

**Pakistan Oilfields Limited**  
Result Preview

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

Pakistan Research

**FY22 EPS expected at PKR 75.7, up 61% YoY, DPS at PKR 35.0**

- POL's board meeting is scheduled on August 16, 2022, to consider FY22 financial results, where we expect the company to post an EPS of PKR 75.7, up 61% YoY. This increase in earnings is mainly on account of 71% YoY increase in international crude oil price (averaging at USD 92/bbl) and 10% YoY PKR devaluation (averaging at PKR 178). Along with the result, POL is likely to announce a final dividend of PKR 35/share, taking the cumulative dividend for FY22 to PKR 55/share.
- Net sales are likely to clock in at PKR 51.8bn, up 44% YoY. Despite significant increase in oil price and PKR devaluation, revenue growth will remain restricted owing to 14% YoY and 10% YoY decline in POL's oil and gas production, respectively. Major decline is expected from TAL block, Adhi and Jhandial field.
- Exploration cost is expected to go up by 72% YoY to PKR 848mn due to higher geological and geophysical cost during the year.
- Other income is likely to clock in at PKR 9.7bn, up 5.3x as compared to PKR 1.5bn during SPLY, owing to exchange gains on financial assets booked during the year. On the contrary, finance cost is also expected to increase by 15.2x to PKR 4.2bn on account of exchange losses.
- POL's effective tax rate during FY22 is expected at 43%, compared to 35% during SPLY. This is due to 10% super tax imposed on FY22 earnings in budget FY23.
- On a quarterly basis, POL is expected to post EPS of PKR 14.1, up 5% YoY. This limited earnings growth, despite 113% YoY higher oil prices in PKR terms, is mainly due to higher tax expense (ETR 66% in 4QFY22 Vs 35% in SPLY, on account of super tax). Had there been a normalised tax expense, POL's 4Q EPS growth would have been 99% YoY.
- We have a 'BUY' stance on POL. Our Dec-22 price target (PT) of PKR 528/share provides an upside of 27% along with a dividend yield of 13.2%.

**Key Data**

PSX Ticker	POL
Target Price (PKR)	528
Current Price (PKR)	416
Upside/(Downside) (%)	+ 27%
Dividend Yield (%)	13.2%
Total Return (%)	+ 40%
12-month High (PKR)	425
12-month Low (PKR)	328
Outstanding Shares (mn)	284
Market Cap (PKR mn)	118,174
Year End	June

Source: Company Accounts, Akseer Research

**Financial Estimates (PKR mn)**

	4QFY21	4QFY22E	YoY	FY21	FY22E	YoY
Sales net	8,587	14,786	72%	36,042	51,788	44%
Field Expenditures	1,350	1,750	30%	8,289	8,345	1%
Royalties	989	1,726	74%	3,908	5,639	44%
<b>Gross Profit</b>	<b>5,855</b>	<b>10,634</b>	<b>82%</b>	<b>21,633</b>	<b>35,139</b>	<b>62%</b>
Other income	1,366	2,873	110%	1,539	9,679	529%
Other operating expenses	377	619	64%	1,545	2,168	40%
Finance costs	682	1,008	48%	260	4,193	1515%
<b>Profit before Tax</b>	<b>5,822</b>	<b>11,689</b>	<b>101%</b>	<b>20,678</b>	<b>37,404</b>	<b>81%</b>
Taxation	2,016	7,692	282%	7,296	15,911	118%
<b>Net income (loss)</b>	<b>3,806</b>	<b>3,997</b>	<b>5%</b>	<b>13,382</b>	<b>21,493</b>	<b>61%</b>
EPS	13.41	14.08	5%	47.14	75.72	61%
DPS	30.00	35.00		50.00	55.00	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	59.4	57.7	47.1	75.7	76.3	66.4
EPS Growth	23.5%	-2.9%	-18.3%	60.6%	0.8%	-13.0%
DPS	50.0	50.0	50.0	55.0	60.0	53.0
PER	7.9	8.1	10.1	6.0	5.9	6.7
Dividend Yield	12.0%	12.0%	12.0%	13.2%	14.4%	12.7%
EV/EBITDA	3.1	3.6	3.1	2.0	1.8	1.9
P/B	3.1	2.9	3.0	2.6	2.4	2.2
ROE	42.2%	37.3%	29.2%	46.7%	42.4%	33.9%

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 13% beta of 1.0 & a market risk premium of 6% to arrive at the cost of equity of 19%.

### Investment Thesis

We have a 'BUY' recommendation on POL. Our Dec-22 price target (PT) of PKR 528/share provides an upside of 27% along with a dividend yield of 13.2%. 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	43,668	36,540	36,042	51,788	50,656	46,249
Field Expenditures	17,875	13,537	12,929	13,803	13,567	13,830
Royalties	4,554	4,010	3,908	5,639	5,629	4,828
<b>Gross Profit</b>	<b>25,410</b>	<b>22,368</b>	<b>21,633</b>	<b>35,139</b>	<b>33,984</b>	<b>30,104</b>
<b>Operating Profit</b>	<b>23,180</b>	<b>20,771</b>	<b>20,944</b>	<b>34,086</b>	<b>32,981</b>	<b>28,917</b>
Other income	7,177	4,558	1,539	9,679	2,835	2,923
Other charges	1,728	1,383	1,545	2,168	1,913	1,653
Finance cost	3,774	2,212	260	4,193	902	1,665
<b>Profit before tax</b>	<b>24,855</b>	<b>21,734</b>	<b>20,678</b>	<b>37,404</b>	<b>33,001</b>	<b>28,521</b>
Taxation	7,983	5,359	7,296	15,911	11,333	9,664
<b>Profit after tax</b>	<b>16,872</b>	<b>16,376</b>	<b>13,382</b>	<b>21,493</b>	<b>21,668</b>	<b>18,858</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	7,747	7,057	6,129	5,174	4,402	3,774
Other LT assets	22,313	25,264	24,389	23,103	22,253	22,150
Non-Current Assets	30,060	32,320	30,518	28,278	26,655	25,924
Current assets	51,429	59,276	63,826	73,511	81,264	87,424
<b>Total Assets</b>	<b>81,490</b>	<b>91,596</b>	<b>94,344</b>	<b>101,789</b>	<b>107,919</b>	<b>113,348</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	45,243	49,880	53,693
<b>Total Equity &amp; liabilities</b>	<b>81,490</b>	<b>91,596</b>	<b>94,344</b>	<b>101,789</b>	<b>107,919</b>	<b>113,348</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	16,872	16,376	13,382	21,493	21,668	18,858
Non-cash Charges	5,698	5,503	4,803	5,156	4,588	3,774
<b>Operating Cash flows</b>	<b>22,734</b>	<b>17,372</b>	<b>25,698</b>	<b>14,374</b>	<b>25,796</b>	<b>24,330</b>
<b>FCFF</b>	<b>24,287</b>	<b>11,080</b>	<b>23,002</b>	<b>12,017</b>	<b>23,279</b>	<b>21,817</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>24,287</b>	<b>11,080</b>	<b>23,002</b>	<b>12,017</b>	<b>23,279</b>	<b>21,817</b>
Net change in cash	14,229	919	10,892	(1,179)	7,519	7,868
<b>Closing cash</b>	<b>35,761</b>	<b>36,681</b>	<b>47,572</b>	<b>46,393</b>	<b>53,912</b>	<b>61,780</b>

Source: Company Accounts, Akseer Research

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