

PPL has announced its 1QFY23 result where it posted a profit after tax of Rs26.61bn (EPS: Rs9.78) as compared to the profit after tax of Rs16.99bn (EPS: Rs6.24) in the same period last year, up by 56.6% YoY amid an increase in the price of Arab Light, lower exploration costs and depreciation of PKR.

The company has posted a revenue of 72.61bn against 43.15bn in SPLY, recording a growth of 68.3% amid a growth in oil prices and gas production. The gross margin increased by 5.1% to 66.9% as compared to 61.8% during same period last year.

Furthermore, the exploration costs went down by 68.6% to 1.48bn as compared to 4.72bn while admin expense and other charges surged by 36.8% and 320.8% respectively during SPLY. Moreover, other income has increased by 6.8% to 4.84bn due to higher exchange gains while finance costs increased by 18.7% owing to higher interest rates. Lastly, the effective taxation increased to 42% as compared to 27% during SPLY.

PPL is currently trading at a FY23E PE of 1.58x. Furthermore, the scrip is also trading at FY23E PB of 0.29x which provides a discount of 20% relative to its 3-year average of 0.36x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs75 which provides an upward potential of 47%. Further, the scrip also provides a dividend yield of 7% which makes the total return of 54%.

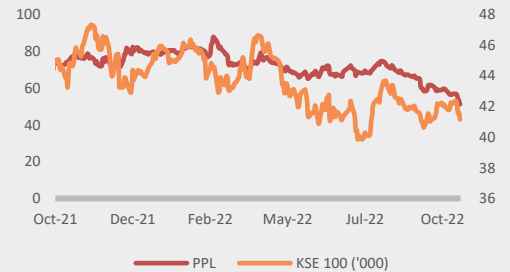
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	72,611	43,154	68.3% ▲	202,199	148,429	36.2% ▲
Operating Cost	-11,476	-10,166	12.9% ▲	-40,091	-40,077	0.0% ▲
Gross Profit	48,602	26,678	82.2% ▲	131,608	86,294	52.5% ▲
Exploration Cost	-1,480	-4,719	68.6% ▼	-23,735	-10,227	132.1% ▲
Administrative Expenses	-1,191	-871	36.8% ▲	-4,601	-3,741	23.0% ▲
Finance costs	-337	-284	18.7% ▲	-1,249	-1,107	12.8% ▲
Other Charges	-4,567	-2,068	320.8% ▲	-18,037	-6,693	169.5% ▲
Other Income	4,843	4,536	6.8% ▲	14,144	4,056	248.7% ▲
Profit Before Taxation	45,871	23,272	97.1% ▲	98,131	68,582	43.1% ▲
Taxation	-19,257	-6,282	206.6% ▲	-44,585	-16,150	176.1% ▲
Profit After Taxation	26,614	16,991	56.6% ▲	53,546	52,431	2.1% ▲
Earnings Per Share	9.78	6.24	56.6% ▲	19.68	19.27	2.1% ▲
Dividend	0.00	0.00		2.00	3.50	42.9% ▼
Bonus	0%	0%		0%	0%	
Gross Margin	66.9%	61.8%	5.1% ▲	65.1%	58.1%	6.9% ▲
Exploration Cost to Sales	-2.0%	-10.9%	8.9% ▼	-11.7%	-6.9%	4.8% ▲
Admin Cost to Sales	-1.6%	-2.0%	0.4% ▼	-2.3%	-2.5%	0.2% ▼
Other Charges to Sales	-6.3%	-4.8%	1.5% ▲	-8.9%	-4.5%	4.4% ▲
Other Income to Sales	6.7%	10.5%	3.8% ▼	7.0%	2.7%	4.3% ▲
Effective Taxation	-42.0%	-27.0%	15.0% ▲	-45.4%	-23.5%	21.9% ▲
Net Margin	36.7%	39.4%	2.7% ▼	26.5%	35.3%	8.8% ▼

Source: ACPL Research, Company Financials

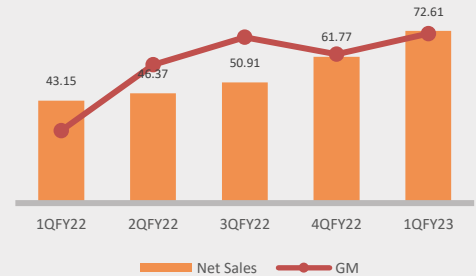
Key Statistics

Symbol	PPL
TP - Jun 23	75
LDCP	51.05
Upside (%)	47
Free Float ('mn)	667
Market Cap. (Rs.'mn)	138,905

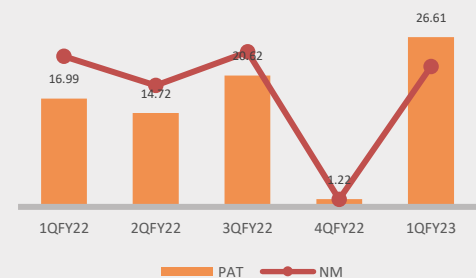
PPL vs KSE 100



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	250,611	247,512	240,473	239,198
Operating Expenses	-42,760	-40,077	-40,091	-39,607	-56,564	-54,956	-54,008
Royalty	-23,799	-22,057	-30,500	-43,256	-42,721	-41,506	-41,286
Gross profit	91,034	86,294	131,608	167,748	148,226	144,012	143,904
Exploration and prospecting expenditure	-14,734	-10,227	-23,735	-5,108	-22,367	-21,731	-21,616
General and administration expenses	-3,073	-3,741	-4,601	-4,110	-4,860	-4,722	-4,697
Finance Cost	-1,070	-1,107	-1,249	-1,350	-1,419	-1,492	-1,569
Other Charges	-8,138	-6,693	-18,037	-15,761	-15,566	-15,124	-15,043
Other income	6,465	4,056	14,144	10,159	11,079	12,183	13,507
Profit before income tax	70,485	68,582	98,131	151,577	115,093	113,126	114,487
Income tax expense	-20,228	-16,150	-44,585	-63,634	-37,981	-37,331	-37,781
Profit for the year	50,256	52,431	53,546	87,944	77,112	75,794	76,706
EPS	18.47	19.27	19.68	32.32	28.34	27.86	28.19
EBITDA	92,753	87,511	116,431	167,704	132,717	132,409	135,598

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-3.84%	-5.82%	36.23%	23.94%	-1.24%	-2.84%	-0.53%
Operating Expenses	6.49%	-6.27%	0.03%	-1.21%	42.81%	-2.84%	-1.72%
Royalty	-2.18%	-7.32%	38.28%	41.82%	-1.24%	-2.84%	-0.53%
Gross profit	-8.42%	-5.21%	52.51%	27.46%	-11.64%	-2.84%	-0.07%
Exploration and prospecting expenditure	-40.73%	-30.59%	132.08%	-78.48%	337.88%	-2.84%	-0.53%
General and administration expenses	37.18%	21.77%	22.96%	-10.65%	18.23%	-2.84%	-0.53%
Finance Cost	44.38%	3.47%	12.80%	8.09%	5.14%	5.15%	5.11%
Other Charges	-0.34%	-17.76%	169.49%	-12.62%	-1.24%	-2.84%	-0.53%
Other income	-60.88%	-37.27%	248.74%	-28.17%	9.05%	9.96%	10.87%
Profit before income tax	-11.82%	-2.70%	43.09%	54.46%	-24.07%	-1.71%	1.20%
Income tax expense	10.55%	-20.16%	176.06%	42.73%	-40.31%	-1.71%	1.20%
Profit for the year	-18.46%	4.33%	2.13%	64.24%	-12.32%	-1.71%	1.20%
EPS	-18.46%	4.33%	2.13%	64.24%	-12.32%	-1.71%	1.20%
EBITDA	-9.47%	-5.65%	33.05%	44.04%	-20.86%	-0.23%	2.41%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	57.77	58.14	65.09	66.94	59.89	59.89	60.16
NP Margin	%	31.89	35.32	26.48	35.09	31.16	31.52	32.07
ROE	%	14.58	13.43	12.31	18.21	13.72	12.01	10.97
ROA	%	10.18	9.77	8.57	12.68	10.02	8.96	8.48
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	4.03	4.42	3.57	4.39	4.58	4.74	5.43
Quick	x	3.94	4.33	3.50	4.32	4.49	4.64	5.32
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		618.74	701.76	665.10	664.18	724.23	794.34	864.36
Payables Days		367.99	387.49	449.98	383.34	354.69	401.40	369.46
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		1.00	3.50	2.00	3.50	3.00	3.00	3.00
Div. Yield	%	1.96	6.86	3.92	6.86	5.88	5.88	5.88
Dividend Cover	x	18.47	5.51	9.84	9.23	9.45	9.29	9.40
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	32.32	28.34	27.86	28.19
BVPS		126.65	143.53	159.82	177.50	206.54	232.00	257.02
P/E	x	2.76	2.65	2.59	1.58	1.80	1.83	1.81
Sales per share		57.92	54.55	74.31	92.10	90.96	88.38	87.91
P/BV	x	0.40	0.36	0.32	0.29	0.25	0.22	0.20
P/S	x	0.88	0.94	0.69	0.55	0.56	0.58	0.58
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	117.44	85.25	78.77	74.96

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

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Market Weight	Neutral
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