

Day Break

Monday, 20 January 2020

COMPANY UPDATE

Attock Petroleum Limited

Oil & Gas Marketing Companies

Recommendation	NEUTRAL		
Target Price: Dec/20	419.5		
Last Closing: 17-Jan-20	385.8		
Upside:	8.7		
Valuation Methodology:	Discounted Cash Flow (DCF)		
Time Horizon:	11M		
Market Data			
Bloomberg Tkr.	APL PA		
Shares (mn)	99.5		
Free Float Shares (mn)	24.9		
Free Float Shares (%)	25.0%		
Market Cap (PKRbn USDmn)	38.4	248.0	
Exchange	KSE 100		
Price Info.	90D	06M	12M
Abs. Return	29.8	28.7	(14.0)
Lo	288.0	233.0	233.0
Hi	394.4	394.4	455.9

Key Company Financials

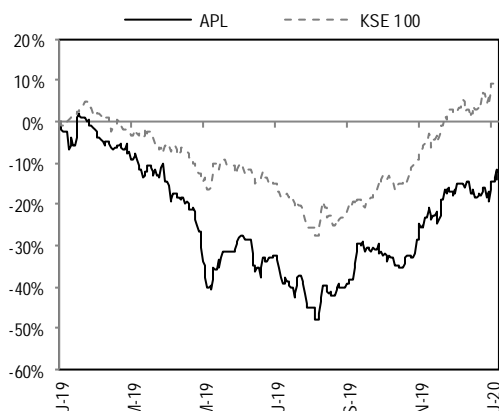
Period End: Jun

PKRbn	FY19a	FY20e	FY21f	FY22f
Total Revenue	223.1	201.3	208.4	217.1
Net Income	4.0	3.9	4.1	4.2
EPS (PKR)	39.8	39.1	41.6	41.8
DPS (PKR)	20.0	35.0	40.0	45.0
Total Assets	46.4	45.0	47.0	48.1
Total Equity	18.9	19.3	19.5	19.2

Key Financial Ratios

ROE (%)	32.6	21.2	20.3	21.3
P/E (x)	9.7	9.9	9.3	9.2
P/B (x)	2.1	2.0	2.0	2.0
DY (%)	5.2	9.1	10.4	11.7

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Oil & Gas Marketing Companies

APL: Lower operating cost and tax rate to lift 2QFY20 EPS to PKR 10.68; DPS PKR 12.5

- ✓ Attock Petroleum Limited's (APL) board meeting is scheduled on 21st Jan-20 to announce financial result for 2QFY20, where we expect the company to post earnings of PKR 1.06bn (EPS PKR 10.68), up by +91%YoY,
- ✓ We estimate this growth in earnings on the back of +23%YoY increase in FO volumes despite 3%YoY decline in total volumes. Moreover, lower effective tax rate of 29% due to application of corporate tax is likely to lift earnings during 2QFY20. On quarterly basis, earnings are expected to drop by 11%QoQ on the back of inventory gains booked last quarter and total volumes declined by 2%QoQ primarily led by 27%QoQ drop in FO volumes,
- ✓ We recommend a 'HOLD' stance on APL with our Dec-20 target price of PKR 419.5/share offering +9% upside from last close. The company is currently trading at FY20 P/E of 9.9x and offers a dividend of 9.1%.

Earnings to clock in at PKR 10.68/share for 2QFY20, up by +91%YoY

Attock Petroleum Limited's (APL) board meeting is scheduled on 21st Jan-20 to announce financial result for 2QFY20, where we expect the company to post earnings of PKR 1.06bn (EPS PKR 10.68), up by +91%YoY, compared to PKR 2.32bn (EPS PKR 23.28) in the same period last year. We estimate this growth in earnings on the back of +23%YoY increase in FO volumes despite 3%YoY decline in total volumes. Moreover, lower effective tax rate of 29% due to application of corporate tax is likely to lift earnings during 2QFY20. Furthermore, annual margin increase in Dec-19, is also likely to lift earnings by PKR 0.18/share. This will bring 1HFY20E profitability to PKR 2.29bn (EPS PKR 22.99) up by +9%YoY compared to PKR 2.10bn (EPS PKR 21.13) in the same period last year. We expect APL to announce cash dividend of PKR 12.50/share along with the result.

On quarterly basis, earnings are expected to drop by 11%QoQ on the back of inventory gains booked last quarter and total volumes declined by 2%QoQ primarily led by 27%QoQ drop in FO volumes. Moreover, drop in FO prices (down nearly 21%QoQ) is also likely to drag earnings down during 2QFY20.

Exhibit: APL Financial Highlights

PKRmn	2QFY20E	2QFY19	YoY	1HFY20E	1HFY19	YoY
Net Sales	54,315	57,721	-6%	113,523	115,372	-2%
Gross Profit	1,837	1,446	27%	3,938	4,008	-2%
S&D Expense	643	955	-33%	1,201	1,645	-27%
Other Op. Income	303	242	25%	596	471	27%
EBIT	1,422	732	94%	3,184	2,834	12%
Finance Cost	157	154	2%	383	288	33%
Profit Before Taxation	1,497	854	75%	3,251	2,979	9%
Taxation	434	298	45%	963	875	10%
Profit After Taxation	1,063	556	91%	2,288	2,103	9%
EPS (PKR)	10.68	5.58		22.99	21.13	
DPS (PKR)	12.50	10.00		12.50	10.00	

Source: IGI Research, Company Financials

No of Shares: 99.53mn

Recommendation

We recommend a 'HOLD' stance on APL with our Dec-20 target price of PKR 419.5/share offering +9% upside from last close. The company is currently trading at FY20 P/E of 9.9x and offers a dividend of 9.1%.

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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: Dec – 2019

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

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