

**Pakistan Oilfields Limited**  
Result Preview

PSX: POL    Bloomberg: POL:PA    Reuters: PKOL: KA

Pakistan Research

**POL: 3QFY24 earnings likely to clock in at PKR 26.6/share, down 54% YoY**

- POL's board meeting is scheduled on April 25<sup>th</sup>, 2024, to consider 3QFY24 financial results. We expect the company to post an EPS of PKR 26.6, down 54% YoY compared to an EPS of PKR 57.2 in SPLY primarily because of absence of hefty net exchange gain (PKR 5.6bn) booked in 3QFY23.
- This would take the 9MFY24 earnings to PKR 88.5/share, down 18% YoY.
- The company's net sales are likely to increase by a mere 1% YoY and settle at PKR 16.0bn in 3QFY23 as drop in production would be offset by rupee devaluation.
- Company's oil, gas and LPG production are expected to contract by 3%, 1% and 2% YoY respectively owing to lower flows from Adhi, Jhandial fields and TAL block.
- Rupee averaged 277.9 in 3QFY24, down 6% YoY, while oil prices remained flattish during the quarter to average at USD 82/barrel.
- Other income is likely to decrease by 74% YoY to PKR 3.7bn during 3QFY24, owing to exchange losses due to lower translation of foreign currency financial assets despite higher return on cash deposits. To highlight, company has booked exchange gain of PKR 10.8bn in 3QFY23 as PKR depreciated by 20.2% during the quarter.
- Moreover, finance cost of the company is expected to decline by 92% YoY in 3QFY24. This is due to expected exchange gains against exchange losses booked in 3QFY23 as PKR strengthened by 1.3% between the reporting dates.
- We have a 'BUY' stance on POL. Our Dec-24 price target (PT) of PKR 581/share provides an upside of 26% along with a dividend yield of 17%.

**Key Data**

PSX Ticker	POL
Target Price (PKR)	581
Current Price (PKR)	460
Upside/(Downside) (%)	+ 26%
Dividend Yield (%)	17%
Total Return (%)	44%
12-month High (PKR)	460
12-month Low (PKR)	381
Outstanding Shares (mn)	284
Market Cap (PKR mn)	130,426
Year End	June

Source: Company Accounts, Akseer Research

**Financial Estimates (PKR mn)**

	3QFY23	3QFY24E	YoY	9MFY23	9MFY24E	YoY
Sales net	15,874	15,958	1%	45,871	50,058	9%
Field Expenditures	2,800	3,396	21%	7,993	9,622	20%
Royalties	1,807	1,712	-5%	5,139	5,615	9%
<b>Gross Profit</b>	<b>10,483</b>	<b>10,501</b>	<b>0%</b>	<b>30,450</b>	<b>34,197</b>	<b>12%</b>
Other income	14,330	3,664	-74%	23,069	11,437	-50%
Other operating expenses	503	804	60%	1,657	2,620	58%
Finance costs	5,436	446	-92%	7,785	2,043	-74%
<b>Profit before Tax</b>	<b>17,945</b>	<b>12,370</b>	<b>-31%</b>	<b>37,489</b>	<b>39,101</b>	<b>4%</b>
Taxation	1,710	4,823	182%	6,901	13,974	102%
<b>Net income (loss)</b>	<b>16,235</b>	<b>7,548</b>	<b>-54%</b>	<b>30,588</b>	<b>25,127</b>	<b>-18%</b>
EPS	57.2	26.6	-54%	107.8	88.5	-18%
DPS	0.0	0.0		20.0	25.0	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
EPS	47.1	91.4	128.4	118.9	154.8	153.9
EPS Growth	-18.3%	93.8%	40.6%	-7.4%	30.1%	-0.6%
DPS	50.0	70.0	80.0	80.0	90.0	108.0
PER	9.7	5.0	3.6	3.9	3.0	3.0
Dividend Yield	10.9%	15.2%	17.4%	17.4%	19.6%	23.5%
EV/EBITDA	3.4	1.7	1.7	0.9	0.4	0.1
P/B	3.3	2.6	1.9	1.7	1.3	1.2
ROE	33.6%	57.4%	61.4%	46.1%	50.0%	42.1%

Source: Company Financials, Akseer Research

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### Valuation Basis

Our PT for Pakistan Oilfields Limited (POL) has been computed using the reserve-based Free cash flow to equity (FCFE) method. We have used a risk-free rate of 15%, beta of 1.0 & a market risk premium of 6% to arrive at a cost of equity of 21%.

### Investment Thesis

We have a 'BUY' recommendation on POL. Our Dec-24 price target (PT) of PKR 581/share provides an upside of 26% along with a dividend yield of 17%. Our investment case on POL is based on (1) higher oil prices and (2) currency devaluation.

### Risks

Key downside risks to our investment thesis are 1) decrease in oil prices 2) lower than expected reserve life of Jhandial discovery and 3) lower than estimated currency devaluation.

### Company Description

Pakistan Oilfields Limited engages in the exploration, drilling, development, and production of crude oil and gas in Pakistan. The company operates nine development and production leases. It also produces liquefied petroleum gas (LPG), solvent oil, and sulphur. In addition, it is involved in the marketing of LPG under the POLGAS brand; and the operation of a network of pipelines for the transportation of crude oil. The company was incorporated in 1950 and is headquartered in Rawalpindi, Pakistan. Pakistan Oilfields Limited is a subsidiary of The Attock Oil Company Limited.

### Financial Highlights - POL

Income Statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net sales	36,042	51,945	60,952	67,304	74,349	80,667
Field Expenditures	12,929	15,242	21,197	18,037	20,728	23,530
Royalties	3,908	5,563	6,880	7,465	8,311	9,032
<b>Gross Profit</b>	<b>21,633</b>	<b>33,947</b>	<b>41,737</b>	<b>45,725</b>	<b>49,768</b>	<b>53,036</b>
<b>Operating Profit</b>	<b>20,944</b>	<b>32,865</b>	<b>34,705</b>	<b>43,616</b>	<b>46,912</b>	<b>49,538</b>
Other income	1,539	11,697	27,062	15,849	22,674	21,189
Other charges	1,545	2,026	2,489	3,518	3,383	3,816
Finance cost	260	5,549	9,619	2,793	7,650	5,257
<b>Profit before tax</b>	<b>20,678</b>	<b>36,987</b>	<b>49,659</b>	<b>53,154</b>	<b>58,552</b>	<b>61,654</b>
Taxation	7,296	11,052	13,206	19,390	14,625	17,974
<b>Profit after tax</b>	<b>13,382</b>	<b>25,935</b>	<b>36,453</b>	<b>33,764</b>	<b>43,927</b>	<b>43,680</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	6,129	6,220	5,417	4,558	3,863	3,296
Other LT assets	24,389	23,357	19,723	20,818	21,055	21,506
Non-Current Assets	30,518	29,577	25,141	25,377	24,918	24,802
Current assets	63,826	88,477	133,898	154,902	167,840	185,071
<b>Total Assets</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>180,279</b>	<b>192,757</b>	<b>209,873</b>
Non-Current liabilities	20,852	25,866	31,686	37,183	37,477	37,785
Current liabilities	34,130	41,125	59,666	64,353	66,815	70,772
<b>Total Liabilities</b>	<b>54,982</b>	<b>66,990</b>	<b>91,351</b>	<b>101,536</b>	<b>104,292</b>	<b>108,557</b>
Equity	39,362	51,063	67,687	78,742	97,122	110,146
<b>Total Equity &amp; liabilities</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>180,279</b>	<b>201,414</b>	<b>218,703</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net Income	13,382	25,935	36,453	33,764	43,927	43,680
Non-cash Charges	4,803	6,057	5,383	5,401	6,365	6,201
<b>Operating Cash flows</b>	<b>25,698</b>	<b>31,107</b>	<b>32,106</b>	<b>39,503</b>	<b>34,367</b>	<b>35,455</b>
<b>FCFF</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>39,080</b>	<b>28,457</b>	<b>29,367</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>39,080</b>	<b>28,457</b>	<b>29,367</b>
Net change in cash	10,892	20,150	2,573	19,379	19,099	15,040
<b>Closing cash</b>	<b>47,572</b>	<b>67,723</b>	<b>70,296</b>	<b>89,675</b>	<b>108,774</b>	<b>123,815</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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