

Flash Note

Tuesday, 25 April 2017

Oil & Gas – Exploration Companies

MARI: Earnings reported at PKR 15.37/share in 3QFY17, down by 8%YoY

- Mari Petroleum Company Limited (MARI) announced financial results for 3QFY17 with earnings clocking in at PKR 1.69bn (EPS PKR 15.37) down by 8%YoY as compared to PKR 1.84bn (EPS PKR 16.66) in the same period last year.
- Cumulative earnings for 9MFY17 stand at PKR 6.31bn (EPS PKR 57.21) as compared to PKR 3.89bn (EPS PKR 35.29) in the corresponding period last year.
- Revenues for 3QFY17 increased by +17%YoY to PKR 6.81bn as compared to PKR 5.82bn in the same period last year, likely on the back of higher production from Mari field and unwinding of discount on wellhead gas price for Mari field.
- Operating cost increased by +12%YoY to PKR 1.62bn in 3QFY17 as compared to PKR 1.45bn recorded the corresponding period last year.
- Exploration cost declined by 7%YoY to PKR 1.67bn during 3QFY17, however on quarterly basis increased by +3.9xQoQ likely owing to dry well cost incurred at Sujawal Deep-1.
- The company booked in other expense of PKR 302mn during 3QFY17 as compared to other income of PKR 333mn in the same period last year likely in the absence of income from Mari Seismic Unit.
- Effective tax rate stood at 17.4% in 3QFY17 as compared to a tax benefit availed (5% of profit before tax) in the same period last year.

Recommendation

We maintain our **“BUY”** call on MARI with our Dec-17 target price of PKR 2,118/share, offering +32% upside from its last closing. The company is currently trading at a FY17E P/E of 17.7x.

Exhibit:

Financial Highlights

PKRmn	3QFY17	3QFY16	YoY	9MFY17	9MFY16	YoY
Net Sales	6,806	5,818	17%	19,866	15,445	29%
Royalty	894	727	23%	2,528	1,956	29%
Operating Exp	1,615	1,445	12%	5,118	4,170	23%
Exploration Exp	1,667	1,799	-7%	2,565	5,143	-50%
Gross Profit	2,496	1,718	45%	9,117	3,881	135%
Other Income	(302)	333	N/M	(433)	1,030	N/M
EBIT	2,194	2,051	7%	8,684	4,911	77%
Finance Income	82	103	-21%	168	309	-46%
Finance Cost	224	399	-44%	637	1,207	-47%
PBT	2,053	1,755	17%	8,216	4,013	105%
PAT	1,695	1,837	-8%	6,307	3,891	62%
EPS (PKR)	15.37	16.66		57.21	35.29	
DPS (PKR)	-	-		3.00	3.00	

Source: IGI Research and Company Financials

No of Shares: 110.25mn

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

(Reserve Based DCF Valuation)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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