

PPL has announced its 9MFY23 result where it posted a profit after tax of Rs81.83bn (EPS: Rs30.08) as compared to the profit after tax of Rs52.33bn (EPS: Rs19.23) in the same period last year, up by 56.4% YoY amid an increase in Sui wellhead price, devaluation of PKR and an increase in other income.

The company has posted a revenue of Rs214.17bn against Rs140.43bn in SPLY, recording a growth of 52.5%. The gross margin increased to 66.9% as compared to 64.8% during same period last year.

Furthermore, the exploration costs went up by 31.8% to Rs12.95bn as compared to Rs9.83bn owing to a surge in cost of dry wells. Finance costs increased by 17.3% to Rs1.05bn owing to higher interest rates. An increase in other income by 43.2% to Rs14.90bn supported the bottom line. Lastly, the effective taxation increased to 36.4% as compared to 31.4% during the SPLY.

PPL is currently trading at a FY23E PE of 1.69x. Furthermore, the scrip is also trading at FY23E PB of 0.38x which provides a discount of 20% relative to its 3-year average of 0.48x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs85 which provides an upward potential of 26%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 32%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	76,518	50,905	50.3% ▲	214,175	140,433	52.5% ▲
Operating Cost	-12,584	-9,539	31.9% ▲	-36,074	-29,023	24.3% ▲
Gross Profit	52,053	33,978	53.2% ▲	143,352	90,937	57.6% ▲
Exploration Cost	-3,942	-1,430	175.7% ▲	-12,949	-9,826	31.8% ▲
Administrative Expenses	-996	-1,112	10.4% ▼	-2,786	-3,031	8.1% ▼
Finance costs	-348	-312	11.5% ▲	-1,053	-897	17.3% ▲
Other Charges	-4,515	-3,309	236.5% ▲	-12,694	-11,290	12.4% ▲
Other Income	8,235	3,132	163.0% ▲	14,898	10,404	43.2% ▲
Profit Before Taxation	50,486	30,946	63.1% ▲	128,769	76,297	68.8% ▲
Taxation	-17,588	-10,326	70.3% ▲	-46,934	-23,967	95.8% ▲
Profit After Taxation	32,898	20,620	59.5% ▲	81,835	52,329	56.4% ▲
Earnings Per Share	12.09	7.58	59.5% ▲	30.08	19.23	56.4% ▲
Dividend	0.00	0.00		1.00	1.50	33.3% ▼
Bonus	0%	0%		0%	0%	
Gross Margin	68.0%	66.7%	1.3% ▲	66.9%	64.8%	2.2% ▲
Exploration Cost to Sales	-5.2%	-2.8%	2.3% ▲	-6.0%	-7.0%	1.0% ▼
Admin Cost to Sales	-1.3%	-2.2%	0.9% ▼	-1.3%	-2.2%	0.9% ▼
Other Charges to Sales	-5.9%	-6.5%	0.6% ▼	-5.9%	-8.0%	2.1% ▼
Other Income to Sales	10.8%	6.2%	4.6% ▲	7.0%	7.4%	0.5% ▼
Effective Taxation	-34.8%	-33.4%	1.5% ▲	-36.4%	-31.4%	5.0% ▲
Net Margin	43.0%	40.5%	2.5% ▲	38.2%	37.3%	0.9% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	PPL
TP - Dec 23	85
LDCP	67.55
Upside (%)	26
Free Float ('mn)	668
Market Cap. (Rs.'mn)	183,801

PPL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	157,593	148,429	202,199	285,568	277,163	266,547	252,652
Operating Expenses	-42,760	-40,077	-40,091	-48,099	-54,998	-60,888	-65,293
Royalty	-23,799	-22,057	-30,500	-46,332	-44,968	-43,246	-40,991
Gross profit	91,034	86,294	131,608	191,137	177,197	162,414	146,367
Exploration and prospecting expenditure	-14,734	-10,227	-23,735	-17,265	-23,575	-22,672	-21,490
General and administration expenses	-3,073	-3,741	-4,601	-3,715	-5,633	-5,417	-5,135
Finance Cost	-1,070	-1,107	-1,249	-1,409	-1,561	-1,649	-1,742
Other Charges	-8,138	-6,693	-18,037	-16,925	-16,990	-16,340	-15,488
Other income	6,465	4,056	14,144	19,181	19,183	19,186	19,189
Profit before income tax	70,485	68,582	98,131	171,004	148,620	135,521	121,701
Income tax expense	-20,228	-16,150	-44,585	-62,328	-49,045	-44,722	-40,161
Profit for the year	50,256	52,431	53,546	108,675	99,576	90,799	81,540
EPS	18.47	19.27	19.68	39.94	36.60	33.37	29.97
EBITDA	92,753	87,511	116,431	187,190	166,385	154,961	142,985

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-3.84%	-5.82%	36.23%	41.23%	-2.94%	-3.83%	-5.21%
Operating Expenses	6.49%	-6.27%	0.03%	19.98%	14.34%	10.71%	7.24%
Royalty	-2.18%	-7.32%	38.28%	51.91%	-2.94%	-3.83%	-5.21%
Gross profit	-8.42%	-5.21%	52.51%	45.23%	-7.29%	-8.34%	-9.88%
Exploration and prospecting expenditure	-40.73%	-30.59%	132.08%	-27.26%	36.55%	-3.83%	-5.21%
General and administration expenses	37.18%	21.77%	22.96%	-19.25%	51.62%	-3.83%	-5.21%
Finance Cost	44.38%	3.47%	12.80%	12.83%	10.80%	5.64%	5.63%
Other Charges	-0.34%	-17.76%	169.49%	-6.16%	0.38%	-3.83%	-5.21%
Other income	-60.88%	-37.27%	248.74%	35.62%	0.01%	0.01%	0.02%
Profit before income tax	-11.82%	-2.70%	43.09%	74.26%	-13.09%	-8.81%	-10.20%
Income tax expense	10.55%	-20.16%	176.06%	39.80%	-21.31%	-8.81%	-10.20%
Profit for the year	-18.46%	4.33%	2.13%	102.96%	-8.37%	-8.81%	-10.20%
EPS	-18.46%	4.33%	2.13%	102.96%	-8.37%	-8.81%	-10.20%
EBITDA	-9.47%	-5.65%	33.05%	60.77%	-11.11%	-6.87%	-7.73%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	57.77	58.14	65.09	66.93	63.93	60.93	57.93
NP Margin	%	31.89	35.32	26.48	38.06	35.93	34.06	32.27
ROE	%	14.58	13.43	12.31	22.50	17.15	13.55	10.85
ROA	%	10.18	9.77	8.57	15.49	12.26	10.20	8.51
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	4.03	4.42	3.57	4.46	4.45	5.02	5.52
Quick	x	3.94	4.33	3.50	4.37	4.36	4.92	5.41
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		618.74	701.76	665.10	663.70	723.81	793.95	864.15
Payables Days		367.99	387.49	449.98	336.38	401.45	374.37	357.60
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		1.00	3.50	2.00	4.00	3.50	3.50	3.00
Div. Yield	%	1.48	5.18	2.96	5.92	5.18	5.18	4.44
Dividend Cover	x	18.47	5.51	9.84	9.99	10.46	9.53	9.99
Retention	%	94.59	81.84	89.84	89.84	89.84	89.84	89.84
Payout	%	5.41	18.16	10.16	10.16	10.16	10.16	10.16
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		18.47	19.27	19.68	39.94	36.60	33.37	29.97
BVPS		126.65	143.53	159.82	177.50	213.38	246.26	276.24
P/E	x	3.66	3.51	3.43	1.69	1.85	2.02	2.25
Sales per share		57.92	54.55	74.31	104.95	101.86	97.96	92.85
P/BV	x	0.53	0.47	0.42	0.38	0.32	0.27	0.24
P/S	x	1.17	1.24	0.91	0.64	0.66	0.69	0.73
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	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
Interest Cover	x	68.44	65.33	82.70	120.76	94.79	81.45	68.74

Source: ACPL Research, Company Financials

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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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