

Oil & Gas Exploration Companies

4QFY24: E&P Sector Earnings to Drop by 3%/y

- IGI E&P universe earnings are expected to decrease by 3%/y during 4QFY24 to PKR 99.2bn compared to PKR 102.8bn in the same period last year. Earnings attrition is expected on the back of a) lower oil and gas production and, b) one-off gain recorded by OGDC. Decline in earnings is likely to be limited by higher oil prices.
- We expect MARI to register earnings of PKR 16.3bn (EPS: PKR 122.2), up by +3%/y. We expect POL to report earnings of PKR 8.8bn (EPS: PKR 30.9) during 4QFY24, up by +50%/y.
- We expect OGDC to post earnings of PKR 46.6bn (EPS: PKR 10.8), down by 28%/y, during 4QFY24 compared to PKR 65.0bn (EPS: PKR 15.1). We estimate We expect Pakistan Petroleum Limited (PPL) to post earnings of PKR 27.5bn (EPS: PKR 10.1) up by +71%/y during 4QFY24 compared to PKR 16.1bn (EPS: PKR 5.9).

E&P Sector: Earnings to decline by 3%/y to PKR 99.2bn during 4QFY24

IGI E&P universe earnings are expected to decrease by 3%/y during 4QFY24 to PKR 99.2bn compared to PKR 102.8bn in the same period last year. Earnings attrition is expected on the back of a) lower oil and gas production and, b) one-off gain recorded by OGDC. Decline in earnings is likely to be limited by higher oil prices. On sequential basis, earnings are expected to drop by 3%/q amid PKR appreciation, lower oil/gas production and higher taxation. This brings total profitability for FY24 to PKR 448.3bn, up by +8%/y.

Exhibit: E&P sector earnings preview for 4QFY24								
Period end = Jun								
EPS	4q'24e	3q'24	q/q	4q'23	y/y	FY'24e	FY'23	y/y
PPL	10.1	10.2	0%	5.9	71%	45.6	36.0	27%
MARI	122.2	105.9	15%	118.7	3%	509.3	420.7	21%
OGDC	10.8	11.1	-3%	15.1	-28%	50.6	52.2	-3%
POL	30.9	43.5	-29%	20.7	50%	136.4	128.4	6%
Total (PKRbn)	99.2	101.9	-3%	102.8	-3%	448.3	415.1	8%
DPS	4q'24e	3q'24		4q'23		FY'24e	FY'23	
PPL	2.0	1.0		1.5		5.5	2.5	
MARI	90.0	0.0		58.0		188.0	147.0	
OGDC	3.1	2.0		2.8		9.2	8.6	
POL	65.0	0.0		60.0		90.0	80.0	

Source: Company Financials, IGI Research

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

MARI: Earnings to appreciate by +3%/y to PKR 122.2/share during 4QFY24e

Mari Petroleum Company Limited's (MARI) board meeting is scheduled on 08th-Aug-2024 to announce 4QFY24 financial results where we expect the Company to register earnings of PKR 16.3bn (EPS: PKR 122.2), up by +3%/y during 4QFY24 compared to PKR 15.8bn (EPS: PKR 118.7) in the same period last year. On quarterly basis, earnings are estimated to increase by +15%q/q. We attribute this incline in earnings on yearly basis during 4QFY24 to a) higher gas production, b) increased wellhead price for Mari field and, c) lower taxation. This brings total profitability for FY24 to PKR 67.9bn (EPS PKR 509.3), up by +21%/y. MARI is expected to announce final cash dividend of PKR 90/share bringing total cash payout for FY24 to PKR 188/share.

POL: Earnings to increase by 50%/y during 4QFY24e to PKR 30.9/share

We expect Pakistan Oilfields Limited (POL) to report earnings of PKR 8.8bn (EPS: PKR 30.9) during 4QFY24, up by +50%/y, compared to PKR 5.9bn (EPS: PKR 20.7) in the same period last year. On a quarterly basis, earnings are expected to drop by 29%/y. We attribute this yearly growth in earnings during 4QFY24 to a) higher oil prices and, b) lower tax expense. However, lower oil and gas production is likely to restrict earnings growth during 4QFY24. This brings total profitability for FY24 to PKR 38.7bn (EPS PKR 136.4), up by +6%/y. POL is expected to announce final cash dividend of PKR 65/share bringing total cash payout for FY24 to PKR 90/share.

OGDC: Profitability to decline by 28%/y to PKR 10.8/share during 4QFY24e

We expect Oil & Gas Development Company Limited (OGDC) to post earnings of PKR 46.6bn (EPS: PKR 10.8), down by 28%/y, during 4QFY24 compared to PKR 65.0bn (EPS: PKR 15.1) in the same period last year. On sequential basis, earnings are expected to decline by 3%q/q. We attribute this yearly decline in earnings during 4QFY24 to a) one-off gain on modification of finance lease of Uch Power in 4QFY23, b) PKR appreciation and, c) lower gas production. However, higher oil prices, higher oil production and lower exploration cost is likely to restrict decline in earnings. This brings total profitability for FY24 to PKR 217.7bn (EPS PKR 50.6), down by 3%/y. We expect the Company to announce cash dividend of PKR 3.1/share along with the result bringing total cash dividend for FY24 to PKR 9.2/share.

PPL: Earnings to Augment by +71%/y to PKR 10.1/share during 4QFY24

We expect Pakistan Petroleum Limited (PPL) to post earnings of PKR 27.5bn (EPS: PKR 10.1) up by +71%/y during 4QFY24 compared to PKR 16.1bn (EPS: PKR 5.9) in the same period last year. On a quarterly basis, earnings are expected to decline by 0.3%/q. We attribute this substantial growth in earnings on yearly basis during 4QFY24 to a) drop in exploration cost, b) higher oil prices, c) increase in oil production and, d) lower tax expense. This brings total profitability for FY24 to PKR 124bn (EPS PKR 45.6), up by +27%/y. We expect PPL to announce final cash dividend of PKR 2.0/share along with the result bringing total cash dividend for FY24 to PKR 5.5/share.

Exhibit: E&P sector quarterly earnings (PKRbn)

E&P sector earnings to decline by 3%/y.

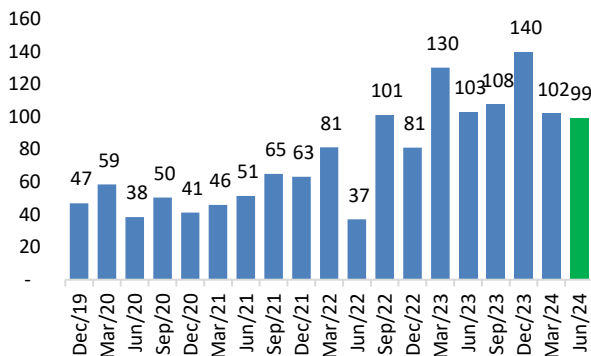


Exhibit: International oil prices (USD/bbl)

Oil prices on average increased by +9%/y and +4%/q during 4QFY24.

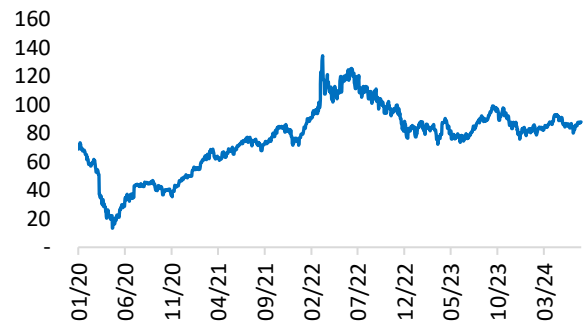


Exhibit: Quarter-wise exchange gains/(losses) (PKRmn)

E&P sector witnessed exchange losses during 3QFY24 as PKR appreciated against greenback.

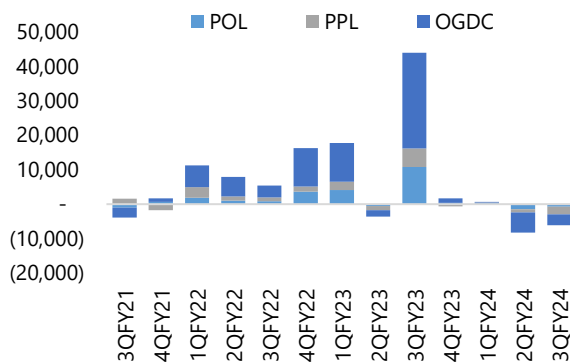
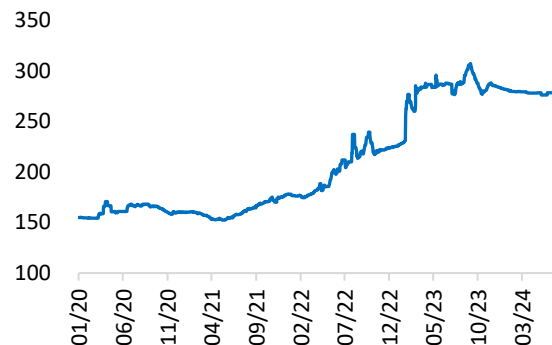


Exhibit: PKR had one of the roughest year

PKR appreciated by almost 3%/y on average during 4QFY24.



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)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

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