

OCTOPUS

CY21 Result Review: Buy Stance Maintained

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OCTOPUS has announced its CY21 result where it posted profit after tax of Rs346mn (EPS: Rs2.53) as compared to profit after tax of Rs220mn (EPS: Rs1.61) in same period last year, up by 57.4% YoY.

The company has posted the revenue of Rs625mn against Rs277mn in SPLY, recording a growth of 125.6% YoY. The gross margin has been squeezed to 75.7% as compared to 97.2% during SPLY.

SG&A expenses have grown by 706.7% YoY to Rs124mn as compared to Rs15mn during SPLY. However, we are waiting for the management to comment on this surge as it could be one time expense or ongoing in nature.

Finance cost has been increased by 197.3% YoY to Rs0.11mn as compared to Rs0.04mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been decreased to 4% as compared to 13.4% during SPLY.

OCTOPUS is currently trading at CY22E PE of 15x. Further, the scrip is also trading at CY22E PB of 0.78x. We maintain our BUY stance with a DCF based Dec – 22 TP of Rs90 which provides an upside of 19%.

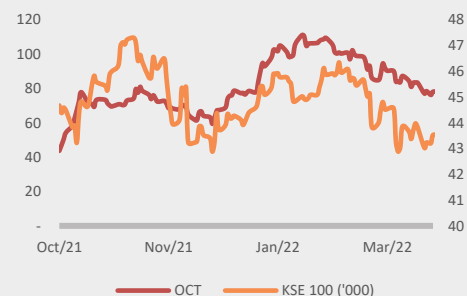
Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	101	251	59.9% ▼	625	277	125.6% ▲
Cost of Sales	31	5	480.6% ▲	152	8	1860.0% ▲
Gross Profit	70	246	71.5% ▼	473	269	75.7% ▲
SG&A Expenses	93	4	2073.3% ▲	124	15	706.7% ▲
Other Expenses	0	0	100.0% ▼		0.2	100.0% ▼
Other Income	6	0		11	0	
Operating Profit	-16	242	106.8% ▼	361	254	42.1% ▲
Finance Cost	0.1	-0.3	136.3% ▼	-0.11	-0.04	197.3% ▲
Profit Before Taxation	-17	242	106.8% ▼	361	254	42.1% ▲
Taxation	-12	34	135.1% ▼	15	34	57.4% ▼
Profit After Taxation	-5	208	102.2% ▼	346	220	57.5% ▲
Earnings Per Share	-0.03	1.52	102.2% ▼	2.53	1.61	57.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	69.5%	97.9%	28.4% ▼	75.7%	97.2%	21.5% ▼
SG&A Expenses to Sales	92.2%	1.7%	90.5% ▲	19.8%	5.5%	14.3% ▲
Other Expenses to Sales	0.0%	-0.1%	0.1% ▲	0.0%	0.1%	0.1% ▼
Other Income to Sales	6.4%	0.0%	6.4% ▲	1.8%	0.0%	1.8% ▲
Effective Taxation	72.2%	14.0%	58.2% ▲	4.0%	13.4%	9.4% ▼
Net Margin	-4.6%	82.9%	87.4% ▼	55.4%	79.3%	24.0% ▼

Source: ACPL Research, Company Financials

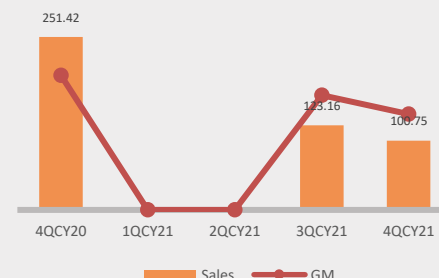
Key Statistics

Symbol	OCTOPUS
TP - Dec 22	90.00
LDPCP	75.90
Upside	19%
Free Float (mn)	27
Market Cap. (Rs.mn)	10,379

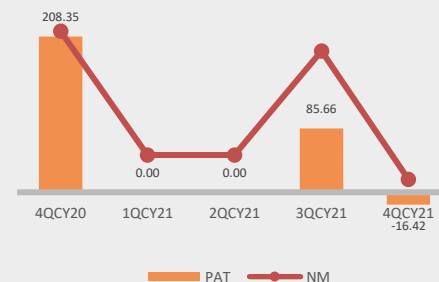
OCTOPUS vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: 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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
Underweight	Negative

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