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PIOC: Volumetric Growth to Lead 52% YoY Increase in Earnings

Pioneer Cement Limited

PSX: PIOC | Bloomberg: PIOC PA | Reuters: PION.PSX

- PIOC is expected to announce its 3QFY26 results, wherein we expect the company to report an EPS of PKR 6.53, up 52% YoY. This will take 9MFY26 EPS to PKR 19.18, up 57% YoY. We do not expect PIOC to post any dividend for the quarter.
- Net sales for 3QFY26 are expected to clock in at PKR 9.7bn, up 23% YoY driven by an 18% YoY increase in local dispatches, outpacing the North's 7% YoY growth. The revenue growth is likely to be complemented by a 5% YoY increase in net retention. We expect gross margins to clock in at 29% in 3QFY26.
- Finance costs are expected to drop 52% YoY to PKR 137mn owing to decline in interest rates and lower borrowing. Debt/equity ratio will likely decline to 0.1 in 3QFY26 (from 0.2 SPLY).
- On a sequential basis, earnings are expected to face pressure and drop 7% QoQ, as net sales will likely decline 5%, driven by a 10% QoQ drop in local dispatches. The drop more than offsets the impact of 3% QoQ increase in prices. Gross margins are expected to compress by 1pp.

Key Data

PSX Ticker	PIOC
Target Price (PKR)	376
Current Price (PKR)	252
Upside/(Downside) (%)	49%
Dividend Yield (%)	4%
Total Return (%)	53%
12-month High (PKR)	428
12-month Low (PKR)	173
Outstanding Shares (mn)	227
Market Cap (PKR mn)	57,243

Source: PSX, Akseer Research

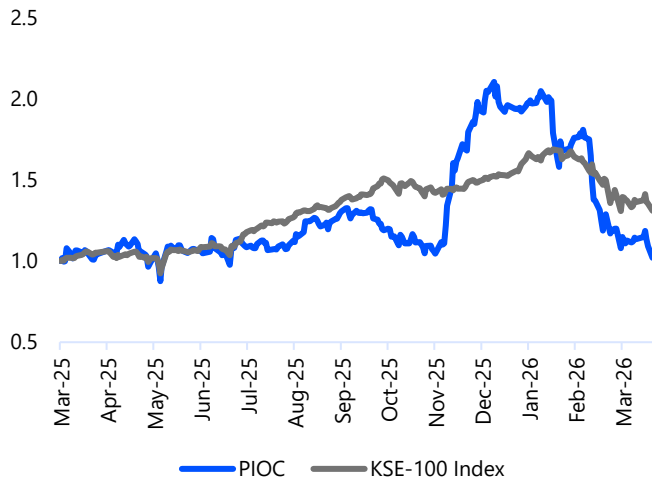
Financial Estimates (PKR mn)	3QFY25	3QFY26E	YoY	9MFY25	9MFY26E	YoY
Sales	7,899	9,747	23%	16,791	28,425	69%
Cost of Sales	5,884	6,943	18%	10,680	20,078	88%
Gross Profit	2,015	2,804	39%	6,111	8,347	37%
General and Admin	120	100	-17%	251	337	35%
Selling and Distribution	40	38	-6%	77	118	53%
Other Operating Expenses	101	187	85%	471	452	-4%
Other Income	112	87	-23%	86	346	305%
Finance Cost	286	137	-52%	840	530	-37%
Profit Before Tax	1,580	2,430	54%	4,558	7,257	59%
Taxation	607	948	56%	1,785	2,900	62%
Net Income	974	1,482	52%	2,773	4,356	57%
EPS (PKR)	4.29	6.53	52%	12.21	19.18	57%
DPS (PKR)	0.00	0.00		5.00	0.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	22.8	21.5	26.2	31.4	39.2	48.2	57.8	68.1
EPS Growth	98.2%	-5.8%	22.2%	19.7%	24.8%	22.8%	20.0%	17.8%
DPS (PKR)	15.0	10.0	4.6	10.2	12.8	15.7	18.7	22.0
BVPS (PKR)	201.1	207.5	224.1	245.3	271.8	304.3	343.4	389.4
PER	11.1	11.7	9.6	8.0	6.4	5.2	4.4	3.7
Dividend Yield	6.0%	4.0%	1.8%	4.1%	5.1%	6.2%	7.4%	8.7%
P/B	1.3	1.2	1.1	1.0	0.9	0.8	0.7	0.6
ROE	12.0%	10.5%	12.2%	13.4%	15.2%	16.7%	17.8%	18.6%

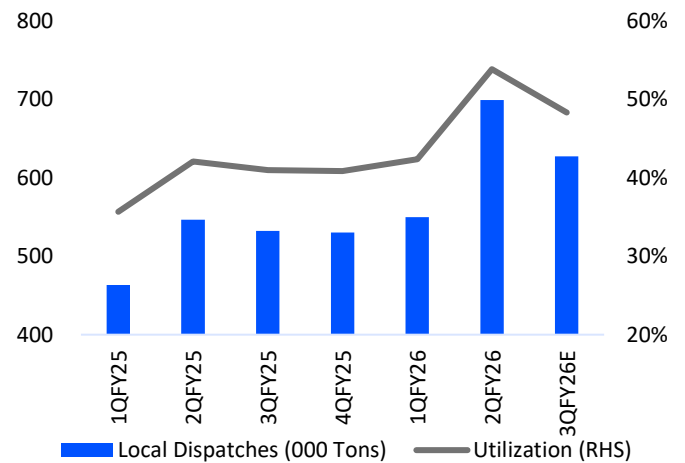
Source: Company Accounts, Akseer Research

Relative Price Performance of PIOC



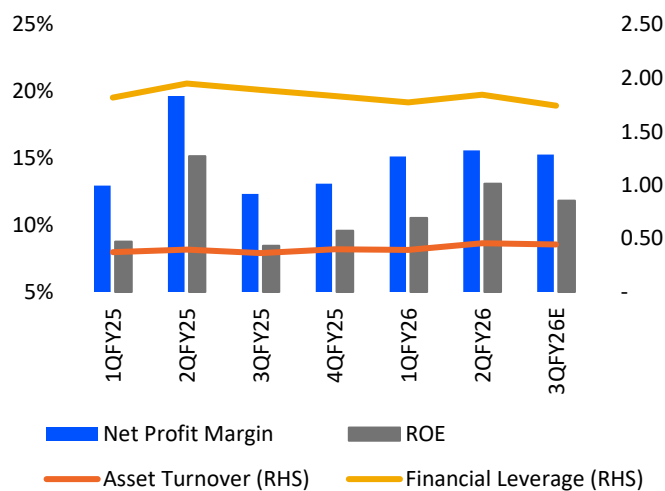
Source: PSX, Akseer Research

Improving Utilization on the Back of YoY Growth in Dispatches



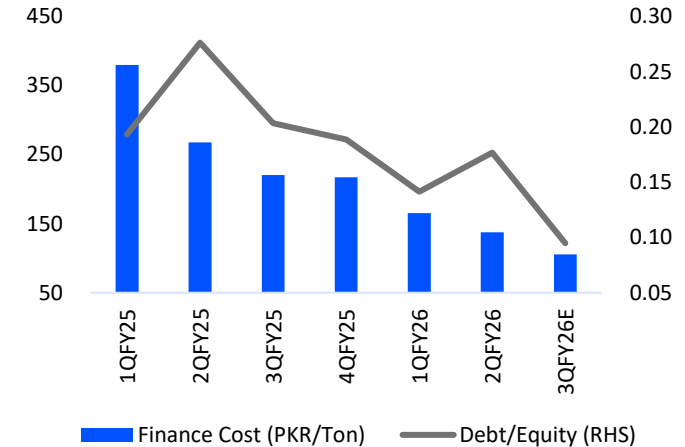
Source: Company Accounts, Akseer Research

ROE Improving on Better Margins and Asset Efficiency ...



Source: Company Accounts, Akseer Research

... Despite Deleveraging, Returns Not Driven by Leverage



Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Pioneer Cement Limited (PIOC) has been computed using the Free Cash Flow to Firm (FCFF) method. We have used a risk-free rate of 10.5%, a beta of 1.2, a market risk premium of 6%, and cost of debt of 10.5% to arrive at WACC of 16.7%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-26 PT of PKR 376/share, along with a dividend yield of 4%. Our investment case is based on (1) rising utilization levels supporting strong dispatch growth relative to peers, (2) greater reliance on local coal, mitigating risks associated with Afghan and Imported coal and (3) a high dividend yield of 4% amongst our cement coverage universe.

Risks

Key downside risks to our investment thesis include (1) continued closure of Afghan border may disrupt local coal prices (2) local coal availability issues and rising transport costs to render imported coal expensive and (3) lower than expected offtake in local dispatches.

Company Description

Pioneer Cement Limited (PIOC) is a Pakistani based cement manufacturer, producing ordinary Portland and various other types of cement. The plant is located at Chenki, which is 40km away from Khushab. The company has an annual cement production capacity of 5.2mn tons.

Financial Highlights – PIOC

Income Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
Net Sales	35,519	33,309	38,048	44,758	51,545	59,418	67,782	76,472
Cost of Sales	23,756	22,865	26,732	32,312	36,895	42,238	47,991	53,992
Gross Profit	11,763	10,444	11,316	12,446	14,650	17,179	19,791	22,480
Other Expenses	1,007	1,183	1,193	1,209	1,374	1,562	1,757	1,960
Operating Profit (EBIT)	10,756	9,261	10,124	11,236	13,276	15,617	18,034	20,520
Other Income	433	252	418	903	1,556	2,457	3,542	4,841
Finance Cost	2,806	1,408	659	444	231	140	52	12
Profit before tax (PBT)	8,383	8,105	9,882	11,696	14,601	17,935	21,524	25,349
Taxation/Levies	3,207	3,229	3,924	4,561	5,694	6,994	8,394	9,886
Profit after tax (PAT)	5,176	4,876	5,958	7,134	8,907	10,940	13,130	15,463
EPS (PKR)	22.79	21.47	26.23	31.41	39.21	48.16	57.80	68.07
DPS (PKR)	15.00	10.00	4.56	10.21	12.75	15.66	18.74	21.99

Source: Company Accounts, Akseer Research

Balance Sheet (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
PPE	76,221	74,097	74,863	72,682	70,479	68,254	66,007	63,738
Other LT assets	753	783	759	759	759	759	759	759
Non-current assets	76,975	74,880	75,621	73,440	71,238	69,013	66,766	64,497
Current assets	8,103	11,486	11,383	18,839	26,487	36,739	48,866	63,097
Total assets	85,078	86,367	87,005	92,280	97,725	105,752	115,632	127,593
Non-current liabilities	24,767	26,206	24,720	23,887	23,054	22,470	22,304	22,304
Current liabilities	14,639	13,034	11,370	12,664	12,932	14,161	15,336	16,830
Total liabilities	39,406	39,240	36,090	36,551	35,986	36,631	37,639	39,133
Equity	45,672	47,127	50,914	55,729	61,739	69,121	77,993	88,460
Total equity & liabilities	85,078	86,367	87,005	92,280	97,724	105,752	115,632	127,593

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
Net Income	5,176	4,876	5,958	7,134	8,907	10,940	13,130	15,463
Non-Cash Charges	2,954	3,131	3,100	3,255	3,288	3,321	3,354	3,387
Operating Cash Flows	8,466	9,123	9,580	10,270	12,029	14,071	16,285	18,645
FCFF	9,450	6,333	7,055	5,736	9,619	10,657	11,687	12,698
Net Borrowings	(6,980)	(1,616)	(4,387)	(1,083)	(1,833)	(833)	(583)	(167)
FCFE	97	3,561	2,426	5,112	9,111	12,141	14,594	17,360
Closing Cash	415	555	810	3,602	9,817	18,400	28,737	41,101

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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