

Earning Review

MARI: 2QFY23 EPS clocked in at Rs83.6, DPS Rs89.0

Event

- MARI Petroleum Limited (MARI) profitability clocked in at Rs83.6/sh, up 49.2% and down 12% YoY/QoQ in 2QFY23.
- The result is accompanied with cash payout of Rs89.0/sh.

Impact

- We attribute increase in profitability to (1) higher gas prices, (2) elevated dollar indexation and (3) lower loss from Seismic, Drilling and Processing Unit.
- However, decline in gas flows due to lower offtake from fertilizer plants and higher tax expense has restricted profitability growth.
- Oil prices are up by ~10% YoY during 2QFY23, in particular Arab Light prices used for gas pricing calculation are up by ~67% YoY.
- Overall, gas production is down by ~2.9% YoY during 2QFY23 and flows of MARI HRL entitled to incremental pricing are also down by ~13.2% YoY.
- Exploration and prospecting expenditure is up by 4.9x YoY to Rs4.3bn given company's aggressive plans to add more reserves besides attaining sustainability of existing flows.
- Company's other income is negative Rs179mn during 2QFY23 on the back of loss originated from Seismic, Drilling and Processing Units, in our view.
- Company booked share of loss in associate of Rs55.8mn due to operating expenses of Pakistan International Oil Limited (PIOL). 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.
- The tax charge for the quarter is Rs5.6bn which includes the provision for super tax at the rate of 4%.

Outlook

- Materialization of lower Goru-B reserves, enhanced probability of continuation of flows on incremental pricing from HRL, immunity to circular debt, dollar hedged topline, aggressive exploration drive in hydrocarbon rich areas and offshore expansion compel us to have "Outperform" stance on the stock with Dec'23 TP of Rs 2,096.6.

Fig 1: 2QFY23 Financial Highlights

	2QFY23	2QFY22	YoY	QoQ	1HFY23	1HFY22	YoY
Revenue	29,177	21,692	34.5%	-8%	61,002	42,418	43.8%
Royalty	3,678	2,746	33.9%	-8%	7,682	5,386	42.6%
Operating expenses	3,683	4,105	-10.3%	-37%	9,537	7,377	29.3%
Exploration and prospecting expenditure	4,344	895	385.1%	215%	5,723	2,644	116.4%
Other charges	1,225	811	51.0%	-7%	2,545	1,600	59.1%
Other income	(179)	(2,264)	na	-66%	(705)	(2,232)	na
Operating Profit	16,067	10,871	47.8%	-14%	34,810	23,178	50.2%
Finance income	1,192	854	39.6%	17%	2,214	1,706	29.8%
Finance cost	432	244	77.3%	-2%	872	343	154.3%
PBT	16,827	11,481	46.6%	-13%	36,152	24,542	47.3%
Tax	5,680	4,010	41.7%	-14%	12,290	7,958	54.4%
PAT	11,147	7,471	49.2%	-12%	23,862	16,583	43.9%
EPS	83.6	56.0			178.9	124.3	
DPS	89.0	62.0			89.0	62.0	

Source: PSX. Foundation Research, January 2023

Analyst

Muhammad Awais Ashraf, CFA
+92 21 3561 2290-94

m.awais@fs.com.pk
Ext 338

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

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