

## APL - FY21 earnings to clock in at PKR 53.9/share, up 4.3x YoY

- APL's board meeting is scheduled on August 11, 2021 to consider FY21 financial results. We expect the company to post an EPS of PKR 53.9, as compared to an EPS of PKR 10.1 FY20, depicting 4.3x growth in the bottomline. Despite the decline in retail fuel (HSD and MS) volumes, earnings will be robust mainly due to hefty inventory gains during the year as against inventory losses booked in FY20.
- Along with the result, we expect the company to announce final dividend of PKR 13.5/share, in addition to an interim dividend of PKR 2.5/share, taking the cumulative dividend payout in FY21 to PKR 16/share.
- APL's overall volumetric sales grew by a mere 1% YoY in FY21, mainly contributed by higher FO volumes that surged 32% YoY in FY21. On the contrary, HSD and MS volumes witnessed decline of 12% YoY and 6% YoY, respectively as the company lost 2% of its market share in retail fuels during the period.
- Depressed volumes are likely to result in 9% YoY attrition in net sales; however, the company is expected to remain profitable at gross level due to absence of hefty inventory losses.
- On quarterly basis, APL is expected to post earnings of PKR 17.1/share, up 11.3x in 4Q. This can mainly be attributed to cumulative 7% YoY growth in HSD and MS volumes and absence of significant inventory losses.
- Our Dec-21 PT of PKR 423/share provides an upside of 29% along with a dividend yield of 4.9%, hence a BUY call.

### Key Data

PSX Ticker	APL
Target Price (PKR)	423
Current Price (PKR)	329
Upside/(Downside) (%)	+ 29%
Dividend Yield (%)	4.9%
Total Return (%)	+ 34%
12-month High (PKR)	390
12-month Low (PKR)	304
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	32,763
Year End	June

Source: Company Accounts, Akseer Research

### Financial Estimates (PKR mn)

	4QFY20	4QFY21E	YoY	FY20	FY21E	YoY
Net Sales	34,761	47,590	37%	201,079	183,288	-9%
Cost of Sales	33,806	44,260	31%	197,441	172,291	-13%
<b>Gross Profit</b>	<b>955</b>	<b>3,330</b>	<b>249%</b>	<b>3,638</b>	<b>10,997</b>	<b>202%</b>
Operating Expense	882	819	-7%	3,079	3,516	14%
Other Income	207	216	5%	899	1,160	29%
Financial Income	547	355	-35%	2,232	1,344	-40%
Finance cost	466	333	-29%	1,597	1,448	-9%
<b>Profit before tax</b>	<b>254</b>	<b>2,393</b>	<b>843%</b>	<b>1,503</b>	<b>7,545</b>	<b>402%</b>
Taxation	116	692	497%	495	2,179	340%
<b>Net Income</b>	<b>138</b>	<b>1,701</b>	<b>11.3x</b>	<b>1,008</b>	<b>5,365</b>	<b>4.3x</b>
EPS	1.38	17.09	11.3x	10.13	53.90	4.3x
DPS	4.00	13.50		9.00	16.00	

Source: Company Accounts, Akseer Research

### Key Financial Ratios

	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
EPS	56.8	39.8	10.1	53.9	42.4	48.7
EPS Growth	7%	-30%	-75%	432.1%	-21.4%	14.8%
DPS	42.5	20.0	9.0	16.0	21.0	39.0
PER	5.8	8.3	NA	6.1	7.8	6.8
Dividend Yield	12.9%	6.1%	2.7%	4.9%	6.4%	11.8%
EV/EBITDA	1.6	2.6	4.5	1.7	1.7	1.4
P/B	1.8	1.7	1.8	1.5	1.3	1.3
ROE	32.6%	21.2%	5.4%	26.4%	18.1%	19.5%

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 11.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 17.0%.

### Investment Thesis

We have a 'BUY' stance on the script with the Dec-21 PT of PKR 423/share. Our price target indicates an upside of 29% along with a dividend yield of 4.9%. 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.

### Risks

Key downside risks to our investment thesis are: 1) sharp decrease in oil prices, 2) significant loss of market share to other industry players & 3) Sharp decline in Asphalt sales.

### Company Description

Attock Petroleum Limited was incorporated in 1995 and is based in Rawalpindi, Pakistan. It procures, stores, and markets petroleum and related products in Pakistan. It offers various petroleum products, such as high speed diesel, premier motor gasoline, jet fuels etc.

### Financial Highlights - APL

Income Statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	216,360	256,661	235,732	214,372	242,367	261,836
Net Sales	177,344	223,054	201,079	183,288	207,224	223,869
Cost of Sales	167,601	214,833	197,441	172,291	198,049	213,611
<b>Gross Profit</b>	<b>9,743</b>	<b>8,221</b>	<b>3,638</b>	<b>10,997</b>	<b>9,175</b>	<b>10,259</b>
SG & A	2,544	3,590	3,079	3,516	3,776	4,090
<b>Operating Profit</b>	<b>7,199</b>	<b>4,560</b>	<b>185</b>	<b>7,163</b>	<b>5,098</b>	<b>5,881</b>
Other Income	445	835	781	587	970	969
Financial Income	1,242	1,399	2,232	1,344	1,384	1,432
Finance Cost	564	849	1,597	1,448	1,484	1,539
<b>Profit Before Tax</b>	<b>8,287</b>	<b>5,723</b>	<b>1,503</b>	<b>7,545</b>	<b>5,860</b>	<b>6,631</b>
Taxation	2,633	1,762	495	2,179	1,641	1,787
<b>Profit After Tax</b>	<b>5,654</b>	<b>3,961</b>	<b>1,008</b>	<b>5,365</b>	<b>4,219</b>	<b>4,844</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
PPE	6,418	8,349	13,840	14,394	15,710	16,926
Other LT assets	1,561	904	1,744	1,784	1,827	1,871
Non-Current Assets	7,979	9,253	15,584	16,178	17,537	18,797
Current assets	38,149	37,103	35,655	35,388	39,797	41,733
<b>Total Assets</b>	<b>46,127</b>	<b>46,356</b>	<b>51,238</b>	<b>51,566</b>	<b>57,334</b>	<b>60,530</b>
Non-Current liabilities	912	793	4,884	4,907	4,931	4,955
Current liabilities	26,802	26,683	27,909	24,440	28,056	30,264
<b>Total Liabilities</b>	<b>27,714</b>	<b>27,476</b>	<b>32,792</b>	<b>29,347</b>	<b>32,987</b>	<b>35,220</b>
Equity	18,418	18,927	18,446	22,219	24,348	25,310
<b>Total Equity &amp; liabilities</b>	<b>46,131</b>	<b>46,403</b>	<b>51,238</b>	<b>51,566</b>	<b>57,334</b>	<b>60,530</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	5,654	3,961	1,008	5,365	4,219	4,844
Non-cash Charges	(6,465)	463	4,507	1,493	2,333	2,012
Operating Cash flows	(810)	4,423	5,515	6,859	6,553	6,856
Investing Cash Flow	(2,572)	(2,131)	(7,555)	(1,828)	(2,672)	(2,680)
Financing Cash Flow	(3,353)	(3,570)	2,602	(1,569)	(2,066)	(3,857)
<b>Net change in cash</b>	<b>(6,735)</b>	<b>(1,278)</b>	<b>562</b>	<b>3,462</b>	<b>1,814</b>	<b>319</b>
Beginning Cash	10,933	4,198	2,920	3,482	6,944	8,758
<b>Closing cash</b>	<b>4,198</b>	<b>2,920</b>	<b>3,482</b>	<b>6,944</b>	<b>8,758</b>	<b>9,077</b>

Source: Company Accounts, Akseer Research

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