

FFBL

9M CY21 Result Review: BUY Stance Maintained

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FFBL has announced its 9M CY21 result where it posted a profit after tax of Rs6.15bn (EPS: Rs4.76) as compared to a loss after tax of Rs901mn (LPS: Rs0.7) in the same period last year, up by 782% YoY.

The company had posted a revenue of Rs68bn against Rs49.9mn in SPLY, recording a growth of 36.8% YoY amid increase in demand.

The gross margin has been improved enormously to 21.2% as compared to 10.6% in SPLY due to an increase DAP prices. SG&A expenses have increased by 10.7% YoY to Rs4.9bn as compared to Rs4.4bn during SPLY.

Lastly, an increase in the other income by 99% YoY and a decrease in finance cost by 48.5% YoY improved the bottom line.

FFBL is currently trading at a CY21E P/E of 3.82x. Furthermore, the script is also trading at a CY21E P/B of 2.06x which offers a discount of 25% relative to its historical 2-year average of 2.75. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs45 which provides a total return of 99%, inclusive of a dividend yield of 4%.

Rupees' millions	3QCY21	3QCY20	YoY	9M CY21	9M CY20	YoY
Net Sales	38,449	25,180	52.7% ▲	68,367	49,962	36.8% ▲
Cost of Sales	-29,907	-21,232	40.9% ▲	-53,852	-44,642	20.6% ▲
Gross Profit	8,542	3,948	116.4% ▲	14,515	5,320	172.8% ▲
SG&A Expenses	-1,920	-1,891	1.5% ▲	-4,914	-4,441	10.7% ▲
Other Expenses	-6,581	134	5028.3% ▼	-7,678	-1,451	429.3% ▲
Operating Profit	41	2,190	98.1% ▲	1,922	-571	436.4% ▲
Other Income	4,167	2,544	63.8% ▲	8,216	4,232	94.1% ▲
Finance Cost	-560	-811	31.0% ▼	-1,820	-3,538	48.5% ▼
Profit Before Taxation	3,648	3,923	7.0% ▲	8,318	123	6653.3% ▲
Taxation	-1,373	-617	122.7% ▲	-2,168	-1,025	111.6% ▲
Profit After Taxation	2,275	3,306	31.2% ▼	6,150	-901	782.3% ▲
Earnings Per Share	1.76	2.56	31.2% ▼	4.76	-0.70	782.3% ▲
Dividend	0.00	0.00		0	0	
Bonus	-	-		-	-	
Gross Margin	22.2%	15.7%	6.5% ▲	21.2%	10.6%	10.6% ▲
SG&A Expenses to Sales	-5.0%	-7.5%	2.5% ▼	-7.2%	-8.9%	1.7% ▼
Other Income to Sales	10.8%	10.1%	0.7% ▲	12.0%	8.5%	3.5% ▲
Ex. Gain / (Loss) to Sales	-5.0%	-7.5%	2.5% ▼	-7.2%	-8.9%	1.7% ▼
Effective Taxation	-37.6%	-15.7%	21.9% ▲	-26.1%	-831.8%	805.8% ▼
Net Margin	5.9%	13.1%	7.2% ▼	9.0%	-1.8%	10.8% ▲

Source: ACPL Research, Company Financials

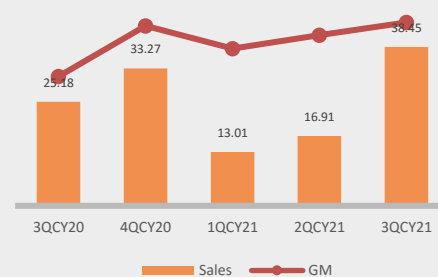
Key Statistics

Symbol	FFBL
TP - Jun 22	45.00
LDCP	23.07
Upside (%)	95
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	29,376

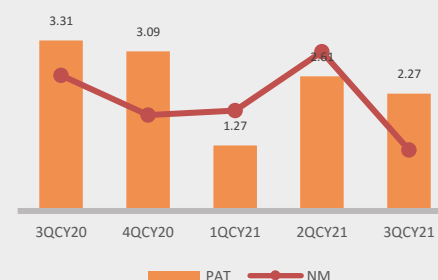
FFBL vs KSE 100



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	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	66,839	83,234	97,998	98,406	103,207	108,069	112,995
Cost of sale	60,955	70,655	78,306	80,173	85,302	90,590	95,639
Gross profit	5,885	12,579	19,692	18,233	17,904	17,480	17,356
Selling and promotion expenses	5,345	5,518	6,496	6,524	6,842	7,164	7,491
Other operating expenses	638	312	367	368	386	405	423
Operating Profit	- 99	6,750	12,829	11,341	10,676	9,911	9,442
Other operating income	4,370	5,184	2,542	2,542	2,542	2,542	2,542
Finance cost	5,199	4,444	2,288	1,566	1,153	797	620
Profit before taxation	- 927	7,489	13,082	12,316	12,064	11,655	11,364
Taxation	2,052	2,700	3,736	3,510	3,396	3,235	3,107
Profit after taxation	- 2,979	4,789	9,346	8,806	8,669	8,421	8,256
EPS	- 6.34	2.35	7.08	6.66	6.44	6.13	5.89

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	8.7%	24.5%	17.7%	0.4%	4.9%	4.7%	4.6%
Cost of sale	14.3%	15.9%	10.8%	2.4%	6.4%	6.2%	5.6%
Gross profit	-28.1%	113.8%	56.5%	-7.4%	-1.8%	-2.4%	-0.7%
Selling and promotion expenses	18.1%	3.2%	17.7%	0.4%	4.9%	4.7%	4.6%
Other operating expenses	-49.3%	-51.1%	17.7%	0.4%	4.9%	4.7%	4.6%
Operating Profit	-104.1%	-6943.4%	90.1%	-11.6%	-5.9%	-7.2%	-4.7%
Other operating income	37.4%	18.6%	-51.0%	0.0%	0.0%	0.0%	0.0%
Finance cost	133.9%	-14.5%	-48.5%	-31.6%	-26.3%	-30.9%	-22.2%
Profit before taxation	-127.6%	907.9%	-74.7%	-5.9%	-2.0%	-3.4%	-2.5%
Taxation	450.7%	31.6%	-38.4%	-6.0%	-3.3%	-4.7%	-3.9%
Profit after taxation	-199.8%	-260.8%	-95.2%	-5.8%	-1.6%	-2.9%	-2.0%
EPS		-137.0%	-201.8%	-6.0%	-3.3%	-4.7%	-3.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	8.80	15.11	20.09	18.53	17.35	16.17	15.36
OP Margin	%	4.26	12.83	12.68	11.11	9.81	8.52	7.61
NP Margin	%	-8.86	2.63	9.33	8.73	8.06	7.33	6.73
ROE	%	-57.12	21.09	59.23	41.76	29.97	22.91	18.54
ROCE	%	3.32	11.73	13.43	11.52	10.40	9.06	8.02
ROA	%	-6.90	2.41	9.88	9.06	8.54	7.79	7.10

Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
Current	x	0.74	1.04	0.90	0.92	0.96	1.02	1.08
Acid-test	x	0.20	0.57	0.73	0.75	0.79	0.84	0.89
Cash to current liab.	x	0.08	0.53	0.70	0.72	0.75	0.80	0.86

Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
Inventory Turnover	x	3	13	16	18	19	19	19
Inventory Days		88	28	10	10	10	10	10
Receivables Days		47	7	5	5	5	5	5
Payables Days		210	52	170	170	170	170	170
Operating Cycle		-74	-17	-155	-155	-155	-155	-155

Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
EPS	Rs.	-6.34	2.35	7.08	6.66	6.44	6.13	5.89
DPS	Rs.	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Div. Yield	%	0.00	0.00	4.33	4.33	4.33	4.33	4.33
Dividend Cover	x	0.00	0.00	7.08	6.66	6.44	6.13	5.89
BVPS	Rs.	7.32	14.94	13.11	18.77	24.20	29.34	34.23
Payout	%	0.00	0.00	50.00	50.00	50.00	50.00	50.00
Retention	%	100.00	100.00	50.00	50.00	50.00	50.00	50.00
No. of Shares	'mn	934	934	1,291	1,291	1,291	1,291	1,291
P/E		0.00	9.83	3.26	3.47	3.58	3.76	3.92
Sales per share		71.55	89.11	75.89	76.21	79.93	83.69	87.51
P/BV		3.15	1.54	1.76	1.23	0.95	0.79	0.67
Price to Sales		0.32	0.26	0.30	0.30	0.29	0.28	0.26

Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY22E	CY23E
Debt to Equity	x	6.82	2.73	2.07	1.17	0.72	0.51	0.41
L.T. Debt to Equity	x	2.69	1.59	1.13	0.50	0.19	0.08	0.03
Interest Cover	x	0.55	2.40	5.43	6.98	8.78	11.55	13.85

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
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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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