

POL: 1QFY22 EPS clocks in at PKR 18.52, up 45%/38% YoY/QoQ

- POL announced its 1QFY22 financial result today, wherein the company reported an EPS of PKR 18.52, up 45% YoY. The result is above our earnings expectation of PKR 16.1/share mainly due to higher other income booked during the quarter.
- The company's net sales grew by 20% YoY to PKR 11.1bn during the quarter. The growth in topline is mainly attributed to 68% YoY higher crude oil price (in PKR terms) which more than compensated the decline in oil and gas production by 6% YoY and 7% YoY, respectively.
- Exploration cost went up by 4.9x YoY to PKR 451mn in 1QFY22 mainly on account of increased seismic activity.
- Other income came in at PKR 2.7bn during the quarter, depicting a growth of 7.9x YoY mainly due to exchange gains booked during the 1Q. On the contrary, finance cost went up by 16.0x YoY to PKR 1.5bn during 1QFY22.
- Effective tax rate remained higher at 29.2% as compared to 27.9% in the SPLY which restricted the bottomline growth.
- On sequential basis, POL's earnings grew by 38% QoQ mainly on account of 16% QoQ increase in crude oil prices (in PKR terms) and 5% QoQ increase in hydrocarbon production.
- We have a "BUY" stance on POL with our Jun-22 price target (PT) of PKR 501/share, which provides an upside of 30% along with a dividend yield of 13%.

Key Data

PSX Ticker	POL
Target Price (PKR)	501
Current Price (PKR)	386
Upside/(Downside) (%)	+ 30%
Dividend Yield (%)	13.0%
Total Return (%)	+ 43%
12-month High (PKR)	435
12-month Low (PKR)	305
Outstanding Shares (mn)	284
Market Cap (PKR mn)	109,431
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY21	1QFY22	YoY	4QFY21	QoQ
Sales net	9,289	11,142	20%	8,658	29%
Field Expenditures	2,007	2,014	0%	956	111%
Royalties	998	1,173	18%	989	19%
Gross Profit	5,305	7,116	34%	5,855	22%
Other income	303	2,700	7.9x	1,366	98%
Other operating expenses	354	416	17%	377	10%
Finance costs	86	1,462	16x	682	115%
Profit before Tax	5,035	7,421	47%	5,822	27%
Taxation	1,406	2,163	54%	2,016	7%
Net income (loss)	3,629	5,258	45%	3,806	38%
EPS	12.78	18.52	45%	13.41	38%
DPS	-	-		30.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	59.43	57.69	47.14	60.47	61.77	47.68
EPS Growth	23%	-3%	-18%	28%	2%	-23%
DPS	50.00	50.00	50.00	50.00	50.00	40.00
PER	6.49	6.80	8.35	6.37	6.24	8.08
Dividend Yield	13.0%	13.0%	13.0%	13.0%	13.0%	10.4%
EV/EBITDA	2.63	2.99	2.54	2.13	1.96	2.28
P/B	2.87	2.72	2.78	2.58	2.40	2.29
ROE	47.6%	41.1%	32.9%	42.0%	39.8%	28.9%

Source: Company Financials, Akseer Research

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Valuation Basis

Our PT for Pakistan Oilfields Limited (POL) has been computed using the reserve-based Free cash flow to equity (FCFE) method. We have used a risk-free rate of 11% beta of 1.0 & a market risk premium of 6% to arrive at the cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on POL. Our Jun-22 price target (PT) of PKR 501/share provides an upside of 30% along with a dividend yield of 13%. Our investment case on POL is based on (1) higher oil prices, (2) currency devaluation (3) incremental production from discoveries.

Risks

Key downside risks to our investment thesis are 1) decrease in oil prices 2) lower than expected reserve life of Jhandial discovery and 3) lower than estimated currency devaluation.

Company Description

Pakistan Oilfields Limited engages in the exploration, drilling, development, and production of crude oil and gas in Pakistan. The company operates nine development and production leases. It also produces liquefied petroleum gas (LPG), solvent oil, and sulphur. In addition, it is involved in the marketing of LPG under the POLGAS brand; and the operation of a network of pipelines for the transportation of crude oil. The company was incorporated in 1950 and is headquartered in Rawalpindi, Pakistan. Pakistan Oilfields Limited is a subsidiary of The Attock Oil Company Limited.

Financial Highlights - POL

Income Statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	43,977	36,540	36,042	42,012	42,706	34,759
Field Expenditures	16,244	12,038	11,469	11,985	12,561	12,099
Royalties	4,554	4,010	3,908	4,544	4,511	3,569
Gross Profit	25,410	22,368	21,633	26,346	26,574	20,175
Operating Profit	23,180	20,771	20,944	25,483	25,634	19,091
Other income	7,177	4,558	1,539	1,986	2,097	2,099
Other charges	1,729	1,383	1,545	1,744	1,794	1,366
Finance cost	3,774	2,212	260	2,395	1,937	1,549
Profit before tax	24,854	21,734	20,678	23,331	24,000	18,276
Taxation	7,983	5,359	7,296	6,165	6,467	4,740
Profit after tax	16,871	16,376	13,382	17,166	17,533	13,535

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	7,747	7,057	6,129	5,255	4,541	3,955
Other LT assets	22,313	25,264	24,389	23,016	22,096	21,889
Non-Current Assets	30,060	32,320	30,518	28,271	26,637	25,845
Current assets	51,429	59,276	63,826	70,610	77,078	81,668
Total Assets	81,490	91,596	94,344	98,881	103,715	107,512
Non-Current liabilities	17,902	20,888	20,852	21,737	22,529	23,417
Current liabilities	25,517	30,441	34,130	34,809	35,511	36,238
Total Liabilities	43,419	51,329	54,982	56,546	58,039	59,655
Equity	38,071	40,267	39,362	42,335	45,676	47,857
Total Equity & liabilities	81,490	91,596	94,344	98,881	103,715	107,512

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	16,871	16,376	13,382	17,166	17,533	13,535
Non-cash Charges	5,611	5,427	4,834	5,068	4,504	3,697
Operating Cash flows	22,646	17,295	25,730	14,535	21,325	20,297
FCFF	24,286	11,080	23,002	12,273	18,903	17,922
Net borrowings	-	-	-	-	-	-
FCFE	24,286	11,080	23,002	12,273	18,903	17,922
Net change in cash	14,229	919	10,892	(1,011)	5,661	7,409
Closing cash	35,761	36,681	47,572	46,561	52,223	59,631

Source: Company Accounts, Akseer Research

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