

# Avanceon Limited

Sector: Technology

Market leader in industrial and infrastructure automation

## Investment Case

- › **Highlights from last year:** In 9MCY18, consolidated EPS of Avanceon stood at PKR 3.23/sh (up 56% YoY).
- › **Market Leader in the sector:** The company is a market leader in automation of infrastructure operating in Pakistan, UAE, Qatar and Saudi Arabia. It is not involved in Government projects and therefore, has no circular debt payment issues.
- › **Impressive project pipeline:** The Company's backlog of orders stands at USD 39mn as at September'18 which is enough to operate for 15-18 months. Their current project-pipeline stands at USD 70-80mn.
- › **Low Debt Level:** The company has very low of debt (D/E ratio: 0.01) which protects it from the impact of rising interest rates.
- › **Impact of Currency Devaluation:** Avanceon's 70% revenues come from exports. Hence, it is in an ideal position to take advantage of the ongoing currency devaluation.

## Key Risks

- › i) Unprecedented rise in value of currency ; ii) Decline in backlog of orders; iii) Economic slowdown in GCC region.

### AVN PA

Stock price	81.1
Outstanding shares (mn)	136.3
Market Cap (PKR bn)	11.1

### Summary Financials

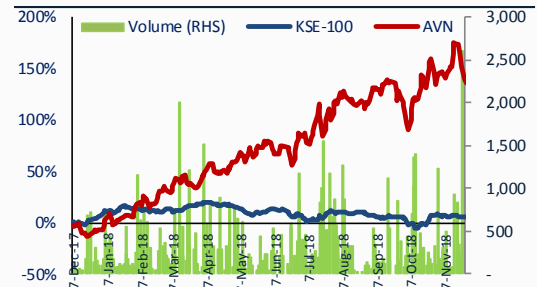
Particulars	CY15A	CY16A	CY17A	9MCY18
<b>Sales</b>	1,636	2,064	2,814	2,007
<b>Gross profit</b>	538	746	975	619
<b>Other income</b>	61	32	105	219
<b>Profit before tax</b>	273	396	598	484
<b>Profit after tax</b>	<b>242</b>	<b>332</b>	<b>563</b>	<b>440</b>

### Key Metrics

Particulars	CY15A	CY16A	CY17A	9MCY18
<b>EPS</b>	2.3	2.5	4.3	3.2
<b>DPS</b>	2.0	1.0	2.3	0.0
<b>BVPS</b>	18.5	19.7	19.6	21.7
<b>P/E (x)</b>	16.0	13.1	10.4	15.2
<b>P/Bv (x)</b>	2.0	0.1	0.0	0.0
<b>Div. Yield</b>	5%	3%	5%	0%
<b>Profit Growth</b>	-44%	37%	70%	56%
<b>ROE (%)</b>	12%	16%	22%	20%
<b>ROA (%)</b>	8%	10%	12%	12%

Source: PSX, TSL Research & Company Accounts

### YTD Relative Performance



Source: PSX and TSL Research