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23 August 2024

## PSO: FY24 EPS is expected at PKR 23.77, Up 83% YoY; DPS PKR 5.00

### Pakistan State Oil Company Limited

PSX: PSO | Bloomberg: PSO PA | Reuters: PSO.PSX

- PSO's board meeting is scheduled for August 27, 2024 to consider FY24E financial results. We expect the company to report an EPS of PKR 23.77, up 83% YoY compared to an EPS of PKR 12.99 during FY23, driven by higher product prices and improved gross margins. Along with the result, the company is expected to announce a final cash dividend of PKR 5.00/share.
- Net revenue for the company is projected to reach PKR 3.6tn in FY24E, representing a 5% YoY increase. This growth is attributed to an average 9% YoY increase in overall product prices with MOGAS and HSD increasing by 15% and 14% YoY respectively for FY24E.
- Operating expenses are approximated to increase by 28% YoY to PKR 28.7bn during FY24E due to increase in topline and a low base effect. Similarly, finance cost is expected to go up 33% YoY to PKR 53.6bn due to an increase in borrowings, resulting in restricted bottom line growth.
- Other income during FY24E is expected to clock in at PKR 17.7bn, up 31% YoY owing to higher collection of late payment surcharge from customers.
- On a quarterly basis, PSO is expected to post an LPS of PKR 4.77 during 4QFY24E, compared to an LPS of PKR 8.92 SPLY, mainly on account of higher other income and lower finance cost on YoY basis.
- We have a 'BUY' recommendation on PSO with our Jun-25 price target (PT) of PKR 305/share, providing an upside of 95% along with a dividend yield of 6.4%.

#### Key Data

PSX Ticker	PSO
Target Price (PKR)	305
Current Price (PKR)	156
Upside/(Downside) (%)	+95%
Dividend Yield (%)	6.4%
Total Return (%)	102%
12-month High (PKR)	218
12-month Low (PKR)	108
Outstanding Shares (mn)	469
Market Cap (PKR mn)	73,247

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	4QFY23	4QFY24E	YoY	FY23	FY24E	YoY
Net Sales	874,224	887,873	2%	3,391,177	3,558,630	5%
Cost of Sales	857,603	872,676	2%	3,316,330	3,463,539	4%
<b>Gross Profit</b>	<b>16,621</b>	<b>15,197</b>	<b>-9%</b>	<b>74,847</b>	<b>95,091</b>	<b>27%</b>
Operating Expense	5,609	6,800	21%	22,357	28,693	28%
Other Income	1,963	4,384	123%	13,507	17,674	31%
Finance Cost	15,192	13,213	-13%	40,335	53,621	33%
<b>Profit Before Tax</b>	<b>(2,065)</b>	<b>(108)</b>	<b>NM</b>	<b>24,803</b>	<b>31,839</b>	<b>28%</b>
Taxation	2,121	2,131	0%	18,704	20,680	11%
<b>Net Income</b>	<b>(4,186)</b>	<b>(2,238)</b>	<b>NM</b>	<b>6,099</b>	<b>11,159</b>	<b>83%</b>
EPS	(8.92)	(4.77)	-	12.99	23.77	-
DPS	7.50	5.00	-	7.50	5.00	-

Key Financial Ratios	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (PKR)	62.1	183.7	12.1	23.8	41.6	67.5
EPS Growth	NM	196%	-93%	97%	75%	62%
DPS (PKR)	15.0	10.0	7.5	5.0	10.0	16.0
PER	2.5	0.8	12.9	6.6	3.8	2.3
Dividend Yield	9.6%	6.4%	4.8%	3.2%	6.4%	10.3%
EV/EBITDA	3.1	1.3	5.6	5.2	3.7	2.9
P/B	0.5	0.3	0.3	0.3	0.3	0.3
ROE	23.0%	48.5%	2.6%	5.1%	8.4%	12.6%

Source: Company Accounts, Akseer Research

## Valuation Basis

Our PT for Pakistan State Oil (PSO) has been computed using Free cash flow to Firm (FCFF) method. We have used a risk free rate of 15%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 21%.

## Investment Thesis

We have a 'BUY' recommendation on the stock based on our Jun-25 PT of PKR 305/share. Our price target provides an upside of 95%, including dividend yield of 6.4%. Our investment case on PSO is based on (1) rise in product prices, (2) Increase in volumetric sales owing to uptick in demand and, (3) significant decline in finance cost going forward owing to lower interest rates.

## Risks

Key downside risks to our investments thesis are: (1) sharp increase in oil prices, (2) significant loss of market share to other industry players and, (3) further accumulation of circular debt.

## Company Description

Pakistan State Oil Company Limited engages in the procurement, storage, distribution, and marketing of petroleum and related products in Pakistan. The company offers motor gasoline, furnace oil, jet fuel, kerosene, compressed natural gas (CNG), and liquefied petroleum gas.

## Financial Highlights - PSO

Income Statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	1,204,247	2,451,581	3,391,112	3,558,630	3,397,701	3,711,504
Cost of Sales	1,149,638	2,290,586	3,316,265	3,463,539	3,297,853	3,593,522
<b>Gross Profit</b>	<b>54,609</b>	<b>160,995</b>	<b>74,847</b>	<b>95,091</b>	<b>99,848</b>	<b>117,983</b>
SG & A	13,691	24,094	15,446	21,440	21,129	23,088
<b>Operating Profit</b>	<b>40,919</b>	<b>136,901</b>	<b>59,401</b>	<b>73,651</b>	<b>78,719</b>	<b>94,895</b>
Other Income	1,616	3,315	(534)	2,735	2,854	2,470
Financial Income	12,662	17,464	6,271	9,074	10,159	10,832
Finance Cost	10,242	4,721	40,335	53,621	53,024	48,436
<b>Profit before Tax</b>	<b>44,056</b>	<b>147,855</b>	<b>24,366</b>	<b>31,839</b>	<b>38,707</b>	<b>59,761</b>
Taxation	14,917	61,633	18,704	20,680	19,194	28,071
<b>Profit after Tax</b>	<b>29,139</b>	<b>86,223</b>	<b>5,662</b>	<b>11,159</b>	<b>19,513</b>	<b>31,690</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
PPE	13,166	17,510	21,256	23,956	27,423	31,064
Other LT assets	38,131	36,114	38,791	39,025	40,532	42,186
Non-Current Assets	51,297	53,624	60,047	62,982	67,956	73,249
Current Assets	327,962	845,830	923,349	721,189	716,172	762,902
<b>Total Assets</b>	<b>379,260</b>	<b>899,454</b>	<b>983,396</b>	<b>784,170</b>	<b>784,127</b>	<b>836,151</b>
Non-Current Liabilities	12,239	16,548	18,491	11,409	11,638	11,870
Current Liabilities	227,043	667,258	748,345	547,389	532,299	559,912
<b>Total Liabilities</b>	<b>239,281</b>	<b>683,805</b>	<b>766,836</b>	<b>558,799</b>	<b>543,937</b>	<b>571,782</b>
Equity	139,978	215,649	216,560	225,372	240,190	264,370
<b>Total Equity &amp; liabilities</b>	<b>379,260</b>	<b>899,454</b>	<b>983,396</b>	<b>784,170</b>	<b>784,127</b>	<b>836,151</b>

Source: Company Accounts, Akseer Research

Cashflow Statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net Income	29,139	86,223	5,662	11,159	19,513	31,690
Non-Cash Charges	1,719	2,169	2,018	2,154	2,441	2,742
Operating Cash Flows	15,428	(78,811)	(250,760)	161,322	52,968	12,885
<b>FCFF</b>	<b>18,750</b>	<b>(80,563)</b>	<b>(248,773)</b>	<b>173,439</b>	<b>71,306</b>	<b>29,993</b>
Net Borrowings	(11,310)	100,535	277,354	(153,796)	(3,119)	4,721
<b>FCFE</b>	<b>490</b>	<b>21,537</b>	<b>20,098</b>	<b>(4,645)</b>	<b>42,662</b>	<b>9,802</b>
Net Change in Cash	(1,732)	10,985	15,346	(6,992)	37,968	2,291
<b>Closing cash</b>	<b>2,139</b>	<b>13,125</b>	<b>28,471</b>	<b>21,479</b>	<b>59,447</b>	<b>61,738</b>

Source: Company Accounts, Akseer Research

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