

# Flash Note

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Securities

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## Oil & Gas - Exploration Companies

### Mari Petroleum Company Limited (MARI)

#### Revenue growth on account of higher wellhead gas price for Mari field and PKR depreciation lifts 2QFY20 EPS to PKR 54.61

- Mari Petroleum Company Limited (MARI) announced its financial results for 2QFY20 with earnings clocking in at PKR 7.29bn (EPS PKR 54.61) as compared to PKR 5.92bn (EPS PKR 44.35) in the same period last year, up by +23% YoY. On a sequential basis, earnings are down by mere 2% QoQ. This brings total profitability for 1HFY20 to PKR 14.75bn (EPS PKR 110.55) up by +33% YoY compared to PKR 11.06bn (EPS PKR 82.89) in the similar period last year.
- The Company announced cash dividend of PKR 4.10/share along with the result.
- We attribute this substantial growth in earnings during 2QFY20 due to a) 100% of total wellhead gas price for Mari field compared to 93.3% in 2QFY19, b) PKR depreciation of 16% YoY and, c) higher availability of incremental production priced under Petroleum Policy 2012 (PP12) due to lower benchmark of 477.5mmcf/d for HRL reserve during closure of customers plant.
- Net Revenues increased by +14% YoY to PKR 16.70bn during 2QFY20, likely on the back of higher gas price owing to unwinding of discounts for Mari gas field (HRL reserve) and PKR depreciation despite lower 13% YoY drop in gas flows. Furthermore, despite 13% YoY drop in production from Mari field, Mari was able to avail higher incremental production which is priced under PP12 as benchmark is lowered to 477.5mmcf/d during customer plant closure in our view. To note Mari recorded 98% availability of incremental production priced under PP12 in 1QFY20 with total production priced at PP12 pricing coming at 9,483mmcf/d.
- Operating costs increased by +9% YoY to PKR 3.16bn during 2QFY20 as against PKR 2.89bn in the same period last year.
- Exploration expense surged by +59% YoY to PKR 1.47bn during 2QFY20 compared to PKR 0.92bn (restated) in the corresponding period last year likely owing to higher prospecting expense incurred with respect to seismic data acquired in Bannu West, Kalchas and Block-28. There was no dry well reported during the quarter.
- Finance income increased by +2.9x YoY to PKR 1.38bn during 2QFY20 likely owing to rise in interest rates and higher income on short term investments as short term investments (local bank term deposits) have further increased by +78% YoY (+5% QoQ) in 1QFY20.
- Effective tax rate stood at 29.1% during 2QFY20 as against 32.3% in the same period last year (1QFY20: 30.3%), bringing total effective tax rate for 1HFY20 to 29.7% compared to 32.7% in the corresponding period last year.

#### Exhibit: MARI Financial Highlights

PKRmn	2QFY20	2QFY19	YoY	1QFY20	QoQ	1HFY20	1HFY19	YoY
Net Sales	16,702	14,646	14%	17,849	-6%	34,551	28,987	19%
Royalty	2,098	1,857	13%	2,256	-7%	4,354	3,685	18%
Operating Expense	3,158	2,889	9%	3,255	-3%	6,412	5,657	13%
Exploration Expense	1,469	924	59%	2,043	-28%	3,512	2,600	35%
Gross Profit	9,270	8,363	11%	9,486	-2%	18,755	15,845	18%
Other Income	(128)	86	n/m	289	n/m	161	325	-50%
EBIT	9,142	8,449	8%	9,775	-6%	18,916	16,170	17%
Finance Income	1,379	475	190%	1,183	17%	2,562	743	245%
Finance Cost	243	190	28%	248	-2%	492	478	3%
PBT	10,278	8,734	18%	10,709	-4%	20,987	16,435	28%
PAT	7,285	5,916	23%	7,463	-2%	14,748	11,058	33%
EPS (PKR)	54.61	44.35		55.94		110.55	82.89	
DPS (PKR)	4.10	4.00		-		4.10	4.00	

Source: IGI Research and Company Financials

No of Shares: 133.40mn

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IGI Finex Securities Limited

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Research Identity Number: BRP009

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