

3QFY22 earnings expected at PKR 38.4/share, up 1.5x YoY

- APL's board meeting is scheduled on April 21, 2022 to consider 3QFY22 financial results. We expect the company to post an EPS of PKR 38.4, up 1.5x YoY primarily driven by higher volumetric sales and hefty inventory gains. This will take 9MFY22 earnings to PKR 104.8/share, up 1.85x YoY.
- APL is expected to book 97% YoY growth in net sales to PKR 89.9bn owing to 42% YoY growth in HSD and 16% YoY growth in MS volumetric sales during 3Q. The company also managed to regain its market share in HSD, which stood at 8.8% in 3QFY22 compared to 7.7% in SPLY. Similarly, MS market share also increased to 8.2% from 7.9% in SPLY.
- We expect gross margin to clock in at 7.4%, compared to 6.4% in SPLY owing to inventory gains during the quarter.
- On sequential basis, earnings are expected to decline by 9.5% QoQ owing to decline in volumetric sales. HSD volumes declined by 11% QoQ whereas MS volumes remained flat during the period.
- We have a 'BUY' stance on APL. Our Dec-22 PT of PKR 415/share provides an upside of 17% along with a dividend yield of 25%.

Key Data

PSX Ticker	APL
Target Price (PKR)	415
Current Price (PKR)	331
Upside/(Downside) (%)	+ 25%
Dividend Yield (%)	17%
Total Return (%)	+ 42%
12-month High (PKR)	362
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	32,966
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	3QFY21	3QFY22E	YoY	9MFY21	9MFY22E	YoY
Net Sales	45,728	89,947	97%	135,699	244,223	80%
Cost of Sales	42,821	83,294	95%	128,032	225,018	76%
Gross Profit	2,907	6,652	129%	7,667	19,205	150%
Operating Expense	900	1,185	32%	2,697	4,588	70%
Other Income	409	322	-21%	944	1,124	19%
Financial Income	298	375	26%	990	1,056	7%
Finance cost	324	424	31%	1,114	1,163	4%
Profit before tax	2,157	5,383	150%	5,151	14,757	186%
Taxation	639	1,561	144%	1,487	4,327	191%
Net Income	1,518	3,822	152%	3,664	10,431	185%
EPS	15.25	38.40	152%	36.81	104.80	185%
DPS	-	-		2.50	15.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	39.8	10.1	49.4	138.1	53.5	64.9
EPS Growth	-30%	-75%	387.9%	179.4%	-61.3%	21.4%
DPS	20.0	9.0	27.0	55.0	29.0	36.0
PER	8.3	NA	6.7	2.4	6.2	5.1
Dividend Yield	6.0%	2.7%	8.2%	16.6%	8.8%	10.9%
EV/EBITDA	2.6	4.5	1.6	0.4	0.6	0.5
P/B	1.7	1.8	1.5	1.1	1.0	0.9
ROE	21.2%	5.4%	23.9%	51.2%	16.5%	18.5%

Source: Company Accounts, Akseer Research

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 12.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 18.0%.

Investment Thesis

We have a 'BUY' stance on the script with our Dec-22 PT of PKR 415/share. Our price target indicates an upside of 25% along with a dividend yield of 17%. 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Sales	223,054	201,079	188,645	342,549	278,537	263,468
Cost of Sales	214,833	197,441	178,663	318,127	267,225	250,122
Gross Profit	8,221	3,638	9,982	24,422	11,312	13,347
SG & A	3,590	3,079	4,152	4,740	4,567	4,795
Operating Profit	4,560	185	6,239	20,071	7,114	8,902
Other Income Net	835	781	752	(568)	614	500
Financial Income	1,399	2,232	1,334	1,502	1,394	1,366
Finance Cost	849	1,597	1,419	1,696	1,780	1,907
Profit Before Tax	5,723	1,503	6,939	19,344	7,379	8,901
Taxation	1,762	495	2,019	5,599	2,056	2,437
Profit After Tax	3,961	1,008	4,920	13,744	5,323	6,464

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	8,349	13,840	16,617	20,118	22,258	24,181
Other LT assets	904	1,873	1,070	1,112	1,156	1,203
Non-Current Assets	9,253	15,712	17,687	21,230	23,414	25,384
Current assets	37,103	35,526	44,211	59,205	52,681	51,387
Total Assets	46,356	51,238	61,898	80,434	76,096	76,771
Non-Current liabilities	793	4,884	7,381	7,407	7,433	7,460
Current liabilities	26,683	27,909	31,795	42,037	35,235	33,002
Total Liabilities	27,476	32,792	39,177	49,444	42,668	40,463
Equity	18,927	18,446	22,721	30,991	33,428	36,308
Total Equity & liabilities	46,403	51,238	61,898	80,434	76,096	76,771

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,961	1,008	4,920	13,744	5,323	6,464
Non-cash Charges	463	4,636	3,423	2,429	3,002	2,474
Operating Cash flows	4,423	5,644	8,342	16,173	8,325	8,938
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(5,470)	(4,411)	(4,412)
Financing Cash Flow	(3,570)	2,602	1,853	(5,449)	(2,860)	(3,556)
Net change in cash	(1,278)	562	6,628	5,254	1,054	970
Beginning Cash	4,198	2,920	3,482	10,110	15,364	16,418
Closing cash	2,920	3,482	10,110	15,364	16,418	17,387

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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