

Muhammad Shoaib ul Islam
shoaib.islam@akseerresearch.com

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PSO: FY24 EPS clocks in at PKR 33.79, Up 1.80x YoY; DPS PKR 10.00

Pakistan State Oil Company Limited

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

- PSO's announced its FY24 financial results today, wherein the company reported an EPS of PKR 33.79, as compared to an EPS of PKR 12.06 during FY23. This growth is driven by significant increase in other income, higher product prices and improved gross margins. Along with the result, the company also announced a final cash dividend of PKR 10.00/share.
- Net revenue for the company grew by 5% YoY to reach PKR 3.6tn in FY24. 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 FY24.
- Operating expenses increased by 26% YoY to PKR 28.7bn during FY24 due to increase in topline and a low base effect. Similarly, finance cost grew by 30% YoY to PKR 52.3bn due to an increase in borrowings, resulting in restricted bottom line growth.
- Other income came in at PKR 23.6bn, up 74% YoY owing to higher collection of late payment surcharge from customers in our view.
- On a quarterly basis, PSO posted an EPS of PKR 5.25 during 4QFY24, compared to an LPS of PKR 9.85 SPLY, contrary to our estimated LPS of PKR 4.77, mainly on account of lower finance cost (-21% YoY) basis and higher other income (+4.23x YoY), attributable to higher collection of late payment surcharge.
- We have a 'BUY' recommendation on PSO with our Jun-25 price target (PT) of PKR 305/share, providing an upside of 91% along with a dividend yield of 6.3%.

Key Data

PSX Ticker	PSO
Target Price (PKR)	305
Current Price (PKR)	159
Upside/(Downside) (%)	+91%
Dividend Yield (%)	6.3%
Total Return (%)	98%
12-month High (PKR)	218
12-month Low (PKR)	108
Outstanding Shares (mn)	469
Market Cap (PKR mn)	74,721

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	4QFY23	4QFY24	YoY	FY23	FY24	YoY
Net Sales	874,159	887,804	2%	3,391,112	3,558,562	5%
Cost of Sales	857,538	883,596	3%	3,316,265	3,474,460	5%
Gross Profit	16,621	17,397	5%	74,847	97,291	30%
Operating Expense	6,046	6,830	13%	22,794	28,723	26%
Other Income	1,963	10,272	423%	13,507	23,561	74%
Finance Cost	15,192	11,930	-21%	40,335	52,338	30%
Profit Before Tax	(2,502)	9,470	NM	24,366	41,417	70%
Taxation	2,121	7,005	230%	18,704	25,554	37%
Net Income	(4,623)	2,465	NM	5,662	15,863	180%
EPS	(9.85)	5.25	-	12.06	33.79	-
DPS	7.50	10.00	-	7.50	10.00	-

Key Financial Ratios	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
EPS (PKR)	62.1	183.7	12.1	33.8	42.8	68.8
EPS Growth	NM	196%	-93%	180%	27%	61%
DPS (PKR)	15.0	10.0	7.5	10.0	10.0	17.0
PER	2.6	0.9	13.2	4.7	3.7	2.3
Dividend Yield	9.4%	6.3%	4.7%	6.3%	6.3%	10.7%
EV/EBITDA	3.2	1.3	5.6	4.2	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%	7.1%	8.5%	12.7%

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 91%, including dividend yield of 6.3%. 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	FY24A	FY25E	FY26E
Net Sales	1,204,247	2,451,581	3,391,112	3,571,750	3,397,636	3,711,433
Cost of Sales	1,149,638	2,290,586	3,316,265	3,474,460	3,297,787	3,593,451
Gross Profit	54,609	160,995	74,847	97,291	99,848	117,983
SG & A	13,691	24,094	15,446	4,900	20,213	22,080
Operating Profit	40,919	136,901	59,401	92,390	79,635	95,903
Other Income	1,616	3,315	(534)	1,626	2,854	2,470
Financial Income	12,662	17,464	6,271	-	10,159	10,832
Finance Cost	10,242	4,721	40,335	52,338	53,023	48,435
Profit before Tax	44,056	147,855	24,366	41,417	39,624	60,770
Taxation	14,917	61,633	18,704	25,554	19,552	28,464
Profit after Tax	29,139	86,223	5,662	15,863	20,072	32,306

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	725,513	719,077	765,953
Total Assets	379,260	899,454	983,396	788,494	787,033	839,202
Non-Current Liabilities	12,239	16,548	18,491	11,409	11,638	11,870
Current Liabilities	227,043	667,258	748,345	549,357	532,289	559,901
Total Liabilities	239,281	683,805	766,836	560,766	543,927	571,771
Equity	139,978	215,649	216,560	227,728	243,106	267,431
Total Equity & liabilities	379,260	899,454	983,396	788,494	787,033	839,202

Source: Company Accounts, Akseer Research

Cashflow Statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net Income	29,139	86,223	5,662	15,863	20,072	32,306
Non-Cash Charges	1,719	2,169	2,018	2,154	2,441	2,742
Operating Cash Flows	15,428	(78,811)	(250,760)	165,479	50,359	13,432
FCFF	18,750	(80,563)	(248,773)	179,116	68,855	30,614
Net Borrowings	(11,310)	100,535	277,354	(152,762)	(4,159)	4,721
FCFE	490	21,537	20,098	546	39,014	10,349
Net Change in Cash	(1,732)	10,985	15,346	(4,148)	34,319	2,369
Closing cash	2,139	13,125	28,471	24,323	58,642	61,011

Source: Company Accounts, Akseer Research

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

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Contact Details



Akseer Research (Pvt) Limited
 1st Floor, Shaheen Chambers, KCHS block 7 & 8,
 off. Shahrah-e-Faisal
 T: +92-21-34320359 -60
 E: info@akseerresearch.com



Alpha Capital (Pvt) Limited
 3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,
 KCH Society, Block 7 & 8, Near Virtual University, Karachi
 T: +92-21-38694242
 E: info@alphacapital.com.pk



www.jamapunji.pk