

**Mari Petroleum Company Limited**  
Result Preview

PSX: MARI Bloomberg: MARI:PA Reuters: MGAS: KA

Pakistan Research

**1QFY23 EPS likely to clock in at PKR 91.5, up 34% YoY**

- MARI's board meeting is scheduled on October 21, 2022, to consider 1QFY23 financial results. We expect the company to post an EPS of PKR 91.5, up 34% YoY. This earnings growth is primarily due to 43% YoY higher oil prices (averaging at USD 105/bbl) and 27% YoY PKR devaluation (averaging at PKR 225).
- Net sales are likely to clock in at PKR 32.5bn compared to PKR 20.7bn in SPLY, up 57% YoY primarily due to higher oil and gas prices and PKR devaluation. MARI's gas production is likely to decline by 6% YoY on the back of lower flows from Mari field.
- Exploration and prospecting expenses are expected to go up by 78% YoY to PKR 3.1bn due to aggressive exploration activity.
- On a sequential basis, MARI is expected to post an earnings growth of 1.2x QoQ mainly due to low base effect as MARI booked huge super tax expense and exploration cost in previous quarter.
- We have a 'BUY' stance on MARI. Our Jun-23 price target (PT) of PKR 2,419/share provides an upside of 45% along with a dividend yield of 12.5%.

**Key Data**

PSX Ticker	MARI
Target Price (PKR)	2,419
Current Price (PKR)	1,670
Upside/(Downside) (%)	+ 45%
Dividend Yield (%)	12.5%
Total Return (%)	+ 57%
12-month High (PKR)	1,815
12-month Low (PKR)	1,535
Outstanding Shares (mn)	133
Market Cap (PKR mn)	222,718
Year End	June

Source: Company Accounts, Akseer Research

**Financial Estimates (PKR mn)**

	1QFY22	1QFY23E	YoY
Sales	20,726	32,468	57%
Operating expenses	3,273	6,038	85%
Royalties	2,640	4,095	55%
<b>Gross profit</b>	<b>14,813</b>	<b>22,334</b>	<b>51%</b>
Exploration expenditure	1,749	3,117	78%
Other income	18	12	-34%
Finance Cost	99	545	449%
<b>Profit before tax</b>	<b>13,047</b>	<b>18,220</b>	<b>40%</b>
Taxation	3,949	6,013	52%
<b>Profit after tax</b>	<b>9,099</b>	<b>12,208</b>	<b>34%</b>
EPS	68.2	91.5	34%
DPS	-	-	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	227.3	235.7	247.8	415.7	432.2	389.4
EPS Growth	25%	4%	5%	68%	4%	-10%
DPS	6.6	141.0	124.0	208.0	216.0	195.0
PER	7.3	7.1	6.7	4.0	3.9	4.3
Dividend Yield	0.4%	8.4%	7.4%	12.5%	12.9%	11.7%
EV/EBITDA	4.0	3.6	3.1	1.8	1.6	1.8
P/B	2.4	1.9	1.7	1.4	1.2	1.0
ROE	38.7%	30.1%	26.8%	38.3%	33.2%	25.8%

Source: Company Financials, Akseer Research

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### Valuation Basis

Our PT for Mari Petroleum Company Limited (MARI) has been computed using reserve based free cash flow to equity (FCFE) method. We have used a risk-free rate of 13%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19%.

### Investment Thesis

We have a 'BUY' recommendation on MARI. Our Jun-23 price target (PT) of PKR 2,419/share provides an upside of 45% along with a dividend yield of 12.5%. Our investment case on MARI is based on (1) Continued production from HRL to provide impetus to earnings, (2) Currency devaluation along with high oil prices, and (3) Diversification plans to reduce reliance on core operations.

### Risks

Key downside risks to our investment thesis are 1) lower than expected production from Mari HRL reservoir, 2) volatility in oil prices, and 3) lower than estimated life of main reserves.

### Company Description

Mari Petroleum Company Limited (MARI) explores for, produces, and sells hydrocarbons - natural gas, crude oil, condensate, and LPG. It primarily manages Mari gas field located at Daharki, Sindh. The company was formerly known as Mari Gas Company Limited and renamed to Mari Petroleum Company Limited in November-12. It is headquartered in Islamabad, Pakistan. The company's majority shareholding is with Fauji Foundation at 40%, followed by OGDC at 20% and GoP at 18%.

### Financial Highlights - MARI

Income Statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net sales	72,026	73,018	95,134	137,942	144,125	133,934
Field Expenditures	13,302	15,040	17,403	26,254	26,256	24,425
Royalties	8,806	9,315	12,000	17,399	18,179	16,894
<b>Operating Profit</b>	<b>37,303</b>	<b>41,349</b>	<b>51,226</b>	<b>79,641</b>	<b>84,607</b>	<b>77,159</b>
Other income	5,314	4,253	4,531	5,410	3,470	2,134
Other charges	2,698	3,082	3,623	5,253	5,488	5,100
Finance cost	986	1,310	980	2,179	1,917	1,649
<b>Profit before tax</b>	<b>41,291</b>	<b>43,931</b>	<b>52,116</b>	<b>82,773</b>	<b>86,059</b>	<b>77,540</b>
Taxation	10,967	12,486	19,053	27,315	28,399	25,588
<b>Profit after tax</b>	<b>30,324</b>	<b>31,445</b>	<b>33,063</b>	<b>55,458</b>	<b>57,659</b>	<b>51,952</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	22,208	37,673	60,441	81,658	108,747	142,723
Other LT assets	19,958	27,251	38,684	44,489	51,049	57,832
Non-Current Assets	42,165	64,924	99,125	126,148	159,796	200,555
Current assets	83,980	85,463	86,015	117,227	125,622	119,198
<b>Total Assets</b>	<b>126,145</b>	<b>150,386</b>	<b>185,140</b>	<b>243,374</b>	<b>285,418</b>	<b>319,753</b>
Non-Current liabilities	10,342	11,172	16,268	24,657	22,966	21,605
Current liabilities	22,653	23,681	38,013	59,677	74,081	83,340
<b>Total Liabilities</b>	<b>32,996</b>	<b>34,853</b>	<b>54,281</b>	<b>84,334</b>	<b>97,047</b>	<b>104,945</b>
Equity	93,149	115,534	130,859	159,040	188,370	214,809
<b>Total Equity &amp; liabilities</b>	<b>126,145</b>	<b>150,386</b>	<b>185,140</b>	<b>243,374</b>	<b>285,418</b>	<b>319,753</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	30,324	31,445	33,063	55,458	57,659	51,952
Non cash Charges	3,304	3,758	4,064	5,947	7,306	8,940
<b>Operating Cash flows</b>	<b>31,489</b>	<b>32,537</b>	<b>45,377</b>	<b>81,833</b>	<b>73,476</b>	<b>68,858</b>
<b>FCFF</b>	<b>24,504</b>	<b>8,269</b>	<b>10,558</b>	<b>50,336</b>	<b>33,820</b>	<b>20,278</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>23,781</b>	<b>7,331</b>	<b>10,688</b>	<b>48,848</b>	<b>32,535</b>	<b>19,173</b>
Net change in cash	22,999	(1,729)	(7,049)	21,572	4,205	(6,340)
<b>Closing cash</b>	<b>50,334</b>	<b>48,605</b>	<b>41,556</b>	<b>63,128</b>	<b>67,333</b>	<b>60,993</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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