

AIRLINK

FY22 Result Review: BUY Stance Maintained

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AIRLINK has announced its FY22 result where it posted a profit after tax of Rs1.649bn (EPS: Rs4.17) as compared to a profit after tax of Rs1.505bn (EPS: Rs3.81) in the same period last year, up by 9.5% YoY amid an increase in retention prices.

The company has posted a revenue of Rs46.16bn against Rs47.37bn in SPLY, recording a decline of 2.6% YoY despite exporting 4G enabled smartphones. The gross margin has improved to 10.3% as compared to 10.1% in SPLY.

Furthermore, SG&A and other expenses have increased by 8.5% YoY and 54.9% YoY respectively. Moreover, other income has been increased by 235.1% YoY to Rs227mn as compared to 68mn during SPLY. Lastly, effective taxation has increased to 33.2%.

AIRLINK is currently trading at a FY23E P/E of 11.72. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs40 which provides an upside potential of 20%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	10,995	8,392	31.0% ▲	46,160	47,373	2.6% ▼
Cost of Sales	-10,064	-7,128	41.2% ▲	-41,388	-42,571	2.8% ▼
Gross Profit	930	1,264	26.4% ▼	4,772	4,802	0.6% ▼
SG&A Expenses	-312	-418	25.4% ▼	-1,418	-1,306	8.5% ▲
Other Expenses	-63	-49	27.4% ▲	-88	-57	54.9% ▲
Other Income	206	9	2170.2% ▲	227	68	235.1% ▲
Operating Profit	762	806	5.4% ▼	3,493	3,506	0.4% ▼
Finance Cost	-293	-390	24.8% ▼	-1,025	-1,102	7.0% ▼
Profit Before Taxation	469	416	12.8% ▲	2,468	2,404	2.7% ▲
Taxation	-252	-241	4.6% ▲	-819	-899	8.9% ▼
Profit After Taxation	216	174	24.0% ▲	1,649	1,505	9.5% ▲
Earnings Per Share	0.55	0.44	24.0% ▲	4.17	3.81	9.5% ▲
Dividend	1.00	3.50		1.00	3.50	
Bonus	0%	10%		0%	10%	

Closing Period: Oct 22, 2022 to Oct 28, 2022

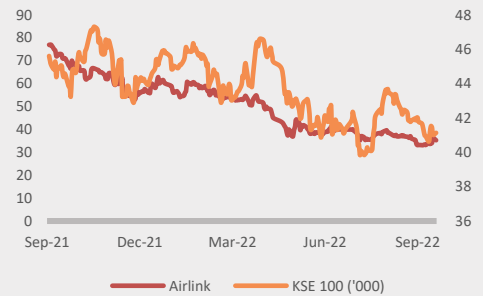
	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Gross Margin	8.5%	15.1%	6.6% ▼	10.3%	10.1%	0.2% ▲
SG&A Expenses to Sales	-2.8%	-5.0%	2.1% ▲	-3.1%	-2.8%	0.3% ▼
Other Income to Sales	-0.6%	-0.6%	0.0% ▲	-0.2%	-0.1%	0.1% ▼
Ex. Gain / (Loss) to Sales	1.9%	0.1%	1.8% ▲	0.5%	0.1%	0.3% ▲
Effective Taxation	-53.9%	-58.1%	4.2% ▲	-33.2%	-37.4%	4.2% ▲
Net Margin	2.0%	2.1%	0.1% ▼	3.6%	3.2%	0.4% ▲

Source: ACPL Research, Company Financials

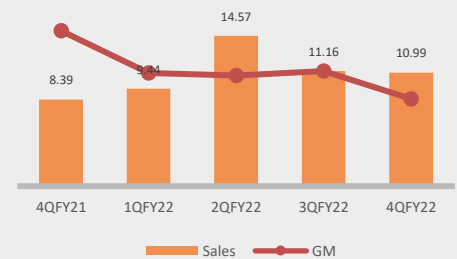
Key Statistics

Symbol	AIRLINK
TP - Jun 23	40
LDCP	33.30
Upside (%)	20
Free Float ('mn)	118
Market Cap. (Rs.'mn)	13,162

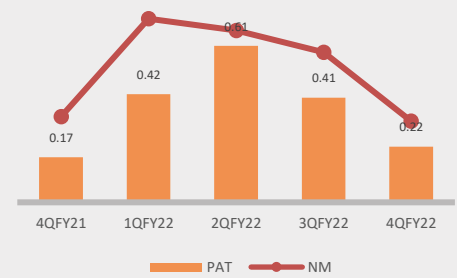
Airlink vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	43,008	47,373	46,160	43,981	46,180	48,489	50,913
Cost of sale	- 38,238	- 42,571	- 41,388	- 40,023	- 41,562	- 43,155	- 44,804
Gross profit	4,770	4,802	4,772	3,958	4,618	5,334	6,110
Administration expenses	- 477	- 581	- 875	- 687	- 722	- 758	- 796
Selling and promotion expenses	- 519	- 725	- 543	- 560	- 588	- 617	- 648
Operating Profit	3,774	3,496	3,354	2,711	3,308	3,959	4,666
Other operating income	168	11	139	143	151	158	166
Finance cost	- 1,398	- 1,102	- 1,025	- 1,174	- 1,240	- 1,317	- 1,410
Profit before taxation	2,544	2,404	2,468	1,681	2,219	2,799	3,422
Taxation	- 1,080	- 899	- 819	- 558	- 737	- 929	- 1,136
Profit after taxation	1,464	1,505	1,649	1,123	1,482	1,870	2,286
EPS	3.70	3.81	4.17	2.84	3.75	4.73	5.78

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	44.4%	10.1%	-2.6%	-4.7%	5.0%	5.0%	5.0%
Cost of sale	48.2%	11.3%	-2.8%	-3.3%	3.8%	3.8%	3.8%
Gross profit	19.7%	0.7%	-0.6%	-17.0%	16.7%	15.5%	14.5%
Administration expenses	10.1%	21.8%	50.6%	-21.4%	5.0%	5.0%	5.0%
Selling and promotion expenses	69.2%	39.7%	-25.2%	3.2%	5.0%	5.0%	5.0%
Operating Profit	16.3%	-7.4%	-4.0%	-19.2%	22.0%	19.7%	17.9%
Other operating income	-4.6%	-93.6%	1193.8%	3.2%	5.0%	5.0%	5.0%
Finance cost	69.0%	-21.2%	-7.0%	14.5%	5.6%	6.3%	7.0%
Profit before taxation	-2.0%	-5.5%	2.7%	-31.9%	32.0%	26.1%	22.2%
Taxation	-3.2%	0.0%	-8.9%	-31.9%	32.0%	26.1%	22.2%
Profit after taxation	-1.1%	2.8%	9.5%	-31.9%	32.0%	26.1%	22.2%
EPS	-1.1%	2.8%	9.5%	-31.9%	32.0%	26.1%	22.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	11.09	10.14	10.34	9.00	10.00	11.00	12.00
NP Margin	%	5.11	4.97	3.40	3.18	3.57	2.55	3.21
OP Margin	%	8.78	7.38	7.27	6.16	7.16	8.16	9.16
ROE	%	31.85	23.23	24.32	15.80	19.85	23.77	27.52
ROCE	%	27.45	20.63	8.98	5.28	6.14	7.00	7.86
ROA	%	6.98	9.56	6.03	3.64	4.33	4.99	5.65
Liquidity Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	2.89	8.40	9.51	10.32	10.41	10.50	10.59
Acid-test	x	0.10	0.16	0.81	0.99	1.11	1.19	1.24
Cash to current liab.	x	0.05	0.10	0.81	0.99	1.11	1.19	1.24
Activity Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		40	42	55	60	60	60	60
Payables Days		62	12	15	15	15	15	15
Operating Cycle		-22	30	40	45	45	45	45
Investment Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		3.70	3.81	4.17	2.84	3.75	4.73	5.78
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		11.63	16.39	17.15	17.98	18.90	19.90	21.01
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E		8.99	8.75	7.98	11.72	8.88	7.04	5.76
Sales per share		108.81	119.85	116.78	111.27	116.83	122.67	128.81
P/BV		2.86	2.03	1.94	1.85	1.76	1.67	1.58
Price to Sales		0.31	0.28	0.29	0.30	0.29	0.27	0.26
Gearing Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.98	1.04	1.02	1.05	1.07	1.08	1.10
Interest Cover		2.70	3.17	3.27	2.31	2.67	3.01	3.31

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

Sector Rating	Sector Outlook
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Market Weight	Neutral
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