

PPL has announced its 9MFY22 result where it posted a profit after tax of Rs52.33bn (EPS: Rs19.23) as compared to the profit after tax of Rs38.12bn (EPS: Rs14.01) in the same period last year, up by 37.3% YoY.

The company has posted a revenue of Rs140.43bn against Rs112.24bn in SPLY, recording a surge of 25.1% YoY. We note that this surge is attributed to the increase in international crude oil prices.

The gross margin has increased to 64.8% as compared to 56.2% in SPLY. Further, the admin and exploration costs have been increased by 13.1% YoY and 171.7% YoY respectively.

Other income has increased by 258.1% owing to higher exchange gains. Furthermore, the company has recorded an expense of Rs2.44bn.

PPL is currently trading at a FY22E PE of 2.6x. Furthermore, the scrip is also trading at FY22E PB of 0.47x which provides a discount of 21% relative to its 3-year average of 0.60x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 150 which provides an upward potential of 100%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 106%.

| Rupees' millions | 3QFY22 | 3QFY21 | YoY | 9MFY22 | 9MFY21 | YoY |
|------------------------------|---------------|---------------|----------------|---------------|---------------|----------------|
| Net Sales | 50,905 | 36,696 | 38.7% ▲ | 140,433 | 112,235 | 25.1% ▲ |
| Operating Cost | -9,539 | -10,480 | 9.0% ▼ | -29,023 | -32,453 | 10.6% ▼ |
| Gross Profit | 33,978 | 20,902 | 62.6% ▲ | 90,937 | 63,113 | 44.1% ▲ |
| Exploration Cost | -1,430 | -470 | 204.1% ▲ | -9,826 | -3,617 | 171.7% ▲ |
| Administrative Expenses | -1,112 | -914 | 21.7% ▲ | -3,031 | -2,681 | 13.1% ▲ |
| Finance costs | -312 | -270 | 15.7% ▲ | -897 | -851 | 5.5% ▲ |
| Other Charges | -3,309 | -3,655 | 190.5% ▲ | -11,290 | -7,541 | 49.7% ▲ |
| Other Income | 3,132 | 1,046 | 199.4% ▲ | 10,404 | 2,905 | 258.1% ▲ |
| Profit Before Taxation | 30,946 | 16,639 | 86.0% ▲ | 76,297 | 51,328 | 48.6% ▲ |
| Taxation | -10,326 | -4,759 | 117.0% ▲ | -23,967 | -13,210 | 81.4% ▲ |
| Profit After Taxation | 20,620 | 11,881 | 73.6% ▲ | 52,329 | 38,118 | 37.3% ▲ |
| Earnings Per Share | 7.58 | 4.37 | 73.6% ▲ | 19.23 | 14.01 | 37.3% ▲ |
| Dividend | 0.00 | 0.00 | | 1.50 | 1.50 | - |
| Bonus | 0% | 0% | | 0% | 0% | |
| Gross Margin | 66.7% | 57.0% | 9.8% ▲ | 64.8% | 56.2% | 8.5% ▲ |
| Exploration Cost to Sales | -2.8% | -1.3% | 1.5% ▲ | -7.0% | -3.2% | 3.8% ▲ |
| Admin Cost to Sales | -2.2% | -2.5% | 0.3% ▼ | -2.2% | -2.4% | 0.2% ▼ |
| Other Charges to Sales | -6.5% | -10.0% | 3.5% ▼ | -8.0% | -6.7% | 1.3% ▲ |
| Other Income to Sales | 6.2% | 2.9% | 3.3% ▲ | 7.4% | 2.6% | 4.8% ▲ |
| Effective Taxation | -33.4% | -28.6% | 4.8% ▲ | -31.4% | -25.7% | 5.7% ▲ |
| Net Margin | 40.5% | 32.4% | 8.1% ▲ | 37.3% | 34.0% | 3.3% ▲ |

Source: ACPL Research, Company Financials

Key Statistics

| Symbol | PPL |
|----------------------|---------|
| TP - Dec 22 | 150.00 |
| LDCP | 75.01 |
| Upside (%) | 100 |
| Free Float ('mn) | 667 |
| Market Cap. (Rs.'mn) | 204,100 |

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 | 190,622 | 181,612 | 182,228 | 180,414 |
| Operating Expenses | -40,152 | -42,760 | -40,077 | -40,031 | -38,138 | -38,268 | -46,908 |
| Royalty | -24,329 | -23,799 | -22,057 | -28,117 | -26,788 | -26,879 | -26,611 |
| Gross profit | 99,408 | 91,034 | 86,294 | 122,474 | 116,685 | 117,081 | 106,895 |
| Exploration and prospecting expenditure | -24,858 | -14,734 | -10,227 | -13,338 | -14,067 | -13,140 | -13,202 |
| General and administration expenses | -2,240 | -3,073 | -3,741 | -4,114 | -3,920 | -3,933 | -3,894 |
| Finance Cost | -741 | -1,070 | -1,107 | -1,148 | -1,215 | -1,287 | -1,364 |
| Other Charges | -8,166 | -8,138 | -6,693 | -15,326 | -7,264 | -7,289 | -7,217 |
| 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 | 102,604 | 96,757 | 97,969 | 87,756 |
| Income tax expense | -18,299 | -20,228 | -16,150 | -24,162 | -22,785 | -23,071 | -20,666 |
| Profit for the year | 61,632 | 50,256 | 52,431 | 78,442 | 73,972 | 74,898 | 67,090 |
| EPS | 22.65 | 18.47 | 19.27 | 28.83 | 27.19 | 27.53 | 24.66 |
| EBITDA | 102,455 | 92,753 | 87,935 | 117,196 | 110,557 | 111,045 | 100,168 |

Source: ACPL Research, Company Financials

Horizontal Analysis

| | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|---|---------------|----------------|---------------|---------------|---------------|--------------|----------------|
| Revenue | 29.86% | -3.84% | -5.82% | 28.43% | -4.73% | 0.34% | -1.00% |
| Operating Expenses | 19.92% | 6.49% | -6.27% | -0.12% | -4.73% | 0.34% | 22.58% |
| Royalty | 31.42% | -2.18% | -7.32% | 27.47% | -4.73% | 0.34% | -1.00% |
| Gross profit | 33.95% | -8.42% | -5.21% | 41.93% | -4.73% | 0.34% | -8.70% |
| Exploration and prospecting expenditure | 122.66% | -40.73% | -30.59% | 30.41% | 5.47% | -6.59% | 0.47% |
| General and administration expenses | -12.49% | 37.18% | 21.77% | 9.97% | -4.73% | 0.34% | -1.00% |
| Finance Cost | 67.06% | 44.38% | 3.47% | 3.67% | 5.82% | 5.98% | 5.98% |
| Other Charges | 37.69% | -0.34% | -17.76% | 128.99% | -52.60% | 0.34% | -1.00% |
| 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% | 49.61% | -5.70% | 1.25% | -10.42% |
| Income tax expense | 3.10% | 10.55% | -20.16% | 49.61% | -5.70% | 1.25% | -10.42% |
| Profit for the year | 34.90% | -18.46% | 4.33% | 49.61% | -5.70% | 1.25% | -10.42% |
| EPS | 34.90% | -18.46% | 4.33% | 49.61% | -5.70% | 1.25% | -10.42% |
| EBITDA | | -9.47% | -5.19% | 33.28% | -5.67% | 0.44% | -9.80% |

Source: ACPL Research, Company Financials

Key Ratios

| Profitability Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|----------------------|------|--------|--------|--------|--------|--------|--------|--------|
| GP Margin | % | 60.66 | 57.77 | 58.14 | 64.25 | 64.25 | 64.25 | 59.25 |
| NP Margin | % | 37.61 | 31.89 | 35.32 | 41.15 | 40.73 | 41.10 | 37.19 |
| ROE | % | 20.64 | 14.58 | 13.43 | 18.10 | 14.86 | 13.42 | 10.83 |
| ROA | % | 13.45 | 10.18 | 9.77 | 11.02 | 9.46 | 8.96 | 7.55 |
| Liquidity Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
| Current | x | 2.66 | 4.03 | 4.42 | 4.23 | 4.44 | 5.06 | 5.46 |
| Quick | x | 2.59 | 3.94 | 4.33 | 4.17 | 4.38 | 5.00 | 5.40 |
| Activity Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
| Receivables Days | | 511.78 | 618.74 | 701.76 | 700.08 | 770.37 | 840.35 | 910.41 |
| Payables Days | | 498.62 | 367.99 | 387.49 | 598.19 | 688.62 | 653.86 | 581.36 |
| 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 | 5.77 | 5.44 | 5.51 | 5.48 |
| 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 | 28.83 | 27.19 | 27.53 | 24.66 |
| BVPS | | 109.74 | 126.65 | 143.53 | 159.29 | 182.89 | 205.14 | 227.66 |
| P/E | x | 3.45 | 4.23 | 4.06 | 2.71 | 2.88 | 2.84 | 3.17 |
| Sales per share | | 60.23 | 57.92 | 54.55 | 70.06 | 66.75 | 66.97 | 66.31 |
| P/BV | x | 0.71 | 0.62 | 0.54 | 0.49 | 0.43 | 0.38 | 0.34 |
| P/S | x | 1.30 | 1.35 | 1.43 | 1.12 | 1.17 | 1.17 | 1.18 |
| 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 | 91.50 | 81.27 | 77.70 | 65.83 |

Source: ACPL Research, Company Financials

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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 |

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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|--------------|----------------------------|
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| Sector Rating | Sector Outlook |
|---------------|----------------|
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| Market Weight | Neutral |
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