

Tobacco

PAKT: 1HCY25 Management Call Takeaways

- Pakistan Tobacco Company Limited (PAKT) held a corporate briefing session to discuss the 1HCY25 financial results and provide key insights on the future outlook for the Company.
- Revenues grew 19% y/y to PKR 69.4Bn, with PAT up 30% y/y to PKR 14.3Bn (EPS: PKR 55.8). Export turnover surged 3.5x y/y to PKR 10Bn, lifting gross margin to 47.3% (vs. 40.6% SPLY) and operating margin to 34.7% (vs. 26% SPLY).
- During 1HCY25, The Company sold 13.5Bn sticks and around 280,000 Velo pouches. Cigarettes and exports remained the main revenue drivers, while modern oral products (Velo) contributed ~4–5% of total sales, currently at breakeven but not yet profitable.

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Key highlights from Corporate Briefing

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- Management highlighted exports as the standout earnings driver, noting that Pakistan-made cigarettes are perceived as premium quality in global markets. This helped margins recover, though achieving CY23 gross margin of 54% remains difficult. They also expect Velo exports to grow in the coming periods.
- Management highlighted that operationally, floods had minimal impact as most of the crops were already harvested but the leaf costs remain elevated.

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- With 48bn sticks capacity, PAKT has room to capture additional export demand.
- Management highlighted that domestically, annual cigarette consumption stands at 80Bn sticks, with 57% illicit trade. Although PAKT holds a 35% market share but it continues to face a PKR 50 price gap between smuggled and duty paid cigarettes, which undercuts the volume.
- Margins are expected to stay stable, and management confirmed no delisting plans.

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