

**Mari Petroleum Company Limited**  
Result Preview

PSX: MARI Bloomberg: MARI:PA Reuters: MGAS: KA

Pakistan Research

**MARI: 3QFY24 earnings to clock in at PKR 127.7/share, up 4% YoY**

- MARI's board meeting is scheduled on April 26<sup>th</sup>, 2024, to consider 3QFY24 financial results. We expect the company to post earnings of PKR 127.7/share, up 4% YoY. This will bring the 9MFY24 EPS 408.8, a 35% increase YoY.
- Earning's growth would primarily stem from higher gas flows and improved dollar indexation during the quarter.
- Net sales are anticipated to clock in at PKR 47.7bn compared to PKR 37.8bn in SPLY, up 26% YoY mainly due to 1) higher gas volumes, 2) better gas prices for MARI base flows and 3) PKR devaluation.
- The company's gas production is likely to grow by 13% YoY in 1QFY24 on the back of Sachal Gas Processing Complex (SGPC) coming at full capacity and incremental gas sales to SNGPL.
- Average gas prices for the company are expected to increase by 9% YoY in 3QFY24 due to 10.9% YoY increase in MARI HRL benchmark prices and higher flows on incremental pricing.
- Moreover, the Dollar averaged PKR 277.9 in 3QFY24, marking a 6.8% YoY increase.
- Exploration and prospecting expenses are expected to go up by 35% YoY to PKR 5.2bn due to aggressive exploration activity.
- Effective tax rate is expected to remain higher for 3QFY24 due to elevated super tax rate despite reversal of provision in respect of depletion allowance.
- We have a 'BUY' stance on MARI. Our Dec-24 price target (PT) of PKR 3,333/share provides an upside of 18% along with a dividend yield of 6%.

**Key Data**

PSX Ticker	MARI
Target Price (PKR)	3,333
Current Price (PKR)	2,829
Upside/(Downside) (%)	+ 18%
Dividend Yield (%)	6%
Total Return (%)	+ 24%
12-month High (PKR)	2,849
12-month Low (PKR)	1,480
Outstanding Shares (mn)	133
Market Cap (PKR mn)	377,409
Year End	June

Source: Company Accounts, Akseer Research

**Financial Estimates (PKR mn)**

	3QFY23	3QFY24E	YoY	9MFY23	9MFY24E	YoY
Sales	37,838	47,655	26%	98,840	141,400	43%
Operating expenses	6,641	8,436	27%	16,178	23,075	43%
Royalties	4,674	6,024	29%	12,356	17,770	44%
<b>Gross profit</b>	<b>26,523</b>	<b>33,196</b>	<b>25%</b>	<b>70,306</b>	<b>100,555</b>	<b>43%</b>
Exploration expenditure	3,816	5,152	35%	9,539	8,408	-12%
Interest Income	(172)	12	NM	(759)	928	NM
Finance Cost	451	738	64%	1,323	2,171	64%
<b>Profit before tax</b>	<b>24,651</b>	<b>27,041</b>	<b>10%</b>	<b>60,803</b>	<b>89,740</b>	<b>48%</b>
Taxation	8,221	10,005	22%	20,512	35,198	72%
<b>Profit after tax</b>	<b>16,430</b>	<b>17,036</b>	<b>4%</b>	<b>40,291</b>	<b>54,541</b>	<b>35%</b>
EPS	123.2	127.7	4%	302.0	408.8	35%
DPS	-	-		89.0	98.0	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
EPS	235.7	247.8	420.7	531.5	691.2	744.8
EPS Growth	3.7%	5.1%	69.8%	26.3%	30.0%	7.8%
DPS	141.0	124.0	147.0	159.0	207.0	223.0
PER	11.9	11.3	6.7	5.3	4.1	3.8
Dividend Yield	5.0%	4.4%	5.2%	5.7%	7.4%	8.0%
EV/EBITDA	5.4	4.6	2.9	2.0	1.6	1.5
P/B	2.7	2.4	1.8	1.4	1.1	0.9
ROE	30.1%	26.8%	37.5%	36.6%	36.7%	31.2%

Source: Company Financials, Akseer Research

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### Valuation Basis

Our PT for Mari Petroleum Company Limited (MARI) has been computed using reserve based free cash flow to equity (FCFE) method. We have used a risk-free rate of 15%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 21%.

### Investment Thesis

We have a 'BUY' recommendation on MARI. Our Dec-24 price target (PT) of PKR 3,333/share provides an upside of 18% along with a dividend yield of 6%. Our investment case on MARI is based on (1) sustainability of HRL flows, (2) currency devaluation along with high oil prices, and (3) diversification plans to reduce reliance on core operations.

### Risks

Key downside risks to our investment thesis are 1) lower than expected production from Mari HRL reservoir, 2) volatility in oil prices, 3) lower than expected currency devaluation and 3) lower than estimated life of main reserves.

### Company Description

Mari Petroleum Company Limited (MARI) explores for, produces, and sells hydrocarbons - natural gas, crude oil, condensate, and LPG. It primarily manages Mari gas field located at Daharki, Sindh. The company was formerly known as Mari Gas Company Limited and renamed to Mari Petroleum Company Limited in November-12. It is headquartered in Islamabad, Pakistan. The company's majority shareholding is with Fauji Foundation at 40%, followed by OGDC at 20% and GoP at 18%.

### Financial Highlights - MARI

Income Statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net sales	73,018	95,134	145,770	192,781	261,349	289,361
Field Expenditures	15,040	17,403	27,112	34,160	44,890	50,201
Royalties	9,315	12,000	17,548	24,265	32,966	36,499
<b>Operating Profit</b>	<b>41,349</b>	<b>51,226</b>	<b>78,937</b>	<b>112,791</b>	<b>151,413</b>	<b>164,674</b>
Other income	4,253	4,531	8,713	9,075	4,662	2,825
Other charges	3,082	3,623	5,794	8,110	10,454	11,574
Finance cost	1,310	980	1,775	2,911	2,473	2,127
<b>Profit before tax</b>	<b>43,931</b>	<b>52,116</b>	<b>85,847</b>	<b>116,563</b>	<b>151,163</b>	<b>162,884</b>
Taxation	12,486	19,053	29,718	45,660	58,953	63,525
<b>Profit after tax</b>	<b>31,445</b>	<b>33,063</b>	<b>56,129</b>	<b>70,903</b>	<b>92,209</b>	<b>99,359</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	37,673	60,441	81,736	106,484	135,643	159,696
Other LT assets	27,251	38,684	49,065	52,588	63,309	75,578
Non-Current Assets	64,924	99,125	130,802	159,072	198,952	235,274
Current assets	85,463	86,015	123,795	139,583	166,160	210,118
<b>Total Assets</b>	<b>150,386</b>	<b>185,140</b>	<b>254,597</b>	<b>298,655</b>	<b>365,112</b>	<b>445,393</b>
Non-Current liabilities	11,172	16,268	23,535	22,915	21,553	21,138
Current liabilities	23,681	38,013	62,635	57,105	59,797	70,334
<b>Total Liabilities</b>	<b>34,853</b>	<b>54,281</b>	<b>86,170</b>	<b>80,019</b>	<b>81,350</b>	<b>91,472</b>
Equity	115,534	130,859	168,426	218,635	283,763	353,921
<b>Total Equity &amp; liabilities</b>	<b>150,386</b>	<b>185,140</b>	<b>254,597</b>	<b>298,655</b>	<b>365,112</b>	<b>445,393</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net Income	31,445	33,063	56,129	70,903	92,209	99,359
Non-cash Charges	3,758	4,064	7,716	7,516	9,279	10,950
<b>Operating Cash flows</b>	<b>32,537</b>	<b>40,382</b>	<b>51,352</b>	<b>64,022</b>	<b>57,572</b>	<b>84,970</b>
<b>FCFF</b>	<b>8,269</b>	<b>5,563</b>	<b>14,823</b>	<b>30,837</b>	<b>9,933</b>	<b>39,006</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>7,331</b>	<b>5,693</b>	<b>13,704</b>	<b>28,940</b>	<b>8,425</b>	<b>37,709</b>
Net change in cash	(1,729)	(12,045)	(4,857)	8,246	(18,658)	8,508
<b>Closing cash</b>	<b>48,605</b>	<b>36,561</b>	<b>31,704</b>	<b>39,950</b>	<b>21,292</b>	<b>29,800</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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