Mari Petroleum Co. (MARI)

3QFY18 EPS Rs36, +134% YoY (+24% QoQ); 9MFY18 EPS Rs97.8, +71% YoY

Below expectations

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Higher well-head gas price lift revenues

MARI: Financial Highlights							
Rs mn	**3QFY18**	**3QFY17**	**YoY**	**QoQ**	**9MFY18**	**9MFY17**	**YoY**
Net Sales	10,575	6,806	55%	22%	28,592	19,866	44%
Royalty	1,350	894	51%	23%	3,638	2,528	44%
Operating Expenses	2,326	1,615	44%	-15%	6,988	5,129	36%
Exploration & Prospecting Expenditure	282	1,667	-83%	-75%	1,637	2,565	-36%
Other Charges	409	133	208%	30%	1,070	538	99%
Other Expenses/Income	(269)	(302)	NM	NM	39	(422)	-109%
Operating Profit	5,939	2,194	171%	45%	15,297	8,684	76%
Finance Income	185	63	196%	1%	489	142	244%
Finance Cost	177	204	-13%	-43%	786	610	29%
Profit before Tax	5,947	2,053	190%	50%	15,000	8,216	83%
Taxation	1,978	358	453%	160%	4,216	1,909	121%
Profit after Tax	3,969	1,695	134%	24%	10,784	6,307	71%
EPS	**36.0**	**15.4**			**97.8**	**57.2**	

Source: KSE, Topline Research

- MARI recorded earnings of Rs4.0bn (EPS Rs36/share) in 3QFY18, up 134% YoY. Though earnings were considerably higher on YoY basis, it fell short of our expectations primarily on the back of higher expenses.
- Revenues grew by a considerable 55% YoY during the outgoing quarter thanks to 1) higher Arab Light oil prices, up 24% to US$65.6/bbl, 2) average 6% currency devaluation 3) unwinding of entitlement factor of Mari gas field price 3) higher gas production from Mari field, up ~6% to average 725mmcfd and 3) higher price benefit on incremental production (production exceeding 10% from 525mmcfd is eligible for higher pricing under PP2012) in 3QFY18.

Higher well-head gas price lift revenues

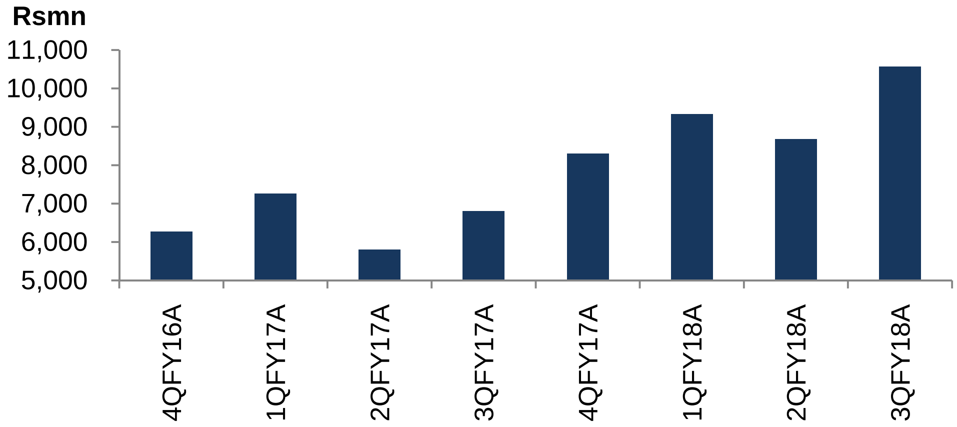
- The company's operating expenses during the outgoing quarter were up 44% YoY. We attribute this to higher amortization expenses.
- Exploration expenses witnessed a considerable decline of 83% YoY in 3QFY18, primarily in the absence of any dry and abandoned well. To recall, MARI booked dry well cost of Rs1.3bn during similar period last year.
- We flag 1) inability to meet set benchmark of incremental production to avail higher pricing, 2) slowdown in demand from Fertilizer sector, 3) lower than anticipated international oil prices and 4) circular debt issue as key risks for MARI.

MARI: Key Numbers

	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	22.0	35.8	51.3	50.6	82.9
Earnings Growth	0%	63%	43%	-1%	64%
PE at Rs1517.6	69.3	42.6	29.7	30.1	18.4
Dividend Yield	2%	0%	0%	0%	0%
ROE	18%	23%	49%	33%	36%
PBV	12.4	10.0	14.6	9.9	6.6

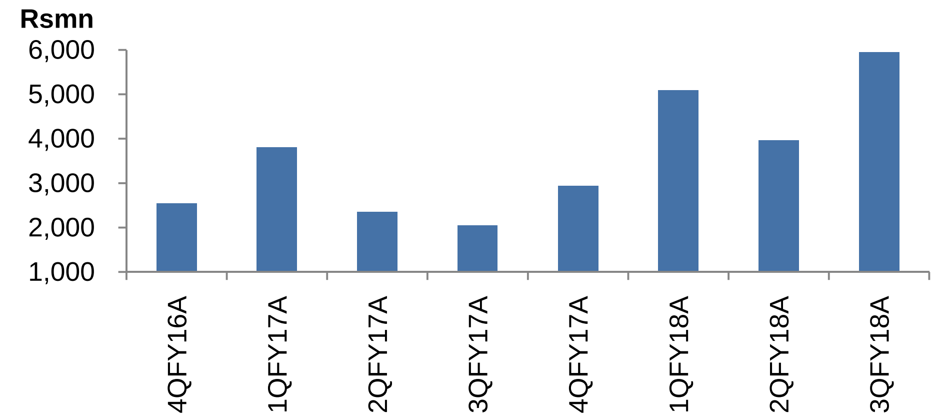
Source: Company Accounts, Topline Research

MARI: Quarterly Sales



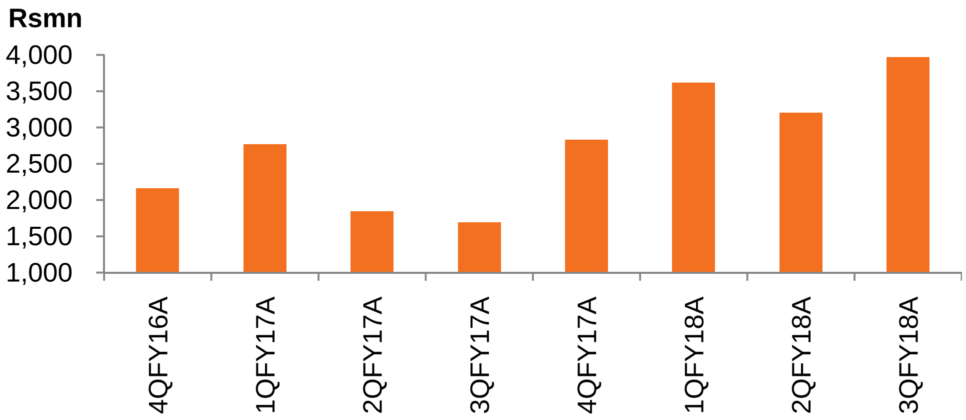
Source: Company Accounts, Topline Research

MARI: Quarterly Profit Before Tax



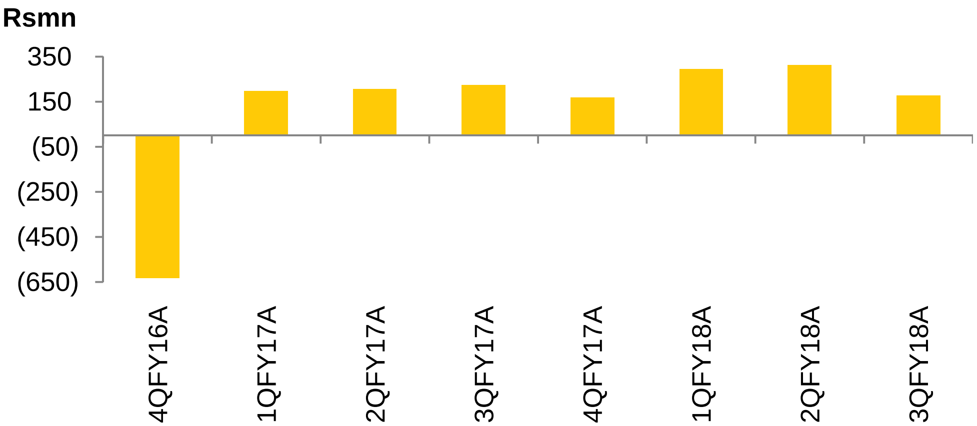
Source: Company Accounts, Topline Research

MARI: Quarterly Profit After Tax



Source: Company Accounts, Topline Research

MARI: Financial Expenses



Source: Company Accounts, Topline Research

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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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