

## Attock Petroleum Limited

### Result Preview

PSX: APL    Bloomberg: APL: PA    Reuters: APL. KA

Pakistan Research

## 2QFY22 earnings expected at PKR 23.1/share, up ~2.5x YoY, DPS at 15.0

- APL's board meeting is scheduled on February 4, 2022 to consider 2QFY22 financial results. We expect the company to post an EPS of PKR 23.1, up ~2.5x YoY primarily driven by higher volumetric sales and inventory gains. This will take 1HFY22 earnings to PKR 47.1/share, up 1.2x YoY. We also expect the company to declare an interim cash dividend of PKR 15.0/share along with the results.
- APL is expected to book 70% YoY growth in net sales to PKR 76.0bn owing to 37% YoY growth in HSD and 15% YoY growth in MS volumetric sales during 2Q. APL's HSD & MS market share also increased to 8.2% and 8.9% YoY, respectively during 2Q. On the other hand, FO volumes recorded a decline of 30% YoY mainly due to lower offtake from power the sector.
- Gross margin is likely to clock in at 5.5%, compared to 3.8% in SPLY owing to inventory gains during the quarter.
- Furthermore, we expect an effective tax rate to be around 29% for 2Q as against 23.3% in SPLY.
- On sequential basis, earnings are expected to decline by 4% QoQ owing to 16% decline in overall volumetric sales. Major decline is witnessed in FO sales (down 56% QoQ) followed by MS (5% QoQ).
- We have a 'BUY, stance on APL. Our Dec-22 PT of PKR 430/share provides an upside of 26% along with a dividend yield of 10%.

### Key Data

PSX Ticker	APL
Target Price (PKR)	430
Current Price (PKR)	342
Upside/(Downside) (%)	+ 26%
Dividend Yield (%)	10%
Total Return (%)	+ 35%
12-month High (PKR)	356
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	34,003
Year End	June

Source: Company Accounts, Akseer Research

### Financial Estimates (PKR mn)

	2QFY21	2QFY22E	YoY	1HFY21	1HFY22E	YoY
Net Sales	44,855	76,043	70%	89,970	148,880	65%
Cost of Sales	43,155	71,823	66%	85,210	139,966	64%
<b>Gross Profit</b>	<b>1,700</b>	<b>4,220</b>	<b>148%</b>	<b>4,760</b>	<b>8,914</b>	<b>87%</b>
Operating Expense	934	1,185	27%	1,798	2,854	59%
Other Income	324	322	0%	535	679	27%
Financial Income	306	323	5%	692	599	-13%
Finance cost	375	424	13%	791	763	-4%
<b>Profit before tax</b>	<b>862</b>	<b>3,242</b>	<b>276%</b>	<b>2,995</b>	<b>6,623</b>	<b>121%</b>
Taxation	201	940	367%	848	1,933	128%
<b>Net Income</b>	<b>661</b>	<b>2,302</b>	<b>248%</b>	<b>2,146</b>	<b>4,690</b>	<b>119%</b>
EPS	6.64	23.13	248%	21.56	47.12	119%
DPS	2.50	15.00		2.50	15.00	

Source: Company Accounts, Akseer Research

### Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	39.8	10.1	49.4	65.1	59.3	64.4
EPS Growth	-30%	-75%	387.9%	31.8%	-8.9%	8.6%
DPS	20.0	9.0	27.0	33.0	33.0	35.0
PER	8.6	NA	6.9	5.2	5.8	5.3
Dividend Yield	5.9%	2.6%	7.9%	9.7%	9.7%	10.2%
EV/EBITDA	2.7	4.7	1.7	1.0	1.0	0.9
P/B	1.8	1.8	1.5	1.3	1.2	1.1
ROE	21.2%	5.4%	23.9%	26.7%	21.7%	21.4%

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 12.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 18.0%.

### Investment Thesis

We have a 'BUY' stance on the script with our Dec-22 PT of PKR 430/share. Our price target indicates an upside of 26% 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 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Sales	223,054	201,079	188,645	292,244	266,015	250,687
Cost of Sales	214,833	197,441	178,663	279,216	253,875	237,486
<b>Gross Profit</b>	<b>8,221</b>	<b>3,638</b>	<b>9,982</b>	<b>13,028</b>	<b>12,140</b>	<b>13,201</b>
SG & A	3,590	3,079	4,152	4,740	4,567	4,795
<b>Operating Profit</b>	<b>4,560</b>	<b>185</b>	<b>6,239</b>	<b>8,677</b>	<b>7,942</b>	<b>8,756</b>
Other Income	835	781	752	812	886	884
Financial Income	1,399	2,232	1,334	1,290	1,216	1,182
Finance Cost	849	1,597	1,419	1,696	1,780	1,907
Profit Before Tax	<b>5,723</b>	<b>1,503</b>	<b>6,939</b>	<b>9,118</b>	<b>8,300</b>	<b>8,954</b>
Taxation	1,762	495	2,019	2,634	2,396	2,541
<b>Profit After Tax</b>	<b>3,961</b>	<b>1,008</b>	<b>4,920</b>	<b>6,484</b>	<b>5,904</b>	<b>6,413</b>

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	48,923	46,044	44,885
<b>Total Assets</b>	<b>46,356</b>	<b>51,238</b>	<b>61,898</b>	<b>70,153</b>	<b>69,459</b>	<b>70,269</b>
Non-Current liabilities	793	4,884	7,381	7,407	7,433	7,460
Current liabilities	26,683	27,909	31,795	36,826	33,486	31,340
<b>Total Liabilities</b>	<b>27,476</b>	<b>32,792</b>	<b>39,177</b>	<b>44,233</b>	<b>40,919</b>	<b>38,800</b>
Equity	18,927	18,446	22,721	25,920	28,540	31,469
<b>Total Equity &amp; liabilities</b>	<b>46,403</b>	<b>51,238</b>	<b>61,898</b>	<b>70,153</b>	<b>69,459</b>	<b>70,269</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,961	1,008	4,920	6,484	5,904	6,413
Non-cash Charges	463	4,636	3,423	2,915	2,436	2,527
Operating Cash flows	4,423	5,644	8,342	9,399	8,339	8,940
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(5,470)	(4,411)	(4,412)
Financing Cash Flow	(3,570)	2,602	1,853	(3,259)	(3,258)	(3,457)
<b>Net change in cash</b>	<b>(1,278)</b>	<b>562</b>	<b>6,628</b>	<b>670</b>	<b>670</b>	<b>1,072</b>
Beginning Cash	4,198	2,920	3,482	10,110	10,780	11,450
<b>Closing cash</b>	<b>2,920</b>	<b>3,482</b>	<b>10,110</b>	<b>10,780</b>	<b>11,450</b>	<b>12,521</b>

Source: Company Accounts, Akseer Research

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