

Day Break

Tuesday, July 23, 2024



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Earnings Preview 2QCY24

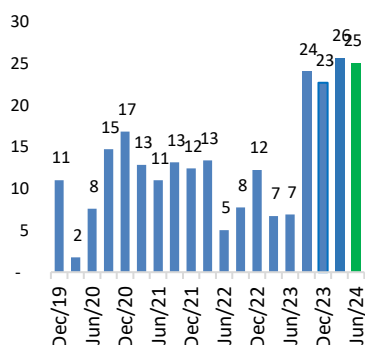
EPS Estimate for 2QCY24

PKR	2Q'24e	y/y	1Q'24	q/q
EFERT	3.9	4.9x	8.1	-51%
FFC	12.2	2.9x	8.3	48%
FFBL	3.2	8.6x	3.3	-4%

DPS Estimate for 1QCY24

PKR	2Q24e	1Q24	1H24
EFERT	4.0	8.0	12.0
FFC	8.3	5.5	13.8
FFBL	-	-	-

Exhibit: Fertilizer Sector Historical Earnings (PKRbn)



Fertilizer

Sector Earnings to jump up by +3.6xy/y during 2QCY24

- IGI Fertilizer universe earnings is expected to incline by +3.63xy/y in 2QCY24 to PKR 25.0bn compared to PKR 6.9bn in the same period last year. Earnings accretion is expected on the back of higher fertilizer prices and offtake as compared to last year. On sequential basis, earnings are expected to decline by -2%q/q.
- EFERT is expected to report earnings of PKR 5.3bn (EPS: PKR 3.9) +5x higher compared to PKR 1.1bn (EPS: PKR 0.8). We expect FFC to register earnings of PKR 15.6bn (EPS: PKR 12.2) up by +2.9xy/y compared to PKR 5.3bn (EPS: PKR 4.2) in the same period last year.
- FFBL is expected to post earnings of PKR 4.2bn (EPS: PKR 3.3) as compared to a PAT of PKR 0.5bn (EPS: PKR: 0.4). On a quarterly basis, earnings are expected to decline by -4%q/q mainly due to increase in gas costs leading to lower gross margins.

Fertilizer Sector: Earnings to jump by +3.6xy/y to PKR 25.0bn in 2QCY24

IGI Fertilizer universe earnings is expected to incline by +3.63xy/y in 2QCY24 to PKR 25.0bn compared to PKR 6.9bn in the same period last year. Earnings accretion is expected on the back of higher fertilizer prices and offtake as compared to last year. On sequential basis, earnings are expected to decline by -2%q/q. Total earnings for 1HCY24 are expected to clock in at PKR 50.6bn (EPS PKR 39.1), up by 3.7xy/y compared to PKR 13.6bn (EPS PKR 10.5) in the same period last year.

Exhibit: Fertilizer sector profit after tax preview for 2qCY24

Period end	Jun/24	Mar/24	q/q	Jun/23	y/y	1H'24e	y/y
EFERT	3.9	8.1	-51%	0.8	4.9x	12.0	194%
FFC	12.2	8.3	48%	4.2	2.9x	20.5	100%
FFBL	3.2	3.3	-4%	0.4	8.6x	6.6	nm
Total (in PKRbn)	25.0	25.6	-2%	6.9	3.6x	50.6	3.7x

Source: Company Accounts, IGI Research

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EFERT: Earnings to increase by +5xy/y during 2QCY24e to PKR 3.9/share

Engro Fertilizers Limited's (EFERT) board meeting is scheduled on 30th-Jul-2024 to announce financial result for 2QCY24, where we expect the

Company to report earnings of PKR 5.3bn (EPS: PKR 3.9) +5xy/y higher compared to PKR 1.1bn (EPS: PKR 0.8) in the same period last year. On a quarterly basis earnings are expected to decline by -51%q/q mainly due to decline in the Company's offtake as its Enven plant was offline for a 55-days long Annual Turnaround (ATA) until mid Jun-24. We attribute the incline in the earnings on yearly basis during 2QCY24 to higher retention prices with urea and DAP prices rising by ~50% and ~15% respectively. This brings total earnings for 1HCY24 to PKR 16.1bn (EPS PKR 12.0), up by 2.9xy/y compared to PKR 5.5bn (EPS PKR 4.1) in the same period last year. We expect the Company to announce cash dividend of PKR 4.0/share along with the result.

FFC: Earnings to appreciate by +2.9xy/y to PKR 12.2/share during 2QCY24

Fauji Fertilizer Company Limited (FFC) board meeting will be held on 30th-Jul-24 where it is expected to register earnings of PKR 15.6bn (EPS: PKR 12.2) up by +2.9xy/y compared to PKR 5.3bn (EPS: PKR 4.2) in the same period last year. On a quarterly basis, earnings are expected to increase by +48%q/q. We attribute the growth in the earnings during 2QCY24 on yearly basis to higher retention prices. Moreover, as the gas costs for the Company remain low compared to other players, FFC is expected to post gross margins of ~51%. This brings total earnings for 1HCY24 to PKR 26.1bn (EPS PKR 20.5), up by 2xy/y compared to PKR 13.1bn (EPS PKR 10.3) in the same period last year. We expect the company to announce cash dividend of PKR 8.3/share along with the result.

FFBL: Earnings to clock in at PKR 3.3/share during 2QCY24

The board meeting of Fauji Fertilizer Bin Qasim Limited (FFBL) is scheduled on 25th-Jul-24 where we expect the Company to post earnings of PKR 4.2bn (EPS: PKR 3.3) as compared to a PAT of PKR 0.5bn (EPS: PKR: 0.4) in the same period last year. On a quarterly basis, earnings are expected to decline by -4%q/q mainly due to increase in gas costs leading to lower gross margins which are estimated to arrive at ~15%. We attribute the growth in earnings during 2QCY24 on yearly basis on the back of higher retention prices and DAP off-takes. This brings total earnings for 1HCY24 to PKR 8.5bn (EPS PKR 6.6) as compared to a loss of PKR 5.0bn (LPS PKR 3.8) in the same period last year.

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