



PPL 3QFY26 Result Review — Payout improves despite earnings dip



AKD Securities Limited

Pakistan Petroleum Ltd (PPL) reported its 3QFY26 financial results, wherein company posted consolidated NPAT of Pkr20.6bn (EPS: Pkr7.6), down 6%YoY. The result was below expectations due to higher than anticipated operating expenses. The company also announced an interim cash payout of Pkr2.0/sh, taking 9MFY26 cumulative DPS to Pkr6.0/sh (vs. Pkr5.0/sh in 9MFY25, +20%YoY).

- Net sales clocked in at Pkr61.6bn (-4%YoY/flat QoQ), with the YoY softness led by lower wellhead gas prices despite +3%YoY recovery in Arab Light to US\$80.3/bbl during 3QFY26.
- Company's oil production arrived in at 11.2k bpd (up 7%YoY), while gas production clocked in at 588mmcf (up 2%YoY) as per PPIS convention. Notably, major recoveries in production were witnessed in Sui and Kandhkot gas fields during the period
- Operating expenses remained elevated at Pkr16.5bn (+21%YoY/flat QoQ), while exploration charges also rose by 10%YoY to Pkr2.3bn during the period.
- Other income recovered to Pkr4.4bn (+1%YoY/+18%QoQ), with sequential improvement due to rebound in cash and short term investment balances following the payment of Sui D&PL lease extension bonus payment in SPLY
- Effective tax rate for 3QFY26 stood at 35%, compared to 37%/35% in SPLY/2QFY26, 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, iii) offshore working interests in Abu Dhabi Block-5, along with consortium partners and iv) improvement in cash payouts.

PPL: Income Statement

(PKRmn)	3QFY26	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	YoY
Net Sales	61,584	64,486	-4%	61,753	0%	180,715	192,561	-6%
Royalty	9,767	10,167	-4%	9,182	6%	27,724	30,083	-8%
Op. Exp.	16,473	13,581	21%	16,539	0%	47,075	41,214	14%
Exploration Exp.	2,333	2,126	10%	1,385	68%	4,382	5,521	-21%
Other Income	4,350	4,319	1%	3,698	18%	10,130	19,500	-48%
Other charges	2,908	2,731	6%	2,963	-2%	8,887	9,650	-8%
Tax	11,197	13,098	-15%	11,906	-6%	33,875	38,020	-11%
PAT	20,608	21,897	-6%	20,147	2%	60,791	71,851	-15%
EPS (Pkr)	7.57	8.05	-6%	7.40	2%	22.34	26.41	-15%
DPS (Pkr)	2.00	1.00	100%	2.00	0%	6.00	5.00	20%

Source: PSX & AKD Research

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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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