

Foundation Alert

MARI: Analyst Briefing Takeaways

Event

- Mari Petroleum Company Limited (MARI PA) held its analyst briefing session today. Management of the company discussed its financial/operational performance of FY22 and future outlook of the company. Following are the key takeaways of the briefing.

Impact

- Management covered the following in their presentation including (1) brief corporate history, (2) operational achievements, (3) financial performance and (4) outlook of the company.
- Management states that Mari is the 2nd largest Exploration & Production (E&P) company in Pakistan with 29 blocks in its portfolio and 13 D&PLs, including offshore block.
- MARI is a progressive energy company with operations across Pakistan and interest in offshore block in UAE (Block 5).
- Company has total concession area of 58,000 square KM with 16 operated blocks and 13 non-operated blocks. To highlight, Offshore Block 5 covers an area of 6,223 square kilometers and is located 100 kilometers north-east of Abu Dhabi city.
- MARI achieved total production of 37 MMBOE with net sales of Rs95bn (US\$529mn) and profitability of Rs33bn (US\$184mn) in FY22. If there is no super tax, net profit would have been Rs38bn (US\$213mn). In FY22, company daily average production crossed 100,000 BOEPD first time ever.
- Mari Services Division was established in 2014 which constitutes Mari Seismic Unit (MSU), Mari Mud Logging Unit, Mari Drilling Unit (MDU), Mari Seismic Processing Centre (MSPC) and Mari Gravity & Magnetic Unit.
- Recently, MARI has drilled Bannu West-1 well in North Waziristan with discovery size of 50 mmcf of gas and 300 bpd of oil. This block is operated by MARI with 55% interest while OGDC and ZPCL have 35% and 10% interest in the block, respectively. Company is optimistic to add these flows into the network within next 8 to 10 months depending upon the security situation.
- Under HRL Swing Volume Project company has supplied 45bcf of gas to the SNGPL network in FY22 generating additional revenue of Rs7.6bn.
- On offshore block-05 Abu Dhabi, management stated that first appraisal well is planned to be drilled in Q2 of 2023.
- Acquisition of 11 blocks in last 2 years reflects aggressive exploration strategy adopted by the company.
- Company plans to incur annualized CAPEX, including exploration expense, of US\$200mn for next couple of years depending upon exploration and development status of different blocks; and security situation of the country.
- Mari has completed the first two phases of Tipu gas processing plant and is expecting to complete last phase by the end of CY22 that will add additional 90 mmcf pipeline quality gas.
- Recently, company has successfully drilled and tested its first ever horizontal development well Mari 112-H in HRL Reservoir of MARI Gas Field in Daharaki, Sindh Province. The well was drilled to a total depth of 1,550 meters including a horizontal section of around 530 meters.
- Flows from this horizontal well are much higher when compared to vertically drilled wells. Company is planning to drill 3 to 4 more wells on the same pattern which would optimize development expenditure of the reservoir, in management view.

Outlook

- Materialization of lower Goru-B reserves, enhanced probability of continuation of flows on incremental pricing from HRL, development of Bannu west block, 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: FY22 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, October 2022

Analyst

Muhammad Awais Ashraf
+92 21 3561 2290-94

m.awais@fs.com.pk
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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.