

25 February 2025

PPL: 2QFY25 EPS expected at PKR 7.34, down by 33% YoY, DPS PKR 2.00

Pakistan Petroleum Limited

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

- PPL is scheduled to announce its 2QFY25 financial result on 26 February 2025, wherein, we expect the company to report an EPS of PKR 7.34, down by 33% YoY. Along with the result, we expect the company to announce an interim cash dividend of PKR 2.00/share.
- Net sales are expected to clock in at PKR 61.5bn during 2QFY25, compared to PKR 73.0bn in SPLY, down 16% YoY, due to PKR appreciation against the greenback (1.8% YoY) and lower oil prices during the quarter (11.5% YoY).
- Sequentially, exploration expenses are anticipated at PKR 4.4bn (-35% YoY) for 2QFY25 against PKR 2.6bn for 1QFY25, owing to a dry well encountered at Durug X-1.
- Other income is expected to increase by 9% YoY, climbing to PKR 4.5bn owing to improved cash positions.
- We expect finance costs to decline by 40% YoY owing to lower interest rates.
- We maintain a 'Buy' recommendation on the stock based on a Dec-25 price target (PT) of PKR 278/share which provides an upside of 56% along with a dividend yield of 3.4%.

Key Data

PSX Ticker	PPL
Target Price (PKR)	278
Current Price (PKR)	178
Upside/(Downside) (%)	+56
Dividend Yield (%)	3.37
Total Return (%)	60
12-month High (PKR)	217
12-month Low (PKR)	104
Outstanding Shares (mn)	2,721
Market Cap (PKR mn)	484,495

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	2QFY24	2QFY25E	YoY	1HFY24	1HFY25E	YoY
Sales	73,007	61,473	-16%	151,017	128,259	-15%
Operating expenses	12,644	12,837	2%	25,380	27,969	10%
Royalties	11,282	8,879	-21%	23,759	19,600	-18%
Gross profit	49,081	39,757	-19%	101,878	80,689	-21%
Exploration expenses	6,677	4,358	-35%	8,742	6,940	-21%
Other income	4,126	4,497	9%	8,002	10,987	37%
Other operating expenses	4,513	3,848	-15%	8,753	7,951	-9%
Finance costs	424	256	-40%	853	833	-2%
Profit before tax	47,863	34,737	-27%	159,782	72,606	-55%
Taxation	176	14,767	8281%	18,270	29,933	64%
Net income (loss)	29,770	19,970	-33%	69,797	42,673	19%
EPS	10.94	7.34		25.65	15.68	
DPS	2.50	2.00		2.50	2.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
EPS (PKR)	20.0	36.0	42.0	30.6	34.5	33.2
EPS Growth	3.9%	80.3%	16.7%	-27.3%	13.0%	-3.7%
DPS (PKR)	2.0	1.5	6.0	6.0	7.0	6.5
BVPS	159.8	198.7	235.1	259.6	287.1	313.8
PER	8.9	4.9	4.2	5.8	5.2	5.4
Dividend Yield	1.1%	0.8%	3.4%	3.4%	3.9%	3.7%
EV/EBITDA	3.5	2.2	2.0	2.2	1.6	1.3
P/B	1.1	0.9	0.8	0.7	0.6	0.6
ROE	13.2%	20.1%	19.4%	12.4%	12.6%	11.1%

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 12%, beta of 1.4, and a market risk premium of 6% to arrive at a cost of equity of 20%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-25 PT of PKR 278/share which results in an upside of 56% alongside a dividend yield of 3.4%. Our investment case on PPL is based on (1) the recovery of circular debt stock and (2) improvement in production flows.

Risks

Key downside risks to our investment thesis include (1) a 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	255,260	292,741	283,103
Operating expenses	40,776	48,453	54,727	54,490	59,524	61,790
Royalties	31,018	46,478	44,689	37,944	45,731	43,996
Gross profit	132,017	191,549	189,381	162,826	187,487	177,316
Other income	14,232	17,539	16,977	19,981	22,413	27,109
Other charges	13,929	15,771	18,340	15,648	18,018	17,040
Finance cost	1,297	1,485	1,580	1,345	1,382	1,419
Profit before tax	98,917	165,601	159,782	142,994	163,651	158,871
Taxation	44,585	67,664	45,473	59,854	69,743	68,484
Profit after tax	54,333	97,937	114,309	83,139	93,907	90,387

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
PPE	139,578	135,860	134,020	150,716	171,132	190,919
Other LT assets	36,467	59,503	68,079	68,168	68,250	68,384
Non-current assets	176,045	195,363	202,099	218,884	239,382	259,303
Current assets	452,634	594,749	705,349	689,174	747,445	804,253
Total assets	628,679	790,112	907,448	908,059	986,827	1,063,556
Non-current liabilities	65,305	71,605	71,334	73,420	75,571	77,788
Current liabilities	128,670	177,758	196,541	128,252	130,009	131,820
Total liabilities	193,974	249,364	267,874	201,672	205,580	209,608
Equity	434,704	540,747	639,573	706,387	781,247	853,948
Total equity & liabilities	628,679	790,111	907,448	908,058	986,827	1,063,556

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Net income	54,333	97,937	114,309	83,139	93,907	90,387
Non-cash charges	17,308	20,818	22,184	23,228	26,264	29,557
Operating cash flows	859	2,090	79,524	65,160	124,627	125,731
FCFF	(7,228)	(13,467)	60,693	25,958	78,650	77,060
Net borrowings	-	-	-	-	-	-
FCFE	(8,526)	(14,952)	59,113	25,176	77,857	76,252
Net change in cash	(17,086)	(6,846)	43,630	8,850	58,811	58,566
Closing cash	5,427	6,106	7,074	44,256	72,492	98,955

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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