

## Earning Review

### POL: 2QFY23 EPS clocked at Rs21.0, DPS Rs20.0

#### Event

- Pakistan Oilfields Limited (POL) profitability clocked in at Rs21.0/sh, up 5%/down 29% YoY/QoQ in 2QFY23 against profitability of Rs20.0/sh in 2QFY22. This cumulates into 1HFY23 profit of Rs50.6/sh, up 31% YoY.
- The result is accompanied with cash payout of Rs20.0/sh, lower than our expectation.
- However, the result is in line with our expectation.

#### Impact

- We attribute increase in profitability to increased Arab Light prices, higher rupee depreciation, lower taxation rate and lower finance cost.
- However, lower oil, gas and LPG production along with higher exploration and development expense has restricted growth in profitability.
- Arab Light averaged ~US\$91/bbl in 2QFY23, up 14% YoY, due to fear of supply disruptions on the back of Russia Ukraine war. Moreover, dollar appreciated by ~28% YoY during 2QFY23.
- Company's oil, gas and LPG production is down by 10% YoY, 10% YoY and 2% YoY respectively, primarily because of lower production from TAL block.
- Oil and Gas production of TAL Block is down by 9% YoY each, in 2QFY23.
- LPG production is down by ~2% YoY during 2QFY23 primarily because of ~6.3% YoY reduction in production from TAL block. However, LPG production from Adhi block is up by 3% YoY.
- Exploration cost clocked in at Rs954mn in 2QFY23 against Rs108mn booked in 2QFY22.
- Company booked reversal of Rs486mn of finance cost in 2QFY23 against expense of Rs935mn primarily because of benefit from revaluation of financial liabilities.

#### Outlook

- Stock provides lucrative dividend yield besides providing hedge to dollar appreciation amid recovery in oil prices. Thus, we have "Outperform" stance on the stock with Dec'23 TP of 515.

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Fig 1: Financial highlights 2QFY23

	2QFY23	2QFY22	YoY	QoQ	1HFY23	1HFY22	YoY
Sales	14,078	12,671	11%	-12%	30,111	23,749	27%
Operating cost	3,084	2,178	42%	46%	5,193	4,192	24%
SC&A	55	55	-1%	-56%	179	121	47%
Royalty	1,557	1,315	18%	-12%	3,331	2,488	34%
EBITDAX	9,383	9,123	3%	-22%	21,408	16,947	26%
D&A	1,003	627	60%	99%	1,506	1,313	15%
Exploration cost	954	108	784%	-79%	5,480	559	881%
<b>EBIT</b>	<b>7,424</b>	<b>8,381</b>	<b>-11%</b>	<b>5%</b>	<b>14,487</b>	<b>15,047</b>	<b>-4%</b>
Other income	2,104	2,018	4%	-68%	8,739	4,718	85%
Fin. Cost	(486)	935	-152%	-117%	2,349	2,397	-2%
Other charges	662	540	23%	34%	1,154	956	21%
<b>Pre-tax profit</b>	<b>9,297</b>	<b>8,869</b>	<b>5%</b>	<b>-9%</b>	<b>19,544</b>	<b>16,290</b>	<b>20%</b>
Taxation	3,344	3,204	4%	81%	5,191	5,368	-3%
<b>PAT</b>	<b>5,954</b>	<b>5,665</b>	<b>5%</b>	<b>-29%</b>	<b>14,353</b>	<b>10,922</b>	<b>31%</b>
EPS	21.0	20.0			50.6	38.5	

Source: PSX, Foundation Research, February 2023

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**Recommendations definitions**

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.