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## POL: FY24 EPS expected at PKR 132.18, up by 3% YoY, DPS PKR 55.00

### Pakistan Oilfields Limited

PSX: POL | Bloomberg: POL PA | Reuters: PKOL.PSX

- POL is scheduled to announce its FY24 financial result on September 02, 2024, wherein, we expect the company to report an EPS of PKR 132.18, up by 3% YoY. Along with the result, we expect the company to announce a final cash dividend of PKR 55.00/share, taking the FY24 dividend payout to PKR 80.00/share.
- Net sales are expected to clock in at PKR 64.4bn during FY24, compared to PKR 60.9bn in SPLY, up 6% YoY mainly on account of higher oil price, up ~5.2% (in PKR terms) during the year.
- Exploration expenses are likely to drop significantly to PKR 1.9bn (-72% YoY) during FY24 vs PKR 6.7bn in SPLY, owing to absence of dry wells and abandonment costs during the year.
- On the contrary, other income is expected to decline by 42% YoY to PKR 15.7bn due to lower quantum of exchange gains compared to last year, which in return will result in restricted bottom line growth during FY24.
- On a quarterly basis, EPS is likely to clock in at PKR 26.71, up 29% YoY during 4QFY24. This will mainly be due to lower finance charges (-43% YoY) and effective tax rate (19.3% in 4QFY24 vs 51.8% in SPLY)
- We maintain a 'BUY' recommendation on the stock based on a Jun-25 price target (PT) of PKR 608/share which provides an upside of 2% including a dividend yield of 13.4%.

#### Key Data

PSX Ticker	POL
Target Price (PKR)	608
Current Price (PKR)	595
Upside/(Downside) (%)	+2%
Dividend Yield (%)	13.4%
Total Return (%)	+16%
12-month High (PKR)	613
12-month Low (PKR)	381
Outstanding Shares (mn)	284
Market Cap (PKR mn)	168,897

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	4QFY23	4QFY24E	YoY	FY23	FY24E	YoY
Sales	15,081	13,986	-7%	60,952	64,374	6%
Operating expenses	3,167	2,079	-34%	11,160	10,895	-2%
Royalties	1,742	1,914	10%	6,880	7,636	11%
<b>Gross profit</b>	<b>11,287</b>	<b>7,957</b>	<b>-29%</b>	<b>41,737</b>	<b>43,369</b>	<b>4%</b>
Exploration expenses	390	425	9%	6,720	1,872	-72%
Other income	3,993	3,983	0%	27,062	15,736	-42%
Other operating expenses	832	1,043	25%	2,489	3,781	52%
Finance costs	1,834	1,039	-43%	9,619	3,300	-66%
<b>Profit before tax</b>	<b>12,170</b>	<b>9,390</b>	<b>-23%</b>	<b>49,659</b>	<b>49,824</b>	<b>0%</b>
Taxation	6,305	1,810	-71%	13,206	12,304	-7%
<b>Net income (loss)</b>	<b>5,864</b>	<b>7,580</b>	<b>29%</b>	<b>36,453</b>	<b>37,520</b>	<b>3%</b>
EPS	20.66	26.71	-	128.42	132.18	-
DPS	60.00	55.00	-	80.00	80.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
EPS (PKR)	47.1	91.4	128.4	132.2	131.1	127.7
EPS Growth	-18.3%	93.8%	40.6%	2.9%	-0.9%	-2.6%
DPS (PKR)	50.0	70.0	80.0	80.0	80.0	80.0
BVPS	138.7	179.9	238.5	291.5	342.5	390.2
PER	12.6	6.5	4.6	4.5	4.5	4.7
Dividend Yield	8.4%	11.8%	13.4%	13.4%	13.4%	13.4%
EV/EBITDA	4.9	2.7	2.8	1.8	1.6	1.2
P/B	4.3	3.3	2.5	2.0	1.7	1.5
ROE	33.6%	57.4%	61.4%	50.2%	41.3%	34.9%

Source: Company Accounts, Akseer Research

## Valuation Basis

Our PT for Pakistan Oilfields Limited (POL) has been computed using the reserve-based Free cash flow to equity (FCFE) method. We have used a risk-free rate of 14%, beta of 0.9, & a market risk premium of 6% to arrive at a cost of equity of 19.4%.

## Investment Thesis

We have a 'BUY' recommendation on the stock based on our Jun-25 PT of PKR 608/share which results in an upside of 2% alongside a dividend yield of 13.4%. Our investment case on POL is based on (1) recovery in oil prices, (2) currency devaluation, and (3) incremental production from discoveries.

## Risks

Key downside risks to our investment thesis are 1) decrease in oil prices, 2) lower than expected currency devaluation, and 3) lower than estimated life of main reserves.

## Company Description

Pakistan Oilfields Limited engages in the exploration, drilling, development, and production of crude oil and gas in Pakistan. The company operates nine development and production leases. It also produces liquefied petroleum gas (LPG), solvent oil, and sulphur. In addition, it is involved in the marketing of LPG under the POLGAS brand, and the operation of a network of pipelines for the transportation of crude oil. The company was incorporated in 1950 and is headquartered in Rawalpindi, Pakistan. Pakistan Oilfields Limited is a subsidiary of The Attock Oil Company Limited.

## Financial Highlights - POL

Income Statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net sales	36,042	51,945	60,952	64,374	62,756	65,872
Operating expenses	12,929	15,242	21,197	10,895	19,677	22,065
Royalties	3,908	5,563	6,880	7,636	7,662	8,301
<b>Gross profit</b>	<b>21,633</b>	<b>33,947</b>	<b>41,737</b>	<b>43,369</b>	<b>39,860</b>	<b>40,447</b>
Other income	1,539	11,697	27,062	15,736	22,052	20,525
Other charges	1,545	2,026	2,489	3,781	2,904	3,198
Finance cost	260	5,549	9,619	3,300	7,735	4,682
<b>Profit before tax</b>	<b>20,678</b>	<b>36,987</b>	<b>49,659</b>	<b>49,824</b>	<b>48,418</b>	<b>49,562</b>
Taxation	7,296	11,052	13,206	12,304	11,219	13,314
<b>Profit after tax</b>	<b>13,382</b>	<b>25,935</b>	<b>36,453</b>	<b>37,520</b>	<b>37,199</b>	<b>36,248</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	6,129	6,220	5,417	4,558	3,863	3,296
Other LT assets	24,389	23,357	19,723	19,632	20,060	20,720
Non-Current Assets	30,518	29,577	25,141	24,190	23,923	24,016
Current assets	63,826	88,477	133,898	153,902	173,124	189,523
<b>Total Assets</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>178,092</b>	<b>197,047</b>	<b>213,539</b>
Non-Current liabilities	20,852	25,866	31,686	38,488	38,782	39,090
Current liabilities	34,130	41,125	59,666	56,868	61,038	63,682
<b>Total Liabilities</b>	<b>54,982</b>	<b>66,990</b>	<b>91,351</b>	<b>95,356</b>	<b>99,820</b>	<b>102,772</b>
Equity	39,362	51,063	67,687	82,736	97,227	110,767
<b>Total Equity &amp; liabilities</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>178,092</b>	<b>197,047</b>	<b>213,539</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
<b>Net Income</b>	<b>13,382</b>	<b>25,935</b>	<b>36,453</b>	<b>37,520</b>	<b>37,199</b>	<b>36,248</b>
Non-cash Charges	4,803	6,057	5,383	6,606	6,337	6,324
Operating Cash flows	<b>25,698</b>	<b>31,107</b>	<b>32,106</b>	<b>30,181</b>	<b>34,787</b>	<b>31,046</b>
<b>FCFF</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>31,045</b>	<b>28,714</b>	<b>24,626</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>31,045</b>	<b>28,714</b>	<b>24,626</b>
Net change in cash	10,892	20,150	2,573	18,953	18,575	14,705
<b>Closing cash</b>	<b>47,572</b>	<b>67,723</b>	<b>70,296</b>	<b>89,249</b>	<b>107,823</b>	<b>122,528</b>

Source: Company Accounts, Akseer Research

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
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