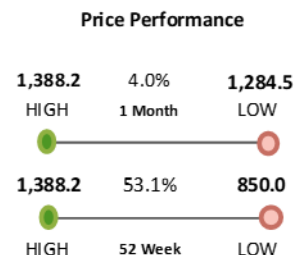
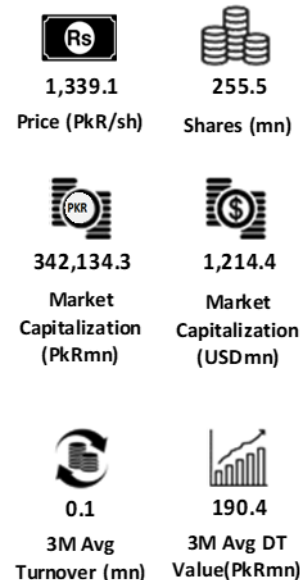


PTC PAKT — 1HCY25 Analyst Briefing Takeaways

Pakistan Tobacco company Ltd. (PAKT) held its analyst briefing yesterday to discuss the 1HCY25 financial results and future outlook of the company. Following are the key points:

- To recall, company posted net turnover of PkR69.4bn in 1HCY25 vs PkR58.2bn in 1HCY24, an increase of 19%YoY. Notably, export turnover surged 4.5x YoY to PkR10.2bn from PkR2.3bn SPLY.
- Domestic cigarette volumes declined by 9%YoY, mainly due to persistent price differential with illicit and untaxed brands.
- Earnings during 1HCY25 increased by 30%YoY to PkR14.3bn (EPS: PkR55.8) from PkR11.0bn (EPS: PkR43.0) in SPLY. On a quarterly basis, earnings during 2QCY25 inclined by 36%YoY PkR8.0bn (EPS: PkR31.3).
- Gross margin expanded to 47.3% in 1HCY25 from 40.6% in SPLY, driven by operational efficiencies and resource optimization.
- Management expects gross margin to remain broadly stable in 2HCY25.
- Management briefed that total cigarette market size in Pakistan is ~80bn sticks, of which PAKT holds ~35% market share. Company's production and sales in 1HCY25 stood at ~13bn sticks.
- Management guided that 'Velo' currently contributes 4-5% of revenue, and the segment is expected to breakeven during current year. Company operates the second-largest Velo's factory worldwide, serving as regional HUB. Presently, company exports to Japan, GCC, and Europe.
- As per management, the illicit market continues to adversely impact the legitimate industry following the FED hike in CY23, with Illicit share increasing by 4ppts during 1HCY25 to 58%.
- On floods, management commented that tobacco crops in KPK regions were already harvested and stored before the rains. In Punjab, a significant portion has been harvested, though evaluations are ongoing.
- Management guided that increase in effective tax rate was due to the disallowance of certain expenses by authorities.
- This scrip is not under formal coverage.

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Source: PSX & AKD Research

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