

GATM

9MFY23 Result Review: BUY Stance Maintained

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GATM has announced its 9MFY23 result where it posted a profit after tax of Rs2.64bn (EPS: Rs4.27) as compared to a profit after tax of Rs5.60bn (EPS: Rs9.09) in the same period last year, down by 53% YoY amid an increase in finance costs.

The company has posted a revenue of Rs80.44bn against Rs68.20bn in SPLY, recording a growth of 17.9% YoY. The gross margin has dropped to 13.6% as compared to 18.0% during SPLY amid higher input costs.

The operating cost has increased by 14.6% YoY to Rs4.28bn as compared to Rs3.74bn while finance cost has increased by 76.9% YoY to Rs3.21bn as compared to Rs1.82bn in SPLY on account of the higher interest rate

An increase in other income by 3.56x to Rs0.64bn supported the bottom line. Lastly, effective taxation increased to 35.9% as compared to 18.5% during SPLY.

GATM is currently trading at FY23E PE of 3.51x. Further, the scrip is also trading at FY23E PB of 0.27x which offers a discount of 52% relative to its 3-year historical average of 0.56x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs24 which provides an upside potential of 20%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	29,428	21,279	38.3% ▲	80,436	68,205	17.9% ▲
Cost of Sales	24,978	16,838	48.3% ▲	69,466	55,911	24.2% ▲
Gross Profit	4,450	4,441	0.2% ▲	10,970	12,294	10.8% ▼
Operating Cost	1,487	1,143	30.1% ▲	4,283	3,738	14.6% ▲
Other Income	-194	49	294.5% ▲	638	140	356.5% ▲
Operating Profit	2,769	3,348	17.3% ▼	7,326	8,695	303.1% ▲
Finance Cost	1,375	649	112.1% ▲	3,215	1,818	76.9% ▲
Profit Before Taxation	1,394	2,699	48.4% ▼	4,111	6,878	40.2% ▼
Taxation	386	450	14.3% ▼	1,475	1,273	15.9% ▲
Profit After Taxation	1,009	2,249	55.2% ▼	2,636	5,605	53.0% ▼
Earnings Per Share	1.64	3.65	55.2% ▼	4.27	9.09	53.0% ▼
Dividend	0.00	0.00		0	0.00	
Bonus	0%	0%		0	0.00	
Gross Margin	15.1%	20.9%	5.7% ▼	13.6%	18.0%	4.4% ▼
Operating Cost to Sales	5.1%	5.4%	0.3% ▼	5.3%	5.5%	0.2% ▼
Other Income to Sales	-0.7%	0.2%	0.9% ▼	0.8%	0.2%	0.6% ▲
Effective Taxation	0.0%	16.7%	16.6% ▼	35.9%	18.5%	17.4% ▲
Net Margin	3.4%	10.6%	7.1% ▼	3.3%	8.2%	4.9% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	GATM
TP - Dec 23	24
LDCP	19.98
Upside / (Downside)	20%
Free Float ('mn)	154
Market Cap. (Rs. 'mn)	12,322

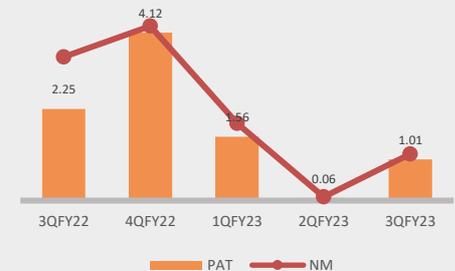
GATM vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	53,941	78,774	100,257	107,250	120,120	134,534	150,678
Cost of sales	44,872	65,905	82,889	92,622	102,536	113,495	125,608
Gross profit	9,069	12,869	17,368	14,627	17,584	21,039	25,071
SG&A Expenses	7,241	5,705	4,178	5,710	6,700	7,504	8,405
Other Expenses	264	519	860	-	-	-	-
Other Income	368	861	809	851	953	1,068	1,196
Profit from operations	1,932	7,506	13,138	9,768	11,837	14,603	17,862
Finance cost	2,008	1,944	2,669	4,287	3,712	3,030	3,064
Profit before income tax	- 76	5,562	10,469	5,482	8,126	11,573	14,798
Income tax expense	403	1,137	1,607	1,967	2,681	3,819	4,883
Profit for the year	- 479	4,425	8,862	3,515	5,444	7,754	9,915
EPS	- 0.78	7.17	14.37	5.70	8.83	12.57	16.08
EBITDA	4,103	10,141	16,112	13,193	15,137	17,926	21,343

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-5.84%	46.04%	27.27%	6.98%	12.00%	12.00%	12.00%
Cost of sales	-0.96%	46.88%	25.77%	11.74%	10.70%	10.69%	10.67%
Gross profit	-24.31%	41.89%	34.96%	-15.78%	20.21%	19.65%	19.16%
SG&A Expenses	-1.15%	-21.22%	-26.75%	36.66%	17.34%	12.00%	12.00%
Other Expenses	-15.26%	96.49%	65.74%	-100.00%	0.00%	0.00%	0.00%
Other Income	-67.67%	134.14%	-6.02%	5.21%	12.00%	12.00%	12.00%
Profit from operations	-64.76%	288.59%	75.04%	-25.65%	21.18%	23.37%	22.32%
Finance cost	36.26%	-3.17%	37.31%	60.59%	-13.42%	-18.36%	1.13%
Profit before income tax	-98.10%	7207%	88.22%	-47.64%	48.23%	42.43%	27.87%
Income tax expense	1.01%	182.02%	41.30%	22.40%	36.33%	42.43%	27.87%
Profit for the year	-113.28%	823%	100.28%	-60.34%	54.90%	42.43%	27.87%
EPS	-113.28%	823%	100.28%	-60.34%	54.90%	42.43%	27.87%
EBITDA		147.17%	58.88%	-18.12%	14.74%	18.42%	19.06%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	16.81	16.34	17.32	13.64	14.64	15.64	16.64
NP Margin	%	-0.89	5.62	8.84	3.28	4.53	5.76	6.58
OP Margin	%	3.58	9.53	13.10	9.11	9.85	10.85	11.85
ROE	%	-3.43	16.23	24.52	7.67	10.62	13.14	14.38
ROCE	%	-1.61	9.27	15.16	12.52	17.05	20.10	20.87
ROA	%	-0.70	4.82	7.73	3.34	4.69	5.93	6.67
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.02	1.13	1.15	0.63	0.71	0.79	0.87
Acid-test	x	0.17	0.41	0.43	0.06	0.15	0.23	0.30
Cash to current liab.	x	0.01	0.01	0.03	-0.20	-0.13	-0.05	0.03
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	2	2	2	3	3	3	3
Inventory Days		200	157	151	145	145	129	115
Receivables Days		37	97	90	72	73	72	72
Payables Days		0	0	0	0	0	0	0
Operating Cycle		237	254	241	218	219	202	186
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		-0.78	7.17	14.37	5.70	8.83	12.57	16.08
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		22.64	44.21	58.59	74.29	83.12	95.69	111.77
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	616.72	616.72	616.72	616.72	616.72	616.72	616.72
P/E		N/A	2.78	1.39	3.51	2.26	1.59	1.24
Sales per share		87.46	127.73	162.57	173.90	194.77	218.15	244.32
P/BV		0.88	0.45	0.34	0.27	0.24	0.21	0.18
Price to Sales		0.23	0.16	0.12	0.11	0.10	0.09	0.08
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	2.82	1.84	1.64	1.62	1.48	1.33	1.19
Interest Cover	x	0.96	3.86	4.92	2.28	3.19	4.82	5.83

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%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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