

# Day Break

Monday, 29 July 2019

## COMPANY UPDATE

### Mari Petroleum Company Limited

Oil &amp; Gas Exploration Companies

Recommendation		BUY
Target Price:	31-Dec-19	1,767.7
Last Closing:	26-Jul-19	912.2
Upside:		93.8
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)	
Time Horizon:		5M

### Market Data

Bloomberg Tkr.	MARI PA		
Shares (mn)	121.3		
Free Float Shares (mn)	24.3		
Free Float Shares (%)	20.0%		
Market Cap (PKRbn   USDmn)	110.6	691.6	
Exchange	KSE ALL		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	(17.6)	(26.7)	(28.6)
Lo	936.7	936.7	936.7
Hi	1,183.1	1,341.0	1,487.9

### Key Company Financials

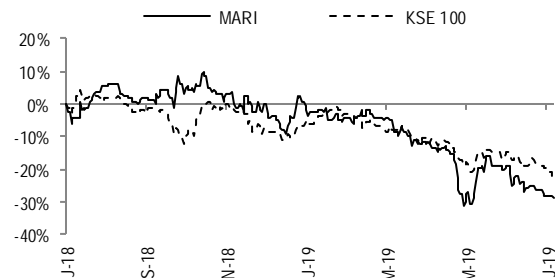
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	40.7	58.8	76.7	77.0
Net Income	15.4	22.5	32.1	32.1
EPS (PKR)	126.8	185.7	264.4	264.4
DPS (PKR)	6.0	7.2	6.7	6.7
Total Assets	144.2	172.6	212.4	229.6
Total Equity	40.2	62.0	93.2	124.5

### Key Financial Ratios

ROE (%)	38.3	36.3	34.4	25.8
P/E (x)	7.2	4.9	3.4	3.4
P/B (x)	12.0	1.8	1.2	0.9
DY (%)	0.7	0.8	0.7	0.7

### Relative Price Performance



### About the Company

The Company is a public limited company incorporated in Pakistan in 1984. The principal activity of the company exploration, production and sale of hydrocarbons. The company was listed on all stock exchanges in Pakistan when GoP divested 50% of its stake to Fauji Foundation.

Source: Bloomberg, PSX &amp; IGI Research

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## Oil & Gas Exploration Companies

### MARI: Earning to lift by +24%YoY in 4QFY19 as Mari field reaches 100% wellhead gas price

- Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 30<sup>th</sup> July-19 to announce financial result for 4QFY19, where we expect the company to post earnings of PKR 5.71bn (EPS PKR 47.11), up by +24%YoY,
- We estimate incline in earnings on the back a) 26%YoY depreciation of PKR against greenback, b) higher wellhead gas price for Mari field reaching 100% of the applicable price and, c) higher other income on account of higher income from Mari seismic unit,
- This will bring total FY19 profitability to PKR 22.52bn (EPS PKR 185.71) up by +46%YoY compared to PKR 15.37bn (EPS PKR 126.77) in the same period last year,
- We recommend a 'BUY' stance on MARI with our Dec-19 target price of PKR 1,767.7/share offering 94% upside from last close.

### Earnings to clock in at PKR 47.11/share for 4QFY19, up by +24%YoY

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 30<sup>th</sup> July-19 to announce financial result for 4QFY19, where we expect the company to post earnings of PKR 5.71bn (EPS PKR 47.11), up by +24%YoY, compared to PKR 4.59bn (EPS PKR 37.85) in the same period last year. We estimate incline in earnings on the back a) 26%YoY depreciation of PKR against greenback, b) higher wellhead gas price for Mari field reaching 100% of the applicable price and, c) higher other income on account of higher income from Mari seismic unit. However exploration cost are likely to remain high due to increased prospecting expense which is expected to limit earnings growth during 4QFY19. This will bring total FY19 profitability to PKR 22.52bn (EPS PKR 185.71) up by +46%YoY compared to PKR 15.37bn (EPS PKR 126.77) in the same period last year. We expect company to announce cash dividend of PKR 3.2/share during 4QFY19 taking total FY19 cash payout to PKR 7.2/share.

On quarterly basis, earnings are expected to drop by 3%QoQ on the back of higher exploration cost due to higher prospecting expense. However improved oil & gas flows are likely to keep earnings decline limited.

Exhibit:

### Financial Highlights

PKRmn	4QFY19E	4QFY18	YoY	FY19E	FY18	YoY
Net Sales	15,263	12,085	26%	58,771	40,676	44%
Royalty	1,944	1,542	26%	7,466	5,181	44%
Operating Expense	3,219	2,998	7%	12,204	9,985	22%
Exploration Expense	2,303	2,052	12%	5,876	3,690	59%
Gross Profit	7,211	5,114	41%	30,899	20,372	52%
Other Income	157	(246)	-164%	224	(207)	-208%
EBIT	7,367	4,868	51%	31,122	20,166	54%
Finance Income	565	277	104%	1,707	766	123%
PBT	7,751	5,291	46%	32,151	20,292	58%
PAT	5,713	4,590	24%	22,523	15,374	46%
EPS (PKR)	47.11	37.85		185.71	126.77	
DPS (PKR)	3.20	2.50		7.20	6.00	

Source: IGI Research and Company Financials

No of Shares: 121.28mn

### Recommendation

We recommend a 'BUY' stance on MARI with our Dec-19 target price of PKR 1,767.7/share offering 94% upside from last close. The company is currently trading at FY19/20 P/E of 4.9/3.4x.

## Important Disclaimer and Disclosures

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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)
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**Time Horizon:** Dec – 2019

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

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and 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.

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