

Flash Note

Wednesday, 15 August 2018

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

EPS reported at PKR 14.87 as higher oil price and production along with PKR devaluation outweighs higher exploration cost

- Pakistan Oilfields Limited (POL) announced its financial results for 4QFY18 with earnings clocking in at PKR 3.52bn (EPS PKR 14.87) as compared to PKR 2.21bn (EPS PKR 9.35) in the same period last year, up +59%YoY. The company announced cash dividend of PKR 25.0/share, along with a bonus issue of 20%. This brings FY18 earnings to PKR 11.38bn (EPS: PKR 48.13) up by +18%YoY compared to PKR 9.68bn (EPS: PKR 40.92) in the similar period last year.
- We attribute this substantial growth in earnings during 4QFY18 to a) +5%/+9%YoY rise in oil/gas production owing to commencement of production from Jhandial and Makori Deep, b) 49%YoY rise in oil prices, c) +4.5xYoY incline in other income owing to exchange gains on USD based foreign investments.
- Net Revenues increased by +56%YoY to PKR 10.68bn during 4QFY18, likely on the back of a) +49%YoY increase in oil price, b) +5%/+9%YoY rise in oil/gas production and, c) 5% PKR depreciation in Jun-18. This brings total FY18 revenues to PKR 32.67bn up by +20%YoY.
- Exploration expense inclined by +91%YoY to PKR 1.98bn during 4QFY18 compared to PKR 1.03bn in the corresponding period last year likely owing to dry well cost incurred at Tolanj East-01 (Tal Block-stake 21.05%) and Surqamar (Gurgalot block-stake 19.34%). This brings total exploration cost to PKR 2.99bn in FY18 up by +2.0xYoY.
- Other income augmented by +4.5xYoY to PKR 0.96bn during 4QFY18 likely due to exchange gains incurred on foreign currency investments.
- Effective tax rate increased by 314bps to 23.0% during 4QFY18 compared to 19.8% reported in the corresponding period last year, bringing total effective tax rate for FY18 to 20.7% (FY17: 22.0%).

Exhibit:

POL Financial Highlights

PKRmn	4QFY18	4QFY17	YoY	FY18	FY17	YoY
Net Sales	10,678	6,865	56%	32,665	27,280	20%
Operating Costs	1,937	2,021	-4%	8,456	8,384	1%
Royalty	1,328	602	121%	3,778	2,344	61%
Amortization of D&D Cost	695	241	189%	2,987	2,209	35%
Gross Profit	6,640	3,929	69%	17,136	14,072	22%
Exploration Costs	1,975	1,032	91%	2,990	1,468	104%
Finance Cost	700	162	333%	1,919	746	157%
Other Income	957	213	348%	3,262	1,473	121%
PBT	4,564	2,759	65%	14,353	12,412	16%
PAT	3,516	2,213	59%	11,384	9,679	18%
EPS (PKR)	14.87	9.35		48.13	40.92	
EPS (PKR) bonus adjusted (283.86mn shares)	12.39	7.80		40.10	34.10	
DPS (PKR)	25.00	25.00		42.50	40.00	

Source: IGI Research and Company Financials

No of Shares: 236.55mn

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Time Horizon: Dec – 2018

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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