

# UNITY

## 9MFY22 Result Review: BUY Stance Maintained

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UNITY has announced its 9MFY22 result where it posted a profit after tax of Rs1.980bn (Diluted EPS: Rs1.66) as compared to a profit after tax of Rs2.659bn (Diluted EPS: Rs2.23) in the same period last year, down by 25.5% YoY.

The company has posted a revenue of Rs56.68bn against Rs48.19bn in SPLY, recording a growth of 17.6% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has been increased to 9.5% as compared to 8.2% in SPLY. Furthermore, Operating profit has been decreased by 15.2% YoY to Rs2.79bn as compared to Rs3.28bn during SPLY due to an increase in other expenses and depreciation of PKR against the US Dollar during the period.

Lastly, the finance cost has been increased by 88% YoY to Rs1.113bn as compared to Rs590mn during SPLY owing to higher working capital requirements.

UNITY is currently trading at FY22E PE of 11.03x. Further, the scrip is also trading at FY22E PB of 1.82x which offers a discount of 56% relative to its 3 Year average of 4.10x. We recommend to **BUY** the scrip with a DCF-based Dec-22 TP of Rs 30 which provides an upside potential of 23%.

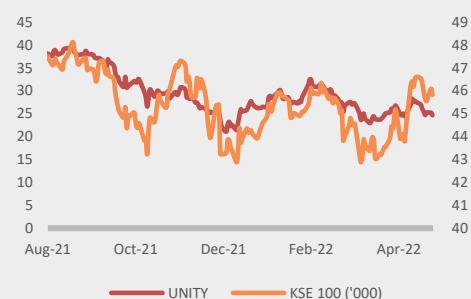
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	19,917	18,786	6.0% ▲	56,678	48,187	17.6% ▲
Cost of Sales	-18,055	-17,335	4.2% ▲	-51,276	-44,247	15.9% ▲
Gross Profit	1,862	1,451	28.3% ▲	5,401	3,939	37.1% ▲
SG&A Expenses	-344	-397	13.3% ▼	-1,021	-1,076	5.1% ▼
Other Charges	-399	295	35.3% ▲	-1,590	425	274.3% ▲
Operating Profit	1,119	1,349	182.9% ▼	2,790	3,289	15.2% ▼
Other Income	206	100	105.2% ▲	531	200	165.0% ▲
Finance Cost	-379	-254	48.8% ▲	-1,113	-590	88.8% ▲
Profit Before Taxation	946	1,195	20.8% ▼	2,208	2,899	23.9% ▼
Taxation	-53	-60	11.5% ▼	-228	-240	5.1% ▼
Profit After Taxation	893	1,135	21.3% ▼	1,980	2,659	25.5% ▼
Earnings Per Share	0.75	0.95	21.3% ▼	1.66	2.23	25.5% ▼
Dividend	0.00	0.00		0	0.00	
Bonus	0%	0%		0	0%	
Gross Margin	9.3%	7.7%	1.6% ▲	9.5%	8.2%	1.4% ▲
SG&A Expenses to Sales	-1.7%	-2.1%	0.4% ▼	-1.8%	-2.2%	0.4% ▼
Other Income to Sales	1.0%	0.5%	0.5% ▲	0.9%	0.4%	0.5% ▲
Ex. Gain / (Loss) to Sales	-1.7%	-2.1%	0.4% ▼	-1.8%	-2.2%	0.4% ▼
Effective Taxation	-5.6%	-5.0%	0.6% ▲	-10.3%	-8.3%	2.0% ▲
Net Margin	4.5%	6.0%	1.6% ▼	3.5%	5.5%	2.0% ▼

Source: ACPL Research, Company Financials

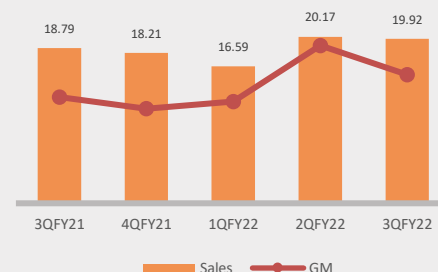
### Key Statistics

Symbol	UNITY
TP - Dec 22	30.00
LDCP	24.48
Upside (%)	23
Free Float ('mn)	477
Market Cap. (Rs.'mn)	28,358

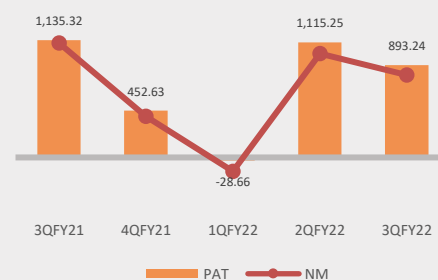
### UNITY vs KSE 100



### Sales (Rs'bn) 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
Revenue	14,097	29,872	66,401	75,025	82,527	90,780	99,858
Cost of sales	-12,820	-27,843	-61,209	-67,747	-74,110	-81,067	-88,674
<b>Gross profit</b>	<b>1,277</b>	<b>2,029</b>	<b>5,192</b>	<b>7,277</b>	<b>8,418</b>	<b>9,713</b>	<b>11,184</b>
Distribution cost	-357	-691	-1,035	-750	-825	-908	-999
Administrative expenses	-181	-220	-393	-600	-660	-726	-799
Other operating expenses	-178	-388	189	-2,101	-2,311	-2,270	-2,496
<b>Profit from operations</b>	<b>562</b>	<b>731</b>	<b>3,953</b>	<b>3,826</b>	<b>4,622</b>	<b>5,810</b>	<b>6,890</b>
Other income	1	9	317	750	825	908	999
Finance cost	-288	-545	-880	-1,530	-1,561	-1,592	-1,624
<b>Profit before income tax</b>	<b>275</b>	<b>195</b>	<b>3,389</b>	<b>3,047</b>	<b>3,886</b>	<b>5,126</b>	<b>6,265</b>
Income tax expense	-20	15	-277	-396	-505	-666	-814
<b>Profit for the year</b>	<b>255</b>	<b>210</b>	<b>3,112</b>	<b>2,650</b>	<b>3,381</b>	<b>4,460</b>	<b>5,451</b>
EPS	<b>0.21</b>	<b>0.18</b>	<b>2.61</b>	<b>2.22</b>	<b>2.83</b>	<b>3.73</b>	<b>4.56</b>
EBITDA	<b>624</b>	<b>855</b>	<b>4,113</b>	<b>4,321</b>	<b>5,187</b>	<b>6,458</b>	<b>7,632</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	406.7%	111.9%	122.3%	13.0%	10.0%	10.0%	10.0%
Cost of sales	405.9%	117.2%	119.8%	10.7%	9.4%	9.4%	9.4%
<b>Gross profit</b>	<b>414.8%</b>	<b>58.9%</b>	<b>155.8%</b>	<b>40.2%</b>	<b>15.7%</b>	<b>15.4%</b>	<b>15.1%</b>
Distribution cost	541.3%	93.7%	49.9%	-27.5%	10.0%	10.0%	10.0%
Administrative expenses	228.5%	21.5%	78.9%	52.6%	10.0%	10.0%	10.0%
Other operating expenses	715.0%	118.0%	-51.2%	1009.4%	10.0%	-1.8%	10.0%
<b>Profit from operations</b>	<b>386.1%</b>	<b>30.1%</b>	<b>440.7%</b>	<b>-3.2%</b>	<b>20.8%</b>	<b>25.7%</b>	<b>18.6%</b>
Other income	-96.6%	641.8%	3609.0%	137.0%	10.0%	10.0%	10.0%
Finance cost	456.0%	89.1%	61.5%	73.8%	2.0%	2.0%	2.0%
<b>Profit before income tax</b>	<b>180.9%</b>	<b>-29.2%</b>	<b>1642.0%</b>	<b>-10.1%</b>	<b>27.6%</b>	<b>31.9%</b>	<b>22.2%</b>
Income tax expense	-17.2%	-23.3%	1739.6%	42.8%	27.6%	31.9%	22.2%
<b>Profit for the year</b>	<b>109.9%</b>	<b>-17.8%</b>	<b>1384.4%</b>	<b>-14.8%</b>	<b>27.6%</b>	<b>31.9%</b>	<b>22.2%</b>
EPS	<b>109.9%</b>	<b>-17.8%</b>	<b>1384.4%</b>	<b>-14.8%</b>	<b>27.6%</b>	<b>31.9%</b>	<b>22.2%</b>
EBITDA	<b>36.9%</b>	<b>381.2%</b>	<b>5.1%</b>	<b>20.1%</b>	<b>24.5%</b>	<b>18.2%</b>	

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	9.06	6.79	7.82	9.70	10.20	10.70	11.20
NP Margin	%	1.81	0.70	4.69	3.53	4.10	4.91	5.46
OP Margin	%	3.99	2.45	5.95	5.10	5.60	6.40	6.90
ROE	%	4.48	3.58	23.26	16.53	17.42	18.68	18.59
ROCE	%	9.87	12.05	28.80	31.11	32.48	34.03	32.71
ROA	%	2.44	1.11	7.32	6.05	7.11	8.48	9.28
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.54	1.17	1.17	1.13	1.16	1.20	1.26
Quick	x	0.65	0.62	0.44	0.44	0.45	0.48	0.53
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	5.48	6.75	7.75	6.19	6.36	6.36	6.36
Inventory Days		66.63	54.07	47.11	58.97	57.42	57.43	57.43
Receivables Days		0.03	0.12	0.47	0.47	0.47	0.47	0.47
Payables Days		56.48	115.86	81.29	100.00	100.00	100.00	100.00
Operating Cycle		10.18	-61.67	-33.70	-40.56	-42.10	-42.10	-42.10
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		0.10	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.41	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	2.14	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	53.19	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	46.81	0.00	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	1.19	1.19	1.19	1.19	1.19	1.19	1.19
EPS		0.21	0.18	2.61	2.22	2.83	3.73	4.56
BVPS		4.77	4.90	11.20	13.42	16.26	19.99	24.56
P/E	x	114.60	139.44	9.39	11.03	8.65	6.55	5.36
Sales per share		11.81	25.02	55.61	62.83	69.12	76.03	83.63
P/BV	x	5.13	5.00	2.18	1.82	1.51	1.22	1.00
P/S	x	2.07	0.98	0.44	0.39	0.35	0.32	0.29
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.45	0.71	1.14	0.79	0.66	0.54	0.45
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	1.95	1.34	4.49	2.50	2.96	3.65	4.24

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

### VALUATION METHODOLOGY

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

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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