

Flash Note

Tuesday, 28 April 2020

Oil & Gas - Exploration Companies

Mari Petroleum Company Limited (MARI)

Revenue growth on account of higher gas production from Mari field and PKR depreciation lifts 3QFY20 EPS to PKR 63.54

- ✓ Mari Petroleum Company Limited (MARI) announced its financial results for 3QFY20 with earnings clocking in at PKR 8.48bn (EPS PKR 63.54) as compared to PKR 5.75bn (EPS PKR 43.11) in the same period last year, up by +47%YoY. On a sequential basis, earnings are up by +16%QoQ. This brings total profitability for 9MFY20 to PKR 23.23bn (EPS PKR 174.09) up by +38%YoY compared to PKR 16.81bn (EPS PKR 126.0) in the similar period last year.
- ✓ We attribute this substantial growth in earnings during 3QFY20 due to a) 11%YoY PKR depreciation despite 15%YoY drop in oil prices, b) higher other income amid elevated mark-up income and, c) increased gas production from Mari field leading to higher availability of incremental production priced under Petroleum Policy 2012 (PP12) due to lower benchmark of 477.5mmcf/d for HRL reserve during closure of customers plant.
- ✓ **Net Revenues** increased by +31%YoY to PKR 18.98bn during 3QFY20, likely on the back of PKR depreciation and rise in gas flows from Mari field. Gas production from Mari field averaged 695mmcf/d during 3QFY20 (2QFY20: 603mmcf/d) compared to 640mmcf/d in the same period last year.
- ✓ **Operating costs** increased by +3%YoY to PKR 3.43bn during 3QFY20 as against PKR 3.33bn in the same period last year.
- ✓ **Exploration expense** surged by +2.1xYoY to PKR 2.23bn during 3QFY20 compared to PKR 1.08bn (restated) in the corresponding period last year likely owing to higher prospecting expense incurred with respect to seismic data acquired in Bannu West, Kalchas and Block-28. There was no dry well reported during the quarter.
- ✓ **Finance income** increased by +2.4xYoY to PKR 1.34bn during 3QFY20 likely owing to higher interest rates and elevated income on short term investments as short term investments (local bank term deposits) have further increased by +32%YoY (+10%QoQ) during 2QFY20.
- ✓ **Effective tax rate** stood at 26.4% during 3QFY20 as against 27.8% in the same period last year (2QFY20: 29.1%), bringing total effective tax rate for 9MFY20 to 28.5% compared to 31.1% in the corresponding period last year.

Exhibit: MARI Financial Highlights

PKRmn	3QFY20	3QFY19	YoY	2QFY20	QoQ	9MFY20	9MFY19	YoY
Net Sales	18,978	14,521	31%	16,702	14%	53,529	43,507	23%
Royalty	2,387	1,837	30%	2,098	14%	6,742	5,522	22%
Operating Expense	3,426	3,329	3%	3,158	8%	9,838	8,985	9%
Exploration Expense	2,227	1,075	107%	1,469	52%	5,739	3,675	56%
Gross Profit	10,180	7,741	32%	9,270	10%	28,935	23,587	23%
Other Income	239	(157)	-253%	(128)	-287%	400	168	138%
EBIT	10,419	7,585	37%	9,142	14%	29,335	23,755	23%
Finance Income	1,340	571	135%	1,379	-3%	3,902	1,314	197%
Finance Cost	243	191	27%	243	0%	735	668	10%
PBT	11,516	7,965	45%	10,278	12%	32,502	24,400	33%
PAT	8,477	5,751	47%	7,285	16%	23,225	16,809	38%
EPS (PKR)	63.54	43.11		54.61		174.09	126.00	
DPS (PKR)	-	-		4.10		4.10	4.00	

Source: IGI Research and Company Financials No of Shares: 133.40mn

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