

Equity Research | Oil & Gas Exploration Companies | Friday, 25 February, 2022

PPL has announced its 1HFY22 result where it posted the profit after tax of Rs31.7bn (EPS: Rs11.65) as compared to the profit after tax of Rs26.23bn (EPS: Rs9.64) in the same period last year, up by 20.9% YoY.

The company has posted a revenue of Rs89.5bn against Rs75.5bn in SPLY, recording a surge of 18.5% YoY. We note that this surge is attributed to the increase in international crude oil prices.

The gross margin has increased to 63.6% as compared to 55.9% in SPLY. Further, the admin and exploration costs have been increased by 8.6% YoY and 166.8% YoY respectively.

Other income has increased by 291% owing to higher exchange gains. Furthermore, the company has recorded an expense of Rs2.3bn under share of loss of associate amid seismic acquisition in Abu Dhabi exploration block.

PPL is currently trading at a FY22E PE of 2.87x. Furthermore, the scrip is also trading at FY22E PB of 0.49x which provides a discount of 21% relative to its 3-year average of 0.62x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 130 which provides an upward potential of 66%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 72%.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	46,374	36,313	27.7% ▲	89,528	75,539	18.5% ▲
Operating Cost	-9,318	-12,636	26.3% ▼	-19,484	-21,972	11.3% ▼
Gross Profit	30,280	18,266	65.8% ▲	56,959	42,210	34.9% ▲
Exploration Cost	-3,677	-873	321.0% ▲	-8,396	-3,147	166.8% ▲
Administrative Expenses	-1,048	-991	5.7% ▲	-1,919	-1,767	8.6% ▲
Finance costs	-301	-289	4.2% ▲	-585	-581	0.7% ▲
Other Charges	-5,912	-1,754	437.0% ▲	-7,981	-3,886	105.4% ▲
Other Income	2,736	1,111	146.2% ▲	7,272	1,859	291.2% ▲
Profit Before Taxation	22,078	15,469	42.7% ▲	45,350	34,689	30.7% ▲
Taxation	-7,360	-3,583	105.4% ▲	-13,641	-8,452	61.4% ▲
Profit After Taxation	14,719	11,886	23.8% ▲	31,709	26,237	20.9% ▲
Earnings Per Share	5.41	4.37	23.8% ▲	11.65	9.64	20.9% ▲
Dividend	1.50	1.50		1.50	1.50	-
Bonus	0%	0%		0%	0%	

Closing Period: 11 Mar 2022 – 15 Mar 2022

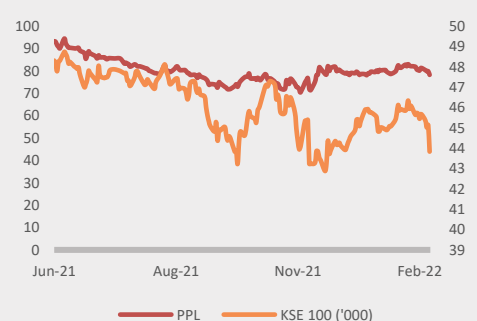
Gross Margin	65.3%	50.3%	15.0% ▲	63.6%	55.9%	7.7% ▲
Exploration Cost to Sales	-7.9%	-2.4%	5.5% ▲	-9.4%	-4.2%	5.2% ▲
Admin Cost to Sales	-2.3%	-2.7%	0.5% ▼	-2.1%	-2.3%	0.2% ▼
Other Charges to Sales	-12.7%	-4.8%	7.9% ▲	-8.9%	-5.1%	3.8% ▲
Other Income to Sales	5.9%	3.1%	2.8% ▲	8.1%	2.5%	5.7% ▲
Effective Taxation	-33.3%	-23.2%	10.2% ▲	-30.1%	-24.4%	5.7% ▲
Net Margin	31.7%	32.7%	1.0% ▼	35.4%	34.7%	0.7% ▲

Source: ACPL Research, Company Financials

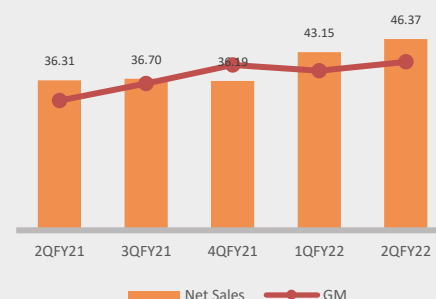
Key Statistics

Symbol	PPL
TP - Dec 22	130.00
LDCP	78.20
Upside (%)	66
Free Float ('mn)	666
Market Cap. (Rs.'mn)	209,541

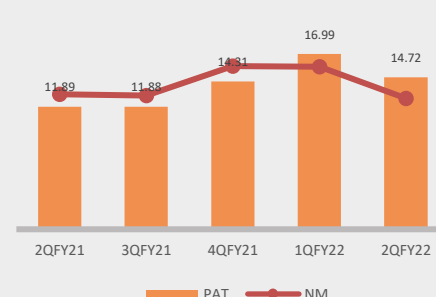
PPL vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	163,890	157,593	148,429	193,089	190,806	188,842	186,756
Operating Expenses	-40,152	-42,760	-40,077	-50,203	-49,610	-49,099	-48,557
Royalty	-24,329	-23,799	-22,057	-25,102	-24,805	-24,549	-24,278
Gross profit	99,408	91,034	86,294	117,784	116,392	115,194	113,921
Exploration and prospecting expenditure	-24,858	-14,734	-10,227	-18,108	-16,293	-15,615	-16,301
General and administration expenses	-2,240	-3,073	-3,741	-4,138	-4,089	-4,047	-4,003
Finance Cost	-741	-1,070	-1,107	-1,080	-1,141	-1,206	-1,275
Other Charges	-8,166	-8,138	-6,693	-11,489	-7,632	-7,554	-7,470
Other income	16,528	6,465	4,056	14,056	6,537	6,537	6,537
Profit before income tax	79,931	70,485	68,582	97,025	93,774	93,308	91,409
Income tax expense	-18,299	-20,228	-16,150	-22,848	-22,083	-21,973	-21,526
Profit for the year	61,632	50,256	52,431	74,177	71,691	71,335	69,883
EPS	22.65	18.47	19.27	27.26	26.35	26.22	25.68
EBITDA	102,455	92,753	87,935	111,550	107,500	106,303	103,732

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	29.86%	-3.84%	-5.82%	30.09%	-1.18%	-1.03%	-1.10%
Operating Expenses	19.92%	6.49%	-6.27%	25.27%	-1.18%	-1.03%	-1.10%
Royalty	31.42%	-2.18%	-7.32%	13.80%	-1.18%	-1.03%	-1.10%
Gross profit	33.95%	-8.42%	-5.21%	36.49%	-1.18%	-1.03%	-1.10%
Exploration and prospecting expenditure	122.66%	-40.73%	-30.59%	77.05%	-10.02%	-4.16%	4.39%
General and administration expenses	-12.49%	37.18%	21.77%	10.61%	-1.18%	-1.03%	-1.10%
Finance Cost	67.06%	44.38%	3.47%	-2.46%	5.65%	5.73%	5.73%
Other Charges	37.69%	-0.34%	-17.76%	71.65%	-33.57%	-1.03%	-1.10%
Other income	77.35%	-60.88%	-37.27%	246.57%	-53.49%	0.00%	0.00%
Profit before income tax	26.00%	-11.82%	-2.70%	41.47%	-3.35%	-0.50%	-2.04%
Income tax expense	3.10%	10.55%	-20.16%	41.47%	-3.35%	-0.50%	-2.04%
Profit for the year	34.90%	-18.46%	4.33%	41.47%	-3.35%	-0.50%	-2.04%
EPS	34.90%	-18.46%	4.33%	41.47%	-3.35%	-0.50%	-2.04%
EBITDA		-9.47%	-5.19%	26.85%	-3.63%	-1.11%	-2.42%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	60.66	57.77	58.14	61.00	61.00	61.00	61.00
NP Margin	%	37.61	31.89	35.32	38.42	37.57	37.78	37.42
ROE	%	20.64	14.58	13.43	17.11	14.51	12.90	11.43
ROA	%	13.45	10.18	9.77	10.49	9.10	8.47	7.80
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	2.66	4.03	4.42	4.20	4.11	4.54	4.96
Quick	x	2.59	3.94	4.33	4.13	4.06	4.49	4.91
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		511.78	618.74	701.76	700.00	770.07	840.14	910.20
Payables Days		498.62	367.99	387.49	541.33	663.92	662.90	663.40
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		2.00	1.00	3.50	5.00	5.00	5.00	4.50
Div. Yield	%	2.56	1.28	4.48	6.39	6.39	6.39	5.75
Dividend Cover	x	11.33	18.47	5.51	5.45	5.27	5.24	5.71
Retention	%	91.17	94.59	81.84	81.84	81.84	81.84	81.84
Payout	%	8.83	5.41	18.16	18.16	18.16	18.16	18.16
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		22.65	18.47	19.27	27.26	26.35	26.22	25.68
BVPS		109.74	126.65	143.53	159.29	181.60	203.17	224.62
P/E	x	3.45	4.23	4.06	2.87	2.97	2.98	3.04
Sales per share		60.23	57.92	54.55	70.96	70.12	69.40	68.64
P/BV	x	0.71	0.62	0.54	0.49	0.43	0.38	0.35
P/S	x	1.30	1.35	1.43	1.10	1.12	1.13	1.14
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
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	97.58	68.44	65.33	88.47	84.15	79.20	73.41

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
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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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
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