

Day Break

Wednesday, 10 April 2019

COMPANY UPDATE

Pakistan Oilfields Limited

Oil & Gas Exploration Companies

Recommendation	NEUTRAL	
Target Price:	31-Dec-19	477.9
Last Closing:	9-Apr-19	451.4
Upside:		5.9
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)	
Time Horizon:		8M

Market Data

Bloomberg Tkr.	POL PA		
Shares (mn)	283.9		
Free Float Shares (mn)	130.0		
Free Float Shares (%)	45.8%		
Market Cap (PKRbn USDmn)	128.1	904.2	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	6.1	(17.4)	(20.6)
Lo	430.1	415.2	415.2
Hi	482.2	555.4	589.5

Key Company Financials

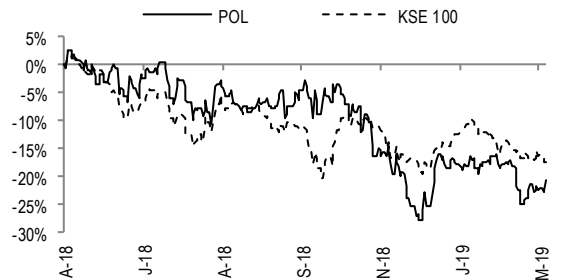
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	31.9	46.1	45.4	40.9
Net Income	11.4	16.1	16.8	15.8
EPS (PKR)	40.1	56.7	59.3	55.5
DPS (PKR)	42.5	45.0	47.5	45.0
Total Assets	58	70	78	80
Total Equity	33	37	40	43

Key Financial Ratios

ROE (%)	34.7	44.0	42.2	36.7
P/E (x)	11.3	8.0	7.6	8.1
P/B (x)	7.6	3.9	3.5	3.2
DY (%)	9.4	10.0	10.5	10.0

Relative Price Performance



About the Company

The Company is incorporated in Pakistan as a public limited company. The Company is principally engaged in exploration, drilling and production of crude oil and gas. The Company is a subsidiary of the Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group, S.A.

Source: Bloomberg, PSX & IGI Research

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Oil & Gas Exploration Companies

POL: PKR depreciation to lift 3QFY19 EPS to 14.78 up by 35%YoY

- Pakistan Oilfields Limited's (POL) board meeting is scheduled on 11th Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 4.20bn (EPS PKR 14.78), up by +35% YoY,
- We estimate incline in earnings on the back a) stable oil prices, b) 25% YoY depreciation of PKR against greenback and 17% YoY PKR depreciation against greenback and, c) lower royalty expense,
- This will bring total 9MFY19 profitability to PKR 12.08bn (EPS PKR 42.57) up by +54% YoY compared to PKR 7.87bn (EPS PKR 27.72) in the same period last year on the back of higher oil prices and PKR depreciation,
- We recommend a 'HOLD' stance on POL with our Dec-19 target price of PKR 477.9/share offering 5.9% upside from last close.

Earnings to clock in at PKR 14.78/share for 3QFY19, up by +35%YoY

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 11th Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 4.20bn (EPS PKR 14.78), up by +35% YoY, compared to PKR 3.11bn (EPS PKR 10.94) in the same period last year. We estimate incline in earnings on the back a) stable oil prices, b) 25% YoY depreciation of PKR against greenback and 17% YoY PKR depreciation against greenback and, c) lower royalty expense. Dry well cost relating to Misrial (Hisal Block) may keep exploration cost elevated during 3QFY19. This will bring total 9MFY19 profitability to PKR 12.08bn (EPS PKR 42.57) up by +54% YoY compared to PKR 7.87bn (EPS PKR 27.72) in the same period last year on the back of higher oil prices and PKR depreciation.

On quarterly basis, earnings are expected to increase by +4% QoQ on the back of lower taxation and 3.6% QoQ depreciation of PKR against USD however likely dry well cost, lower exchange gains and drop in oil & gas production is likely to keep earnings growth limited in 3QFY19.

Exhibit:

Financial Highlights

PKRmn	3QFY19E	3QFY18	YoY	9MFY19E	9MFY18	YoY
Net Sales	11,270	8,747	29%	33,479	21,987	52%
Operating Costs	2,814	2,391	18%	8,319	6,519	28%
Royalty	1,127	1,360	-17%	3,372	2,450	38%
Amortization of D&D Cost	979	802	22%	2,781	2,292	21%
Gross Profit	6,271	4,112	52%	18,773	10,496	79%
Exploration Costs	635	275	131%	1,446	1,015	42%
Finance Cost	382	543	-30%	2,131	1,219	75%
Other Income	959	741	29%	4,085	2,306	77%
PBT	5,746	3,739	54%	17,842	9,789	82%
PAT	4,195	3,107	35%	12,083	7,868	54%
EPS (PKR)	14.78	10.94		42.57	27.72	
DPS (PKR)	-	-		20.00	17.50	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

Recommendation

We recommend a 'HOLD' stance on POL with our Dec-19 target price of PKR 477.9/share offering 5.9% upside from last close. The company is currently trading at FY19/20 P/E of 8.0/7.6x and offers a dividend of 10%/10.5%.

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec – 2019

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Reserve Based DCF Valuation)

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