

Rating	HOLD
Price (BDT)	2,422
Target Price (BDT)	2,476
Total Return (%)	4%
# of shares (mn)	31.5
Market Cap (US\$m)	763

#### Share Price



## Marico Bangladesh Limited (MARICO)

### 2Q23: EPS in line, opex primary beat

- Company continues to impress:** Marico reported 2Q23 EPS of BDT30.85, exceeding our forecast of BDT30.3 slightly. Despite economic turbulence, Marico was able to maintain a 9% topline growth on the back of price hikes. Key variance to forecast came from marketing spend (beat), most likely a cost tightening tactic in response to macro pressures. With input prices stabilizing and cost hikes already undertaken, we think the tough stretch for Marico is more or less over, going forward we should see numbers improve.
- Gross Margin correction has slowed down:** The company's gross margin still faced some shrinkage (-40 bps QoQ). Marico likely managed to offset some currency devaluation pressures with price hikes and falling copra prices. Given that this combination of falling copra prices and currency devaluation have continued (in 3Q calendar year 2023), we think that Marico will see its gross margins hover around this level next quarter as well.
- Cut in Opex maintained:** Marico continued its strategy of curbing marketing/selling expenses to cushion its bottom line. Opex as a percentage of sales beat our forecast by 3.54 percentage points. Most of this cut is from selling expenses, which stood at ~7% of sales (-40bps QoQ, -270bps YoY).

We have a TP of BDT 2,476 for MARICO with an ETR of 4% (HOLD). The stock is trading at an FY23f P/E multiple of ~20x.

Table 1: Key metrics

Element	2Q22% cng yoy		2Q23	Delta v Forecast		2Q23F
				%	Value	
Net Sales	3,409	8.5%	3,699	-1.4%	(54)	3,753
COGS	1,551	15.0%	1,784	1.6%	29	1,755
Gross Profit	1,857	3.1%	1,916	-4.1%	(82)	1,998
Operating Expenses	659	-11.4%	584	-20.8%	(153)	737
EBIT	1,136	11.3%	1,265	5.6%	67	1,198
NPAT	896	8.5%	972	2.0%	19	953
<i>(Amounts in BDT million)</i>						
Ratios	2Q22cng (in bps)		2Q23	bps		2Q23F
Gross Margin	54.5%	(271)	51.8%	(145)		53.2%
Opex as % of Sales	19.3%	(356)	15.8%	(385)		19.6%
EBIT Margin	33.3%	85	34.2%	228		31.9%
Effective Tax Rate	23.2%	(8)	23.1%	63		22.5%

Source: EDGE Calculation and Annual Report

#### Research Analysts

**Waseem Khan, CFA**  
+8801700769515  
waseem@edgeamc.com

**Rahma Mirza**  
+8801758348332  
rahma@edgeamc.com

Table 2: Earnings to date and annualized comparison

Element	1H23	Delta v Forecast		1H23F	1H23 Annualized	Delta v Forecast		2023f
		%	Value			%	Value	
Revenue	7,345	-1%	(54)	7,399	14,690	2%	340	14,350
COGS	3,528	1%	29	3,499	7,055	5%	311	6,744
<b>Gross profit</b>	<b>3,817</b>	<b>-2%</b>	<b>(82)</b>	<b>3,900</b>	<b>7,635</b>	<b>0%</b>	<b>29</b>	<b>7,605</b>
Opex	1,111	-12%	(153)	1,264	2,221	-19%	(519)	2,740
Administrative expenses	582	1%	4	578	1,164	0%	3	1,162
Selling expenses	528	-23%	(157)	685	1,057	-33%	(522)	1,578
WPPF	137	3%	3	133	273	48%	88	185
<b>EBIT</b>	<b>2,570</b>	<b>3%</b>	<b>67</b>	<b>2,503</b>	<b>5,140</b>	<b>10%</b>	<b>460</b>	<b>4,680</b>
Other income	12	-14%	(2)	14	23	-18%	(5)	29
Net finance income	15	-67%	(31)	46	30	-70%	(70)	100
<b>Profit before tax</b>	<b>2,597</b>	<b>1%</b>	<b>34</b>	<b>2,562</b>	<b>5,193</b>	<b>8%</b>	<b>385</b>	<b>4,809</b>
Tax	596	3%	16	580	1,192	10%	110	1,082
<b>Profit after tax</b>	<b>2,001</b>	<b>1%</b>	<b>19</b>	<b>1,982</b>	<b>4,001</b>	<b>7%</b>	<b>274</b>	<b>3,727</b>
<b>Ratios</b>	<b>1H23</b>	<i>cng (in bps)</i>		<b>1H23F</b>	<b>1H23 Annualized</b>	<i>bps</i>		<b>2023f</b>
GP margin	52.0%	(74)		52.7%	52.0%	(103)		53.0%
Opex to sales	15.1%	(196)		17.1%	15.1%	(397)		19.1%
EBIT margin	35.0%	116		33.8%	35.0%	237		32.6%
Effective tax rate	23.0%	30		22.6%	23.0%	45		22.5%

Source: Company Reports and EDGE Calculation

## IMPORTANT DISCLOSURES

**Analyst Certification:** Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

**Disclaimer:** Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, EDGE Research & Consulting may have a relationship with the above mentioned company(ies).

**Compensation of Analysts:** The compensation of research analysts is intended to reflect the value of the services they provide to the clients of EDGE Research & Consulting. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

**Investment exposure to the securities under research coverage:** The firm may have bona fide investment exposure to the securities under research coverage in the form of proprietary holding or constituent of discretionary clients' portfolio. Details of exposure is available anytime upon request.

**General Risk Factors:** EDGE Research & Consulting will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.