

Oil & Gas Exploration Companies

PKR Depreciation and Lower Exploration Cost to Lift 4QFY23 Earnings by +109%/y

- IGI E&P universe earnings are expected to augment by +109%/y during 4QFY23 to PKR 77.5bn compared to PKR 37.0bn in the same period last year. Earnings accretion is expected on the back of a) higher wellhead prices amid PKR depreciation and, b) lower exploration cost.
- MARI board meeting is scheduled on 08th-Aug-23 to announce 4QFY23 financial results where we expect the Company to register earnings of PKR 14.7bn (EPS: PKR 110.1), up by +162%/y. We estimate POL's to report earnings of PKR 6.38bn (EPS: PKR 22.5) during 4QFY23, down by 24%/y.
- We expect OGDC to post earnings of PKR 35.18bn (EPS: PKR 8.2), up by +62%/y. We estimate PPL to post earnings of PKR 21.22bn (EPS: PKR 7.8) up by +16.4xy/y during 4QFY23.

E&P Sector: Earnings to improve by +109%/y to PKR 77.5bn during 4QFY23

IGI E&P universe earnings are expected to augment by +109%/y during 4QFY23 to PKR 77.5bn compared to PKR 37.0bn in the same period last year. Earnings accretion is expected on the back of a) higher wellhead prices amid PKR depreciation and, b) lower exploration cost. 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 drop by 40%q/q in the absence of exchange gains and lower oil prices.

Exhibit: E&P sector profit after tax preview for 4qFY23						
Period end = Jun						
EPS (PKR)	4QFY23E	y/y	q/q	FY23E	y/y	
PPL	7.8	16.4x	-36%	27.8	97%	
MARI	110.1	162%	-11%	306.1	100%	
OGDC	8.2	62%	-46%	34.8	74%	
POL	22.5	-24%	-61%	82.2	111%	
E&P Sector total (in PKRbn)	77.5	109%	-40%	289.7	86%	
DPS (PKR)	4QFY23E			FY23E		
PPL	2.0			3.0		
MARI	115.0			204.0		
OGDC	3.0			8.8		
POL	70.0			90.0		

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MARI: Earnings to appreciate by +162%/y/y to PKR 110.1/share during 4QFY23

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 08th-Aug-23 to announce 4QFY23 financial results where we expect the Company to register earnings of PKR 14.7bn (EPS: PKR 110.1), up by +162%/y/y during 4QFY23 compared to PKR 5.6bn (EPS: PKR 42.0) in the same period last year. On quarterly basis, earnings are estimated to drop by 11%q/q. We attribute this incline in earnings on yearly basis during 4QFY23 to a) PKR depreciation, b) higher oil production and, c) lower exploration cost. However, lower oil prices are likely to keep earnings growth restricted. This brings FY23 profitability to PKR 54.98bn (EPS PKR 412.1) up by +100%/y/y. We expect the Company to announce cash dividend of PKR 115/share along with the result bringing total cash payout for FY23 to PKR 204/share.

POL: Earnings to decline by 24%/y/y during 4QFY23e to PKR 22.5/share

We estimate Pakistan Oilfields Limited's (POL) to report earnings of PKR 6.38bn (EPS: PKR 22.5) during 4QFY23, down by 24%/y/y, compared to PKR 8.44bn (EPS: PKR 29.7) in the same period last year. On a quarterly basis earnings are expected to drop by 61%q/q. We attribute this yearly decline in earnings during 4QFY23 to a) lower oil prices, b) absence of exchange gains and, c) decline in oil and gas production. However, PKR depreciation and lower exploration cost is likely to limit earnings decline during 4QFY23. This brings FY23 profitability to PKR 36.97bn (EPS PKR 130.2) up by +111%/y/y. We expect the Company to announce cash dividend of PKR 70.0/share along with the result bringing total cash payout for FY23 to PKR 90.0/share.

OGDC: Profitability to rise by +62%/y/y to PKR 8.2/share during 4QFY23

We expect Oil & Gas Development Company Limited (OGDC) to post earnings of PKR 35.18bn (EPS: PKR 8.2), up by +62%/y/y, during 4QFY23 compared to PKR 21.74bn (EPS: PKR 5.1) in the same period last year. On sequential basis, earnings are expected to decline by 46%q/q primarily due to lower oil prices and absence of exchange gains. We attribute this yearly growth in earnings during 4QFY23 to a) PKR depreciation and, b) lower exploration cost. However, lower oil & gas production and absence of hefty exchange gains are likely to restrict earnings growth during 4QFY23. This brings FY23 profitability to PKR 194.82bn (EPS PKR 45.3) up by +74%/y/y. We expect the Company to announce cash dividend of PKR

3.0/share along with the result bringing total cash payout for FY23 to PKR 8.8/share.

PPL: Earnings to increase by +16.4xy/y to PKR 7.8/share during 4QFY23

We estimate Pakistan Petroleum Limited (PPL) to post earnings of PKR 21.22bn (EPS: PKR 7.8) up by +16.4xy/y during 4QFY23 compared to PKR 1.22bn (EPS: PKR 0.4) in the same period last year. On a quarterly basis, earnings are expected to decline by 36%q/q. We attribute this growth in earnings on yearly basis during 4QFY23 to a) PKR depreciation, b) higher oil & gas production and, c) substantial drop in exploration cost amid no dry well. However, lower oil prices and absence of exchange gains are likely to limit earnings growth during 4QFY23. This brings FY23 profitability to PKR 103.05bn (EPS PKR 37.9) up by +97%/y. We expect the Company to announce cash dividend of PKR 2.0/share along with the result bringing total cash payout for FY23 to PKR 3.0/share.

Exhibit: E&P sector quarterly earnings (PKRbn)

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

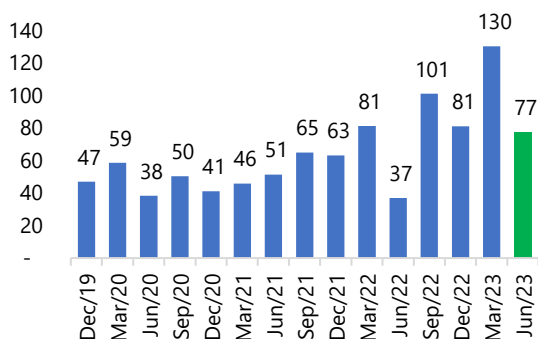


Exhibit: International oil prices (USD/bbl)

Oil prices declined by 30%/y and 3%/q/q.



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

E&P sector witnessed highest ever exchange gains during 3QFY23.

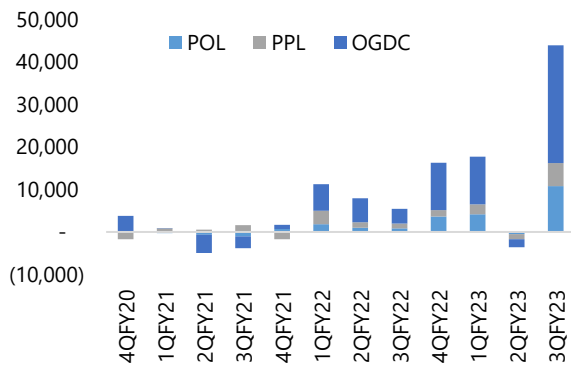


Exhibit: PKR had one of the roughest year

PKR depreciated by almost 47%/y on average during 4QFY23.



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