

FFBL

1HCY21 Result Review: BUY Stance Maintained

Equity Research | Fertilizer | Thursday, 29 July, 2021

FFBL has announced its 1HCY21 result where it posted a profit after tax of Rs3.9bn (EPS: Rs3.01) as compared to a loss after tax of Rs4.2bn (LPS: Rs4.06) in the same period last year, up by 192% YoY.

The company had posted a revenue of Rs30bn against Rs25mn in SPLY, recording a growth of 21% YoY.

The gross margin has been improved enormously to 20% as compared to 5.5% in SPLY due to an increase in demand and DAP prices. SG&A expenses have increased by 17.4% YoY to Rs2.9bn as compared to Rs2.5bn during SPLY.

Lastly, an increase in the other income by 139.9% YoY and a decrease in finance cost by 53.8% YoY improved the bottom line.

Going forward, we expect the offtake to increase further as a result of improved economic activity and subsidy provided by the government. FFBL is currently trading at a CY21E P/E of 5.02x. Furthermore, the script is also trading at a CY21E P/B of 2.37x which offers a discount of 5.6% relative to its historical 5-year average of 2.24. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs30 which provides a total return of 17%, inclusive a dividend yield of 4%.

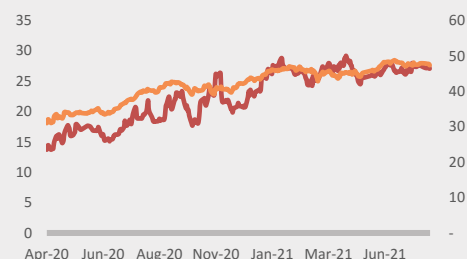
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Net Sales	16,912	15,224	11.1% ▲	29,917	24,782	20.7% ▲
Cost of Sales	-13,417	-13,293	0.9% ▲	-23,945	-23,410	2.3% ▲
Gross Profit	3,495	1,930	81.1% ▲	5,973	1,372	335.4% ▲
SG&A Expenses	-1,792	-1,549	15.7% ▲	-2,994	-2,549	17.4% ▲
Other Expenses	-613	-1,391	55.9% ▼	-1,098	-1,584	30.7% ▼
Operating Profit	1,090	-1,010	208.0% ▲	1,881	-2,762	168.1% ▲
Other Income	2,483	1,372	81.0% ▲	4,049	1,688	139.9% ▲
Finance Cost	-609	-1,208	49.6% ▼	-1,260	-2,726	53.8% ▼
Profit Before Taxation	2,964	-846	450.6% ▲	4,670	-3,800	222.9% ▲
Taxation	-355	-314	12.9% ▲	-795	-408	94.8% ▲
Profit After Taxation	2,609	-1,160	325.0% ▲	3,876	-4,208	192.1% ▲
Earnings Per Share	2.02	-0.90	325.0% ▲	3.00	-3.26	192.1% ▲
Dividend	0.00	0.00		0	0	
Bonus	-	-		-	-	
Gross Margin	20.7%	12.7%	8.0% ▲	20.0%	5.5%	14.4% ▲
SG&A Expenses to Sales	-10.6%	-10.2%	0.4% ▲	-10.0%	-10.3%	0.3% ▼
Other Income to Sales	14.7%	9.0%	5.7% ▲	13.5%	6.8%	6.7% ▲
Ex. Gain / (Loss) to Sales	-10.6%	-10.2%	0.4% ▲	-10.0%	-10.3%	0.3% ▼
Effective Taxation	-12.0%	37.2%	25.2% ▼	-17.0%	10.7%	6.3% ▲
Net Margin	15.4%	-7.6%	23.0% ▲	13.0%	-17.0%	29.9% ▲

Source: ACPL Research, Company Financials

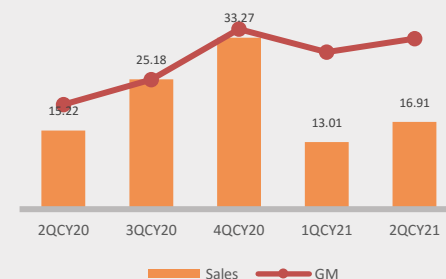
Key Statistics

Symbol	FFBL
TP - Jun 22	30.00
LDCP	27.03
Upside (%)	13
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	34,554

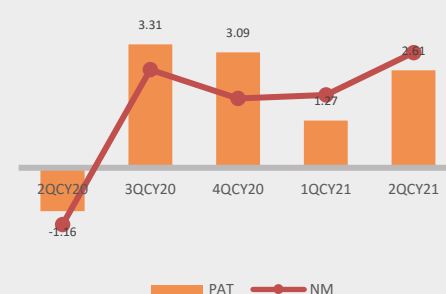
FFBL vs KSE 100



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	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	52,733	61,511	66,839	83,234	84,567	84,225	83,661
Cost of sale	46,705	53,327	60,955	70,655	69,318	69,855	69,723
Gross profit	6,028	8,183	5,885	12,579	15,250	14,369	13,938
Selling and promotion expenses	4,872	4,525	5,345	5,518	5,606	5,583	5,546
Other operating expenses	423	1,259	638	312	317	315	313
Operating Profit	732	2,399	- 99	6,750	9,327	8,471	8,079
Other operating income	4,377	3,182	4,370	5,184	2,542	2,542	2,542
Finance cost	1,941	2,223	5,199	4,444	2,288	1,566	1,153
Profit before taxation	3,169	3,358	- 927	7,489	9,580	9,446	9,467
Taxation	437	373	2,052	2,700	2,837	2,801	2,812
Profit after taxation	2,732	2,985	- 2,979	4,789	6,743	6,645	6,654
EPS	1.08	1.54	- 6.34	2.35	5.38	5.31	5.33

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	17.2%	16.6%	8.7%	24.5%	1.6%	-0.4%	-0.7%
Cost of sale	6.7%	14.2%	14.3%	15.9%	-1.9%	0.8%	-0.2%
Gross profit	394.5%	35.8%	-28.1%	113.8%	21.2%	-5.8%	-3.0%
Selling and promotion expenses	11.4%	-7.1%	18.1%	3.2%	1.6%	-0.4%	-0.7%
Other operating expenses	140.3%	197.3%	-49.3%	-51.1%	1.6%	-0.4%	-0.7%
Operating Profit	-122.0%	227.5%	-104.1%	-694.4%	38.2%	-9.2%	-4.6%
Other operating income	-49.8%	-27.3%	37.4%	18.6%	-51.0%	0.0%	0.0%
Finance cost	-10.0%	14.5%	133.9%	-14.5%	-48.5%	-31.6%	-26.3%
Profit before taxation	-2.2%	6.0%	-127.6%	907.9%	-27.9%	-1.4%	0.2%
Taxation	66.6%	-14.7%	450.7%	31.6%	-5.1%	-1.3%	0.4%
Profit after taxation	-8.3%	9.3%	-199.8%	-260.8%	-40.8%	-1.5%	0.1%
EPS	-25.0%	43.0%	-512.2%	-137.0%	-129.2%	-1.3%	0.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
GP Margin	%	2.71	11.43	13.30	8.80	15.11	18.03	17.06	16.66
OP Margin	%	8.35	6.41	6.55	4.26	12.83	11.03	10.07	9.69
NP Margin	%	2.97	1.90	2.34	-8.86	2.63	8.21	8.14	8.23
ROE	%	20.98	7.75	10.62	-57.12	21.09	48.43	39.16	29.82
ROCE	%	11.78	5.23	5.52	3.32	11.73	10.44	9.72	9.36
ROA	%	4.20	1.55	1.97	-6.90	2.41	7.77	7.86	7.95

Liquidity Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Current	x	0.98	0.84	0.88	0.74	1.04	0.85	0.83	0.85
Acid-test	x	0.28	0.13	0.19	0.20	0.57	0.69	0.68	0.69
Cash to current liab.	x	0.18	0.10	0.07	0.08	0.53	0.66	0.65	0.66

Activity Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Inventory Turnover	x	18	11	7	3	13	15	18	18
Inventory Days		20	14	39	88	28	10	10	10
Receivables Days		29	7	34	47	7	5	5	5
Payables Days		112	181	204	210	52	170	170	170
Operating Cycle		-63	-160	-131	-74	-17	-155	-155	-155

Investment Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS	Rs.	1.43	1.08	1.54	-6.34	2.35	5.38	5.31	5.33
DPS	Rs.	0.50	0.85	1.00	0.00	0.00	1.00	1.00	1.00
Div. Yield	%	1.85	3.14	3.70	0.00	0.00	3.70	3.70	3.70
Dividend Cover	x	2.87	1.26	1.54	0.00	0.00	5.38	5.31	5.33
BVPS	Rs.	13.66	14.08	14.88	7.32	14.94	11.41	15.72	20.05
Payout	%	34.90	79.06	65.03	0.00	0.00	50.00	50.00	50.00
Retention	%	65.10	20.94	34.97	100.00	100.00	50.00	50.00	50.00
No. of Shares	'mn	934	934	934	934	934	1,291	1,291	1,291
P/E		18.87	25.14	17.58	0.00	11.52	5.02	5.09	5.07
Sales per share		48.19	56.45	65.85	71.55	89.11	65.49	65.23	64.79
P/BV		1.98	1.92	1.82	3.69	1.81	2.37	1.72	1.35
Price to Sales		0.56	0.48	0.41	0.38	0.30	0.41	0.41	0.42

Gearing Ratios		CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Debt to Equity	x	2.75	2.17	2.53	6.82	2.73	2.38	1.40	0.86
L.T. Debt to Equity	x	1.52	1.41	1.53	2.69	1.59	1.30	0.60	0.23
Interest Cover	x	1.74	1.74	1.81	0.55	2.40	4.08	5.42	7.03

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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- 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%

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Market Weight	Neutral
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