



# HAYLEYS PLC [HAYL.N0000]

## BOOK PROFITS & DISCONTINUE COVERAGE

### “TIME TO BOOK PROFITS!!!”

**Fair Value: FY22E - LKR 110.0 [-15%]**

Total Return with DPS: FY22E -13% [AER -41%]

**FY23E - LKR 125.0 [-3%]**

FY23E 0% [AER 0%]

#### FIRST CAPITAL RESEARCH

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#### PREVIOUS REPORTS: MAY '21 - DEC '21

First Capital Research published the HAYL initiation note on 24<sup>th</sup> May 2021 at the market price of LKR 75.0 and a detailed corporate update was published on 23<sup>rd</sup> Aug 2021. A further report on the hand protection sector was published on 24<sup>th</sup> Sep 2021 and expected a negative impact to stem from normalizing Average Selling Prices of Gloves on HAYL's bottom line in 2HFY22E, considering the fact that hand protection segment contributed 16% of the total group EBIT in 1QFY22. Consequently, HAYL's profitability for FY22E was marginally downgraded to LKR 9.9Bn and to LKR 11.4Bn for FY23E although fair values were broadly maintained. Since our initiation note on 24<sup>th</sup> May 2021, the share price appreciated significantly and achieved our fair value for FY23E on 1<sup>st</sup> Sep 2021 and 52-week high price of LKR 134.0 on 17<sup>th</sup> Dec 2021 registering a capital gain of 79%.

### HAYL FY22E and FY23E FAIR VALUES WERE ESTIMATED AT LKR 110.0 and LKR 125.0 – BOOK PROFITS & DISCONTINUE COVERAGE

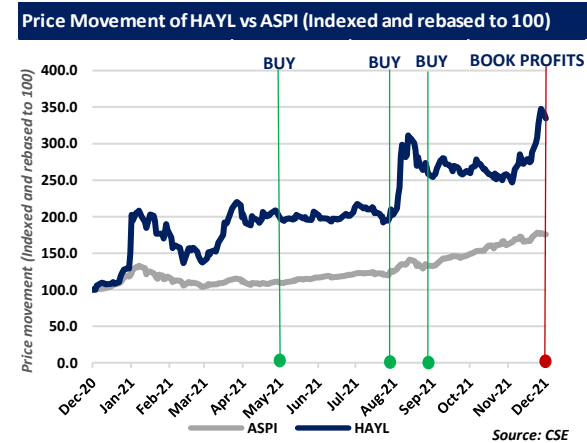
HAYL 2QFY22 earnings were recorded at LKR 2.8Bn (+68.8%YoY) compared to the profits of LKR 1.7Bn in 2QFY21 while 6MFY22 earnings were LKR 5.0Bn in line with our FY22E earnings forecast. Revenue recorded a growth of 35.4%YoY to LKR 79.4Bn in 2QFY22 although GP margin declined by 295bps to 22% amidst the rise in cost of sales on the back of upsurge in raw material prices. Transportation segment was the main contributor to OP with a YoY growth of 146.7% to LKR 1.9Bn. However, Hand Protection, Purification and Consumer segments witnessed a decline in operating profits by 32.8%YoY, 42.5%YoY and 4.2%YoY respectively. Finance cost increased by 18%YoY to LKR 3.0Bn amidst rise in interest bearing borrowings; however, surge in finance income by 116%YoY negated the negative impact of the finance cost.

Considering the fact that 6MFY22 performance of HAYL is in line with our earnings expectations, we broadly maintain earnings targets for FY22E and for FY23E while fair values are also maintained at LKR 110.0 and LKR 125.0 for FY22E and FY23E respectively. We believe that stock price may move further on the back of sentiment; however, earnings potential of the company has been already reflected in the share price. Accordingly, First Capital Research believes that counter has outperformed and is hovering near to our fair values for FY22E and FY23E. **BOOK PROFITS & DISCONTINUE COVERAGE**

KEY DATA	
CSE Ticker	HAYL.N0000
Bloomberg Ticker	HAYL SL
Share Price (LKR)	129.0
52w High (LKR)	134.0
52w Low (LKR)	38.6
Issued Share Capital (Shares 'Mn)	750.00
Market Cap (LKR 'Mn)	96,750
Market Cap (USD 'Mn)	479

\*1 USD = LKR 202

Price Performance (%)	1 mth	3 mths	12mths
HAYL	32%	30%	235%
ASPI	8%	32%	76%



#### Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of HAYL during the five trading days prior to the issuance of this document.

P/E 31 March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Estimates (LKR 'Mn)</b>							
Revenue	163,249	219,182	210,307	241,276	317,138	353,532	403,208
Gross Profit	35,848	48,975	50,153	61,159	80,236	89,338	101,608
EBIT	11,403	15,989	16,473	25,954	32,905	35,990	39,173
<b>Net Profit</b>	<b>1,024</b>	<b>265</b>	<b>372</b>	<b>7,637</b>	<b>9,925</b>	<b>11,489</b>	<b>12,941</b>
Adjusted EPS (LKR)	1.4	0.4	0.5	10.2	13.2	15.3	17.3
YoY Growth (%)	-63%	-74%	40%	1951%	30%	16%	13%
DPS	0.5	0.5	-	1.3	1.7	2.0	2.2
<b>Valuations</b>							
PER (x)	94.5x	364.6x	259.8x	12.7x	9.7x	8.4x	7.5x
PBV (x)	2.4x	2.4x	2.4x	2.0x	1.7x	1.5x	1.2x
DY (%)	0.4%	0.4%	0.0%	1.0%	1.3%	1.5%	1.7%



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