



Air Link Communication Ltd

Corporate Briefing – 1QFY22

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Financial performance – 1QFY22

- ▶ Sales declined on a YoY basis due to supply chain issues and lower availability of CBU phones amid increase in duties
- ▶ Margins expanded due to contribution from assembling operations
- ▶ Assembling operations contributed ~20% to gross profit and net profit
- ▶ Decrease in reliance on CBU imports resulted in lower short term debt – hence decline in finance cost
- ▶ Higher margins and de-leveraging supported bottom-line expansion
- ▶ 3 of 50% YoY

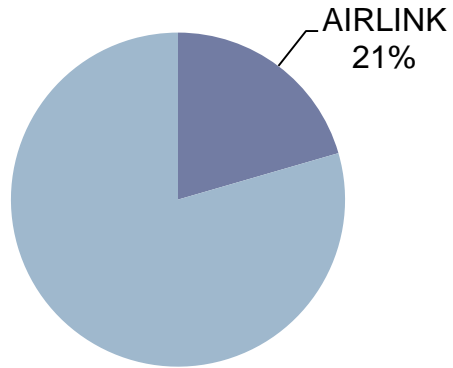
(Rs mn)	1QFY22	1QFY21	YoY	QoQ
Sales	9,437	15,144	-38%	12%
Cost of sales	8,400	14,109	-40%	16%
Gross profit	1,037	1,035	0%	-10%
<i>Gross margins</i>	<i>11.0%</i>	<i>6.8%</i>	<i>4.2%</i>	<i>-2.7%</i>
Admin expenses	153	147	4%	-19%
Selling and dist. cost	129	131	-2%	-44%
Operating profit	755	756	0%	3%
<i>Operating margin</i>	<i>8.0%</i>	<i>5.0%</i>	<i>3.0%</i>	<i>-0.7%</i>
Other Income	10	23	-54%	NM
Finance cost	195	260	-25%	-37%
Profit before taxation	570	519	10%	52%
Taxation	150	239	-37%	-38%
Net Profit	420	280	50%	214%
<i>Net margin</i>	<i>4.4%</i>	<i>1.8%</i>	<i>2.6%</i>	<i>2.9%</i>
EPS – Diluted (Rs.)	1.14	0.93	23%	156%

Sales break up

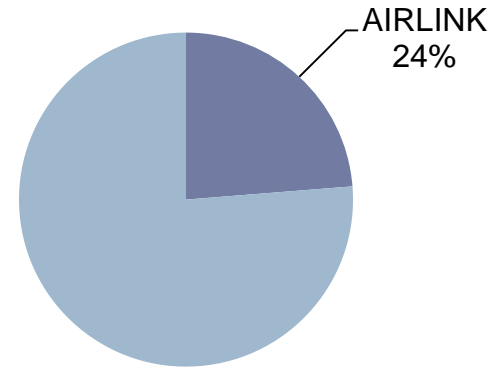
1QFY22	Local sales (units)	Gross Local Sales (Rs '000)
Tecno	204,309	3,511,589
Samsung	73,426	2,926,181
Itel	353,100	1,924,038
Xiaomi	34,598	1,271,406
Apple	1,620	239,807
Alcatel TCL	6,728	102,778
Huawei	1,496	32,024
Total	675,277	10,007,823

Market share – 1QFY22 (CBU & SKD units)

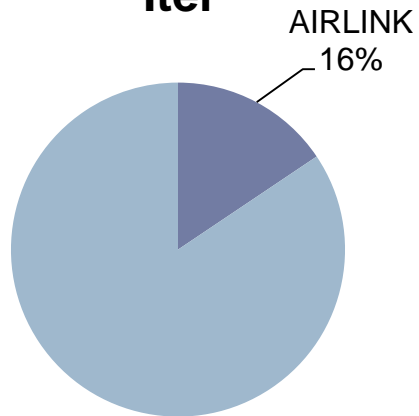
Samsung



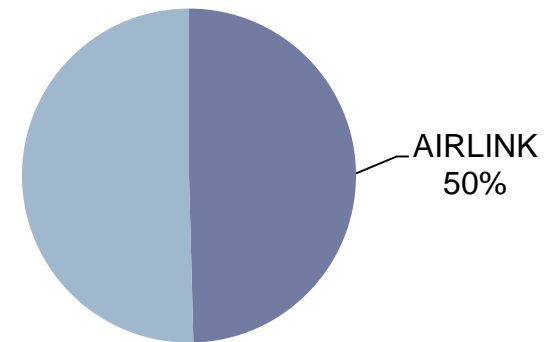
Xiaomi



Itel



Tecno



Financial performance

	FY17	FY18	FY19	FY20	FY21	1QFY22
Sales Growth (YoY)	33%	82%	23%	44%	10%	-38%
Net Profit Growth (YoY)	16%	83%	20%	-1%	3%	50%
Gross Margin	14%	13%	13%	11%	10%	11%
Operating Margin	11%	11%	11%	9%	7%	8%
Net Margin	5%	5%	5%	3%	3%	4%
Diluted EPS (Rs.)	N/A	N/A	-	4.88	4.86	1.14
Book Value per Share (Rs.)	N/A	N/A	12.28	15.11	21.60	29.82
Current Ratio (x)	1.56	1.34	1.33	1.30	1.71	2.47
Working Capital Cycle (Days)	64.46	42.38	32.33	21.64	59.83	90.48
Interest Coverage (x)	9.94	6.90	4.14	2.82	3.18	3.92
Debt to Equity Ratio (x)	0.97	1.61	2.51	2.04	1.14	0.63
Debt to Capital Ratio (x)	0.49	0.62	0.71	0.67	0.53	0.39

Key risks and mitigations

- ▶ Distribution business with restricted margins
 - ▶ More than 35% of volumes stemmed from own assembly line in 1QFY22
- ▶ Agreements with vendors are on non-exclusive basis
 - ▶ Market share intact in all phones in 1QFY22
- ▶ Build up of receivables
 - ▶ Massive sales in last reporting month of September 2021
- ▶ Depreciation of PKR against US\$
 - ▶ Positive impact on assembling business as conversion revenue earned in US\$, while nil impact on distribution business
- ▶ Negative impact of worsening macro economic indicators on income/capita
 - ▶ Shift of consumer preference from high-end mobiles to mid and low-end mobiles, keeping total demand intact

Change in duty structure (Rs.)

S r	CIF Slabs	FY 21	FY 22	Net (Increase)/ Decrease	% Increase
		Total	Total		
1	Not exceeding US\$ 30 (excluding smart phones)	365	500	(135)	36.99
2	Not exceeding US\$ 30 (smart phones)	1,920	3,300	(1,380)	71.88
3	> \$30 <= \$ 100	1,920	3,300	(1,380)	71.88
4	>\$ 100 <=\$ 200	5,440	10,510	(5,070)	93.20
5	>\$ 200 <=\$ 350	7,150	14,910	(7,760)	108.53
6	>\$ 350 <=\$ 500	20,650	26,200	(5,550)	26.88
7	>\$ 500	36,720	42,070	(5,350)	14.57

Agreement with Xiaomi

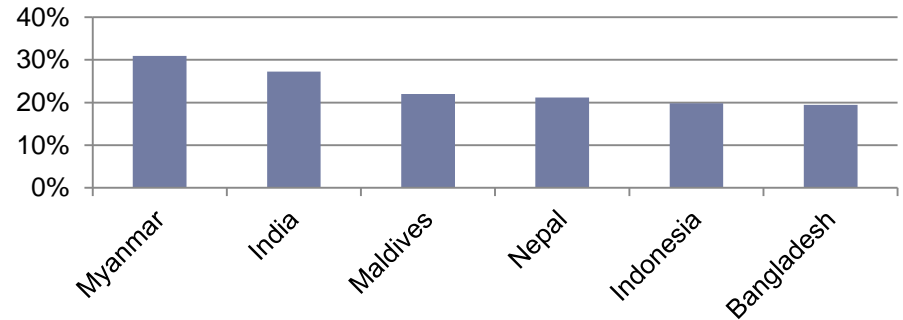


- ▶ Wholly owned subsidiary 'Select Technologies (Pvt) Ltd'
- ▶ CAPEX of Rs1.7bn
 - ▶ Plant and machinery of Rs1,000mn to be financed by 70:30 Debt to Equity
 - ▶ Building and structure of Rs700mn to be financed through 100% equity
- ▶ COD expected in Jan-2022 with transfer of technology
- ▶ Target of 2.5mn – 3.0mn units production in the first year (single-shift)
- ▶ 12 Chinese engineers selected by Xiaomi for the assembling plant
- ▶ Production of phones worth US\$450mn in the first year
- ▶ Additional annual EPS impact of Rs3.75 – Rs4.00 (on pre-bonus shares)

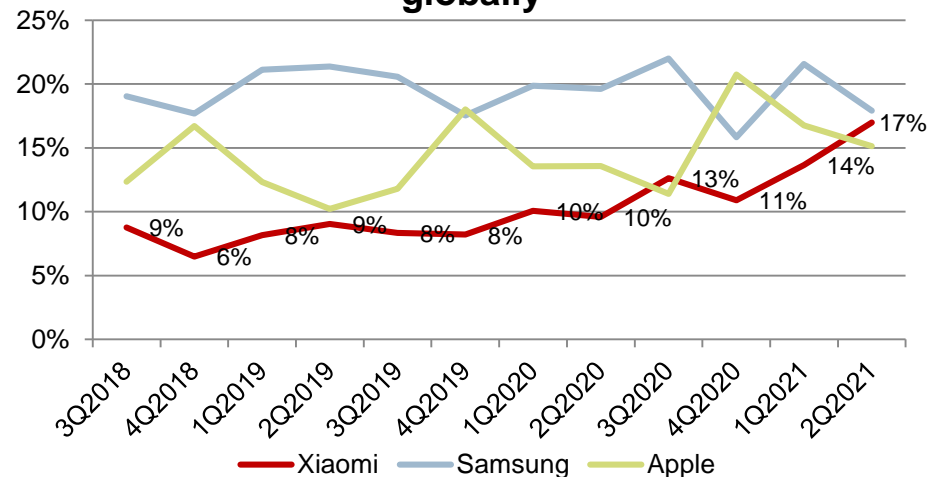
Xiaomi – Salient features

- ▶ **US\$50bn** revenue company, growing by more than **50%** this year - 60% of sales from smart phones
- ▶ One of the fastest growing mobile phone companies - reaching to more than **90 countries** in a span of only **one decade**
- ▶ **Second largest market share** globally by taking Apple's position, **market leader** in Europe, India etc.
- ▶ The youngest company to be listed under the Fortune Global 500, and has also been under other renowned lists such as Forbes Top 100 Digital Companies and Fortune Future 50 List, BrandZ™ Top 100 Most Valuable Global Brands, The Most Innovative Companies by Boston Consulting Group etc.

Xiaomi's market share - Regional peers (Jul-2021)

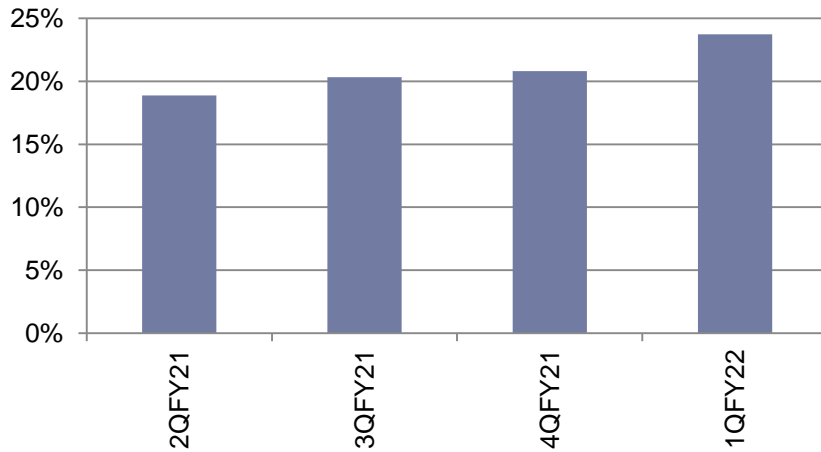


Xiaomi beats Apple for second place globally

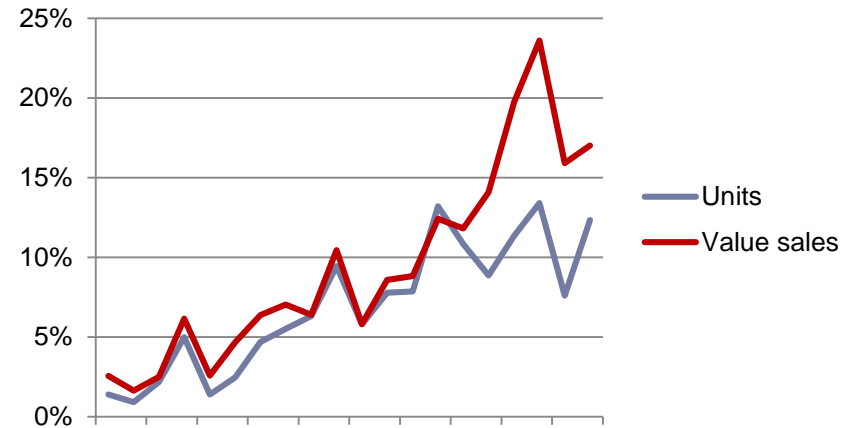


Xiaomi's position in Pakistan

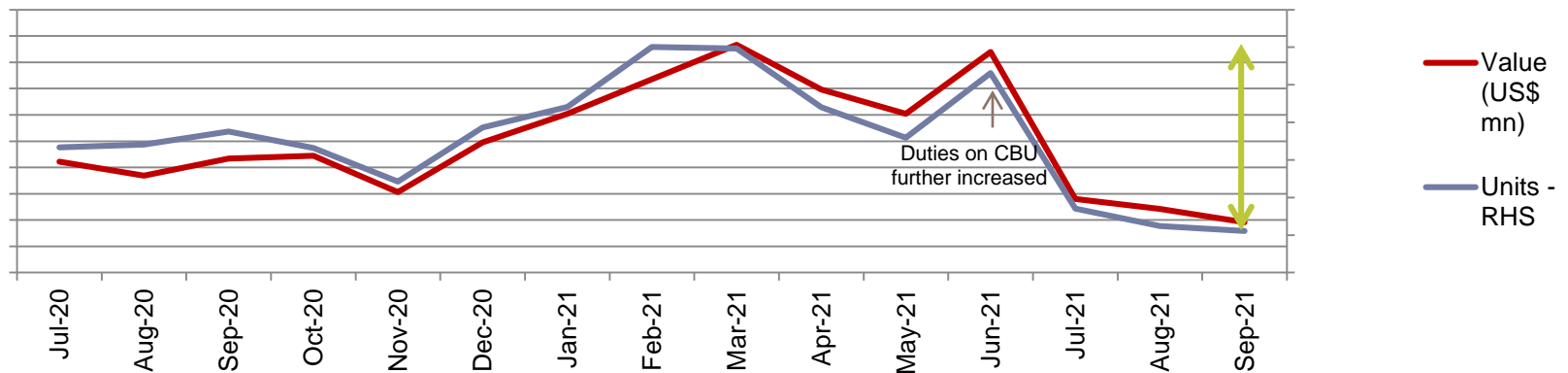
Air Link's market share in Xiaomi



Xiaomi's market share - Pakistan



Xiaomi monthly imports in Pakistan



Outlook

- ▶ Supply chain issues largely resolved as we speak, chip issues expected to be resolved by Dec-2021 – these 2 factors would assist in resuming growth trajectory targeted for FY22
- ▶ New mobile series launches scheduled in 2QFY22 , 3QFY22 & 4QFY22 – would further support growth
- ▶ Continuous increase in 3G/4G subscriber base
- ▶ Increasing proportion of low-cost smartphones grows and replacement demand
- ▶ Ongoing expansion of E-commerce industry in Pakistan
- ▶ Introduction of 5G in Pakistan

Disclaimer

The information contained herein reflects our latest business statement as at September 30, 2021. Except the historical information contained herein, statements in this Release which contain words or phrases such as ‘will’, ‘would’, ‘indicating’ expected to’ etc., and similar expressions or variations of such expressions may constitute ‘forward-looking statements’. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion in business, the impact of any acquisitions, our exposure to market risks as well as other risks detailed in the reports filed by us with various regulatory authorities as per applicable laws and regulations. AIRLINK undertakes no obligations to update forward-looking statements to reflect event or circumstances after the date thereof.

Thank you