

Maple Leaf Cement “MLCF” Buyback play | FY23 Review.

MLCF putting money in Maple Leaf Capital | No dividend announcement is disappointing for shareholders perspective

MLCF announced its FY23 earnings where, company has reported EPS of 5.3/sh – an increase of 33%yoy. MLCF did not announce dividend.

Gross Margin

28%

MLCF gross margin increased by 33%yoy to PKR 18bn, due to higher cement prices and use of alternative fuels and optimizing plant operations.

MLCF yields FY23 PE of 5.2x. **HOLD**

MLCF announced to put money in Maple Leaf Capital which could create value.

Net Margin

9%

Despite lower sales and higher fixed cost, the net profit reported at PKR 6bn, depicting an increase of 27%yoy, reported EPS of PKR 5.38/sh compared to PKR 4.15/sh in SPLY. The continuous increase in inflation and increase in KIBOR have increases the interest cost by 44%yoy to PKR 2bn. Furthermore imposition of supertax has also eaten away portion of MLCF’s profitability.

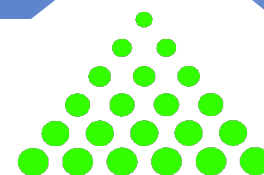
OPEX Ratio

77%

The notable increase in dollar value Vs PKR, higher interest rate, restriction in LCs and increased prices of coal at international market have increased Opex ratio to 77%.

MLCF announced buyback of its 100,000,000 shares at current market price from October 27,2023 to April 15, 2024.

PKR bn	FY23	FY22	Δ%
Net Revenue	62.07	48.51	28%
Cost of Sales	(44.46)	(35.28)	26%
Gross Profit	17.61	13.23	33%
Distribution Cost	(2.00)	(1.48)	35%
Administrative Expense	(1.40)	(0.98)	43%
Other expenses	(1.09)	(0.83)	32%
Net impairment loss on financial assets	(0.19)	(0.21)	-9%
Other Income	0.15	0.06	145%
Operating Profit	13.07	9.79	33%
Finance Cost	(2.38)	(1.65)	44%
Profit before taxation	10.69	8.14	31%
Income tax expense	(4.92)	(3.59)	37%
Profit after Taxation	5.77	4.56	27%
EPS			
Basic	5.38	4.15	30%



Disclaimer

‘Research Analyst’ Certification: ‘Research Analyst’ involves in this ‘Research Report’ certifies that:

- ‘Research Analyst’ or any of his close relatives do not have a financial interest in the securities of the ‘Subject Company’ aggregating more than 1% of the value of the ‘Subject Company’.
- Research Analyst or his close relative has neither served as a director/officer in the past 3 years nor received any compensation from the Subject Company in the previous 12 months.
- His compensation will not be related to the recommendations or views given in Research Report.

Distribution of ‘Research Report’

Standard Capital Securities (Pvt.) Ltd. will distribute Research Report to clients in a timely manner through electronic distribution vide email or through physical distribution such as courier express. Standard Capital will make all efforts; even so it is possible that not all clients may receive Research Report at the same time given technical glitches or breakdown/slowdown of internet during the process of sending emails.

‘Research Entity’ Disclosures

- Standard Capital Securities (Pvt.) Ltd. or any of its officers and directors does not have a significant financial interest (above 1% of the value of the securities) of the subject company.
- Standard Capital Securities (Pvt.) Ltd. employee including directors, officers or associates has not served the subject company in preceding 36 months.
- Subject Company is not been a client for Standard Capital Securities (Pvt.) Ltd. during the publication of Research Report
- Standard Capital Securities (Pvt.) Ltd. has not managed public offering, take over or buyback of securities for the Subject Company in the past 12 months neither receives any compensation from the subject company for corporate advisory or underwriting services in the past 12 months.
- Standard Capital Securities (Pvt.) Ltd. hasn’t recently underwritten/or not in the process of underwriting the securities of an issuer mentioned herein. Standard Capital Securities (Pvt.) Ltd. hasn’t have provided/providing advisory services to the issuer mentioned herein.

Risk disclosures impeding target price

The Subject Company is exposed to market risks, such as changes in interest rates, exchange rates, changes in raw material prices. Subject company can also exposed to risk such as derivative transaction or certain regulatory changes from government authorities

Rating System

Standard Capital Securities (Pvt.) Ltd. standardized recommendation structure i.e. positive, Hold and negative, based on rating system i.e.

- $(\text{Target Price, if any} / \text{Current Price} - 1) > 10\%$ Positive
- $(\text{Target Price, if any} / \text{Current Price} - 1) < -10\%$ Negative
- less than 10% $(\text{Target Price, if any} / \text{Current Price} - 1)$ Hold.
- The time duration is the financial reporting period of Subject Company.

Valuation method

Following research techniques adopted to calculate target price/recommendation

Price to earnings & Price to Book, EV-EBITDA multiple

Discounted Cash flows or Dividend Discount Model or Enterprise Value