

## FY22 EPS likely to clock in at PKR 142.4, up 1.9x YoY; DPS at PKR 25.0

- APL's board meeting is scheduled on August 16, 2022 to consider FY22 financial results. We expect the company to post an EPS of PKR 142.4, up 1.9x YoY primarily driven by higher product prices, volumetric sales and hefty inventory gains. Along with the result, APL is expected to announce a final cash dividend of PKR 25/share, taking the cumulative pay out to PKR 40/share during FY22.
- Net sales are expected to grow by 95% YoY to PKR 367.2bn owing to higher product prices and volumetric sales. APL's HSD sales grew by 34% YoY, whereas MS sales went up by 20% YoY during the year. The company also managed to regain its market share in retail (MS and HSD) fuels. MS mkt. share went up by 0.8% to 8.2% in FY22 Vs 7.4% last year. Similarly, HSD mkt. share increased by 1.4% to 8.6% in FY22 Vs 7.2% in FY21.
- We expect company's gross margin to clock in at 8.5% during FY22, compared to 5.3% in SPLY owing to hefty inventory gains booked during the year.
- Operating expenses are likely to increase by 94% to PKR 8.1bn in line with increase in top line. Similarly, finance cost is also expected to go up by 20% to PKR 1.7bn owing to higher interest rates during FY22.
- APL's effective tax rate during FY22 is expected at 39%, compared to 29% in FY21. Significant increase in tax expense is due to 10% super tax imposed on FY22 earnings which will restrict the earnings growth.
- On quarterly basis, APL's earnings are expected at PKR 29.4, up 1.3x YoY owing to high product prices, increased volumetric sales and inventory gains. However, higher effective tax rate at 61% (due to super tax) is likely to limit the earnings growth in 4Q.
- We have a 'BUY' stance on APL. Our Dec-22 PT of PKR 409/share provides an upside of 11% along with a dividend yield of 11%.

### Key Data

PSX Ticker	APL
Target Price (PKR)	409
Current Price (PKR)	368
Upside/(Downside) (%)	+ 11%
Dividend Yield (%)	11%
Total Return (%)	+ 22%
12-month High (PKR)	382
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	36,667
Year End	June

Source: Company Accounts, Akseer Research

### Financial Estimates (PKR mn)

	4QFY21	4QFY22E	YoY	FY21	FY22E	YoY
Net Sales	52,947	126,135	138%	188,645	367,171	95%
Cost of Sales	50,632	115,927	129%	178,663	335,870	88%
<b>Gross Profit</b>	<b>2,315</b>	<b>10,208</b>	<b>341%</b>	<b>9,982</b>	<b>31,301</b>	<b>214%</b>
Operating Expense	1,454	2,638	81%	4,152	8,055	94%
Other Income	317	449	42%	1,261	1,651	31%
Financial Income	344	446	30%	1,334	1,595	20%
Finance cost	304	624	105%	1,419	1,696	20%
<b>Profit before tax</b>	<b>1,788</b>	<b>7,402</b>	<b>314%</b>	<b>6,939</b>	<b>23,306</b>	<b>236%</b>
Taxation	532	4,478	741%	2,019	9,136	352%
<b>Net Income</b>	<b>1,256</b>	<b>2,923</b>	<b>133%</b>	<b>4,920</b>	<b>14,170</b>	<b>188%</b>
EPS	12.6	29.4	133%	49.4	142.4	188%
DPS	24.5	25.0		27.0	40.0	

Source: Company Accounts, Akseer Research

### Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	39.8	10.1	49.4	142.9	74.7	72.0
EPS Growth	-30%	-75%	387.9%	189.1%	-47.7%	-3.6%
DPS	20.0	9.0	27.0	40.0	41.0	40.0
PER	9.3	NA	7.5	2.6	4.9	5.1
Dividend Yield	5.4%	2.4%	7.3%	10.9%	11.1%	10.9%
EV/EBITDA	3.0	5.1	1.9	0.4	0.5	0.4
P/B	1.9	2.0	1.6	1.1	1.0	0.9
ROE	21.2%	5.4%	23.9%	51.1%	21.5%	18.9%

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 13.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19.0%.

### Investment Thesis

We have a 'BUY' stance on the script with our Dec-22 PT of PKR 409/share. Our price target indicates an upside of 11% along with a dividend yield of 11%. 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	367,171	338,893	310,897
Cost of Sales	214,833	197,441	178,663	335,870	324,344	296,395
<b>Gross Profit</b>	<b>8,221</b>	<b>3,638</b>	<b>9,982</b>	<b>31,301</b>	<b>14,549</b>	<b>14,503</b>
SG & A	3,590	3,079	4,152	8,055	4,567	4,795
<b>Operating Profit</b>	<b>4,560</b>	<b>185</b>	<b>6,239</b>	<b>23,634</b>	<b>10,351</b>	<b>10,058</b>
Other Income Net	835	781	752	(108)	853	917
Financial Income	1,399	2,232	1,334	1,595	1,627	1,579
Finance Cost	849	1,597	1,419	1,696	1,780	1,907
Profit Before Tax	<b>5,723</b>	<b>1,503</b>	<b>6,939</b>	<b>23,358</b>	<b>11,086</b>	<b>10,685</b>
Taxation	1,762	495	2,019	9,136	3,647	3,514
<b>Profit After Tax</b>	<b>3,961</b>	<b>1,008</b>	<b>4,920</b>	<b>14,222</b>	<b>7,439</b>	<b>7,171</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	8,349	13,840	16,617	20,235	22,566	24,749
Other LT assets	904	1,873	1,070	1,112	1,156	1,203
Non-Current Assets	9,253	15,712	17,687	21,347	23,723	25,952
Current assets	37,103	35,526	44,211	63,448	62,804	60,116
<b>Total Assets</b>	<b>46,356</b>	<b>51,238</b>	<b>61,898</b>	<b>84,795</b>	<b>86,526</b>	<b>86,067</b>
Non-Current liabilities	793	4,884	7,381	7,407	7,433	7,460
Current liabilities	26,683	27,909	31,795	44,426	42,773	39,097
<b>Total Liabilities</b>	<b>27,476</b>	<b>32,792</b>	<b>39,177</b>	<b>51,833</b>	<b>50,206</b>	<b>46,557</b>
Equity	18,927	18,446	22,721	32,962	36,320	39,510
<b>Total Equity &amp; liabilities</b>	<b>46,403</b>	<b>51,238</b>	<b>61,898</b>	<b>84,795</b>	<b>86,526</b>	<b>86,067</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,961	1,008	4,920	14,222	7,439	7,171
Non-cash Charges	463	4,636	3,423	2,227	3,322	2,599
Operating Cash flows	4,423	5,644	8,342	16,449	10,762	9,770
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(5,696)	(4,627)	(4,720)
Financing Cash Flow	(3,570)	2,602	1,853	(3,956)	(4,055)	(3,954)
<b>Net change in cash</b>	<b>(1,278)</b>	<b>562</b>	<b>6,628</b>	<b>6,797</b>	<b>2,080</b>	<b>1,096</b>
Beginning Cash	4,198	2,920	3,482	10,110	16,907	18,987
<b>Closing cash</b>	<b>2,920</b>	<b>3,482</b>	<b>10,110</b>	<b>16,907</b>	<b>18,987</b>	<b>20,083</b>

Source: Company Accounts, Akseer Research

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