

# Avanceon Limited & Octopus Digital Limited

## Corporate Briefing Takeaways

### Management Conference Call

The management of Avanceon Limited (AVN) and Octopus Digital Limited held a corporate briefing session on 17<sup>th</sup> May'23 to discuss the company's financial performance and future outlook.

### Brief Takeaways

- To recall, the company posted a consolidated profit after tax of PKR 2,058mn in CY22 compared to PKR 1,600mn in CY21, up by 29% due to the sharp appreciation of the USD which resulted in higher revenue in terms Pak Rupee and higher exchange gain.
- The management informed lack of LC approvals by SBP for imports resulted in USD 50mn revenue instead of the projected USD 56mn. On a country-wise basis, the revenue of USD 11mn, USD 8mn, USD 23mn, and USD 7mn came from Pakistan (ex-Octopus Digital Limited), Saudi Arabia, Qatar, and UAE, respectively.
- As of 1st Jan'23, the company had a backlog of USD 62mn. The company is targeting to achieve order generation of up to USD 104mn by the end of CY25. Out of the total target, the company projects to receive USD 20mn from Pakistan, USD 40mn from Qatar and Saudi Arabia, and USD 40mn from UAE and North Africa by CY25.
- The company expects to expand into Central Asia and South East Asia during CY23.

### Local Business:

- Regarding business in Pakistan, the company seeks to organically expand its core operations. In this regard, the company will be focusing on retail service business, EPC projects, and building technologies expansion.
- Furthermore, an additional growth strategy will be in place to maximize the company's order generation.
- By 2025, the management expects to have a backlog of USD 20mn from local operations (ex-Octopus Digital Limited).
- In Process Business, the company expects to receive the first orders from MPCL, UEP, and MOL for the wellhead control panel in CY23. Furthermore, for metering skids and injection skids orders are anticipated from MPCL and Shell.

### Middle East and African business:

- In Qatar, the management informed that construction of the staging area facility phase II is ongoing.
- Keeping in view Ashgal in Qatar has a vast installation base, the company is contemplating to do further expansion.
- In Saudi Arabia, the company has completed market survey, while meeting with End User, OEMs and some interested partners is concluded for retail business. The company's first sales from retail business is expected during CY23.
- The company has also entered into a partnership with ZOMCO in Saudi Arabia to fulfill banking facilities such as the issuance of bid bonds, performance, retention bonds, and insurance. The partnership will enable the company to qualify for projects of Saudi Aramco.
- The company plans to adopt After Market Support model (similar to the one offered by Octopus Digital Limited) for retail business in Saudi and other Middle East.
- The company is focusing Smart Cloud Solutions such as Smart City Projects and Disaster Recovery Cloud based solutions.
- In UAE, the company is aiming to get ADNOC based projects, which will help it to improve market share.
- The management told that Nigeria Team deployment is still in progress.

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### Process Business Unit:

- The company has developed a new Process Business Unit, which as per management's estimates will have a backlog of USD 20mn by CY25.
- The company aims to line up with the right channel partners.
- The product offering from this business will be Skid packaged equipment, chemical injection, wellhead control systems, membrane systems, off grid solar systems, modular process packages and others. With these products the company will be targeting EPC companies, NOC/Operators, oilfield service companies, MNC instrument companies, and package manufacturers.

### Octopus Digital Limited:

- OCTOPUS posted a profit after tax of PKR 405mn (EPS: PKR 2.96) in CY22 compared to PKR 346mn (EPS: PKR 2.53), up by 17% YoY.
- The management forecasts that revenue and profit after tax of OCTOPUS to climb up to USD 9mn and USD 2mn in CY23. The management expects AMS Pakistan, AMS Middle East, Digital, and EmpiricAI to generate a revenue of USD 3.3mn, USD 3.7mn, USD 0.5mn, and USD 1.4mn, respectively.
- The management informed that the OCTOPUS consists of Digital business and services business (shifted from Avanceon Limited to Octopus Digital Limited).
- As per management, After Market Services and Digital businesses are expected to contribute USD 13mn and USD 24mn, respectively towards the end of CY27.
- The management informed that the company's revenue is expected to reach 1.5mn subscribers by Jul'24.
- The management shared that the OCTOPUS is being registered in UAE, after which it will be able to serve Middle East subscribers.
- The company during CY22 made international sales to Genset Solutions (USA), Digital Log (Nigeria), and Skid Solution (Saudi Arabia).
- As of May'23, the company has fully delivered products such as OmniConnect and Digital Log to clients. By Sep'23, the company is expected to deliver products such as ML Solutions, Fintech Fuel Lorry, Genset, Chiller Solution and others to the clients.
- Currently, the company is targeting to develop Omiconnect business plan for short to medium term 2023- 2024 within 30 and 60 days from US and European Market Consultant, respectively to expand footprint in US and Europe
- The company plans to develop strategic partnership with Google and Microsoft during CY23.

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