Foundation Securities
REP-095

PAKISTAN **August 4, 2022**

Earning Review

MARI: 4QFY22 EPS clocked in at Rs41.9, DPS Rs62.0

Event

- MARI Petroleum Limited (MARI) profitability clocked in at Rs41.9/sh, down 30.9%/25.2% YoY/QoQ, cumulating into FY22 profitability of Rs247.8/sh, up 5.1% YoY.
- The result is accompanied with an interim cash payout of Rs62.0/sh which takes full year payout to Rs124/sh.
- However, the result is below our expectation given higher than expected exploration cost booked during the quarter.

Impact

- We attribute decline in profitability to (1) higher tax charge due to imposition of 10% super tax on FY22 profitability and (2) higher exploration expense.
- The tax charge for the quarter is Rs6.9bn which includes the provision for super tax of Rs5.2bn, which has resulted in increased effective tax rate of 55.5% in 4QFY22.
- However, (1) higher gas flows particularly from MARI HRL, (2) higher Arab Light prices used for gas pricing (3) higher dollar indexation.
- Oil prices are up by ~68%YoY during 4QFY22, in particular Arab Light prices used for gas pricing calculation are up by ~79%YoY.
- Overall, gas production is up by ~2.3% YoY during 4QFY22 and flows of MARI HRL entitle for incremental pricing are up by ~6.7% YoY.
- Exploration and prospecting expenditure is up by 12x YoY to Rs6.4bn given company's aggressive plans to add more reserves besides attaining sustainability of existing flows. Company incurred one dry well in 4QFY22 at Mian Miro Deep-1.
- Company's other income is negative Rs48.23mn during 4QFY22 on the back of loss originated from Seismic, Drilling and Processing Units, in our view.
- Company booked share of loss in associate of Rs190mn due to operating expenses of Pakistan International Oil Limited (PIOL) taking full year share of loss in associate to Rs2.6bn in FY22. To highlight, in 2QFY22 MARI booked loss of Rs2.4bn due to expenses incurred for seismic purchase and signatory bonus related to investment made in PIOL.
- MARI has expanded its portfolio internationally and participated as a part of a consortium comprising of OGDC, PPL and Government Holdings (Private) Limited (GHPL) in recent Abu Dhabi offshore block auction. The consortium in which company was a part has been awarded the contract of Offshore Block 5 in Abu Dhabi. To highlight, Offshore Block 5 covers an area of 6,223 square kilometers and is located 100 kilometers northeast of Abu Dhabi city.

Outlook

- Materialization of lower Goru-B reserves, enhanced probability of continuation of flows on incremental pricing from HRL, immunity to circular debt, aggressive exploration drive in Hydrocarbon rich areas and expanding offshore compel us to have "Outperform" rating for the stock.

Fig 1: 4QFY22 Financial Highlights

	4QFY22	4QFY21	YoY	QoQ	FY22	FY21	YoY
Revenue	27,517	17,677	55.7%	26.9%	95,134	73,018	30.3%
Royalty	3,356	2,396	40.1%	22.2%	12,000	9,315	28.8%
Operating expenses	5,581	4,392	27.1%	36.0%	17,403	15,040	15.7%
Exploration and prospecting expenditure	6,413	569	1026.4%	616.1%	10,932	4,544	140.6%
Other charges	993	752	32.1%	22.4%	3,623	3,082	17.5%
Other income	(142)	769	-118.5%	-93.7%	(2,565)	264	na
Operating Profit	11,032	10,336	6.7%	1.5%	48,613	41,301	17.7%
Finance income	1,932	1,343	43.8%	126.2%	4,483	3,941	13.8%
Finance cost	392	635	-38.3%	60.7%	980	1,310	-25.2%
PBT	**12,572**	**11,044**	**13.8%**	**9.5%**	**52,116**	**43,931**	**18.6%**
Tax	6,982	2,956	136.2%	74.1%	19,053	12,486	52.6%
PAT	**5,590**	**8,089**	**-30.9%**	**-25.2%**	**33,063**	**31,445**	**5.1%**
EPS	41.9	60.6			247.8	235.7	

Source: PSX. Foundation Research, August 2022

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Recommendations definitions

If

Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.