



PPL 2QFY26 Result Review — Earnings dip on higher opex and normalized taxation charge



AKD Securities Limited

Pakistan Petroleum Limited (PPL) reported 2QFY26 financial results earlier today, with consolidated earnings clocking in at PkR20bn for the second quarter (EPS: PkR7.40), down 26% YoY — slightly below expectations. Alongside the result, company also announced a half-yearly cash dividend of PkR2.0/sh, taking cumulative cash payout to PkR4.0/sh for the first half (payout ratio: 27%).

- Net Sales stood at PkR61.8bn during 2QFY26, up 1%YoY. Regarding hydrocarbon production, PPL's estimated oil and gas output clocked in at 11.1kbpd (up 4%YoY) and 554mmcf/d (down 1%YoY) as per PPIS data.
- Operating expenses for the quarter amounted PkR16.5bn, marking a 32%YoY increase. Additionally, exploration expenses totaled PkR1.4bn for 2Q (down 23%YoY).
- Company's trade receivables ended the period at PkR600bn, up 4%YoY/1% QoQ from PkR576bn in SPLY. Gas revenue collection for 2QFY26 is estimated at 93%, compared to 96% in the corresponding period last year.
- Other income declined to PkR3.7bn, down 57%YoY. The decline is possibly due to lower investment yields alongside reduced cash and short-term investment balances during the outgoing quarter (PkR93.8bn/PkR34 per sh during 2QFY26, down 35%YoY), as company paid off lease extension bonus on Sui D&PL (PkR50bn as of Mar'25) during 4QFY25.
- Effective tax rate for 2QFY26 stood at 37%, compared to 26%/35% in SPLY/1QFY26, respectively.
- We have a 'BUY' stance on PPL with a Dec'26 target price of PkR412/sh, alongside a DY of 4.6% 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, and iii) off-shore working interests in Abu Dhabi Block-5, along with consortium partners and iv) improvement in cash payouts.

PPL: Income Statement

(PKRmn)	2QFY26	2QFY25	YoY	1QFY26	QoQ	1HFY26	1HFY25	YoY
Net Sales	61,753	61,289	1%	57,377	8%	119,130	128,075	-7%
Royalty	9,182	9,194	0%	8,774	5%	17,957	19,916	-10%
Op. Exp.	16,539	12,500	32%	14,064	18%	30,602	27,633	11%
Exploration Exp.	1,385	1,794	-23%	664	109%	2,049	3,396	-40%
Other Income	3,698	8,692	-57%	2,082	78%	5,780	15,182	-62%
Other charges	2,963	2,816	5%	3,016	-2%	5,979	6,919	-14%
Tax	11,906	9,750	22%	10,772	11%	22,677	24,922	-9%
PAT	20,147	27,258	-26%	20,037	1%	40,183	49,954	-20%
EPS (PkR)	7.4	10.0	-26%	7.4	1%	14.8	18.4	-20%
DPS (PkR)	2.0	2.0	-	2.0	-	4.0	4.0	0%

Source: PSX & AKD Research

Muhammad Ali
ali.muhammad@akdsl.com
+92-21-111253111 EXT:637

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- 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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AKD Securities Limited
602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsi.com