

# Flash Note

Wednesday, 25 September 2019

## Oil & Gas - Exploration Companies

### Pakistan Petroleum Limited (PPL)

#### Hefty exchange gains lift 4QFY19 EPS to PKR 7.22 despite Kekra Dry well cost; DPS PKR 2.0 along with bonus of 20%

- Pakistan Petroleum Limited (PPL) announced its financial results for 4QFY19 with earnings clocking in at PKR 16.38bn (EPS PKR 7.22) as compared to PKR 12.50bn (EPS PKR 5.51) in the same period last year, up by +31%YoY. This brings total earnings for FY19 to PKR 61.63bn (EPS PKR 27.18) compared to PKR 45.69bn (EPS PKR 20.15) in the similar period last year.
- The Company announced cash dividend of PKR 2.0/share for FY19 along with bonus issue of 20% with the result. To note, the Company has scheduled EoGM on 11<sup>th</sup>-Oct-2019 with the agenda to increase its authorized share capital.
- We attribute this substantial growth in earnings during 4QFY19 to ) higher revenues amid 26%YoY depreciation of PKR against greenback and, b) increase in other income owing to exchange gains despite lower oil prices and higher exploration cost.
- Net Revenues increased by +30%YoY to PKR 44.70bn during 4QFY19, likely on the back of PKR depreciation taking total FY19 revenues to PKR 163.89bn up by +30%YoY.
- However earnings growth was limited as exploration expense leaped up by +3.1xYoY to PKR 12.41bn during 4QFY19 compared to PKR 4.07bn in the corresponding period last year likely owing to only dry well cost incurred at Kekra-01 (Indus G-Block), Paharpur X-01 (Paharpur) and Qadirpur Deep X-1 (Qadirpur) in our view. This brings total exploration cost to PKR 24.86bn in FY19 up by +2.2xYoY.
- Other income leaped up by +3.0xYoY to PKR 8.36bn during 4QFY19 compared to PKR 2.75bn in the similar period last year likely owing to higher exchange gains realized on foreign currency investments, bringing total other income for FY19 to PKR 16.53bn up by +77%YoY.
- Effective tax rate stood at 19.3% during 4QFY19 as against 19.3% in the same period last year (3QFY19: 23.9%). This brings total effective tax for FY19 to 22.9% compared to 30.0% during FY18.

Exhibit:

#### PPL Financial Highlights

PKRmn	4QFY19	4QFY18	YoY	3QFY19	QoQ	FY19	FY18	YoY
Net Sales	44,689	34,387	30%	40,391	11%	163,890	126,210	30%
Operating Expense	10,581	9,159	16%	10,116	5%	40,152	33,482	20%
Royalty	6,670	5,034	33%	6,048	10%	24,329	18,512	31%
Gross Profit	27,437	20,194	36%	16,164	70%	99,408	74,215	34%
Exploration Expense	12,413	4,074	205%	4,448	179%	24,858	11,164	123%
Other Income	8,357	2,748	204%	1,303	541%	16,528	9,319	77%
Other Charges	2,116	2,838	-25%	1,748	21%	8,166	5,931	38%
Finance Cost	242	(7)	n/m	235	3%	741	444	67%
PBT	20,290	15,489	31%	18,672	9%	79,931	63,436	26%
PAT	16,379	12,495	31%	14,214	15%	61,632	45,688	35%
EPS (PKR)	7.22	5.51	31%	6.27	15%	27.18	20.15	35%
DPS (PKR)	2.00	1.50		-		2.00	5.50	

Source: IGI Research and Company Financials

No of Shares: 2,267.49mn

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