

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 9MFY23 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 33 blocks in its portfolio and 13 D&PLs and 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 65,865 square KM with 17 operated blocks and 16 non-operated blocks including offshore block. To highlight, Offshore Block 5 covers an area of 6,223 square kilometers and is located 100 kilometers north-east of Abu Dhabi city.
- To highlight, MARI has acquired 15 new blocks in last two years.
- Company has set a new production record of 876 mmcf/d gas on April 15'2023 due to successful commissioning of Sachal Gas Processing Complex (SGPC). Sales through SGPC are ~100 mmcf/d and are being supplied through company owned 20" pipeline.
- Subsequently, MARI achieved highest ever sales of Rs99bn, up 46% YoY, and profitability of Rs40bn, up 47% YoY, in 9MFY23.
- 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.
- On April 12'2023, company signed GPC for early production from Shewa-1 (Bannu West-1) discovery with first gas expected in seven months from mobilization, subject to conducive security environment.
- MARI has drilled Shewa-1 well in North Waziristan with discovery size of 50 mmcf/d 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.
- Exploratory well Mari Ghazij-1, spud on Nov 24'22, is a significant success for MARI with post acid flows of 8.5 mmcf/d at 64/64 choke size and 9.6 mmcf/d at 128/64. This discovery added a new reservoir horizon in the existing MARI D&PL and has opened a new play concept for mature basins.
- Company has planned multiple wells to further appraise the Gazij reservoir. A full field development plan will be prepared based on the results of EWT and appraisal wells.
- Currently, company is drilling three exploratory wells Speen-1 (50% targeted depth achieved), Maiwand X-1 (rig up in progress) and Spinwam-1 (civil work in progress).
- MARI has moved rig to Bannu west to start drilling Shewa-2 by end of this month with targeted drilling depth of 4,970m.

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: 9MFY23 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, May 2023

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Recommendations definitions

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