

## Oil & Gas Exploration Companies

### 2QFY24: Sector Earnings to Augment by 20%/y amid Weaker PKR and Lower Exploration Cost

- IGI E&P universe earnings are expected to augment by +20%/y during 2QFY24 to PKR 97bn compared to PKR 81.1bn in the same period last year. Earnings accretion is expected on the back of a) PKR depreciation, b) lower exploration cost and, c) higher finance income amid rise in interest rates.
- We expect MARI to register earnings of PKR 19.8bn (EPS: PKR 148.2), up by +77%/y. Pakistan Oilfields Limited's (POL) board meeting is scheduled on 05th-Feb-24 to announce 2QFY24 financial results where we estimate the Company to report earnings of PKR 6.86bn (EPS: PKR 24.2) during 2QFY24, up by +15%/y.
- We expect OGDC to post earnings of PKR 46.7bn (EPS: PKR 10.9), up by +12%/y. We estimate PPL to post earnings of PKR 23.67bn (EPS: PKR 8.7) up by +6%/y.

#### E&P Sector: Earnings to improve by +20%/y to PKR 97.0bn during 2QFY24

IGI E&P universe earnings are expected to augment by +20%/y during 2QFY24 to PKR 97bn compared to PKR 81.1bn in the same period last year. Earnings accretion is expected on the back of a) PKR depreciation, b) lower exploration cost and, c) higher finance income amid rise in interest rates. Growth in earnings is likely to be limited by lower oil prices, gas production and absence of hefty exchange gains. On sequential basis, earnings are expected to drop by 10%q/q amid lower oil prices, gas production and higher exploration cost.

Exhibit: E&P sector earnings preview for 2QFY24								
Period end = Jun								
EPS	2q'24e	1q'24	q/q	2q'23	y/y	1HFY24e	1HFY23	y/y
PPL	8.7	10.9	-20%	8.2	6%	19.6	18.0	9%
MARI	148.2	143.5	3%	83.6	77%	291.7	178.9	63%
OGDC	10.9	11.4	-5%	9.7	12%	22.3	22.1	1%
POL	24.2	34.2	-29%	21.0	15%	58.4	50.6	15%
<b>Total (PKRbn)</b>	<b>97.0</b>	<b>107.5</b>	<b>-10%</b>	<b>81.1</b>	<b>20%</b>	<b>204.6</b>	<b>182.2</b>	<b>12%</b>
DPS	2q'24e	1q'24	q/q	2q'23	y/y	1HFY24e	1HFY23	y/y
PPL	1.0	0.0		1.0		1.0	1.0	
MARI	100.0	0.0		89.0		100.0	89.0	
OGDC	2.5	1.6		2.3		4.1	4.0	
POL	25.0	0.0		20.0		25.0	20.0	

Source: Company Financials, IGI Research

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### MARI: Earnings to appreciate by +77%/y/y to PKR 148.2/share during 2QFY24e

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 29<sup>th</sup>-Jan-2024 to announce 2QFY24 financial results where we expect the Company to register earnings of PKR 19.8bn (EPS: PKR 148.2), up by +77%/y/y during 2QFY24 compared to PKR 11.1bn (EPS: PKR 83.6) in the same period last year. On quarterly basis, earnings are estimated to decline by 5%q/q. We attribute this incline in earnings on yearly basis during 2QFY24 to a) PKR depreciation, b) higher gas production from Mari field and, c) higher finance income. However, lower oil prices, higher tax rate and elevated operating costs are likely to keep earnings growth restricted. We expect the Company to announce cash dividend of PKR 100/share along with the result.

### POL: Earnings to improve by +15%/y/y during 2QFY24e to PKR 24.2/share

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 05<sup>th</sup>-Feb-24 to announce 2QFY24 financial results where we estimate the Company to report earnings of PKR 6.86bn (EPS: PKR 24.2) during 2QFY24, up by +15%/y/y, compared to PKR 5.95bn (EPS: PKR 21.0) in the same period last year. On a quarterly basis, earnings are expected to decline by 29%q/q. We attribute this yearly growth in earnings during 2QFY24 to a) PKR depreciation, b) lower exploration cost and, c) higher finance income. However, lower oil prices, exchange gains and oil/gas/LPG production is likely to limit earnings growth during 2QFY24. We expect the Company to announce cash dividend of PKR 25.0/share along with the result

### OGDC: Profitability to rise by +12%/y/y to PKR 10.9/share during 2QFY24e

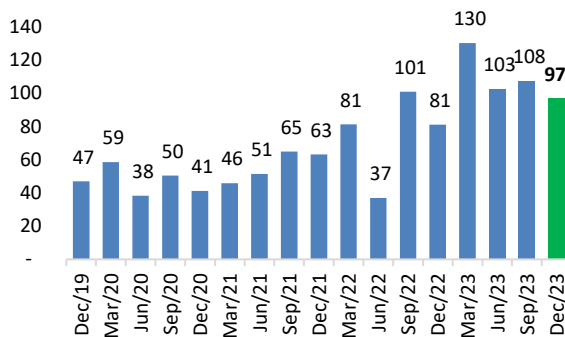
We expect Oil & Gas Development Company Limited (OGDC) to post earnings of PKR 46.7bn (EPS: PKR 10.9), up by +12%/y/y, during 2QFY24 compared to PKR 41.7bn (EPS: PKR 9.7) in the same period last year. On sequential basis, earnings are expected to decline by 5%q/q primarily due to higher exploration cost and lower gas production. We attribute this yearly growth in earnings during 2QFY24 to a) PKR depreciation, b) higher wellhead gas prices, c) lower exploration cost amid no dry well and, d) higher share of profit from MARI. However, lower gas production and absence of hefty exchange gains are likely to restrict earnings growth during 2QFY24. We expect the Company to announce cash dividend of PKR 2.5/share along with the result.

**PPL: Earnings to increase by 6%/y to PKR 8.7/share during 2QFY24**

We estimate Pakistan Petroleum Limited (PPL) to post earnings of PKR 23.67bn (EPS: PKR 8.7) up by +6%/y during 2QFY24 compared to PKR 22.32bn (EPS: PKR 8.2) in the same period last year. On a quarterly basis, earnings are expected to decline by 20%q/q likely on the back of lower gas production and higher exploration cost owing to one dry well cost incurred. We attribute this growth in earnings on yearly basis during 2QFY24 to a) PKR depreciation, b) lower oil & gas production, c) higher exploration cost and, d) absence of hefty exchange gains. We expect the Company to announce cash dividend of PKR 1.0/share along with the result

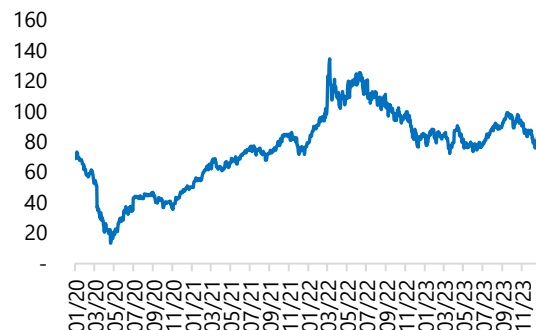
**Exhibit: E&P sector quarterly earnings (PKRbn)**

E&P sector earnings to increase on the back of PKR depreciation and higher finance income despite lower oil prices.



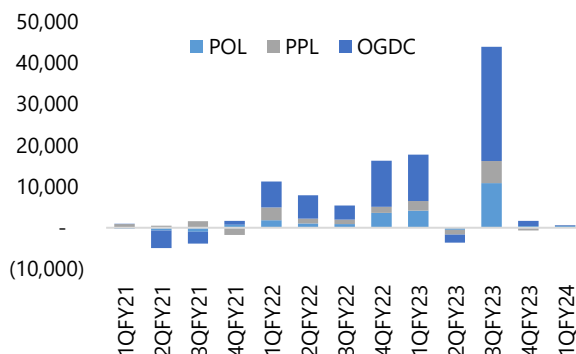
**Exhibit: International oil prices (USD/bbl)**

Oil prices on average declined by 3%/y and 3%q/q.



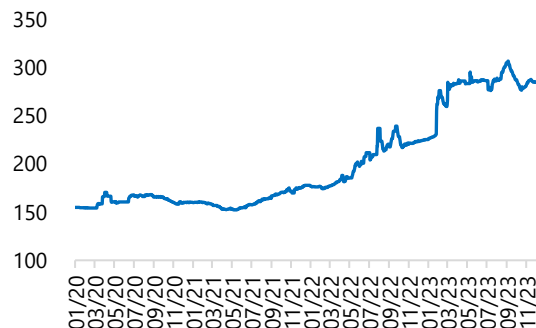
**Exhibit: Quarter-wise exchange gains/(losses) (PKRmn)**

E&P sector witnessed marginal exchange gains during 1QFY24 as PKR remained stable on closing basis.



**Exhibit: PKR had one of the roughest year**

PKR depreciated by almost 32%/y on average during 1QFY24.



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