

Packages Limited (PKGS)

2Q2018 EPS Rs8.3, -51% YoY (+372% QoQ); 1H2018 EPS Rs10.1, -69% YoY
In-line with expectations

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Dividend income from Tetra Pak supports earnings

PKGS: Financial Highlights (Consolidated)

Rs mn	2Q2018	2Q2017	YoY	QoQ	1H2018	YoY
Sales	13,247	6,749	96%	-2%	26,715	102%
Cost of sales	11,438	5,242	118%	0%	22,884	122%
Gross profit	1,809	1,506	20%	-11%	3,831	32%
Distribution and marketing expenses	675	389	74%	2%	1,338	76%
Administrative expenses	581	441	32%	-2%	1,173	40%
Other operating expenses	298	131	129%	297%	374	29%
Other income	43	39	11%	-7%	90	1%
Profit from operation	299	585	-49%	-60%	1,036	-6%
Investment income	1,494	1,852	-19%		1,494	-54%
Finance cost	503	256	97%	17%	931	122%
Share of profit/(loss) on investments	23	157	-86%	-23%	52	-73%
Profit / (loss) before tax	1,312	2,339	-44%	288%	1,651	-60%
Taxation	488	647	-25%	421%	582	-35%
Profit for the year	824	1,692	-51%	237%	1,069	-67%
Equity holders of the company	814	1,655	-51%	372%	987	-69%
EPS (Rs)	8.3	17.0			10.1	

Source: PSX, Topline Research

- Packages Limited (PKGS) announced 2Q2018 consolidated earnings of Rs814mn (EPS Rs8.3/share, down 51% YoY), in line with our estimates.
- Net revenues were up 96% YoY during the outgoing quarter due to 1) consolidation of Bulleh Shah Packaging (BSPL) sales and 2) revenue from Packages Mall.

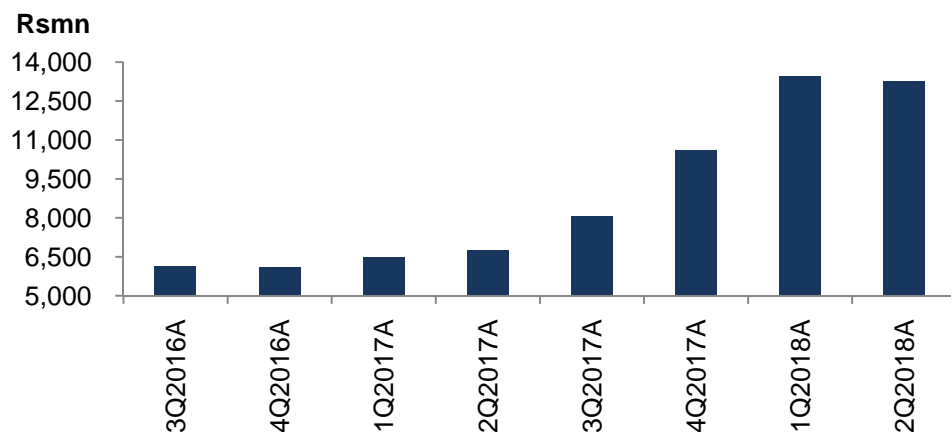
Dividend income from Tetra Pak supports earnings

- PKGS earnings were lower as BSPL's consolidation effect led to 1) lower gross margins, down 9ppts YoY to 14%, 2) higher SG&A expenses, up 51% YoY and increase in financial charges, up 97% YoY, we believe.
- On sequential basis, earnings were up 4.7x mainly due to dividend income of around Rs1bn from Tetra Pak. To recall, PKGS had a significant decline in earnings in 1Q2018 owing to absence of any dividend income (due to timing difference) from Tetra Pak, which was contrary to expectations. However, on yearly basis, investment income of PKGS suffered 19% decline mainly on the back of lower dividend income from Nestle Pakistan (NESTLE).
- We flag 1) BSPL's higher cost of production 2) decline in investment income and 3) higher than expected fuel & energy costs as key risks for PKGS.

PKGS: Key Numbers					
	2013A	2014A	2015A	2016A	2017A
EPS	17.8	24.7	33.8	52.7	109.4
Earnings Growth	NM	39%	37%	56%	108%
PE at Rs479	24.6	17.8	13.0	8.3	4.0
Dividend Yield	2%	2%	3%	6%	7%
ROE	4%	5%	7%	10%	18%
PBV	1.0	0.8	0.9	0.8	0.7

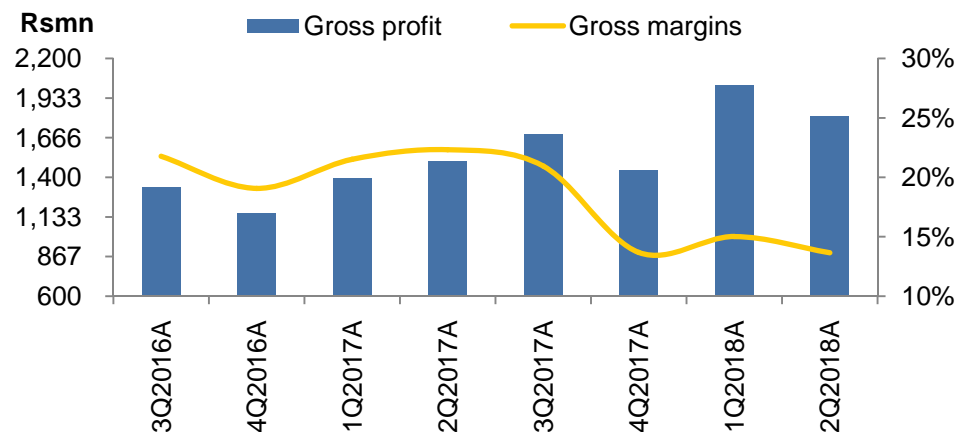
Source: Company Accounts, Topline Research

PKGS: Quarterly Sales



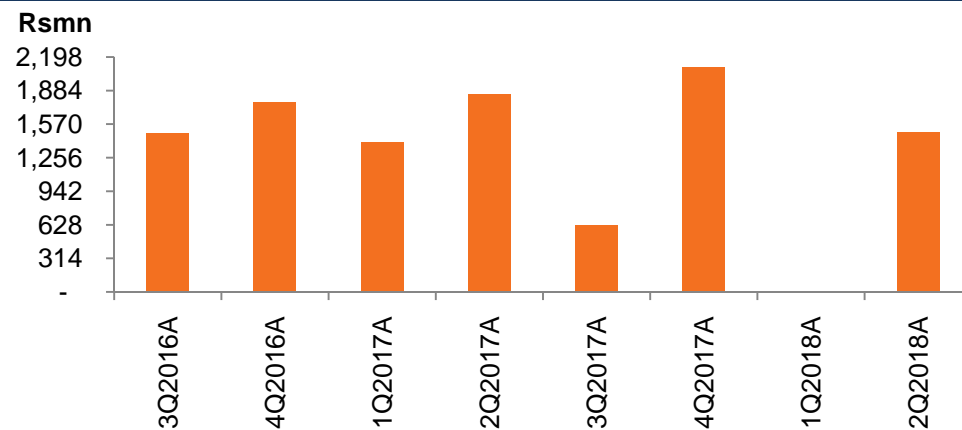
Source: Company Accounts, Topline Research

PKGS: Quarterly Gross Profit & Gross Margins



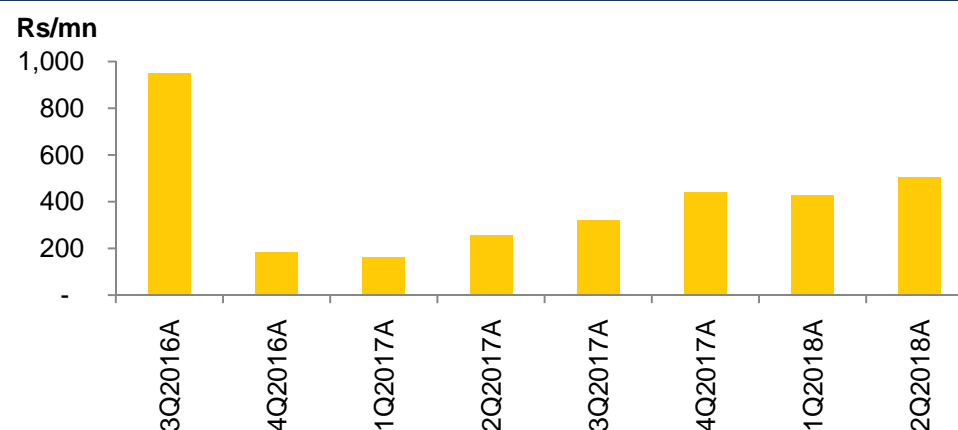
Source: Company Accounts, Topline Research

PKGS: Quarterly Investment Income



Source: Company Accounts, Topline Research

PKGS: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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