

FFC has announced its 1QCY22 result where it posted a profit after tax of Rs6.24bn (EPS: Rs4.90) as compared to a profit after tax of Rs5.81bn (EPS: Rs4.57) in the same period last year, up by 7.3% YoY.

The company had posted a revenue of Rs26bn against Rs22bn in SPLY, recording a growth of 21.9% YoY.

The gross margin has been reduced to 35.6% as compared to 39.1% in SPLY due to an increase in raw material cost. SG&A expenses have increased by 8.9% YoY to Rs2.18bn as compared to Rs2.01bn during SPLY.

Other income has been increased by 27.2% YoY to Rs3.45bn. Lastly, finance cost has been increased by 155% YoY to Rs1.07bn.

Currently, FFC is trading at a CY22E P/E of 6.14x. Furthermore, the scrip is also trading at CY22E P/B of 3.11x which offers a discount of 19% relative to its historical 3-year average of 3.86x. We have a **BUY** stance on the scrip with a DCF-based Dec-22 TP of Rs135 which provides an upside of 9%. Furthermore, the scrip also provides a dividend yield of 14%, which makes the total return of 23%.

Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	26,315	21,589	21.9% ▲	108,651	97,655	11.3% ▲
Cost of Sales	-16,957	-13,154	28.9% ▲	-69,772	-66,071	5.6% ▲
<b>Gross Profit</b>	<b>9,358</b>	<b>8,434</b>	<b>11.0% ▲</b>	<b>38,879</b>	<b>31,583</b>	<b>23.1% ▲</b>
SG&A Expenses	-2,186	-2,008	8.9% ▲	-8,409	-7,848	7.1% ▲
Other Expenses	-1,257	-723	73.9% ▲	-5,758	1,300	542.8% ▼
<b>Operating Profit</b>	<b>5,915</b>	<b>5,703</b>	<b>3.7% ▲</b>	<b>24,712</b>	<b>25,036</b>	<b>198.7% ▼</b>
Other Income	3,459	2,719	27.2% ▲	7,919	6,429	23.2% ▲
Finance Cost	-1,072	-420	155.3% ▲	-2,292	-1,874	22.3% ▲
Profit Before Taxation	8,302	8,003	3.7% ▲	30,339	29,591	2.5% ▲
Taxation	-2,062	-2,188	5.8% ▼	-8,443	-8,772	3.8% ▼
<b>Profit After Taxation</b>	<b>6,240</b>	<b>5,815</b>	<b>7.3% ▲</b>	<b>21,896</b>	<b>20,819</b>	<b>5.2% ▲</b>
Earnings Per Share	4.90	4.57	7.3% ▲	17.21	16.36	5.2% ▲
Dividend	3.70	3.50	5.7% ▲	14.50	11.20	29.5% ▲
Bonus	-	-	-	-	-	-

Closing Period: 12 May 2022 – 14 May 2022

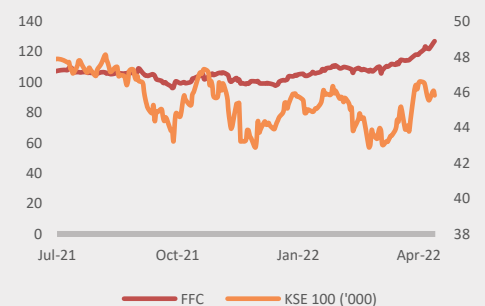
	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Gross Margin	35.6%	39.1%	3.5% ▼	35.8%	32.3%	3.4% ▲
SG&A Expenses to Sales	-8.3%	-9.3%	1.0% ▼	-7.7%	-8.0%	0.3% ▼
Other Income to Sales	13.1%	12.6%	0.5% ▲	7.3%	6.6%	0.7% ▲
Ex. Gain / (Loss) to Sales	-8.3%	-9.3%	1.0% ▼	-7.7%	-8.0%	0.3% ▼
Effective Taxation	-24.8%	-27.3%	2.5% ▼	-27.8%	-29.6%	1.8% ▼
Net Margin	23.7%	26.9%	3.2% ▼	20.2%	21.3%	1.2% ▼

Source: ACPL Research, Company Financials

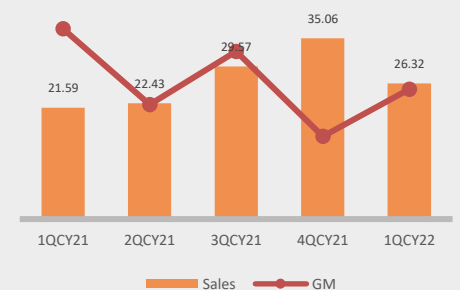
## Key Statistics

Symbol	FFC
TP - Dec 22	135.00
LDCP	124.00
Upside (%)	9
Free Float ('mn)	699
Market Cap. (Rs. 'mn)	157,375

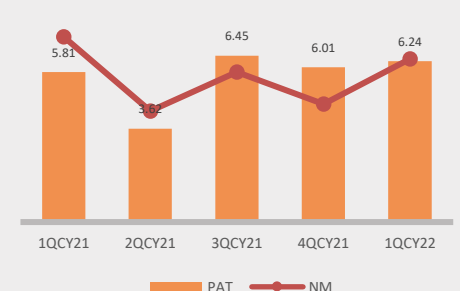
## FFC vs KSE 100



## 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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	105,783	97,655	108,651	105,952	110,815	114,677	118,996
Cost of sale	75,046	66,071	69,772	66,820	68,557	71,846	75,857
<b>Gross profit</b>	<b>30,737</b>	<b>31,583</b>	<b>38,879</b>	<b>39,133</b>	<b>42,258</b>	<b>42,831</b>	<b>43,139</b>
Selling and promotion expenses	8,288	7,848	8,409	8,211	8,588	8,887	9,222
Other operating expenses	3,409	2,639	5,758	6,357	6,649	6,881	7,140
<b>Operating Profit</b>	<b>19,040</b>	<b>21,096</b>	<b>24,712</b>	<b>24,564</b>	<b>27,021</b>	<b>27,063</b>	<b>26,777</b>
Other operating income	7,191	10,369	7,919	14,061	7,908	8,141	7,908
Finance cost	2,477	1,874	2,292	2,445	1,874	1,509	1,221
Profit before taxation	23,753	29,591	30,339	36,179	33,054	33,694	33,464
Taxation	6,643	8,772	8,443	10,492	9,586	9,771	9,705
<b>Profit after taxation</b>	<b>17,110</b>	<b>20,819</b>	<b>21,896</b>	<b>25,687</b>	<b>23,468</b>	<b>23,923</b>	<b>23,759</b>
EPS	<b>13.45</b>	<b>16.36</b>	<b>17.21</b>	<b>20.19</b>	<b>18.45</b>	<b>18.80</b>	<b>18.68</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	-0.2%	-7.7%	11.3%	-2.5%	4.6%	3.5%	3.8%
Cost of sale	-3.8%	-12.0%	5.6%	-4.2%	2.6%	4.8%	5.6%
<b>Gross profit</b>	<b>9.9%</b>	<b>2.8%</b>	<b>23.1%</b>	<b>0.7%</b>	<b>8.0%</b>	<b>1.4%</b>	<b>0.7%</b>
Selling and promotion expenses	-6.2%	-5.3%	7.1%	-2.4%	4.6%	3.5%	3.8%
Other operating expenses	61.7%	-22.6%	118.2%	10.4%	4.6%	3.5%	3.8%
<b>Operating Profit</b>	<b>11.8%</b>	<b>10.8%</b>	<b>17.1%</b>	<b>-0.6%</b>	<b>10.0%</b>	<b>0.2%</b>	<b>-1.1%</b>
Other operating income	14.5%	44.2%	-23.6%	77.6%	-43.8%	2.9%	-2.9%
Finance cost	51.3%	-24.4%	22.3%	6.7%	-23.3%	-19.5%	-19.1%
Profit before taxation	9.6%	-24.6%	-2.5%	19.2%	-8.6%	1.9%	-0.7%
Taxation	-8.3%	32.0%	3.8%	24.3%	-8.6%	1.9%	-0.7%
<b>Profit after taxation</b>	<b>18.5%</b>	<b>21.7%</b>	<b>-5.2%</b>	<b>17.3%</b>	<b>-8.6%</b>	<b>1.9%</b>	<b>-0.7%</b>
EPS	<b>18.5%</b>	<b>21.7%</b>	<b>-5.2%</b>	<b>17.3%</b>	<b>-8.6%</b>	<b>1.9%</b>	<b>-0.7%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	29.06	32.34	35.78	36.93	38.13	37.35	36.25
OP Margin	%	24.80	32.22	30.03	36.45	31.52	30.70	29.15
NP Margin	%	16.18	21.32	20.15	24.24	21.18	20.86	19.97
ROE	%	49.63	53.31	49.47	53.15	44.66	42.32	39.17
ROCE	%	17.49	19.28	17.65	20.45	19.19	18.98	18.18
ROA	%	11.41	12.76	11.84	13.60	12.89	12.90	12.45

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.91	1.37	1.30	0.98	1.05	1.12	1.20
Acid-test	x	0.18	0.04	0.18	-0.03	-0.01	0.01	0.05
Cash to current liab.	x	0.05	0.01	0.08	-0.14	-0.14	-0.12	-0.09

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	4	9	9	4	4	4	4
Inventory Days		33	40	40	50	50	50	50
Receivables Days		46	35	35	50	50	50	50
Payables Days		370	430	430	350	350	350	350
Operating Cycle		-290	-355	-355	-250	-250	-250	-250

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	13.45	16.36	17.21	20.19	18.45	18.80	18.68
DPS	Rs.	10.80	11.20	14.50	17.00	15.50	16.00	15.50
Div. Yield	%	8.71	9.03	11.69	13.71	12.50	12.90	12.50
Dividend Cover	x	1.25	1.46	1.19	1.19	1.19	1.18	1.20
BVPS	Rs.	27.96	33.43	36.14	39.84	42.78	46.09	49.26
Payout	%	80.30	68.44	84.25	84.25	84.25	84.25	84.25
Retention	%	19.70	31.56	15.75	15.75	15.75	15.75	15.75
No. of Shares	'mn	1,272	1,272	1,272	1,272	1,272	1,272	1,272
P/E		9.22	7.58	7.20	6.14	6.72	6.59	6.64
Sales per share		83.15	76.76	85.40	83.28	87.10	90.14	93.53
P/BV		4.44	3.71	3.43	3.11	2.90	2.69	2.52
Price to Sales		1.49	1.62	1.45	1.49	1.42	1.38	1.33

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.93	0.95	0.63	1.19	0.97	0.78	0.63
L.T. Debt to Equity	x	0.31	0.35	0.34	0.14	0.08	0.04	0.01
Interest Cover	x	10.59	16.79	14.24	15.80	18.63	23.33	28.41

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

### VALUATION METHODOLOGY

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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