

## PSO

## FY22 Result Review: BUY Stance Maintained

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PSO has announced its FY22 result where it posted a profit after tax of Rs86.223bn (EPS: Rs183.66) as compared to a profit after tax of Rs29.14bn (EPS: Rs62.07) in the same period last year, up by 195.9% YoY majorly because of huge inventory gains.

The company has posted a net sale of Rs2,452bn against Rs1,204bn in SPLY, recording a growth of 103.6% YoY. We note that this increase is attributed to the increased prices.

Furthermore, the operating and selling expense has increased to 16.81bn as compared to 14.89bn during SPLY up by 12.9%.

Other income has increased by 31.8% YoY to 24.813bn compared to 18.83bn during SPLY. Furthermore, the effective taxation has increased to 41.7% as compared to 33.9% amid the imposition of super taxes by the government, and

PSO is currently trading at FY23E PE of 2.05x. Furthermore, the scrip is trading at a FY23E P/B of 0.32x which offers a discount of 43% relative to its historical 3-year average of 0.56x. We recommend our investors to **BUY** the scrip with DCF-based Jun-23 TP of Rs.210 which provides an upside potential of 21%. Furthermore, it also offers a dividend yield of 6% which makes a total return of 27%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	901,658	351,286	156.7% ▲	2,451,581	1,204,247	103.6% ▲
Cost of Sales	-833,288	-334,416	149.2% ▲	-2,290,586	-1,149,638	99.2% ▲
<b>Gross Profit</b>	<b>68,370</b>	<b>16,869</b>	<b>305.3% ▲</b>	<b>160,995</b>	<b>54,609</b>	<b>194.8% ▲</b>
SG&A Expenses	-5,336	-4,345	22.8% ▲	-16,812	-14,890	12.9% ▲
<b>Operating Profit</b>	<b>53,845</b>	<b>10,796</b>	<b>398.7% ▲</b>	<b>127,069</b>	<b>34,890</b>	<b>264.2% ▲</b>
Other Income	2,486	13,674	81.8% ▼	24,813	18,826	31.8% ▲
Share of profit of associate	134	152	11.8% ▼	694	581	19.3% ▲
Finance Cost	-2,039	-7,741	73.7% ▼	-4,721	-10,242	53.9% ▼
Profit Before Taxation	54,425	16,882	222.4% ▲	147,855	44,056	235.6% ▲
Taxation	-32,972	-5,985	450.9% ▲	-61,633	-14,917	313.2% ▲
<b>Profit After Taxation</b>	<b>21,453</b>	<b>10,897</b>	<b>96.9% ▲</b>	<b>86,223</b>	<b>29,139</b>	<b>195.9% ▲</b>
Earnings Per Share	45.70	23.21	96.9% ▲	183.66	62.07	195.9% ▲
Dividend	10.00	10.00		10.00	15.00	33.3% ▼
Bonus	-	-		0%	0%	

Closing Period: Oct 19, 2022 - Oct 26, 2022

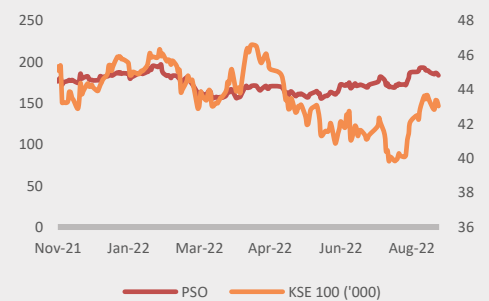
	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Gross Margin	7.6%	4.8%	2.8% ▲	6.6%	4.5%	2.0% ▲
SG&A Expenses to Sales	-0.6%	-1.2%	0.6% ▼	-0.7%	-1.2%	0.6% ▼
Other Income to Sales	0.3%	3.9%	3.6% ▼	1.0%	1.6%	0.6% ▼
Share of profit of associate	0.0%	0.0%	0.0% ▼	0.0%	0.0%	0.0% ▼
Effective Taxation	-60.6%	-35.5%	25.1% ▲	-41.7%	-33.9%	7.8% ▲
Net Margin	2.4%	3.1%	0.7% ▼	3.5%	2.4%	1.1% ▲

Source: ACPL Research, Company Financials

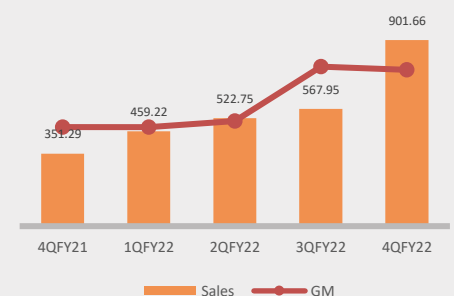
## Key Statistics

Symbol	PSO
TP - Jun 23	210
LDCP	173.8
Upside	21%
Free Float (mn)	211
Market Cap. (Rs.mn)	81,594

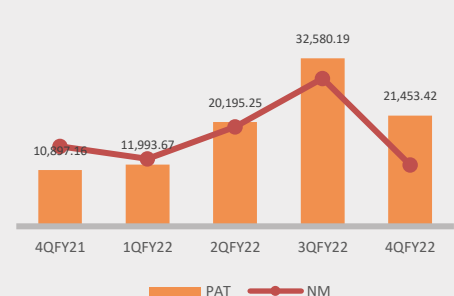
## PSO vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	1,108,358	1,204,247	2,451,581	2,915,417	2,948,891	3,013,827	3,068,422
Cost of sales	-1,096,131	-1,149,638	-2,290,586	-2,827,572	-2,850,102	-2,901,767	-2,940,490
<b>Gross profit</b>	<b>12,227</b>	<b>54,609</b>	<b>160,995</b>	<b>87,845</b>	<b>98,789</b>	<b>112,060</b>	<b>127,932</b>
Distribution cost	-11,490	-11,833	-12,634	-15,024	-15,197	-15,531	-15,813
Administrative expenses	-3,148	-3,057	-4,178	-5,539	-5,603	-5,726	-5,830
Other operating expenses	-51	-4,829	-17,114	-20,352	-20,586	-21,039	-21,420
<b>Profit from operations</b>	<b>-2,461</b>	<b>34,890</b>	<b>127,069</b>	<b>46,929</b>	<b>57,403</b>	<b>69,763</b>	<b>84,868</b>
Other income	10,210	18,826	24,813	25,364	25,655	26,220	26,695
Finance cost	-13,427	-10,242	-4,721	-8,159	-8,245	-8,343	-8,456
<b>Profit before income tax</b>	<b>-5,678</b>	<b>43,474</b>	<b>147,161</b>	<b>64,134</b>	<b>74,813</b>	<b>87,639</b>	<b>103,108</b>
Income tax expense	-1,332	-14,917	-61,633	-24,280	-28,323	-33,179	-39,035
<b>Profit for the year</b>	<b>-7,010</b>	<b>28,558</b>	<b>85,529</b>	<b>39,854</b>	<b>46,490</b>	<b>54,461</b>	<b>64,073</b>
EPS	(14.93)	60.83	182.18	84.89	99.03	116.00	136.48
EBITDA	-848	36,646	128,695	48,774	59,532	72,284	87,968

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-4.0%	8.7%	103.6%	18.9%	1.1%	2.2%	1.8%
Cost of sales	-2.0%	4.9%	99.2%	23.4%	0.8%	1.8%	1.3%
<b>Gross profit</b>	<b>-66.1%</b>	<b>346.6%</b>	<b>194.8%</b>	<b>-45.4%</b>	<b>12.5%</b>	<b>13.4%</b>	<b>14.2%</b>
Distribution cost	15.9%	3.0%	6.8%	18.9%	1.1%	2.2%	1.8%
Administrative expenses	25.8%	-2.9%	36.7%	32.6%	1.1%	2.2%	1.8%
Other operating expenses	-98.9%	9399.2%	254.4%	18.9%	1.1%	2.2%	1.8%
<b>Profit from operations</b>	<b>-113.0%</b>	<b>-1517.6%</b>	<b>264.2%</b>	<b>-63.1%</b>	<b>22.3%</b>	<b>21.5%</b>	<b>21.7%</b>
Other income	39.8%	84.4%	31.8%	2.2%	1.1%	2.2%	1.8%
Finance cost	50.2%	-23.7%	-53.9%	72.8%	1.1%	1.2%	1.3%
<b>Profit before income tax</b>	<b>-129.4%</b>	<b>-958.1%</b>	<b>235.6%</b>	<b>-56.6%</b>	<b>16.7%</b>	<b>17.1%</b>	<b>17.7%</b>
Income tax expense	-80.7%	1020.3%	313.2%	-60.6%	16.7%	17.1%	17.7%
<b>Profit for the year</b>	<b>-161.1%</b>	<b>-550.7%</b>	<b>195.9%</b>	<b>-53.8%</b>	<b>16.7%</b>	<b>17.1%</b>	<b>17.7%</b>
EPS	-161.1%	-550.7%	195.9%	-53.8%	16.7%	17.1%	17.7%
EBITDA	-104.2%	-4421.5%	251.2%	-62.1%	22.1%	21.4%	21.7%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	1.10	4.53	6.57	3.01	3.35	3.72	4.17
NP Margin	%	-0.58	2.42	3.52	1.37	1.58	1.81	2.09
OP Margin	%	-0.22	2.90	5.18	1.61	1.95	2.31	2.77
ROE	%	-5.72	20.82	38.93	15.53	15.63	15.77	15.95
ROCE	%	-1.97	22.92	60.08	19.68	21.10	22.33	23.48
ROA	%	-1.89	7.68	14.35	5.58	6.19	6.80	7.48
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.35	1.44	1.43	1.40	1.47	1.54	1.62
Quick	x	1.03	1.07	0.98	0.96	1.03	1.10	1.18
Activity Ratios		FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	14.93	16.88	19.37	16.07	14.60	14.68	14.64
Inventory Days		24.45	21.63	18.84	22.71	24.99	24.87	24.93
Receivables Days		7.83	5.79	10.58	10.58	10.58	10.58	10.58
Payables Days		49.10	53.24	55.00	55.00	55.00	55.00	55.00
Operating Cycle		-16.81	-25.82	-25.58	-21.71	-19.43	-19.55	-19.50
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		0.00	15.00	10.00	10.00	12.00	14.00	16.00
Div. Yield	%	0.00	8.63	5.75	5.75	6.90	8.06	9.21
Dividend Cover	x	0.00	4.14	18.37	8.49	8.25	8.29	8.53
Retention	%	100.00	75.83	94.56	88.00	88.00	88.00	88.00
Payout	%	0.00	24.17	5.44	12.00	12.00	12.00	12.00
No. of Shares	('m)	0.47	0.47	0.47	0.47	0.47	0.47	0.47
EPS		-13.77	62.07	183.66	84.89	99.03	116.00	136.48
BVPS		240.83	298.16	471.82	546.52	633.67	735.75	855.85
P/E	x	-12.62	2.80	0.95	2.05	1.76	1.50	1.27
Sales per share		2361	2565	5222	6210	6281	6420	6536
P/BV	x	0.72	0.58	0.37	0.32	0.27	0.24	0.20
P/S	x	0.07	0.07	0.03	0.03	0.03	0.03	0.03
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.59	0.40	0.19	0.18	0.16	0.14	0.12
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	-0.18	3.41	26.92	5.75	6.96	8.36	10.04

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

#### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

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

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Stock Rating	Expected Total Return
BUY	Greater than 15%
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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