

Day Break

Friday, 24 April 2020



COMPANY UPDATE

Mari Petroleum Company Limited

Oil & Gas Exploration Companies

Recommendation	BUY
Target Price: Dec/20	1,609.2
Last Closing: 23-Apr-20	1,080.8
Upside (%):	48.9
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)
Time Horizon:	8M

Market Data

Bloomberg Tkr.	MARI PA
Shares (mn)	133.4
Free Float Shares (mn)	26.7
Free Float Shares (%)	20.0%
Market Cap (PKRbn USDmn)	144.2 934.2
Exchange	KSE 100
Price Info.	90D 06M 12M
Abs. Return (24.3)	5.6 (7.5)
Lo 831.0	831.0 830.0
Hi 1,454.5	1,454.5 1,454.5

Key Company Financials

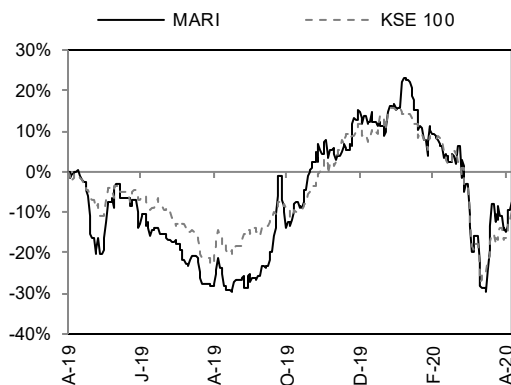
Period End: Jun

PKRbn	2019e	2020f	2021f	2022f
Total Revenue	59.4	63.9	60.0	64.3
Net Income	24.3	27.4	24.4	26.7
EPS (PKR)	182.4	205.1	182.9	200.1
DPS (PKR)	6.0	6.0	6.0	6.0
Total Assets	220.1	237.4	234.7	229.4
Total Equity	63.6	91.5	115.1	141.0

Key Financial Ratios

ROE (%)	46.8	46.9	35.3	23.6
P/E (x)	5.9	5.3	5.9	5.4
P/B (x)	3.6	2.3	1.6	1.3
DY (%)	0.6	0.6	0.6	0.6

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Oil & Gas Exploration Companies

MARI: Higher gas production and weaker PKR to lift 3QFY20 EPS to PKR 58.03 up by +35%YoY

- ✓ Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 28th Apr-20 to announce financial result for 3QFY20, where we expect the company to post earnings of PKR 7.74bn (EPS PKR 58.03), up by +35%YoY,
- ✓ We estimate incline in earnings on the back a) 11%YoY PKR depreciation despite 15%YoY drop in oil prices, b) higher gas production from Mari field and, c) higher other income amid elevated mark-up income,
- ✓ On quarterly basis, earnings are expected to increase by +6%QoQ on the back of higher gas production despite 11%QoQ drop in oil prices and average exchange rate appreciation by 1%QoQ,
- ✓ We recommend a 'BUY' stance on MARI with our Dec-20 target price of PKR 1,609/share offering 49% upside from last close. The company is currently trading at FY21 P/E of 5.9x.

Earnings to clock in at PKR 58.03/share for 3QFY20, up by +35%YoY

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 28th Apr-20 to announce financial result for 3QFY20, where we expect the company to post earnings of PKR 7.74bn (EPS PKR 58.03), up by +35%YoY, compared to PKR 5.75bn (EPS PKR 43.11) in the same period last year. We estimate incline in earnings on the back a) 11%YoY PKR depreciation despite 15%YoY drop in oil prices, b) higher gas production from Mari field and, c) higher other income amid elevated mark-up income. Exploration cost is expected to rise by +89%YoY likely due to higher seismic data acquisition with no dry well cost incurred. This brings total profitability for 9MFY20E to PKR 22.49bn (EPS PKR 168.59) compared to PKR 16.81 (EPS PKR 126.0) in the same period last year.

Higher gas production to lift EPS on quarterly basis despite lower oil prices

On quarterly basis, earnings are expected to increase by +6%QoQ on the back of higher gas production despite 11%QoQ drop in oil prices and average exchange rate appreciation by 1%QoQ.

Exhibit: MARI Financial Highlights

PKRmn	3QFY20E	3QFY19	YoY	9MFY20E	9MFY19	YoY
Net Sales	16,965	14,521	17%	51,516	43,507	18%
Royalty	2,162	1,837	18%	6,516	5,522	18%
Operating Expense	2,945	3,329	-12%	9,358	8,985	4%
Exploration Cost	1,754	927	89%	5,265	3,527	49%
Gross Profit	9,409	7,889	19%	28,164	23,734	19%
EBIT	9,796	7,585	29%	28,713	23,755	21%
Finance Income	1,334	539	148%	3,896	1,282	204%
Finance Cost	239	159	51%	731	636	15%
PBT	10,891	7,965	37%	31,878	24,400	31%
PAT	7,742	5,751	35%	22,490	16,809	34%
EPS (PKR)	58.03	43.11		168.59	126.00	
DPS (PKR)	-	-		4.10	4.00	

Source: IGI Research and Company Financials No of Shares: 133.40mn

Gas production up by +8%YoY while oil production remained flat during 3QFY20

Total gas production for the Company increased by +8%YoY on the back of higher production from Mari field. This brings total gas production for 9MFY20 to 686mmcf down by 2%YoY. Oil production remained flat on account of lower production from Halini and Halini Deep which was compensated by commencement of production from Dharian field. This brings total oil production to 1,082bopd down by 3%YoY for 9MFY20.

Exhibit: MARI oil production (bopd)

Oil production remained flat due to inclusion of Dharian field

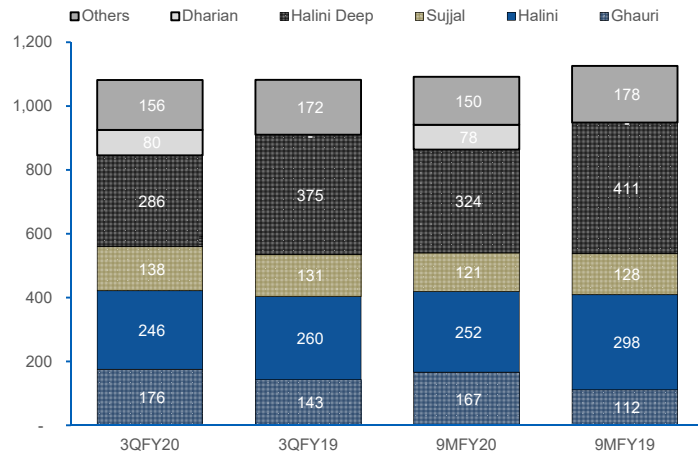
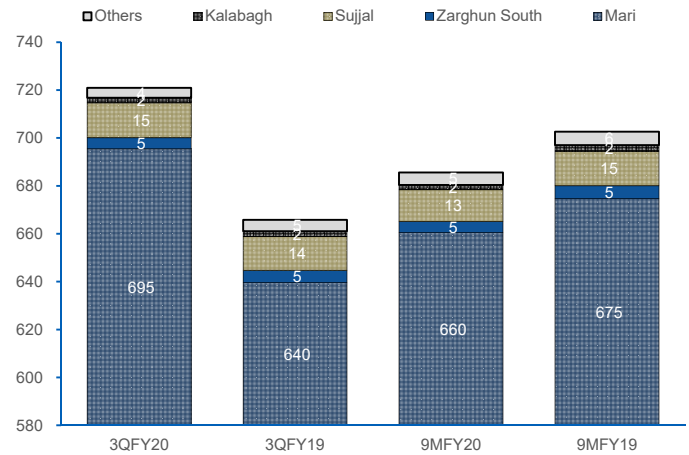


Exhibit: MARI gas production (mmcf)

Gas production increased owing to higher production from Mari gas field



Recommendation

We recommend a ‘BUY’ stance on MARI with our Dec-20 target price of PKR 1,609/share offering 49% upside from last close. The company is currently trading at FY21 P/E of 5.9x.