

Oil & Gas Exploration Companies

3QFY24: Sector Earnings to Drop by 23%/y amid Exchange Losses and Lower Production

- IGI E&P universe earnings are expected to drop by 23%/y during 3QFY24 to PKR 100.9bn compared to PKR 130.2bn in the same period last year. Earnings attrition is expected on the back of a) Exchange Losses and, b) lower production. Decline in earnings is likely to be limited by slightly higher oil prices, PKR depreciation and higher finance income.
- We expect MARI to register earnings of PKR 19.4bn (EPS: PKR 145.6), up by +18%/y. Pakistan Oilfields Limited's (POL) board meeting is scheduled on 25th-Apr-24 to announce 3QFY24 financial results where we estimate the Company to report earnings of PKR 8.0bn (EPS: PKR 28.27) during 3QFY24, down by 51%/y.
- We expect OGDC to post earnings of PKR 46.7bn (EPS: PKR 10.9), down by 28%/y. We estimate PPL to post earnings of PKR 26.8bn (EPS: PKR 9.8) down by 19%/y.

E&P Sector: Earnings to plummet by 23%/y to PKR 100.9bn during 3QFY24

IGI E&P universe earnings are expected to drop by 23%/y during 3QFY24 to PKR 100.9bn compared to PKR 130.2bn in the same period last year. Earnings attrition is expected on the back of a) Exchange Losses and, b) lower production. Decline in earnings is likely to be limited by slightly higher oil prices, PKR depreciation and higher finance income. On sequential basis, earnings are expected to drop by 28%q/q amid PKR appreciation and absence of one-time tax adjustment in 2QFY24.

Exhibit: E&P sector earnings preview for 3QFY24

Period end = Jun

EPS	3q'24e	2q'24	q/q	3q'23	y/y	9M'24e	9M'23	y/y
PPL	9.8	14.4	-32%	12.1	-19%	35.1	30.1	17%
MARI	145.6	137.6	6%	123.2	18%	426.8	302.0	41%
OGDC	10.9	17.3	-37%	15.0	-28%	39.5	37.1	6%
POL	28.2	27.7	2%	57.2	-51%	90.2	107.8	-16%
Total (PKRbn)	100.9	139.6	-28%	130.2	-23%	348.0	312.4	11%
DPS	3q'24e	2q'24	q/q	3q'23	y/y	9M'24e	9M'23	y/y
PPL	0.0	2.5		0.0		3.5	1.0	
MARI	0.0	98.0		0.0		98.0	89.0	
OGDC	2.2	2.5		1.8		6.6	5.8	
POL	0.0	25.0		0.0		25.0	20.0	

Source: Company Financials, IGI Research

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

MARI: Earnings to appreciate by +18%/y/y to PKR 145.6/share during 3QFY24e

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 26th-Apr-2024 to announce 3QFY24 financial results where we expect the Company to register earnings of PKR 19.4bn (EPS: PKR 145.6), up by +18%/y/y during 3QFY24 compared to PKR 16.4bn (EPS: PKR 123.2) in the same period last year. On quarterly basis, earnings are estimated to increase by +6%/q/q. We attribute this incline in earnings on yearly basis during 3QFY24 to a) PKR depreciation, b) higher gas production from Mari field and, c) lower exploration cost. This brings total profitability for 9MFY24 to PKR 56.9bn (EPS PKR 426.8), up by +41%/y/y.

POL: Earnings to drop by 51%/y/y during 3QFY24e to PKR 28.2/share

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 25th-Apr-24 to announce 3QFY24 financial results where we estimate the Company to report earnings of PKR 8.0bn (EPS: PKR 28.2) during 3QFY24, down by 51%/y/y, compared to PKR 16.2bn (EPS: PKR 57.2) in the same period last year. On a quarterly basis, earnings are expected to remain flat. We attribute this yearly decline in earnings during 3QFY24 to a) exchange losses during the quarter compared to substantial exchange gains last year, b) lower oil production and, c) lower tax expense. However, PKR depreciation and lower exploration cost is likely to restrict earnings decline during 3QFY24. This brings total profitability for 9MFY24 to PKR 25.6bn (EPS PKR 90.2), down by 16%/y/y.

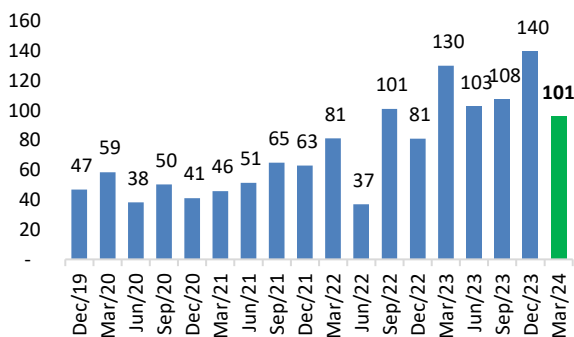
OGDC: Profitability to decline by 28%/y/y to PKR 10.9/share during 3QFY24e

Oil & Gas Development Company Limited's (OGDC) board meeting is scheduled on 29th-Apr-2024 to announce 3QFY24 financial results where we expect the Company to post earnings of PKR 46.7bn (EPS: PKR 10.9), down by 28%/y/y, during 3QFY24 compared to PKR 64.6bn (EPS: PKR 15.0) in the same period last year. On sequential basis, earnings are expected to decline by 37%/q/q primarily due to PKR appreciation and one-time tax adjustment in 2QFY24. We attribute this yearly decline in earnings during 3QFY24 to a) exchange losses compared to hefty exchange gains last year and, b) lower gas production. However, PKR depreciation, lower exploration cost and higher finance income is likely to restrict decline in earnings. This brings total profitability for 9MFY24 to PKR 170bn (EPS PKR 39.5), up by +6%/y/y. We expect the Company to announce cash dividend of PKR 2.2/share along with the result.

PPL: Earnings to drop by 19%/y to PKR 9.8/share during 3QFY24
 Pakistan Petroleum Limited's (PPL) board meeting is scheduled on 29th-Apr-2024 to announce financial result for 3QFY24 where we expect the Company to post earnings of PKR 26.8bn (EPS: PKR 9.8) down by 19%/y during 3QFY24 compared to PKR 32.90bn (EPS: PKR 12.1) in the same period last year. On a quarterly basis, earnings are expected to decline by 32%q/q likely on the back of PKR appreciation and absence of one-time tax adjustment in 2QFY24. We attribute this drop in earnings on yearly basis during 3QFY24 to a) exchange losses booked during the quarter compared to exchange gains last year and, b) lower oil & gas production. This brings total profitability for 9MFY24 to PKR 95.5bn (EPS PKR 35.1), up by +17%/y.

Exhibit: E&P sector quarterly earnings (PKRbn)

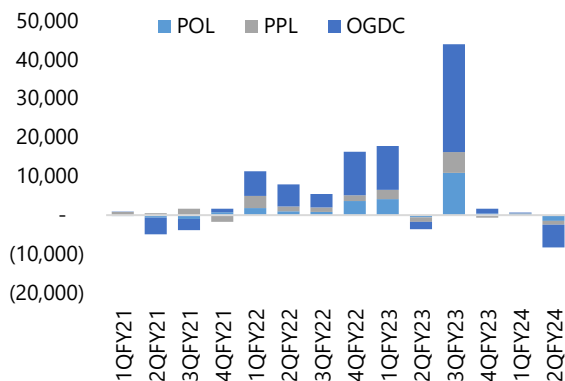
E&P sector earnings to decline on the back of exchange losses and lower production.


Exhibit: International oil prices (USD/bbl)

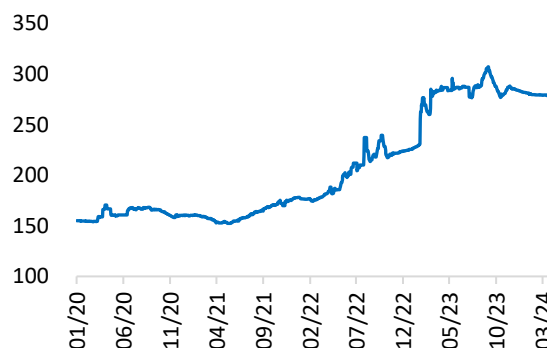
Oil prices on average increased by +1%/y and down by 4%q/q.


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

E&P sector witnessed exchange losses during 2QFY24 as PKR appreciated against greenback.


Exhibit: PKR had one of the roughest year

PKR depreciated by almost 7%/y on average during 3QFY24.



Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

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.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2024 IGI Finex Securities Limited

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2024 IGI Finex Securities Limited