

APL: 1QFY22 EPS expected at PKR 19.0, up 27% YoY

- APL's board meeting is scheduled tomorrow, to announce 1QFY22 financial results. We expect the company to post NPAT of PKR 1.9bn (an EPS of PKR 19.0, up 27% YoY). This bottomline growth is mainly on account of inventory gains and higher volumetric sales during the quarter.
- The company's net sales are expected to settle at PKR 69.7bn, up 55% YoY mainly due to higher oil prices and volumetric sales during the quarter.
- APL's overall volumetric sales grew by a 21% YoY in 1QFY22, mainly contributed by higher HSD sales that surged 41% YoY. Similarly, MS and FO volumes witnessed increase of 27% YoY and 13% YoY, respectively.
- The company also managed to regain its lost market share in HSD and MS which stood at ~8%, each during the quarter compared to 7% in the preceding quarter and 7.2% in SPLY.
- On sequential basis, APL is expected to post earnings growth of 51% QoQ. This can mainly be attributed to higher oil price leading to inventory gains and increased volumetric sales of FO/MS by 80%/21% QoQ.
- Our June-22 PT of PKR 410/share provides an upside of 32% along with a dividend yield of 10%.
- We have a 'Buy' stance on APL which is trading at FY22 PE and PBV of 5.2x and 1.2x, respectively.

Key Data

| | |
|-------------------------|--------|
| PSX Ticker | APL |
| Target Price (PKR) | 410 |
| Current Price (PKR) | 310 |
| Upside/(Downside) (%) | + 32% |
| Dividend Yield (%) | 10% |
| Total Return (%) | + 42% |
| 12-month High (PKR) | 390 |
| 12-month Low (PKR) | 285 |
| Outstanding Shares (mn) | 99.53 |
| Market Cap (PKR mn) | 30,854 |
| Year End | June |

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

| | 1QFY21 | 1QFY22E | YoY |
|--------------------------|--------------|--------------|------------|
| Net Sales | 45,115 | 69,703 | 55% |
| Cost of Sales | 42,055 | 66,017 | 57% |
| Gross Profit | 3,060 | 3,686 | 20% |
| Operating Expense | 864 | 1,185 | 37% |
| Other Income | 211 | 322 | 53% |
| Financial Income | 385 | 386 | 0% |
| Finance cost | 416 | 424 | 2% |
| Profit before tax | 2,133 | 2,782 | 30% |
| Taxation | 647 | 890 | 38% |
| Net Income | 1,485 | 1,892 | 27% |
| EPS | 14.92 | 19.01 | 27% |
| DPS | - | - | |

Key Financial Ratios

| | FY19A | FY20A | FY21A | FY22E | FY23F | FY24F |
|----------------|-------|-------|--------|-------|-------|-------|
| EPS | 39.8 | 10.1 | 49.4 | 60.1 | 55.5 | 61.9 |
| EPS Growth | -30% | -75% | 387.9% | 21.6% | -7.7% | 11.7% |
| DPS | 20.0 | 9.0 | 27.0 | 30.0 | 31.0 | 34.0 |
| PER | 7.8 | NA | 6.3 | 5.2 | 5.6 | 5.0 |
| Dividend Yield | 6.5% | 2.9% | 8.7% | 9.7% | 10.0% | 11.0% |
| EV/EBITDA | 2.4 | 4.2 | 1.5 | 1.0 | 1.0 | 0.8 |
| P/B | 1.6 | 1.7 | 1.4 | 1.2 | 1.1 | 1.0 |
| ROE | 21.2% | 5.4% | 23.9% | 24.7% | 20.5% | 20.9% |

Source: Company Accounts, Akseer Research

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Valuation Basis

Our PT for Attock Petroleum Limited (APL) has been computed using Free cash flow to equity (FCFE) method. We have used a risk free rate of 11.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 17.0%.

Investment Thesis

We have a 'BUY' stance on the script with the Jun-22 PT of PKR 410/share. Our price target indicates an upside of 32% along with a dividend yield of 10%. Our investment case on APL is based on 1) Improving market share on back of growing storage and retail network, and 2) Cash rich balance sheet & 3) Group synergies.

Risks

Key downside risks to our investment thesis are: 1) sharp decrease in oil prices, 2) significant loss of market share to other industry players & 3) Sharp decline in Asphalt sales.

Company Description

Attock Petroleum Limited (APL) was incorporated in 1995 and is based in Rawalpindi, Pakistan. It procures, stores, and markets petroleum and related products in Pakistan. It offers various petroleum products, such as high-speed diesel, premier motor gasoline, jet fuels, etc. APL markets and supplies fuels to retail outlets, industries, armed forces, power producers, government/semi-government entities, developmental sector and agricultural customers.

Financial Highlights - APL

| Income Statement (PKR mn) | | | | | | |
|---------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | FY19A | FY20A | FY21A | FY22E | FY23F | FY24F |
| Net sales | 223,054 | 201,079 | 188,645 | 270,747 | 244,690 | 234,042 |
| Cost of sales | 214,833 | 197,441 | 178,663 | 258,819 | 233,531 | 221,698 |
| Gross Profit | 8,221 | 3,638 | 9,982 | 11,928 | 11,159 | 12,343 |
| SG & A | 3,590 | 3,079 | 4,152 | 4,740 | 4,567 | 4,795 |
| Operating Profit | 4,560 | 185 | 6,239 | 7,577 | 6,961 | 7,899 |
| Other income | 835 | 781 | 752 | 854 | 925 | 917 |
| Financial Income | 1,399 | 2,232 | 1,334 | 1,539 | 1,417 | 1,380 |
| Finance cost | 849 | 1,597 | 1,419 | 1,696 | 1,780 | 1,907 |
| Profit before tax | 5,723 | 1,503 | 6,939 | 8,309 | 7,559 | 8,328 |
| Taxation | 1,762 | 495 | 2,019 | 2,325 | 2,039 | 2,164 |
| Profit after tax | 3,961 | 1,008 | 4,920 | 5,984 | 5,520 | 6,164 |

Source: Company Accounts, Akseer Research

| Balance sheet (PKR mn) | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY19A | FY20A | FY21A | FY22E | FY23F | FY24F |
| PPE | 8,349 | 13,840 | 16,617 | 20,118 | 22,258 | 24,181 |
| Other LT assets | 904 | 1,873 | 1,070 | 1,112 | 1,156 | 1,203 |
| Non-Current Assets | 9,253 | 15,712 | 17,687 | 21,230 | 23,414 | 25,384 |
| Current assets | 37,103 | 35,526 | 44,211 | 57,925 | 53,709 | 52,463 |
| Total Assets | 46,356 | 51,238 | 61,898 | 79,155 | 77,123 | 77,847 |
| Non-Current liabilities | 793 | 4,884 | 7,381 | 7,407 | 7,433 | 7,460 |
| Current liabilities | 26,683 | 27,909 | 31,795 | 46,029 | 41,537 | 39,454 |
| Total Liabilities | 27,476 | 32,792 | 39,177 | 53,436 | 48,970 | 46,914 |
| Equity | 18,927 | 18,446 | 22,721 | 25,719 | 28,154 | 30,933 |
| Total Equity & liabilities | 46,403 | 51,238 | 61,898 | 79,155 | 77,123 | 77,847 |

Source: Company Accounts, Akseer Research

| Cashflow statement (PKR mn) | | | | | | |
|-----------------------------|----------------|--------------|---------------|--------------|---------------|---------------|
| | FY19A | FY20A | FY21A | FY22E | FY23F | FY24F |
| Net Income | 3,961 | 1,008 | 4,920 | 5,984 | 5,520 | 6,164 |
| Non-cash Charges | 463 | 4,636 | 3,423 | 2,123 | 2,498 | 2,531 |
| Operating Cash flows | 4,423 | 5,644 | 8,342 | 8,107 | 8,019 | 8,695 |
| Investing Cash Flow | (2,131) | (7,683) | (3,568) | (5,470) | (4,411) | (4,412) |
| Financing Cash Flow | (3,570) | 2,602 | 1,853 | (2,961) | (3,059) | (3,357) |
| Net change in cash | (1,278) | 562 | 6,628 | (323) | 548 | 926 |
| Beginning Cash | 4,198 | 2,920 | 3,482 | 10,110 | 9,786 | 10,334 |
| Closing cash | 2,920 | 3,482 | 10,110 | 9,786 | 10,334 | 11,260 |

Source: Company Accounts, Akseer Research

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| Rating | Expected Total Return |
|---------------|-------------------------------|
| Buy | Greater than or equal to +15% |
| Hold | Between -5% and +15% |
| Sell | Less than or equal to -5% |

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