INTERMARKET SECURITIES LTD

Pakistan Pharmaceuticals

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AGP Ltd (AGP PA)

2QCY26 Review: Sales disruption leads earnings miss

AGP has reported 2QCY26 consolidated NPAT of PKR601mn (EPS: PKR2.15), down 3% YoY and a sharp 30% QoQ. This takes 1HCY26 NPAT to PKR1.4bn (EPS: PKR5.08), down 3% YoY. The result is significantly below our estimates, with the deviation stemming from sharply lower sales – likely a function of Afghanistan border closure and consequent drop in exports. Gross margins have however jumped to 61% vs. c. 58.5% in the previous quarter and SPLY. Results were accompanied with interim dividend of PKR2.0/sh – inline.

Key highlights for 2QCY26 results:

- AGP reported a sharp 16% YoY and 32% QoQ drop in sales to PKR4.7bn in 2QCY26. This is likely driven by significantly lower export sales to Afghanistan (although some air cargo appears to be going through). Going forward, seasonal uptick, regular price hikes, OBS merger, and strong brand penetration in the domestic market should help lift sales in the coming quarter.
- Gross margins have jumped to a high 61% vs. 59% SPLY and 58% in 1QCY26 – a function of better pricing.
- Selling and distribution expenses remained flat at PKR1.7bn while finance costs also held largely steady at PKR344mn in the back drop of incumbent low interest rates. AGP has also reported a significantly lower effective tax rate of 13.1% vs. 36% in 1QCY26 and 30% SPLY.

We expect disruptions from the Afghan border closure to smoothen out overtime where seasonal uptick in sales in the 2H, together with completion of the OBS merger should help lift group level earnings. AGP trades at a CY27f P/E of 9.1, where we have a TP of PKR220.

AGP 2QCY26 Review

PKRmn	2QCY26	2QCY25	YoY	1HCY26	1HCY25	YoY
Net Sales	4,676	5,558	-16%	11,526	12,717	-6%
COGS	1,815	2,302	-21%	4,673	5,338	-8%
Gross Profit	2,860	3,256	-12%	6,853	7,379	-2%
Gross margins	*61%*	*59%*		*59%*	*58%*	n.m.
Admin Exp	198	219	-10%	445	432	-6%
Selling & Distribution	1,660	1,703	-3%	3,493	3,431	20%
Other operating expenses	50	87	-43%	154	157	-1%
Other Income	25	26	-5%	43	47	80%
Operating Profit	977	1,272	-23%	2,804	3,406	n.m.
Finance Costs	344	362	-5%	660	747	-1%
PBT	633	911	-30%	2,144	2,659	16%
Tax	47	275	-83%	589	967	-20%
Profit attributable to equity	601	617	-3%	1,458	1,470	-22%
EPS	2.15	2.20		5.21	5.25	
DPS	2.00	2.00		2.00	2.00	

Source: Company Announcement

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Ratings Guide*	Criteria
Buy	Total return expectation of ≥ 15% or expected to outperform the KSE-100 index
Neutral	Total return expectation of > -5% or expected to match the return of KSE-100 index
Sell	Expected downside of more than 5% or expected to underperform the KSE-100 index

*Based on 12 month horizon unless stated otherwise in the report

Valuation Methodology: We use multiple valuation methodologies in arriving at a Target Price including, but not limited to, Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and relative multiples based valuations.

Risks: (i) PKR depreciation, and (ii) sales disruption from border closure, (iii) higher debt burden as acquisition costs rise.

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