

Flash Note

Tuesday, 22 January 2019

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

Earnings up by +81%YoY to PKR 14.17 in 2QFY19 due to reversal of Tal block revenue; growth limited by higher tax

- Pakistan Oilfields Limited (POL) announced its financial results for 2QFY19 with earnings clocking in at PKR 4.02bn (EPS: PKR 14.17) as compared to PKR 2.23bn (EPS: PKR 7.85) in the same period last year, up +81%YoY. This brings total profitability for 1HFY19 to PKR 7.89bn up by +66%YoY. On a quarterly basis, earnings are up by +4%QoQ during 2QFY19.
- We attribute this substantial growth in earnings during 2QFY19 to a) one off reversal PKR 3bn relating to price incentive offered on 3 fields in Tal block, b) +15%YoY rise in oil prices and PKR depreciation and, c) lower exploration cost in the absence of dry well cost. However, earnings growth was limited by higher effective tax rate of 42% during 2QFY19 compared to 12% in the same period last year.
- Net Revenues increased by +94%YoY to PKR 11.64bn during 2QFY19, likely on the back of a) increase in oil price and, b) devaluation of PKR against greenback.
- Exploration expense dropped by 83%YoY to PKR 79mn during 2QFY19 compared to PKR 468mn in the corresponding period last year likely owing to no dry well cost incurred.
- Finance cost increased by +2.8xYoY to PKR 1.35bn likely on the back of exchange losses.
- Other income augmented by +74%YoY to PKR 2.29bn during 2QFY19 likely due to exchange gains incurred on foreign currency investments.
- Effective tax rate leaped up to 42% during 2QFY19 compared to 12% reported in the corresponding period last year.

Exhibit:

Financial Highlights

PKRmn	2QFY19	2QFY18	YoY	1HFY19	1HFY18	YoY
Net Sales	11,639	6,000	94%	22,209	13,240	68%
Operating Costs	2,726	2,155	26%	5,504	4,129	33%
Royalty	1,160	428	171%	2,245	1,091	106%
Amortization of D&D Cost	1,029	978	5%	1,803	1,490	21%
Gross Profit	6,646	2,361	181%	12,502	6,384	96%
Exploration Costs	79	468	-83%	810	740	9%
Finance Cost	1,347	487	177%	1,749	675	159%
Other Income	2,286	1,316	74%	3,127	1,565	100%
PBT	6,962	2,522	176%	12,096	6,050	100%
PAT	4,022	2,227	81%	7,889	4,761	66%
EPS (PKR)	14.17	7.85		27.79	16.77	
DPS (PKR)	20.00	17.50		20.00	17.50	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

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