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Pakistan Stock Exchange

Equity Research / Pakistan



REP-108
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Today's Daily

■ OGDC: 1HFY18 Result Preview

OGDC's board meeting is scheduled today, Feb 19'18, to discuss its 1HFY18 financial results where the company is expected to publish an NPAT of Pkr34.93bn (EPS: Pkr8.12), up 16.4%YoY. Earnings are anticipated to be fueled by rising intl. oil prices (up 21%YoY) and the resultant upward movement of gas prices as well while overall (oil & gas) volumes remain flat at ~38.2MMBOE. Moreover, exploration expense is expected to be recorded on the lower side at Pkr6.08bn as the company books 3 dry wells in the quarter (all in Zone III) as compared to 4 wells in 1HFY17. Also, maturity of high yield PIBs is likely to cause a dip in other income of the company. Along with the result, the company is expected to declare an interim dividend of Pkr2/sh. from its core profitability.

KSE100 - Index

Current 43,627.10
Previous 42,942.35
Chg. 1.59%

Mkt Cap. (PkrBn/US\$bn)

Current 9,051 / 81.88
Previous 8,919 / 80.68
Chg. 1.48%

Daily Turnover (mn)

Current 148.36
Previous 219.48
Chg. -32.4%

PPL: 1HFY18 Result Preview

PPL announces its 1HFY18 result on Friday, Feb 23'18, where we expect the company to post earnings of Pkr24.98bn (EPS: Pkr12.67), a 112% rise over 1HFY18 on the back of 1) 21%YoY intl. oil price hike, 2) re-pricing of Sui field, 3) substantially lower exploration expenses as the company books no dry well in the outgoing period, and 4) a one-off gain booked in 1QFY18 due to the re-pricing of TAL block fields. The company is also expected to announce an interim dividend of Pkr4.5/sh along with the result.

Value Traded (PkrRmn/US\$m)

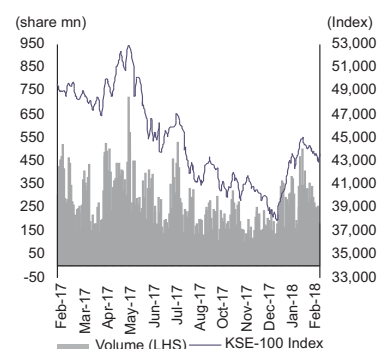
Current 5,839 / 52.82
Previous 7,655 / 69.25
Chg. -23.7%

AKD Daily

Monday, Feb 19, 2018

News and Views

- After a three-month moratorium, the gov't has ordered the state-run Pakistan State Oil (PSO) to arrange import of 180k tons of furnace oil for the power sector however the import order would be one-off. To recall, cabinet committee on energy (CCE) placed a ban on furnace oil imports on Oct 27'17.
- The Law Division has advised the government to put on hold a notification about revision in prices of life-saving drugs, citing the price revision matter as sub-judice. To recall, Pharma companies have filed several cases in courts in relation to the medicine rates.
- The federal and Punjab gov'ts are mulling over subsidizing energy prices for textile manufacturers in an effort to provide a level playing field and make them competitive in global markets. The said subsidy is aimed at tariff rationalization across the country.



M. Daniyal Kanani
daniyal.kanani@akdsecurities.net
111-253-111 Ext:602

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OGDC & PPL: 1HFY18 Result Previews

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PPL announces its 1HFY18 result on Friday, Feb 23'18, where we expect the company to post earnings of PkR24.98bn (EPS: PkR12.67), a 112% rise over 1HFY18 on the back of 1) 21%YoY intl. oil price hike, 2) re-pricing of Sui field, 3) substantially lower exploration expenses as the company books no dry well in the outgoing period, and 4) a one-off gain booked in 1QFY18 due to the re-pricing of TAL block fields. The company is also expected to announce an interim dividend of PkR4.5/sh along with the result.

OGDC's: board meeting is scheduled today, Feb 19'18, to discuss its 1HFY18 financial results where the company is expected to publish an NPAT of PkR34.93bn (EPS: PkR8.12), up 16.4%YoY. Earnings are anticipated to be fueled by rising intl. oil prices (up 21%YoY) and the resultant upward movement of gas prices while overall (oil & gas) volumes remain flat at ~38.2MMBOE. Moreover, exploration expense is expected to be recorded on the lower side at PkR6.08bn as the company books 3 dry wells in the quarter (all in Zone III) as compared to 4 wells in 1HFY17 with dry wells in the northern region as well, raising costs substantially. Also, maturity of high yield PIBs is likely to cause a dip in other income of the company. Along with the result, the company is expected to declare an interim dividend of PkR2/sh. from its core profitability. We highlight that the management (in its FY17 analyst briefing) hinted towards the possibility of a higher payout as it received payment on account of maturing PIBs in Jul'17. Also, our channel checks suggest the company is not expected to book reversal for TAL block conversion (as per POL's practice). Instead, it can book a gain of ~PkR0.41/sh on account of a one-off impact emanating from the said conversion in this half. On sequential basis, earnings are expected to rise 5.3% to PkR17.92bn (EPS: PkR4.17) majorly due to jump in oil prices (+21%QoQ) despite volumetric decline (-2.1%QoQ). We expect the company to book 3 dry wells in the quarter resulting in exploration expenses rising by 3x during the quarter.



OGDC: Income Statement

(Pkrmn)	1HFY18F	1HFY17	YoY	2QFY18F	2QFY17	YoY	1QFY18	QoQ
Net Sales	92,998	81,081	14.7%	49,036	41,516	18.1%	43,962	11.5%
Royalty	9,610	8,828	8.9%	5,178	4,521	14.5%	4,432	16.8%
Operating Expenses	28,239	28,356	-0.4%	14,285	15,277	-6.5%	13,954	2.4%
Transportation Charges	974	836	16.4%	558	426	30.9%	416	34.3%
Gross Profit	54,176	43,061	25.8%	29,015	21,291	36.3%	25,161	15.3%
Explo. Prespecting Expend.	6,082	8,189	-25.7%	4,558	3,868	17.9%	1,524	199.1%
General and Admin Expense	2,287	1,653	38.4%	1,174	925	27.0%	1,113	5.5%
Operating Profit	45,807	33,218	37.9%	23,283	16,499	41.1%	22,524	3.4%
Other Income	6,254	9,309	-32.8%	3,143	4,248	-26.0%	3,111	1.0%
Shareprofit associate net of tax	918	922	-0.5%	461	369	24.9%	457	1.0%
WPPF	2,607	2,132	22.3%	1,323	1,035	27.8%	1,284	3.1%
EBIT	50,371	41,318	21.9%	25,564	20,080	27.3%	24,808	3.0%
Finance Cost	842	815	3.3%	423	412	2.7%	418	1.2%
Profit before Tax	49,530	40,503	22.3%	25,140	19,668	27.8%	24,389	3.1%
Taxation	14,604	10,494	39.2%	7,224	4,291	68.3%	7,380	-2.1%
Profit after Tax	34,926	30,008	16.4%	17,916	15,377	16.5%	17,010	5.3%
EPS (Pkr)	8.12	6.98	-	4.17	3.58	-	3.95	-
DPS (Pkr)	3.75	2.50	-	2.00	1.00	-	1.75	-

Source: Co. Report & AKD Research

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PPL: Income Statement

(Pkr mn)	1HFY18F	1HFY17	YoY	2QFY18F	2QFY17	YoY	1QFY18	QoQ
Net Sales	61,515	40,025	53.7%	29,303	21,210	38.2%	32,212	-9.0%
Royalty	8,618	4,697	83.5%	3,728	2,472	50.8%	4,890	-23.8%
Field Expenditure	15,386	20,103	-23.5%	7,657	11,338	-32.5%	7,728	-0.9%
Gross Profit	37,512	15,225	146.4%	17,918	7,400	142.1%	19,593	-8.5%
Exploration Expenses	803	-	-	888	-	-	(85)	-
Administration Expenses	1,149	-	-	602	-	-	547	10.0%
Other Income	3,167	2,235	41.7%	1,989	1,111	79.0%	1,178	68.9%
Other Operating Expenses	3,055	868	252.0%	1,512	227	566.5%	1,543	-2.0%
EBIT	35,672	16,592	115.0%	16,906	8,285	104.1%	18,766	-9.9%
Finance Cost	216	232	-6.9%	114	116	-1.7%	103	10.4%
Profit before Tax	35,455	16,360	116.7%	16,792	8,169	105.6%	18,663	-10.0%
Taxation	10,478	4,563	129.7%	4,494	2,127	111.3%	5,984	-24.9%
Profit after Tax	24,977	11,797	111.7%	12,299	6,042	103.5%	12,678	-3.0%
EPS (Pkr)	12.67	5.98	-	6.24	3.06	-	6.43	-
DPS (Pkr)	4.50	3.00	-	4.50	3.00	-	-	-

Source: Co. Report & AKD Research



announce an interim dividend of PkR4.5/sh along with the result. As per our channel checks, PPL too will not book reversal of the TAL block re-pricing issue. On the flipside, exploration expense can slightly go up (~PkR280mn) as the company revoked AROL's right in Naushehro Feroz block and will include the said as its own expense. As for the notice regarding the payment of US\$54.2bn by AROL, our understanding of the subject matter suggests that since AROL had obtained the stay order, its holding in Gambat South and Kotri North were not revoked, and hence the amount does not impact PPL's earnings (and goes through the cash flow statement only). On quarterly basis, earnings are expected to slip 3% to PkR12.30bn (EPS: PkR6.24) as PPL recorded a one-off gain (of ~PkR1.2/sh) in 1QFY18 results due to the re-pricing of certain TAL block fields. Other than that, better oil prices during 2QFY18 aided in improved profitability.



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Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



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