

**Pakistan Oilfields Limited**  
Result Review

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

Pakistan Research

**2QFY22 EPS clocks in at PKR 19.96, up 88% YoY, DPS at PKR 20.0**

- POL announced its 2QFY22 financial result today, wherein the company reported an EPS of PKR 19.96, up 88% YoY. Increase in earnings can be attributed to higher international crude oil prices and currency devaluation. 1HFY22 earnings settled at PKR 38.48/share, up 64% YoY. The company also announced an interim cash dividend of PKR 20/share, which is in line with our expectation.
- Company's net sales grew by 44% YoY to PKR 12.6bn, during 2Q. This growth in topline remained restricted due to lower hydrocarbon production (Oil down 11% and Gas down 9% YoY) which was more than compensated by 83% YoY higher oil price and 7.6% YoY PKR devaluation against USD.
- Exchange gains on financial assets during 2Q lifted the other income by 7.3x YoY to PKR 2.0bn, further supporting the growth in bottomline.
- Effective tax rate of 36% during 2Q, as opposed to 39% in the SPLY, also resulted in earnings growth.
- On a sequential basis, POL's earnings grew 8% QoQ, led by 8% higher oil price and 5.5% PKR devaluation. On the contrary, oil and gas production fell 4% and 3%, respectively.
- We have a "BUY" stance on POL. Our Dec-22 price target (PT) of PKR 530/share provides an upside of 34% along with a dividend yield of 12.6%.

**Key Data**

PSX Ticker	POL
Target Price (PKR)	530
Current Price (PKR)	396
Upside/(Downside) (%)	+ 34%
Dividend Yield (%)	12.6%
Total Return (%)	+ 47%
12-month High (PKR)	435
12-month Low (PKR)	328
Outstanding Shares (mn)	284
Market Cap (PKR mn)	112,343
Year End	June

Source: Company Accounts, Akseer Research

**Financial Highlights (PKR mn)**

	2QFY21	2QFY22	YoY	1HFY21	1HFY22	YoY
Sales net	8,773	12,610	44%	17,990	23,687	32%
Field Expenditures	2,150	2,178	1%	4,501	4,192	-7%
Royalties	934	1,315	41%	1,932	2,488	29%
<b>Gross Profit</b>	<b>5,011</b>	<b>8,489</b>	<b>69%</b>	<b>10,316</b>	<b>15,605</b>	<b>51%</b>
Other income	242	2,018	733%	545	4,718	766%
Other operating expenses	392	540	38%	747	956	28%
Finance costs	(188)	935	NM	(102)	2,397	NM
<b>Profit before Tax</b>	<b>4,955</b>	<b>8,869</b>	<b>79%</b>	<b>9,990</b>	<b>16,290</b>	<b>63%</b>
Taxation	1,935	3,204	66%	3,341	5,368	61%
<b>Net income (loss)</b>	<b>3,021</b>	<b>5,665</b>	<b>88%</b>	<b>6,649</b>	<b>10,923</b>	<b>64%</b>
EPS	10.64	19.96	88%	23.42	38.48	64%
DPS	20.00	20.00		20.00	20.00	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	59.43	57.69	47.14	65.78	62.63	55.52
EPS Growth	23%	-3%	-18%	40%	-5%	-11%
DPS	50.00	50.00	50.00	50.00	49.00	44.00
PER	6.66	6.98	8.57	6.02	6.32	7.13
Dividend Yield	12.6%	12.6%	12.6%	12.6%	12.4%	11.1%
EV/EBITDA	2.73	3.11	2.66	2.17	1.98	1.99
P/B	2.95	2.79	2.85	2.56	2.35	2.20
ROE	47.6%	41.1%	32.9%	44.9%	38.8%	31.9%

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 12% beta of 1.0 & a market risk premium of 6% to arrive at the cost of equity of 18%.

### Investment Thesis

We have a 'BUY' recommendation on POL. Our Dec-22 price target (PT) of PKR 530/share provides an upside of 34% along with a dividend yield of 12.6%. Our investment case on POL is based on (1) higher oil prices, (2) currency devaluation (3) incremental production from discoveries.

### 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	43,977	36,540	36,042	42,288	43,451	39,691
Field Expenditures	16,244	12,038	11,469	12,291	13,098	12,886
Royalties	4,554	4,010	3,908	4,422	4,461	3,899
<b>Gross Profit</b>	<b>25,410</b>	<b>22,368</b>	<b>21,633</b>	<b>26,452</b>	<b>26,846</b>	<b>23,990</b>
<b>Operating Profit</b>	<b>23,180</b>	<b>20,771</b>	<b>20,944</b>	<b>25,575</b>	<b>25,892</b>	<b>22,906</b>
Other income	7,177	4,558	1,539	7,048	2,222	1,960
Other charges	1,729	1,383	1,545	1,977	1,826	1,615
Finance cost	3,774	2,212	260	4,187	1,851	1,642
<b>Profit before tax</b>	<b>24,854</b>	<b>21,734</b>	<b>20,678</b>	<b>26,459</b>	<b>24,437</b>	<b>21,609</b>
Taxation	7,983	5,359	7,296	7,786	6,659	5,848
<b>Profit after tax</b>	<b>16,871</b>	<b>16,376</b>	<b>13,382</b>	<b>18,673</b>	<b>17,778</b>	<b>15,761</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	7,747	7,057	6,129	5,255	4,541	3,955
Other LT assets	22,313	25,264	24,389	23,038	22,134	21,922
Non-Current Assets	30,060	32,320	30,518	28,293	26,675	25,877
Current assets	51,429	59,276	63,826	72,095	79,076	84,761
<b>Total Assets</b>	<b>81,490</b>	<b>91,596</b>	<b>94,344</b>	<b>100,388</b>	<b>105,751</b>	<b>110,638</b>
Non-Current liabilities	17,902	20,888	20,852	21,737	22,529	23,417
Current liabilities	25,517	30,441	34,130	34,809	35,511	36,238
<b>Total Liabilities</b>	<b>43,419</b>	<b>51,329</b>	<b>54,982</b>	<b>56,546</b>	<b>58,039</b>	<b>59,655</b>
Equity	38,071	40,267	39,362	43,842	47,712	50,983
<b>Total Equity &amp; liabilities</b>	<b>81,490</b>	<b>91,596</b>	<b>94,344</b>	<b>100,388</b>	<b>105,751</b>	<b>110,638</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	16,871	16,376	13,382	18,673	17,778	15,761
Non cash Charges	5,611	5,427	4,834	5,069	4,512	3,706
<b>Operating Cash flows</b>	<b>22,646</b>	<b>17,295</b>	<b>25,730</b>	<b>14,705</b>	<b>21,286</b>	<b>21,101</b>
<b>FCFF</b>	<b>24,286</b>	<b>11,080</b>	<b>23,002</b>	<b>12,419</b>	<b>18,842</b>	<b>18,723</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>24,286</b>	<b>11,080</b>	<b>23,002</b>	<b>12,419</b>	<b>18,842</b>	<b>18,723</b>
Net change in cash	14,229	919	10,892	387	6,028	7,189
<b>Closing cash</b>	<b>35,761</b>	<b>36,681</b>	<b>47,572</b>	<b>47,959</b>	<b>53,987</b>	<b>61,176</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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