

Service GlobalFootwear Limited (SGF)

Corporate Briefing Notes

Service Global Footwear Limited (SGF) held its corporate briefing session today to discuss the financial performance of CY22 and discussed its future outlook.

Key Highlights

- With total market capitalization of PKR6bn, the Company reported a total revenue of PKR12bn, contributed by the 98% exports and 2% local sales.
- Net profit of the Company plunged by 15% YoY to PKR342mn in CY22 compared to PKR403mn in FY21. As per management, the European recession and inflationary pressure in Pakistan had negatively impacted the net profit of the company.
- The gross export sales of SGF stood at PKR11.5bn (3.6mn pairs) while local sales amounted to PKR257mn (0.26mn) during FY22.
- Management highlighted that the sales of PKR9bn exported to the primary European markets of Italy and Germany.
- The global market size of safety shoes is PKR30bn and SGF is committed to acquire three-fourth of the share by investing in the latest technology.
- Besides earnings, the company also announced a cash dividend of PKR3.5/sh. ROE remained stable at 6% during CY21 and CY22. However, the market price increased by 28% YoY to Rs.46.36 in CY22 vs PKR13.22 in CY21.
- The management highlighted that tax to profit ratio has increased by 50% due to the imposition of super tax in CY22.
- The total assets of the SGFL increased by 95% in four years and amounted to PKR14.4bn as of Dec'22.
- Regarding Service long march, the company is targeting Brazil and USA along with improved capacity utilization to 90% in next year. To note, current capacity utilization is 70-75%.
- The consolidated performance of the company remained solid with revenue growth of 18% YoY followed by gross profit 43%, EBITDA 41% and net profit by 43%, respectively.

Future Outlook

Going forward, SGFL aims to achieve the sales target of PKR15-16bn in the next fiscal year. The management also shared the strategic alliance with a footwear company in the United States to pursue expansion and increase exports. Moreover, a subsidiary in China is likely to provide a competitive edge to the SGF regarding the technology, cost efficiency and sale proceeds.

Important Disclosures

Disclaimer: This report has been prepared by Chase Securities Pakistan (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation or any offer to buy. While reasonable care has been taken to ensure that the information contained in this report is not untrue or misleading at the time of its publication, Chase Securities makes no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Chase Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report Chase Securities as a firm may have business relationships, including investment banking relationships with the companies referred to in this report This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report and Chase Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents At the same time, it should be noted that investments in capital markets are also subject to market risks This report may not be reproduced, distributed or published by any recipient for any purpose.

Analyst certification: The research analyst for this report certifies that 1.all of the views expressed in this report accurately reflect her personal views about the subject and 2.no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.