

## Attock Petroleum Limited

### Result Review

PSX: APL    Bloomberg: APL: PA    Reuters: APL. KA

Pakistan Research

## APL: 2QFY23 EPS reported at PKR 10.0, down 70% YoY, DPS at PKR 12.5

- APL announced its 2QFY23 financial results today, where the company posted an EPS of PKR 10.0, down 70% YoY, primarily due to inventory loss booked during 2QFY23 as against inventory gains in SPLY. The result came in higher than our expectation owing to lower-than-expected inventory loss and operating expenses. Along with the result, company announced an interim cash dividend of PKR 12.5/share.
- APL's net sales grew by 40% YoY to PKR 113.8bn in 2QFY23 vs PKR 81.4bn in 2QFY22, on the back of higher POL product prices, despite decline in volumetric sales (HSD -27% YoY, MS -9% YoY and FO -15% YoY).
- Gross margin during the 2Q contracted by 7.9ppts YoY to 1.7% vs 9.6% in SPLY (8.1% in preceding quarter). This is mainly on account of expected inventory loss of ~PKR 1.3 bn.
- Operating expenses declined by 17% YoY to PKR 1.4bn vs PKR 1.7bn in SPLY, owing to absence of exchange losses during the 2Q.
- Finance income grew by 2.5x YoY to PKR 1.4bn, due to higher returns on deposits and investments.
- We have a 'BUY, stance on APL. Our Dec-23 PT of PKR 364/share provides an upside of 20% along with a dividend yield of 14%.

### Key Data

PSX Ticker	APL
Target Price (PKR)	364
Current Price (PKR)	303
Upside/(Downside) (%)	+ 20%
Dividend Yield (%)	14%
Total Return (%)	+ 34%
12-month High (PKR)	399
12-month Low (PKR)	275
Outstanding Shares (mn)	124.42
Market Cap (PKR mn)	37,732
Year End	June

Source: Company Accounts, Akseer Research

### Financial Highlights (PKR mn)

	2QFY22	2QFY23	YoY	1HFY22	1HFY23	YoY
Net Sales	81,439	113,846	40%	154,277	237,778	54%
Cost of Sales	73,580	111,892	52%	141,724	225,833	59%
<b>Gross Profit</b>	<b>7,859</b>	<b>1,954</b>	<b>-75%</b>	<b>12,553</b>	<b>11,945</b>	<b>-5%</b>
Operating Expense	1,734	1,441	-17%	3,403	5,174	52%
Other Income	445	452	1%	801	843	5%
Financial Income	404	1,397	246%	680	2,131	213%
Finance cost	400	570	42%	739	1,056	43%
<b>Profit before tax</b>	<b>5,994</b>	<b>1,778</b>	<b>-70%</b>	<b>9,375</b>	<b>8,230</b>	<b>-12%</b>
Taxation	1,773	530	-70%	2,766	2,692	-3%
<b>Net Income</b>	<b>4,221</b>	<b>1,249</b>	<b>-70%</b>	<b>6,609</b>	<b>5,538</b>	<b>-16%</b>
EPS	33.9	10.0	-70%	53.1	44.5	-16%
DPS	15.0	12.5		15.0	12.5	

### Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	8.1	39.5	149.0	92.1	70.5	71.2
EPS Growth	-75%	387.9%	276.8%	-38.2%	-23.4%	1.0%
DPS	9.0	27.0	45.0	41.0	39.0	43.0
PER	NA	7.7	2.0	3.3	4.3	4.3
Dividend Yield	2.4%	7.1%	11.9%	13.5%	12.9%	14.2%
EV/EBITDA	4.1	1.4	0.4	0.8	0.8	0.4
P/B	2.0	1.7	1.0	0.9	0.8	0.7
ROE	5.4%	23.9%	61.7%	28.2%	19.1%	17.9%

Source: Company Accounts, Akseer Research

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### Valuation Basis

Our PT for Attock Petroleum Limited (APL) has been computed using Free cash flow to equity (FCFE) method. We have used a risk free rate of 17.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 23.0%.

### Investment Thesis

We have a 'BUY' stance on the script with our Dec-23 PT of PKR 364/share. Our price target indicates an upside of 20% along with a dividend yield of 14%. Our investment case on APL is based on 1) Improving market share on back of growing storage and retail network, and 2) Cash rich balance sheet & 3) Group synergies to augment earnings.

### Risks

Key downside risks to our investments thesis are: 1) sharp decrease in oil prices, 2) significant loss of market share to other industry players & 3) Decline in OMC volumes due to economic slowdown.

### Company Description

Attock Petroleum Limited (APL) was incorporated in 1995. It procures, stores, and markets petroleum and related products in Pakistan including high-speed diesel, premier motor gasoline, jet fuels, etc. APL markets and supplies fuels to retail outlets, industries, armed forces, power producers, government/semi-government entities, developmental sector and agricultural customers.

### Financial Highlights - APL

Income Statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Sales	201,079	188,645	370,075	546,632	462,580	424,772
Cost of Sales	197,441	178,663	329,072	520,861	445,089	407,116
<b>Gross Profit</b>	<b>3,638</b>	<b>9,982</b>	<b>41,003</b>	<b>25,770</b>	<b>17,491</b>	<b>17,656</b>
SG & A	3,079	4,152	10,215	9,100	5,742	5,804
<b>Operating Profit</b>	<b>185</b>	<b>6,239</b>	<b>31,137</b>	<b>17,002</b>	<b>12,063</b>	<b>12,151</b>
Other Income Net	781	752	(627)	(261)	225	243
Financial Income	2,232	1,334	1,608	1,936	2,655	3,060
Finance Cost	1,597	1,419	1,587	1,797	2,083	2,481
Profit Before Tax	<b>1,503</b>	<b>6,939</b>	<b>30,610</b>	<b>17,030</b>	<b>13,017</b>	<b>13,138</b>
Taxation	495	2,019	12,073	5,570	4,244	4,281
<b>Profit After Tax</b>	<b>1,008</b>	<b>4,920</b>	<b>18,536</b>	<b>11,459</b>	<b>8,773</b>	<b>8,857</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	13,840	16,617	16,598	16,523	16,644	16,850
Other LT assets	1,873	1,070	1,378	1,424	1,472	1,522
Non-Current Assets	15,712	17,687	17,976	17,946	18,115	18,372
Current assets	35,526	44,211	78,375	118,366	110,610	108,359
<b>Total Assets</b>	<b>51,238</b>	<b>61,898</b>	<b>96,351</b>	<b>136,313</b>	<b>128,726</b>	<b>126,731</b>
Non-Current liabilities	4,884	7,381	7,346	7,373	7,401	7,430
Current liabilities	27,909	31,795	51,686	85,013	73,477	67,946
<b>Total Liabilities</b>	<b>32,792</b>	<b>39,177</b>	<b>59,032</b>	<b>92,386</b>	<b>80,878</b>	<b>75,377</b>
Equity	18,446	22,721	37,319	43,926	47,847	51,354
<b>Total Equity &amp; liabilities</b>	<b>51,238</b>	<b>61,898</b>	<b>96,351</b>	<b>136,313</b>	<b>128,726</b>	<b>126,731</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	1,008	4,920	18,536	11,459	8,773	8,857
Non-cash Charges	4,636	3,423	(18,634)	(5,514)	6,354	3,611
Operating Cash flows	5,644	8,342	(98)	5,946	15,127	12,467
Investing Cash Flow	(7,683)	(3,568)	(2,187)	(1,791)	(1,985)	(2,084)
Financing Cash Flow	2,602	1,853	(3,973)	(4,825)	(4,824)	(5,321)
<b>Net change in cash</b>	<b>562</b>	<b>6,628</b>	<b>(6,258)</b>	<b>(671)</b>	<b>8,317</b>	<b>5,062</b>
Beginning Cash	2,920	3,482	10,110	3,852	3,181	11,499
<b>Closing cash</b>	<b>3,482</b>	<b>10,110</b>	<b>3,852</b>	<b>3,181</b>	<b>11,499</b>	<b>16,561</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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