

FFBL

CY21 Result Review: BUY Stance Maintained

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FFBL has announced its CY21 result where it posted a profit after tax of Rs6.39bn (EPS: Rs4.95) as compared to a profit after tax of Rs2.19n (EPS: Rs1.9) in the same period last year, up by 191.5% YoY.

The company had posted a revenue of Rs110.45bn against Rs83.23bn in SPLY, recording a growth of 32.7% YoY amid an increase in demand.

The gross margin has been improved to 20.1% as compared to 15.1% in SPLY due to an increase in DAP prices. SG&A expenses have increased by 6.9% YoY to Rs7.24bn as compared to Rs6.77bn during SPLY.

An increase in the other income by 137% YoY and a decrease in finance cost by 47.4% YoY improved the bottom line on a YoY basis. However, the one-time expense of allowance for credit losses has increased massively coupled with higher taxation which plunged the profitability on a QoQ basis.

Going forward, we expect the company's profitability to remain on an upward trajectory amid elevated DAP margins and normalization of the expenses. FFBL is currently trading at a CY22E P/E of 4.56x. Furthermore, the script is also trading at a CY22E P/B of 1.48x which offers a discount of 54% relative to its historical 3-year average of 3.19. We have a **BUY** stance on the script with a DCF based Dec-22 TP of Rs40 which provides a total return of 53%, inclusive of a dividend yield of 4%.

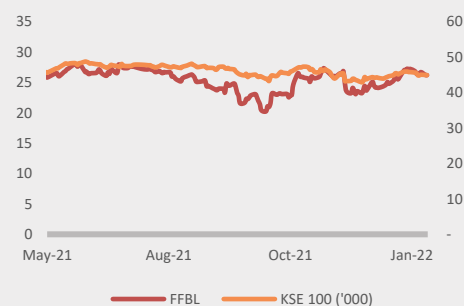
Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	42,085	33,272	26.5% ▲	110,452	83,234	32.7% ▲
Cost of Sales	-34,449	-26,013	32.4% ▲	-88,301	-70,655	25.0% ▲
Gross Profit	7,637	7,259	5.2% ▲	22,152	12,579	76.1% ▲
SG&A Expenses	-2,327	-2,332	0.2% ▼	-7,241	-6,773	6.9% ▲
Other Expenses	-2,481	1,139	317.8% ▼	-10,159	-312	3159.3% ▲
Operating Profit	2,829	6,066	53.4% ▲	4,752	5,494	13.5% ▼
Other Income	895	-390	329.5% ▲	9,111	3,843	137.1% ▲
Finance Cost	-518	-906	42.9% ▼	-2,338	-4,444	47.4% ▼
Profit Before Taxation	3,206	4,770	32.8% ▲	11,525	4,893	135.5% ▲
Taxation	-2,966	-1,676	77.0% ▲	-5,134	-2,700	90.1% ▲
Profit After Taxation	241	3,094	92.2% ▼	6,391	2,192	191.5% ▲
Earnings Per Share	0.19	2.40	92.2% ▼	4.95	1.70	191.5% ▲
Dividend	0.00	0.00		0	0	
Bonus	-	-		-	-	
Gross Margin	18.1%	21.8%	3.7% ▼	20.1%	15.1%	4.9% ▲
SG&A Expenses to Sales	-5.5%	-7.0%	1.5% ▼	-6.6%	-8.1%	1.6% ▼
Other Income to Sales	2.1%	-1.2%	3.3% ▲	8.2%	4.6%	3.6% ▲
Ex. Gain / (Loss) to Sales	-5.5%	-7.0%	1.5% ▼	-6.6%	-8.1%	1.6% ▼
Effective Taxation	-92.5%	-35.1%	57.4% ▲	-44.5%	-55.2%	10.6% ▼
Net Margin	0.6%	9.3%	8.7% ▼	5.8%	2.6%	3.2% ▲

Source: ACPL Research, Company Financials

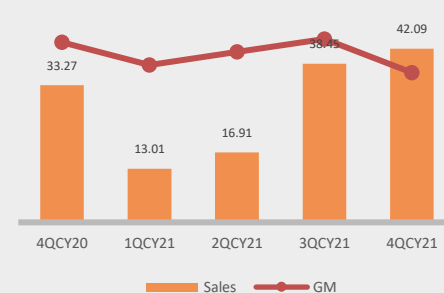
Key Statistics

Symbol	FFBL
TP - Dec 22	40.00
LDCP	26.19
Upside (%)	53
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	31,287

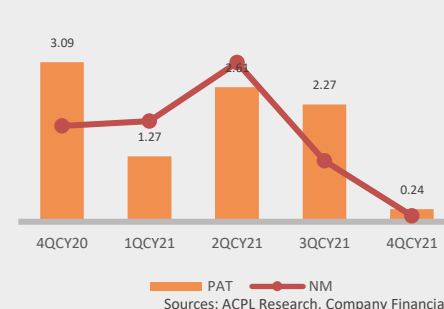
FFBL vs KSE 100



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	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	66,839	83,234	110,452	132,762	138,161	146,101	154,229
Cost of sale	60,955	70,655	88,301	106,374	114,594	122,706	129,619
Gross profit	5,885	12,579	22,152	26,388	23,566	23,395	24,610
Selling and promotion expenses	5,345	5,518	5,640	5,310	5,526	5,844	6,169
Other operating expenses	638	312	6,802	8,630	3,454	2,922	3,856
Operating Profit	- 99	6,750	9,709	12,448	14,586	14,629	14,585
Other operating income	4,370	5,184	9,111	3,330	3,498	3,688	3,901
Finance cost	5,199	4,444	2,338	1,953	1,398	921	685
Profit before taxation	- 927	7,489	16,482	13,825	16,685	17,396	17,801
Taxation	2,052	2,700	5,134	3,031	4,138	4,303	4,379
Profit after taxation	- 2,979	4,789	11,348	10,794	12,548	13,092	13,421
EPS	- 4.59	1.70	4.95	5.75	7.85	8.16	8.30

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	8.7%	24.5%	32.7%	20.2%	4.1%	5.7%	5.6%
Cost of sale	14.3%	15.9%	25.0%	20.5%	7.7%	7.1%	5.6%
Gross profit	-28.1%	113.8%	76.1%	19.1%	-10.7%	-0.7%	5.2%
Selling and promotion expenses	18.1%	3.2%	2.2%	-5.8%	4.1%	5.7%	5.6%
Other operating expenses	-49.3%	-51.1%	2082.4%	26.9%	-60.0%	-15.4%	32.0%
Operating Profit	-104.1%	-6943.4%	43.9%	28.2%	17.2%	0.3%	-0.3%
Other operating income	37.4%	18.6%	75.8%	-63.5%	5.1%	5.4%	5.8%
Finance cost	133.9%	-14.5%	-47.4%	-16.5%	-28.4%	-34.2%	-25.6%
Profit before taxation	-127.6%	907.9%	-120.1%	-16.1%	20.7%	4.3%	2.3%
Taxation	450.7%	31.6%	-90.1%	-41.0%	36.5%	4.0%	1.8%
Profit after taxation	-199.8%	-260.8%	-137.0%	-4.9%	16.2%	4.3%	2.5%
EPS		-137.0%	-191.5%	16.1%	36.5%	4.0%	1.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	8.80	15.11	20.06	19.88	17.06	16.01	15.96
OP Margin	%	4.26	12.83	15.59	10.13	11.34	10.79	10.24
NP Margin	%	-8.86	2.63	5.79	5.59	7.33	7.21	6.95
ROE	%	-57.12	21.09	43.44	38.70	36.24	27.52	21.92
ROCE	%	3.32	11.73	19.77	15.90	17.52	16.19	14.75
ROA	%	-6.90	2.41	7.34	8.77	11.33	10.82	10.01

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.74	1.04	0.85	0.88	1.00	1.14	1.31
Acid-test	x	0.20	0.57	0.53	0.33	0.42	0.55	0.69
Cash to current liab.	x	0.08	0.53	0.47	0.23	0.32	0.44	0.58

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	13	14	11	9	9	9
Inventory Days		88	28	15	22	22	22	22
Receivables Days		47	7	7	9	9	9	9
Payables Days		210	52	112	100	100	100	100
Operating Cycle		-74	-17	-90	-69	-69	-69	-69

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	-4.59	1.70	4.95	5.75	7.85	8.16	8.30
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	11.98	17.72	25.57	33.73	42.03
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	15.42	5.29	4.56	3.34	3.21	3.15
Sales per share		51.76	64.46	85.54	102.82	107.00	113.15	119.44
P/BV		4.95	2.42	2.19	1.48	1.02	0.78	0.62
Price to Sales		0.51	0.41	0.31	0.25	0.24	0.23	0.22

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	6.82	2.73	2.27	1.24	0.68	0.45	0.33
L.T. Debt to Equity	x	2.69	1.59	1.24	0.53	0.18	0.07	0.02
Interest Cover	x	0.55	2.40	7.36	6.89	11.20	17.11	23.04

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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