

# Flash Note

Monday, 19 April 2021

Oil & Gas - Exploration Companies

## Mari Petroleum Company Limited (MARI)

### Lower revenue and finance income drags 3QFY21 EPS by 18%YoY to PKR 52.14; DPS PKR 60.0

- Mari Petroleum Company Limited (MARI) announced its financial results for 3QFY21 with earnings clocking in at PKR 6.96bn (EPS PKR 54.12) as compared to PKR 8.48bn (EPS PKR 63.54) in the same period last year, down by 18%y/y. On a sequential basis, earnings are down by 5%q/q. This brings total earnings for 9MFY21 to PKR 23.36bn (EPS PKR 175.08) up by +1% YoY, against PKR 23.23bn (EPS PKR 174.09).
- The Company announced surprise cash dividend of PKR 60/share along with the result bringing total cash payout to PKR 66/share for 9MFY21. To note, in Feb-21 ECC approved removal of dividend cap for MARI w.e.f. 1<sup>st</sup>-Jul-2020, which was executed as an amendment to Mari Wellhead Gas Price Agreement 2015 on 17<sup>th</sup>-Apr-21.
- We attribute this decline in earnings during 3QFY21 to a) drop in total revenues, b) decline in finance and other income and, c) higher effective tax rate. However, earnings decline was limited by lower exploration cost on account of no dry well cost reported during the quarter
- **Net Revenues** declined by 15%y/y to PKR 16.12bn during 3QFY21, likely on the back of lower gas prices for Mari field and other gas fields w.e.f. from Jan-Jun'2021 despite incline in oil prices and relatively flat gas production. Moreover, OGRA notified wellhead gas price for Zarghun South from 1<sup>st</sup>-Jul-21 and as a result MARI may have recorded the adjustment of difference between provisional and actual price notified, however, we await detail accounts for further clarity in this regard.
- **Exploration expense** plummeted by 57%y/y to PKR 0.95bn during 3QFY21 compared to PKR 2.23bn in the corresponding period last year likely owing no dry well cost incurred during the quarter along with lower seismic activity.
- The Company reported **other income** of PKR 5mn for 3QFY21 compared to PKR 0.24bn in the same period last year likely owing to lower income from Mari Seismic Unit and lower rig income.
- **Finance income** dropped by 37% YoY to PKR 0.85bn during 3QFY21 against PKR 1.34bn in the corresponding period last year likely owing to lower markup income on deposits and exchange losses recorded during the quarter.
- **Effective tax rate** stood at 27.7% during 3QFY21 (2QFY21: 29.3%) as against 26.4% in the same period last year bringing total effective tax rate to 29.0% for 9MFY21 compared to 28.5% in the similar period last year.

#### Exhibit: MARI Financial Highlights

PKRmn	3QFY21	3QFY20	YoY	2QFY21	QoQ	9MFY21	9MFY20	YoY
Net Sales	16,122	18,978	-15%	18,847	-14%	55,342	53,514	3%
Royalty	2,019	2,387	-15%	2,361	-14%	6,920	6,742	3%
Operating Expense	3,483	3,425	2%	4,141	-16%	10,647	9,824	8%
Exploration Expense	947	2,227	-57%	1,807	-48%	3,974	5,739	-31%
Gross Profit	8,994	10,180	-12%	9,795	-8%	31,470	28,935	9%
Other Income	5	239	-98%	(3)	-272%	(505)	400	-226%
EBIT	8,999	10,419	-14%	9,792	-8%	30,965	29,335	6%
Finance Income	847	1,340	-37%	813	4%	2,597	3,902	-33%
Finance Cost	225	243	-7%	225	0%	675	735	-8%
PBT	9,621	11,516	-16%	10,380	-7%	32,887	32,502	1%
PAT	6,955	8,477	-18%	7,335	-5%	23,356	23,225	1%
EPS (PKR)	52.14	63.54		54.98		175.08	174.09	
DPS (PKR)	60.00	-		6.00		66.00	4.10	

Source: IGI Research and Company Financials

No of Shares: 133.40mn

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