

Day Break

Wednesday, 10 April 2019

COMPANY UPDATE

Attock Petroleum Limited

Oil & Gas Marketing Companies

Recommendation	BUY	
Target Price:	31-Dec-19	492.3
Last Closing:	9-Apr-19	397.6
Upside:		23.8
Valuation Methodology:	Discounted Cash Flow (DCF)	
Time Horizon:	8M	

Market Data

Bloomberg Tkr.	APL PA		
Shares (mn)	99.5		
Free Float Shares (mn)	24.9		
Free Float Shares (%)	25.0%		
Market Cap (PKRbn USDmn)	39.6	279.3	
Exchange	KSEALL		
Price Info.	90D	06M	12M
Abs. Return	(13.5)	(10.7)	(21.9)
Lo	386.0	386.0	386.0
Hi	455.9	510.3	532.8

Key Company Financials

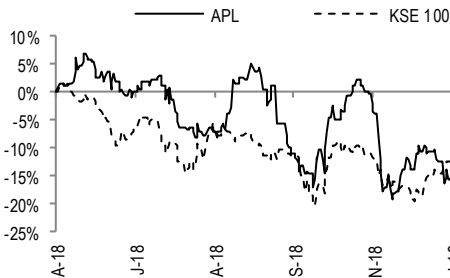
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	177.3	186.7	229.5	242.8
Net Income	5.7	4.7	5.8	6.2
EPS (PKR)	56.8	46.7	58.1	61.8
DPS (PKR)	40.0	35.0	45.0	48.0
Total Assets	38	46	47	54
Total Equity	18	20	21	22

Key Financial Ratios

ROE (%)	30.7	23.6	27.5	27.5
P/E (x)	7.0	8.5	6.8	6.4
P/B (x)	12.9	2.1	2.0	1.9
DY (%)	10.1	8.8	11.3	12.1

Relative Price Performance



About the Company

The Company was incorporated in Pakistan as a public limited company on December 3, 1995 and it commenced its operations in 1998. The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Investment Group Limited Holding s.a.l holds 34.38% (2016: 34.38%)

Source: Bloomberg, PSX & IGI Research

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Oil & Gas Exploration Companies

APL: EPS to drop by 21%YoY to PKR 11.57 owing to substantial drop in volumes

- Attock Petroleum Limited's (APL) board meeting is scheduled on 11th Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 1.15bn (EPS PKR 11.57), down by 21% YoY,
- We estimate decline in earnings on the back 9%YoY drop in total volumes led by 18%/16% YoY drop in FO/HSD sales. However, inventory gains of PKR 150mn along with +7% YoY rise in MS sales is likely to keep earnings decline restricted,
- This will bring total 9MFY19 profitability to PKR 3.26bn (EPS PKR 32.70) down by 24% YoY compared to PKR 4.26bn (EPS PKR 42.84) in the same period last year on the back of inventory losses, PKR depreciation and drop in volumes,
- We recommend a 'BUY' stance on APL with our Dec-19 target price of PKR 492.3/share offering 23.8% upside from last close. The company is currently trading at FY19/20 P/E of 8.5/6.8x and offers a dividend of 8.8%/11.3%.

Earnings to clock in at PKR 11.57/share for 3QFY19, down by 21% YoY

Attock Petroleum Limited's (APL) board meeting is scheduled on 11th Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 1.15bn (EPS PKR 11.57), down by 21% YoY, compared to PKR 1.45bn (EPS PKR 14.60) in the same period last year. We estimate decline in earnings on the back 9% YoY drop in total volumes led by 18%/16% YoY drop in FO/HSD sales. However, inventory gains of PKR 150mn along with +7% YoY rise in MS sales is likely to keep earnings decline restricted. This will bring total 9MFY19 profitability to PKR 3.26bn (EPS PKR 32.70) down by 24% YoY compared to PKR 4.26bn (EPS PKR 42.84) in the same period last year on the back of inventory losses, PKR depreciation and drop in volumes.

On quarterly basis, earnings are expected to increase by +2.1xQoQ on the back of hefty inventory loss booked last quarter and +48%QoQ rise in FO sales. FO margins also improved post recovering of prices Feb/Mar-2019. However, HSD and MS volumes remained depressed registering a decline of 10%QoQ and 6%QoQ respectively, leading to overall 1%QoQ drop in total volumes.

Exhibit:

APL Financial Highlights

PKRmn	3QFY19E	3QFY18	YoY	9MFY19E	9MFY18	YoY
Net Sales	49,677	45,014	10%	165,204	121,359	36%
Gross Profit	2,022	2,471	-18%	6,030	6,870	-12%
S&D expense	643	669	-4%	2,288	1,885	21%
Other Op. Income	247	190	30%	719	604	19%
EBIT	1,626	1,993	-18%	4,461	5,589	-20%
Finance Cost	157	135	16%	444	531	-16%
Profit Before Taxation	1,693	2,020	-16%	4,672	5,913	-21%
Profit After Taxation	1,151	1,453	-21%	3,255	4,264	-24%
EPS (PKR)	11.57	14.60		32.70	42.84	
DPS (PKR)	-	-		10.00	15.00	

Source: IGI Research and Company Financials

No of Shares: 99.53mn

Recommendation

We recommend a 'BUY' stance on APL with our Dec-19 target price of PKR 492.3/share offering 23.8% upside from last close. The company is currently trading at FY19/20 P/E of 8.5/6.8x and offers a dividend of 8.8%/11.3%.

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec – 2019

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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