20	1H21	1H22	1H23
Retention Ratio (%)	84.04	83.82	81.95	80.12
Incurred Claims Ratio (%)	54.47	74.59	73.16	73.29
Expense Ratio (%)	42.39	44.93	42.21	45.11
Combined Ratio (%)	96.86	119.53	115.37	118.40
PAT Margin (%)	16.89	12.48	11.13	8.39
ROE (%)	17.54	13.09	10.87	14.59
Valuation	1H20	1H21	1H22	1H23
P/E(X)	2.47	3.77	7.21	2.97
P/BV(X)	0.43	0.49	0.82	0.50

SHARE PRICE (2023)



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