

OCTOPUS

9MCY22 Result Review: Stance Upgraded to BUY

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OCTOPUS has announced its 9MCY22 result where it posted a profit after tax of Rs261mn (EPS: Rs1.91) as compared to a profit after tax of Rs284mn (EPS: Rs2.08) in the same period last year, down by 8% YoY owing to a decline in exports, however, a surge in other income supported the bottom line.

The company has posted a revenue of Rs226mn against Rs379mn in SPLY, recording a decline of 40.4% YoY. The gross margin has slightly dropped to 82.1% as compared to 81% during SPLY.

Furthermore, SG&A expenses have stayed the same at Rs16mn. Moreover, other income has increased by 2419.1% to Rs101mn as compared to Rs4mn during the same period last year.

Lastly, the effective taxation has been decreased to 3.0% as compared to 3.8% during SPLY.

OCTOPUS is currently trading at CY23E PE of 10.17x. Further, the scrip is also trading at CY23E PB of 7.08x. We upgrade our stance to **BUY** with a DCF-based Jun – 23 TP of Rs85 which provides an upside of 20%.

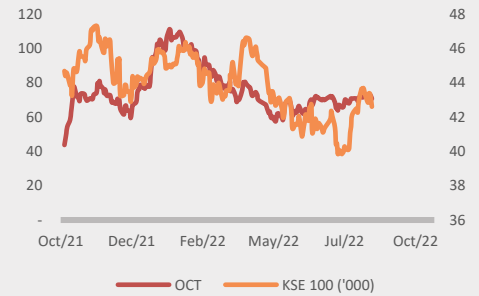
Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	226	379	40.4% ▼	575	524	9.7% ▲
Cost of Sales	41	72	43.8% ▼	160	121	32.3% ▲
Gross Profit	185	307	39.6% ▼	415	404	2.9% ▲
				0	0	
SG&A Expenses	16	16	1.9% ▲	94	31	201.3% ▲
Other Expenses	0	0	-	0	0	-
Other Income	101	4	2419.1% ▲	210	5	4358.2% ▲
Operating Profit	270	295	8.6% ▼	531	377	40.9% ▲
Finance Cost	0.5	0.0	23100.0% ▲	0.5	0.0	1621.4% ▲
Profit Before Taxation	269	295	8.7% ▼	531	377	40.8% ▲
Taxation	8	11	26.9% ▼	29	26	10.7% ▲
Profit After Taxation	261	284	8.0% ▼	502	351	43.1% ▲
Earnings Per Share	1.91	2.08	8.0% ▼	3.67	2.56	43.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	82.1%	81.0%	1.1% ▲	72.2%	76.9%	4.7% ▼
SG&A Expenses to Sales	7.1%	4.2%	3.0% ▲	16.3%	5.9%	10.4% ▲
Other Expenses to Sales	0.0%	0.0%	0.0% ▲	0.0%	0.0%	0.0% ▲
Other Income to Sales	44.5%	1.1%	43.4% ▲	36.5%	0.9%	35.6% ▲
Effective Taxation	3.0%	3.8%	0.8% ▼	5.5%	7.0%	1.5% ▼
Net Margin	115.6%	74.9%	40.7% ▲	87.2%	66.8%	20.3% ▲

Source: ACPL Research, Company Financials

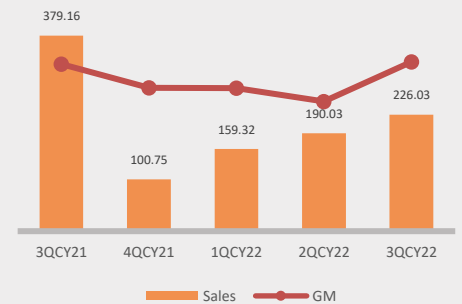
Key Statistics

Symbol	OCTOPUS
TP - Jun 23	85.00
LDCP	70.79
Upside	20%
Free Float (mn)	27
Market Cap. (Rs.mn)	9,680

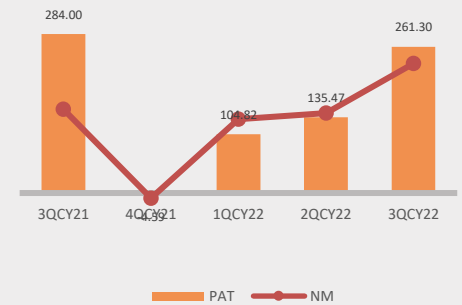
OCTOPUS vs KSE 100



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	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	277	625	768	1,075	1,505	1,956
Cost of sale	8	152	213	355	497	646
Gross profit	269	473	554	776	1,086	1,412
Administrative expenses	15	124	125	176	218	284
Other income	-	11	279	391	472	321
Operating Profit	254	360	708	992	1,341	1,449
Profit before taxation	254	360	708	992	1,341	1,449
Taxation	34	15	39	40	54	58
Profit after taxation	220	346	669	952	1,287	1,391
EPS	1.61	2.53	4.89	6.96	9.41	10.17

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales		125.6%	22.8%	40.0%	40.0%	30.0%
Cost of sale		1860.1%	40.4%	66.2%	40.0%	30.0%
Gross profit		75.7%	17.1%	40.0%	40.0%	30.0%
Distribution expenses						
Administrative expenses		705.5%	1.2%	40.0%	24.4%	30.0%
Research and development expenses		0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses						
Other income			2407.8%	40.0%	20.8%	-32.1%
Operating Profit		42.0%	96.5%	40.0%	35.2%	8.1%
Finance cost						
Profit before taxation		42.0%	96.3%	40.1%	35.2%	8.1%
Taxation		-57.4%	169.0%	1.7%	35.2%	8.1%
Profit after taxation		57.4%	93.3%	42.4%	35.2%	8.1%
EPS		57.4%	93.3%	42.4%	35.2%	8.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	97.20	75.69	72.20	72.20	72.20	72.20	72.20
NP Margin	%	79.30	55.33	87.10	88.57	85.53	71.13	66.33
OP Margin	%	91.57	57.65	92.26	92.26	89.09	74.09	69.09
ROE	%	94.85	21.09	48.90	69.62	94.11	101.75	123.34
ROCE	%	94.85	21.09	29.45	29.55	28.54	23.58	22.23
ROA	%	68.70	20.11	28.10	28.07	27.16	22.47	21.19
Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	3.36	20.89	21.75	20.06	20.70	21.22	21.31
Acid-test	x	3.20	19.67	19.86	18.03	18.60	19.08	19.14
Cash to current liab.	x	0.00	7.53	9.80	9.63	10.44	11.07	11.25
Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Receivables Days		371	538	418	443	443	429	429
Payables Days		665	305	305	305	305	305	305
Operating Cycle		-294	233	113	138	138	124	124
Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS		1.61	2.53	4.89	6.96	9.41	10.17	12.33
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		0.00	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	10.00
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	136.75	136.75	136.75	136.75	136.75	136.75	136.75
P/E		44.05	27.98	14.48	10.17	7.52	6.96	5.74
Sales per share		2.03	4.57	5.61	7.86	11.00	14.30	18.60
P/BV		41.78	5.90	7.08	7.08	7.08	7.08	7.08
Price to Sales		34.93	15.48	12.61	9.01	6.43	4.95	3.81
Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover								

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

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