

## Key Equity Investment Plays in Pakistan

S. No.	Ticker	Company	Earnings Growth			PE Multiple			Operating Cashflows		
			5-Year CAGR <sup>^</sup>	2009-10*	2010-11*	5-Year Avg	2009-10*	2010-11*	5-Year Avg	2009-10*	2010-11*
1	ABL	Allied Bank	106%	71%	48%	8.4	4.6	3.5	71.8	101.4	98.7
2	AICL	Adamjee Insurance	48%	13%	13%	4.0	3.2	2.8	4.1	5.2	5.4
3	APL	Attock Petroleum	51%	17%	8%	15.1	6.1	5.5	41.0	34.6	38.4
4	FFBL	Fauji Fertilizer Bin Qasim	16%	31%	-8%	9.1	7.2	6.8	66.3	(33.8)	113.0
5	HBL	Habib Bank	16%	13%	42%	8.5	6.5	5.1	169.8	227.2	231.5
6	HUBC	Hub Power	1%	47%	18%	11.1	8.5	6.3	76.7	98.4	142.6
7	INDU	Indus Motor	18%	149%	-21%	8.2	8.7	5.7	32.4	90.0	3.1
8	LUCK	Lucky Cement	30%	-32%	21%	12.0	6.2	6.7	37.8	43.8	53.6
9	MCB	MCB Bank	45%	1%	14%	10.8	8.8	8.9	205.7	216.6	227.1
10	NBP	National Bank	24%	18%	-5%	5.2	4.8	4.5	213.1	227.6	204.8
11	OGDC	Oil & Gas Dev. Co.	14%	9%	14%	13.3	10.2	9.2	645.0	701.2	653.7
12	POL	Pakistan Oilfields	15%	32%	20%	9.7	8.8	7.0	82.8	95.6	100.5
13	PPL	Pakistan Petroleum	22%	-16%	39%	13.1	8.2	7.6	183.9	143.7	303.4
14	SHEL	Shell Pakistan	11%	49%	-3%	7.7	5.2	5.1	83.9	49.4	33.1
15	UBL	United Bank	21%	12%	38%	7.4	5.8	5.0	131.9	162.7	138.6

Source: Company Reports, InvestCap Research

\*InvestCap Estimates, Year includes companies' respective Year-end i.e. FY (Jul-Jun), CY (Jan-Dec)

\*Actual and Estimated Figures are Adjusted for Historical as well as Forecast Impact of PKR Depreciation in USD Cashflows

<sup>^</sup>CAGR=Cumulative Average/Annual Growth Rate

Prices As Of Oct 07, 2010

The above-mentioned portfolio of stocks represents key investment plays/ideas in Pakistan equities having solid fundamentals and thus, the enormous potential for outperformance. The 3-factor based criteria to extract the most attractive stocks is simple. Those companies' scrips are extracted which have witnessed 1) strong earnings growth over the last 5-year period as measured by CAGR (Cumulative Average/Annual Growth Rate) as well as latest and one-year forward earnings growth, 2) average operating cashflow levels in the last 5-year period as well as current and forecast operating cashflows (adjusted for currency depreciation against USD), and 3) average earnings multiples for the last 5-year as well as current and 1-year forward multiple.

All of the mentioned companies may not have recorded the double-digits earnings growth or retained positive operating cashflows, either because of accommodating future growth through expansions or the high-base impact of growth in previous years. However, these very companies are recommended for investment as they are expected to punch in strong earnings growth and improved cashflows going forward.

We have 'Buy' recommendations on all of these companies' scrips with high conviction to outperform the KSE-100 index which is trading at 8x of earnings.

InvestCap Research  
 research@investcapital.com  
 +92 21 35 20 87 25