

Oil & Gas Exploration Companies

PKR Depreciation and Higher Finance Income to Lift 1QFY24 Earnings by +6%/y

- IGI E&P universe earnings are expected to augment by +6%/y during 1QFY24 to PKR 106.6bn compared to PKR 101.0bn in the same period last year. Earnings accretion is expected on the back of a) higher oil /gas revenue amid PKR depreciation and, b) higher finance income amid rise in interest rates.
- We expect MARI to register earnings of PKR 20.02bn (EPS: PKR 150.0), up by +57%/y. POL's board meeting is scheduled on 09th-Oct-23 to announce 1QFY24 financial results where we estimate the Company to report earnings of PKR 9.20bn (EPS: PKR 32.4) during 1QFY24, up by +10%/y.
- We expect OGDC to post earnings of PKR 54.2bn (EPS: PKR 12.6), up by +2%/y. We estimate PPL to post earnings of PKR 23.18bn (EPS: PKR 8.5) down by 13%/y.

E&P Sector: Earnings to improve by +6%/y to PKR 106.6bn during 1QFY24

IGI E&P universe earnings are expected to augment by +6%/y during 1QFY24 to PKR 106.6bn compared to PKR 101.0bn in the same period last year. Earnings accretion is expected on the back of a) higher oil and gas revenue amid PKR depreciation and, b) higher finance income amid rise in interest rates. Growth in earnings is likely to be limited by lower oil prices, oil & gas production and absence of hefty exchange gains. On sequential basis, earnings are expected to increase by +4%q/q in the amid PKR depreciation, higher oil prices and lower tax despite lower gas production, Drop in sector profitability is also attributable to OGDC's one-off gain on lease modification post extension in Jun-23.

Exhibit: E&P sector profit after tax preview for 1qFY24

Period end = Jun

EPS (PKR)	1QFY24E	y/y	q/q
PPL	8.5	-13%	44%
MARI	150.0	57%	26%
OGDC	12.6	2%	-17%
POL	32.4	10%	57%
E&P Sector total (in PKRbn)	106.6	6%	4%
DPS (PKR)	1QFY24E		
PPL	-		
MARI	-		
OGDC	2.0		
POL	-		

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MARI: Earnings to appreciate by +57%/y/y to PKR 150.0/share during 1QFY24e

We expect Mari Petroleum Company Limited to register earnings of PKR 20.02bn (EPS: PKR 150.0), up by +57%/y/y during 1QFY24 compared to PKR 12.72bn (EPS: PKR 95.3) in the same period last year. On quarterly basis, earnings are estimated to increase by +26%/q/q. We attribute this incline in earnings on yearly basis during 1QFY24 to a) PKR depreciation, b) higher gas production from Mari field and, c) higher finance income. However, lower oil prices and higher exploration cost are likely to keep earnings growth restricted.

POL: Earnings to improve by +10%/y/y during 1QFY24e to PKR 32.4/share

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 09th-Oct-23 to announce 1QFY24 financial results where we estimate the Company to report earnings of PKR 9.20bn (EPS: PKR 32.4) during 1QFY24, up by +10%/y/y, compared to PKR 8.40bn (EPS: PKR 29.6) in the same period last year. On a quarterly basis, earnings are expected to augment by +57%/q/q. We attribute this yearly growth in earnings during 1QFY24 to a) PKR depreciation, b) lower exploration cost and, c) higher finance income. However, lower oil prices, exchange gains and oil/gas production is likely to limit earnings growth during 1QFY24.

OGDC: Profitability to rise by +2%/y/y to PKR 12.6/share during 1QFY24e

We expect Oil & Gas Development Company Limited (OGDC) to post earnings of PKR 54.2bn (EPS: PKR 12.6), up by +2%/y/y, during 1QFY24 compared to PKR 53.30bn (EPS: PKR 12.4) in the same period last year. On sequential basis, earnings are expected to decline by 17%/q/q primarily due to one off gain on lease modification post extension in Jun-23. We attribute this yearly growth in earnings during 1QFY24 to a) PKR depreciation, b) higher finance income due to rise in interest rates, c) higher oil/gas production and, d) higher share of profit from MARI. However, higher exploration cost and absence of hefty exchange gains are likely to restrict earnings growth during 1QFY24. We expect the Company to announce cash dividend of PKR 2/share along with the result.

PPL: Earnings to drop by 13%/y/y to PKR 8.5/share during 1QFY24

We estimate Pakistan Petroleum Limited (PPL) to post earnings of PKR 23.18bn (EPS: PKR 8.5) down by 13%/y/y during 1QFY24 compared to PKR 26.61bn (EPS: PKR 9.8) in the same period last year. On a quarterly basis, earnings are expected to improve by +44%/q/q likely on the back of lower tax, higher finance income and marginal exchange gains. We attribute this

decline in earnings on yearly basis during 1QFY24 to a) lower oil prices, b) lower oil & gas production, c) higher exploration cost and, d) absence of hefty exchange gains. However, PKR depreciation is likely to limit earnings decline during 1QFY24.

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.

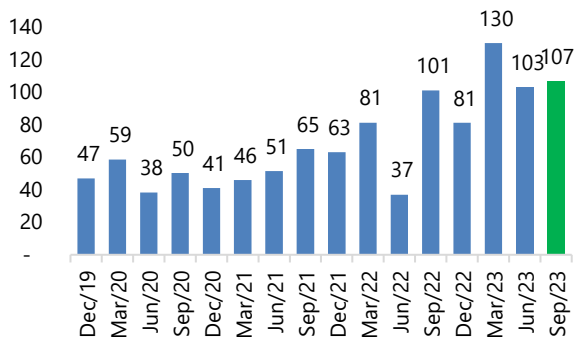


Exhibit: International oil prices (USD/bbl)

Oil prices declined by 15%/y and up by +12%/q/q.



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

E&P sector witnessed marginal exchange gains during 4QFY23.

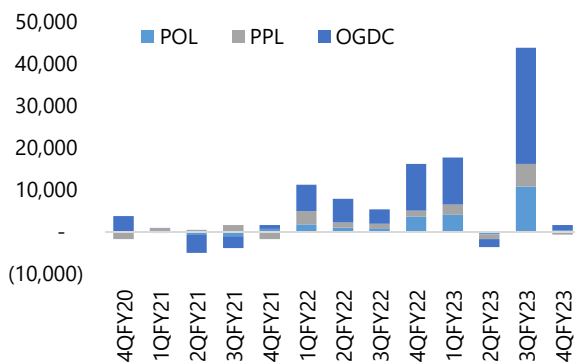
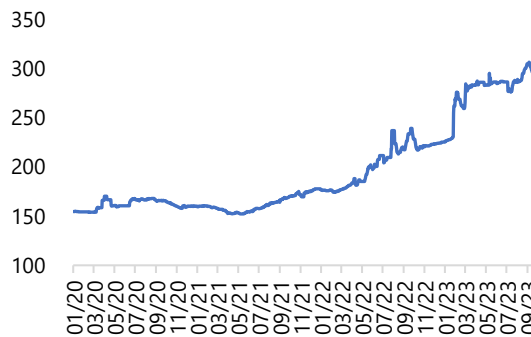


Exhibit: PKR had one of the roughest year

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



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