

Flash Note

Thursday, 11 April 2019

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

EPS improve marginally to PKR 11.58 however higher tax and exploration cost restricted earnings growth

- Pakistan Oilfields Limited (POL) announced its financial results for 3QFY19 with earnings clocking in at PKR 4.72bn (EPS: PKR 11.58) as compared to PKR 3.74bn (EPS: PKR 10.94) in the same period last year, up +6%YoY. This brings total profitability for 9MFY19 to PKR 11.18bn (EPS PKR 39.37) up by +42%YoY. On a quarterly basis, earnings are down by 18%QoQ during 2QFY19.
- We attribute this marginal growth in earnings during 2QFY19 to a) 25%YoY depreciation of PKR against greenback, b) normalized royalty expense and, c) higher other income. However, earnings growth was limited by higher effective tax rate of 30.4% during 2QFY19 compared to 16.9% in the same period last year.
- Net revenues increased by +22%YoY to PKR 10.68bn during 2QFY19, likely on the back of a) PKR depreciation despite lower oil & gas production.
- Exploration expense leaped up by +4.0xYoY to PKR 1.10bn during 2QFY19 compared to PKR 0.28bn in the corresponding period last year likely owing to dry well cost incurred at Misrial X-1 (Hisal Block).
- Finance cost dropped by 42%YoY to PKR 0.32bn likely on the back of lower exchange losses.
- Other income augmented by +15%YoY to PKR 0.85bn during 2QFY19 likely due to exchange gains incurred on foreign currency investments and higher income on bank deposits amid rise in interest rates.
- Effective tax rate leaped up to 30.4% during 2QFY19 compared to 16.9% reported in the corresponding period last year.

Exhibit:

POL Financial Highlights

PKRmn	3QFY19	3QFY18	YoY	2QFY19	QoQ	9MFY19	9MFY18	YoY
Net Sales	10,682	8,747	22%	11,639	-8%	32,891	21,987	50%
Operating Costs	2,822	2,391	18%	2,726	4%	8,326	6,519	28%
Royalty	1,087	1,360	-20%	1,160	-6%	3,331	2,450	36%
Amortization of D&D Cost	1,014	802	26%	1,029	-1%	2,817	2,292	23%
Gross Profit	5,683	4,112	38%	6,646	-14%	18,185	10,496	73%
Exploration Costs	1,097	275	299%	79	1291%	1,907	1,015	88%
Finance Cost	315	543	-42%	1,347	-77%	2,064	1,219	69%
Other Income	849	741	15%	2,286	-63%	3,975	2,306	72%
PBT	4,722	3,739	26%	6,962	-32%	16,819	9,789	72%
PAT	3,287	3,107	6%	4,022	-18%	11,176	7,868	42%
EPS (PKR)	11.58	10.94		14.17		39.37	27.72	
DPS (PKR)	-	-		20.00		20.00	17.50	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

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