

OCTOPUS

1QCY23 Result Review: Stance Downgraded to HOLD

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OCTOPUS has announced its 1QCY23 result where it posted a profit after tax of Rs243mn (EPS: Rs1.78) as compared to a profit after tax of Rs105mn (EPS: Rs0.77) in the same period last year, up by 1.32x YoY amid a surge in other income.

The company posted a revenue of Rs94mn against Rs159mn in SPLY, recording a significant decline of 40.7% YoY. The gross margin plunged to 50.1% as compared to 69.3% during SPLY.

SG&A expenses increased by 87.7% to Rs36mn as compared to Rs19mn during the SPLY. A massive surge in other income by 11.17x to Rs251mn as compared to Rs21mn in SPLY, supported the bottom line.

The effective taxation increased to 7.3% as compared to 6.4% during SPLY.

OCTOPUS is currently trading at CY23E PE of 5.91x. Further, the scrip is also trading at CY23E PB of 4.06x. We have a **HOLD** on the scrip with a DCF-based Dec - 23 TP of Rs45 which provides an upside of 10%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	94	159	40.7% ▼	687	625	9.9% ▲
Cost of Sales	47	49	3.5% ▼	309	152	104.1% ▲
Gross Profit	47	110	57.2% ▼	378	474	20.3% ▼
SG&A Expenses	36	19	87.7% ▲	204	124	64.2% ▲
Other Expenses	0	0	-	0	0	-
Other Income	251	21	1116.8% ▲	257	11	2202.8% ▲
Operating Profit	262	112	134.4% ▲	430	361	19.3% ▲
Finance Cost	0.0	0.0	-	0.0	0.1	100.0% ▼
Profit Before Taxation	262	112	134.4% ▲	430	360	19.3% ▲
Taxation	19	7	169.4% ▲	25	15	73.1% ▲
Profit After Taxation	243	105	132.0% ▲	405	346	17.1% ▲
Earnings Per Share	1.78	0.77	132.0% ▲	2.96	2.53	17.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		15%	0%	
Gross Margin	50.1%	69.3%	19.2% ▼	55.0%	75.7%	20.8% ▼
SG&A Expenses to Sales	37.9%	12.0%	26.0% ▲	29.7%	19.9%	9.8% ▲
Other Expenses to Sales	0.0%	0.0%	-	0.0%	0.0%	0.0% ▲
Other Income to Sales	265.8%	12.9%	252.8% ▲	37.4%	1.8%	35.6% ▲
Effective Taxation	7.3%	6.4%	1.0% ▲	5.8%	4.0%	1.8% ▲
Net Margin	257.5%	65.8%	191.7% ▲	59.0%	55.3%	3.6% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	OCTOPUS
TP - Dec 23	45
LDCP	40.60
Upside	10%
Free Float (mn)	41
Market Cap. (Rs.mn)	6,385

OCTOPUS 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	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	625	687	550	660	791	989
Cost of sale	152	309	275	262	315	394
Gross profit	473	378	275	431	517	646
Administrative expenses	124	204	209	192	231	288
Other income	11	257	1,099	264	317	396
Operating Profit	360	430	1,166	502	603	754
Profit before taxation	360	430	1,166	502	603	754
Taxation	15	25	85	29	35	43
Profit after taxation	346	405	1,081	474	568	710
EPS	2.20	2.58	6.87	3.01	3.61	4.52

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	125.6%	9.9%	-20.0%	20.0%	20.0%	25.0%
Cost of sale	1860.1%	103.6%	-11.2%	-4.5%	20.0%	25.0%
Gross profit	75.7%	-20.2%	-27.1%	56.5%	20.0%	25.0%
Distribution expenses						
Administrative expenses	705.5%	64.5%	2.3%	-7.8%	20.0%	25.0%
Research and development expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses						
Other income		2202.9%	328.3%	-76.0%	20.0%	25.0%
Operating Profit	42.0%	19.3%	171.0%	-56.9%	20.0%	25.0%
Finance cost						
Profit before taxation	42.0%	19.3%	171.0%	-56.9%	20.0%	25.0%
Taxation	-57.4%	73.1%	240.0%	-66.3%	20.0%	25.0%
Profit after taxation	57.4%	17.1%	166.8%	-56.2%	20.0%	25.0%
EPS	57.4%	17.1%	166.8%	-56.2%	20.0%	25.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	97.20	75.69	54.96	50.08	65.33	65.33	65.33
NP Margin	%	79.30	55.33	58.96	196.60	71.82	71.82	71.82
OP Margin	%	91.57	57.65	62.61	212.13	76.18	76.18	76.18
ROE	%	94.85	21.09	19.80	68.71	30.12	36.14	45.18
ROCE	%	94.85	21.09	19.80	40.01	14.92	15.19	15.95
ROA	%	68.70	20.11	19.06	38.84	14.52	14.78	15.51
Liquidity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Current	x	3.36	20.89	24.87	34.08	37.28	37.27	36.13
Acid-test	x	3.20	19.67	15.69	31.76	35.22	35.16	33.99
Cash to current liab.	x	0.00	7.53	0.25	20.92	24.53	25.77	25.92
Activity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Receivables Days		371	538	688	522	564	487	419
Payables Days		665	305	151	151	151	151	151
Operating Cycle		-294	233	536	370	412	336	267
Investment Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
EPS		1.40	2.20	2.58	6.87	3.01	3.61	4.52
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		1.47	10.43	13.01	10.00	10.00	10.00	10.00
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	157.26	157.26	157.26	157.26	157.26	157.26	157.26
P/E		29.06	18.46	15.76	5.91	13.48	11.23	8.99
Sales per share		1.76	3.98	4.37	3.49	4.19	5.03	6.29
P/BV		27.56	3.89	3.12	4.06	4.06	4.06	4.06
Price to Sales		23.04	10.21	9.29	11.62	9.68	8.07	6.45
Gearing Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Debt to Equity	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover								

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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