

Flash Note

Tuesday, 31 July 2018

Fertilizer

FFC: Earnings clocked in at PKR 1.93/share, up by +51%YoY for 2QCY18

- Fauji Fertilizer Company Limited (FFC) announced its financial results for 2QCY18 with unconsolidated earnings clocking at PKR 2.5bn (EPS: PKR 1.93) as compared to PKR 1.6bn (EPS: PKR 1.28) in the same period last year. In addition, the Company also announced a cash dividend of PKR 1.40/share, taking total payout for 1HCY18 to PKR 3.15/share.
- Net sales jumped by +20%YoY to PKR 22.7bn during the period led by price increases, which also increased gross margins by +470bpsYoY to 24%.
- Other income decreased by 23%YoY to PKR 2.16bn, attributed to low dividend income and decrease in urea subsidy.
- In addition, finance cost dropped by 42%YoY to PKR 0.38bn owing to low short-term financing and debt repayments.
- Effective tax rate for the period stood at 43% owing to super-tax charge.

Exhibit:

FFC: 2QCY18 Result Highlights

Period End Dec- PKRmn	2QCY18	2QCY17	YoY	1HCY18	1HCY17	YoY
Net Sales	22,708	18,971	20%	43,266	30,161	43%
Gross Profit	5,427	3,637	49%	9,520	6,238	53%
Selling / Dist.	2,444	2,395	2%	4,370	4,070	7%
Other Op. Income	2,158	2,788	-23%	4,244	5,567	-24%
EBIT	4,685	3,669	28%	8,556	7,065	21%
Finance Cost	388	666	-42%	765	1,202	-36%
Pre-Tax Profits	4,297	3,003	43%	7,791	5,863	33%
Taxation	1,847	1,378	34%	3,076	2,046	50%
Post-Tax Profits	2,450	1,625	51%	4,715	3,817	24%
EPS	1.93	1.28		3.71	3.00	
DPS	1.40	1.00		3.15	2.50	

Key Ratios

Gross Profit Margins	23.9%	19.2%	22.0%	20.7%
Ebit Margins	20.6%	19.3%	19.8%	23.4%
Effective Tax Rate	43.0%	45.9%	39.5%	34.9%

Source: IGI Research, Company Financials, PSX

No. of shares :1,272mn

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Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, Last Closing: Latest closing price, Market Cap.: Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. EPS: Earnings per Share. DPS: Dividend per Share. ROE: Return on equity is the amount of net income returned as a percentage of shareholders' equity. P/E: Price to Earnings ratio of a company's share price to its per-share earnings. P/B: Price to Book ratio used to compare a stock's market value to its book value. DY: The dividend yield is dividend per share, divided by the price per share. CY/FY: Calendar/Fiscal/Financial Year. YoY/ QoQ/ MoM: Year-on-Year, Quarter-on-Quarter, Month-on-Month. Th /Mn /Bn /Tn: Thousands/Million/Billion/Trillion.

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