

AHL Alert: Leather & Tanneries

Service Global Footwear Limited

Result Review: EPS clocked in at PKR 3.97 in 9MCY24

Profitability remained stagnant at PKR 1.75/share in 3QCY24

Service Global Footwear Limited (SGF) announced its 9MCY24 financial result with an unconsolidated profit after tax of PKR 818mn (EPS: PKR 3.97), portraying an increase of 3% YoY. On a quarterly basis, the unconsolidated earnings clocked in at PKR 357mn (EPS: PKR 1.75), remaining stagnant during 3QCY24.

Result Highlights

- Topline during 9MCY24 clocked in at PKR 12.9bn, displaying an increase of 8% YoY in contrast to PKR 11.9bn in SPLY. During 3QCY24, sales improved by 3% YoY | 25% QoQ, primarily driven by a surge in shoe sales as a result of pre-holiday consumer demand.
- During 9MCY24 gross margin arrived at 16.8%, down from 22.1% during SPLY mainly due to increase in raw material and fuel cost. For the same reasons, gross margins posted a decline of 550bps during 3QCY24, reaching at 17.5%.
- Administrative expense rose by 15% YoY settling at PKR 203mn during 3QCY24, attributed to increase in employees' wages and salaries.
- Other income declined by 49% YoY to clock in at PKR 77mn in 3QCY24, on the back of lower interest earned on diminishing long-term loan to the parent company due to declining interest rates.
- The share of profit from associates, amounting to PKR 352mn in 3QCY24, represents the stake adjusted (18.9%) profit after tax of Service Long March (SLM).
- The company booked effective taxation at 21.4% in 3QCY24 vis-à-vis 26.9% in 3QCY23.

Exhibit: Financial Highlights

(PKR mn)	9MCY24a	9MCY23a	YoY	3QCY24a	3QCY23a	YoY	QoQ
Net Revenue	12,951	11,940	8%	4,665	4,526	3%	25%
Cost of Sales	10,772	9,302	16%	3,850	3,485	10%	20%
Gross Profit	2,179	2,637	-17%	814	1,041	-22%	52%
Gross Margins	16.8%	22.1%		17.5%	23.0%		
Admin Expense	554	473	17%	203	176	15%	14%
Other Income	225	582	-61%	77	151	-49%	-27%
Share of profit (loss) of associate	944	212	13.9x	352	170	107%	53%
PBT	1,236	1,177	5%	454	488	-7%	93%
Taxation	419	386	9%	97	131	-26%	-40%
PAT	818	792	3%	357	357	0%	375%
EPS (PKR)	3.97	3.87		1.75	1.74		

Source (s): Company Financials, AHL Research

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