

EPS likely to clock in at PKR 17.1, down 11% YoY

- APL's board meeting is scheduled on October 25, 2022 to consider 1QFY23 financial results. We expect the company to post an EPS of PKR 17.1, down 11% YoY primarily due to lower inventory gains.
- The company's net sales are likely to grow by 55% YoY to PKR 112.9bn as compared to PKR 72.8bn in SPLY, mainly due to higher oil prices. This is despite the fact that volumetric sales went down during the quarter (HSD -18% YoY, MS -14% YoY and FO -40% YoY).
- The company has managed to regain its market share in HSD and MS which stood at ~9% during the 1Q compared to 8.4% in the preceding quarter and 8.0% in SPLY.
- Operating expenses are likely to increase by 9% YoY to PKR 1.8bn due to higher exchange losses. Similarly, finance cost is also expected to go up by 28% to PKR 0.4bn owing to higher interest rates during the quarter.
- APL's effective tax rate during 1QFY23 is expected at 33%, compared to 29% in SPLY owing to super tax imposed in budget FY23. This will further restrict the growth in bottomline.
- On sequential basis, APL is expected to post earnings decline of 71% QoQ owing to high base effect as APL booked exorbitant inventory gains during the preceding quarter.
- We have a 'BUY, stance on APL. Our Jun-23 PT of PKR 357/share provides an upside of 25% along with a dividend yield of 18%.

Key Data

PSX Ticker	APL
Target Price (PKR)	357
Current Price (PKR)	284
Upside/(Downside) (%)	+ 25%
Dividend Yield (%)	18%
Total Return (%)	+ 43%
12-month High (PKR)	399
12-month Low (PKR)	275
Outstanding Shares (mn)	124.42
Market Cap (PKR mn)	35,364
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	1QFY22	1QFY23E	YoY
Net Sales	72,838	112,988	55%
Cost of Sales	68,144	108,332	59%
Gross Profit	4,694	4,656	-1%
Operating Expense	1,669	1,827	9%
Other Income	356	413	16%
Financial Income	276	501	81%
Finance cost	339	433	28%
Profit before tax	3,381	3,175	-6%
Taxation	993	1,048	6%
Net Income	2,388	2,127	-11%
EPS	19.2	17.1	-11%
DPS	-	-	

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	8.1	39.5	149.0	93.4	54.6	65.1
EPS Growth	-75%	387.9%	276.8%	-37.3%	-41.5%	19.2%
DPS	9.0	27.0	45.0	51.0	30.0	39.0
PER	NA	7.2	1.9	3.0	5.2	4.4
Dividend Yield	2.5%	7.6%	12.7%	17.9%	10.6%	13.7%
EV/EBITDA	3.8	1.3	0.4	0.7	0.7	0.5
P/B	1.9	1.6	0.9	0.8	0.8	0.7
ROE	5.4%	23.9%	61.7%	29.0%	15.3%	17.0%

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 13.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19.0%.

Investment Thesis

We have a 'BUY' stance on the script with our June-23 PT of PKR 357/share. Our price target indicates an upside of 25% along with a dividend yield of 18%. 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 to augment earnings.

Risks

Key downside risks to our investments thesis are: 1) sharp decrease in oil prices, 2) significant loss of market share to other industry players & 3) Decline in OMC volumes due to economic slowdown.

Company Description

Attock Petroleum Limited (APL) was incorporated in 1995. It procures, stores, and markets petroleum and related products in Pakistan including 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)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Sales	201,079	188,645	370,075	480,476	407,034	366,287
Cost of Sales	197,441	178,663	329,072	459,970	394,197	351,264
Gross Profit	3,638	9,982	41,003	20,506	12,837	15,024
SG & A	3,079	4,152	10,215	4,567	4,795	5,106
Operating Profit	185	6,239	31,137	16,270	8,357	10,217
Other Income Net	781	752	(627)	742	1,150	1,079
Financial Income	2,232	1,334	1,608	2,006	2,536	3,016
Finance Cost	1,597	1,419	1,587	1,732	1,950	2,277
Profit Before Tax	1,503	6,939	30,610	17,320	10,130	12,075
Taxation	495	2,019	12,073	5,704	3,331	3,972
Profit After Tax	1,008	4,920	18,536	11,616	6,799	8,103

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	13,840	16,617	16,598	16,523	16,644	16,850
Other LT assets	1,873	1,070	1,378	1,424	1,472	1,522
Non-Current Assets	15,712	17,687	17,976	17,946	18,115	18,372
Current assets	35,526	44,211	78,375	107,736	100,690	97,427
Total Assets	51,238	61,898	96,351	125,682	118,806	115,799
Non-Current liabilities	4,884	7,381	7,346	7,373	7,401	7,430
Current liabilities	27,909	31,795	51,686	75,470	65,498	59,212
Total Liabilities	32,792	39,177	59,032	82,843	72,900	66,642
Equity	18,446	22,721	37,319	42,839	45,906	49,157
Total Equity & liabilities	51,238	61,898	96,351	125,682	118,806	115,799

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	1,008	4,920	18,536	11,616	6,799	8,103
Non-cash Charges	4,636	3,423	(18,634)	632	2,016	656
Operating Cash flows	5,644	8,342	(98)	12,248	8,815	8,760
Investing Cash Flow	(7,683)	(3,568)	(2,187)	(1,906)	(2,105)	(2,210)
Financing Cash Flow	2,602	1,853	(3,973)	(6,069)	(3,704)	(4,823)
Net change in cash	562	6,628	(6,258)	4,273	3,006	1,726
Beginning Cash	2,920	3,482	10,110	3,852	8,126	11,131
Closing cash	3,482	10,110	3,852	8,126	11,131	12,857

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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