

AIRLINK

1HFY23 Result Review: BUY Stance Maintained

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AIRLINK has announced its 1HFY23 result where it posted a profit after tax of Rs673mn (Diluted EPS: Rs1.70) as compared to a profit after tax of Rs1,027mn (Diluted EPS: Rs2.6) in the same period last year, down by 34.4% YoY owing to a fall in volumetric sales.

The company has posted a revenue of Rs14.06bn against Rs24bn in SPLY, recording a decline of 41.4% YoY. Despite a rise in retention prices, the gross margin has dropped to 7.8 as compared to 10.8% in SPLY.

Furthermore, SG&A expenses have decreased by 32.7% YoY to Rs496mn as compared to Rs736mn during the SPLY. Moreover, other income has surged by 178.6% YoY to Rs52mn as compared to Rs19mn during SPLY.

AIRLINK is currently trading at a FY23E P/E of 8.01. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs28 which provides an upside potential of 25%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	7,230	14,566	50.4% ▼	14,059	24,002	41.4% ▼
Cost of Sales	-6,660	-13,005	48.8% ▼	-12,959	-21,405	39.5% ▼
Gross Profit	570	1,561	63.5% ▼	1,100	2,598	57.6% ▼
SG&A Expenses	-279	-318	12.2% ▼	-496	-736	32.7% ▼
Other Expenses	-12	-4	207.3% ▲	-24	-26	5.8% ▼
Other Income	32	32	0.4% ▼	52	19	178.6% ▲
Operating Profit	312	1,272	75.5% ▼	632	1,855	65.9% ▼
Finance Cost	-145	-310	53.4% ▼	-289	-513	43.6% ▼
Profit Before Taxation	167	961	82.6% ▼	343	1,342	74.4% ▼
Taxation	180	-300	159.9% ▼	330	-315	204.6% ▼
Profit After Taxation	347	661	47.5% ▼	673	1,027	34.4% ▼
Earnings Per Share	0.88	1.67	47.5% ▼	1.70	2.60	34.4% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0.00	0%	
Gross Margin	7.9%	10.7%	2.8% ▼	7.8%	10.8%	3.0% ▼
SG&A Expenses to Sales	3.9%	2.2%	1.7% ▲	3.5%	3.1%	0.5% ▲
Other Expenses to Sales	-0.2%	0.0%	0.1% ▼	0.2%	0.1%	0.1% ▲
Other Income to Sales	0.4%	0.2%	0.2% ▲	0.4%	0.1%	0.3% ▲
Effective Taxation	-107.7%	31.3%	138.9% ▼	-96.1%	23.5%	119.6% ▼
Net Margin	4.8%	4.5%	0.3% ▲	4.8%	4.3%	0.5% ▲

Source: ACPL Research, Company Financials

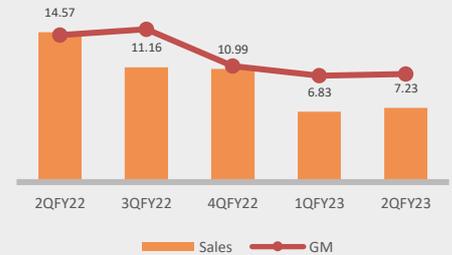
Key Statistics

Symbol	AIRLINK
TP - Dec 23	28
LDGP	22.36
Upside (%)	25
Free Float ('mn)	118
Market Cap. (Rs. 'mn)	8,874

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	28,157	32,381	38,857	44,686
Cost of sale	- 38,238	- 42,571	- 41,388	- 25,954	- 29,199	- 34,651	- 39,401
Gross profit	4,770	4,802	4,772	2,203	3,182	4,206	5,284
Administration expenses	- 477	- 581	- 875	- 641	- 527	- 632	- 727
Selling and promotion expenses	- 519	- 725	- 543	- 352	- 404	- 485	- 558
Operating Profit	3,774	3,496	3,354	1,211	2,251	3,089	3,999
Other operating income	168	11	139	104	119	143	165
Finance cost	- 1,398	- 1,102	- 1,025	- 632	- 637	- 492	- 373
Profit before taxation	2,544	2,404	2,468	683	1,733	2,741	3,791
Taxation	- 1,080	- 899	- 819	444	- 572	- 904	- 1,251
Profit after taxation	1,464	1,505	1,649	1,127	1,161	1,836	2,540
EPS	3.70	3.81	4.17	2.85	2.94	4.65	6.43

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	44.4%	10.1%	-2.6%	-39.0%	15.0%	20.0%	15.0%
Cost of sale	48.2%	11.3%	-2.8%	-37.3%	12.5%	18.7%	13.7%
Gross profit	19.7%	0.7%	-0.6%	-53.8%	44.4%	32.2%	25.6%
Administration expenses	10.1%	21.8%	50.6%	-26.7%	-17.8%	20.0%	15.0%
Selling and promotion expenses	69.2%	39.7%	-25.2%	-35.2%	15.0%	20.0%	15.0%
Operating Profit	16.3%	-7.4%	-4.0%	-63.9%	85.9%	37.3%	29.5%
Other operating income	-4.6%	-93.6%	1193.8%	-25.3%	15.0%	20.0%	15.0%
Finance cost	69.0%	-21.2%	-7.0%	-38.4%	0.9%	-22.8%	-24.2%
Profit before taxation	-2.0%	-5.5%	2.7%	-72.3%	153.6%	58.2%	38.3%
Taxation	-3.2%	0.0%	-8.9%	-154.2%	-228.8%	58.2%	38.3%
Profit after taxation	-1.1%	2.8%	9.5%	-31.6%	3.0%	58.2%	38.3%
EPS	-1.1%	2.8%	9.5%	-31.6%	3.0%	58.2%	38.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20	FY21	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	11.09	10.14	10.34	7.83	9.83	10.83	11.83
NP Margin	%	5.11	4.97	3.40	3.18	3.57	4.00	3.59
OP Margin	%	8.78	7.38	7.27	4.30	6.95	7.95	8.95
ROE	%	31.85	23.23	14.00	9.24	9.17	13.95	18.51
ROCE	%	27.45	20.63	12.76	67.90	22.49	18.72	19.28
ROA	%	6.98	9.56	8.73	17.63	11.95	12.73	14.30
Liquidity Ratios								
Current	x	2.89	8.40	18.22	5.05	5.21	5.38	5.34
Acid-test	x	0.10	0.16	0.33	-0.40	-0.07	0.47	0.83
Cash to current liab.	x	0.05	0.10	0.17	-0.40	-0.07	0.47	0.83
Activity Ratios								
Receivables Days		40	42	30	28	28	28	28
Payables Days		62	12	3	15	15	15	15
Operating Cycle		-22	30	26	13	13	13	13
Investment Ratios								
EPS		3.70	3.81	4.17	2.85	2.94	4.65	6.43
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	29.79	30.85	32.02	33.31	34.72
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		6.16	6.00	5.47	8.01	7.77	4.91	3.55
Sales per share		108.81	119.85	116.78	71.24	81.92	98.31	113.05
P/BV		1.96	1.39	0.77	0.74	0.71	0.69	0.66
Price to Sales		0.21	0.19	0.20	0.32	0.28	0.23	0.20
Gearing Ratios								
Debt to Equity	x	1.98	1.04	0.45	0.28	0.22	0.19	0.15
Interest Cover		2.70	3.17	3.27	1.92	3.53	6.28	10.73

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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SELL	Less than and equal to -5%

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