

Earning Review

MARI: 3QFY23 EPS clocked in at Rs123.2, up 51% YoY

Event

- MARI Petroleum Limited (MARI) profitability clocked in at Rs123.2/sh, up 51/47% YoY/QoQ in 3QFY23. This cumulates to 9MFY23 profitability of Rs302.0/sh, up 47% YoY.
- The result is above our expectation given lower than expected exploration expense.

Impact

- We attribute increase in profitability to (1) higher gas prices, (2) enhanced gas flows, (3) elevated dollar indexation and (4) lower exploration expense.
- However, higher loss from associate has restricted profitability growth.
- The price of Arab light price is down by 18% YoY to average at ~US\$82/bbl in 3QFY23 against ~US\$100/bbl in 3QFY22. Whereas, oil price used for gas price indexation is up by 28% YoY in 3QFY23.
- Overall, gas production increased by ~7.1% YoY during 3QFY23 and flows of MARI entitled to incremental pricing also increased by ~29% YoY due to commission of SGPC phase-II.
- Successful completion of Phase-II construction, commissioning and performance testing of Sachal Gas Processing Complex (SGPC) in the Mari Field has added supply of over 100 MMSCFD of pipeline quality gas (~5% of indigenous gas).
- Exploration and prospecting expenditure is up by 2.0x YoY to Rs3.8bn given company's aggressive plans to add more reserves besides attaining sustainability of existing flows.
- Company's other income is negative Rs171mn during 3QFY23 on the back of loss originated from Seismic, Drilling and Processing Units, in our view.
- Company booked share of loss in associate of Rs447mn due to operating expenses of Pakistan International Oil Limited (PIOL).
- The tax charge for the quarter is Rs8.2bn which is up by 2.0x YoY.

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: 3QFY23 Financial Highlights

	3QFY23	3QFY22	YoY	QoQ	9MFY23	9MFY22	YoY
Revenue	37,838	25,199	50.2%	29.7%	98,840	67,617	46.2%
Royalty	4,674	3,258	43.5%	27.1%	12,356	8,644	42.9%
Operating expenses	6,641	4,445	49.4%	80.3%	16,178	11,822	36.8%
Exploration and prospecting expenditure	3,816	1,874	103.6%	-12.1%	9,539	4,519	111.1%
Other charges	1,630	1,030	58.3%	33.0%	4,175	2,629	58.8%
Other income	(619)	(190)	224.9%	244.8%	(1,324)	(2,422)	-45.3%
Operating Profit	20,458	14,403	42.0%	27.3%	55,268	37,581	47.1%
Finance income	4,644	845	449.4%	289.4%	6,858	2,552	168.8%
Finance cost	451	245	84.1%	4.3%	1,323	588	125.0%
PBT	24,651	15,003	64.3%	46.5%	60,803	39,544	53.8%
Tax	8,221	4,113	99.9%	44.7%	20,512	12,072	69.9%
PAT	16,430	10,889	50.9%	47.4%	40,291	27,473	46.7%
EPS	123.2	81.6			302.0	205.9	

Source: PSX. Foundation Research, April 2023

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