

Flash Note

Wednesday, 26 August 2020

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

Lower oil prices and production along with reduced other income drags 4QFY20 EPS to PKR 8.56 down by 57%YoY; DPS PKR 30

- ✓ Pakistan Oilfields Limited (POL) announced its financial results for 4QFY20 with earnings clocking in at PKR 2.43bn (EPS: PKR 8.56) as compared to PKR 5.70bn (EPS: PKR 20.07) in the same period last year, down +57%YoY. On sequential basis, earnings down by 55%QoQ. This brings total profitability for FY20 to PKR 16.38bn (EPS PKR 57.69) down by 3%YoY compared to PKR 16.87bn (EPS PKR 59.44) in the similar period last year.
- ✓ The Company announced cash dividend of PKR 30/share along with the result taking total cash payout to PKR 50/share for FY20.
- ✓ We attribute this substantial decline in earnings during 4QFY20 to a) 61%YoY drop in oil price despite 11%YoY PKR depreciation, b) 14%/8% drop in oil/gas production and, c) lower other income likely in the absence of exchange gains.
- ✓ Net revenues plummeted by 18%YoY to PKR 5.75bn during 4QFY20, likely on the back of substantial decline in oil price and lower oil/gas production.
- ✓ Exploration expense increased by +79%YoY to PKR 0.25bn during 4QFY20 compared to PKR 0.14bn in the corresponding period last year likely owing to higher prospecting expense booked during the quarter along with no dry well cost incurred.
- ✓ Finance cost nosedived by 69%YoY to PKR 0.52bn during 4QFY20 likely on account of no exchange losses booked.
- ✓ Other income also plummeted by 73%YoY to PKR 0.86bn during 4QFY20 likely in the absence of hefty exchange gains booked in the similar period last year.
- ✓ Effective tax rate dropped substantially to 21.4% during 4QFY20 compared to 29.1% (3QFY20: 19.6%) reported in the corresponding period last year, bringing total effective tax rate for FY20 to 24.7% compared to 32.1% in the same period last year.

Exhibit: POL Financial Highlights

| PKRmn | 4QFY20 | 4QFY19 | YoY | 3QFY20 | QoQ | FY20 | FY19 | YoY |
|--------------------------|--------|--------|------|--------|------|--------|--------|------|
| Net Sales | 5,746 | 11,086 | -48% | 10,737 | -46% | 38,196 | 43,977 | -13% |
| Operating Costs | 1,699 | 2,067 | -18% | 2,660 | -36% | 9,408 | 10,393 | -9% |
| Royalty | 590 | 1,222 | -52% | 1,080 | -45% | 4,010 | 4,554 | -12% |
| Amortization of D&D Cost | 511 | 495 | 3% | 653 | -22% | 2,410 | 3,312 | -27% |
| Gross Profit | 3,169 | 7,225 | -56% | 6,267 | -49% | 22,368 | 25,410 | -12% |
| Exploration Costs | 253 | 142 | 79% | 362 | -30% | 1,405 | 2,049 | -31% |
| Finance Cost | 524 | 1,710 | -69% | 1,240 | -58% | 2,212 | 3,774 | -41% |
| Other Income | 861 | 3,201 | -73% | 2,523 | -66% | 4,558 | 7,177 | -36% |
| PBT | 3,092 | 8,036 | -62% | 6,690 | -54% | 21,734 | 24,855 | -13% |
| PAT | 2,429 | 5,696 | -57% | 5,379 | -55% | 16,376 | 16,872 | -3% |
| EPS (PKR) | 8.56 | 20.07 | | 18.95 | | 57.69 | 59.44 | |
| DPS (PKR) | 30.00 | 30.00 | | - | | 50.00 | 50.00 | |

Source: IGI Research and Company Financials No of Shares: 283.86mn

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