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REP 019

PPL 1QFY26 Result Review — Earnings and production recover sequentially

AKD Securities Limited

Pakistan Petroleum Limited (PPL) reported 1QFY26 financial results earlier today, with consolidated earnings clocking in at PkR20bn for the first quarter (EPS: PkR7.36), down 12% YoY — in-line with expectations. Alongside the earnings, company also announced a final cash dividend of PkR2.0/sh (payout ratio: 27%).

- Net Sales stood at PkR57.4bn during 1QFY26, down 14%YoY, largely led by reduced hydrocarbon production alongside lower average oil prices (Arab light: US$71.5/bbl during 4Q, down 11%YoY).
- Regarding hydrocarbon production, PPL's estimated oil and gas output fell by 4%/11% YoY during 1QFY26, reaching 10.3k bpd of oil and 530mmcfd of gas, respectively.
- However, hydrocarbon production jumped up compared to previous quarter by 7%/7%QoQ for both oil and gas as per PPIS, respectively.
- Operating expenses for the quarter amounted PkR14.1bn, marking a 7%YoY decline. Additionally, exploration expenses totaled PkR664mn for 1Q (down 59%YoY).
- Other income declined to PkR2.1bn, down 68%YoY. The decline is possibly due to lower investment yields alongside reduced cash and short-term investment balances during the outgoing quarter (PkR96.5bn/PkR37 per sh during 1QFY26, down 35%YoY), as company paid off lease extension bonus on Sui D&PL (PkR50bn as of Mar'25) during the previous quarter.
- Effective tax rate for 1QFY26 stood at 35%, compared to 40%/33% in SPLY/4QFY25, respectively.
- We reiterate our 'BUY' stance on PPL with a Dec'25 target price of PkR281/sh, alongside a DY of 6.5% during the same period. Our outlook is strengthened on the back of: i) higher future exploration prospects given improving liquidity situation, ii) 8.33% stake in highly prospective Reko Diq Mining Project, iii) off-shore working interests in Abu Dhabi Block-5, along with consortium partners and iv) improvement in cash payouts.

PPL: Income Statement

(PKRmn)	1QFY26	1QFY25	YoY	4QFY25	QoQ
Net Sales	57,377	66,786	-14%	52,416	9%
Royalty	8,774	10,722	-18%	7,580	16%
Op. Exp.	14,064	15,132	-7%	13,487	4%
Exploration Exp.	664	1,602	-59%	3,023	-78%
Other Income	2,082	6,489	-68%	4,685	-56%
Other charges	3,016	4,102	-26%	2,113	43%
Tax	10,772	15,172	-29%	8,899	21%
PAT	20,037	22,697	-12%	18,098	11%
EPS (PkR)	7.36	8.34	-12%	6.65	11%
DPS (PkR)	2.00	2.00	-	2.50	-

Source: PSX & AKD Research

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- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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