

2QFY22 EPS clocks in at PKR 42.4, up 5.4x YoY, DPS at 15.0

- APL announced its 2QFY22 financial results today, where the company reported an EPS of PKR 42.4, up 5.4x YoY. This bumper growth in earnings is mainly attributable to huge inventory gains and higher volumetric sales. This takes 1HFY22, earnings to PKR 66.4/share, up 2.1x YoY. The company also declared an interim cash dividend of PKR 15/share.
- APL's net sales grew by 82% YoY to PKR 81.4bn during 2Q on account of 37% and 15% YoY growth HSD and MS volumetric sales; however, FO volumes fell 30% YoY mainly due to lower offtake from the power sector.
- Besides inventory gain, higher OMC margins during the quarter also led to improved gross margin of 9.65%, compared to 3.79% in SPLY.
- Operating expenses clocked in at PKR 1.7bn, up 86% YoY in line with increase in topline. Similarly, higher interest rate during the quarter kept finance cost up by 7% YoY to PKR 400mn.
- Effective tax rate stood at 29.6% in 2Q as against 23.3% in SPLY, restricting the growth in bottomline.
- On a sequential basis, APL's earnings grew by 77% QoQ owing to huge inventory gains, despite a 16% decline in overall volumetric sales.
- We have a 'BUY, stance on APL. Our Dec-22 PT of PKR 430/share provides an upside of 27% along with a dividend yield of 13%.

Key Data

PSX Ticker	APL
Target Price (PKR)	430
Current Price (PKR)	340
Upside/(Downside) (%)	+ 27%
Dividend Yield (%)	13%
Total Return (%)	+ 40%
12-month High (PKR)	356
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	33,844
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	2QFY21	2QFY22	YoY	1HFY21	1HFY22	YoY
Net Sales	44,855	81,439	82%	89,970	154,277	71%
Cost of Sales	43,155	73,580	71%	85,210	141,724	66%
Gross Profit	1,700	7,859	362%	4,760	12,553	164%
Operating Expense	934	1,734	86%	1,798	3,403	89%
Other Income	324	445	38%	535	801	50%
Financial Income	306	404	32%	692	680	-2%
Finance cost	375	400	7%	791	739	-7%
Profit before tax	862	5,994	595%	2,995	9,375	213%
Taxation	201	1,773	781%	848	2,766	226%
Net Income	661	4,221	539%	2,146	6,609	208%
EPS	6.64	42.41	539%	21.56	66.40	208%
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	95.2	60.5	65.7
EPS Growth	-30%	-75%	387.9%	92.6%	-36.5%	8.6%
DPS	20.0	9.0	27.0	45.0	33.0	36.0
PER	8.5	NA	6.9	3.6	5.6	5.2
Dividend Yield	5.9%	2.6%	7.9%	13.2%	9.7%	10.6%
EV/EBITDA	2.7	4.6	1.7	0.7	0.9	0.7
P/B	1.8	1.8	1.5	1.2	1.1	1.0
ROE	21.2%	5.4%	23.9%	37.6%	20.7%	20.5%

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 27% along with a dividend yield of 13%. 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	274,802	253,875	237,486
Gross Profit	8,221	3,638	9,982	17,442	12,140	13,201
SG & A	3,590	3,079	4,152	4,740	4,567	4,795
Operating Profit	4,560	185	6,239	13,091	7,942	8,756
Other Income	835	781	752	590	883	881
Financial Income	1,399	2,232	1,334	1,314	1,268	1,240
Finance Cost	849	1,597	1,419	1,696	1,780	1,907
Profit Before Tax	5,723	1,503	6,939	13,333	8,350	9,009
Taxation	1,762	495	2,019	3,856	2,328	2,467
Profit After Tax	3,961	1,008	4,920	9,477	6,022	6,543

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	50,178	47,961	46,831
Total Assets	46,356	51,238	61,898	71,408	71,376	72,216
Non-Current liabilities	793	4,884	7,381	7,407	7,433	7,460
Current liabilities	26,683	27,909	31,795	36,282	33,486	31,340
Total Liabilities	27,476	32,792	39,177	43,689	40,919	38,800
Equity	18,927	18,446	22,721	27,719	30,456	33,416
Total Equity & liabilities	46,403	51,238	61,898	71,408	71,376	72,216

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,961	1,008	4,920	9,477	6,022	6,543
Non-cash Charges	463	4,636	3,423	2,673	2,677	2,527
Operating Cash flows	4,423	5,644	8,342	12,150	8,700	9,069
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(5,470)	(4,411)	(4,412)
Financing Cash Flow	(3,570)	2,602	1,853	(4,453)	(3,258)	(3,556)
Net change in cash	(1,278)	562	6,628	2,227	1,030	1,101
Beginning Cash	4,198	2,920	3,482	10,110	12,337	13,366
Closing cash	2,920	3,482	10,110	12,337	13,366	14,468

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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