

Flash Note

Tuesday, 24 April 2018

Oil & Gas - Exploration Companies

PPL: Higher wellhead gas price for Sui and exchange gain lifts EPS by +53%YoY to PKR 5.66 in 3QFY18

- Pakistan Petroleum Limited (PPL) announced its financial results for 3QFY18 with earnings clocking in at PKR 11.17bn (EPS PKR 5.66) as compared to PKR 7.27bn (EPS PKR 3.69) in the same period last year, up +53%YoY. This brings 9MFY18 earnings to PKR 33.19bn (EPS PKR 16.83) up by +74%YoY compared to PKR 19.07bn (EPS PKR 9.67) in the same period last year.
- We attribute this substantial growth in earnings in 3QFY18 to a) exchange gains owing to 5% PKR depreciation in Mar-18, b) 24%YoY rise in oil prices, c) increase in LPG/Gas production and, d) lower effective tax rate of 26%.
- Net Revenues increased by +29%YoY to PKR 30.85bn, likely on the back of a) +24%YoY increase in oil price, b) 5% PKR depreciation in Mar-18, c) higher wellhead gas price for Sui field under the revised Gas Price Agreement (GPA) and, d) rise in LPG/Gas production.
- Royalty expense increased substantially by +59%YoY to PKR 4.52bn during 3QFY18 compared to PKR 2.83bn in the same period last year owing to additional royalty of 10% on production from Sui field under the revised GPA.
- Exploration expense inclined by +49%YoY to PKR 2.82bn during 3QFY18 compared to PKR 1.90bn in the corresponding period last year likely owing to dry well cost incurred at Kacha Khel-1 (Nashpa block, stake'27.8%).
- Other income augmented by +74%YoY to PKR 2.09bn during 3QFY18 likely due to exchange gains incurred on foreign currency investments.
- Effective tax rate dropped by 296bps to 26% during 3QFY18 compared to 29% reported in the corresponding period last year.

Exhibit:

Financial Highlights

PKRmn	3QFY18	3QFY17	YoY	9MFY18	9MFY17	YoY
Net Sales	30,849	23,948	29%	91,823	63,973	44%
Operating Expense	8,474	9,183	-8%	24,323	22,921	6%
Royalty	4,516	2,833	59%	13,478	7,594	77%
Gross Profit	17,859	11,932	50%	54,022	33,458	61%
Exploration Expense	2,817	1,895	49%	7,090	7,143	-1%
Other Income	2,088	1,197	74%	6,571	3,432	91%
Other Expense	799	552	45%	3,092	1,420	118%
Finance Cost	211	115	84%	450	347	30%
PBT	15,110	10,249	47%	47,948	26,609	80%
PAT	11,169	7,273	54%	33,193	19,070	74%
EPS (PKR)	5.66	3.69	53%	16.83	9.67	74%
DPS (PKR)	-	-		4.00	3.00	

Source: IGI Research and Company Financials

No of Shares: 1,972mn

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