

AIRLINK

9MFY22 Result Review: BUY Stance Maintained

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AIRLINK has announced its 9MFY22 result where it posted profit after tax of Rs1.432bn (EPS: Rs3.62) as compared to a profit after tax of Rs1.331bn (EPS: Rs3.37) in the same period last year, up by 7.6% YoY.

The company had posted a revenue of Rs35.2bn against Rs38.98bn in SPLY, recording a decline of 9.8% YoY.

The gross margin has been improved to 10.9% as compared to 9.1% in SPLY due to an increase in retention prices. SG&A expenses have increased by 24.5% YoY to Rs1,106mn as compared to Rs888mn during SPLY.

Lastly, other income has been declined by 64% YoY to Rs21mn as compared to 59mn during SPLY.

AIRLINK is currently trading at a FY22E P/E of 7.95. The scrip is also trading at a FY22E P/B of 2.86x which offers a discount of 36% relative to its historical 3-year average of 4.47. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs70 which provides an upside potential of 49%.

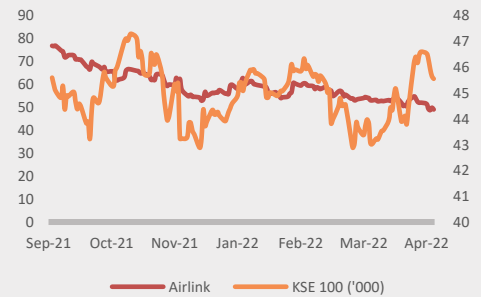
Rupees' millions	3QFY21	3QFY20	YoY	9MFY22	9MFY21	YoY
Net Sales	11,163	10,857	2.8% ▲	35,165	38,981	9.8% ▼
Cost of Sales	-9,919	-9,933	0.1% ▼	-31,324	-35,443	11.6% ▼
Gross Profit	1,244	924	34.6% ▲	3,841	3,538	8.6% ▲
SG&A Expenses	-370	-292	26.8% ▲	-1,106	-888	24.5% ▲
Other Expenses	0	-4	99.9% ▼	-26	-8	226.5% ▲
Operating Profit	2	4	35.7% ▼	21	59	64.2% ▼
	876	632	38.7% ▲	2,731	2,701	1.1% ▲
Other Income						
Finance Cost	-219	-142	54.0% ▲	-732	-712	2.7% ▲
Profit Before Taxation	657	490	34.2% ▲	1,999	1,988	0.5% ▲
Taxation	-252	-118	113.0% ▲	-567	-658	13.8% ▼
Profit After Taxation	406	372	9.2% ▲	1,432	1,331	7.6% ▲
Earnings Per Share	1.03	0.94	9.2% ▲	3.62	3.37	7.6% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	11.1%	8.5%	2.6% ▲	10.9%	9.1%	1.8% ▲
SG&A Expenses to Sales	-3.3%	-2.7%	0.6% ▼	-3.1%	-2.3%	0.9% ▼
Other Income to Sales	0.0%	0.0%	0.0% ▲	-0.1%	0.0%	0.1% ▼
Ex. Gain / (Loss) to Sales	0.0%	0.0%	0.0% ▼	0.1%	0.2%	0.1% ▼
Effective Taxation	-38.3%	-24.1%	14.1% ▼	-28.4%	-33.1%	4.7% ▲
Net Margin	3.6%	3.4%	0.2% ▲	4.1%	3.4%	0.7% ▲

Source: ACPL Research, Company Financials

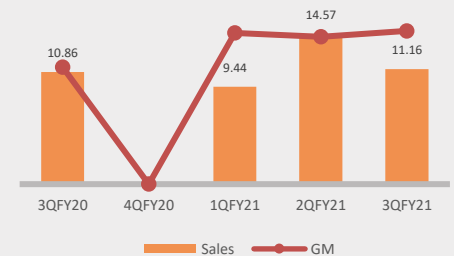
Key Statistics

Symbol	AIRLINK
TP - Dec 22	70.00
LDCP	49.10
Upside (%)	49
Free Float ('mn)	118
Market Cap. (Rs. 'mn)	19,368

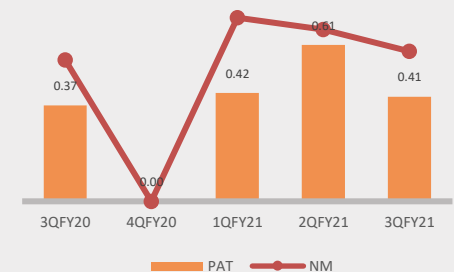
Airlink vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	29,786	43,008	47,373	47,136	49,964	52,962	56,140
Cost of sale	- 25,799	- 38,238	- 42,571	- 41,235	- 42,959	- 45,675	- 47,629
Gross profit	3,986	4,770	4,802	5,901	7,005	7,287	8,510
Administration expenses	- 433	- 477	- 581	- 966	- 686	- 727	- 770
Selling and promotion expenses	- 307	- 519	- 725	- 605	- 616	- 653	- 692
Operating Profit	3,246	3,774	3,496	4,330	5,704	5,908	7,048
Other operating income	176	168	11	28	125	133	141
Finance cost	- 827	- 1,398	- 1,102	- 966	- 1,002	- 1,040	- 1,085
Profit before taxation	2,595	2,544	2,404	3,393	4,828	5,001	6,104
Taxation	- 1,115	- 1,080	- 899	- 950	- 1,352	- 1,400	- 1,709
Profit after taxation	1,480	1,464	1,505	2,443	3,476	3,600	4,395
EPS	3.74	3.70	3.81	6.18	8.79	9.11	11.12

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales		44.4%	10.1%	-0.5%	6.0%	6.0%	6.0%
Cost of sale		48.2%	11.3%	-3.1%	4.2%	6.3%	4.3%
Gross profit		19.7%	0.7%	22.9%	18.7%	4.0%	16.8%
Administration expenses		10.1%	21.8%	66.3%	-29.0%	6.0%	6.0%
Selling and promotion expenses		69.2%	39.7%	-16.6%	1.8%	6.0%	6.0%
Operating Profit		16.3%	-7.4%	23.9%	31.7%	3.6%	19.3%
Other operating income		-4.6%	-93.6%	163.5%	343.3%	6.0%	6.0%
Finance cost		69.0%	-21.2%	-12.4%	3.7%	3.8%	4.3%
Profit before taxation		-2.0%	-5.5%	41.1%	42.3%	3.6%	22.1%
Taxation		-3.2%	0.0%	5.7%	42.3%	3.6%	22.1%
Profit after taxation		-1.1%	2.8%	62.3%	42.3%	3.6%	22.1%
EPS		-1.1%	2.8%	62.3%	42.3%	3.6%	22.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
GP Margin	%	13.38	37.24	37.65	38.03	38.08	38.13	38.17
NP Margin	%	5.08	29.20	29.82	29.43	29.63	29.76	29.86
OP Margin	%	10.90	30.84	31.50	30.88	30.93	30.98	31.02
ROE	%	47.12	30.25	33.40	32.54	31.20	30.22	29.47
ROCE	%	37.53	28.85	30.68	30.60	29.82	29.22	28.74
ROA	%	9.89	22.31	24.32	25.50	25.71	25.74	25.66
Liquidity Ratios		FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Current	x	3.87	2.89	8.40	9.59	10.64	10.70	10.81
Acid-test	x	0.25	0.10	0.16	0.85	1.09	1.20	1.24
Cash to current liab.	x	0.03	0.05	0.10	0.85	1.09	1.20	1.24
Activity Ratios		FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Receivables Days		63	40	42	55	60	60	60
Payables Days		46	62	12	15	15	15	15
Operating Cycle		17	-22	30	40	45	45	45
Investment Ratios		FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
EPS		3.74	3.70	3.81	6.18	8.79	9.11	11.12
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		7.95	11.63	16.39	17.15	17.98	18.90	19.90
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	395.27	0.00	0.00	0.00	0.00	0.00	0.00
P/E		13.11	13.25	12.90	7.95	5.58	5.39	4.42
Sales per share		75.36	108.81	119.85	119.25	126.41	133.99	142.03
P/BV		6.18	4.22	3.00	2.86	2.73	2.60	2.47
Price to Sales		0.65	0.45	0.41	0.41	0.39	0.37	0.35
Gearing Ratios		FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.50	1.98	1.04	1.29	1.28	1.27	1.27
Interest Cover		3.92	2.70	3.17	4.48	5.69	5.68	6.50

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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