

Flash Note

Thursday, 23 April 2020

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

Lower exploration cost and hefty exchange gains along with lower tax lifts 3QFY20 EPS to PKR 18.95 up by +64%YoY

- ✓ Pakistan Oilfields Limited (POL) announced its financial results for 3QFY20 with earnings clocking in at PKR 5.38bn (EPS: PKR 18.95) as compared to PKR 3.29bn (EPS: PKR 11.58) in the same period last year, up +64%YoY. On sequential basis, earnings are up by +18%QoQ. This brings total profitability for 9MFY20 to PKR 13.95bn (EPS PKR 49.13) up by +25%YoY compared to PKR 11.18bn (EPS PKR 39.37) in the similar period last year.
- ✓ We attribute this impressive growth in earnings during 3QFY20 to a) 11%YoY PKR depreciation despite 15%YoY drop in oil prices, b) lower exploration cost amid no dry well expense and, c) higher other income amid exchange gains.
- ✓ Net revenues increased by +1%YoY to PKR 10.74bn during 3QFY20, likely on the back of 11%YoY PKR depreciation despite 15%YoY drop in oil prices.
- ✓ Exploration expense dropped by 67%YoY to PKR 0.36bn during 3QFY20 compared to PKR 1.10bn in the corresponding period last year likely owing to lower prospecting expense booked during the quarter along with no dry well cost incurred.
- ✓ Finance cost increased by +3.9xYoY to PKR 1.24bn during 3QFY20 likely on account of exchange losses.
- ✓ Other income also augmented by +3.0xYoY to PKR 2.52bn during 3QFY20 likely owing to hefty exchange gains.
- ✓ Effective tax rate dropped substantially to 19.6% during 3QFY20 compared to 30.4% (2QFY20: 26.0%) reported in the corresponding period last year, bringing total effective tax rate for 9MFY20 to 25.2% compared to 33.5% in the same period last year.

Exhibit: POL Financial Highlights

PKRmn	3QFY20E	3QFY19	YoY	2QFY20	QoQ	9MFY20E	9MFY19	YoY
Net Sales	10,737	10,682	1%	11,461	-6%	32,450	32,891	-1%
Operating Costs	2,660	2,822	-6%	2,798	-5%	7,709	8,326	-7%
Royalty	1,080	1,087	-1%	1,221	-12%	3,420	3,331	3%
Amortization of D&D Cost	653	1,014	-36%	732	-11%	1,899	2,817	-33%
Gross Profit	6,267	5,683	10%	6,637	-6%	19,199	18,185	6%
Exploration Costs	362	1,097	-67%	415	-13%	1,152	1,907	-40%
Finance Cost	1,240	315	293%	309	301%	1,688	2,064	-18%
Other Income	2,523	849	197%	707	257%	3,698	3,975	-7%
PBT	6,690	4,722	42%	6,160	9%	18,643	16,819	11%
PAT	5,379	3,287	64%	4,560	18%	13,947	11,176	25%
EPS (PKR)	18.95	11.58		16.07		49.13	39.37	
DPS (PKR)	-	-		20.00		20.00	20.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

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