

# UNITY

## 1HFY22 Result Review: BUY Stance Maintained

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UNITY has announced its 1HFY22 result where it posted a profit after tax of Rs1.087bn (Diluted EPS: Rs0.91) as compared to profit after tax of Rs1.524bn (Diluted EPS: Rs1.28) in the same period last year, down by 28.7% YoY.

The company has posted a revenue of Rs36.761bn against Rs29.401bn in SPLY, recording a growth of 25% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has been increased to 9.6% as compared to 8.5% in SPLY. Furthermore, Operating profit has been decreased by 13.8% YoY to Rs1.671bn as compared to Rs1.940bn during SPLY due to an increase in other expenses and depreciation of PKR against the US Dollar during the period.

Lastly, the finance cost has been increased by 119% YoY to Rs734mn as compared to Rs335mn during SPLY owing to higher working capital requirements.

UNITY is currently trading at FY22E PE of 13.62x. Further, the scrip is also trading at FY22E PB of 2.04x which offers a discount of 55% relative to its 3 Year average of 4.52x. We recommend to **BUY** the scrip with a DCF based Dec-22 TP of Rs 35 which provides an upside potential of 30%.

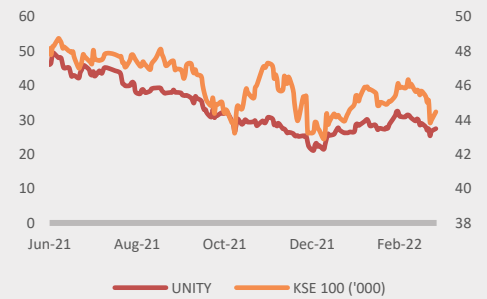
Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	20,174	17,232	17.1% ▲	36,761	29,401	25.0% ▲
Cost of Sales	-17,860	-15,746	13.4% ▲	-33,221	-26,913	23.4% ▲
Gross Profit	2,314	1,486	55.7% ▲	3,539	2,488	42.2% ▲
SG&A Expenses	-395	-436	9.3% ▼	-677	-679	0.3% ▼
Other Charges	-503	118	326.8% ▲	-1,191	130	816.5% ▲
Operating Profit	1,415	1,168	221.1% ▼	1,671	1,940	13.8% ▼
Other Income	172	83	107.1% ▲	325	100	224.8% ▲
Finance Cost	-377	-189	99.8% ▲	-734	-335	119.2% ▲
Profit Before Taxation	1,211	1,063	13.9% ▲	1,262	1,705	26.0% ▼
Taxation	-95	-130	26.5% ▼	-175	-181	3.0% ▼
Profit After Taxation	1,115	933	19.5% ▲	1,087	1,524	28.7% ▼
Earnings Per Share	0.93	0.78	19.5% ▲	0.91	1.28	28.7% ▼
Dividend	0.00	0.00		0	0.00	
Bonus	0%	0%		0	0%	
Gross Margin	11.5%	8.6%	2.8% ▲	9.6%	8.5%	1.2% ▲
SG&A Expenses to Sales	-2.0%	-2.5%	0.6% ▼	-1.8%	-2.3%	0.5% ▼
Other Income to Sales	0.9%	0.5%	0.4% ▲	0.9%	0.3%	0.5% ▲
Ex. Gain / (Loss) to Sales	-2.0%	-2.5%	0.6% ▼	-1.8%	-2.3%	0.5% ▼
Effective Taxation	-7.9%	-12.2%	4.3% ▼	-13.9%	-10.6%	3.3% ▲
Net Margin	5.5%	5.4%	0.1% ▲	3.0%	5.2%	2.2% ▼

Source: ACPL Research, Company Financials

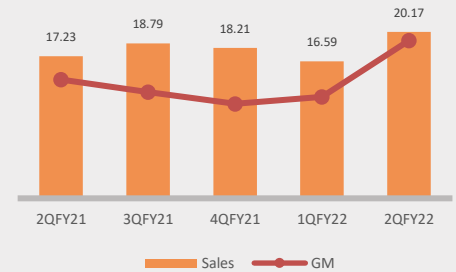
### Key Statistics

Symbol	UNITY
TP - Dec 22	35.00
LDCP	26.94
Upside (%)	30
Free Float ('mn)	448
Market Cap. (Rs.'mn)	32,239

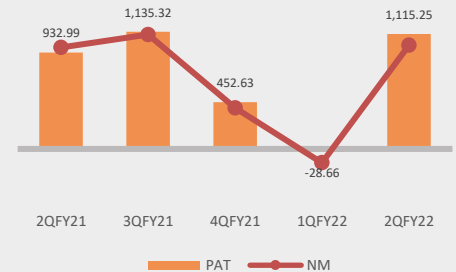
### UNITY vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	14,097	29,872	66,401	73,702	81,073	89,180	98,098
Cost of sales	-12,820	-27,843	-61,209	-66,553	-72,803	-79,638	-87,111
<b>Gross profit</b>	<b>1,277</b>	<b>2,029</b>	<b>5,192</b>	<b>7,149</b>	<b>8,269</b>	<b>9,542</b>	<b>10,987</b>
Distribution cost	-357	-691	-1,035	-778	-855	-941	-1,035
Administrative expenses	-181	-220	-393	-579	-636	-700	-770
Other operating expenses	-178	-388	189	-2,211	-2,432	-2,229	-2,452
<b>Profit from operations</b>	<b>562</b>	<b>731</b>	<b>3,953</b>	<b>3,582</b>	<b>4,345</b>	<b>5,672</b>	<b>6,730</b>
Other income	1	9	317	663	730	803	883
Finance cost	-288	-545	-880	-1,530	-1,561	-1,592	-1,624
<b>Profit before income tax</b>	<b>275</b>	<b>195</b>	<b>3,389</b>	<b>2,715</b>	<b>3,515</b>	<b>4,883</b>	<b>5,989</b>
Income tax expense	-20	15	-277	-353	-457	-635	-779
<b>Profit for the year</b>	<b>255</b>	<b>210</b>	<b>3,112</b>	<b>2,362</b>	<b>3,058</b>	<b>4,248</b>	<b>5,210</b>
EPS	<b>0.21</b>	<b>0.18</b>	<b>2.61</b>	<b>1.98</b>	<b>2.56</b>	<b>3.56</b>	<b>4.36</b>
EBITDA	<b>624</b>	<b>855</b>	<b>4,113</b>	<b>4,076</b>	<b>4,911</b>	<b>6,319</b>	<b>7,471</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	406.7%	111.9%	122.3%	11.0%	10.0%	10.0%	10.0%
Cost of sales	405.9%	117.2%	119.8%	8.7%	9.4%	9.4%	9.4%
<b>Gross profit</b>	<b>414.8%</b>	<b>58.9%</b>	<b>155.8%</b>	<b>37.7%</b>	<b>15.7%</b>	<b>15.4%</b>	<b>15.1%</b>
Distribution cost	541.3%	93.7%	49.9%	-24.9%	10.0%	10.0%	10.0%
Administrative expenses	228.5%	21.5%	78.9%	47.1%	10.0%	10.0%	10.0%
Other operating expenses	715.0%	118.0%	-51.2%	1067.7%	10.0%	-8.3%	10.0%
<b>Profit from operations</b>	<b>386.1%</b>	<b>30.1%</b>	<b>440.7%</b>	<b>-9.4%</b>	<b>21.3%</b>	<b>30.5%</b>	<b>18.6%</b>
Other income	-96.6%	641.8%	3609.0%	109.6%	10.0%	10.0%	10.0%
Finance cost	456.0%	89.1%	61.5%	73.8%	2.0%	2.0%	2.0%
<b>Profit before income tax</b>	<b>180.9%</b>	<b>-29.2%</b>	<b>1642.0%</b>	<b>-19.9%</b>	<b>29.4%</b>	<b>38.9%</b>	<b>22.7%</b>
Income tax expense	-17.2%	-23.3%	1739.6%	27.3%	29.4%	38.9%	22.7%
<b>Profit for the year</b>	<b>109.9%</b>	<b>-17.8%</b>	<b>1384.4%</b>	<b>-24.1%</b>	<b>29.4%</b>	<b>38.9%</b>	<b>22.7%</b>
EPS	<b>109.9%</b>	<b>-17.8%</b>	<b>1384.4%</b>	<b>-24.1%</b>	<b>29.4%</b>	<b>38.9%</b>	<b>22.7%</b>
EBITDA	<b>36.9%</b>	<b>381.2%</b>	<b>-0.9%</b>	<b>20.5%</b>	<b>28.7%</b>	<b>18.2%</b>	

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	9.06	6.79	7.82	9.70	10.20	10.70	11.20
NP Margin	%	1.81	0.70	4.69	3.21	3.77	4.76	5.31
OP Margin	%	3.99	2.45	5.95	4.86	5.36	6.36	6.86
ROE	%	4.48	3.58	23.26	15.01	16.26	18.43	18.44
ROCE	%	9.87	12.05	28.80	29.82	31.91	34.91	33.65
ROA	%	2.44	1.11	7.32	5.47	6.56	8.27	9.10
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.54	1.17	1.17	1.12	1.14	1.17	1.23
Quick	x	0.65	0.62	0.44	0.44	0.44	0.46	0.50
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	5.48	6.75	7.75	6.14	6.36	6.36	6.36
Inventory Days		66.63	54.07	47.11	59.49	57.42	57.43	57.43
Receivables Days		0.03	0.12	0.47	0.47	0.47	0.47	0.47
Payables Days		56.48	115.86	81.29	100.00	100.00	100.00	100.00
Operating Cycle		10.18	-61.67	-33.70	-40.04	-42.10	-42.10	-42.10
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		0.10	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.37	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	2.14	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	53.19	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	46.81	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		0.21	0.18	2.61	1.98	2.56	3.56	4.36
BVPS		4.77	4.90	11.20	13.18	15.74	19.30	23.67
P/E	x	126.11	153.45	10.34	13.62	10.52	7.57	6.17
Sales per share		11.81	25.02	55.61	61.72	67.90	74.69	82.16
P/BV	x	5.65	5.50	2.40	2.04	1.71	1.40	1.14
P/S	x	2.28	1.08	0.48	0.44	0.40	0.36	0.33
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.45	0.71	1.14	0.81	0.68	0.56	0.47
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	1.95	1.34	4.49	2.34	2.78	3.56	4.14

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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Stock Rating	Expected Total Return
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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