

PPL has announced its 3QFY20 result where it posted profit after tax of Rs39.2bn (EPS: Rs14.42) in 9MFY20 as compared to profit after tax of Rs45.3bn (EPS: Rs16.63) in same period last year, down by 13.3% YoY.

The company has posted the revenue of Rs126bn against Rs119bn in SPLY, recording a growth of 5.9% YoY. We note that this growth is attributed to the depreciation of PKR against USD during the period.

Gross margin has slightly been squeezed to 58.9% in 9MFY20 as compared to 60.4% in 9MFY19 owing to higher operating cost which has increased by 11.8% YoY.

The increase in exploration and admin costs has mainly caused the earnings to contract which increased by 10.6% YoY and 43.7% YoY, respectively. Other charges have also increased by 18.3% to Rs7.2bn in 9MFY20.

Other income has declined by 49.7% owing to lower exchange gains. Finance cost has been increased by 57.9% YoY on account of higher provision for decommissioning cost.

Going forward, we have a **HOLD** stance on the scrip with a DCF based Dec-20 TP of Rs 85 as the oil prices are near the 18-year low level of around \$18 after OPEC lowered its global oil demand forecast due to the "historic shock" delivered by the coronavirus outbreak. We expect the global crude oil demand to remain sluggish during next couple of quarters. However, we expect some recovery in demand by the end of this calendar year. We have assumed the Arab Light price at \$25 in FY21 and \$30 thereafter till FY25, in our working.

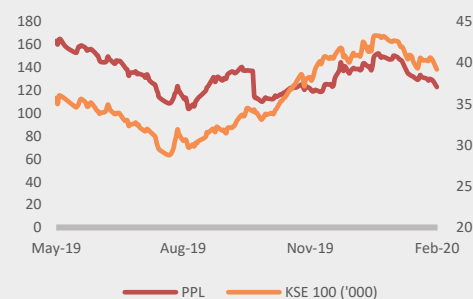
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	40,818	40,391	1.1% ▲	126,228	119,201	5.9% ▲
Operating Cost	-11,708	-10,116	15.7% ▲	-33,047	-29,571	11.8% ▲
Gross Profit	22,904	24,227	5.5% ▼	74,294	71,971	3.2% ▲
Exploration Cost	-2,020	-4,448	54.6% ▼	-13,762	-12,446	10.6% ▲
Administrative Expenses	-828	-427	93.7% ▲	-2,164	-1,506	43.7% ▲
Finance costs	-268	-235	14.2% ▲	-788	-499	57.9% ▲
Other Charges	165	-1,748	109.4% ▼	-7,159	-6,050	18.3% ▲
Other Income	1,641	1,303	25.9% ▲	4,107	8,171	49.7% ▼
Profit Before Taxation	21,594	18,672	15.6% ▲	54,530	59,641	8.6% ▼
Taxation	-6,919	-4,457	55.2% ▲	-15,301	-14,387	6.4% ▲
Profit After Taxation	14,674	14,214	3.2% ▲	39,229	45,254	13.3% ▼
Earnings Per Share	5.39	5.22	3.2% ▲	14.42	16.63	13.3% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	56.1%	60.0%	3.9% ▼	58.9%	60.4%	1.5% ▼
Exploration Cost to Sales	-4.9%	-11.0%	6.1% ▼	-10.9%	-10.4%	0.5% ▲
Admin Cost to Sales	-2.0%	-1.1%	1.0% ▲	-1.7%	-1.3%	0.5% ▲
Other Charges to Sales	0.4%	-4.3%	3.9% ▼	-5.7%	-5.1%	0.6% ▲
Other Income to Sales	4.0%	3.2%	0.8% ▲	3.3%	6.9%	3.6% ▼
Effective Taxation	-32.0%	-23.9%	8.2% ▲	-28.1%	-24.1%	3.9% ▲
Net Margin	36.0%	35.2%	0.8% ▲	31.1%	38.0%	6.9% ▼

Source: ACPL Research, Company Financials

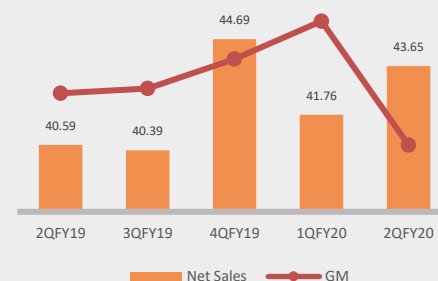
Key Statistics

Symbol	PPL
TP - Dec 20	202.00
LDCP	122.54
Upside (%)	64.84
Free Float ('mn)	666
Market Cap. (Rs.'mn)	333,427

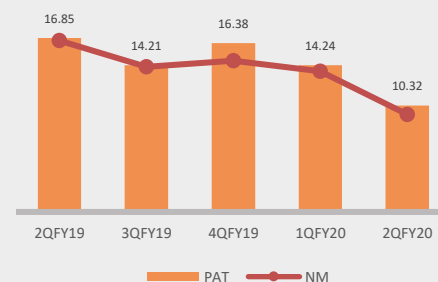
PPL vs KSE 100



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

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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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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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