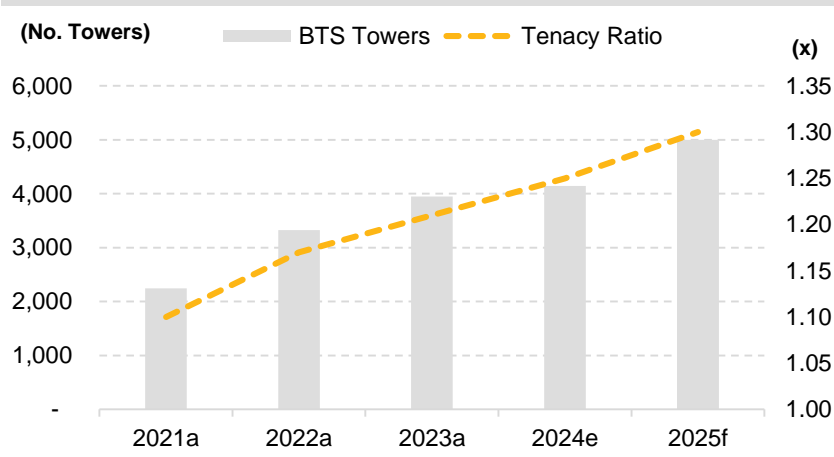


Engro Corporation Limited

Merger of Engro Connect with Jazz’s Deodar (Pvt) Ltd

- Engro Corporation has entered into an amalgamation agreement with Pakistan Mobile Communications Limited (Jazz), under which wholly owned subsidiary, Deodar (Pvt) Ltd will be merged into Engro Connect (100% subsidiary of ENGRO).
- As per the terms of the agreement, ENGRO will commit to the repayment of Deodar’s debt amounting to USD 375mn (PKR 104bn) along with an additional payment of USD 187.7mn (PKR 52bn) to Jazz.
- It is worth noting that ENGRO established Engro Connect Pvt Ltd as a wholly owned subsidiary in 2021. As of Sep’24, the company has invested PKR 21bn in this business. Engro Connect owns Engro Enfrashare, subsidiary which focuses on developing connectivity infrastructure for mobile network operators in Pakistan.
- As of Sep’24, Engro Enfrashare has successfully increased its tower sites to 4,143, capturing a 52% market share among towers owned by independent tower companies. Its tenancy ratio improved to 1.25x in 9MCY24, compared to 1.20x in 9MCY23. The company has set a target of achieving 5,000 tower sites by 2025. Moreover, Enfrashare holds a 36% market share in the co-location segment. The asset size of the tower business stands at PKR 69bn or PKR 16mn/tower.
- Post-merger, we estimate that the ENGRO will be able to generate a revenue of PKR 42bn and PKR 44bn in CY25 and CY26, respectively, from the newly acquired towers of around ~10,500 with expected profit of PKR 1,009mn and PKR 4,024mn in CY25 and CY26, respectively. For our analysis, we have assumed EBITDA margin of 55%.
- Jazz will continue to have access to Deodar’s extensive infrastructure portfolio through a long-term lease agreement. The scheme of arrangement will require corporate and regulatory approvals, as well as the sanction of the court.

Exhibit: Build to Suit towers of Engro Enfrashare over the years



Source (s): Company Accounts, AHL Research

Exhibit: Impact of Deodar (Private) Limited Merger

PKR mn	CY25	CY26	CY27	CY28	CY29
Revenue	41,871	44,453	47,262	50,953	55,030
EBITDA	23,029	24,449	25,994	28,024	30,266
Depreciation	7,822	7,844	7,867	7,889	7,912
Finance cost	13,553	10,008	7,506	5,004	2,502
PBT	1,655	6,597	10,622	15,131	19,853
PAT	1,009	4,024	6,479	9,230	12,110

Source (s): AHL Research

Engro Corporation Limited

6 December 2024

Merger of Engro Connect with Jazz’s Deodar (Pvt) Ltd

REP-300

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.