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## PPL: 2QFY25 EPS clocks in at PKR 10.02, down by 32% YoY, DPS PKR 2.00

Pakistan Petroleum Limited

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

- PPL announced its 2QFY25 financial result today, wherein, the company reported an EPS of PKR 10.02, down by 32% YoY. Along with the result, the company announced an interim cash dividend of PKR 2.00/share.
- Net sales clocked in at PKR 61.3bn during 2QFY25, compared to PKR 73.0bn in SPLY, down 16% 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 5.3bn (-20% YoY) for 2QFY25 vs PKR 6.7bn in SPLY, due to reduced exploration activity during the quarter.
- Other income rose by 111% YoY, climbing to PKR 8.7bn owing to the reversal on PPL Asia impairment loss.
- The effective tax rate increased, clocking in at 26% for 2QFY25 against 1% for SPLY.
- 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 59% along with a dividend yield of 3.4%.

### Key Data

PSX Ticker	PPL
Target Price (PKR)	278
Current Price (PKR)	175
Upside/(Downside) (%)	+59
Dividend Yield (%)	3.4
Total Return (%)	62
12-month High (PKR)	217
12-month Low (PKR)	104
Outstanding Shares (mn)	2,721
Market Cap (PKR mn)	476,175

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	2QFY24	2QFY25	YoY	1HFY24	1HFY25	YoY
Sales	73,007	61,289	-16%	151,017	128,075	-15%
Operating expenses	12,644	12,500	-1%	25,380	27,633	9%
Royalties	11,282	9,194	-19%	23,759	19,916	-16%
<b>Gross profit</b>	<b>49,081</b>	<b>39,594</b>	<b>-19%</b>	<b>101,878</b>	<b>80,527</b>	<b>-21%</b>
Exploration expenses	6,677	5,328	-20%	8,742	7,910	-10%
Other income	4,126	8,692	111%	8,002	15,182	90%
Other operating expenses	4,513	2,816	-38%	8,753	6,919	-21%
Finance costs	424	661	56%	853	1,239	45%
<b>Profit before tax</b>	<b>40,204</b>	<b>37,008</b>	<b>-8%</b>	<b>159,782</b>	<b>74,876</b>	<b>-53%</b>
Taxation	232	9,750	41x	18,270	24,916	36%
<b>Net income (loss)</b>	<b>39,772</b>	<b>27,258</b>	<b>-32%</b>	<b>69,797</b>	<b>49,961</b>	<b>-28%</b>
EPS	14.71	10.02		25.65	18.36	
DPS	2.50	2.00		2.50	4.00	

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	8.8	4.9	4.2	5.7	5.1	5.3
Dividend Yield	1.1%	0.9%	3.4%	3.4%	4.0%	3.7%
EV/EBITDA	3.4	2.2	2.0	2.1	1.6	1.3
P/B	1.1	0.9	0.7	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 Jun-25 PT of PKR 278/share which results in an upside of 59% alongside a dividend yield of 3.4%. Our investment case on PPL is based on (1) recovery of the circular debt stock and (2) improvement in production flows.

## 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	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
<b>Gross profit</b>	<b>132,017</b>	<b>191,549</b>	<b>189,381</b>	<b>162,826</b>	<b>187,487</b>	<b>177,316</b>
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
<b>Profit before tax</b>	<b>98,917</b>	<b>165,601</b>	<b>159,782</b>	<b>142,994</b>	<b>163,651</b>	<b>158,871</b>
Taxation	44,585	67,664	45,473	59,854	69,743	68,484
<b>Profit after tax</b>	<b>54,333</b>	<b>97,937</b>	<b>114,309</b>	<b>83,139</b>	<b>93,907</b>	<b>90,387</b>

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
<b>Total assets</b>	<b>628,679</b>	<b>790,112</b>	<b>907,448</b>	<b>908,059</b>	<b>986,827</b>	<b>1,063,556</b>
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
<b>Total liabilities</b>	<b>193,974</b>	<b>249,364</b>	<b>267,874</b>	<b>201,672</b>	<b>205,580</b>	<b>209,608</b>
Equity	434,704	540,747	639,573	706,387	781,247	853,948
<b>Total equity &amp; liabilities</b>	<b>628,679</b>	<b>790,111</b>	<b>907,448</b>	<b>908,058</b>	<b>986,827</b>	<b>1,063,556</b>

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
<b>FCFF</b>	<b>(7,228)</b>	<b>(13,467)</b>	<b>60,693</b>	<b>25,958</b>	<b>78,650</b>	<b>77,060</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>(8,526)</b>	<b>(14,952)</b>	<b>59,113</b>	<b>25,176</b>	<b>77,857</b>	<b>76,252</b>
Net change in cash	(17,086)	(6,846)	43,630	8,850	58,811	58,566
<b>Closing cash</b>	<b>5,427</b>	<b>6,106</b>	<b>7,074</b>	<b>44,256</b>	<b>72,492</b>	<b>98,955</b>

Source: Company Accounts, Akseer Research

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