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PPL: 1QFY25 EPS clocks in at PKR 8.67, down by 21% YoY, DPS PKR 2.00

Pakistan Petroleum Limited

PSX: PPL | Bloomberg: PPL PA | Reuters: PPL.PSX

- PPL announced its 1QFY25 financial result today, wherein, the company reported an EPS of PKR 8.67, down by 21% YoY. Along with the result, the company announced an interim cash dividend of PKR 2.00/share.
- Net sales clocked in at PKR 66.2bn during 1QFY25, compared to PKR 78bn in SPLY, down 15% YoY, due to PKR appreciation against the greenback (5% YoY) and a decline in oil/gas production (-13%/-10% YoY).
- The company posted exploration expenses of PKR 1.5bn (-26% YoY) for 1QFY25 vs PKR 2.1bn in SPLY, due to reduced exploration activity during the quarter.
- Other income rose by 65% YoY, climbing to PKR 6.4bn due to the successful settlement of Block-8, Iraq.
- The effective tax rate remained flattish, clocking in at 39.1% for 1QFY25 against 37.8% for SPLY.
- We maintain a 'HOLD' recommendation on the stock based on a Jun-25 price target (PT) of PKR 150/share which provides an upside of 9% along with a dividend yield of 2.9%.

Key Data

PSX Ticker	PPL
Target Price (PKR)	150
Current Price (PKR)	138
Upside/(Downside) (%)	+9
Dividend Yield (%)	2.9
Total Return (%)	12
12-month High (PKR)	144
12-month Low (PKR)	79
Outstanding Shares (mn)	2,721
Market Cap (PKR mn)	377,398

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	1QFY24	1QFY25E	YoY	FY24	FY25E	YoY
Sales	78,011	66,177	-15%	288,797	254,989	-12%
Operating expenses	12,736	14,851	17%	54,727	61,137	12%
Royalties	12,477	10,536	-16%	44,689	46,995	5%
Gross profit	52,797	40,791	-23%	189,381	148,188	-22%
Exploration expenses	2,065	1,519	-26%	19,133	17,421	-9%
Other income	3,875	6,394	65%	16,977	20,242	19%
Other operating expenses	4,241	4,099	-3%	18,340	14,399	-21%
Finance costs	429	561	31%	1,580	1,345	-15%
Profit before tax	47,863	38,744	-19%	159,782	128,478	-19%
Taxation	18,093	15,166	-16%	45,473	51,350	14%
Net income (loss)	29,770	23,578	-21%	114,309	77,128	-32%
EPS	10.94	8.67	-	42.01	28.35	-
DPS	0.00	2.00	-	6.00	4.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
EPS (PKR)	20.0	36.0	42.0	28.3	27.5	24.7
EPS Growth	3.9%	80.3%	16.7%	-32.5%	-3.0%	-10.1%
DPS (PKR)	2.0	1.5	6.0	4.0	4.0	3.5
BVPS	159.8	198.7	235.1	259.4	282.9	304.1
PER	6.8	3.8	3.2	4.8	4.9	5.5
Dividend Yield	1.5%	1.1%	4.4%	2.9%	2.9%	2.6%
EV/EBITDA	2.5	1.6	1.4	1.7	1.6	1.6
P/B	0.9	0.7	0.6	0.5	0.5	0.4
ROE	13.2%	20.1%	19.4%	11.5%	10.1%	8.4%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Pakistan Petroleum Limited (PPL) 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 1.0, and a market risk premium of 6% to arrive at a cost of equity of 20%.

Investment Thesis

We have a 'HOLD' recommendation on the stock based on our Jun-25 PT of PKR 150/share which results in an upside of 9% alongside a dividend yield of 2.9%. Our investment case on PPL 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 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 and (5) further delays in the resolution of circular debt.

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)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Net sales	203,811	286,480	288,797	254,989	258,630	245,931
Operating expenses	40,776	48,453	54,727	61,137	70,524	78,837
Royalties	31,018	46,478	44,689	46,995	47,021	44,237
Gross profit	132,017	191,549	189,381	146,857	141,085	122,857
Other income	14,232	17,539	16,977	20,242	18,936	20,467
Other charges	13,929	15,771	18,340	14,399	13,833	12,046
Finance cost	1,297	1,485	1,580	1,345	1,382	1,419
Profit before tax	98,917	165,601	159,782	128,478	121,980	107,606
Taxation	44,585	67,664	45,473	51,350	47,138	40,320
Profit after tax	54,333	97,937	114,309	77,128	74,842	67,286

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
PPE	139,578	135,860	134,020	174,298	202,614	230,168
Other LT assets	36,467	59,503	68,079	68,108	68,101	68,213
Non-Current Assets	176,045	195,363	202,099	242,406	270,716	298,381
Current assets	452,634	594,749	705,349	731,108	779,319	817,809
Total Assets	628,679	790,112	907,448	973,515	1,050,035	1,116,190
Non-Current liabilities	65,305	71,605	71,334	73,420	75,571	77,788
Current liabilities	128,670	177,758	196,541	194,276	204,688	210,864
Total Liabilities	193,974	249,364	267,874	267,697	280,259	288,652
Equity	434,704	540,747	639,573	705,818	769,775	827,538
Total Equity & liabilities	628,679	790,111	907,448	973,514	1,050,035	1,116,190

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Net Income	54,333	97,937	114,309	77,128	74,842	67,286
Non-cash Charges	17,308	20,818	22,184	25,365	30,954	35,395
Operating Cash flows	859	2,090	79,524	68,340	87,158	90,404
FCFF	(7,228)	(13,467)	60,693	4,043	29,270	28,765
Net borrowings	-	-	-	-	-	-
FCFE	(8,526)	(14,952)	59,113	2,698	27,888	27,345
Net change in cash	(17,086)	(6,846)	43,630	(8,186)	17,004	17,822
Closing cash	5,427	6,106	7,074	2,226	4,015	7,840

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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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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