

Pakistan State Oil (PSO)

4QFY18 EPS of Rs6.9, down 45% YoY; FY18 EPS Rs47, down 15%

Cash Dividend of Rs5/share; Bonus issue of 20%

Payout better than expectations

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Lower operating income restricts earnings

PSO: Financial Highlights							
Rsmn	4QFY18	4QFY17	YoY	QoQ	FY18	FY17	YoY
Sales	312,261	248,649	26%	38%	1,056,901	878,147	20%
Cost of goods sold	301,538	238,554	26%	40%	1,017,265	841,011	21%
Gross Profit	10,723	10,094	6%	5%	39,635	37,136	7%
Other income	2,416	3,124	-23%	14%	7,497	11,142	-33%
Other operating expenses	5,124	4,029	27%	66%	15,263	13,616	12%
Operating Profit	8,017	9,189	-13%	-13%	31,870	34,662	-8%
Finance cost	1,437	1,592	-10%	-25%	5,123	5,923	-14%
Share of profit from associates	147	73	103%	163%	414	608	-32%
Profit before tax	6,727	7,670	-12%	-9%	27,160	29,347	-7%
Taxation	4,491	3,601	25%	69%	11,699	11,121	5%
Profit after tax	2,236	4,069	-45%	-52%	15,461	18,226	-15%
EPS	6.9	12.5			47.4	55.9	

Source: PSX, Topline Research

- PSO announced FY18 financial results reporting earnings of Rs47, down 15% YoY which was slightly lower than expectations. The company though announced cash dividend of Rs5/share & bonus payout of 20%.
- Sales of the company improved by 20% YoY to Rs1trn in FY18 driven by higher oil prices & inventory gains, we believe. Average International Oil prices have increased by 31% during the year.
- In volumetric terms, oil sales of PSO were down 20% YoY to 12mn tons in FY18, primarily due to lower FO sales which was down 35% YoY amid lower demand from power sector. Oil sales excluding FO was up 3% YoY.
- Consequently, Gross Profits of the company improved by 7% to Rs39.6bn during the year.

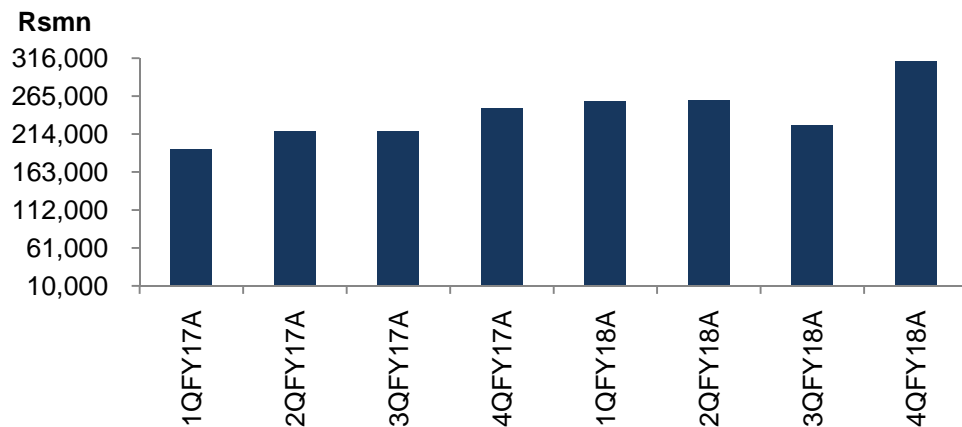
Lower operating income restricts earnings

- Other income of PSO declined by 33% YoY to Rs7.5bn in FY18 on the back of lower penal income & absence of markup on Rs43.8bn worth of PIBs (matured in July 2017), we estimate.
- On the other hand, other operating expenses also grew by 12% to Rs15.2bn containing the earnings of PSO during the year.
- On QoQ basis, earnings were down 45% YoY to Rs2.2bn led by growth in operating expenses & lower operating income.
- Key risks to the stock includes: 1) volatility in oil prices and inventory losses, 2) rupee depreciation & exchange losses and 3) pile up in circular debt.

PSO: Key Numbers					
	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	66.9	21.3	31.5	55.8	47.4
Earnings Growth	74%	-68%	48%	77%	-15%
PE at Rs336.7	5.0	15.8	10.7	6.0	7.1
Dividend Yield	2%	3%	4%	7%	4%
ROE	27%	8%	11%	18%	14%
PBV	1.4	1.3	1.2	1.1	1.0

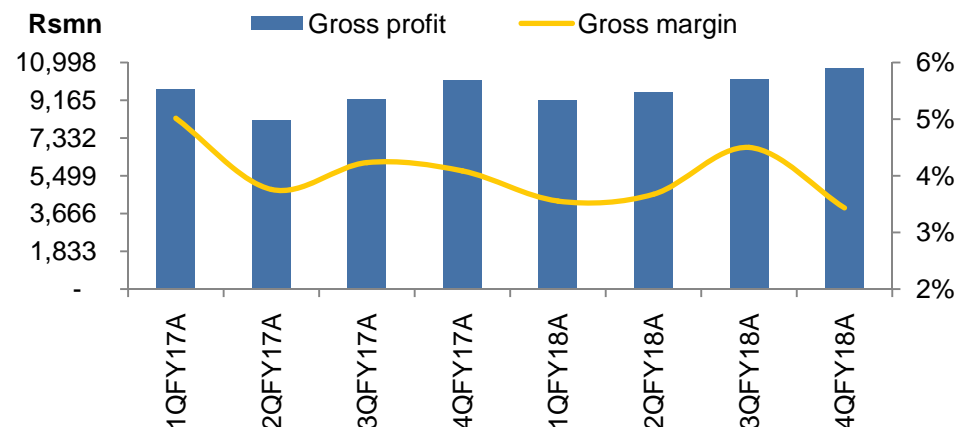
Source: Company Accounts, Topline Research

PSO: Quarterly Sales



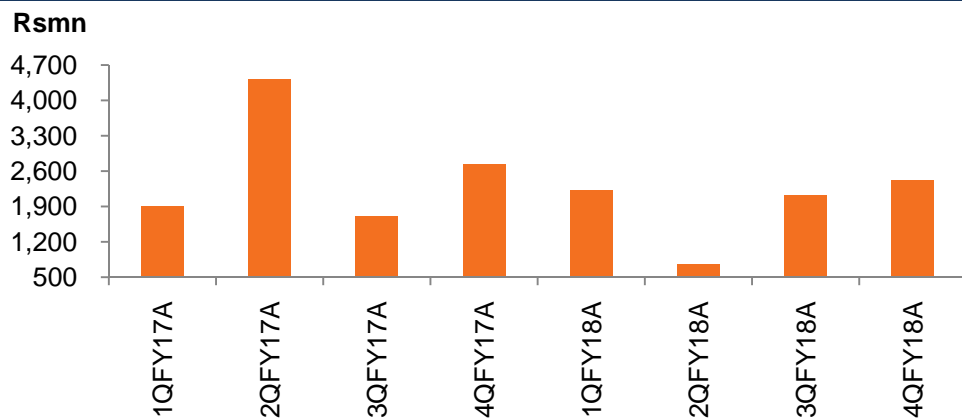
Source: Company Accounts, Topline Research

PSO: Quarterly Gross Profit & Gross Margins



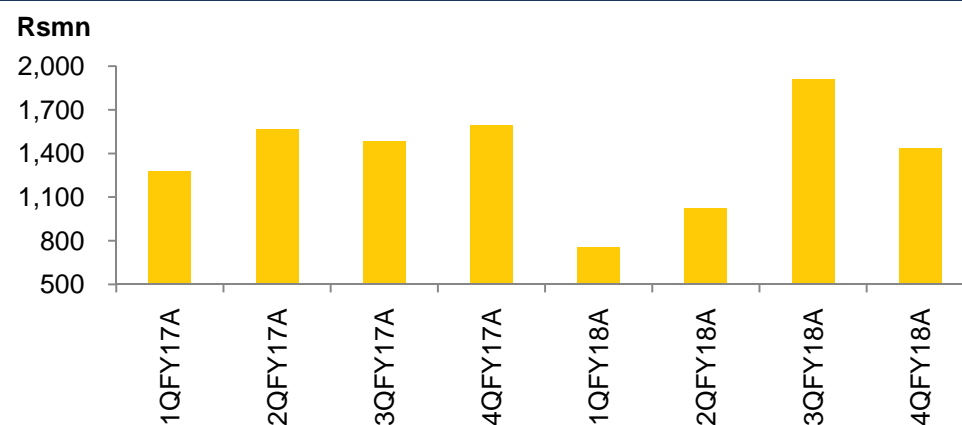
Source: Company Accounts, Topline Research

PSO: Quarterly Other Income



Source: Company Accounts, Topline Research

PSO: Quarterly Finance Charges



Source: Company Accounts, Topline Research

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