

Day Break

Monday, 21 October 2019

COMPANY UPDATE

Mari Petroleum Company Limited

Oil & Gas Exploration Companies

Recommendation		BUY
Target Price:	Dec/20	1,609.7
Last Closing:	18-Oct-19	1,032.3
Upside:		55.9
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)	
Time Horizon:		14M

Market Data

Bloomberg Tkr.	MARI PA		
Shares (mn)	133.4		
Free Float Shares (mn)	26.7		
Free Float Shares (%)	20.0%		
Market Cap (PKRbn USDmn)	137.7	881.1	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	10.0	(10.7)	(23.6)
Lo	830.0	830.0	830.0
Hi	1,164.2	1,198.4	1,487.9

Key Company Financials

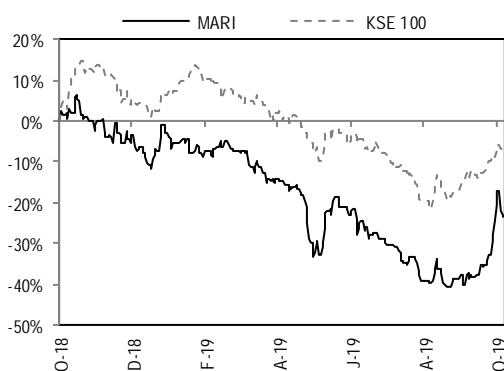
Period End: Jun

PKRbn	FY19a	FY20e	FY21f	FY22f
Total Revenue	59.4	75.9	76.3	74.4
Net Income	24.3	33.7	33.1	32.2
EPS (PKR)	182.4	252.8	247.8	241.1
DPS (PKR)	6.0	6.4	6.4	6.4
Total Assets	220.1	220.1	229.0	260.2
Total Equity	63.6	97.8	130.0	161.3

Key Financial Ratios

ROE (%)	46.8	46.9	41.8	29.0
P/E (x)	5.7	4.1	4.2	4.3
P/B (x)	3.4	2.2	1.4	1.1
DY (%)	0.6	0.6	0.6	0.6

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Oil & Gas Exploration Companies

MARI: PKR depreciation and higher well head gas price for Mari field to lift 1QFY20 EPS by +43%YoY

- Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 22nd Oct-19 to announce financial result for 1QFY20, where we expect the company to post earnings of PKR 7.34bn (EPS PKR 55.03), up by +43%YoY,
- We estimate incline in earnings on the back a) 28%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,
- On quarterly basis, earnings are expected to drop by 2%QoQ on the back of higher exploration cost due to higher prospecting expense, 8%QoQ drop in oil prices and relatively stagnant PKR
- We recommend a 'BUY' stance on MARI with our bonus adjusted Dec-20 target price of PKR 1,609.7/share offering 56% upside from last close.

Earnings to clock in at PKR 55.03/share for 1QFY20, up by +43%YoY

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 22nd Oct-19 to announce financial result for 1QFY20, where we expect the company to post earnings of PKR 7.34bn (EPS PKR 55.03), up by +43%YoY, compared to PKR 5.25bn (EPS PKR 39.37) in the same period last year. We estimate incline in earnings on the back a) 28%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 in Bannu West, Sukkur and Ghauri blocks which is expected to limit earnings growth during 1QFY20. Oil/gas production is down by 16%/3%YoY led by lower gas production from Mari field and lower oil production from Halini/Halini Deep/Ghauri.

On quarterly basis, earnings are expected to drop by 2%QoQ on the back of higher exploration cost due to higher prospecting expense, 8%QoQ drop in oil prices and relatively stagnant PKR. Oil production declined by 1%QoQ on the back of lower flows from Halini and Sujjal despite addition of Dharian in May-19. Gas flows improved due to increased gas production from Mari field.

Exhibit:

MARI Financial Highlights

PKRmn	1QFY20E	1QFY19	YoY	4QFY19	QoQ
Net Sales	16,182	14,341	13%	15,941	2%
Royalty	2,062	1,828	13%	2,053	0%
Operating Expense	2,852	2,768	3%	2,728	5%
Exploration Expense	1,200	1,676	-28%	735	63%
Gross Profit	9,405	7,483	26%	9,729	-3%
EBIT	9,556	7,722	24%	9,988	-4%
Finance Income	584	268	118%	625	-7%
Finance Cost	219	288	-24%	305	-28%
PBT	9,921	7,702	29%	10,308	-4%
PAT	7,341	5,142	43%	7,518	-2%
EPS (PKR) - @ 133.40mn	55.03	38.55		56.35	
DPS (PKR)	-	-		2.00	

Source: IGI Research and Company Financials

No of Shares: 121.28mn

Recommendation

We recommend a 'BUY' stance on MARI with our bonus adjusted Dec-20 target price of PKR 1,609.7/share offering 56% upside from last close. The company is currently trading at FY20 P/E of 4.1x.

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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)

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