

# Flash Note

Tuesday, 25 October 2016

## Oil & Gas Exploration Companies

### MARI: 1QFY17 Earnings clock in at PKR 25.09/share, up by +88%YoY

- Mari Petroleum Limited's (MARI) earning jumped massively by +88%YoY to PKR 2.8bn (EPS PKR 25.09) in 1QFY17 as compared to PKR 1.5bn (EPS PKR 13.32) in the corresponding period last year.
- Company's revenues augmented by +40%YoY to PKR 7.3bn in 1QFY17 probably owing to higher gas price for Mari field and +4%YoY higher gas production from Mari field.
- Operating expense inclined by +19%YoY to PKR 1.6bn as compared to PKR 1.3bn in the same period last year.
- Exploration costs plunged by 67%YoY to PKR 1.6bn in 1QFY17 likely owing to no dry well cost incurred and lower prospecting expense.
- Other Income plunged by 10%YoY to PKR 1.4bn in FY16 on the back of higher operating expense incurred and lower income at Mari field, we believe.
- Effective tax rate for 1QFY17 stood at 27% as compared to 10% in the same period last year.

#### Recommendation

We maintain “**BUY**” call on MARI with our Jun-17 target price of PKR 1,279/share, offering +30% upside from its last closing. The scrip is currently trading at a FY17E P/E of 12.2x.

#### Exhibit: Financial Highlights

| PKRmn           | 1QFY17 | 1QFY16 | YoY   | 4QFY16 | QoQ   |
|-----------------|--------|--------|-------|--------|-------|
| Net Sales       | 7,263  | 5,179  | 40%   | 6,268  | 16%   |
| Royalty         | 909    | 662    | 37%   | 794    | 14%   |
| Operating Exp   | 1,577  | 1,321  | 19%   | 1,621  | -3%   |
| Exploration Exp | 475    | 1,443  | -67%  | 1,319  | -64%  |
| Gross Profit    | 4,015  | 1,633  | 146%  | 2,327  | 73%   |
| Other Income    | (37)   | 307    | -112% | (443)  | -92%  |
| EBIT            | 3,978  | 1,940  | 105%  | 1,884  | 111%  |
| Finance Cost    | 206    | 428    | -52%  | (633)  | -133% |
| PBT             | 3,806  | 1,639  | 132%  | 2,548  | 49%   |
| PAT             | 2,766  | 1,469  | 88%   | 2,161  | 28%   |
| EPS (PKR)       | 25.09  | 13.32  |       | 19.60  |       |
| DPS (PKR)       | -      | -      |       | 2.10   |       |

Source: IGI Research and Company Financials

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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)           |
| Hold           | If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s) |
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**Time Horizon:** Jun - 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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IGI Finex Securities Limited

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