

**Mari Petroleum Company Limited**  
Result Review

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

Pakistan Research

**MARI: 3QFY24 earnings clocked in PKR 105.9/share, down 14% YoY**

- MARI announced its 3QFY24 financial results today, wherein the company reported an EPS of PKR 105.9 compared to EPS of PKR 123.2 in SPLY, down 14% YoY. This takes 9MFY24 EPS to PKR 387.0, up 28% YoY.
- The company's profitability is below our expectations, primarily due to a higher-than-expected increase in exploration cost.
- We attribute the lower profitability to a 4.1x YoY increase in exploration costs, driven by the company's aggressive exploration and maintenance efforts in the Mari field. These efforts are aimed at sustaining enhanced gas volumes at the desired pressure, including the Annual Turnaround of the Sachal Gas Processing Complex (SGPC).
- Net sales grew by 28% YoY to PKR 48.2bn compared to PKR 37.8bn in the corresponding period last year given the higher volumetric sales and improved gas prices due to rupee devaluation.
- Average gas prices for MARI rose by 9% YoY in 3QFY24 due to a 10.9% YoY increase in pricing for benchmark volumes of MARI HRL and higher flows on incremental pricing.
- The company's gas production grew by 13% YoY in 3QFY24 on the back of SGPC coming at full capacity and incremental gas sales to SNGPL. Gas volumes from SGPC in the Mari field has reached ~108 mmcf, after commissioning of the third Amine Sweetening Unit and its first annual turnaround.
- Effective tax rate declined to 8.3% in 3QFY24 due to reversal of provision in respect of depletion allowance.
- We have a 'BUY' stance on MARI. Our Dec-24 price target (PT) of PKR 3,225/share provides an upside of 14% along with a dividend yield of 6%.

**Key Data**

PSX Ticker	MARI
Target Price (PKR)	3,225
Current Price (PKR)	2,818
Upside/(Downside) (%)	+ 14%
Dividend Yield (%)	6%
Total Return (%)	+ 20%
12-month High (PKR)	2,849
12-month Low (PKR)	1,480
Outstanding Shares (mn)	133
Market Cap (PKR mn)	375,987
Year End	June

Source: Company Accounts, Akseer Research

**Financial Highlights (PKR mn)**

	3QFY23	3QFY24	YoY	9MFY23	9MFY24	YoY
Sales	37,838	48,247	28%	98,840	141,992	44%
Operating expenses	6,641	11,499	73%	16,178	26,139	62%
Royalties	4,674	5,800	24%	12,356	17,546	42%
<b>Gross profit</b>	<b>26,523</b>	<b>30,949</b>	<b>17%</b>	<b>70,306</b>	<b>98,307</b>	<b>40%</b>
Exploration expenditure	3,816	15,527	307%	9,539	18,783	97%
Interest Income	(172)	56	NM	(759)	972	NM
Finance Cost	451	716	59%	1,323	2,150	62%
<b>Profit before tax</b>	<b>24,651</b>	<b>15,397</b>	<b>-38%</b>	<b>60,803</b>	<b>78,095</b>	<b>28%</b>
Taxation	8,221	1,273	-85%	20,512	26,466	29%
<b>Profit after tax</b>	<b>16,430</b>	<b>14,124</b>	<b>-14%</b>	<b>40,291</b>	<b>51,629</b>	<b>28%</b>
EPS	123.2	105.9	-14%	302.0	387.0	28%
DPS	0.0	0.0	-	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	510.8	684.1	737.5
EPS Growth	3.7%	5.1%	69.8%	21.4%	33.9%	7.8%
DPS	141.0	124.0	147.0	153.0	205.0	221.0
PER	12.0	11.4	6.7	5.5	4.1	3.8
Dividend Yield	5.0%	4.4%	5.2%	5.4%	7.3%	7.8%
EV/EBITDA	5.4	4.6	2.9	2.3	1.7	1.5
P/B	2.7	2.4	1.8	1.4	1.1	0.9
ROE	30.1%	26.8%	37.5%	35.4%	36.7%	31.1%

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 3,225/share provides an upside of 14% 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 4) 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	193,373	261,349	289,361
Field Expenditures	15,040	17,403	27,112	37,223	48,915	54,703
Royalties	9,315	12,000	17,548	24,041	32,966	36,499
<b>Operating Profit</b>	<b>41,349</b>	<b>51,226</b>	<b>78,937</b>	<b>100,894</b>	<b>149,318</b>	<b>162,508</b>
Other income	4,253	4,531	8,713	9,108	4,771	2,953
Other charges	3,082	3,623	5,794	7,427	10,454	11,574
Finance cost	1,310	980	1,775	2,889	2,473	2,127
<b>Profit before tax</b>	<b>43,931</b>	<b>52,116</b>	<b>85,847</b>	<b>105,160</b>	<b>149,613</b>	<b>161,280</b>
Taxation	12,486	19,053	29,718	37,021	58,349	62,899
<b>Profit after tax</b>	<b>31,445</b>	<b>33,063</b>	<b>56,129</b>	<b>68,139</b>	<b>91,264</b>	<b>98,381</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	62,738	74,338
Non-Current Assets	64,924	99,125	130,802	159,072	198,381	234,034
Current assets	85,463	86,015	123,795	140,136	166,846	211,705
<b>Total Assets</b>	<b>150,386</b>	<b>185,140</b>	<b>254,597</b>	<b>299,208</b>	<b>365,227</b>	<b>445,739</b>
Non-Current liabilities	11,172	16,268	23,535	22,915	21,553	21,138
Current liabilities	23,681	38,013	62,635	59,623	62,554	74,034
<b>Total Liabilities</b>	<b>34,853</b>	<b>54,281</b>	<b>86,170</b>	<b>82,537</b>	<b>84,107</b>	<b>95,172</b>
Equity	115,534	130,859	168,426	216,671	281,120	350,567
<b>Total Equity &amp; liabilities</b>	<b>150,386</b>	<b>185,140</b>	<b>254,597</b>	<b>299,208</b>	<b>365,227</b>	<b>445,739</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net Income	31,445	33,063	56,129	68,139	91,264	98,381
Non-cash Charges	3,758	4,064	7,716	7,516	9,254	10,898
<b>Operating Cash flows</b>	<b>32,537</b>	<b>40,382</b>	<b>51,352</b>	<b>63,585</b>	<b>57,032</b>	<b>84,882</b>
<b>FCFF</b>	<b>8,269</b>	<b>5,563</b>	<b>14,823</b>	<b>30,386</b>	<b>9,989</b>	<b>39,641</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>7,331</b>	<b>5,693</b>	<b>13,704</b>	<b>28,503</b>	<b>8,480</b>	<b>38,344</b>
Net change in cash	(1,729)	(12,045)	(4,857)	8,609	(18,335)	9,410
<b>Closing cash</b>	<b>48,605</b>	<b>36,561</b>	<b>31,704</b>	<b>40,312</b>	<b>21,977</b>	<b>31,387</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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