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MARI: 4QFY24 EPS expected to clock in at PKR 111, down 6% YoY, DPS PKR 51

Mari Petroleum Limited

PSX: MARI | Bloomberg: MARI PA | Reuters: KASE: MARI

- MARI is scheduled to announce its financial result on Thursday, August 8th, 2024, where we expect it to report an unconsolidated EPS of PKR 111 during 4QFY24, down 6% YoY. Along with the result, we expect the company to announce a final dividend of PKR 51/share, taking the FY24 dividend payout to PKR 149.
- Net sales are expected to clock in at PKR 49.8 bn during 4QFY24, compared to PKR 46.9 bn in SPLY, up by 6% YoY on the back of 1) higher oil prices (+9% YoY) and 2) better gas prices (+4% YoY) for MARI base flows, taking the cumulative total to PKR 191 bn (+32% YoY). Moreover, for FY24 we expect MARI's overall oil and gas production to improve by 6% and 11% YoY respectively.
- Bottom line for 4QFY24 is expected to remain contained owing to a 17% YoY increase in exploration expenditure coming from MARI's aggressive prospecting and exploration activities.
- We maintain a 'BUY' recommendation on the stock based on a Jun-25 price target (PT) of PKR 3,404/share which provides an upside of 30% along with a dividend yield of 6%.

Key Data

| | |
|-------------------------|---------|
| PSX Ticker | MARI |
| Target Price (PKR) | 3,404 |
| Current Price (PKR) | 2,589 |
| Upside/(Downside) (%) | 30% |
| Dividend Yield (%) | 6% |
| Total Return (%) | 36% |
| 12-month High (PKR) | 2,855 |
| 12-month Low (PKR) | 1,515 |
| Outstanding Shares (mn) | 133 |
| Market Cap (PKR mn) | 345,379 |

| Financial Estimates (PKR mn) | 4QFY23 | 4QFY24E | YoY | FY23 | FY24E | YoY |
|------------------------------|---------------|---------------|------------|----------------|----------------|------------|
| Sales | 46,930 | 49,784 | 6% | 145,770 | 191,777 | 32% |
| Operating expenses | 10,934 | 9,959 | -9% | 27,112 | 36,098 | 33% |
| Royalties | 5,192 | 6,644 | 28% | 17,548 | 24,190 | 38% |
| Gross profit | 30,804 | 33,181 | 8% | 101,110 | 131,489 | 30% |
| Exploration expenditure | 6,478 | 7,584 | 17% | 16,017 | 26,367 | 65% |
| Other income | 396 | 120 | -70% | (363) | 1,092 | NM |
| Finance Cost | 452 | 712 | 58% | 1,775 | 2,862 | 61% |
| Profit before tax | 25,044 | 24,338 | -3% | 85,847 | 102,433 | 19% |
| Taxation | 9,207 | 9,492 | 3% | 29,718 | 35,957 | 21% |
| Profit after tax | 15,837 | 14,846 | -6% | 56,129 | 66,476 | 18% |
| EPS | 119 | 111 | | 421 | 498 | |
| DPS | 58 | 51 | | 147 | 149 | |

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 Nov-12.

Valuation Basis

Our PT for Mari Petroleum Limited (MARI) has been computed on a reserve based free cash flow to equity (FCFE) method. We have used a risk-free rate of 14%, a beta of 0.9, and a market risk premium of 6%.

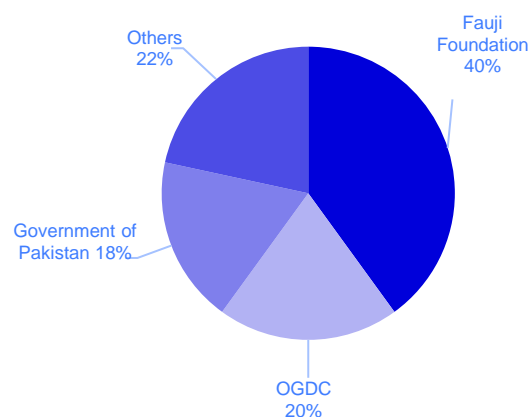
Investment Thesis

We have a 'BUY' recommendation on the stock based on our Jun-25 PT of PKR 3,404/share which results in an upside of 30% along with a dividend yield of 6.3%. 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) Additional royalty of 15% on MARI fields to significantly impact the company's bottom line, 2) lower than expected production from Mari HRL reservoir, 3) volatility in oil prices, 4) lower than expected currency devaluation, and 5) lower than estimated life of main reserves.

Shareholding Pattern



| Income Statement (PKR mn) | FY21A | FY22A | FY23A | FY24F | FY25F | FY26F |
|---------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Net sales | 73,018 | 95,134 | 145,770 | 191,777 | 206,230 | 220,803 |
| Operating Expenses | 15,040 | 17,403 | 27,112 | 36,098 | 39,726 | 42,919 |
| Royalties | 9,315 | 12,000 | 17,548 | 24,190 | 26,013 | 27,851 |
| Operating Profit | 41,349 | 51,226 | 78,937 | 98,542 | 120,496 | 127,894 |
| Other income | 4,253 | 4,531 | 8,713 | 8,813 | 5,369 | 3,273 |
| Other charges | 3,082 | 3,623 | 5,794 | 7,671 | 8,249 | 8,832 |
| Finance cost | 1,310 | 980 | 1,775 | 2,862 | 2,450 | 2,107 |
| Profit before tax | 43,931 | 52,116 | 85,847 | 102,433 | 121,300 | 126,889 |
| Taxation | 12,486 | 19,053 | 29,718 | 35,957 | 47,307 | 49,487 |
| Profit after tax | 31,445 | 33,063 | 56,129 | 66,476 | 73,993 | 77,402 |

Source: Company Accounts, Akseer Research

| Balance sheet (PKR mn) | FY21A | FY22A | FY23A | FY24F | FY25F | FY26F |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PPE | 37,673 | 60,441 | 81,736 | 106,484 | 135,643 | 159,696 |
| Other LT assets | 27,251 | 38,684 | 49,065 | 58,262 | 67,106 | 76,556 |
| Non-Current Assets | 64,924 | 99,125 | 130,802 | 164,746 | 202,748 | 236,252 |
| Current assets | 85,463 | 86,015 | 123,795 | 130,834 | 140,626 | 162,449 |
| Total Assets | 150,386 | 185,140 | 254,597 | 295,579 | 343,375 | 398,701 |
| Non-Current liabilities | 11,172 | 16,268 | 23,535 | 21,340 | 19,193 | 17,571 |
| Current liabilities | 23,681 | 38,013 | 62,635 | 58,698 | 56,259 | 58,469 |
| Total Liabilities | 34,853 | 54,281 | 86,170 | 80,038 | 75,453 | 76,041 |
| Equity | 115,534 | 130,859 | 168,426 | 215,542 | 267,922 | 322,660 |
| Total Equity & liabilities | 150,386 | 185,140 | 254,597 | 295,580 | 343,375 | 398,701 |

Source: Company Accounts, Akseer Research

| Cashflow statement (PKR mn) | FY21A | FY22A | FY23E | FY24F | FY25F | FY26F |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Income | 31,445 | 33,063 | 56,129 | 66,476 | 73,993 | 77,402 |
| Non-cash Charges | 3,758 | 4,064 | 7,716 | 11,555 | 13,718 | 15,688 |
| Operating Cash flows | 32,537 | 40,382 | 51,352 | 70,404 | 67,795 | 66,123 |
| FCFF | 8,269 | 5,563 | 14,823 | 27,476 | 17,580 | 18,228 |
| Net borrowings | - | - | - | - | - | - |
| FCFE | 7,331 | 5,693 | 13,704 | 25,610 | 16,086 | 16,943 |
| Net change in cash | (1,729) | (12,045) | (4,857) | 6,249 | (5,527) | (5,721) |
| Closing cash | 48,605 | 36,561 | 31,704 | 37,953 | 32,426 | 26,705 |

Source: Company Accounts, Akseer Research

| Key Financial Ratios | FY21A | FY22A | FY23E | FY24F | FY25F | FY26F |
|----------------------|-------|-------|-------|-------|-------|-------|
| EPS (PKR) | 235.7 | 247.8 | 420.7 | 498.3 | 554.7 | 580.2 |
| EPS Growth | 3.7% | 5.1% | 69.8% | 18.4% | 11.3% | 4.6% |
| DPS (PKR) | 141.0 | 124.0 | 147.0 | 149.0 | 166.0 | 174.0 |
| PER | 11.1 | 10.6 | 6.2 | 5.3 | 4.7 | 4.5 |
| Dividend Yield | 5.4% | 4.7% | 5.6% | 5.7% | 6.3% | 6.6% |
| EV/EBITDA | 5.4 | 4.6 | 2.9 | 2.2 | 1.9 | 1.8 |
| P/B | 2.7 | 2.4 | 1.8 | 1.4 | 1.2 | 1.0 |
| ROE | 30.1% | 26.8% | 37.5% | 34.6% | 30.6% | 26.2% |

Source: Company Accounts, Akseer Research

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|--------|-------------------------------|
| Buy | Greater than or equal to +15% |
| Hold | Between -5% and +15% |
| Sell | Less than or equal to -5% |

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