

Avanceon...Analyst Briefing /Qatar play....

AVN principal activity is business automation centralizing on improving the operational efficiency and cost reduction of their clients. AVN has provided solutions to numerous sectors which includes but is not limited to transport, FMCG, oil & gas and power sectors.

AVN management considers itself as specialist on E&P sector automation solutions. They may also take their experience to other geographies which they are already in ~ this is in the context of world markets that are abuzz with Aramco heavy duty public offering.

In Pakistan, they have carried out projects at Parco Refinery & Engro Corp 1st LNG Terminal wherein now they may get chance to do APL terminal. However, projects in Qatar would be icing on the cake as being recently reported at PSX website.

Revenue Streams... Around 50% of the revenue is from Pakistan, while the rest of 50% is from exports to countries which includes UAE, USA, Qatar, Kuwait and Saudi Arabia etc. The company has recently done a TLAS project for OGDC with many similar projects lined-up in future. The company also holds a 7 year contract for Dubai Metro. The management believes that decrease in export revenues previously has been a result of recession in MENA region with particular emphasis on decrease in global oil price. Although going forward the company is optimistic about their prospects in light of FIFA World Cup in Qatar in 2022. The company plans to focus in increasing the recurring revenue from AMS (After Market Solutions) for the currently installed systems. Company also plans to apply for Pakistani government tenders which have been ignored in the past.

Internal efficiencies... AVN maintains communication channels with their engineers around the globe and have a rating system for the engineers. The engineers are usually given targets and are trained through cloud based e-learning software.

Game Changer... The management of AVN is focusing on upcoming project in Qatar. The management considers it to be a game-changer. The company has finalized a contract with Qatar Rail for installation of safety systems. The contract size is QAR 26mn. A Letter of intent has also been received for second project which is worth QAR 24mn (as being reported at PSX). The company expects many similar projects in the line. The management of AVN believe the revenue will be recognized from 4Q'17 onwards.

Financials... AVN benefits from 'No-Tax on IT exports' policy. For future financing, the company plans to continue with their debt-free model and plans to finance the projects through internally generated cash or further issuing equity.

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AVN - Consolidated Financial Snapshot

mn'	Growth	CY16	CY15
Net Sales	26.16%	2,064	1,636
PBT	45.59%	396	272
EBIDTA	42.17%	472	332
PAT	37.19%	332	242
Net Margin	-	16%	15%
ROCE	-	20%	14%
EPS	-	3.14	2.29

Source: Company Books, SCS Research

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