

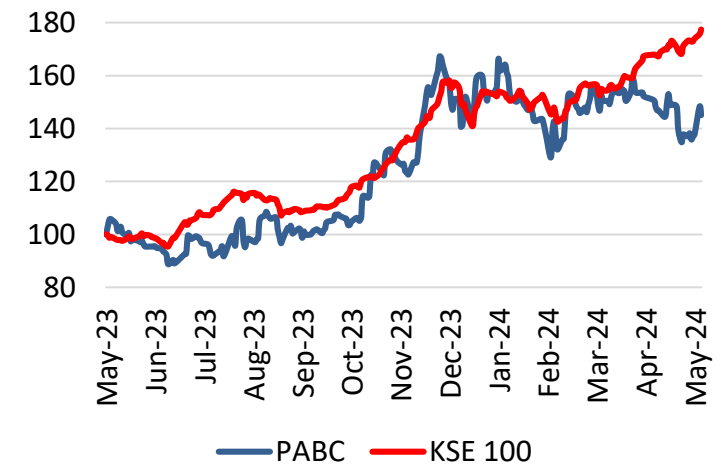
Pakistan Aluminium Beverage Cans Limited

Corporate Briefing Session CY23 – Key Takeaways

20 May 2024

- **CY23 Result.** EPS: PKR 13.90 (+86% Y/Y) | DPS: PKR 3.50 (Nil SPLY)
- **Result update.** Despite facing economic challenges due to both global and domestic geopolitical factors, the company saw a substantial increase in net sales, rising to PKR 19.74 BN (39% Y/Y). This growth can be attributed to capacity expansion in Jul-22, a favorable PKR/USD exchange rate, and improved pricing. As a result, the company reported an EPS of PKR 13.90 in CY23 (+86% Y/Y).
- **Capacity expansion.** The name plate Can manufacturing capacity increased from 950 MN to 1.2 BN cans per year in Jan-24, effectively meeting peak season demand (May to Sep), and achieving operational and cost efficiencies.
- **PABC financial outlook.** A revenue of ~PKR 18 BN is projected for FY24, with expected sales volume of ~750 MN cans. According to management, revenues and volumes may vary due to macro-economic factors, border situation with neighboring countries, especially Afghanistan, and demand conditions, primarily in the local market.
- **Volume mix shifted more towards exports in CY23.** It's noteworthy that while overall sales exhibited significant growth (+13% Y/Y), domestic sales declined due to reduced local consumption influenced by inflationary pressures. In CY23, export sales constituted 55% of gross sales, while the local mix was 45%, compared to 39% export and 61% local mix in SPLY.
- **110% Y/Y jump in revenues from Afghanistan in CY23.** According to the management, Afghanistan has a market size of 800 MN cans per year, significantly larger than Pakistan's market. The company is collaborating with more partners in Afghanistan as well.

Total Return Comparison



Source: Zakheera, Optimus Research

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- **Exports to Bangladesh.** Last year, the company secured two local customers in Bangladesh to diversify from issues arising in Afghanistan.
- **Local market of cans.** According to the management, the market for cans in Pakistan is 400 MN cans per annum. However, demand has been subdued due to inflationary pressures and the situation in Gaza.
- **Exploring new players in the local market.** PABC's local market is primarily based on the beverage market for Coke and Pepsi. Entering with new players like Cola Next, Pakola, and Gourmet Cola will take some time.
- **More capacities in Central Asia.** It is likely that PABC might experience reduced business from Uzbekistan with a couple of new plants coming online next year, targeting the Uzbek market.
- **Challenges persist.** The main challenges facing the company are 1) international conflicts, such as the ongoing situation at the Chaman Border, resulting in a shortage of vehicles for export routes, 2) economic volatility within Pakistan, and 3) increased competition due to growing production capacity in Central Asia. However, the company has mitigation strategies in place to address these issues.

Earnings Snapshot

PKR MN	4QCY23	3QCY23	2QCY23	1QCY23	4QCY22	Q/Q	Y/Y	CY23	CY22	Y/Y
Net sales	3,195	5,420	5,941	5,180	3,302	-41%	-3%	19,736	14,153	39%
Cost of sales	2,025	3,352	3,580	3,134	2,275	-40%	-11%	12,091	9,425	28%
Gross profit	1,170	2,069	2,361	2,046	1,027	-43%	14%	7,645	4,728	62%
Selling/distribution expenses	(118)	178	636	100	226	-166%	-152%	797	514	55%
Administrative expenses	112	208	129	131	104	-46%	8%	580	360	61%
Operating profit	1,176	1,682	1,597	1,814	697	-30%	69%	6,268	3,854	63%
Financial charges	195	196	170	157	70	0%	179%	719	409	76%
Other income	35	115	295	15	44	-70%	-21%	460	223	106%
Other charges	173	74	190	270	162	135%	7%	706	537	32%
Profit before tax	842	1,528	1,532	1,401	509	-45%	66%	5,303	3,131	69%
Taxation	22	45	160	59	274	-52%	-92%	286	429	-33%
Profit after tax	821	1,483	1,372	1,343	235	-45%	249%	5,018	2,703	86%
EPS	2.27	4.11	3.80	3.72	0.65			13.90	7.48	
DPS	-	-	3.50	-	-			3.50	-	
Gross Margins	37%	38%	40%	39%	31%			39%	33%	
Net Margins	26%	27%	23%	26%	7%			25%	19%	
Effective Tax Rate	3%	3%	10%	4%	54%			5%	14%	

Source: Company Financials, Optimus Research

Analyst Certification

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