

# Flash Note

Thursday, 27 July 2017

## Oil & Gas – Exploration Companies

### MARI: Earnings reported at PKR 82.87/share in FY17, up by +51%YoY

- Mari Petroleum Company Limited (MARI) announced financial results for FY17 with earnings clocking in at PKR 9.14bn (EPS PKR 82.87) up by +51%YoY as compared to PKR 6.05bn (EPS PKR 54.89) last year.
- For 4QFY17, the company reported earnings of PKR 2.83bn (EPS PKR 25.66) up by +31%YoY compared to PKR 2.16bn (EPS PKR 19.60) in the same period last year likely on the back of a) lower effective tax rate of 3.6% and, b) higher gas price for Mari field owing to unwinding of discount to wellhead price.
- The company announced cash dividend of PKR 2.20/share along with the result, taking FY17 cumulative dividend to PKR 5.2/share.
- Revenues for FY17 increased by +30%YoY to PKR 28.18bn as compared to PKR 21.71bn in the same period last year, likely on the back of a) +4%YoY higher production from Mari field and unwinding of discount on wellhead gas price for Mari field, b) +16%YoY rise in oil price and, c) exploration cost down by 40%YoY in the absence of dry well cost.
- Operating cost increased by +29%YoY to PKR 7.45bn during FY17 as compared to PKR 5.79bn recorded in the corresponding period last year.
- Exploration cost declined by 40%YoY to PKR 3.88bn during FY17, likely in the absence of dry well cost.
- The company reported other loss of PKR 820mn during FY17 as compared to other income of PKR 587mn last year, likely owing to lower income from Mari seismic unit.
- Effective tax rate stood at 18.1% in FY17 as compared to a 7.8% last year. However, during 4QFY17 growth in earnings was further corroborated by drop in effective tax by 11.6% to stand at 3.6%.

#### Recommendation

We maintain our “BUY” call on MARI with our Dec-17 target price of PKR 2,090/share, offering +28% upside from its last closing. The company is currently trading at a FY18E P/E of 12.1x.

Exhibit:

#### Financial Highlights

PKRmn	4QFY17	4QFY16	YoY	FY17	FY16	YoY
Net Sales	8,310	6,268	33%	28,175	21,713	30%
Royalty	1,056	794	33%	3,584	2,750	30%
Operating Exp	2,332	1,621	44%	7,450	5,791	29%
Exploration Exp	1,315	1,319	0%	3,881	6,462	-40%
Gross Profit	3,418	2,327	47%	12,535	6,208	102%
Other Income	(387)	(443)	-13%	(820)	587	-240%
EBIT	3,031	1,884	61%	11,715	6,795	72%
Finance Income	65	31	106%	233	341	-32%
Finance Cost	161	(633)	-125%	798	574	39%
PBT	2,934	2,548	15%	11,149	6,561	70%
PAT	2,829	2,161	31%	9,136	6,051	51%
EPS (PKR)	25.66	19.60		82.87	54.89	
DPS (PKR)	2.20	2.10		5.20	5.10	

Source: IGI Research and Company Financials

No of Shares: 110.25mn

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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 - 2017

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

(Reserve Based DCF Valuation)

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