

Flash Note

Tuesday, 27 February 2018

Oil & Gas – Exploration Companies

PPL: Higher gas price incentive for Sui field lifts earnings up by +55%YoY to PKR 4.74/share in 2QFY18

- Pakistan Petroleum Limited (PPL) announced financial results for 2QFY18 with earnings clocking in at PKR 9.35bn (EPS PKR 4.74) up by +55%YoY as compared to PKR 6.05bn (EPS PKR 3.07) in the same period last year. This brings cumulative earnings for 1HFY18 to PKR 22.02bn (EPS PKR 11.17) compared to PKR 11.80bn (EPS PKR 5.98) in the corresponding period last year.
- The company announced cash dividend of PKR 4.0/share along with the result.
- Revenues leaped up by +36%YoY to PKR 28.76bn during 2QFY18 likely on the back of a) higher wellhead gas price for Sui field under revised Gas Price Agreement (GPA) and, b) +25%YoY rise in oil price.
- Operating expenses leaped up by +12%YoY to PKR 8.12bn during 2QFY18 compared to PKR 7.23bn in the corresponding period last year.
- Exploration expense augmented by 14%YoY to PKR 4.36bn in 2QFY18 compared to PKR 3.82bn in the similar period last year likely owing to higher prospecting expense. Higher exploration likely relates to transfer of exploration cost in relation to additional stake acquired from AROL in Gambat South and Kotri block, however we await financial statements for further clarity.
- Other income increased by +2.9xYoY to PKR 3.31bn during 2QFY18 likely owing to higher profit on short term investments (T-bills and Mutual Fund) and exchange gains as PKR depreciated against USD in Dec-17. Moreover we believe settlement of the overdue charges and past payments by AROL may have also been booked during 2QFY18.
- Other charges inclined by +3.3xYoY to PKR 0.75bn in 2QFY18 compared to PKR 0.23bn in the same period last year likely owing to further impairment loss booked on investment in PPL Europe.
- Effective tax rate stood at 34% during 2QFY18 as compared to 26% in the corresponding period last year.

Exhibit:

Financial Highlights

PKRmn	2QFY18	2QFY17	YoY	1HFY18	1HFY17	YoY
Net Sales	28,762	21,215	36%	60,974	40,025	52%
Operating Expenditure	8,121	7,227	12%	15,849	13,738	15%
Royalty	4,072	2,472	65%	8,962	4,697	91%
Gross Profit	16,569	11,471	44%	36,162	21,526	68%
Exploration Expense	4,358	3,819	14%	4,273	5,248	-19%
Other Income	3,305	1,111	197%	4,483	2,235	101%
Other Charges	750	227	231%	2,293	868	164%
Finance Cost	136	116	18%	239	232	3%
PBT	14,175	8,175	73%	32,838	16,360	101%
PAT	9,345	6,048	55%	22,024	11,797	87%
EPS (PKR)	4.74	3.07	55%	11.17	5.98	87%
DPS (PKR)	4.00	3.00		4.00	3.00	

Source: IGI Research and Company Financials

No of Shares: 1,972mn

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