

Flash Note

Tuesday, 15 October 2019

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

EPS improve marginally to PKR 14.12 during 1QFY20 despite lower oil prices and oil/gas production

- Pakistan Oilfields Limited (POL) announced its financial results for 1QFY20 with earnings clocking in at PKR 4.01bn (EPS: PKR 14.12) as compared to PKR 3.87bn (EPS: PKR 13.62) in the same period last year, up +4%YoY. On sequential basis, earnings are down by 30%QoQ.
- We attribute this marginal growth in earnings during 1QFY20 to a) +28%YoY depreciation of PKR against greenback, b) lower exploration cost in the absence of dry well cost and, c) lower amortization cost. However, earnings growth was limited by higher effective tax rate of 30.8% during 1QFY20 compared to 24.7% in the same period last year.
- Net revenues dropped by 3%YoY to PKR 10.25bn during 1QFY20, likely on the back of lower oil & gas production down by 5%YoY and 4%YoY respectively despite +28%YoY PKR depreciation.
- Exploration expense plunged by 49%YoY to PKR 0.38bn during 1QFY20 compared to PKR 0.73bn in the corresponding period last year likely owing to no dry well cost incurred. However, exploration cost did remain on the higher side due to higher prospecting expense in our view owing to increased seismic activity in company operated blocks.
- Finance cost dropped by 65%YoY to PKR 0.14bn during 1QFY20 likely on account of lower exchange losses.
- Other income also plummeted by 44%YoY to PKR 0.47bn during 1QFY20 likely in the absence of exchange gains and no dividend from National Refinery Limited (NRL).
- Effective tax rate leaped up to 30.8% during 1QFY20 compared to 24.7% (4QFY19: 29.1%) reported in the corresponding period last year.

Exhibit:

POL Financial Highlights

PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Net Sales	10,251	10,570	-3%	11,086	-8%
Operating Costs	2,251	2,779	-19%	2,067	9%
Royalty	1,118	1,084	3%	1,222	-9%
Amortization of D&D Cost	513	774	-34%	495	4%
Gross Profit	6,295	5,856	8%	7,225	-13%
Exploration Costs	376	731	-49%	142	165%
Finance Cost	139	402	-65%	1,710	-92%
Other Income	467	841	-44%	3,201	-85%
PBT	5,793	5,134	13%	8,036	-28%
PAT	4,008	3,867	4%	5,696	-30%
EPS (PKR)	14.12	13.62		20.07	
DPS (PKR)	-	-		30.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912