

PAKISTAN FERTILIZER

MARKET VISTA

3QCY26 Result Preview: Higher offtakes and margins to improve profitability

- Fertilizer profitability is projected to improve in 3QCY26, primarily due to higher nitrogenous offtakes and improved margins.
- Company-wise, EFERT's and FFC's profitability is expected to rise, while lower other income to weigh on FATIMA's earnings.
- Dividend payouts by FFC and EFERT are anticipated to rise on higher profitability.
- We maintain overweight stance on Fertilizer sector, with FFC as our pick with Dec'26 target price of Pkr801/sh.

Earnings to improve on higher volumes & improved margins: We expect AKD Fertilizer Universe's profitability to improve by 1%YoY in 3QCY26, primarily driven by higher offtakes of nitrogenous nutrients, along with improved margins. Wherein, Urea and CAN offtakes for our universe are expected to rise by 5%/3%YoY, respectively, supported by improved farm income, availability of subsidies along with cheaper financing to farmers, and dealer financing. Meanwhile, DAP and NP offtakes are expected to decline by 10%/43%YoY, respectively, amid continuous pricing pressure stemming from the Middle East conflict. Consequently, universe's revenue is projected to increase by 8%YoY to Pkr263bn during 3QCY26. Gross margins are expected to expand by 3.0ppts to 35.4% from 32.4% in SPLY, supported by i) higher contribution of nitrogenous nutrients in sales mix, and ii) higher product prices. However, 33%YoY increase in distribution expenses, driven by higher fuel cost, is expected to partially offset the impact. Notably, other income is expected to drop 37%YoY due to loss on equities by FATIMA amid market correction. Barring FATIMA, sector profitability is expected to rise 22%YoY. Lastly, dividend payouts are projected to increase by 14%YoY.

FFC's earnings up on higher margins & other income: We expect FFC's earnings to increase by 12%YoY to Pkr21.5bn (EPS: Pkr14.9) in 3QCY26, driven by i) 49%YoY rise in other income due to higher expected dividends from its power subsidiaries, along with higher Cash & ST Investments, ii) 237bps YoY increase in margins amid higher proportion of Urea in sales mix and higher prices of all nutrients. However, this is expected to be partially offset by i) lower offtakes (down 9%/19% YoY for Urea/DAP, respectively), ii) higher distribution costs (up 22%YoY), and iii) higher finance costs (up 1.7x YoY) on increased borrowings for investments in PIA and PEF, along with higher financing rates. Notably, the drop in Urea volumes was due to higher inventory of peers causing dilution in FFC's market share to 40% in 3Q vs 45% in SPLY. Moreover, we expect company to pay a dividend of Pkr11.0/sh.

EFERT's earning surge on higher offtakes: We project EFERT's earning to rise by 53%YoY to Pkr8.9bn (EPS: Pkr6.7) in 3QCY26, primarily due to higher offtakes and improved margins (up 388bps YoY). Revenue is expected to increase by 43%YoY, attributed to 21%/3x YoY increase in Urea/DAP offtakes, respectively, due to lower base in SPLY and higher available inventory, allowing the company to compensate for lost sales in 1HCY26 and recovering its market share. Meanwhile, higher finance cost (up 2x YoY) due to increased borrowings to fund working capital requirements amid elevated inventory levels, along with higher distribution costs (up 1.6x YoY), and drop in other income (down 52%YoY), would weigh on profitability. Along with the result, we expect company to announce cash payout of Pkr5.0/sh.

FATIMA's profitability dip on lower other income: FATIMA's profitability is projected to decline by 41%YoY in 3QCY26 to Pkr7.0bn (EPS: Pkr3.3), primarily driven by negative returns on equity investments, leading to negative other income of Pkr910mn vs +Pkr7.0bn in SPLY. Revenue is expected to decline by 2%YoY due to 41%/48%YoY fall in NP/DAP offtakes, however, partially offset by 15%/3%YoY higher Urea/CAN offtakes. Gross margins are anticipated to increase by 3.0ppts due to higher proportion of sales from the base plant (which benefits from lower gas prices).

Investment Perspective: We maintain an overweight stance on Fertilizer sector, underpinned by a stable demand outlook, consistent earnings, and robust cash flows translating into attractive dividend yields. FFC remains our top pick with Dec'26 target price of Pkr801/sh.

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Earnings Preview—3QCY26

EPS	3QCY26	YoY	QoQ	9MCMY26	YoY
FFC	14.9	12%	-12%	44.0	10%
EFERT	6.7	53%	134%	12.0	12%
FATIMA	3.3	-41%	-59%	13.1	-5%

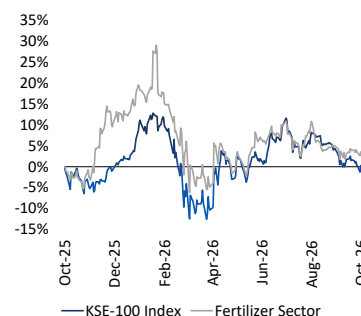
Source: PSX & AKD Research

AKD Fertilizer Universe Valuation

	Stance	TP (Dec'26)	P/E	D/Y
FFC	BUY	801	8.1	9.3%
EFERT	BUY	264	8.9	10.9%
FATIMA	BUY	175	6.0	6.7%

Source: PSX & AKD Research

Fertilizer Sector vs. KSE100 Index



Source: PSX & AKD Research



AKD Securities Limited

EFERT leads the profitability growth on higher offtakes

EPS (Pkr)	3QCY26E	3QCY25	YoY	2QCY26	QoQ	9MCY26E	9MCY25	YoY
FFC	14.9	13.3	12%	16.9	-12%	44.0	40.1	10%
EFERT*	6.7	4.4	53%	2.8	134%	12.0	10.7	12%
FATIMA*	3.3	5.7	-41%	8.2	-59%	13.1	13.8	-5%

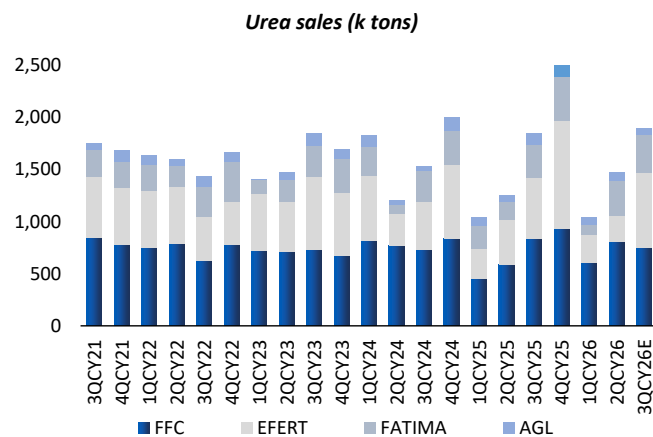
Payouts to increase with earning growth

DPS (Pkr)	3QCY26E	3QCY25	YoY	2QCY26	QoQ	9MCY26E	9MCY25	YoY
FFC	11.0	9.5	16%	14.5	-31%	34.0	28.5	19%
EFERT*	5.0	4.5	11%	1.8	186%	8.8	11.0	-20%
FATIMA*	0.0	0.0	n.m	0.0	n.m	0.0	3.5	-100%

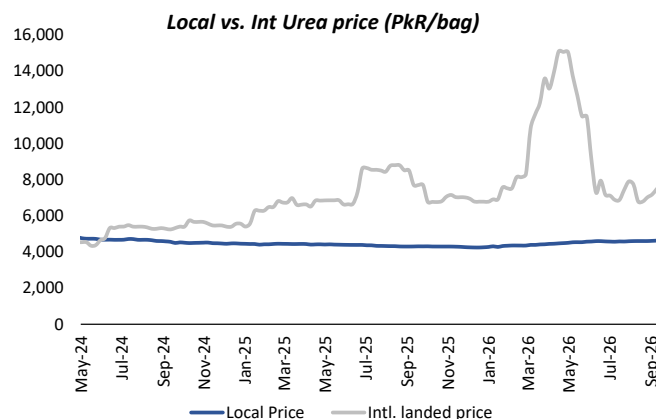
AKD Fertilizer Universe — Earnings Snapshot

PkrMn	3QCY26E	3QCY25	YoY	2QCY26	QoQ	9MCY26E	9MCY25	YoY
Sales	263,345	244,915	8%	221,143	19%	664,425	693,809	-4%
COGS	170,212	165,615	3%	142,753	19%	433,511	472,330	-8%
Gross Profit	93,133	79,300	17%	78,390	19%	230,913	221,479	4%
Gross Margins	35.4%	32.4%	-	35.4%	-	34.8%	31.9%	-
Opex	29,106	22,297	31%	23,818	22%	72,380	65,495	11%
Other Income	8,696	13,775	-37%	27,207	-68%	44,203	57,945	-24%
Finance Cost	7,097	4,817	47%	5,772	23%	18,218	17,111	6%
NPAT	37,384	36,971	1%	45,371	-18%	106,787	111,382	-4%

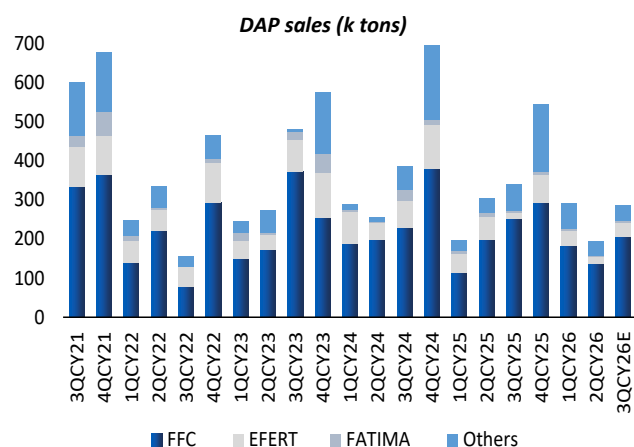
Urea offtakes rise YoY



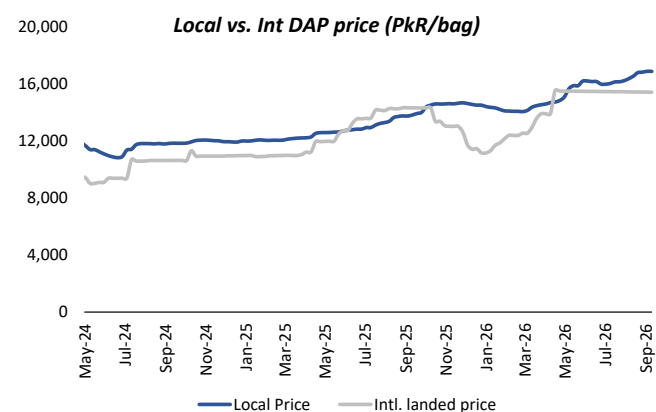
...with increasing local prices



DAP sales declined on higher prices



...as local DAP prices near all time high



*Consolidated

Source: NFDC, PBS, Bloomberg, PSX & AKD Research

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

- Discounted Cash Flow (DCF, DDM)
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- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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BUY > 15% expected total return

NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return



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