

# AIRLINK

## 9MFY23 Result Review: BUY Stance Maintained

Equity Research | Technology & Communication | Friday, 28 April, 2023

AIRLINK has announced its 9MFY23 result where it posted a profit after tax of Rs0.77bn (Diluted EPS: Rs1.96) as compared to a profit after tax of Rs1.43bn (Diluted EPS: Rs3.62) in the same period last year, down by 45.9% YoY owing to a fall in volumetric sales.

The company has posted a revenue of Rs18.02bn against Rs35.16bn in SPLY, recording a decline of 48.8% YoY. Despite a rise in retention prices, the gross margin has dropped to 8.4% as compared to 10.9% in SPLY.

Furthermore, SG&A expenses have decreased by 37.6% YoY to Rs0.68bn as compared to Rs1.09bn during the SPLY. Other income has surged by 2.99x YoY to Rs84mn as compared to Rs21mn during SPLY.

AIRLINK is currently trading at a FY23E P/E of 7.11x. Further, the scrip is also trading at FY23E P/B of 0.62x which offers a discount of 46% relative to its 3-year historical average of 1.16x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs24 which provides an upside potential of 25%.

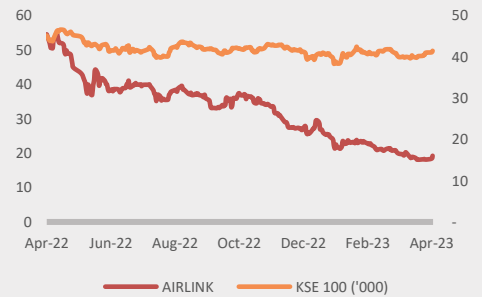
Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	3,963	11,163	64.5% ▼	18,022	35,165	48.8% ▼
Cost of Sales	-3,544	-9,919	64.3% ▼	-16,503	-31,337	47.3% ▼
<b>Gross Profit</b>	<b>419</b>	<b>1,244</b>	<b>66.3% ▼</b>	<b>1,519</b>	<b>3,828</b>	<b>60.3% ▼</b>
SG&A Expenses	-186	-370	49.8% ▼	-681	-1,092	37.6% ▼
Other Expenses	-0.030	-0.002	1400.0% ▲	-24	-26	5.7% ▼
Other Income	32	2	1230.6% ▲	84	21	299.2% ▲
<b>Operating Profit</b>	<b>265</b>	<b>876</b>	<b>69.7% ▼</b>	<b>897</b>	<b>2,731</b>	<b>67.1% ▼</b>
Finance Cost	-152	-219	30.5% ▼	-441	-732	39.7% ▼
Profit Before Taxation	113	657	82.8% ▼	456	1,999	77.2% ▼
Taxation	-11	-252	95.7% ▼	319	-567	156.3% ▼
<b>Profit After Taxation</b>	<b>102</b>	<b>406</b>	<b>74.8% ▼</b>	<b>775</b>	<b>1,432</b>	<b>45.9% ▼</b>
Earnings Per Share	0.26	1.03	74.8% ▼	1.96	3.62	45.9% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0.00	0%	
Gross Margin	10.6%	11.1%	0.6% ▼	8.4%	10.9%	2.5% ▼
SG&A Expenses to Sales	4.7%	3.3%	1.4% ▲	3.8%	3.1%	0.7% ▲
Other Expenses to Sales	0.0%	0.0%	0.0% ▼	0.1%	0.1%	0.1% ▲
Other Income to Sales	0.8%	0.0%	0.8% ▲	0.5%	0.1%	0.4% ▲
Effective Taxation	9.5%	38.3%	28.8% ▼	-69.9%	28.4%	98.3% ▼
Net Margin	2.6%	3.6%	1.1% ▼	4.3%	4.1%	0.2% ▲

Source: ACPL Research, Company Financials

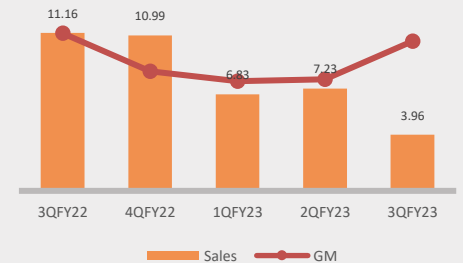
### Key Statistics

Symbol	AIRLINK
TP - Dec 23	24
LDGP	19.24
Upside (%)	25
Free Float ('mn)	99
Market Cap. (Rs. 'mn)	7,589

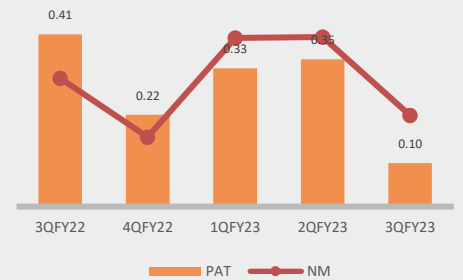
### AIRLINK vs KSE 100



### 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	24,029	28,835	34,602	41,523
Cost of sale	- 38,238	- 42,571	- 41,388	- 22,004	- 25,684	- 30,388	- 36,092
<b>Gross profit</b>	<b>4,770</b>	<b>4,802</b>	<b>4,772</b>	<b>2,026</b>	<b>3,152</b>	<b>4,214</b>	<b>5,431</b>
Administration expenses	- 477	- 581	- 875	- 599	- 540	- 648	- 777
Selling and promotion expenses	- 519	- 725	- 543	- 310	- 384	- 461	- 553
<b>Operating Profit</b>	<b>3,774</b>	<b>3,496</b>	<b>3,354</b>	<b>1,117</b>	<b>2,228</b>	<b>3,106</b>	<b>4,101</b>
Other operating income	168	11	139	112	134	114	137
Finance cost	- 1,398	- 1,102	- 1,025	- 587	- 447	- 365	- 298
Profit before taxation	2,544	2,404	2,468	642	1,915	2,855	3,939
Taxation	- 1,080	- 899	- 819	426	- 632	- 942	- 1,300
<b>Profit after taxation</b>	<b>1,464</b>	<b>1,505</b>	<b>1,649</b>	<b>1,068</b>	<b>1,283</b>	<b>1,913</b>	<b>2,639</b>
EPS	<b>3.70</b>	<b>3.81</b>	<b>4.17</b>	<b>2.70</b>	<b>3.25</b>	<b>4.84</b>	<b>6.68</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	44.4%	10.1%	-2.6%	-47.9%	20.0%	20.0%	20.0%
Cost of sale	48.2%	11.3%	-2.8%	-46.8%	16.7%	18.3%	18.8%
<b>Gross profit</b>	<b>19.7%</b>	<b>0.7%</b>	<b>-0.6%</b>	<b>-57.6%</b>	<b>55.6%</b>	<b>33.7%</b>	<b>28.9%</b>
Administration expenses	10.1%	21.8%	50.6%	-31.6%	-9.9%	20.0%	20.0%
Selling and promotion expenses	69.2%	39.7%	-25.2%	-42.9%	24.0%	20.0%	20.0%
<b>Operating Profit</b>	<b>16.3%</b>	<b>-7.4%</b>	<b>-4.0%</b>	<b>-66.7%</b>	<b>99.4%</b>	<b>39.4%</b>	<b>32.0%</b>
Other operating income	-4.6%	-93.6%	1193.8%	-19.5%	20.0%	-15.2%	20.0%
Finance cost	69.0%	-21.2%	-7.0%	-42.7%	-23.8%	-18.4%	-18.3%
Profit before taxation	-2.0%	-5.5%	2.7%	-74.0%	198.5%	49.1%	38.0%
Taxation	-3.2%	0.0%	-8.9%	-152.0%	-248.3%	49.1%	38.0%
<b>Profit after taxation</b>	<b>-1.1%</b>	<b>2.8%</b>	<b>9.5%</b>	<b>-35.2%</b>	<b>20.2%</b>	<b>49.1%</b>	<b>38.0%</b>
EPS	<b>-1.1%</b>	<b>2.8%</b>	<b>9.5%</b>	<b>-35.2%</b>	<b>20.2%</b>	<b>49.1%</b>	<b>38.0%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	11.09	10.14	10.34	8.43	10.93	12.18	13.08
NP Margin	%	5.11	4.97	3.40	3.18	3.57	4.44	4.45
OP Margin	%	8.78	7.38	7.27	4.65	7.73	8.98	9.88
ROE	%	31.85	23.23	14.00	8.75	10.14	14.53	19.23
ROCE	%	27.45	20.63	12.76	13.99	11.01	11.90	12.93
ROA	%	6.98	9.56	8.73	9.21	8.75	9.85	10.98
Liquidity Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	2.89	8.40	18.22	8.27	8.15	7.97	7.73
Acid-test	x	0.10	0.16	0.33	0.08	0.49	1.25	1.82
Cash to current liab.	x	0.05	0.10	0.17	0.08	0.49	1.25	1.82
Activity Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		40	42	30	46	46	46	46
Payables Days		62	12	3	15	15	15	15
Operating Cycle		-22	30	26	31	31	31	31
Investment Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		3.70	3.81	4.17	2.70	3.25	4.84	6.68
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		5.18	5.04	4.60	7.11	5.92	3.97	2.88
Sales per share		108.81	119.85	116.78	60.79	72.95	87.54	105.05
P/BV		1.65	1.17	0.64	0.62	0.60	0.58	0.55
Price to Sales		0.18	0.16	0.16	0.32	0.26	0.22	0.18
Gearing Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.98	1.04	0.45	0.23	0.11	0.11	0.09
Interest Cover		2.70	3.17	3.27	1.90	4.98	8.51	13.75

Source: ACPL Research, Company Financials

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

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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