

FFBL

1QCY22 Result Review: BUY Stance Maintained

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FFBL has announced its 1QCY22 result where it posted a profit after tax of Rs1.63bn (EPS: Rs1.26) as compared to a profit after tax of Rs1.27bn (EPS: Rs0.98) in the same period last year, up by 28.5% YoY.

The company had posted a revenue of Rs24.78bn against Rs13bn in SPLY, recording a growth of 90.6% YoY amid an increase in demand.

The gross margin has been improved to 21.7% as compared to 19% in SPLY due to an increase in DAP prices. SG&A expenses have increased by 69.9% YoY to Rs2.04bn as compared to Rs1.2bn during SPLY.

Other income has been increased by 28.7% YoY to Rs1.12bn. Lastly, finance cost and effective taxation has been increased by 8.4% and 10.4% YoY respectively.

Going forward, we expect the company's profitability to remain stable at this point amid elevated DAP margins and normalization of the expenses. FFBL is currently trading at a CY22E P/E of 2.65x. Furthermore, the scrip is also trading at a CY22E P/B of 0.97x which offers a discount of 65% relative to its historical 3-year average of 2.8. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs50 which provides a total return of 103%.

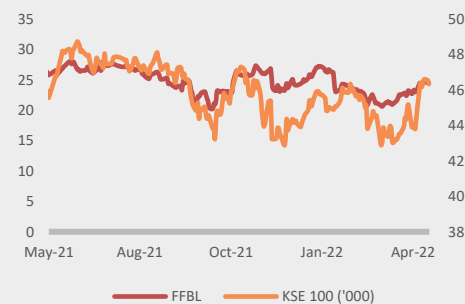
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	24,784	13,005	90.6% ▲	110,452	83,234	32.7% ▲
Cost of Sales	-19,395	-10,528	84.2% ▲	-88,301	-70,655	25.0% ▲
Gross Profit	5,389	2,477	117.5% ▲	22,152	12,579	76.1% ▲
SG&A Expenses	-2,042	-1,202	69.9% ▲	-7,241	-6,773	6.9% ▲
Other Expenses	-1,207	-485	149.1% ▲	-10,159	-312	3159.3% ▲
Operating Profit	2,140	791	170.6% ▲	4,752	5,494	13.5% ▼
Other Income	1,116	1,566	28.7% ▲	9,111	3,843	137.1% ▲
Finance Cost	-706	-651	8.4% ▲	-2,338	-4,444	47.4% ▼
Profit Before Taxation	2,551	1,706	49.5% ▲	11,525	4,893	135.5% ▲
Taxation	-924	-440	110.1% ▲	-5,134	-2,700	90.1% ▲
Profit After Taxation	1,627	1,266	28.5% ▲	6,391	2,192	191.5% ▲
Earnings Per Share	1.26	0.98	28.5% ▲	4.95	1.70	191.5% ▲
Dividend	0.00	0.00		0	0	
Bonus	-	-		-	-	
Gross Margin	21.7%	19.0%	2.7% ▲	20.1%	15.1%	4.9% ▲
SG&A Expenses to Sales	-8.2%	-9.2%	1.0% ▼	-6.6%	-8.1%	1.6% ▼
Other Income to Sales	4.5%	12.0%	7.5% ▼	8.2%	4.6%	3.6% ▲
Ex. Gain / (Loss) to Sales	-8.2%	-9.2%	1.0% ▼	-6.6%	-8.1%	1.6% ▼
Effective Taxation	-36.2%	-25.8%	10.4% ▲	-44.5%	-55.2%	10.6% ▼
Net Margin	6.6%	9.7%	3.2% ▼	5.8%	2.6%	3.2% ▲

Source: ACPL Research, Company Financials

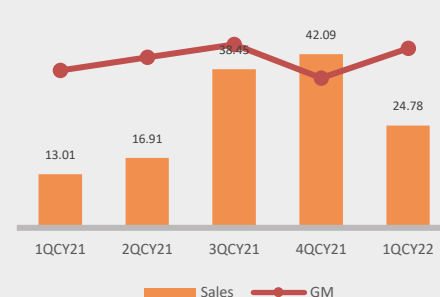
Key Statistics

Symbol	FFBL
TP - Dec 22	50.00
LDGP	24.37
Upside (%)	103
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	32,190

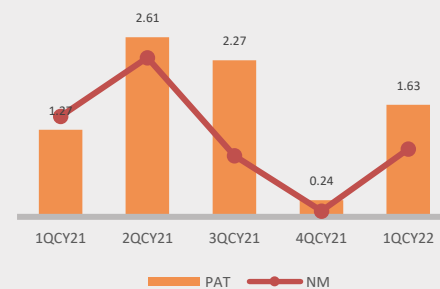
FFBL vs KSE 100



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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	66,839	83,234	110,452	126,531	134,777	137,440	140,128
Cost of sale	60,955	70,655	88,301	100,955	111,407	115,407	117,676
Gross profit	5,885	12,579	22,152	25,576	23,370	22,034	22,452
Selling and promotion expenses	6,767	6,773	7,241	8,920	9,502	9,690	9,879
Other operating expenses	2,158	4,394	10,159	5,061	3,369	2,749	3,503
Operating Profit	- 3,040	1,412	4,752	11,595	10,498	9,595	9,070
Other operating income	4,370	7,925	9,111	7,421	7,775	8,173	8,619
Finance cost	5,199	4,444	2,338	2,304	1,701	1,158	791
Profit before taxation	- 3,869	4,893	11,525	16,711	16,572	16,610	16,899
Taxation	2,052	2,700	5,134	4,846	4,806	4,817	4,901
Profit after taxation	- 5,921	2,192	6,391	11,865	11,766	11,793	11,998
EPS	- 4.59	1.70	4.95	9.19	9.11	9.13	9.29

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	8.7%	24.5%	32.7%	14.6%	6.5%	2.0%	2.0%
Cost of sale	14.3%	15.9%	25.0%	14.3%	10.4%	3.6%	2.0%
Gross profit	-28.1%	113.8%	76.1%	15.5%	-8.6%	-5.7%	1.9%
Selling and promotion expenses	18.1%	0.1%	6.9%	23.2%	6.5%	2.0%	2.0%
Other operating expenses	-49.3%	103.6%	131.2%	-50.2%	-33.4%	-18.4%	27.4%
Operating Profit	-104.1%	-146.4%	236.5%	144.0%	-9.5%	-8.6%	-5.5%
Other operating income	37.4%	81.3%	15.0%	-18.6%	4.8%	5.1%	5.5%
Finance cost	133.9%	-14.5%	-47.4%	-1.5%	-26.2%	-31.9%	-31.7%
Profit before taxation	-127.6%	226.5%	-135.5%	45.0%	-0.8%	0.2%	1.7%
Taxation	450.7%	31.6%	-90.1%	-5.6%	-0.8%	0.2%	1.7%
Profit after taxation	-199.8%	-137.0%	-191.5%	85.7%	-0.8%	0.2%	1.7%
EPS		-137.0%	-191.5%	85.7%	-0.8%	0.2%	1.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	8.80	15.11	20.06	20.21	17.34	16.03	16.02
OP Margin	%	4.26	12.83	15.59	15.03	13.56	12.93	12.62
NP Margin	%	-8.86	2.63	5.79	9.38	8.73	8.58	8.56
ROE	%	-57.12	21.09	37.17	45.01	30.82	23.61	19.40
ROCE	%	3.32	11.73	16.70	18.87	19.18	15.72	13.48
ROA	%	-6.90	2.41	6.20	11.77	12.35	10.44	9.14

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.74	1.02	1.09	0.94	1.29	1.67	2.09
Acid-test	x	0.20	0.57	0.53	0.24	0.56	0.92	1.25
Cash to current liab.	x	0.08	0.53	0.52	0.07	0.38	0.74	1.06

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	13	8	5	5	5	4
Inventory Days		88	28	15	40	40	40	50
Receivables Days		47	7	7	20	20	20	20
Payables Days		210	52	112	100	100	100	100
Operating Cycle		-74	-17	-90	-40	-40	-40	-30

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	-4.59	1.70	4.95	9.19	9.11	9.13	9.29
DPS	Rs.	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	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	5.29	10.81	15.82	25.01	34.12	43.26	52.55
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	1,291	1,291	1,291	1,291	1,291	1,291	1,291
P/E		0.00	14.35	4.92	2.65	2.67	2.67	2.62
Sales per share		51.76	64.46	85.54	97.99	104.38	106.44	108.52
P/BV		4.60	2.25	1.54	0.97	0.71	0.56	0.46
Price to Sales		0.47	0.38	0.28	0.25	0.23	0.23	0.22

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	6.82	2.73	1.56	0.81	0.47	0.30	0.21
L.T. Debt to Equity	x	2.69	1.59	1.02	0.47	0.21	0.10	0.04
Interest Cover	x	0.55	2.40	7.36	8.25	10.74	15.34	22.37

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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