

Sector Update

IGI OMC result previews

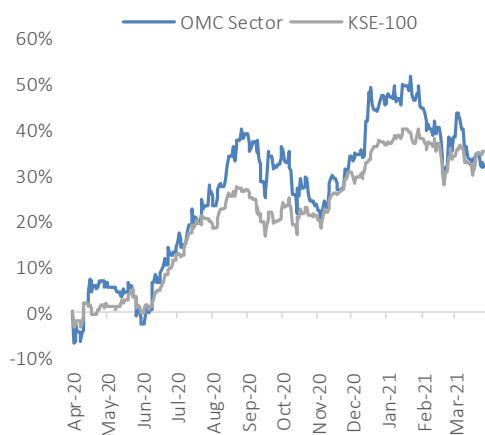
EPS estimate for 3QFY21

	3QFY21E	YoY	9MFY21E	YoY
PSO	10.0	n/m	30.3	4.7x
APL	8.6	n/m	30.2	3.5x

DPS estimate for 3QFY21

	3QFY21E	9MFY21E	9MFY20
PSO	-	5.0	-
APL	-	2.5	5.0

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Oil & Gas Marketing Companies

Sector Earnings to post healthy growth during 3QFY21 in the absence of hefty inventory losses

- IGI OMC universe earnings are expected to augment in 3QFY21 to PKR 5.57bn compared to loss of PKR 4.14bn in the same period last year. Earnings growth is expected on the back of a) absence of hefty inventory losses booked last year and, b) +26%YoY growth in total volumes led by +60%/+32%/+14% YoY rise in FO/HSD/MS sales,
- APL's board meeting is scheduled on 26th-Apr-21 to announce financial results for 3QFY21 where we expect the Company to report earnings of PKR 0.86bn (EPS: PKR 8.64) compared to loss of PKR 0.71bn (LPS: PKR 7.14) in the same period last year,
- PSO's board meeting is scheduled on 29th-Apr-21 to announce financial results for 3QFY21 where we expect the Company to register earnings of PKR 4.71bn (EPS: PKR 10.03) during 3QFY21 compared to loss of PKR 3.43bn (LPS: PKR 7.30) in the same period last year,
- We maintain 'BUY' call on PSO and APL with our Dec-21 target prices of PKR 306/share and PKR 410/share, offering +42% and 23% upside from last close respectively. PSO and APL are trading at FY22 P/E of 5.1/7.5x.

OMC Sector: Earnings to grow to PKR 5.57bn in 3QFY21

IGI OMC universe earnings are expected to augment in 3QFY21 to PKR 5.57bn compared to loss of PKR 4.14bn in the same period last year. Earnings growth is expected on the back of a) absence of hefty inventory losses booked last year and, b) +26%YoY growth in total volumes led by +60%/+32%/+14% YoY rise in FO/HSD/MS sales. On sequential basis, earnings are expected to be increased by +11%QoQ.

APL: Earnings to clock in at PKR 14.52/share during 3QFY21

APL's board meeting is scheduled on 26th-Apr-21 to announce financial results for 3QFY21 where we expect the Company to report earnings of PKR 0.86bn (EPS: PKR 8.64) compared to loss of PKR 0.71bn (LPS: PKR 7.14) in the same period last year.

We attribute growth in the earnings on the back of inventory gains due to increase in international oil prices compared to hefty inventory loss booked last year. However earnings growth is likely to be limited by 3%YoY decline in total volumes. This brings total 9MFY21E earnings to PKR 3.0bn (EPS: PKR 30.2) up by +3.5xYoY. On a quarterly basis earnings are expected to rise by +30%QoQ on the back of higher inventory gains amid rise in international oil prices despite drop in total volumes.

Exhibit: APL Financial Highlights

PKRmn	3QFY21E	3QFY20	YoY	2QFY21	QoQ	9MFY21E	9MFY20	YoY
Net Sales	51,266	50,062	2%	44,855	14%	141,237	166,318	-15%
Gross Profit	2,071	(345)	n/m	1,700	22%	6,831	2,683	155%
S&D exp	893	915	-2%	934	-4%	2,691	2,197	22%
Other Charges	111	(72)	n/m	65	71%	334	105	217%
Other Income	267	122	119%	324	-17%	802	691	16%
EBIT	1,367	(1,209)	n/m	1,015	35%	4,709	981	380%
Finance Cost	(50)	159	-131%	(68)	n/m	(149)	554	n/m
PBT	1,194	(1,020)	n/m	862	39%	4,189	1,249	235%
Taxation	334	(310)	n/m	201	66%	1,183	379	212%
PAT	860	(710)	n/m	661	30%	3,006	870	245%
EPS (PKR)	8.64	(7.14)		6.64		30.20	8.75	
DPS (PKR)	-	-		2.5		2.5	5.0	

Source: IGI Research, Company Financials

No of Shares: 99.53mn

PSO: Earnings expected at PKR 10.03/share during 3QFY21

PSO's board meeting is scheduled on 29th-Apr-21 to announce financial results for 3QFY21 where we expect the Company to register earnings of PKR 4.71bn (EPS: PKR 10.03) during 3QFY21 compared to loss of PKR 3.43bn (LPS: PKR 7.30) in the same period last year. We attribute this growth in earnings to a) inventory gain during the quarter compared to hefty inventory losses booked last year, b) +53% YoY incline in total volumes led by +3.6x/+50%/+28% YoY growth in FO/HSD/MS sales and, c) drop in finance income on account of drop in interest rates and ST borrowings. Furthermore, we expect other income to remain on the higher side due to receipt of penal income, however, likely to remain lower on sequential basis. On quarterly basis, earnings are estimated to increase by +8% QoQ on the back of inventory gains despite 10% QoQ drop in total sales. This brings 9MFY21E earning to PKR 14.23bn (EPS: PKR 30.31) up by +4.7xYoY.

Exhibit: PSO Financial Highlights

PKRmn	3QFY21E	3QFY20	YoY	2QFY21	QoQ	9MFY21E	9MFY20	YoY
Net Sales	299,492	244,992	22%	286,667	4%	866,925	887,331	-2%
Gross Profit	9,387	2,465	3.8x	8,993	4%	29,877	20,142	48%
S&D Expense	2,707	2,315	17%	3,238	-16%	8,481	8,078	5%
Admin Expense	815	1,040	-22%	705	16%	2,295	2,495	-8%
Other Charges	488	34	14.2x	474	3%	1,522	404	277%
Other Income	2,910	1,303	123%	3,175	-8%	7,322	8,301	-12%
EBIT	7,778	380	20.5x	7,008	11%	23,169	17,684	31%
Finance Cost	677	3,968	-83%	579	17%	2,114	10,526	-80%
PBT	7,247	(3,443)	n/m	6,573	10%	21,495	7,615	182%
Taxation	2,536	(17)	n/m	2,196	16%	7,264	4,606	58%
PAT	4,710	(3,426)	-237%	4,378	8%	14,232	3,008	373%
EPS (PKR)	10.03	(7.30)		9.32		30.31	6.41	
DPS (PKR)	-	-		5.00		5.00	-	

Source: IGI Research, Company Financials

No of Shares: 469.47mn

Recommendation

We maintain 'BUY' call on PSO and APL with our Dec-21 target prices of PKR 306/share and PKR 410/share, offering +42% and 23% upside from last close respectively. PSO and APL are trading at FY22 P/E of 5.1/7.5x.

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Time Horizon: Dec – 2021

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