

FFBL

3QCY22 Result Review: BUY Stance Maintained

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FFBL has announced its 3QCY22 result where it posted a loss after tax of Rs1.696bn (LPS: Rs1.31) as compared to a profit after tax of Rs1.76bn (EPS: Rs1.76) in the same period last year, down by 174.6% amid a drop in volumetric sales of DAP YoY.

The company had posted a revenue of Rs22.57bn against Rs38.45bn in SPLY, recording a decline of 41.3% YoY.

The gross margin has plunged to 16.6% as compared to 22.22% in SPLY. SG&A expenses have decreased by 32.8% YoY to Rs1.29bn as compared to Rs1.92bn during SPLY.

Other income has dropped by 76.9% YoY to Rs0.96bn. Lastly, finance cost has been increased by 113% and clocked at 1.19bn as compared to the 0.56bn SPLY.

Going forward, the 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 CY23E P/E of 5x. Furthermore, the scrip is also trading at a CY23E P/B of 0.86x which offers a discount of 35% relative to its historical 3-year average of 1.32. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs22.5 which provides a return of 20%.

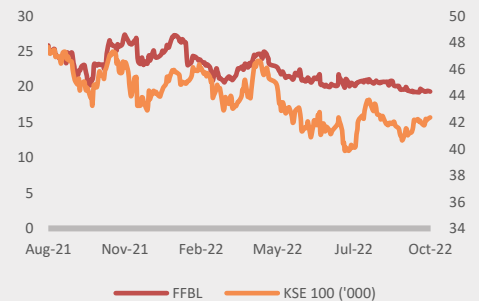
Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	22,568	38,449	41.3% ▼	93,501	68,367	36.8% ▲
Cost of Sales	-18,813	-29,907	37.1% ▼	-75,566	-53,852	40.3% ▲
Gross Profit	3,754	8,542	56.0% ▼	17,934	14,515	23.6% ▲
SG&A Expenses	-1,291	-1,920	32.8% ▼	-5,051	-4,782	5.6% ▲
Other Expenses	-4,403	-6,581	33.1% ▼	-8,765	-7,810	12.2% ▲
Operating Profit	-1,940	41	4828.3% ▼	4,118	1,922	114.2% ▲
Other Income	964	4,167	76.9% ▼	5,330	8,216	35.1% ▼
Finance Cost	-1,193	-560	113.0% ▲	-2,806	-1,820	54.1% ▲
Profit Before Taxation	-2,170	3,648	159.5% ▼	6,642	8,318	20.2% ▼
Taxation	473	-1,373	134.5% ▼	-4,929	-2,168	127.3% ▲
Profit After Taxation	-1,696	2,275	174.6% ▼	1,714	6,150.4	72.1% ▼
Earnings Per Share	-1.31	1.76	174.6% ▼	1.33	4.76	72.1% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	16.6%	22.2%	5.6% ▼	19.2%	21.23%	2.0% ▼
SG&A Expenses to Sales	-5.7%	-5.0%	0.7% ▲	-5.4%	-7.0%	1.6% ▼
Other Income to Sales	4.3%	10.8%	6.6% ▼	5.7%	12.0%	6.3% ▼
Ex. Gain / (Loss) to Sales	-5.7%	-5.0%	0.7% ▲	-5.4%	-7.0%	1.6% ▼
Effective Taxation	-21.8%	-37.6%	15.8% ▼	-74.2%	-26.1%	48.1% ▲
Net Margin	-7.5%	5.9%	13.4% ▼	1.8%	9.0%	7.2% ▼

Source: ACPL Research, Company Financials

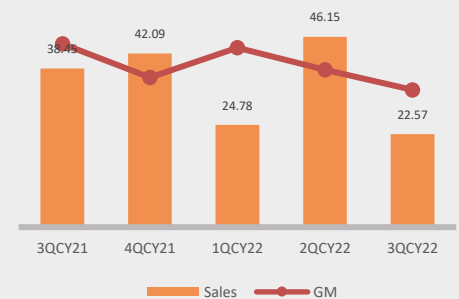
Key Statistics

Symbol	FFBL
TP - Jun 23	22.5
LDCP	18.75
Upside (%)	20
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	25,980

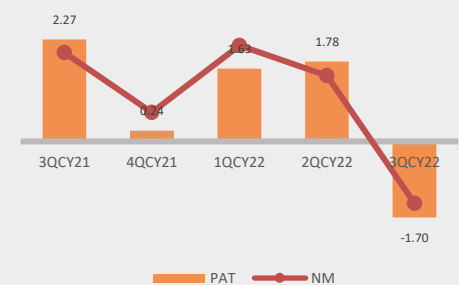
FFBL vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	83,234	110,452	124,885	132,123	137,519	141,906	144,575
Cost of sale	70,655	88,301	100,029	106,569	112,162	115,435	118,516
Gross profit	12,579	22,152	24,856	25,554	25,357	26,470	26,060
Selling and promotion expenses	6,773	7,241	6,756	12,474	12,984	13,398	13,650
Other operating expenses	4,394	10,159	11,702	7,690	8,004	8,259	8,414
Operating Profit	1,412	4,752	6,398	5,390	4,370	4,814	3,996
Other operating income	7,925	9,111	7,029	7,475	7,977	8,541	9,176
Finance cost	4,444	2,338	3,692	3,214	2,525	2,561	2,524
Profit before taxation	4,893	11,525	9,735	9,651	9,821	10,794	10,647
Taxation	2,700	5,134	6,815	4,813	4,898	5,383	5,309
Profit after taxation	2,192	6,391	2,921	4,838	4,924	5,411	5,338
EPS	1.70	4.95	2.26	3.75	3.81	4.19	4.13

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	24.5%	32.7%	13.1%	5.8%	4.1%	3.2%	1.9%
Cost of sale	15.9%	25.0%	13.3%	6.5%	5.2%	2.9%	2.7%
Gross profit	113.8%	76.1%	12.2%	2.8%	-0.8%	4.4%	-1.6%
Selling and promotion expenses	0.1%	6.9%	-6.7%	84.6%	4.1%	3.2%	1.9%
Other operating expenses	103.6%	131.2%	15.2%	-34.3%	4.1%	3.2%	1.9%
Operating Profit	-146.4%	236.5%	34.6%	-15.8%	-18.9%	10.2%	-17.0%
Other operating income	81.3%	15.0%	-22.9%	6.4%	6.7%	7.1%	7.4%
Finance cost	-14.5%	-47.4%	57.9%	-12.9%	-21.4%	1.4%	-1.4%
Profit before taxation	226.5%	-135.5%	-15.5%	-0.9%	1.8%	9.9%	-1.4%
Taxation	31.6%	-90.1%	32.7%	-29.4%	1.8%	9.9%	-1.4%
Profit after taxation	-137.0%	-191.5%	-54.3%	65.7%	1.8%	9.9%	-1.4%
EPS	-137.0%	-191.5%	-54.3%	65.7%	1.8%	9.9%	-1.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	15.11	20.06	19.90	19.34	18.44	18.65	18.02
OP Margin	%	12.83	15.59	10.75	9.74	8.98	9.41	9.11
NP Margin	%	2.63	5.79	2.34	3.66	3.58	3.81	3.69
ROE	%	21.09	37.17	13.34	18.77	16.06	15.11	12.96
ROCE	%	11.73	16.70	12.53	12.26	10.54	10.24	9.11
ROA	%	2.41	6.20	2.73	4.61	4.20	4.15	3.69

Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.02	1.09	0.90	1.04	1.20	1.38	1.57
Acid-test	x	0.57	0.53	0.51	0.64	0.79	0.92	1.05
Cash to current liab.	x	0.53	0.52	0.41	0.54	0.68	0.81	0.94

Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	13	8	5	5	5	4	3
Inventory Days		28	35	38	38	38	48	58
Receivables Days		7	0	19	19	19	19	19
Payables Days		52	193	180	180	180	180	180
Operating Cycle		-17	-158	-123	-123	-123	-113	-103

Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	1.70	4.95	2.26	3.75	3.81	4.19	4.13
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.	10.81	15.82	18.08	21.83	25.64	29.83	33.97
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		11.04	3.79	8.29	5.00	4.92	4.47	4.54
Sales per share		64.46	85.54	96.72	102.32	106.50	109.90	111.97
P/BV		1.73	1.19	1.04	0.86	0.73	0.63	0.55
Price to Sales		0.29	0.22	0.19	0.18	0.18	0.17	0.17

Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	2.73	1.56	1.13	0.85	0.51	0.37	0.30
L.T. Debt to Equity	x	1.59	1.02	0.64	0.44	0.16	0.07	0.03
Interest Cover	x	2.40	7.36	3.64	4.00	4.89	5.21	5.22

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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