

FFBL

CY22 Result Review: BUY Stance Maintained

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FFBL has announced its CY22 result where it posted a profit after tax of Rs2.33bn (EPS: Rs1.80) as compared to a profit after tax of Rs6.39bn (EPS: Rs4.96) in the same period last year, down by 63.6% amid a drop in DAP takeoff, higher finance cost and the super taxation imposed by the government.

The company has posted a revenue of Rs159.23bn against Rs110.45bn in SPLY, recording an improvement of 44.2% YoY amid higher urea and DAP prices in addition to higher volumetric sales of urea in the last quarter.

The gross margin has plunged to 16.2% as compared to 20.06% in SPLY. SG&A expenses have increased by 17% YoY to Rs8.47bn as compared to Rs7.24bn during SPLY.

Furthermore, other income has dropped by 30.4% YoY to Rs6.34bn. Lastly, finance cost has been increased by 120% and clocked at Rs5.14bn as compared to Rs2.34bn SPLY owing to hefty short-term borrowings and the higher interest rates.

FFBL is currently trading at a CY23E P/E of 7.36x. Furthermore, the scrip is also trading at a CY23E P/B of 0.70x which offers a discount of 27% relative to its historical 3-year average of 0.97. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs18 which provides a return of 32%.

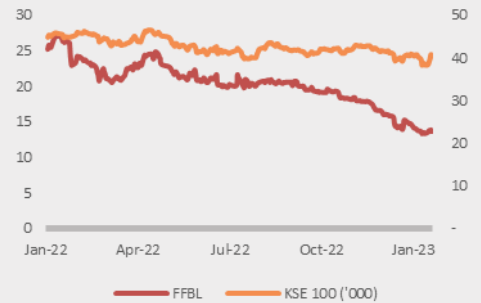
Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Net Sales	65,725	42,085	56.2% ▲	159,226	110,452	44.2% ▲
Cost of Sales	-57,791	-34,449	67.8% ▲	-133,357	-88,301	51.0% ▲
Gross Profit	7,934	7,637	3.9% ▲	25,869	22,152	16.8% ▲
SG&A Expenses	-3,422	-2,459	39.2% ▲	-8,473	-7,241	17.0% ▲
Other Expenses	-1,323	-2,349	43.7% ▼	-10,088	-10,159	0.7% ▼
Operating Profit	3,189	2,829	12.7% ▲	7,307	4,752	53.8% ▲
Other Income	1,012	895	13.1% ▲	6,342	9,111	30.4% ▼
Finance Cost	-2,338	-518	351.5% ▲	-5,144	-2,338	120.0% ▲
Profit Before Taxation	1,863	3,206	41.9% ▼	8,505	11,525	26.2% ▼
Taxation	-1,249	-2,966	57.9% ▼	-6,177	-5,134	20.3% ▲
Profit After Taxation	614	241	155.4% ▲	2,328	6,391	63.6% ▼
Earnings Per Share	0.48	0.19	155.4% ▲	1.80	4.96	63.6% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	12.1%	18.1%	6.1% ▼	16.2%	20.06%	3.8% ▼
SG&A Expenses to Sales	-5.2%	-5.8%	0.6% ▼	-5.3%	-6.6%	1.2% ▼
Other Income to Sales	1.5%	2.1%	0.6% ▼	4.0%	8.2%	4.3% ▼
Ex. Gain / (Loss) to Sales	-5.2%	-5.8%	0.6% ▼	-5.3%	-6.6%	1.2% ▼
Effective Taxation	-67.0%	-92.5%	25.5% ▼	-72.6%	-44.5%	28.1% ▲
Net Margin	0.9%	0.6%	0.4% ▲	1.5%	5.8%	4.3% ▼

Source: ACPL Research, Company Financials

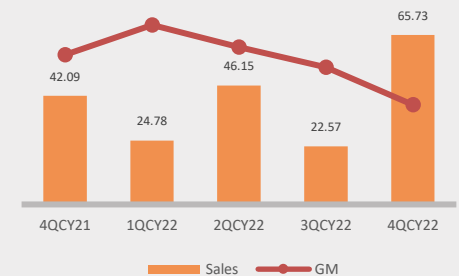
Key Statistics

Symbol	FFBL
TP - Dec 23	18
LDCP	13.63
Upside (%)	32
Free Float ('mn)	451
Market Cap. (Rs. 'mn)	17,599

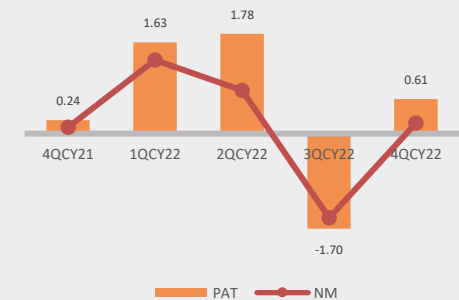
FFBL vs KSE 100



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	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	83,234	110,452	159,226	200,162	206,721	212,272	214,991
Cost of sale	70,655	88,301	133,357	175,885	181,411	185,625	187,821
Gross profit	12,579	22,152	25,869	24,277	25,310	26,647	27,170
Selling and promotion expenses	6,773	7,233	8,473	10,420	10,762	11,051	11,192
Other operating expenses	4,394	10,167	8,306	4,030	4,162	4,274	4,328
Operating Profit	1,412	4,752	9,090	9,827	10,386	11,323	11,650
Other operating income	7,925	9,111	5,451	3,098	3,187	3,287	3,400
Finance cost	4,444	2,338	5,144	9,356	7,115	7,132	7,101
Profit before taxation	4,893	11,525	9,396	3,568	6,458	7,479	7,949
Taxation	2,700	5,134	6,177	1,178	2,131	2,468	2,623
Profit after taxation	2,192	6,391	3,219	2,391	4,327	5,011	5,326
EPS	1.70	4.95	1.80	1.85	3.35	3.88	4.12

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	24.5%	32.7%	44.2%	25.7%	3.3%	2.7%	1.3%
Cost of sale	15.9%	25.0%	51.0%	31.9%	3.1%	2.3%	1.2%
Gross profit	113.8%	76.1%	16.8%	-6.2%	4.3%	5.3%	2.0%
Selling and promotion expenses	0.1%	6.8%	17.1%	23.0%	3.3%	2.7%	1.3%
Other operating expenses	103.6%	131.4%	-18.3%	-51.5%	3.3%	2.7%	1.3%
Operating Profit	-146.4%	236.5%	91.3%	8.1%	5.7%	9.0%	2.9%
Other operating income	81.3%	15.0%	-40.2%	-43.2%	2.9%	3.1%	3.4%
Finance cost	-14.5%	-47.4%	120.0%	81.9%	-23.9%	0.2%	-0.4%
Profit before taxation	226.5%	-135.5%	-18.5%	-62.0%	81.0%	15.8%	6.3%
Taxation	31.6%	-90.1%	20.3%	-80.9%	81.0%	15.8%	6.3%
Profit after taxation	-137.0%	-191.5%	-49.6%	-25.7%	81.0%	15.8%	6.3%
EPS	-137.0%	-191.5%	-63.6%	2.7%	81.0%	15.8%	6.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	15.11	20.06	16.25	12.13	12.24	12.55	12.64
OP Margin	%	12.83	15.59	9.87	6.46	6.57	6.88	7.00
NP Margin	%	2.63	5.79	1.46	1.19	2.09	2.36	2.48
ROE	%	21.09	37.17	10.78	9.98	15.84	15.67	14.34
ROCE	%	11.73	16.70	13.66	10.07	9.24	9.26	8.89
ROA	%	2.41	6.20	2.02	1.86	2.94	3.18	3.15

Liquidity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Current	x	1.02	1.09	0.91	1.00	1.08	1.17	1.28
Acid-test	x	0.57	0.53	0.51	0.58	0.65	0.69	0.74
Cash to current liab.	x	0.53	0.52	0.40	0.47	0.54	0.58	0.63

Activity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	13	8	6	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	CY22A	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	1.70	4.95	1.80	1.85	3.35	3.88	4.12
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	17.63	19.48	22.83	26.71	30.83
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		8.03	2.75	7.56	7.36	4.07	3.51	3.30
Sales per share		64.46	85.54	123.31	155.01	160.09	164.39	166.50
P/BV		1.26	0.86	0.77	0.70	0.60	0.51	0.44
Price to Sales		0.21	0.16	0.11	0.09	0.09	0.08	0.08

Gearing Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	2.73	1.56	1.16	0.95	0.58	0.41	0.33
L.T. Debt to Equity	x	1.59	1.02	0.66	0.49	0.19	0.07	0.03
Interest Cover	x	2.40	7.36	3.06	1.38	1.91	2.05	2.12

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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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