

Flash Note

Tuesday, 22 October 2019

Oil & Gas - Exploration Companies

Mari Petroleum Company Limited (MARI)

Wellhead gas price incentive along with PKR depreciation lifts 1QFY20 EPS to PKR 55.94, up by +45%YoY

- Mari Petroleum Company Limited (MARI) announced its financial results for 1QFY20 with earnings clocking in at PKR 7.46bn (EPS PKR 55.94) as compared to PKR 5.14bn (EPS PKR 38.55) in the same period last year, up by +45%YoY. On a sequential basis, earnings are down by mere 1%QoQ.
- We attribute this substantial growth in earnings during 1QFY20 to a) bi-annual unwinding of discounts to 100% of total wellhead gas price for Mari field compared to 93.3% in 1QFY19, b) PKR depreciation of 28%YoY and, c) +6.7xYoY rise in finance income and +2.4xYoY rise in other income.
- Net Revenues increased by +24%YoY to PKR 17.85bn during 1QFY20, likely on the back of higher gas price owing to unwinding of discounts and PKR depreciation despite lower oil/gas flows.
- Operating costs increased by +18%YoY to PKR 3.26bn during 1QFY20 as against PKR 2.77bn in the same period last year.
- Exploration expense surged by +31%YoY to PKR 2.04bn during 1QFY20 compared to PKR 1.56bn (restated) in the corresponding period last year likely owing to higher prospecting expense incurred with respect to seismic data acquired in Bannu West, Sukkur and Ghauri Blocks. There was no dry well reported during the quarter.
- Finance income increased by +6.7xYoY to PKR 1.18bn during 1QFY20 likely owing to rise in interest rates and higher income on short term investments as short term investments (local bank term deposits) have been ramped up by +2.5xYoY in FY19.
- Effective tax rate stood at 30.3% during 1QFY20 as against 33.2% in the same period last year (4QFY19: 27.1%).

Exhibit:

MARI Financial Highlights

PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Net Sales	17,849	14,341	24%	15,941	12%
Royalty	2,256	1,828	23%	2,053	10%
Operating Expense	3,255	2,768	18%	2,728	19%
Exploration Expense	2,043	1,557	31%	735	178%
Gross Profit	9,486	7,602	25%	9,729	-2%
Other Income	289	120	141%	259	11%
EBIT	9,775	7,722	27%	9,988	-2%
Finance Income	1,183	176	572%	625	89%
Finance Cost	248	196	27%	305	-19%
PBT	10,709	7,702	39%	10,308	4%
PAT	7,463	5,142	45%	7,518	-1%
EPS (PKR) - @ 133.40mn	55.94	38.55		56.35	
Distributable EPS (PKR) - @ 133.40mn	1.51	1.45		1.55	
DPS (PKR)	-	-		2.00	

Source: IGI Research and Company Financials

No of Shares: 133.40mn

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