

UNITY

FY22 Result Review: BUY Stance Maintained

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UNITY has announced its FY22 result where it posted a profit after tax of Rs2.436bn (Diluted EPS: Rs2.04) as compared to a profit after tax of Rs3.112bn (Diluted EPS: 2.61) in the same period last year, down by 21.7% YoY amid huge foreign exchange loss and increase in the finance cost.

The company has posted a revenue of Rs82.18bn against Rs66.40bn in SPLY, recording a growth of 23.8% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has increased by 1.7% to 9.5% as compared to 7.8% in SPLY. Furthermore, operating profit has decreased by 16.3% YoY to Rs3.31bn as compared to Rs3.95bn during SPLY due to the depreciation of PKR against the US Dollar during the period. In addition, the finance cost has been increased by 89% YoY to Rs1.664bn as compared to Rs880mn during SPLY owing to higher interest rates. Lastly, effective taxation has decreased to 2.1% as compared to 8.2% during the same period last year.

UNITY is currently trading at FY23E PE of 4.81x. Further, the scrip is also trading at FY23E PB of 0.85x which offers a discount of 49% relative to its 3-Year average of 1.67x. We recommend to **BUY** the scrip with a DCF-based Jun-23 TP of Rs 17 which provides an upside potential of 25%.

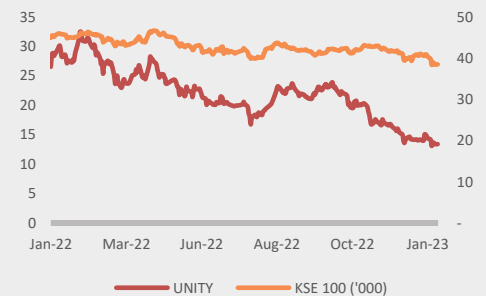
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	25,507	18,214	40.0% ▲	82,185	66,401	23.8% ▲
Cost of Sales	-23,063	-16,962	36.0% ▲	-74,339	-61,209	21.5% ▲
Gross Profit	2,444	1,252	95.2% ▲	7,846	5,192	51.1% ▲
SG&A Expenses	-364	-353	3.2% ▲	-1,385	-1,428	3.1% ▼
Other Charges	-1,561	-236	762.7% ▼	-3,152	189	1564.3% ▲
Operating Profit	520	664	178.2% ▼	3,310	3,953	16.3% ▼
Other Income	312	116	168.4% ▲	843	317	166.2% ▲
Finance Cost	-551	-291	89.4% ▲	-1,664	-880	89.0% ▲
Profit Before Taxation	281	490	42.7% ▼	2,489	3,389	26.6% ▼
Taxation	176	-37	574.9% ▼	-52	-277	81.2% ▼
Profit After Taxation	457	453	0.9% ▲	2,436	3,112	21.7% ▼
Earnings Per Share	0.38	0.38	0.9% ▲	2.04	2.61	21.7% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0	0%	
Gross Margin	9.6%	6.9%	2.7% ▲	9.5%	7.8%	1.7% ▲
SG&A Expenses to Sales	-1.4%	-1.9%	0.5% ▼	-1.7%	-2.2%	0.5% ▼
Other Income to Sales	1.2%	0.6%	0.6% ▲	1.0%	0.5%	0.5% ▲
Ex. Gain / (Loss) to Sales	-1.4%	-1.9%	0.5% ▼	-1.7%	-2.2%	0.5% ▼
Effective Taxation	62.6%	-7.6%	55.0% ▲	-2.1%	-8.2%	6.1% ▼
Net Margin	1.8%	2.5%	0.7% ▼	3.0%	4.7%	1.7% ▼

Source: ACPL Research, Company Financials

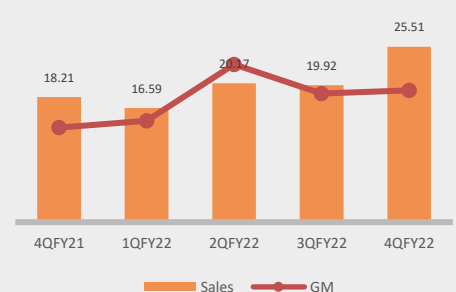
Key Statistics

Symbol	UNITY
TP - Jun 23	17.00
LDCP	13.58
Upside (%)	25
Free Float ('mn)	477
Market Cap. (Rs.'mn)	16,095

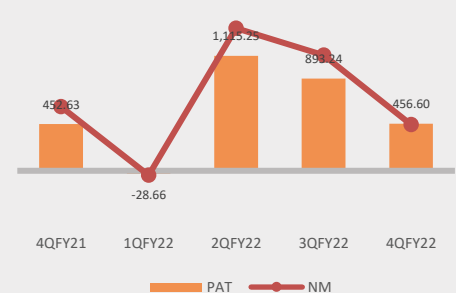
UNITY vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	29,872	66,401	82,185	102,030	112,233	123,456	135,802
Cost of sales	-27,843	-61,209	-74,339	-92,252	-101,029	-110,638	-121,294
Gross profit	2,029	5,192	7,846	9,778	11,204	12,819	14,508
Distribution cost	-691	-1,035	-726	-666	-1,858	-2,044	-2,248
Administrative expenses	-220	-393	-659	-789	-1,153	-1,269	-1,395
Other operating expenses	-388	189	-3,152	-3,913	-2,806	-3,086	-3,395
Profit from operations	731	3,953	3,310	4,410	5,387	6,420	7,469
Other income	9	317	843	1,247	746	820	902
Finance cost	-545	-880	-1,664	-2,204	-2,248	-2,293	-2,339
Profit before income tax	195	3,389	2,489	3,453	3,884	4,947	6,032
Income tax expense	15	-277	-52	-84	-94	-120	-146
Profit for the year	210	3,112	2,436	3,369	3,790	4,827	5,886
EPS	0.18	2.61	2.04	2.82	3.17	4.04	4.93
EBITDA	855	4,113	3,804	4,976	6,035	7,161	8,318

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	111.9%	122.3%	23.8%	24.1%	10.0%	10.0%	10.0%
Cost of sales	117.2%	119.8%	21.5%	24.1%	9.5%	9.5%	9.6%
Gross profit	58.9%	155.8%	51.1%	24.6%	14.6%	14.4%	13.2%
Distribution cost	93.7%	49.9%	-29.9%	-8.3%	179.0%	10.0%	10.0%
Administrative expenses	21.5%	78.9%	67.5%	19.8%	46.1%	10.0%	10.0%
Other operating expenses	118.0%	-51.2%	1564.3%	24.1%	-28.3%	10.0%	10.0%
Profit from operations	30.1%	440.7%	-16.3%	33.3%	22.2%	19.2%	16.3%
Other income	641.8%	3609.0%	166.2%	48.0%	-40.2%	10.0%	10.0%
Finance cost	89.1%	61.5%	89.0%	32.5%	2.0%	2.0%	2.0%
Profit before income tax	-29.2%	1642.0%	-26.6%	38.8%	12.5%	27.3%	21.9%
Income tax expense	-23.3%	1739.6%	-81.2%	60.1%	12.5%	27.3%	21.9%
Profit for the year	-17.8%	1384.4%	-21.7%	38.3%	12.5%	27.3%	21.9%
EPS	-17.8%	1384.4%	-21.7%	38.3%	12.5%	27.3%	21.9%
EBITDA	36.9%	381.2%	-7.5%	30.8%	21.3%	18.7%	16.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	6.79	7.82	9.55	9.58	9.98	10.38	10.68
NP Margin	%	0.70	4.69	2.96	3.30	3.38	3.91	4.33
OP Margin	%	2.45	5.95	4.03	4.32	4.80	5.20	5.50
ROE	%	3.58	23.26	15.41	17.56	16.50	17.36	16.23
ROCE	%	12.05	28.80	27.69	33.34	36.54	36.80	35.76
ROA	%	1.11	7.32	5.49	6.67	6.93	8.04	8.82
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.17	1.17	1.12	1.11	1.12	1.14	1.18
Quick	x	0.62	0.44	0.39	0.34	0.34	0.35	0.38
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.75	7.75	6.47	6.74	6.36	6.36	6.36
Inventory Days		54.07	47.11	56.40	54.17	57.39	57.39	57.36
Receivables Days		0.12	0.47	0.47	0.47	0.47	0.47	0.47
Payables Days		115.86	81.29	100.00	100.00	100.00	100.00	100.00
Operating Cycle		-61.67	-33.70	-43.13	-45.35	-42.14	-42.13	-42.16
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		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
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	1.19	1.19	1.19	1.19	1.19	1.19	1.19
EPS		0.18	2.61	2.04	2.82	3.17	4.04	4.93
BVPS		4.90	11.20	13.25	16.07	19.24	23.28	30.38
P/E	x	77.35	5.21	6.66	4.81	4.28	3.36	2.75
Sales per share		25.02	55.61	68.83	85.45	93.99	103.39	113.73
P/BV	x	2.77	1.21	1.03	0.85	0.71	0.58	0.45
P/S	x	0.54	0.24	0.20	0.16	0.14	0.13	0.12
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.71	1.14	0.75	0.61	0.52	0.44	0.34
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	1.34	4.49	1.99	2.00	2.40	2.80	3.19

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%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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