

# OCTOPUS

## 1QCY22 Result Review: Buy Stance Maintained

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OCTOPUS has announced its 1QCY22 result where it posted a profit after tax of Rs105mn (EPS: Rs0.77) as compared to a profit after tax of Rs10mn (EPS: Rs0.07) in the same period last year, up by 987% YoY.

The company has posted a revenue of Rs159mn against Rs52mn in SPLY, recording a growth of 208% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports.

The gross margin has been expanded to 69.3% as compared to 40.8% during SPLY.

SG&A expenses have grown by 263% YoY to Rs19mn as compared to Rs5mn during SPLY.

Lastly, the effective taxation has been decreased to 6.4% as compared to 38.9% during SPLY.

OCTOPUS is currently trading at CY22E PE of 13.38x. Further, the scrip is also trading at CY22E PB of 6.31x. We maintain our BUY stance with a DCF-based Dec – 22 TP of Rs80 which provides an upside of 27%.

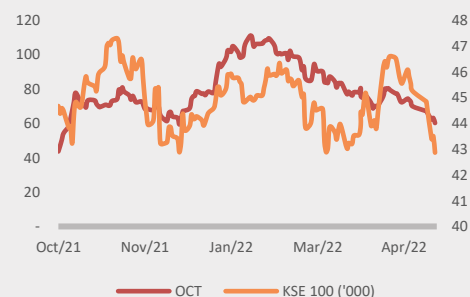
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	159	52	208.4% ▲	625	277	125.6% ▲
Cost of Sales	49	31	59.7% ▲	152	8	1860.0% ▲
<b>Gross Profit</b>	<b>110</b>	<b>21</b>	<b>424.6% ▲</b>	<b>473</b>	<b>269</b>	<b>75.7% ▲</b>
SG&A Expenses	19	5	263.2% ▲	124	15	706.7% ▲
Other Expenses	0	0			0.2	
Other Income	21	0		11	0	
<b>Operating Profit</b>	<b>112</b>	<b>16</b>	<b>608.9% ▲</b>	<b>361</b>	<b>254</b>	<b>42.1% ▲</b>
Finance Cost	0.0	0.0	34.6% ▼	-0.11	-0.04	197.3% ▲
Profit Before Taxation	112	16	609.9% ▲	361	254	42.1% ▲
Taxation	7	6	16.3% ▲	15	34	57.4% ▼
<b>Profit After Taxation</b>	<b>105</b>	<b>10</b>	<b>987.8% ▲</b>	<b>346</b>	<b>220</b>	<b>57.5% ▲</b>
Earnings Per Share	0.77	0.07	987.8% ▲	2.53	1.61	57.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	69.3%	40.8%	28.6% ▲	75.7%	97.2%	21.5% ▼
SG&A Expenses to Sales	12.0%	10.2%	1.8% ▲	19.8%	5.5%	14.3% ▲
Other Expenses to Sales	0.0%	0.0%	-	0.0%	0.1%	0.1% ▼
Other Income to Sales	12.9%	0.0%	12.9% ▲	1.8%	0.0%	1.8% ▲
Effective Taxation	6.4%	38.9%	32.5% ▼	4.0%	13.4%	9.4% ▼
Net Margin	65.8%	18.7%	47.1% ▲	55.4%	79.3%	24.0% ▼

Source: ACPL Research, Company Financials

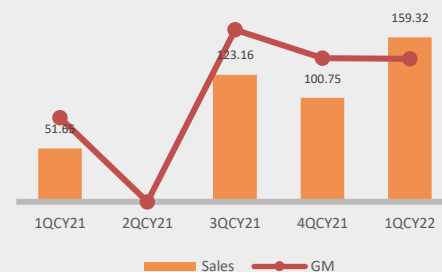
### Key Statistics

Symbol	OCTOPUS
TP - Dec 22	80.00
LDCP	63.00
Upside	27%
Free Float (mn)	27
Market Cap. (Rs.mn)	8,170

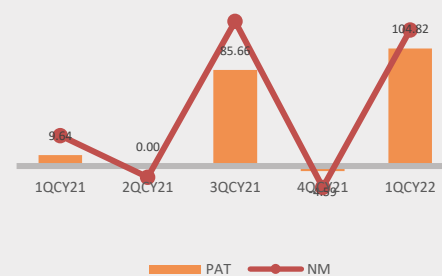
### OCTOPUS vs KSE 100



### Sales (Rs'mn) vs Gross Margin



### PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

**Muhammad Nauman Naeem**

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

Email: nauman@abbasiandcompany.com

## Financial Projections

Rupees' millions	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	277	625	1,563	2,219	3,129	4,694
Cost of sale	8	152	485	688	970	1,455
<b>Gross profit</b>	<b>269</b>	<b>473</b>	<b>1,078</b>	<b>1,531</b>	<b>2,159</b>	<b>3,239</b>
Administrative expenses	15	124	485	688	970	1,174
Other income	-	11	78	111	63	94
<b>Operating Profit</b>	<b>254</b>	<b>360</b>	<b>672</b>	<b>954</b>	<b>1,252</b>	<b>2,159</b>
Profit before taxation	254	360	672	954	1,252	2,159
Taxation	34	15	27	38	50	87
<b>Profit after taxation</b>	<b>220</b>	<b>346</b>	<b>645</b>	<b>916</b>	<b>1,201</b>	<b>2,072</b>
EPS	1.61	2.53	4.72	6.70	8.79	15.15

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales		125.6%	150.0%	42.0%	41.0%	50.0%
Cost of sale		1860.1%	218.8%	42.0%	41.0%	50.0%
<b>Gross profit</b>		<b>75.7%</b>	<b>127.9%</b>	<b>42.0%</b>	<b>41.0%</b>	<b>50.0%</b>
Distribution expenses						
Administrative expenses		705.5%	291.1%	42.0%	41.0%	21.0%
Research and development expenses		0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses						
Other income			601.3%	42.0%	-43.6%	50.0%
<b>Operating Profit</b>		<b>42.0%</b>	<b>86.5%</b>	<b>42.0%</b>	<b>31.2%</b>	<b>72.5%</b>
Finance cost						
Profit before taxation		42.0%	86.5%	42.0%	31.2%	72.5%
Taxation		-57.4%	86.5%	42.0%	31.2%	72.5%
<b>Profit after taxation</b>		<b>57.4%</b>	<b>86.5%</b>	<b>42.0%</b>	<b>31.2%</b>	<b>72.5%</b>
EPS		57.4%	86.5%	42.0%	31.2%	72.5%

Source: ACPL Research, Company Financials

**Key Ratios**

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%		97.20	75.69	69.00	69.00	69.00	69.00
NP Margin	%		79.30	55.33	41.27	41.27	38.39	44.15
OP Margin	%		91.57	57.65	43.00	43.00	40.00	46.00
ROE	%		94.85	21.09	47.17	66.98	87.85	151.55
ROCE	%		94.85	21.09	28.71	28.96	27.53	32.20
ROA	%		68.70	20.11	27.64	27.94	26.58	31.11
Liquidity Ratios			CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x		3.36	20.89	26.65	28.20	28.96	29.68
Acid-test	x		3.20	19.67	20.90	22.05	22.51	22.95
Cash to current liab.	x		0.00	7.53	-1.56	-0.88	-0.78	-0.67
Activity Ratios			CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Receivables Days			371	538	555	456	455	466
Payables Days			665	305	305	305	305	305
Operating Cycle			-294	233	250	151	150	161
Investment Ratios			CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS			1.61	2.53	4.72	6.70	8.79	15.15
DPS			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
Dividend Cover			0.00	0.00	0.00	0.00	0.00	0.00
BVPS			1.69	12.00	10.00	10.00	10.00	10.00
Payout	%		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
No. of Shares	'mn		136.75	136.75	136.75	136.75	136.75	136.75
P/E			39.28	24.95	13.38	9.42	7.18	4.17
Sales per share			2.03	4.57	11.43	16.23	22.88	34.33
P/BV			37.26	5.26	6.31	6.31	6.31	6.31
Price to Sales			31.15	13.81	5.52	3.89	2.76	1.84
Gearing Ratios			CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	%		0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover								

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

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

Sector Rating	Sector Outlook
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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

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

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com