

## FFBL

## 1HCY22 Result Review: BUY Stance Maintained

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FFBL has announced its 1HCY22 result where it posted a profit after tax of Rs3.41bn (EPS: Rs2.64) as compared to a profit after tax of Rs3.87bn (EPS: Rs3.01) in the same period last year, down by 12.0% YoY.

The company had posted a revenue of Rs70.93bn against Rs29.92bn in SPLY, recording a growth of 137.1% YoY amid an increase in volumetric sales and prices of Urea and DAP.

The gross margin has almost remained the same at 19.99% as compared to 19.96% in SPLY. SG&A expenses have increased by 31.4% YoY to Rs3.76bn as compared to Rs2.86bn during SPLY.

Other income has been increased by 7.8% YoY to Rs4.36bn. Lastly, finance cost and effective taxation has been increased by 27.9% and 44.3% YoY respectively.

Going forward, we expect the earnings of the company to remain depressed in the coming year owing to increased gas prices, devaluation of rupee, imposition of super tax and surge in finance cost. However, company's ability to pass on the cost pressure and sharp correction in stock price has made the valuation attractive. FFBL is currently trading at a CY22E P/E of 5.2x. Furthermore, the scrip is also trading at a CY22E P/B of 1.03x which offers a discount of 56% relative to its historical 3-year average of 2.33. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs29 which provides a total return of 44%.

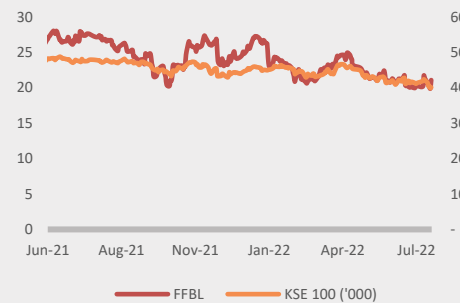
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Net Sales	46,149	16,912	172.9% ▲	70,933	29,917	137.1% ▲
Cost of Sales	-37,358	-13,417	178.4% ▲	-56,753	-23,945	137.0% ▲
<b>Gross Profit</b>	<b>8,791</b>	<b>3,495</b>	<b>151.5% ▲</b>	<b>14,180</b>	<b>5,973</b>	<b>137.4% ▲</b>
SG&A Expenses	-1,718	-1,660	3.5% ▲	-3,760	-2,862	31.4% ▲
Other Expenses	-3,155	-745	323.6% ▲	-4,362	-1,230	254.8% ▲
<b>Operating Profit</b>	<b>3,917</b>	<b>1,090</b>	<b>259.3% ▲</b>	<b>6,058</b>	<b>1,881</b>	<b>222.0% ▲</b>
Other Income	3,251	2,483	30.9% ▲	4,366	4,049	7.8% ▲
Finance Cost	-907	-609	48.8% ▲	-1,612	-1,260	27.9% ▲
Profit Before Taxation	6,261	2,964	111.2% ▲	8,812	4,670	88.7% ▲
Taxation	-4,478	-355	1161.9% ▲	-5,402	-795	579.8% ▲
<b>Profit After Taxation</b>	<b>1,783</b>	<b>2,609</b>	<b>31.7% ▼</b>	<b>3,410</b>	<b>3,876</b>	<b>12.0% ▼</b>
<b>Earnings Per Share</b>	<b>1.38</b>	<b>2.03</b>	<b>31.7% ▼</b>	<b>2.64</b>	<b>3.01</b>	<b>12.0% ▼</b>
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	19.0%	20.7%	1.6% ▼	19.99%	19.96%	0.0% ▲
SG&A Expenses to Sales	-3.7%	-9.8%	6.1% ▼	-5.3%	-9.6%	4.3% ▼
Other Income to Sales	7.0%	14.7%	7.6% ▼	6.2%	13.5%	7.4% ▼
Ex. Gain / (Loss) to Sales	-3.7%	-9.8%	6.1% ▼	-5.3%	-9.6%	4.3% ▼
Effective Taxation	-71.5%	-12.0%	59.5% ▲	-61.3%	-17.0%	44.3% ▲
Net Margin	3.9%	15.4%	11.6% ▼	4.8%	13.0%	8.1% ▼

Source: ACPL Research, Company Financials

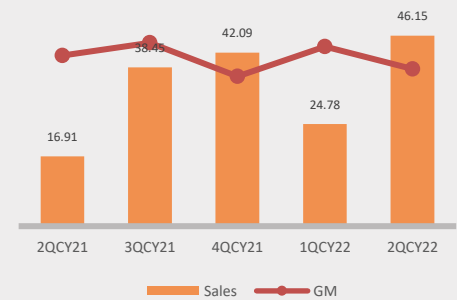
## Key Statistics

Symbol	FFBL
TP - Jun 23	29
LDCP	20.30
Upside (%)	44
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	25,980

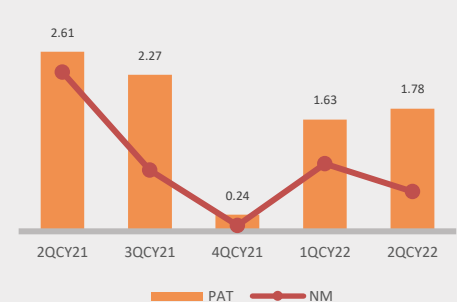
## FFBL vs KSE 100



## Sales (Rs'mn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116  
Email: salman@abbasiandcompany.com

## Financial Projections

Rupees' millions	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	66,839	83,234	110,452	141,825	151,233	158,408	163,313
Cost of sale	60,955	70,655	88,301	118,070	131,406	135,920	137,325
<b>Gross profit</b>	<b>5,885</b>	<b>12,579</b>	<b>22,152</b>	<b>23,755</b>	<b>19,827</b>	<b>22,488</b>	<b>25,988</b>
Selling and promotion expenses	6,767	6,773	7,241	7,942	14,278	14,956	15,419
Other operating expenses	2,158	4,394	10,159	8,254	8,802	9,219	9,505
<b>Operating Profit</b>	<b>- 3,040</b>	<b>1,412</b>	<b>4,752</b>	<b>7,559</b>	<b>- 3,253</b>	<b>- 1,687</b>	<b>1,065</b>
Other operating income	4,370	7,925	9,111	8,685	9,157	9,687	10,282
Finance cost	5,199	4,444	2,338	3,692	2,214	1,525	1,061
Profit before taxation	- 3,869	4,893	11,525	12,552	3,689	6,475	10,286
Taxation	2,052	2,700	5,134	7,515	1,107	1,942	3,086
<b>Profit after taxation</b>	<b>- 5,921</b>	<b>2,192</b>	<b>6,391</b>	<b>5,037</b>	<b>2,583</b>	<b>4,532</b>	<b>7,200</b>
EPS	- 4.59	1.70	4.95	3.90	2.00	3.51	5.58

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	8.7%	24.5%	32.7%	28.4%	6.6%	4.7%	3.1%
Cost of sale	14.3%	15.9%	25.0%	33.7%	11.3%	3.4%	1.0%
<b>Gross profit</b>	<b>-28.1%</b>	<b>113.8%</b>	<b>76.1%</b>	<b>7.2%</b>	<b>-16.5%</b>	<b>13.4%</b>	<b>15.6%</b>
Selling and promotion expenses	18.1%	0.1%	6.9%	9.7%	79.8%	4.7%	3.1%
Other operating expenses	-49.3%	103.6%	131.2%	-18.7%	6.6%	4.7%	3.1%
<b>Operating Profit</b>	<b>-104.1%</b>	<b>-146.4%</b>	<b>236.5%</b>	<b>59.1%</b>	<b>-143.0%</b>	<b>-48.1%</b>	<b>-163.1%</b>
Other operating income	37.4%	81.3%	15.0%	-4.7%	5.4%	5.8%	6.1%
Finance cost	133.9%	-14.5%	-47.4%	57.9%	-40.0%	-31.1%	-30.4%
Profit before taxation	-127.6%	226.5%	-135.5%	8.9%	-70.6%	75.5%	58.9%
Taxation	450.7%	31.6%	-90.1%	46.4%	-85.3%	75.5%	58.9%
<b>Profit after taxation</b>	<b>-199.8%</b>	<b>-137.0%</b>	<b>-191.5%</b>	<b>-21.2%</b>	<b>-48.7%</b>	<b>75.5%</b>	<b>58.9%</b>
EPS		<b>-137.0%</b>	<b>-191.5%</b>	<b>-21.2%</b>	<b>-48.7%</b>	<b>75.5%</b>	<b>58.9%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	8.80	15.11	20.06	16.75	13.11	14.20	15.91
OP Margin	%	4.26	12.83	15.59	11.45	3.90	5.05	6.95
NP Margin	%	-8.86	2.63	5.79	3.55	1.71	2.86	4.41
ROE	%	-57.12	21.09	37.17	21.95	9.65	14.95	19.90
ROCE	%	3.32	11.73	16.70	14.42	5.06	6.19	7.95
ROA	%	-6.90	2.41	6.20	4.47	2.22	3.51	5.04

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.74	1.02	1.09	0.87	0.97	1.10	1.28
Acid-test	x	0.20	0.57	0.53	0.47	0.56	0.69	0.81
Cash to current liab.	x	0.08	0.53	0.52	0.37	0.46	0.58	0.70

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	13	8	6	5	5	4
Inventory Days		88	28	35	38	38	38	48
Receivables Days		47	7	0	19	19	19	19
Payables Days		210	52	193	180	180	180	180
Operating Cycle		-74	-17	-158	-123	-123	-123	-113

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	-4.59	1.70	4.95	3.90	2.00	3.51	5.58
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	19.72	21.72	25.23	30.81
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	11.96	4.10	5.20	10.15	5.78	3.64
Sales per share		51.76	64.46	85.54	109.84	117.12	122.68	126.48
P/BV		3.84	1.88	1.28	1.03	0.93	0.80	0.66
Price to Sales		0.39	0.31	0.24	0.18	0.17	0.17	0.16

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	6.82	2.73	1.56	1.04	0.85	0.52	0.36
L.T. Debt to Equity	x	2.69	1.59	1.02	0.59	0.44	0.17	0.07
Interest Cover	x	0.55	2.40	7.36	4.40	2.67	5.25	10.70

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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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: [research@abbasiandcompany.com](mailto:research@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: [info@abbasiandcompany.com](mailto:info@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: [info@abbasiandcompany.com](mailto:info@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)