



ENGROH: 1QCY26 Result Review — Earnings exceed expectations on higher other income



AKD Securities Limited

Engro Holdings Ltd. (ENGROH) announced its 1QCY26 results, reporting consolidated earnings of PkR10.2bn (EPS: PkR8.5) compared to PkR1.8bn (EPS: PkR1.5) in SPLY, up 6x YoY. Earnings came in above our expectations owing to higher-than-anticipated other income. Company did not announce dividend, due to increased cash requirements for acquisition of Deodar.

- The YoY surge in earnings is primarily driven by the inclusion of energy portfolio. To highlight, company reclassified its energy business from 'held for sale' back to continuous profits from 2QCY25 amid termination of thermal assets sales in Apr'25.
- Segment wise, energy portfolio has contributed PkR4.8bn (PkR4.0/sh) during 1QCY26, as per our estimates. Wherein, EPTL, SECMC, and EPQL are expected to have contributed PkR3.0/0.9/0.1 per share.
- EFERT reported an increase of 14%YoY in earnings to PkR3.3bn in 1QCY26, mainly driven by 7%/64% YoY rise in company's Urea/DAP offtakes, respectively.
- EPCL also witnessed turnaround, with profit of PkR371mn during 1QCY26, against a loss of PkR825mn in SPLY, mainly supported by higher international PVC prices and improved premiums.
- Engro Connect is estimated to have contributed PkR0.9/sh in 1QCY26, largely supported by the addition of Deodar's portfolio of 10.6k towers, and reduced effective taxation due to increasing profitability.
- FCEPL also reported an increase of 71%YoY with earnings totaling PkR1.9bn in 1QCY26, contributing PkR0.6/sh.
- Taxation during the quarter amounted to PkR6.7bn, with ETR calculating to 29.7% from 60.1% in SPLY.
- We have a 'BUY' stance on ENGROH with Dec'26 TP of PkR351. Our positive outlook is underpinned by i) turnaround of telecom segment, ii) stable earnings from energy portfolio, and iii) recovery in fertilizer offtakes supporting EFERT's profitability.

ENGROH: Income Statement (Consolidated)

PkRmn	1QCY26	1QCY25	YoY	4QCY25	QoQ
Sales	131,971	101,248	30%	191,510	-31%
COGS	95,253	69,601	37%	142,444	-33%
Gross Profit	36,717	31,647	16%	49,066	-25%
Gross Margins	27.8%	31.3%		25.6%	
OPEX	6,903	6,829	1%	5,739	20%
Other Income	3,056	3,473	-12%	-1,896	n.m
Finance Cost	11,162	9,050	23%	11,531	-3%
Adj gains/-loss	0	-8,130	-100%	-417	-100%
Share of profit	1,960	684	2.9x	2,854	-31%
NPAT *	10,236	1,827	5.6x	13,615	-25%
EPS	8.50	1.52	-	11.31	-
DPS	0.00	0.00	n.m	0.00	n.m

Source: PSX & AKD Research

@1,204mn sh *attributable to holding company shareholders

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

New Rating Definitions

BUY	> 25% expected total return (Rf: 16% + Rp: 9%)
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