

Day Break

Thursday, 23 April 2020



COMPANY UPDATE

Pakistan Oilfields Limited

Oil & Gas Exploration Companies

Recommendation BUY

Target Price: Dec/20 449.8

Last Closing: 22-Apr-20 264.0

Upside (%): 70.4

Valuation Methodology: Reserve based - Discounted Cash Flow (DCF)

Time Horizon: 8M

Market Data

Bloomberg Tkr. POL PA

Shares (mn) 283.9

Free Float Shares (mn) 129.8

Free Float Shares (%) 45.7%

Market Cap (PKRbn | USDmn) 74.9 | 485.6

Exchange KSE 100

Price Info. 90D 06M 12M

Abs. Return (36.6) (23.3) (35.1)

Lo 241.1 241.1 241.1

Hi 457.8 473.4 473.4

Key Company Financials

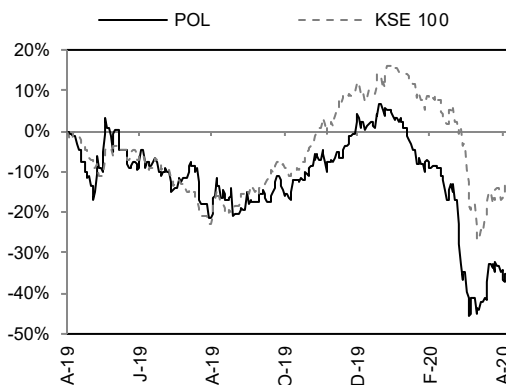
Period End: Jun

PKRbn	2019e	2020f	2021f	2022f
Total Revenue	44.0	38.7	36.3	36.3
Net Income	16.9	13.2	11.9	12.0
EPS (PKR)	59.4	46.6	41.8	42.1
DPS (PKR)	50.0	40.0	39.0	40.0
Total Assets	81.5	79.1	78.7	78.9
Total Equity	38.1	39.9	40.7	41.3

Key Financial Ratios

ROE (%)	35.4	47.6	33.9	29.4
P/E (x)	4.4	5.7	6.3	6.3
P/B (x)	2.3	2.0	1.9	1.8
DY (%)	18.9	15.2	14.8	15.2

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Oil & Gas Exploration Companies

POL: Despite lower oil prices, weaker PKR and lower exploration cost to lift 3QFY20 EPS to PKR 13.47

- ✓ Pakistan Oilfields Limited's (POL) board meeting is scheduled on 23rd Apr-20 to announce financial result for 3QFY20, where we expect the company to post earnings of PKR 3.82bn (EPS PKR 13.47), up by +16%YoY,
- ✓ We estimate incline in earnings on the back a) 11%YoY PKR depreciation despite 15%YoY drop in oil prices, b) lower exploration cost amid no dry well expense and, c) higher other income amid exchange gains,
- ✓ On quarterly basis, earnings are expected to drop by 16%QoQ on the back of 17QoQ drop in oil prices, average exchange rate appreciation by 1%QoQ and higher operating expenses,
- ✓ We recommend a 'BUY' stance on POL with our Dec-20 target price of PKR 449.8/share offering 70% upside from last close. The company is currently trading at FY21 P/E of 6.3x.

Earnings to clock in at PKR 13.47/share for 3QFY20, up by +16%YoY

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 23rd Apr-20 to announce financial result for 3QFY20, where we expect the company to post earnings of PKR 3.82bn (EPS PKR 13.47), up by +16%YoY, compared to PKR 3.29bn (EPS PKR 11.58) in the same period last year. We estimate incline in earnings on the back a) 11%YoY PKR depreciation despite 15%YoY drop in oil prices, b) lower exploration cost amid no dry well expense and, c) higher other income amid exchange gains. Oil /LPG production was down by 8%/2%YoY. To note, POL did not incur any dry well cost during the quarter, however, exploration cost is estimated to remain on higher side owing to higher seismic data acquisition (Ikhlas-POL operated and Tal-operated by MOL). This brings total profitability for 9MFY20E to PKR 12.39bn (EPS PKR 43.66) compared to PKR 11.18 (EPS PKR 39.37) in the same period last year.

Lower oil prices to drag EPS down on quarterly basis

On quarterly basis, earnings are expected to drop by 16%QoQ on the back of 17QoQ drop in oil prices, average exchange rate appreciation by 1%QoQ and higher operating expenses.

Exhibit: POL Financial Highlights

PKRmn	3QFY20E	3QFY19	YoY	9MFY20E	9MFY19	YoY
Net Sales	10,193	10,682	-5%	31,905	32,891	-3%
Operating Costs	3,348	2,822	19%	8,397	8,326	1%
Royalty	1,117	1,087	3%	3,457	3,331	4%
Amortization Cost	768	1,014	-24%	2,013	2,817	-29%
Gross Profit	4,876	5,683	-14%	17,808	18,185	-2%
Exploration Costs	369	1,097	-66%	1,159	1,907	-39%
Finance Cost	1,140	315	261%	1,588	2,064	-23%
Other Income	2,279	849	169%	3,453	3,975	-13%
PBT	5,238	4,722	11%	17,191	16,819	2%
PAT	3,824	3,287	16%	12,392	11,176	11%
EPS (PKR)	13.47	11.58		43.66	39.37	
DPS (PKR)	-	-		20.00	20.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

Oil production down by 8%YoY while gas production remained flat during 3QFY20

Total gas production for the Company remained flat on the back of higher production from Tal block (led by Makori Deep) whereas lower production was recorded from Adhi. This brings total gas production for 9MFY20 to 88mmcf down by 1%YoY. Oil production also fell by 8%YoY on account of lower production from Adhi and Tal block. This brings total oil production to 6,664bopd down by 9%YoY for 9MFY20.

Exhibit: POL oil production (bopd)

Oil production remained low due to lower production from Tal Block and Adhi

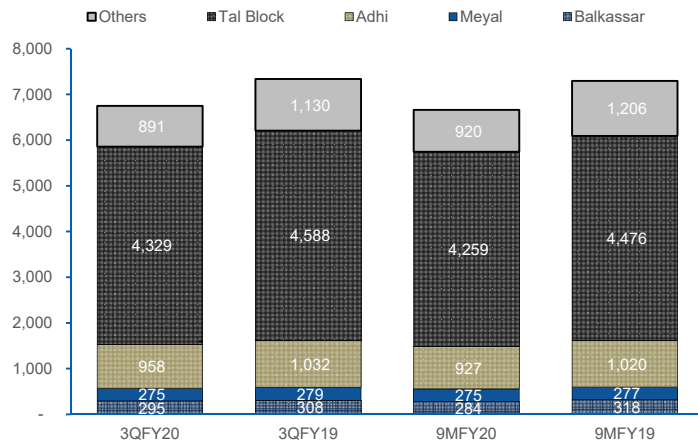
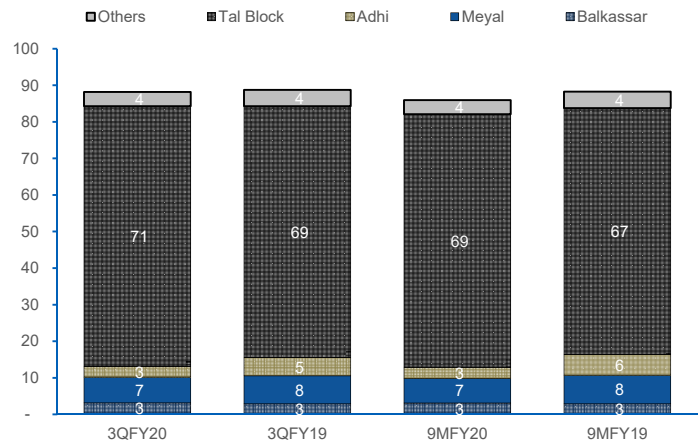


Exhibit: POL gas production (mmcf)

Gas production remained flat due to higher production from Tal Block whereas Adhi production declined



Recommendation

We recommend a 'BUY' stance on POL with our Dec-20 target price of PKR 449.8/share offering 70% upside from last close. The company is currently trading at FY21 P/E of 6.3x.