Day Break

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Fertilizer

FFC: 2QCY26 Management Call Takeaways

- Fauji Fertilizer Company Limited (FFC) held an investor briefing session to discuss the 2QCY26 financial results and provide key insights on the future outlook for the Company.
- To recall, the Company reported 2QCY26 earnings of PKR 24.4bn (EPS PKR 16.9), down by 3%y/y compared to PKR 25.2bn (EPS PKR 17.7) in the similar period last year. On quarterly basis, profitability was up by +39%q/q during 2QCY26.
- The Company informed that payout ratio would normalize around ~70% going forward compared to ~86% in 2QCY26. The management also stated that the Company does not intend to do a stock split in the near future.
- The management also reassured that FFBL plant remains operational with continued gas supply whereas AGL's plant remains shut due to RLNG shortage. Plant shutdown at Mirpur Mathelo for 15 days is expected in 3QCY26

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FFC reported decline in earnings of 3%y/y to PKR 16.9/share during 2QCY26

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Key highlights from management conference call

- The Company informed that payout ratio would normalize around ~70% going forward compared to ~86% in 2QCY26. The management also stated that the Company does not intend to do a stock split in the near future.
- The management also reassured that FFBL plant remains operational with continued gas supply whereas AGL's plant

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remains shut due to RLNG shortage. Plant shutdown at Mirpur Mathelo for 15 days is expected in 3QCY26.

- The management stated that fertilizer business contributed 55% to overall profitability while investment and dividend income contributed 13% and 32% respectively. FFC received dividend income of PKR 12.5bn during 1HCY26 from power investments, PKR 3.4bn from AKBL and PKR 3.0bn from PMP.

- Regarding PIA, the management stated that the acquisition is expected to remain on schedule and FFC paid the first tranche of PKR 30.6bn in Jun-26 while total of PKR 90bn was paid by the consortium with second tranche expected to be paid in 12 months. The Consortium now holds 66.67% stake in PIA. FFC's total committed investment stands at PKR 63bn.

- FFC's urea sales increased by +26%y/y to 1,404ktons during 1HCY26 with market share rising by 8ppts to 56%. DAP sales were up by +17%y/y to 163ktons with market share rising by 2ppts to 65% during 1HCY26. The Company reaffirmed its urea offtake target of 6.6mn tons led by demand recovery with adequate inventory levels and no further increase in prices. However, DAP prices may increase owing to rise production cost. Sulphur and phosphoric acid prices have increased sharply due to geopolitical disruptions where Sulphur prices have risen by US$ 300/ton to US$ 1,200-1,300/ton. The Company expects these prices to remain elevated for next 3-4 months.

- FFC launched 6 new specialty crop nutrition products in collaboration with Yara International which is expected to contribute US$ 3mn to sales in the remainder of CY26. The Company has set US$ 6mn Capex target to enhance Yara product sales.

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