

AGP has announced its CY19 result where it posted profit after tax of Rs1.4bn (EPS: Rs5.17) as compared to profit after tax of Rs1.2bn (EPS: Rs4.3) in same period last year, up by 19.9% YoY.

The company has posted the revenue of Rs6.3bn against Rs5.4bn in SPLY, recording a growth of 16.2% YoY. We note that this growth is attributed to the increase in volumetric growth and medicine prices.

Gross margin has been expanded to 58.5% in CY19 as compared to 56.5% in CY18 on account of favorable exchange rate during the period.

Despite increase of 12.2% YoY in SG&A expenses in CY19, the SG&A expenses to sales ratio has declined to 20.7% as compared to 21.4% during SPLY.

Finance cost has been increased by 13.5% YoY to Rs227mn in CY19 as compared to Rs200mn in SPLY on account of higher working capital requirement.

Lastly, the effective taxation has been increased to 20.7% as compared to 15.4% during SPLY.

AGP is currently trading at FY20E PE of 16.74x. Furthermore, it is also trading at a FY20E PB of 3.58x which offers a discount of 35% relative to its historical 5-year average of 5.54x. We have a **BUY** stance on the script with a DCF based Dec-20 TP of Rs110 which provides an upside potential of 15%. Furthermore, it also offers a dividend yield of 4% which makes a total return of 19%.

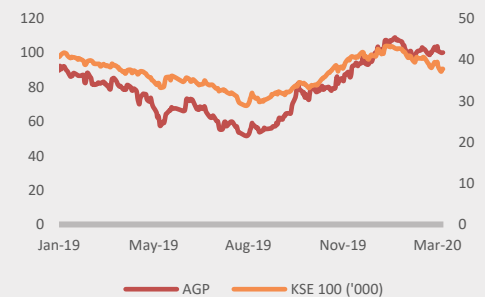
Rupees' millions	4QCY19	4QCY18	YoY	CY19	CY18	YoY
Net Sales	1,682	1,365	23.2% ▲	6,253	5,382	16.2% ▲
Cost of Sales	668	587	13.8% ▲	2,594	2,341	10.8% ▲
<b>Gross Profit</b>	<b>1,014</b>	<b>778</b>	<b>30.3% ▲</b>	<b>3,659</b>	<b>3,041</b>	<b>20.3% ▲</b>
SG&A Expenses	411	374	9.9% ▲	1,294	1,153	12.2% ▲
Other Expenses	38	44	12.4% ▼	167	152	10.2% ▲
<b>Operating Profit</b>	<b>564</b>	<b>360</b>	<b>56.8% ▲</b>	<b>2,040</b>	<b>1,609</b>	<b>26.8% ▲</b>
Other Income	3	6	56.6% ▼	11	17	33.6% ▼
Finance Cost	60	55	9.7% ▲	227	200	13.5% ▲
Profit Before Taxation	507	311	63.0% ▲	1,825	1,426	28.0% ▲
Taxation	124	57	116.9% ▲	378	219	72.8% ▲
<b>Profit After Taxation</b>	<b>383</b>	<b>254</b>	<b>50.8% ▲</b>	<b>1,446</b>	<b>1,207</b>	<b>19.9% ▲</b>
<b>Earnings Per Share</b>	<b>1.37</b>	<b>0.91</b>	<b>50.8% ▲</b>	<b>5.17</b>	<b>4.31</b>	<b>19.9% ▲</b>
<b>Dividend</b>	<b>2.00</b>	<b>0.00</b>		<b>3.25</b>	<b>1.25</b>	
<b>Bonus</b>	<b>0%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>	
Closing Period: 14 Apr 20 - 21 Apr 20						
Gross Margin	60.3%	57.0%	3.3% ▲	58.5%	56.5%	2.0% ▲
SG&A Expenses to Sales	24.4%	27.4%	3.0% ▼	20.7%	21.4%	0.7% ▼
Other Expenses to Sales	2.3%	3.2%	0.9% ▼	2.7%	2.8%	0.1% ▼
Other Income to Sales	0.2%	0.4%	0.3% ▼	0.2%	0.3%	0.1% ▼
Effective Taxation	24.5%	18.4%	6.1% ▲	20.7%	15.4%	5.4% ▲
<b>Net Margin</b>	<b>22.7%</b>	<b>18.6%</b>	<b>4.2% ▲</b>	<b>23.1%</b>	<b>22.4%</b>	<b>0.7% ▲</b>

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	AGP
TP - Dec 20	110.00
LDGP	96.02
Upside	15%
Free Float (mn)	84
Market Cap. (Rs.mn)	26,886

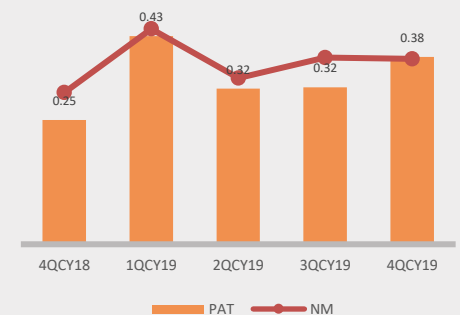
## AGP vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Net sales	3,748	4,206	4,725	5,382	6,253	6,986	7,824	8,763	9,815
Cost of sale	1,586	1,746	1,851	2,341	2,594	2,898	3,246	3,635	4,072
<b>Gross profit</b>	<b>2,162</b>	<b>2,460</b>	<b>2,874</b>	<b>3,041</b>	<b>3,659</b>	<b>4,088</b>	<b>4,578</b>	<b>5,128</b>	<b>5,743</b>
Administration expenses	126	109	134	127	158	176	198	221	248
Marketing and selling expenses	698	763	1,050	1,153	1,294	1,537	1,721	1,928	2,159
Other operating expenses	69	102	100	152	167	161	180	202	226
<b>Operating Profit</b>	<b>1,269</b>	<b>1,487</b>	<b>1,591</b>	<b>1,609</b>	<b>2,040</b>	<b>2,214</b>	<b>2,480</b>	<b>2,777</b>	<b>3,110</b>
Other operating income	20	42	20	17	11	17	20	22	25
Finance cost	515	361	277	200	227	205	140	74	46
Profit before taxation	773	1,168	1,333	1,426	1,825	2,027	2,360	2,725	3,089
Taxation	130	81	100	219	378	420	489	565	641
<b>Profit after taxation</b>	<b>643</b>	<b>1,087</b>	<b>1,234</b>	<b>1,207</b>	<b>1,446</b>	<b>1,606</b>	<b>1,870</b>	<b>2,160</b>	<b>2,448</b>
EPS	<b>2.30</b>	<b>3.88</b>	<b>4.41</b>	<b>4.31</b>	<b>5.17</b>	<b>5.74</b>	<b>6.68</b>	<b>7.71</b>	<b>8.74</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Net sales	0.0%	12.2%	12.3%	13.9%	16.2%	11.7%	12.0%	12.0%	12.0%
Cost of sale	0.0%	10.1%	6.0%	26.5%	10.8%	11.7%	12.0%	12.0%	12.0%
<b>Gross profit</b>	<b>0.0%</b>	<b>13.8%</b>	<b>16.8%</b>	<b>5.8%</b>	<b>20.3%</b>	<b>11.7%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>
Administration expenses	0.0%	-13.3%	23.2%	-5.1%	24.1%	11.7%	12.0%	12.0%	12.0%
Marketing and selling expenses	0.0%	9.2%	37.6%	9.9%	12.2%	18.8%	12.0%	12.0%	12.0%
Other operating expenses	0.0%	46.8%	-1.9%	52.1%	10.2%	-3.7%	12.0%	12.0%	12.0%
<b>Operating Profit</b>	<b>0.0%</b>	<b>17.2%</b>	<b>7.0%</b>	<b>1.1%</b>	<b>26.8%</b>	<b>8.5%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>
Other operating income	0.0%	112.8%	-53.6%	-13.0%	-33.6%	55.0%	12.0%	12.0%	12.0%
Finance cost	0.0%	-30.0%	-23.3%	-27.8%	13.5%	-9.8%	-31.8%	-46.7%	-38.1%
Profit before taxation	0.0%	51.1%	14.2%	6.9%	28.0%	11.1%	16.4%	15.5%	13.4%
Taxation	0.0%	-37.7%	23.2%	119.9%	72.8%	11.1%	16.4%	15.5%	13.4%
<b>Profit after taxation</b>	<b>0.0%</b>	<b>69.0%</b>	<b>13.5%</b>	<b>-2.2%</b>	<b>19.9%</b>	<b>11.1%</b>	<b>16.4%</b>	<b>15.5%</b>	<b>13.4%</b>
EPS	<b>0.0%</b>	<b>69.0%</b>	<b>13.5%</b>	<b>-2.2%</b>	<b>19.9%</b>	<b>11.1%</b>	<b>16.4%</b>	<b>15.5%</b>	<b>13.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
GP Margin	%	57.68	58.49	60.83	56.50	58.52	58.52	58.52	58.52	58.52
NP Margin	%	17.17	25.85	26.11	22.42	23.13	23.00	23.90	24.64	24.95
OP Margin	%	33.85	35.35	33.67	29.89	32.63	31.69	31.69	31.69	31.69
ROE	%	20.17	25.42	22.39	18.95	20.95	21.42	22.83	24.01	24.73
ROCE	%	9.81	16.64	17.08	15.84	18.87	20.67	22.66	23.86	24.58
ROA	%	7.70	12.77	14.47	13.46	0.58	0.64	0.74	0.85	0.95
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Current	x	0.86	0.86	1.27	1.39	162.71	154.53	174.81	189.15	173.43
Acid-test	x	0.39	0.43	0.87	0.95	0.82	0.87	1.09	1.31	1.34
Cash to current liab.	x	0.37	0.25	0.02	0.02	161.51	153.29	173.30	187.38	171.67
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Inventory Turnover	x	4	3	3	3	4	4	4	4	4
Inventory Days		97	107	132	124	100	100	100	100	100
Receivables Days		27	32	38	35	32	32	32	32	32
Payables Days		98	137	158	103	125	125	125	125	125
Operating Cycle		26	2	12	56	7	7	7	7	7
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
EPS	Rs.	2.30	3.88	4.41	4.31	5.17	5.74	6.68	7.71	8.74
DPS	Rs.	0.00	0.00	0.00	1.25	3.25	3.61	4.20	4.85	5.50
Div. Yield	%	0.00	0.00	0.00	1.30	3.38	3.76	4.38	5.05	5.73
Dividend Cover	x	n/a	n/a	n/a	3.45	1.59	1.59	1.59	1.59	1.59
BVPS	Rs.	11.39	15.28	19.68	22.74	24.66	26.78	29.26	32.12	35.37
Payout	%	0.00	0.00	0.00	29.00	62.92	62.92	62.92	62.92	62.92
Retention	%	100.00	100.00	100.00	71.00	37.08	37.08	37.08	37.08	37.08
No. of Shares	'000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
P/E		41.79	24.73	21.79	22.28	18.59	16.74	14.37	12.45	10.98
Sales per share		13.39	15.02	16.87	19.22	22.33	24.95	27.94	31.30	35.05
P/BV		8.43	6.29	4.88	4.22	3.89	3.58	3.28	2.99	2.72
Price to Sales		8.23	7.34	6.53	5.73	4.94	4.42	3.94	3.52	3.14
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Debt to Equity	x	0.19	0.11	0.04	0.02	0.01	0.01	0.01	0.00	0.00
Interest Cover	x	2.46	4.12	5.75	8.05	8.99	10.82	17.77	37.33	67.55

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

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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