

Pakistan Fertilizer

FFC PA: 2QCY23 Analyst briefing key takeaways

Fauji Fertilizer Company Limited has conducted its 2QCY23 analyst briefing to discuss financial results and future outlook. We have summarized key takeaways from the briefing.

- FFC has posted EPS of PKR4.20 in 2QCY23 vs. PKR2.64 in SPLY, whereas, in 1QCY23 company has posted PAT of ~PKR7.7bn (EPS: PKR6.08), down by 31% QoQ, mainly due to imposition of super tax. Along with the result, company has also announced dividend of PKR3.15/share in 2QCY22, taking 1HCY23 dividends to PKR7.41/share.
- In dollar terms company's profitability clocked in at US\$48mn in 1HCY23 vs. US\$52mn SPLY, down by 8% YoY, attributable to capex and maintenance of aging plant.
- Industry's urea offtakes have declined by 4% YoY to clock in at 3,101kt in 1HCY23 vs. 3,248kt in SPLY. Similarly, industry's DAP offtakes has declined by 14% YoY to clock in at 476kt in 1HCY23. To note, FFC has recorded market share of 40% & 11% of urea & DAP, respectively.
- Gross margins for the quarter increased by 6ppts YoY to clock in at 47%. The increase in margins was mainly attributable to cost efficiency measures taken by the company.
- Management commented that after plant turnaround the efficiency of plant has increased which translated in lower energy cost for the quarter.
- A planned maintenance is scheduled in 2HCY23, however further details are still awaited.
- Management mentioned that it has to import chemical, spares and lubes to ensure continuous operation of plant. However, company is well prepared for any import issue in near future, as company currently have spares for at least 12 months.
- Company booked PKR4.9bn super tax in 2QCY23. To note ETR for the quarter clocked in at 61%.
- Company stated that other income in 2QCY23 was mainly derived from Income from mutual funds.
- On other business company highlighted that Fauji Fresh n Freeze has first time achieved net profit since inception and posted growth in revenue by 109%.

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- Discounted cash flow (DCF)
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Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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