

Flash Note

Thursday, 23 April 2020

Oil & Gas - Exploration Companies

Pakistan Petroleum Limited (PPL)

Lower exploration cost and exchange gains lift 3QFY20 EPS to 5.40 up by 39%YoY despite slump in oil prices and production; Nil cash payout

- ✓ Pakistan Petroleum Limited (PPL) announced its financial results for 3QFY20 with earnings clocking in at PKR 14.67bn (EPS PKR 5.40) as compared to PKR 14.21bn (EPS PKR 5.22) in the same period last year. On a sequential basis, earnings are up by +42%QoQ. This brings total profitability to PKR 39.30bn (EPS PKR 14.42) down by 13%YoY during 9MFY20 compared to PKR 45.25bn (EPS PKR 16.63) in the same period last year.
- ✓ The Company did not announce any cash dividend for 3QFY20 amid substantial rise in receivables which stood at PKR ~100/share as at Dec-19.
- ✓ We attribute this incline in earnings during 3QFY20 to a) 55%YoY drop in exploration cost, b) +26%YoY rise in other income owing to higher mark up income and, c) likely exchange gains leading to net income recorded under the head of other charges as compared net expense of PKR 1.75bn in the same period last year. This is due to reclassification of exchange gain/losses to other charges during 1QFY20 where PPL booked exchange loss.
- ✓ Net Revenues increased by +1%YoY to PKR 40.82bn during 3QFY20, likely on the back of +11%YoY PKR depreciation despite lower oil prices and production.
- ✓ Operating cost increased by +16%YoY to PKR 11.71bn during 3QFY20 compared to PKR 10.12bn reported in the corresponding period last year.
- ✓ Exploration cost plummeted by 55%YoY to PKR 2.02bn during 3QFY20 compared to PKR 4.45bn in the same period last year likely due to only one dry well cost booked in Bela West X-1 well (Bela West Block) which was temporarily suspended. However, prospecting expense likely clocked in lower due to no seismic data acquisition during the quarter.
- ✓ Other income increased by +26%YoY to PKR 1.64bn during 3QFY20 compared to PKR 1.30bn in the similar period last year likely owing to higher markup income on investments. Exchange gains were likely recorded under the head of other charges as 1QFY20 exchange losses were recorded under other charges thus leading to net income of PKR 0.17bn as compared to net expense of PKR 1.75bn in the same period last year.
- ✓ Total effective tax rate stood at 32.0% during 3QFY20 against 23.9% (2QFY20: 25.0%) in the same period last year bringing total effective tax rate to 28.1% for 9MFY20 compared to 24.1% in the similar period last year.

Exhibit: PPL Financial Highlights (Un-Consolidated)

PKRmn	3QFY20	3QFY19	YoY	2QFY20	QoQ	9MFY20	9MFY19	YoY
Net Sales	40,818	40,391	1%	43,651	-6%	126,228	119,201	6%
Operating Expense	11,708	10,116	16%	12,128	-3%	33,047	29,571	12%
Royalty & Other Levies	6,206	6,048	3%	6,541	-5%	18,887	17,659	7%
Gross Profit	22,904	24,227	-5%	24,982	-8%	74,294	71,971	3%
Exploration Expense	2,020	4,448	-55%	8,878	-77%	13,762	12,446	11%
Administrative Expense	828	427	94%	725	14%	2,164	1,506	44%
Other Income	1,641	1,303	26%	1,585	3%	4,107	8,171	-50%
Other Charges	(165)	1,748	-109%	2,967	-106%	7,159	6,050	18%
EBIT	21,862	18,907	16%	13,998	56%	55,318	60,140	-8%
Finance Cost	268	235	14%	248	8%	788	499	58%
PBT	21,594	18,672	16%	13,749	57%	54,530	59,641	-9%
PAT	14,674	14,214	3%	10,317	42%	39,229	45,254	-13%
EPS (PKR)	5.40	5.22		3.79		14.42	16.63	
DPS (PKR)	-	-		-		-	-	

Source: IGI Research and Company Financials

No of Shares: 2,720.97mn

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