

FFBL

1QCY23 Result Review: BUY Stance Maintained

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FFBL has announced its 1QCY23 result where it posted a loss after tax of Rs5.43bn (LPS: Rs4.20) as compared to a profit after tax of Rs1.63bn (EPS: Rs1.26) in the same period last year, down by 4.34x amid huge exchange losses due to devaluation of PKR in addition to higher finance cost.

The company has posted a revenue of Rs31.52bn against Rs24.78bn in SPLY, recording a growth of 27.2% YoY amid higher DAP prices. However, the gross margin has plunged to 7.1% as compared to 21.7% in SPLY.

SG&A expenses and other income have decreased by 53% YoY to Rs0.96bn and 19.5% YoY to Rs0.90bn respectively. Moreover, other expenses surged by 2.96x to Rs4.78bn owing to huge exchange losses.

Lastly, finance costs have increased by 2.53x and clocked in at Rs2.49bn as compared to Rs0.71bn during SPLY.

FFBL is currently trading at a CY23E P/B of 1.09x which offers a discount of 24% relative to its historical 3-year average of 0.88x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs14 which provides a return of 13%.

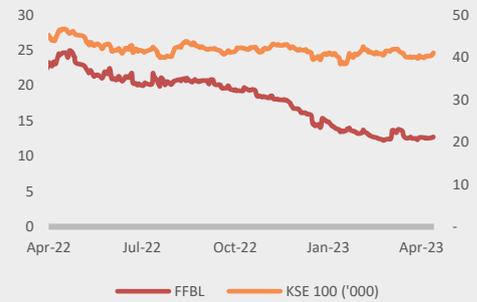
Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	31,523	24,784	27.2% ▲	159,226	110,452	44.2% ▲
Cost of Sales	-29,278	-19,395	51.0% ▲	-133,357	-88,301	51.0% ▲
Gross Profit	2,244	5,389	58.4% ▼	25,869	22,152	16.8% ▲
SG&A Expenses	-960	-2,042	53.0% ▼	-8,473	-7,241	17.0% ▲
Other Expenses	-4,784	-1,207	296.3% ▲	-10,088	-10,159	0.7% ▼
Operating Profit	-3,500	2,140	263.5% ▼	7,307	4,752	53.8% ▲
Other Income	898	1,116	19.5% ▼	6,342	9,111	30.4% ▼
Finance Cost	-2,488	-706	252.6% ▲	-5,144	-2,338	120.0% ▲
Profit Before Taxation	-5,089	2,551	299.5% ▼	8,505	11,525	26.2% ▼
Taxation	-340	-924	63.2% ▼	-6,177	-5,134	20.3% ▲
Profit After Taxation	-5,429	1,627	433.7% ▼	2,328	6,391	63.6% ▼
Earnings Per Share	-4.20	1.26	433.7% ▼	1.80	4.95	63.6% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	7.1%	21.7%	14.6% ▼	16.2%	20.06%	3.8% ▼
SG&A Expenses to Sales	-3.0%	-8.2%	5.2% ▼	-5.3%	-6.6%	1.2% ▼
Other Income to Sales	2.8%	4.5%	1.7% ▼	4.0%	8.2%	4.3% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-8.2%	5.2% ▼	-5.3%	-6.6%	1.2% ▼
Effective Taxation	6.7%	-36.2%	29.5% ▼	-72.6%	-44.5%	28.1% ▲
Net Margin	-17.2%	6.6%	23.8% ▼	1.5%	5.8%	4.3% ▼

Source: ACPL Research, Company Financials

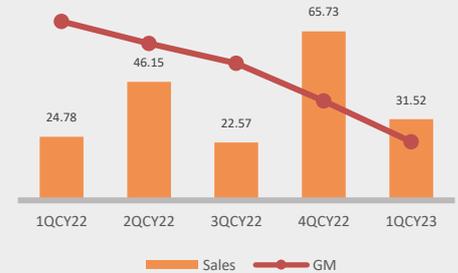
Key Statistics

Symbol	FFBL
TP - Jun 23	14.00
LDCP	12.39
Upside (%)	13
Free Float ('mn)	452
Market Cap. (Rs. 'mn)	15,998

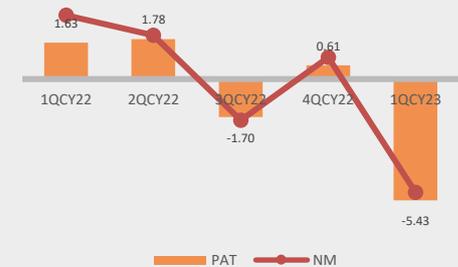
FFBL vs KSE 100



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	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	83,234	110,452	159,226	165,257	174,595	186,089	200,817
Cost of sale	70,655	88,301	133,357	157,904	160,981	169,055	179,317
Gross profit	12,579	22,152	25,869	7,352	13,614	17,035	21,501
Selling and promotion expenses	6,773	7,233	8,473	5,034	5,319	7,092	7,653
Other operating expenses	4,394	10,167	8,306	8,263	2,546	2,713	2,928
Operating Profit	1,412	4,752	9,090	- 5,945	5,750	7,230	10,919
Other operating income	7,925	9,111	5,451	3,909	4,120	4,354	4,611
Finance cost	4,444	2,338	5,144	9,891	7,375	7,073	6,852
Profit before taxation	4,893	11,525	9,396	- 11,928	2,495	4,510	8,678
Taxation	2,700	5,134	6,177	- 3,936	823	1,488	2,864
Profit after taxation	2,192	6,391	3,219	- 7,991	1,672	3,022	5,814
EPS	1.70	4.95	1.80	- 6.19	1.29	2.34	4.50

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	24.5%	32.7%	44.2%	3.8%	5.7%	6.6%	7.9%
Cost of sale	15.9%	25.0%	51.0%	18.4%	1.9%	5.0%	6.1%
Gross profit	113.8%	76.1%	16.8%	-71.6%	85.2%	25.1%	26.2%
Selling and promotion expenses	0.1%	6.8%	17.1%	-40.6%	5.7%	33.3%	7.9%
Other operating expenses	103.6%	131.4%	-18.3%	-0.5%	-69.2%	6.6%	7.9%
Operating Profit	-146.4%	236.5%	91.3%	-165.4%	-196.7%	25.7%	51.0%
Other operating income	81.3%	15.0%	-40.2%	-28.3%	5.4%	5.7%	5.9%
Finance cost	-14.5%	-47.4%	120.0%	92.3%	-25.4%	-4.1%	-3.1%
Profit before taxation	226.5%	-135.5%	-18.5%	-226.9%	-120.9%	80.7%	92.4%
Taxation	31.6%	-90.1%	20.3%	-163.7%	-120.9%	80.7%	92.4%
Profit after taxation	-137.0%	-191.5%	-49.6%	-348.2%	-120.9%	80.7%	92.4%
EPS	-137.0%	-191.5%	-63.6%	-443.3%	-120.9%	80.7%	92.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	15.11	20.06	16.25	4.45	7.80	9.15	10.71
OP Margin	%	12.83	15.59	9.87	-1.23	5.65	6.22	7.73
NP Margin	%	2.63	5.79	1.46	-4.84	0.96	1.62	2.90
ROE	%	21.09	37.17	10.79	-42.67	10.74	16.87	26.04
ROCE	%	11.73	16.70	11.86	-1.44	7.28	8.09	10.04
ROA	%	2.41	6.20	1.76	-5.66	1.23	2.11	3.76

Liquidity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Current	x	1.02	1.09	1.06	0.81	0.87	0.91	0.99
Acid-test	x	0.57	0.53	0.33	0.32	0.34	0.36	0.40
Cash to current liab.	x	0.53	0.52	0.22	0.21	0.23	0.24	0.28

Activity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	13	8	3	2	2	2	2
Inventory Days		28	35	107	112	117	122	127
Receivables Days		7	0	27	27	27	27	27
Payables Days		52	193	185	185	185	185	185
Operating Cycle		-17	-158	-50	-45	-40	-35	-30

Investment Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	1.70	4.95	1.80	-6.19	1.29	2.34	4.50
DPS	Rs.	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	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	10.81	15.82	17.60	11.41	12.70	15.04	19.55
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	1,291	1,291	1,291	1,291	1,291	1,291	1,291
P/E		7.30	2.50	6.87	0.00	9.57	5.29	2.75
Sales per share		64.46	85.54	123.31	127.98	135.21	144.12	155.52
P/BV		1.15	0.78	0.70	1.09	0.98	0.82	0.63
Price to Sales		0.19	0.14	0.10	0.10	0.09	0.09	0.08

Gearing Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	2.73	1.56	2.29	2.55	1.94	1.60	1.19
L.T. Debt to Equity	x	1.59	1.02	1.04	0.62	0.18	0.10	0.03
Interest Cover	x	2.40	7.36	3.06	0.00	1.34	1.64	2.27

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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