

## Day Break

Friday, 14 April 2017

## COMPANY UPDATE

## PAKISTAN OILFIELDS LIMITED

OIL &amp; GAS EXPLORATION COMPANIES

<b>Recommendation</b>	<b>BUY</b>
Target Price	543.8
Last Closing	13-Apr-17
Upside	18.7

## Market Data

Bloomberg Tkr.	POL PA
Shares (mn)	236.5
Free Float Shares (mn)	108.3
Free Float Shares (%)	45.8%
Market Cap (PKRbn   USDmn)	108.4   1,033.7
Exchange	KSE 100
<b>Price Info.</b>	90D 180D 365D
Abs. Return	(14.1) 8.5 66.5
Lo	436.3 396.5 264.5
Hi	536.6 559.6 559.6

## Key Company Financials

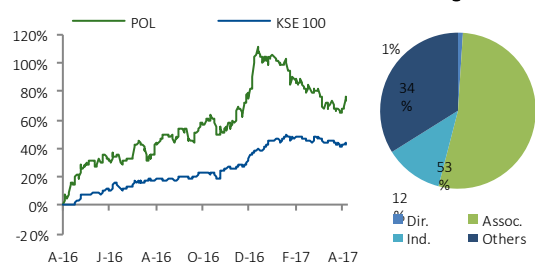
Period End: Jun

PKRbn	FY16A	FY17E	FY18F	FY19F
Total Revenue	24.8	30.5	34.0	33.1
Net Income	7.23	10.1	12.1	11.9
EPS (PKR)	30.6	42.6	51.0	50.2
DPS (PKR)	35.0	40.0	50.0	48.0
Total Assets	55.7	59.7	63.5	64.3
Total Equity	30.2	30.3	31.2	31.5

## Key Financial Ratios

ROE (%)	24.0	33.3	38.6	37.6
P/E (x)	15.0	10.7	9.0	9.1
P/B (x)	3.6	3.6	3.5	3.4
DY (%)	7.6	8.7	10.9	10.5

## Relative Price Performance &amp; Shareholding



## About the Company

The Company is incorporated in Pakistan as a public limited company. The Company is principally engaged in exploration, drilling and production of crude oil and gas. The Company is a subsidiary of the Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group, S.A.

Source: Bloomberg, KSE 100 &amp; IGI Research

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## Oil &amp; Gas – Exploration and Production

## POL: Higher Oil Price and Production from Mardankhel to Corroborate Earnings in 3QFY17

- Pakistan Oilfields Limited's (POL) board meeting is scheduled on 17th Apr-17 to announce financial result for 3QFY17. We expect the company to report earnings of PKR 2.7bn (EPS PKR 11.3) up by +23%YoY in 3QFY17.
- We attribute this substantial earnings growth to a) +79%YoY increase in oil prices, b) +9%/+3%YoY higher oil/gas production, and c) commencement of production from Mardankhel in Nov-16.
- We maintain our "BUY" call on POL with our Dec-17 target price of PKR 544/share, offering +19% upside from its last closing. The company is currently trading at a FY17E P/E of 10.7x and offers a healthy dividend yield of 9%.

## Earnings to clock in at PKR 11.3/share in 3QFY17, up by +23%YoY

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 17<sup>th</sup> Apr-17 to announce financial result for 3QFY17. We expect the company to report earnings of PKR 2.7bn (EPS PKR 11.3) up by +23%YoY in 3QFY17 as compared to PKR 2.2bn (EPS PKR 9.17) in the same period last year. We attribute this substantial earnings growth to a) +79%YoY increase in oil prices, b) +9%/+3%YoY higher oil/gas production, and c) commencement of production from Mardankhel in Nov-16. Moreover, absence of dry well cost is expected to provide further support in earnings. Cumulative earnings for 9MFY17 is anticipated to clock in at 7.3bn (EPS PKR 30.98) as compared to PKR 5.8bn (EPS PKR 24.69) in the corresponding period last year.

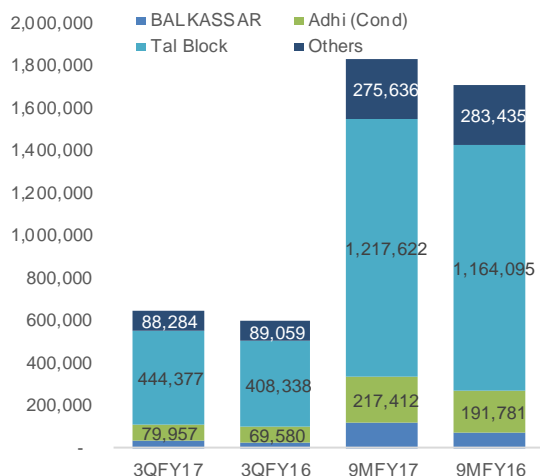
Exhibit:

## Financial Highlights

PKRmn	3QFY17E	3QFY16	YoY	9MFY17E	9MFY16	YoY
Net Sales	7,708	6,318	22%	20,513	18,561	11%
Operating Costs	2,297	2,183	5%	6,414	6,651	-4%
Royalty	627	502	25%	1,701	1,479	15%
Amort. of D&D Cost	755	580	30%	2,181	1,987	10%
Gross Profit	3,955	2,988	32%	10,013	8,245	21%
Exploration Costs	178	76	133%	368	1,273	-71%
Finance Cost	216	193	12%	606	837	-28%
Other Income	322	254	27%	1,270	1,345	-6%
PBT	3,612	2,724	33%	9,584	6,904	39%
PAT	2,673	2,169	23%	7,329	5,840	25%
EPS (PKR)	11.30	9.17		30.98	24.69	
DPS (PKR)	-	-		15.00	15.00	

Source: IGI Research and Company Financials

### Total Oil Production in 3QFY17 (bbls)



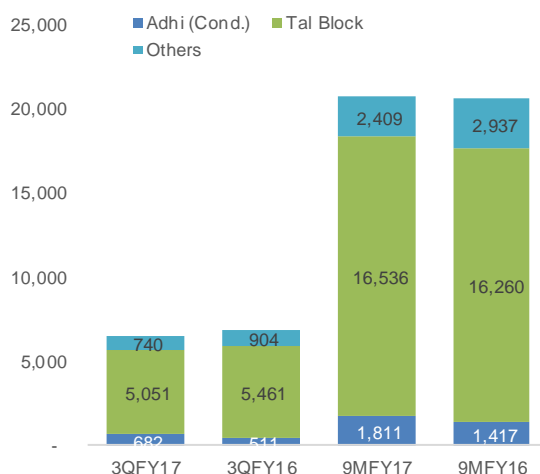
### Commencement of Production from Mardankhel, Tal Block

Mardankhel, one of the biggest discovery since 2015 in Tal block came online in Nov-16 with initial production level of 3,200bopd of oil and 40mmcf of gas. As Tal block has been granted conversion to Petroleum Policy 2012 (PP12), gas production from Mardankhel will be priced under PP12 which is +71% higher than price under PP01. Production from Mardankhel is expected to contribute PKR 1.43/share in earnings for 3QFY17E.

### Oil and gas production up by +9%YoY and +3%YoY, respectively in 3QFY17

Oil production is expected to increase by +9%YoY to 7,022bopd in 3QFY17 on the back of production commencement from Mardankhel (663bopd production in 3QFY17) and increased production from Adhi field. Gas production is estimated to increase by +3%YoY to 78.1mmcf owing to a) 7.8mmcf production coming online from Mardankhel (total potential at time of Drill Stem Test was 40mmcf) and b) +33%YoY higher production from Adhi field. However, excluding Mardankhel, gas production from Tal block declined by 8%YoY.

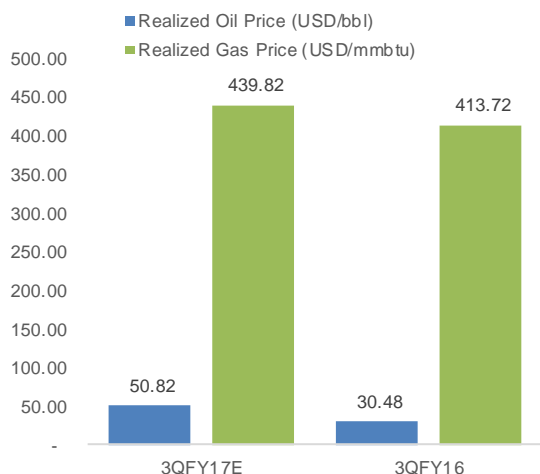
### Total Gas Production in 3QFY17 (mmcf)



### Recommendation

We maintain our **“BUY”** call on POL with our Dec-17 target price of PKR 544/share, offering +19% upside from its last closing. The company is currently trading at a FY17E P/E of 10.7x and offers a healthy dividend yield of 9%.

### Realized oil and gas price



Source: Company Financials, PPIS & IGI Research

## Important Disclaimer and Disclosures

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

**Time Horizon:** Dec - 2017

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

(Reserve Based DCF Valuation)

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