Day Break

Wednesday, January 25, 2023

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Oil & Gas Exploration Companies

PKR Depreciation and Higher Oil Prices to Lift 2QFY23 Earnings

- IGI E&P universe earnings are expected to augment by +29%y/y in 2QFY23 to PKR 81.7bn compared to PKR 63.1bn in the same period last year. Earnings accretion is expected on the back of a) 13%y/y rise in average oil prices and, b) 28%y/y depreciation of PKR against greenback.
- MARI's board meeting is scheduled on 26th-Jan-23 to announce financial results for 2QFY23 where we expect the Company to register earnings of PKR 12.09bn (EPS: PKR 90.6), up by +62%y/y. We estimate POL to report earnings of PKR 6.92bn (EPS: PKR 24.4) during 2QFY23, up by +22%y/y.
- We expect OGDC to post earnings of PKR 40.35bn (EPS: PKR 9.4), up by +14%y/y, during 2QFY23. We estimate PPL to post earnings of PKR 22.35bn (EPS: PKR 8.2) up by +52%y/y during 2QFY23.

E&P Sector: Earnings to improve by +29%y/y to PKR 81.7bn during 2QFY23

IGI E&P universe earnings are expected to augment by +29%y/y in 2QFY23 to PKR 81.7bn compared to PKR 63.1bn in the same period last year. Earnings accretion is expected on the back of a) 13%y/y rise in average oil prices and, b) 28%y/y depreciation of PKR against greenback. Growth in earnings is likely to be limited by lower oil & gas production and higher taxation. On sequential basis, earnings are expected to decline by 19%q/q on account of lower oil price, production and absence of substantial exchange gains.

Exhibit: E&P sector profit after tax preview for 2qFY23

Period end = Jun

EPS (PKR)	2QFY23E	y/y	q/q	1HFY23E	y/y
PPL	8.2	52%	-16%	18.0	54%
MARI	90.6	62%	-5%	185.9	50%
OGDC	9.4	14%	-24%	21.8	36%
POL	24.4	22%	-18%	54.0	40%
E&P Sector total (in PKRbn)	81.7	29%	-19%	182.7	43%
DPS (PKR)	2QFY23E			1HFY23E	
PPL	1.0			1.0	
MARI	97.5			97.5	
OGDC	2.0			3.8	
POL	25.0			25.0	

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MARI: Earnings to appreciate by +62%y/y to PKR 90.6/share during 2QFY23

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 26th-Jan-23 to announce financial results for 2QFY23 where we expect the Company to register earnings of PKR 12.09bn (EPS: PKR 90.6), up by +62%y/y compared to PKR 7.47bn (EPS: PKR 56.0) in the same period last year. On quarterly basis, earnings are estimated to drop by +5%q/q. We attribute this incline in earnings on yearly basis during 2QFY23 to a) higher oil prices and PKR depreciation and, b) lower share of loss from associate. However, lower oil & gas production (lower oil production from Bolan East) and higher exploration cost is likely to keep earnings growth restricted. This brings 1HFY23 profitability to PKR 24.81bn (EPS PKR 185.9) up by +50%y/y. MARI is expected to announce cash dividend of PKR 97.5/share along with the result.

POL: Earnings to improve by +22%y/y during 2QFY23e to PKR 24.4/share

We estimate Pakistan Oilfields Limited's (POL) to report earnings of PKR 6.92bn (EPS: PKR 24.4) during 2QFY23, up by +22%y/y, compared to PKR 5.67bn (EPS: PKR 20.0) in the same period last year. On a quarterly basis earnings are expected to drop by 18%q/q. We attribute this yearly growth in earnings during 2QFY23 to a) rise in average oil prices and PKR depreciation and, b) lower taxation. However, lower oil & gas production and higher exploration cost is likely to limit earnings growth during 2QFY23. This brings 1HFY23 profitability to PKR 15.32bn (EPS PKR 54.0) up by +40%y/y. POL is expected to announce cash dividend of PKR 25/share along with the result.

OGDC: Profitability to rise by +14%y/y to PKR 9.4/share during 2QFY23

We expect Oil & Gas Development Company Limited (OGDC) to post earnings of PKR 40.35bn (EPS: PKR 9.4), up by +14%y/y, during 2QFY23 compared to PKR 35.25bn (EPS: PKR 8.2) in the same period last year. On sequential basis, earnings are expected to decline by 24%q/q primarily due to lower production, absence of exchange gains and lower oil prices. We attribute this yearly growth in earnings during 2QFY23 to a) higher share of profit from associate and, b) higher oil prices and PKR depreciation. However, lower oil & gas production and higher exploration costs are likely to restrict earnings growth during 2QFY23. This brings 1HFY23 profitability to PKR 93.65bn (EPS PKR 21.8) up by +36%y/y. We expect the Company to announce cash dividend of PKR 2.0/share along with the result.

PPL: Earnings to increase by +52%y/y to PKR 8.2/share during 2QFY23

We estimate Pakistan Petroleum Limited (PPL) to post earnings of PKR 22.35bn (EPS: PKR 8.2) up by +52%y/y during 2QFY23 compared to PKR 14.72bn (EPS: PKR 5.4) in the same period last year. On a quarterly basis, earnings are expected to decrease by 16%q/q. We attribute this growth in earnings on yearly basis during 2QFY23 to a) lower share of loss from associate, b) higher gas production and, c) higher oil price and PKR depreciation. However, higher taxation, lower oil production and higher exploration costs are likely to limit earnings growth during 2QFY23. This brings 1HFY23 profitability to PKR 48.96bn (EPS PKR 18.0) up by +54%y/y. We expect the Company to announce cash dividend of PKR 1.0/share along with the result.

Exhibit: E&P sector quarterly earnings (PKRbn)

E&P sector earnings to increase on the back of higher oil prices and PKR depreciation however drop on quarterly basis in the absence of hefty exchange gains.

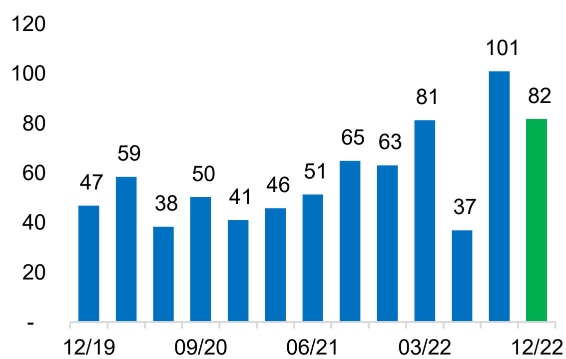


Exhibit: International oil prices (USD/bbl)

Oil prices declined on quarterly basis, however, remain elevated on yearly basis.

Exhibit: Quarter-wise exchange gains/(losses) (PKRmn)

E&P sector witnessed substantial exchange gains since FY22 on the back of PKR depreciation

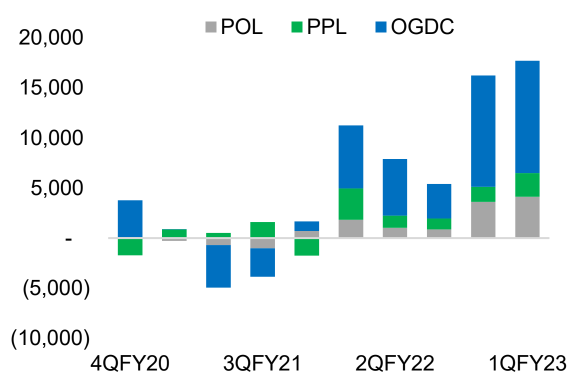
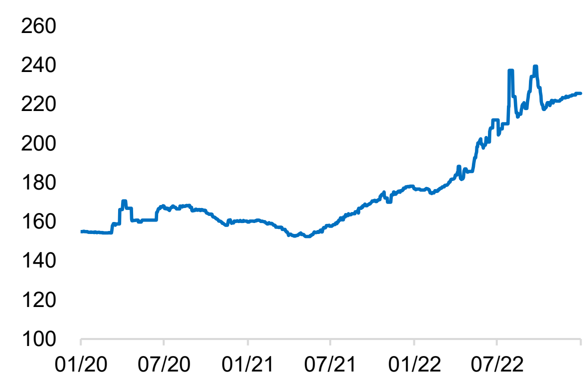


Exhibit: PKR had one of the roughest year

PKR depreciated by almost 28%y/y during 2QFY23.



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