

**Pakistan Petroleum Limited**  
Result Review

PSX: PPL      Bloomberg: PPL: PA      Reuters: PPL.KA

Pakistan Research

**PPL: 3QFY24 EPS clocked in at PKR 10.2, down 15% YoY, DPS PKR 1.00**

- PPL announced its 3QFY24 financial results today, wherein the company posted an EPS of PKR 10.2, down 15% YoY as compared to an EPS of PKR 12.1 in SPLY. This takes 9MFY24 earnings to PKR 35.9/share, up 20% YoY.
- Along with the result, the company announced an interim cash payout of PKR 1.0/share, taking the 9MFY24 payout to PKR 3.5/sh.
- The company's profitability declined due to lower Gas and Oil production along with lower contribution of exchange gains given rupee stability between reporting dates despite higher oil prices and improved dollar indexation.
- Net sales clocked in at PKR 75.5bn, down 2% YoY, mainly on account of lower gas and oil production. PPL's oil and gas production witnessed a decline of 10% and 4%, respectively. However, LPG production increased 2.3% YoY due to commencement of flows from Mamikhel South.
- Oil volumes are down because of reduced production from Naspha (down 9% YoY) and Adhi (down 12% YoY) while Gas production is down given the lower flows from Adhi (down 14% YoY), kandhkot (down 34% YoY) and Gambat South (down 7% YoY).
- Exploration expenditure decreased by 15% YoY to PKR 3.5bn, as against PKR 4.1bn in SPLY.
- Other income decreased by 52% YoY to PKR 4.0bn in 3QF24 because of an exchange loss due to appreciation of Pak Rupee between reporting dates despite higher interest income.
- We have a 'BUY' stance on PPL. Our Dec-24 price target (PT) of PKR 193/share provides an upside of 71%, along with a dividend yield of 5%.

**Key Data**

PSX Ticker	PPL
Target Price (PKR)	193
Current Price (PKR)	114
Upside/(Downside) (%)	+ 71%
Dividend Yield (%)	5%
Total Return (%)	+ 76%
12-month High (PKR)	138
12-month Low (PKR)	56
Outstanding Shares (mn)	2,721
Market Cap (PKR mn)	258,628
Year End	June

Source: Company Accounts, Akseer Research

**Financial Highlights (PKR mn)**

	3QFY23	3QFY24	YoY	9MFY23	9MFY24	YoY
Net Revenue	76,919	75,506	-2%	215,117	226,524	5%
Field Expenditures	12,774	13,240	4%	36,617	38,620	5%
Royalties	11,960	11,123	-7%	34,966	34,883	0%
<b>Gross Profit</b>	<b>52,185</b>	<b>51,142</b>	<b>-2%</b>	<b>143,534</b>	<b>153,021</b>	<b>7%</b>
Exploration Expenditure	4,080	3,458	-15%	13,616	12,200	-10%
Other Income	8,252	3,997	-52%	15,021	11,998	-20%
Other Charges	4,426	5,014	13%	12,469	13,768	10%
Finance Costs	365	383	5%	1,100	1,236	12%
<b>Profit Before Tax</b>	<b>50,454</b>	<b>44,468</b>	<b>-12%</b>	<b>128,302</b>	<b>132,535</b>	<b>3%</b>
Taxation	17,605	16,630	-6%	46,954	34,909	-26%
<b>Profit After Tax</b>	<b>32,849</b>	<b>27,837</b>	<b>-15%</b>	<b>81,348</b>	<b>97,626</b>	<b>20%</b>
EPS	12.1	10.2	-15%	29.9	35.9	20%
DPS	0.0	1.0	-	1.0	3.5	-

Source: Company Financials, Akseer Research

**Key Financial Ratios**

	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
EPS	19.2	20.0	35.7	46.2	45.2	45.5
EPS Growth	5.8%	3.9%	78.9%	29.2%	-2%	1%
DPS	3.5	2.0	1.5	6.0	11.5	14.5
PER	5.9	5.7	3.2	2.5	2.5	2.5
Dividend Yield	3.1%	1.8%	1.3%	5.3%	10.1%	12.7%
EV/EBITDA	2.5	2.0	1.3	1.0	0.1	0.4
P/B	0.8	0.7	0.6	0.5	0.4	0.4
ROE	14.3%	13.2%	19.9%	21.1%	17.7%	15.8%

Source: Company Financials, Akseer Research

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### Valuation Basis

Our PT for Pakistan Petroleum Limited (PPL) has been computed using reserve based Free cash flow to equity (FCFE) method. We have used a risk free rate of 15%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 21%.

### Investment Thesis

We have 'BUY' recommendation on PPL. Our Dec-24 price target (PT) of PKR 193/share provides an upside of 71% along with a dividend yield of 5%. Our investment case on PPL is based on (1) higher international oil prices (2) PKR devaluation and, (3) incremental production from new discoveries.

### Risks

Key downside risks to our investment thesis include (1) decrease in oil prices (2) delay in development of discoveries (3) low success ratio of drilling activities (4) lower than estimated life of main reserves.

### Company Description

Pakistan Petroleum Limited, together with its subsidiaries, engages in the exploration, prospecting, development, and production of oil and natural gas resources in Pakistan, Iraq, and Yemen. It produces natural gas, crude oil, natural gas liquids (NGLs), and liquefied petroleum gas (LPG). The company operates several producing fields located in Sui, Kandhkot, Adhi, Mazarani, Chachar, Adam, Adam West, and Kinza regions.

### Financial Highlights - PPL

Income Statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net sales	149,279	203,811	288,053	304,245	331,661	332,751
Field Expenditures	40,776	40,776	49,278	50,441	57,759	62,357
Royalties	22,228	31,018	46,875	47,318	51,782	50,483
<b>Gross Profit</b>	<b>86,275</b>	<b>132,017</b>	<b>191,900</b>	<b>206,485</b>	<b>222,120</b>	<b>219,911</b>
<b>Operating Profit</b>	<b>71,856</b>	<b>102,518</b>	<b>165,519</b>	<b>180,027</b>	<b>197,034</b>	<b>197,892</b>
Other income	4,080	14,232	17,405	19,600	18,571	18,990
Other charges	7,043	13,929	15,776	17,993	16,105	15,944
Finance cost	1,147	1,297	1,552	1,619	2,296	2,402
<b>Profit before tax</b>	<b>68,438</b>	<b>98,917</b>	<b>164,912</b>	<b>177,529</b>	<b>197,204</b>	<b>198,535</b>
Taxation	16,155	44,585	67,690	51,926	74,125	74,696
<b>Profit after tax</b>	<b>52,283</b>	<b>54,333</b>	<b>97,222</b>	<b>125,603</b>	<b>123,079</b>	<b>123,839</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	147,403	139,578	138,045	133,758	133,795	133,829
Other LT assets	4,466	36,467	55,705	58,540	58,548	58,552
Non-Current Assets	151,869	176,045	193,749	192,299	192,343	192,381
Current assets	385,639	452,634	600,695	690,481	782,509	859,926
<b>Total Assets</b>	<b>537,508</b>	<b>628,679</b>	<b>794,445</b>	<b>882,780</b>	<b>974,852</b>	<b>1,052,308</b>
Non-Current liabilities	60,231	65,305	72,445	75,382	78,444	81,634
Current liabilities	88,345	128,670	181,133	157,253	154,476	144,356
<b>Total Liabilities</b>	<b>148,576</b>	<b>193,974</b>	<b>253,577</b>	<b>232,635</b>	<b>232,920</b>	<b>225,990</b>
Equity	388,932	434,704	540,867	650,145	741,932	826,317
<b>Total Equity &amp; liabilities</b>	<b>537,508</b>	<b>628,679</b>	<b>794,445</b>	<b>882,780</b>	<b>974,852</b>	<b>1,052,308</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net Income	52,283	54,333	97,222	125,603	123,079	123,839
Non-cash Charges	18,247	17,308	20,863	15,868	15,621	15,625
<b>Operating Cash flows</b>	<b>44,341</b>	<b>859</b>	<b>9,229</b>	<b>72,650</b>	<b>116,508</b>	<b>98,819</b>
<b>FCFF</b>	<b>39,881</b>	<b>(7,228)</b>	<b>(8,492)</b>	<b>62,686</b>	<b>103,145</b>	<b>85,560</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>38,734</b>	<b>(8,526)</b>	<b>(10,044)</b>	<b>61,068</b>	<b>100,849</b>	<b>83,158</b>
Net change in cash	32,075	(17,086)	(1,103)	44,742	69,558	43,704
<b>Closing cash</b>	<b>4,751</b>	<b>5,427</b>	<b>6,299</b>	<b>57,806</b>	<b>121,884</b>	<b>158,287</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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