

# UNITY

## 9MFY23 Result Review: BUY Stance Maintained

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UNITY has announced its 9MFY23 result where it posted a loss after tax of Rs0.82bn (Diluted LPS: Rs0.69) as compared to a profit after tax of Rs1.98bn (Diluted EPS: Rs1.66) in the same period last year, down by 1.42x amid huge exchange losses and higher finance costs.

The company has posted a revenue of Rs70.75bn against Rs56.68bn in SPLY, recording a growth of 24.8% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has improved to 11.9% from 9.5% in SPLY.

Furthermore, operating expenses have increased by 50.6% YoY to Rs1.54bn as compared to Rs1.02bn during SPLY. Other charges surged by 3.5x to Rs7.15bn as compared to Rs1.59bn in SPLY.

The finance cost has surged massively by 94.3% YoY to Rs2.16bn as compared to Rs1.11bn during SPLY owing to higher borrowings and higher interest rates. Lastly, effective taxation has increased to 54.4% as compared to 10.3% in the SPLY.

The scrip is currently trading at FY23E PB of 0.88x which offers a discount of 43% relative to its 3-Year average of 1.53x. We recommend to **BUY** the scrip with a DCF-based Dec-23 TP of Rs15 which provides an upside potential of 14%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	27,940	19,917	40.3% ▲	70,746	56,678	24.8% ▲
Cost of Sales	-22,658	-18,055	25.5% ▲	-62,335	-51,276	21.6% ▲
<b>Gross Profit</b>	<b>5,282</b>	<b>1,862</b>	<b>183.7% ▲</b>	<b>8,410</b>	<b>5,401</b>	<b>55.7% ▲</b>
SG&A Expenses	-495	-344	44.0% ▲	-1,537	-1,021	50.6% ▲
Other Charges	-5,201	-399	1203.0% ▲	-7,155	-1,590	349.9% ▲
<b>Operating Profit</b>	<b>-414</b>	<b>1,119</b>	<b>137.0% ▼</b>	<b>-282</b>	<b>2,790</b>	<b>110.1% ▼</b>
Other Income	348	206	69.2% ▲	634	531	19.4% ▲
Finance Cost	-1,040	-379	174.8% ▲	-2,163	-1,113	94.3% ▲
Profit Before Taxation	-1,106	946	216.9% ▼	-1,811	2,208	182.0% ▼
Taxation	904	-53	1814.4% ▼	986	-228	532.5% ▼
<b>Profit After Taxation</b>	<b>-202</b>	<b>893</b>	<b>77.4% ▼</b>	<b>-825</b>	<b>1,980</b>	<b>141.7% ▼</b>
Earnings Per Share	-0.17	0.75	77.4% ▼	-0.69	1.66	141.7% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	18.9%	9.3%	9.6% ▲	11.9%	9.5%	2.4% ▲
SG&A Expenses to Sales	-1.8%	-1.7%	0.0% ▲	-2.2%	-1.8%	0.4% ▲
Other Income to Sales	1.2%	1.0%	0.2% ▲	0.9%	0.9%	0.0% ▼
Ex. Gain / (Loss) to Sales	-1.8%	-1.7%	0.0% ▲	-2.2%	-1.8%	0.4% ▲
Effective Taxation	-81.8%	-5.6%	76.2% ▲	-54.4%	-10.3%	44.1% ▲
Net Margin	-0.7%	4.5%	5.2% ▼	-1.2%	3.5%	4.7% ▼

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	UNITY
TP - Dec 23	15
LDCP	13.15
Upside (%)	14
Free Float ('mn)	478
Market Cap. (Rs.'mn)	15,702

### 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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	29,872	66,401	82,185	94,329	106,595	119,377	133,692
Cost of sales	-27,843	-61,209	-74,339	-80,415	-94,865	-105,941	-118,311
<b>Gross profit</b>	<b>2,029</b>	<b>5,192</b>	<b>7,846</b>	<b>13,913</b>	<b>11,731</b>	<b>13,436</b>	<b>15,381</b>
Distribution cost	-691	-1,035	-726	-1,245	-1,883	-2,109	-2,362
Administrative expenses	-220	-393	-659	-805	-910	-1,019	-1,141
Other operating expenses	-388	189	-3,152	-9,540	-3,987	-4,465	-5,001
<b>Profit from operations</b>	<b>731</b>	<b>3,953</b>	<b>3,310</b>	<b>2,323</b>	<b>4,951</b>	<b>5,843</b>	<b>6,878</b>
Other income	9	317	843	967	898	1,006	1,126
Finance cost	-545	-880	-1,664	-2,883	-2,941	-3,000	-3,060
<b>Profit before income tax</b>	<b>195</b>	<b>3,389</b>	<b>2,489</b>	<b>407</b>	<b>2,908</b>	<b>3,849</b>	<b>4,944</b>
Income tax expense	15	-277	-52	-222	-373	-494	-634
<b>Profit for the year</b>	<b>210</b>	<b>3,112</b>	<b>2,436</b>	<b>185</b>	<b>2,535</b>	<b>3,355</b>	<b>4,310</b>
EPS	<b>0.18</b>	<b>2.61</b>	<b>2.04</b>	<b>0.16</b>	<b>2.12</b>	<b>2.81</b>	<b>3.61</b>
EBITDA	855	4,113	3,609	3,047	5,719	6,658	7,743

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	111.9%	122.3%	23.8%	14.8%	13.0%	12.0%	12.0%
Cost of sales	117.2%	119.8%	21.5%	8.2%	18.0%	11.7%	11.7%
<b>Gross profit</b>	<b>58.9%</b>	<b>155.8%</b>	<b>51.1%</b>	<b>77.3%</b>	<b>-15.7%</b>	<b>14.5%</b>	<b>14.5%</b>
Distribution cost	93.7%	49.9%	-29.9%	71.5%	51.3%	12.0%	12.0%
Administrative expenses	21.5%	78.9%	67.5%	22.2%	13.0%	12.0%	12.0%
Other operating expenses	118.0%	-51.2%	1564.3%	202.7%	-58.2%	12.0%	12.0%
<b>Profit from operations</b>	<b>30.1%</b>	<b>440.7%</b>	<b>-16.3%</b>	<b>-29.8%</b>	<b>113.1%</b>	<b>18.0%</b>	<b>17.7%</b>
Other income	641.8%	3609.0%	166.2%	14.8%	-7.2%	12.0%	12.0%
Finance cost	89.1%	61.5%	89.0%	73.3%	2.0%	2.0%	2.0%
<b>Profit before income tax</b>	<b>-29.2%</b>	<b>1642.0%</b>	<b>-26.6%</b>	<b>-83.6%</b>	<b>614.1%</b>	<b>32.4%</b>	<b>28.5%</b>
Income tax expense	-23.3%	1739.6%	-81.2%	324.5%	68.2%	32.4%	28.5%
<b>Profit for the year</b>	<b>-17.8%</b>	<b>1384.4%</b>	<b>-21.7%</b>	<b>-92.4%</b>	<b>1266.6%</b>	<b>32.4%</b>	<b>28.5%</b>
EPS	<b>-17.8%</b>	<b>1384.4%</b>	<b>-21.7%</b>	<b>-92.4%</b>	<b>1266.6%</b>	<b>32.4%</b>	<b>28.5%</b>
EBITDA	<b>36.9%</b>	<b>381.2%</b>	<b>-12.3%</b>	<b>-15.6%</b>	<b>87.7%</b>	<b>16.4%</b>	<b>16.3%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	6.79	7.82	9.55	14.75	11.00	11.25	11.50
NP Margin	%	0.70	4.69	2.96	0.20	2.38	2.81	3.22
OP Margin	%	2.45	5.95	4.03	2.46	4.64	4.89	5.14
ROE	%	3.58	23.26	11.52	1.03	12.38	14.08	14.28
ROCE	%	12.05	28.80	15.41	62.51	148.90	158.59	137.25
ROA	%	1.11	7.32	4.16	0.47	5.90	7.19	8.35
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.17	1.17	1.32	0.82	0.82	0.83	0.86
Quick	x	0.62	0.44	0.61	0.34	0.33	0.34	0.37
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.75	7.75	6.77	6.88	7.17	6.99	6.99
Inventory Days		54.07	47.11	53.95	53.02	50.91	52.22	52.22
Receivables Days		0.12	0.47	0.40	0.40	0.40	0.40	0.40
Payables Days		115.86	81.29	101.57	101.57	101.57	101.57	101.57
Operating Cycle		-61.67	-33.70	-47.22	-48.15	-50.27	-48.95	-48.95
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
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	x	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
Payout	%	0.00	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		0.18	2.61	2.04	0.16	2.12	2.81	3.61
BVPS		4.90	11.20	17.72	15.03	17.15	19.96	25.27
P/E	x	74.90	5.05	6.44	84.66	6.19	4.68	3.64
Sales per share		25.02	55.61	68.83	79.00	89.27	99.98	111.96
P/BV	x	2.68	1.17	0.74	0.88	0.77	0.66	0.52
P/S	x	0.53	0.24	0.19	0.17	0.15	0.13	0.12
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.71	1.14	0.77	0.72	0.64	0.56	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	1.34	4.49	1.99	0.81	1.68	1.95	2.25

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

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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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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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