

# Day Break

Monday, 14 October 2019

## COMPANY UPDATE

### Attock Petroleum Limited

Oil & Gas Marketing Companies

Recommendation		NEUTRAL
Target Price:	Dec/20	320.5
Last Closing:	11-Oct-19	303.2
Upside:		5.7
Valuation Methodology:	Discounted Cash Flow (DCF)	
Time Horizon:		2M

### 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)	30.2	192.7	
Exchange	KSE ALL		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	1.8	(21.3)	(28.6)
Lo	233.0	233.0	233.0
Hi	317.1	402.1	510.3

### Key Company Financials

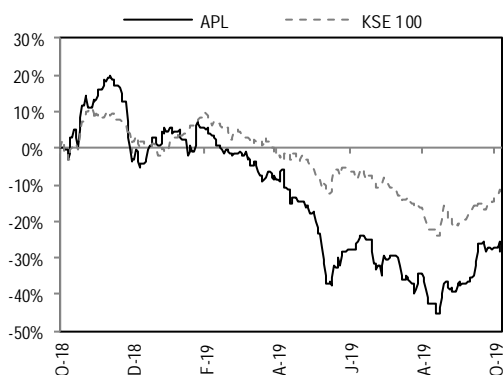
Period End: Jun

PKRbn	FY18A	FY19A	FY20F	FY21F
Total Revenue	177.3	223.1	198.5	210.6
Net Income	5.7	4.0	3.6	3.9
EPS (PKR)	56.8	39.8	36.6	38.9
DPS (PKR)	40.0	20.0	30.0	40.0
Total Assets	46.1	46.4	44.4	46.8
Total Equity	18.4	18.9	19.1	19.0

### Key Financial Ratios

ROE (%)	32.6	21.2	19.2	20.3
P/E (x)	5.3	7.6	8.3	7.8
P/B (x)	1.6	1.6	1.6	1.6
DY (%)	13.2	6.6	9.9	13.2

### Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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## Oil & Gas Marketing Companies

### APL: EPS to drop by 44%YoY to PKR 8.67 owing to substantial drop in volumes and higher costs

- Attock Petroleum Limited's (APL) board meeting is scheduled on 15<sup>th</sup> Oct-19 to announce financial result for 1QFY20, where we expect the company to post earnings of PKR 0.86bn (EPS PKR 8.67), down by 44%YoY,
- We estimate decline in earnings on the back 12%YoY drop in total volumes led by 16%/10%/8%YoY drop in HSD/FO/MS sales. Furthermore, higher effective tax of 32% coupled with higher operating costs is likely to support earnings decline in 1QFY20,
- On quarterly basis, earnings are expected to drop by 45%QoQ on the back of hefty inventory gains booked last quarter and whereas total volumes remained stagnant with FO volumes up by +27%QoQ while HSD/MS posted 11%/4%QoQ decline in sales,
- We recommend a **'HOLD'** stance on APL with our Dec-20 target price of PKR 320.5/share offering +6% upside from last close. The company is currently trading at FY20 P/E of 8.3x and offers a dividend of 9.9%.

### Earnings to clock in at PKR 8.67/share for 1QFY20, down by 44%YoY

Attock Petroleum Limited's (APL) board meeting is scheduled on 15<sup>th</sup> Oct-19 to announce financial result for 1QFY20, where we expect the company to post earnings of PKR 0.86bn (EPS PKR 8.67), down by 44%YoY, compared to PKR 1.55bn (EPS PKR 15.55) in the same period last year. We estimate decline in earnings on the back 12%YoY drop in total volumes led by 16%/10%/8%YoY drop in HSD/FO/MS sales. Furthermore, higher effective tax of 32% coupled with higher operating costs is likely to support earnings decline in 1QFY20. To note OMC margins were not revised on 1<sup>st</sup> Jul-2019 in line with CPI leading to stagnant margins for the quarter compared to same period last year.

On quarterly basis, earnings are expected to drop by 45%QoQ on the back of hefty inventory gains booked last quarter and whereas total volumes remained stagnant with FO volumes up by +27%QoQ while HSD/MS posted 11%/4%QoQ decline in sales. FO margins are likely to increase during the quarter as FO prices surged during 1QFY20 along with PKR depreciation.

Exhibit:

### APL Financial Highlights

PKRmn	1QFY20E	1QFY19	YoY	4QFY19	QoQ
Net Sales	55,710	57,806	-4%	58,606	-5%
Gross Profit	1,743	2,562	-32%	3,332	-48%
S&D Expense	801	689	16%	1,149	-30%
Other Op. Income	250	229	9%	436	-43%
EBIT	1,192	2,102	-43%	2,548	-53%
Finance Cost	157	134	17%	92	71%
Profit Before Taxation	1,269	2,125	-40%	2,348	-46%
Taxation	406	577	-30%	775	-48%
Profit After Taxation	863	1,548	-44%	1,573	-45%
<b>EPS (PKR)</b>	<b>8.67</b>	<b>15.55</b>		<b>15.80</b>	
DPS (PKR)	-	-		15.00	

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 320.5/share offering +6% upside from last close. The company is currently trading at FY20 P/E of 8.3x and offers a dividend of 9.9%.

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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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