

# Day Break

Thursday, 18 April 2019

## COMPANY UPDATE

### Mari Petroleum Company Limited

Oil & Gas Exploration Companies

<b>Recommendation</b>	<b>BUY</b>		
Target Price:	31-Dec-19	1,840.5	
Last Closing:	17-Apr-19	1,194.2	
Upside:		54.1	
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)		
Time Horizon:		8M	

### Market Data

Bloomberg Tkr.	MARI PA		
Shares (mn)	121.3		
Free Float Shares (mn)	24.3		
Free Float Shares (%)	20.0%		
Market Cap (PKRbn   USDmn)	144.8	1,022.1	
Exchange	KSE ALL		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	(6.3)	(13.5)	(8.3)
Lo	1,222.1	1,222.1	1,222.1
Hi	1,389.2	1,487.9	1,487.9

### Key Company Financials

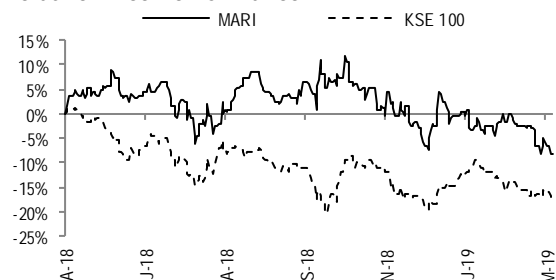
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	40.7	59.1	71.7	73.0
Net Income	15.4	22.9	30.2	30.7
EPS (PKR)	126.8	188.7	249.0	253.1
DPS (PKR)	6.0	6.2	6.7	6.7
Total Assets	81	144	173	204
Total Equity	40	62	92	122

### Key Financial Ratios

ROE (%)	38.3	36.7	32.9	25.2
P/E (x)	9.4	6.3	4.8	4.7
P/B (x)	24.7	3.6	2.3	1.6
DY (%)	0.5	0.5	0.6	0.6

### Relative Price Performance



### About the Company

The Company is a public limited company incorporated in Pakistan in 1984. The principal activity of the company exploration, production and sale of hydro carbons. The company was listed on all stock exchanges in Pakistan when GoP divested 50% of its stake to Fauji Foundation.

Source: Bloomberg, PSX & IGI Research

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## Oil & Gas Exploration Companies

### MARI: Earning to lift by +30%YoY in 3QFY19 as Mari field reaches 100% wellhead gas price

- Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 19<sup>th</sup> Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 5.18bn (EPS PKR 42.68), up by +30%YoY,
- We estimate incline in earnings on the back a) stable oil prices, b) 25%YoY depreciation of PKR against greenback and, c) elimination of wellhead gas price discount to reach 100% of price from Jan19,
- This will bring total 9MFY19 profitability to PKR 16.23bn (EPS PKR 133.86) up by +51%YoY compared to PKR 10.78bn (EPS PKR 88.92) in the same period last year,
- We recommend a 'BUY' stance on MARI with our Dec-19 target price of PKR 1,840.5/share offering 54% upside from last close.

### Earnings to clock in at PKR 42.68/share for 3QFY19, up by +30%YoY

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 19<sup>th</sup> Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 5.18bn (EPS PKR 42.68), up by +30%YoY, compared to PKR 4.0bn (EPS PKR 32.73) in the same period last year. We estimate incline in earnings on the back a) stable oil prices, b) 25%YoY depreciation of PKR against greenback and, c) elimination of wellhead gas price discount to reach 100% of price from Jan19. However lower gas production from Mari field due to plant closures and higher exploration cost would keep earnings growth limited. This will bring total 9MFY19 profitability to PKR 16.23bn (EPS PKR 133.86) up by +51%YoY compared to PKR 10.78bn (EPS PKR 88.92) in the same period last year.

On quarterly basis, earnings are expected to drop by 13%QoQ on the back of lower gas flows from Mari field which are down by 11%QoQ and oil production remained stagnant during 3QFY19. We expect exploration cost to remain on the flat owing to no dry well cost.

Exhibit:

### Financial Highlights

PKRmn	3QFY19E	3QFY18	YoY	9MFY19E	9MFY18	YoY
Net Sales	12,516	10,575	18%	41,503	28,592	45%
Operating Expense	2,689	2,326	16%	8,345	6,988	19%
Exploration Expense	842	282	199%	3,489	1,637	113%
Gross Profit	6,875	6,208	11%	22,674	15,258	49%
EBIT	7,068	5,939	19%	23,238	15,297	52%
Finance Income	294	185	59%	898	489	84%
Finance Cost	145	177	-19%	483	786	-39%
PBT	7,218	5,947	21%	23,653	15,000	58%
PAT	5,176	3,969	30%	16,234	10,784	51%
EPS (PKR)	42.68	32.73		133.86	88.92	
DPS (PKR)	-	-		4.00	3.50	

Source: IGI Research and Company Financials

No of Shares: 121.28mn

### Recommendation

We recommend a 'BUY' stance on MARI with our Dec-19 target price of PKR 1,840.5/share offering 54% upside from last close. The company is currently trading at FY19/20 P/E of 6.3/4.8x.

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