

AHL Alert: Leather & Tanneries

Service Global Footwear Limited

Result Review: EPS arrives at PKR 2.25 in 1HCY24

2QCY24: Bottom-line shrinks by 59% YoY

Service Global Footwear Limited (SGF) announced its 1HCY24 financial result with a unconsolidated profit after tax of PKR 461mn (EPS: PKR 2.25), portraying an increase of 6% YoY. On a quarterly basis, the unconsolidated earnings clocked in at PKR 75mn (EPS: PKR 0.37), plunging by 59% YoY, during 2QCY24.

Result Highlights

- Topline during 1HCY24 clocked in at PKR 8,287mn, displaying a jump of 12% YoY in contrast to PKR 7,417mn in SPLY, amid PKR depreciation and an increase in exports. During 2QCY24, sales declined by 2% YoY | 18% QoQ, due to suppressed demand.
- During 1HCY24 gross margin arrived at 16.5%, down from 21.5% during SPLY mainly due to increase in raw material and fuel cost. For the same reasons, gross margins posted a decline of 880bps during 2QCY24, reaching at 14.3%.
- Administrative expense rose by 18% YoY settling at PKR 178mn during 2QCY24, attributed to increase in employees' wages and salaries.
- Other income declined by 53% YoY to clock in at PKR 105mn in 2QCY24, on the back of lower interest earned on diminishing long-term loan to the parent company.
- The share of profit from associates, amounting to PKR 230mn in 2QCY24, represents the stake adjusted (18.9%) profit after tax of Service Long March (SLM).
- The company booked effective taxation at 68.1% in 2QCY24 vis-à-vis 49.0% in 2QCY23.

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Exhibit: Financial Highlights

| (PKR mn) | 1HCY24a | 1HCY23a | YoY | 2QCY24a | 2QCY23a | YoY | QoQ |
|-------------------------------------|---------|---------|-------|---------|---------|------|------|
| Net Revenue | 8,287 | 7,414 | 12% | 3,745 | 3,826 | -2% | -18% |
| Cost of Sales | 6,922 | 5,817 | 19% | 3,209 | 2,940 | 9% | -14% |
| Gross Profit | 1,365 | 1,596 | -15% | 536 | 886 | -39% | -35% |
| Admin Expense | 351 | 297 | 18% | 178 | 152 | 18% | 3% |
| Other Income | 149 | 430 | -65% | 105 | 224 | -53% | 141% |
| Share of profit (loss) of associate | 592 | 43 | 13.9x | 230 | 41 | 467% | -36% |
| PBT | 783 | 690 | 13% | 236 | 365 | -35% | -57% |
| Taxation | 322 | 254 | 27% | 161 | 179 | -10% | 0% |
| PAT | 461 | 435 | 6% | 75 | 185 | -59% | -81% |
| EPS (PKR) | 2.25 | 2.13 | | 0.37 | 0.91 | | |
| DPS (PKR) | - | - | | - | - | | |

Source (s): Company Financials, AHL Research

Muhammad Abrar

D: +92 21 38280264

UAN: +92 21 111 245 111, Ext: 255

E: muhammad.abrar@arifhabibltd.com