

# Fertilizer: Fauji Fertilizer Company

## FFC Consolidates 100% Ownership of FPCL

REP-300

### Overview of the share swap transaction:

- FFC has completed the acquisition of Fauji Foundation's 215mn shares in FPCL via a share-swap at a ratio of 13.49x, implying the issuance of 1 FFC share for every 13.49 FPCL shares held. FFC's stake has increased from 644mn to 859mn shares, taking its ownership in FPCL to ~100%.

### Post acquisition ownership and dilution

- Fauji Foundation's stake in FFC increased from 43.5% to 44.14% post-transaction following the issuance of new shares. Total outstanding shares rose from 1,423mn to 1,439mn, implying a net dilution of 1.11% for existing shareholders.

### Likely merger reserve to be created:

- FPCL's BVPS as of Jun'24 stands at PKR 31.93, however, this does not account for current year performance, and the actual equity value may be higher. Jun'24 FPCL's equity value implies a pre-acquisition book value attributable to FFC of PKR 20,566mn, which rises to PKR 27,421mn post-acquisition, depicting consolidation of Fauji Foundation's stake. FFC issued 16mn new shares at par, amounting to PKR 159mn, with the excess value adjusted through a merger reserve of PKR 6,696mn (relating to FPCL transaction only).

### Earnings and dividend impact:

- On a pre-acquisition basis, FFC's share of FPCL dividend income is estimated at PKR 966mn in CY26 and PKR 1,610mn in CY27, translating into after-tax EPS of PKR 0.57 and PKR 0.95, respectively.
- Post-acquisition, dividend income attributable to FFC is projected at PKR 1,288mn in CY26 and PKR 2,147mn in CY27, equivalent to after-tax EPS of PKR 0.76 and PKR 1.27. Assuming no withholding tax (given FPCL is now a wholly owned subsidiary), this rises to PKR 0.90/share in CY26 and PKR 1.49/share in CY27.
- FPCL is expected to generate an annual ROE of ~PKR 1.8–1.9bn in CY26–CY27, based on our estimates.

# Fertilizer: Fauji Fertilizer Company

## FFC Consolidates 100% Ownership of FPCL

### Exhibit: FFC Consolidates 100% Ownership of FPCL

<b>Swap ratio</b>	<b>13.49</b>	<b>1 share of FFC for every 13.49 shares of FPCL</b>		
<b>Shareholding in FPCL</b>		<b>Shareholding in FPCL</b>		
<b>Pre acquisition (mn shares)</b>		<b>Post acquisition (mn shares)</b>		
FFC	644	FFC	859	
Fauji Foundation	215	Fauji Foundation	-	
<b>Total</b>	<b>859</b>	<b>Total</b>	<b>859</b>	
FPCL BVPS (As of Jun'24)	31.93	FFC shares issued at par (mn shares)	16	
Pre acquisition equity (PKR mn)	20,566	FFC shares issued at par (PKR mn)	159	
Post acquisition equity (PKR mn)	27,421	<b>Merger reserve (PKR mn) –FPCL transaction</b>	<b>6,696</b>	
<b>Pre acquisition</b>		<b>Post acquisition</b>		
<b>Dividend income assumed from FPCL</b>		<b>Dividend income assumed from FPCL</b>		
	<b>CY26</b>	<b>CY27</b>	<b>CY26</b>	<b>CY27</b>
FPCL dividend income	966	1,610	1,288	2,147
FPCL dividend income (after tax) - PKR/shr.)	0.57	0.95	0.76	1.27
			0.90	1.49
			FPCL dividend income (no tax) - PKR/shr.)	
<b>Fauji Foundation ownership in FFC</b>		<b>FFC shares</b>		
Pre acquisition (%)	43.50%	Pre acquisition (mn shares)	1,423	
Post acquisition (%)	44.14%	Post acquisition (mn shares)	1,439	
		<b>Dilution of FFC shares</b>	<b>1.11%</b>	

Source: Company Financials, AHL Research

**Disclaimer:** This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

**Disclosure required under Research Analyst Regulations, 2015:**

In order to avoid any conflict of interest, we hereby disclosed that; Arif Habib Limited (AHL) has a shareholding in FFC.