

# Day Break

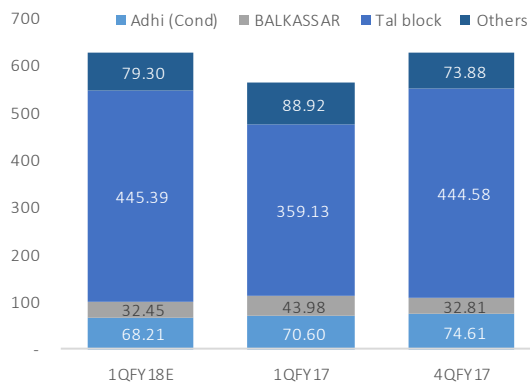
Wednesday, 18 October 2017

## COMPANY UPDATE

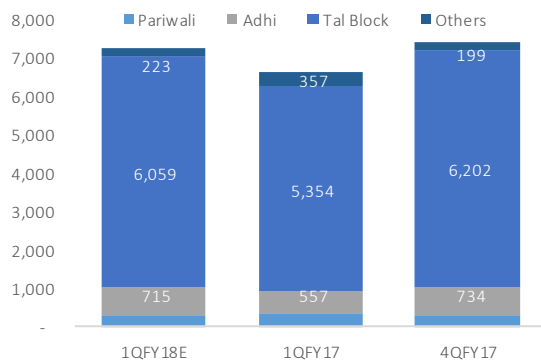
**PAKISTAN OILFIELDS LIMITED**  
OIL & GAS EXPLORATION COMPANIES

<b>Recommendation</b>	<b>NEUTRAL</b>
Target Price:	628.2
Last Closing: 17-Oct-17	593.6
Upside:	5.8
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)
Time Horizon:	Jun-18

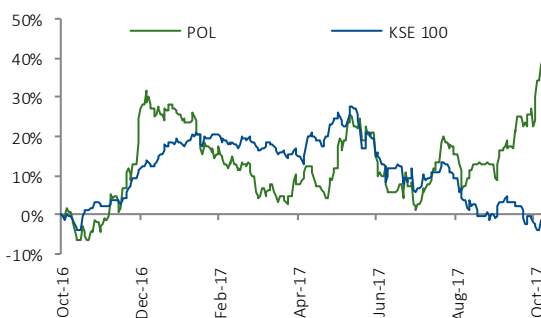
### Oil Production for 1QFY18 - (000'bbls)



### Relative Price Performance & Shareholding



### Relative Price Performance & Shareholding



Source: Bloomberg, PSX & IGI Research

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## Oil & Gas Exploration Companies

### POL: Earnings to clock in at PKR 11.27/share

- Pakistan Oilfields Limited (POL) board meeting is scheduled on 19<sup>th</sup> Oct-17 to announce financial result for 1QFY18, where we expect the company to post earnings of PKR 2.67bn (EPS PKR 11.27) up by +15%YoY.
- On quarterly basis, earnings are expected to augment by +20%YoY to PKR 2.67bn (EPS PKR 9.35) during 1QFY18, on the back of a) 67%QoQ decline in exploration cost in the absence of dry well cost, b) +2%QoQ rise in oil prices and, c) 2.4xQoQ increase in other income
- We have a 'HOLD' call on POL with our Jun-18 target price of PKR 628/share, offering +6% upside from its last close.

#### POL: Earnings to clock in at PKR 11.27/share for 1QFY18, up by +15%YoY

Pakistan Oilfields Limited (POL) board meeting is scheduled on 19<sup>th</sup> Oct-17 to announce financial result for 1QFY18, where we expect the company to post earnings of PKR 2.67bn (EPS PKR 11.27) up by +15%YoY compared to PKR 2.3bn in the same period last year. This growth in earnings is primarily attributable to a) +17%YoY rise in oil prices, b) +11%YoY increase in oil production on the back of production commencement from Mardankhel and Makori Deep, c) +10%YoY rise in gas production owing to higher production from Adhi and Mardankhel/Makori Deep coming online and, d) +11%YoY incline in LPG production.

On quarterly basis, earnings are expected to augment by +20%YoY to PKR 2.67bn (EPS PKR 9.35) during 1QFY18, on the back of a) 67%QoQ decline in exploration cost in the absence of dry well cost, b) +2%QoQ rise in oil prices and, c) 2.4xQoQ increase in other income owing to year-end dividend income from subsidiaries. However, earnings growth is expected to be diluted due to higher tax rate, increased operating cost, 2%QoQ drop in gas production and amortization cost.

Exhibit:

#### POL Financial Highlights

PKRmn	1QFY18E	1QFY17	YoY	4QFY17	QoQ
Net Sales	7,512	5,724	31%	6,865	9%
Operating Costs	2,393	2,025	18%	2,021	18%
Amortization of D&D Cost	608	561	8%	241	153%
Gross Profit	3,790	2,579	47%	3,929	-4%
Exploration Costs	338	64	424%	1,032	-67%
Other Income	514	717	-28%	213	141%
PAT	2,665	2,317	15%	2,213	20%
EPS (PKR)	11.27	9.80		9.35	
DPS (PKR)	-	-		25.00	

Source: IGI Research and Company Financials

No of Shares: 236.55mn

#### Recommendation

We have a 'HOLD' call on POL with our Jun-18 target price of PKR 628/share after incorporating recent discovery of Jhandial and one-time one-time amount of PKR 2.9bn in respect of notification of gas price for Mamikhel, Maramzai & Makori East, offering +6% upside from its last close. The company is currently trading at FY18F P/E of 9.6x and offers a decent dividend yield of 10.1%.

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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)
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**Time Horizon:** Jun – 2018

**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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