

Day Break

Friday, 26 July 2019

COMPANY UPDATE

Attock Petroleum Limited

Oil & Gas Marketing Companies

Recommendation	BUY
Target Price:	31-Dec-19 356.7
Last Closing:	25-Jul-19 269.5
Upside:	32.4
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: 5M

Market Data

Bloomberg Tkr.	APL PA		
Shares (mn)	99.5		
Free Float Shares (mn)	24.9		
Free Float Shares (%)	25.0%		
Market Cap (PKRbn USDmn)	26.8	167.7	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	(26.1)	(37.5)	(42.2)
Lo	264.9	264.9	264.9
Hi	369.5	455.9	523.8

Key Company Financials

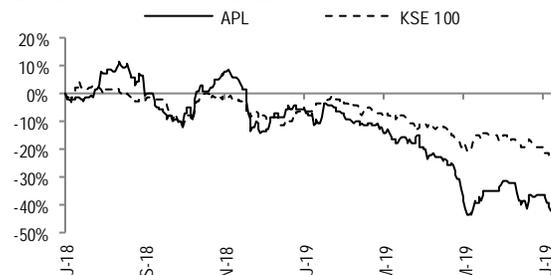
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	177.3	219.5	205.9	216.7
Net Income	5.7	3.0	4.0	4.4
EPS (PKR)	56.8	30.5	40.2	43.8
DPS (PKR)	40.0	25.0	35.0	40.0
Total Assets	46.1	50.9	49.4	49.8
Total Equity	18.4	19.1	19.6	20.0

Key Financial Ratios

ROE (%)	30.7	15.9	20.4	21.8
P/E (x)	4.7	8.8	6.7	6.2
P/B (x)	7.7	1.4	1.4	1.3
DY (%)	14.8	9.3	13.0	14.8

Relative Price Performance



About the Company

The Company was incorporated in Pakistan as a public limited company on December 3, 1995 and it commenced its operations in 1998. The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Investment Group Limited Holding s.a.l holds 34.38% (2016: 34.38%)

Source: Bloomberg, PSX & IGI Research

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Oil & Gas Marketing Companies

APL: EPS to drop by 53%YoY to PKR 6.53 owing to substantial drop in volumes

- Attock Petroleum Limited's (APL) board meeting is scheduled on 29th July-19 to announce financial result for 4QFY19, where we expect the company to post earnings of PKR 0.65bn (EPS PKR 6.53), down by 53%YoY,
- We estimate decline in earnings on the back 21%YoY drop in total volumes led by 49%/13%/2%YoY drop in FO/HSD/MS sales. We expect the Company to announce cash dividend of PKR 15/share bringing total cash dividend to PKR 25/share for FY19,
- This will bring total FY19 profitability to PKR 3.04bn (EPS PKR 30.52) down by 46%YoY compared to PKR 5.66bn (EPS PKR 56.83) in the same period last year on the back of inventory losses, lower asphalt margins and drop in volumes,
- We recommend a 'BUY' stance on APL with our Dec-19 target price of PKR 356.7/share offering 32.4% upside from last close. The company is currently trading at FY19/20 P/E of 8.8/6.7x and offers a dividend of 9.3%/13.0%.

Earnings to clock in at PKR 6.53/share for 4QFY19, down by 53%YoY

Attock Petroleum Limited's (APL) board meeting is scheduled on 29th July-19 to announce financial result for 4QFY19, where we expect the company to post earnings of PKR 0.65bn (EPS PKR 6.53), down by 53%YoY, compared to PKR 1.39bn (EPS PKR 13.99) in the same period last year. We estimate decline in earnings on the back 21%YoY drop in total volumes led by 49%/13%/2%YoY drop in FO/HSD/MS sales. This will bring total FY19 profitability to PKR 3.04bn (EPS PKR 30.52) down by 46%YoY compared to PKR 5.66bn (EPS PKR 56.83) in the same period last year on the back of inventory losses, lower asphalt margins and drop in volumes. We expect the Company to announce cash dividend of PKR 15/share bringing total cash dividend to PKR 25/share for FY19.

On quarterly basis, earnings are expected to increase by +2.3xQoQ on the back of hefty inventory loss booked last quarter and +7%/4%QoQ rise in HSD/MS sales. FO margins also improved post recovering of prices, however total FO volumes dropped by 10%QoQ.

Exhibit:

Financial Highlights

PKRmn	4QFY19E	4QFY18	YoY	FY19E	FY18	YoY
Net Sales	55,025	55,845	-1%	219,473	177,344	24%
Gross Profit	1,551	2,873	-46%	6,440	9,743	-34%
S&D Expense	808	657	23%	3,249	2,543	28%
Other Charges	98	132	-26%	279	439	-37%
Other Income	234	280	-16%	946	885	7%
EBIT	977	2,496	-61%	4,137	8,085	-49%
Finance Cost	154	147	5%	613	678	-10%
Profit Before Taxation	1,048	2,377	-56%	4,423	8,289	-47%
Profit After Taxation	650	1,393	-53%	3,038	5,656	-46%
EPS (PKR)	6.53	13.99		30.52	56.83	
DPS (PKR)	15.00	25.00		25.00	40.00	

Source: IGI Research, Company Financials

No of Shares: 99.53mn

Recommendation

We recommend a 'BUY' stance on APL with our Dec-19 target price of PKR 356.7/share offering 32.4% upside from last close. The company is currently trading at FY19/20 P/E of 8.8/6.7x and offers a dividend of 9.3%/13.0%.

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 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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