

POL - FY21 EPS clocks in at PKR 47.1, -18% YoY; 4Q EPS at PKR 13.4, up 57% YoY

- POL announced its FY21 financial result today, wherein the company reported an EPS of PKR 47.14, down 18% YoY. The result is in line with our expectation. Along with the result, the company announced final cash dividend of PKR 30/share, taking cumulative dividend payout to PKR 50/share.
- Company's net sales declined by 6% YoY and settled at PKR 36.0bn during the year. This decline is mainly on account of lower hydrocarbon production.
- Exploration cost went down by 65% YoY to PKR 494mn in FY21 mainly on account of limited seismic activity and absence of dry wells.
- Other income declined to PKR 1.5bn, depicting a decline of 66% YoY whereas, finance cost also declined by 88% YoY to PKR 260mn during the year.
- On the contrary, effective tax rate during the year clocked in at 35.3% as opposed to 24.7% in the SPLY which restricted the bottomline growth.
- On quarterly basis, POL's 4QFY21 earnings clocked in at PKR 13.4/share, up 57% YoY mainly on account of rebound in international oil prices and higher hydrocarbon production.
- We have a "BUY" stance on the stock with our Dec-21 price target (PT) of PKR 469/share, which provides an upside of 20% along with a dividend yield of 12.8%.

Key Data

PSX Ticker	POL
Target Price (PKR)	469
Current Price (PKR)	391
Upside/(Downside) (%)	+ 20%
Dividend Yield (%)	12.8%
Total Return (%)	+ 33%
12-month High (PKR)	443
12-month Low (PKR)	305
Outstanding Shares (mn)	284
Market Cap (PKR mn)	111,111
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	4QFY20	4QFY21	YoY	FY20	FY21	YoY
Sales net	6,025	8,379	39%	38,475	36,042	-6%
Field Expenditures	1,420	2,454	73%	7,986	8,289	4%
Royalties	590	989	68%	4,010	3,908	-3%
Gross Profit	3,169	5,855	85%	22,368	21,633	-3%
Other income	860	1,366	59%	4,558	1,539	-66%
Other operating expenses	144	377	161%	1,383	1,545	12%
Finance costs	524	682	30%	2,212	260	-88%
Profit before Tax	3,091	5,822	88%	21,734	20,678	-5%
Taxation	663	2,016	204%	5,359	7,296	36%
Net income (loss)	2,428	3,806	57%	16,376	13,382	-18%
EPS	8.55	13.41	57%	57.69	47.14	-18%
DPS	30.00	30.00		50.00	50.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY18A	FY19A	FY20A	FY21A	FY22E	FY23F
EPS	48.13	59.43	57.69	47.14	39.98	48.36
EPS Growth	41%	23%	-3%	-18%	-15%	21%
DPS	42.50	50.00	50.00	50.00	35.00	43.00
PER	9.76	6.59	6.90	9.58	9.79	8.09
Dividend Yield	10.9%	12.8%	12.8%	12.8%	8.9%	11.0%
EV/EBITDA	4.83	2.69	3.06	3.03	3.07	2.67
P/B	3.39	2.92	2.76	2.72	2.63	2.54
ROE	35.4%	47.6%	41.1%	28.6%	27.3%	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 11% beta of 1.0 & a market risk premium of 6% to arrive at the cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on POL. Our Dec-21 price target (PT) of PKR 469/share provides an upside of 20% along with a dividend yield of 12.8%. 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)						
	FY18A	FY19A	FY20A	FY21A	FY22E	FY23F
Net sales	32,665	43,977	38,196	36,042	34,876	39,482
Field Expenditures	14,911	16,244	13,694	12,974	13,108	14,062
Royalties	3,778	4,554	4,010	3,908	4,085	4,725
Gross Profit	17,136	25,410	22,368	21,633	19,442	22,679
Operating Profit	13,976	23,180	20,771	19,160	17,682	20,695
Other income	3,262	7,177	4,558	1,539	1,271	2,124
Other charges	967	1,729	1,383	1,545	1,216	1,497
Finance cost	1,919	3,774	2,212	260	2,871	3,022
Profit before tax	14,353	24,854	21,734	20,678	14,866	18,300
Taxation	2,969	7,983	5,359	7,296	3,518	4,572
Profit after tax	11,384	16,871	16,376	13,382	11,348	13,728

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY18A	FY19A	FY20A	FY21A	FY22E	FY23F
PPE	8,755	7,747	7,057	6,322	5,712	5,202
Other LT assets	25,475	22,313	25,264	25,753	26,677	27,813
Non-Current Assets	34,230	30,060	32,320	32,076	32,389	33,015
Current assets	35,937	51,429	59,276	61,210	63,903	66,213
Total Assets	70,167	81,490	91,596	93,286	96,292	99,228
Non-Current liabilities	16,481	17,902	20,888	21,384	22,371	23,158
Current liabilities	20,917	25,517	30,441	31,027	31,632	32,259
Total Liabilities	37,398	43,419	51,329	52,411	54,003	55,417
Equity	32,769	38,071	40,267	40,876	42,289	43,811
Total Equity & liabilities	70,167	81,490	91,596	93,286	96,292	99,228

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21A	FY22E	FY23F
Net Income	11,384	16,871	16,376	13,382	11,348	13,728
Non-cash Charges	5,151	5,611	5,427	5,394	5,656	5,846
Operating Cash flows	19,560	22,646	17,295	20,721	17,725	17,977
FCFF	15,897	24,286	11,080	15,724	12,384	11,916
Net borrowings	-	-	-	-	-	-
FCFE	15,897	24,286	11,080	15,724	12,384	11,916
Net change in cash	7,351	14,229	919	4,988	3,171	470
Closing cash	21,533	35,761	36,681	41,668	44,840	45,310

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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