

Big Bird Food (BBFL)..chicken expert adding fish line

Thursday, 20 March 2025

We initiate our coverage on a new food entity viz. Big Birds Foods (BBFL). It's a poultry processing company providing frozen chicken to local and international market. So far BBFL looked like a b2b business. At present the chicken company is now exporting to Gulf based markets such as Oman, Saudi Arabi & Qatar etc. **Our thrust for the case is PKR 68 – 70/sh based on various scenarios which now revolve around new fish line and available free cash flows with employing of solar to conserve energy cost.**

Some new business directions include

- **QoQ sales continue to increase**
- **The average food industry valuation multiple is ~1.0x to revenue multiple in order to acquire any flamboyant company.**
- **Also in India the revenue multiple is 1.2x to acquire any company.**
- **Taking cue from that BBFL now looks like at least PKR 9bn - 10bn company by virtue of its anticipated annual sales of PKR 9bn – 10 bn.**
- **The company is entering into new regions.**
- **It is vying to serve retail business to earn better margins.**
- **And the chicken company is expanding production.**
- **Introducing raw fish finger.**
- **Solar enacted which will save the cost by PKR 600mn annually as per company notice at PSX.**

Recent financials...

BBFL posted 1HFY25 revenue of PKR 4.8bn compared to PKR 3.9bn in 1HFY24 23% up YoY. Hence potentially BBFL looks like to touch PKR 9bn revenue in FY25 with the present utilization. The current utilization is 30% whilst 70% capacity is idle as per recently concluded analyst briefs.

BBFL Snapshot

Price (PKR/sh)	51
Mkt Cap (PKR)	15.34bn
Avg Vol (12m)	1.77mn
Paid-up (PKR)	2.98bn
Beta	0.69
Par value (PKR)	10
52 weeks low	45
52 weeks High	88.07

Source: SCS Research

PKR'000	2QFY25	1QFY25	FY24	FY23
Sales	2,565,336	2,227,774	7,209,868	6,061,862
COS	2,016,438	1,734,286	5,622,333	5,491,270
G.P	548,898	493,487	1,587,535	570,593
Admin Expenses	52,217	41,915	151,856	122,364
Distribution Cost	64,266	55,377	204,784	172,523
EBIT	432,415	396,195	1,230,894	275,706
Finance Cost	78,966	111,364	344,146	462,180
Opex	25,677	20,846	122,561	39,922
Other Income	18,684	17,278	81,190	71,824
PBT	346,456	281,264	845,376	154,572
Taxation	41,564	12,812	7,167	37,593
PAT	304,893	268,452	838,209	116,979
EPS	1.02	0.9	2.8	-0.39

Source: SCS Research,PSX

Big Bird Food (BBFL)..our thrust for FY26 PE of 6.5x

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BBFL plant is operating into two segments 1) primary processed chicken product and 2) further processed chicken product. Primary processing contributes 75% & further processed contributes 25% into the revenue base.

New business lines...

Recently BBFL made strategic expansion into new product line to strengthen its market position for future endeavors. Hence BBFL has introduced a new *Raw Fish Fillet & Raw Finger Fish* product line given increasing consumer preference towards sea food.

BBFL highlighted that retail sales will be 7% although the major business revenue driven from institutional clients. The key customer continued to be *KFC, McDonalds, Mon Salwa, Kababjees* and others. The company management is currently working to reduce its dependency on institutional customers and want to shift it to retail sales mix.

They think that there is more margins in retail segment compared to B2B. Due to this company is highlighting expansion of their retail business. Hence they are increasing their capacity from 120 tons to 175 tons in 2QFY25. After that management expect new capacity to contribute PKR 500mn annually. BBFL is focusing to strengthening its financial stability and reducing leverage by PKR 559mn to various banks as per recent financial recordings posted at PSX. Presently the product line is also available in Karachi at upscale stores viz. *Naheed Store, Carrefour & CSD* etc.

Valuation table...company is placed into 'growth company' category vied low PE of 6.5x

BBFL is offering earning growth from FY24. The prospects look rosy in FY26.

We estimate FY26 EPS of PKR 7-8/sh based on 1) fish line 2) better utilization 3) better bottomline prospects after decrease in financial charges. Hence BBFL yields cheapest FY26 PE of 6.5x in the food sector. Hence we place BBFL into a 'growth segment' category whilst PEG of PE of 6.5x. BBFL is yielding PE based target of PKR 70/sh & enterprise value (EV) of PKR 68/sh.

We are positive on the stock.

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Following research techniques adopted to calculate target price/recommendation

- Price to earnings & Price to Book, EV-EBITDA multiple
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