

Flash Note

Thursday, 27 April 2017

Oil & Gas – Exploration Companies

PPL: Earnings reported at PKR 3.69/share in 3QFY17, up by +87%YoY

- Pakistan Petroleum Limited (PPL) announced financial results for 3QFY17 with earnings clocking in at PKR 7.27bn (EPS PKR 3.69) up by +87%YoY as compared to PKR 3.89bn (EPS PKR 1.97) in the same period last year.
- Cumulative earnings for 9MFY17 stand at PKR 19.07bn (EPS PKR 9.67) as compared to PKR 15.78bn (EPS PKR 8.00) in the corresponding period last year.
- Revenues for 3QFY17 increased by +31%YoY to PKR 23.95bn as compared to PKR 18.23bn in the same period last year, likely on the back of higher oil (mainly from Nashpa and Adhi) and gas (led by Sui and Kandhkot) production and +79%YoY increase in oil prices.
- Field Expenditure inched up by +3%YoY to PKR 11.45bn in 3QFY17 as compared to PKR 11.15bn recorded in the corresponding period last year.
- Finance Cost declined by 30%YoY to PKR 115mn, while other expenses increased by +82%YoY to PKR 552mn during 3QFY17.
- Effective tax rate declined by 323bps to 29% in 3QFY17 as compared to 32% in the same period last year

Recommendation

We maintain our “BUY” call on PPL with our Dec-17 target price of PKR 205/share, offering +22% upside from its last closing. The company is currently trading at a FY17E/FY18F P/E of 11.9/9.6x.

Exhibit:

Financial Highlights

PKRmn	3QFY17	3QFY16	YoY	9MFY17	9MFY16	YoY
Net Sales	23,948	18,228	31%	63,973	59,540	7%
Field Expenditure	11,451	11,148	3%	31,554	31,191	1%
Royalty	2,779	2,043	36%	7,476	6,835	9%
Gross Profit	9,719	5,037	93%	24,943	21,515	16%
Other Income	1,197	1,169	2%	3,432	4,212	-19%
Other Expense	552	303	82%	1,420	3,362	-58%
Finance Cost	115	165	-30%	347	493	-30%
PBT	10,249	5,738	79%	26,609	21,872	22%
PAT	7,273	3,887	87%	19,070	15,783	21%
EPS (PKR)	3.69	1.97	87%	9.67	8.00	21%
DPS (PKR)	-	-		3.00	3.50	

Source: IGI Research and Company Financials

No of Shares: 1,971.73 mn

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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)
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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)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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