

AIRLINK

1QFY23 Result Review: BUY Stance Maintained

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AIRLINK has announced its 1QFY23 result where it posted a profit after tax of Rs264mn (Diluted EPS: Rs0.67) as compared to a profit after tax of Rs420mn (EPS: Rs1.06) in the same period last year, down by 37.1% YoY owing to a fall in volumetric sales due to a partial ban on the import of the cell phones.

The company has posted a revenue of Rs6.83bn against Rs9.44bn in SPLY, recording a decline of 27.6% YoY. Despite a rise in retention prices, the gross margin has stayed the same at 11%.

Furthermore, SG&A expenses have decreased by 27.5% YoY to Rs204mn as compared to Rs281mn during the SPLY. Moreover, other income has surged by 192.5% YoY to Rs30mn as compared to 10mn during SPLY. Lastly, effective taxation has increased to 37.4% as compared to 26.3% during same period last year.

AIRLINK is currently trading at a FY23E P/E of 9.01. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs45 which provides an upside potential of 28%.

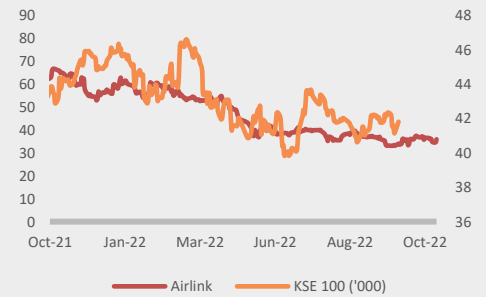
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	6,829	9,437	27.6% ▼	46,160	47,373	2.6% ▼
Cost of Sales	-6,079	-8,400	27.6% ▼	-41,388	-42,571	2.8% ▼
Gross Profit	750	1,037	27.7% ▼	4,772	4,802	0.6% ▼
SG&A Expenses	-204	-281	27.5% ▼	-1,418	-1,306	8.5% ▲
Other Expenses	0	0	-	-88	-57	54.9% ▲
Other Income	30	10	192.5% ▲	227	68	235.1% ▲
Operating Profit	576	765	24.7% ▼	3,493	3,506	0.4% ▼
Finance Cost	-155	-195	20.9% ▼	-1,025	-1,102	7.0% ▼
Profit Before Taxation	422	570	26.0% ▼	2,468	2,404	2.7% ▲
Taxation	-158	-150	4.9% ▲	-819	-899	8.9% ▼
Profit After Taxation	264	420	37.1% ▼	1,649	1,505	9.5% ▲
Earnings Per Share	0.67	1.06	37.1% ▼	4.17	3.81	9.5% ▲
Dividend	0.00	0.00		1.00	3.50	
Bonus	0%	0%		0%	10%	
Gross Margin	11.0%	11.0%	0.0% ▼	10.3%	10.1%	0.2% ▲
SG&A Expenses to Sales	3.0%	3.0%	0.0% ▲	3.1%	2.8%	0.3% ▲
Other Expenses to Sales	0.0%	0.0%	-	0.2%	0.1%	0.1% ▲
Other Income to Sales	0.4%	0.1%	0.3% ▲	0.5%	0.1%	0.3% ▲
Effective Taxation	37.4%	26.3%	11.0% ▲	33.2%	37.4%	4.2% ▼
Net Margin	3.9%	4.4%	0.6% ▼	3.6%	3.2%	0.4% ▲

Source: ACPL Research, Company Financials

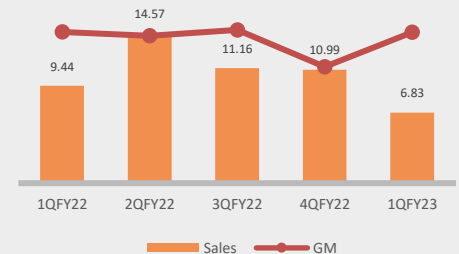
Key Statistics

Symbol	AIRLINK
TP - Jun 23	45
LDCP	35.25
Upside (%)	28
Free Float ('mn)	118
Market Cap. (Rs. 'mn)	13,933

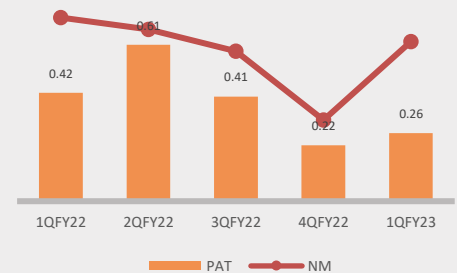
Airlink vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	43,008	47,373	46,160	35,003	38,503	42,354	46,589
Cost of sale	- 38,238	- 42,571	- 41,388	- 31,159	- 33,890	- 36,856	- 40,075
Gross profit	4,770	4,802	4,772	3,844	4,613	5,498	6,513
Administration expenses	- 477	- 581	- 875	- 725	- 607	- 667	- 734
Selling and promotion expenses	- 519	- 725	- 543	- 320	- 352	- 387	- 426
Operating Profit	3,774	3,496	3,354	2,798	3,654	4,443	5,353
Other operating income	168	11	139	155	171	188	207
Finance cost	- 1,398	- 1,102	- 1,025	- 645	- 755	- 731	- 716
Profit before taxation	2,544	2,404	2,468	2,309	3,070	3,900	4,844
Taxation	- 1,080	- 899	- 819	- 762	- 1,013	- 1,287	- 1,599
Profit after taxation	1,464	1,505	1,649	1,547	2,057	2,613	3,245
EPS	3.70	3.81	4.17	3.91	5.20	6.61	8.21

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	44.4%	10.1%	-2.6%	-24.2%	10.0%	10.0%	10.0%
Cost of sale	48.2%	11.3%	-2.8%	-24.7%	8.8%	8.8%	8.7%
Gross profit	19.7%	0.7%	-0.6%	-19.5%	20.0%	19.2%	18.5%
Administration expenses	10.1%	21.8%	50.6%	-17.1%	-16.3%	10.0%	10.0%
Selling and promotion expenses	69.2%	39.7%	-25.2%	-41.0%	10.0%	10.0%	10.0%
Operating Profit	16.3%	-7.4%	-4.0%	-16.6%	30.6%	21.6%	20.5%
Other operating income	-4.6%	-93.6%	1193.8%	11.8%	10.0%	10.0%	10.0%
Finance cost	69.0%	-21.2%	-7.0%	-37.1%	17.0%	-3.2%	-2.0%
Profit before taxation	-2.0%	-5.5%	2.7%	-6.5%	33.0%	27.0%	24.2%
Taxation	-3.2%	0.0%	-8.9%	-7.0%	33.0%	27.0%	24.2%
Profit after taxation	-1.1%	2.8%	9.5%	-6.2%	33.0%	27.0%	24.2%
EPS	-1.1%	2.8%	9.5%	-6.2%	33.0%	27.0%	24.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	11.09	10.14	10.34	10.98	11.98	12.98	13.98
NP Margin	%	5.11	4.97	3.40	3.18	3.57	4.42	5.34
OP Margin	%	8.78	7.38	7.27	7.99	9.49	10.49	11.49
ROE	%	31.85	23.23	14.00	12.68	16.25	19.85	23.65
ROCE	%	27.45	20.63	12.76	42.22	32.43	28.67	29.43
ROA	%	6.98	9.56	8.73	16.46	16.78	16.94	18.38
Liquidity Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	2.89	8.40	18.22	5.39	5.49	5.59	5.51
Acid-test	x	0.10	0.16	0.33	-0.09	0.13	0.37	0.48
Cash to current liab.	x	0.05	0.10	0.17	-0.09	0.13	0.37	0.48
Activity Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		40	42	30	30	30	30	30
Payables Days		62	12	3	15	15	15	15
Operating Cycle		-22	30	26	15	15	15	15
Investment Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		3.70	3.81	4.17	3.91	5.20	6.61	8.21
DPS		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover		0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS		11.63	16.39	29.79	30.85	32.02	33.31	34.72
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'mn	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E		9.52	9.26	8.45	9.01	6.77	5.33	4.29
Sales per share		108.81	119.85	116.78	88.55	97.41	107.15	117.87
P/BV		3.03	2.15	1.18	1.14	1.10	1.06	1.02
Price to Sales		0.32	0.29	0.30	0.40	0.36	0.33	0.30
Gearing Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.98	1.04	0.45	0.34	0.31	0.31	0.30
Interest Cover		2.70	3.17	3.27	4.34	4.84	6.08	7.47

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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