

## FFC | EFERT

### FFC: Profitability to arrive at PKR 60.23/share in CY24

The Board of Directors of Fauji Fertilizer Company Ltd (FFC) is scheduled to announce the financial result for CY24 on 29th Jan'25 (marking the first result post FFC and FFBL merger). We anticipate the newly merged entity to report a net profit of PKR 85,716mn (EPS: PKR 60.23), reflecting a massive jump of 2.5x YoY. This surge is projected to come on the back of 34% YoY growth in net sales, which is attributed to i) 8% and 5% YoY increase in total urea and total DAP sales, respectively, and ii) 39% and 9% YoY rise in the prices of urea and DAP, respectively. On a quarterly basis, profitability is expected to surge by 2x YoY to PKR 24,596mn (EPS: PKR 17.28). In 4QCY24, the prilled urea offtake of FFC experienced a 16% YoY increase, while granular urea sales of FFBL witnessed a significant growth of 83% YoY. Meanwhile, locally produced and imported DAP offtake ascended by 31% and 3x YoY, respectively. Additionally, urea prices increased by 12% YoY, while DAP prices declined by 8% YoY. However, the gross margins are expected to shrink by 487bps to 30.78% in 4QCY24 due to higher gas prices and an increase in phosphoric acid costs. On the other hand, other income is projected to grow by 25% YoY, on account of expectation of dividend income from subsidiaries. Meanwhile, finance costs are expected to decline by 26% YoY, owing to a reduction in interest rates. Lastly, we expect FFC to announce a final cash dividend of PKR 29.00/share (total PKR 42.86/share for CY24).

#### Exhibit: Financial Highlights

| (PKR mn)     | CY24e   | CY23a   | YoY  | 4QCY24e | 4QCY23a | YoY  | QoQ |
|--------------|---------|---------|------|---------|---------|------|-----|
| Net Sales    | 473,988 | 352,536 | 34%  | 153,609 | 99,615  | 54%  | 42% |
| Gross Profit | 156,039 | 97,362  | 60%  | 47,273  | 35,509  | 33%  | 17% |
| Finance cost | 9,112   | 14,451  | -37% | 2,033   | 2,762   | -26% | -2% |
| PAT          | 85,716  | 34,076  | 3x   | 24,596  | 11,508  | 2x   | 0%  |
| EPS (PKR)*   | 60.23   | 23.94   |      | 17.28   | 8.09    |      |     |
| DPS (PKR)*   | 42.86   | 14.75   |      | 29.00   | 4.57    |      |     |

Source (s): Company Financials, AHL Research, \*@1,423mn shares

### EFERT: Bottom-line to climb up to PKR 23.20/share in CY24

Engro Fertilizer Ltd (EFERT) is set to unveil its financial results for CY24 soon, where we expect the company to report a net profit of PKR 30,985mn (EPS: PKR 23.20), showcasing 18% YoY increase. Net sales are estimated to increase by 13% YoY, driven by higher urea and DAP prices coupled with a 10% YoY rise in DAP sales. However, urea sales declined by 13% YoY due to a 55-day shutdown at the EnVen plant for maintenance, which resulted in lower urea production. In 4QCY24, EFERT's earnings are expected to grow by 17% YoY, reaching PKR 13,005mn (EPS: PKR 9.74). The gross margins are projected to improve by 132bps to 40.04%, supported by growth in urea offtake and higher urea prices. However, other income is expected to drop by 90% YoY due to reduced income from cash and cash equivalent along with lower interest rates. Meanwhile, the finance cost is anticipated to surge by 6x YoY, amid higher borrowings. Additionally, EFERT is expected to announce a final cash dividend of PKR 8.50/share (PKR 22.00/share in CY24).

#### Exhibit: Financial Highlights

| (PKR mn)     | CY24e   | CY23a   | YoY | 4QCY24e | 4QCY23a | YoY | QoQ |
|--------------|---------|---------|-----|---------|---------|-----|-----|
| Net Sales    | 253,143 | 223,705 | 13% | 81,298  | 75,174  | 8%  | 39% |
| Gross Profit | 75,196  | 72,297  | 4%  | 32,555  | 29,109  | 12% | 78% |
| Finance Cost | 4,431   | 1,911   | 2x  | 1,770   | 274     | 6x  | 39% |
| PAT          | 30,985  | 26,191  | 18% | 13,005  | 11,147  | 17% | 52% |
| EPS (PKR)    | 23.20   | 19.61   |     | 9.74    | 8.35    |     |     |
| DPS (PKR)    | 22.00   | 20.50   |     | 8.50    | 8.00    |     |     |

Source (s): Company Financials, AHL Research

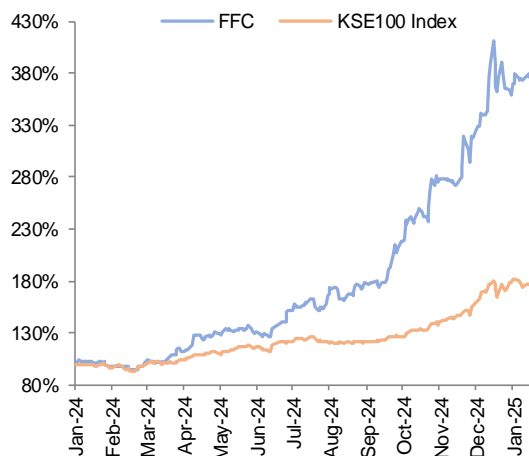
### FFC

Last Closing 408.06

PSX Code FFC

Bloomberg Code FFC PA

#### Relative Performance



Source (s): PSX, AHL Research

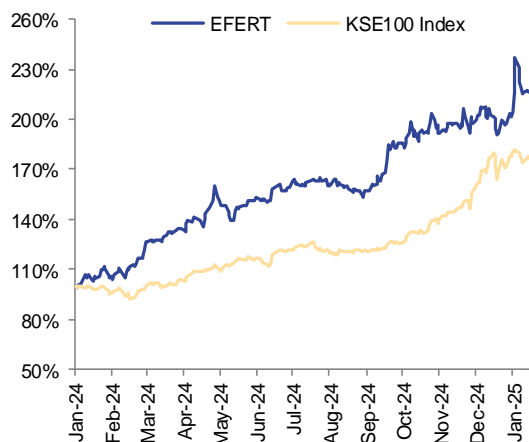
### EFERT

Last Closing 223.14

PSX Code EFERT

Bloomberg Code EFERT PA

#### Relative Performance



Source (s): PSX, AHL Research

#### Muhammad Iqbal Jawaid

iqbal.jawaid@arifhabibltd.com

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

[www.arifhabibltd.com](http://www.arifhabibltd.com)

**Analyst Certification:** The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

### Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2025 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

| Rating | Description  |
|--------|--|
| BUY    | Upside* of subject security(ies) is more than +15% from last closing of market price(s)        |
| HOLD   | Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s) |
| SELL   | Upside* of subject security(ies) is less than -15% from last closing of market price(s)        |

### Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

### Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

**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.