

PAKT

 Pakistan Tobacco Company Ltd.

PSX · TOBACCO

With VELO volumes accelerating and the stock trading well under its historical PE range, we are asking whether PAKT's current valuation is undemanding relative to its own history and its income profile

THE STORY

As you know, we have been following Pakistan Tobacco Company Limited (PAKT) closely, given its position as a major player in Pakistan's formal tobacco industry and its status as a subsidiary of British American Tobacco (BAT). The company manufactures and sells cigarettes, tobacco products, and VELO modern oral nicotine products, and it benefits from an established formal-sector distribution network alongside BAT's backing.

What has caught our attention this quarter is the company's reported **35% YoY** increase in VELO volumes in Q1 2026, which underscores the growing contribution of the modern oral nicotine category to the business. Alongside this, PAKT's financial profile remains characterized by relatively high operating margins.

On valuation, the stock trades at a trailing P/E of **9.64x**. The company paid an annual dividend of **PKR 150/sh** in 2025, which translated into a dividend yield of **10.7%**. As you'd expect us to point out, PAKT usually traded at a peak PE multiple ranging between **14x and 23x** over the last 5 years, and it maintained yearly sales growth of **~10% to 23%** over that same period.

We also note that PAKT's Price-to-Sales multiple currently stands at **2.15x**, which compares with a high of **4.5x** touched in 2021.

Taken together, we read this as a business with a durable formal-sector franchise and an emerging VELO growth leg, trading at multiples below its own recent historical range. The catalysts we are watching below will, in our view, shape how that gap closes or persists.

WHAT WE ARE WATCHING

- ▶ Formal-market enforcement: greater enforcement against illicit cigarette sales can influence the competitive position of compliant manufacturers like PAKT over coming quarters.
- ▶ VELO expansion: continued growth in the modern oral nicotine category, following the 35% YoY volume increase in Q1 2026, as a driver of portfolio diversification.
- ▶ Pricing and product mix: changes in product pricing and mix remain important drivers of revenue and margins going forward.

THE NUMBERS

VELO volume growth, Q1 2026
35% YoY

growing contribution of modern oral nicotine category

Trailing P/E
9.64x
Annual dividend, 2025
PKR 150/sh
Dividend yield
10.7%

based on the 2025 annual dividend of PKR 150/sh

Peak PE range, last 5 years
14x - 23x
Yearly sales growth, last 5 years
~10% to 23%
Price-to-Sales multiple, current
2.15x
Price-to-Sales multiple, high (2021)
4.5x

- ▶ Cost discipline: continued operating efficiency that can support margins amid changes in taxation and input costs.
- ▶ BAT relationship: PAKT's ownership structure provides ongoing access to BAT's international portfolio, expertise, and operating capabilities.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK**Price-to-earnings (P/E) ratio**

A price-to-earnings ratio compares a company's share price to its per-share earnings, and investors often use it to gauge how a stock is priced relative to its own history or relative to peers. A lower P/E relative to a company's historical range can suggest the market is pricing in less optimism than it has at other points in time, though the reasons for that gap always need to be examined on a case-by-case basis.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK**Dividend yield**

Dividend yield measures the annual dividend paid by a company as a percentage of its share price, giving investors a sense of the income return a stock offers independent of any change in its price. A higher yield can reflect either a generous payout policy or a lower share price relative to earnings, and investors typically weigh it alongside the sustainability of the underlying business before treating it as attractive.