

PPL has announced its 4QFY20 result where it posted the profit after tax of Rs50.3bn (EPS: Rs18.47) in FY20 as compared to the profit after tax of Rs61.6bn (EPS: Rs22.65) in the same period last year, down by 18.5% YoY.

The company has posted the revenue of Rs158bn in FY20 against Rs164bn in SPLY, recording a decline of 3.8% YoY. We note that this decline is attributed to the slowdown in the economy caused by the COVID-19.

Gross margin has slightly been squeezed to 57.8% in FY20 as compared to 60.7% in FY19 owing to higher operating costs which has increased by 6.5% YoY.

The admin costs have been increased by 37.2% YoY. While a decrease of 40.7% in exploration costs eased the bottom line

Other income has declined by 60.9% owing to lower exchange gains, caused the earnings to drop. Finance cost has been increased by 44.4% YoY on account of higher provision for decommissioning cost.

PPL is currently trading at a FY21E PE of 7.19x. Furthermore, the scrip is also trading at FY21E PB of 0.69x which provides a discount of 45% relative to its 5-year average of 1.25x. Going forward, we have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs 142 as the demand for crude oil is set to bounce back next year at a historically quick pace. We have assumed the Arab Light price at \$40 in FY21, \$45 in FY22, and \$50 thereafter till FY25, in our working.

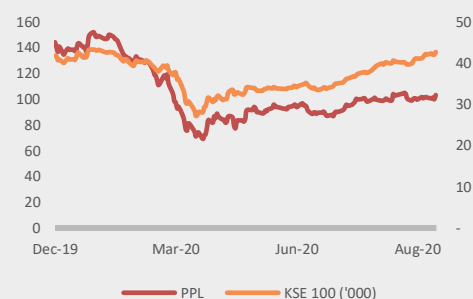
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	31,365	44,689	29.8% ▼	157,593	163,890	3.8% ▼
Operating Cost	-9,713	-10,581	8.2% ▼	-42,760	-40,152	6.5% ▲
Gross Profit	16,740	27,437	39.0% ▼	91,034	99,408	8.4% ▼
Exploration Cost	-972	-12,413	92.2% ▼	-14,734	-24,858	40.7% ▼
Administrative Expenses	-908	-734	23.8% ▲	-3,073	-2,240	37.2% ▲
Finance costs	-282	-242	16.6% ▲	-1,070	-741	44.4% ▲
Other Charges	-980	-2,116	53.7% ▼	-8,138	-8,166	0.3% ▼
Other Income	2,358	8,357	71.8% ▼	6,465	16,528	60.9% ▼
Profit Before Taxation	15,955	20,290	21.4% ▼	70,485	79,931	11.8% ▼
Taxation	-4,927	-3,911	26.0% ▲	-20,228	-18,299	10.5% ▲
Profit After Taxation	11,028	16,379	32.7% ▼	50,256	61,632	18.5% ▼
Earnings Per Share	4.05	6.02	32.7% ▼	18.47	22.65	18.5% ▼
Dividend	1.00	2.00		1.00	2.00	
Bonus	0%	20%		0%	20%	
Gross Margin	53.4%	61.4%	8.0% ▼	57.8%	60.7%	2.9% ▼
Exploration Cost to Sales	-3.1%	-27.8%	24.7% ▼	-9.3%	-15.2%	5.8% ▼
Admin Cost to Sales	-2.9%	-1.6%	1.3% ▲	-1.9%	-1.4%	0.6% ▲
Other Charges to Sales	-3.1%	-4.7%	1.6% ▼	-5.2%	-5.0%	0.2% ▲
Other Income to Sales	7.5%	18.7%	11.2% ▼	4.1%	10.1%	6.0% ▼
Effective Taxation	-30.9%	-19.3%	11.6% ▲	-28.7%	-22.9%	5.8% ▲
Net Margin	35.2%	36.7%	1.5% ▼	31.9%	37.6%	5.7% ▼

Source: ACPL Research, Company Financials

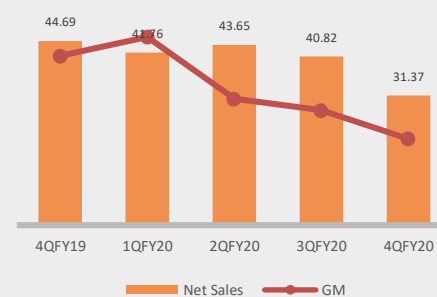
Key Statistics

Symbol	PPL
TP - Jun 21	142.00
LDPCP	103.11
Upside (%)	38
Free Float ('mn)	666
Market Cap. (Rs.'mn)	280,559

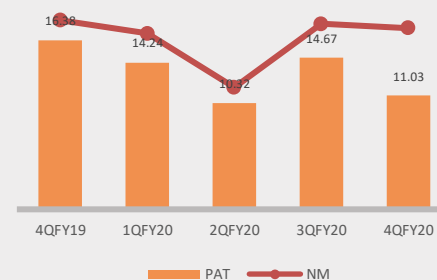
PPL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117
Email: fawad@abbasiandcompany.com

Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	104,838	80,151	116,986	126,210	163,890	157,593	138,983	163,035	180,804
Operating Expenses	-42,289	-44,952	-31,247	-33,482	-40,152	-42,760	-42,760	-42,760	-42,760
Royalty	-12,227	-9,219	-21,257	-18,512	-24,329	-23,799	-20,632	-24,202	-26,840
Gross profit	50,322	25,980	64,482	74,215	99,408	91,034	75,591	96,073	111,204
Exploration and prospecting expenditure	0	0	-10,788	-11,164	-24,858	-14,734	-16,257	-20,620	-21,349
General and administration expenses	0	0	-2,772	-2,560	-2,240	-3,073	-2,363	-2,772	-3,074
Finance Cost	-554	-659	-461	-444	-741	-1,070	-897	-989	-1,091
Other Charges	-4,063	-4,032	-7,137	-5,931	-8,166	-8,138	-7,783	-9,130	-10,125
Other income	7,611	5,418	4,804	9,319	16,528	6,465	5,635	5,635	5,635
Profit before income tax	53,315	26,707	48,129	63,436	79,931	70,485	53,926	68,197	81,201
Income tax expense	-14,916	-9,465	-12,450	-17,749	-18,299	-20,228	-15,639	-19,777	-23,548
Profit for the year	38,399	17,242	35,679	45,688	61,632	50,256	38,288	48,420	57,652
EPS	14.11	6.34	13.11	16.79	22.65	18.47	14.07	17.80	21.19
EBITDA	63,223	38,148	63,654	79,535	102,455	92,262	74,659	88,234	100,620

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	-12.50%	-23.55%	45.96%	7.88%	29.86%	-3.84%	-11.81%	17.31%	10.90%
Operating Expenses	28.86%	6.30%	-30.49%	7.15%	19.92%	6.49%	0.00%	0.00%	0.00%
Royalty	-14.50%	-24.60%	130.58%	-12.91%	31.42%	-2.18%	-13.31%	17.31%	10.90%
Gross profit	-30.78%	-48.37%	148.20%	15.09%	33.95%	-8.42%	-16.96%	27.10%	15.75%
Exploration and prospecting expenditure	0.00%	0.00%	0.00%	3.49%	122.66%	-40.73%	10.34%	26.84%	3.53%
General and administration expenses	0.00%	0.00%	0.00%	-7.65%	-12.49%	37.18%	-23.10%	17.31%	10.90%
Finance Cost	30.26%	18.89%	-30.03%	-3.80%	67.06%	44.38%	-16.13%	10.25%	10.25%
Other Charges	-0.96%	-0.76%	76.98%	-16.90%	37.69%	-0.34%	-4.36%	17.31%	10.90%
Other income	19.27%	-28.81%	-11.33%	93.97%	77.35%	-60.88%	-12.83%	0.00%	0.00%
Profit before income tax	-28.48%	-49.91%	80.21%	31.81%	26.00%	-11.82%	-23.49%	26.46%	19.07%
Income tax expense	-35.51%	-36.55%	31.54%	42.56%	3.10%	10.55%	-22.69%	26.46%	19.07%
Profit for the year	-25.32%	-55.10%	106.93%	28.05%	34.90%	-18.46%	-23.82%	26.46%	19.07%
EPS	-25.32%	-55.10%	106.93%	28.05%	34.90%	-18.46%	-23.82%	26.46%	19.07%
EBITDA	-24.23%	-39.66%	66.86%	24.95%	28.82%	-9.95%	-19.08%	18.18%	14.04%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	48.00	32.41	55.12	58.80	60.66	57.77	54.39	58.93	61.51
NP Margin	%	36.63	21.51	30.50	36.20	37.61	31.89	27.55	29.70	31.89
ROE	%	20.40	8.95	16.51	19.01	20.64	14.16	9.56	11.12	12.02
ROA	%	15.74	6.33	11.00	12.44	13.45	9.57	6.82	8.05	8.73
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	4.28	2.88	2.89	2.72	2.66	2.86	3.12	3.65	3.99
Quick	x	3.88	2.61	2.69	2.59	2.59	2.79	3.06	3.58	3.93
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Receivables Days		229.09	276.94	318.97	417.95	511.78	765.60	766.34	765.41	764.88
Payables Days		153.44	213.39	335.35	432.09	498.62	581.27	629.98	568.01	577.26
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		8.50	5.75	9.00	5.50	2.00	1.63	1.24	1.57	1.87
Div. Yield	%	8.24	5.58	8.73	5.33	1.94	1.58	1.20	1.52	1.81
Dividend Cover	x	1.66	1.10	1.46	3.05	11.33	11.33	11.33	11.33	11.33
Retention	%	39.77	9.26	31.36	67.24	91.17	91.17	91.17	91.17	91.17
Payout	%	60.23	90.74	68.64	32.76	8.83	8.83	8.83	8.83	8.83
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		14.11	6.34	13.11	16.79	22.65	18.47	14.07	17.80	21.19
BVPS		69.19	70.80	79.41	88.35	109.74	130.39	147.23	160.06	176.29
P/E	x	7.31	16.27	7.86	6.14	4.55	5.58	7.33	5.79	4.87
Sales per share		38.53	29.46	42.99	46.38	60.23	57.92	51.08	59.92	66.45
P/BV	x	1.49	1.46	1.30	1.17	0.94	0.79	0.70	0.64	0.58
P/S	x	2.68	3.50	2.40	2.22	1.71	1.78	2.02	1.72	1.55
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	90.79	39.43	110.44	136.37	97.58	68.44	63.49	73.46	79.56

Source: ACPL Research, Company Financials

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months.

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication.

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore
Phone: (+92) 42 38302028; Ext 116, 117
Email: research@abbasiandcompany.com
web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore
Phone: (+92) 42 38302028
Email: info@abbasiandcompany.com
web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore
Phone: (+92) 42 37320707
Email: info@abbasiandcompany.com
web: www.abbasiandcompany.com