

## Mari Petroleum Co. (MARI)

4QFY18 EPS Rs42, +62% YoY (+16% QoQ); FY18 EPS Rs139.5, +68% YoY

Final Cash dividend 2.5/share; Bonus Issue 10%

In-line with expectations

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# Higher well-head gas price lift bottom-line

## MARI: Financial Highlights

Rsmn	4QFY18	4QFY17	YoY	QoQ	FY18	YoY
Net Sales	12,084	8,309	45%	14%	40,676	44%
Royalty	1,543	1,056	46%	14%	5,181	45%
Operating Expenses	2,997	2,321	29%	29%	9,985	34%
Exploration & Prospecting Expenditure	2,053	1,316	56%	628%	3,690	-5%
Other Charges	378	188	101%	-8%	1,448	99%
Other Expenses/Income	-246	-398	NM	NM	-207	-75%
Operating Profit	4,869	3,031	61%	-18%	20,166	72%
Finance Income	277	91	204%	50%	766	229%
Finance Cost	-146	188	NM	NM	640	-20%
Profit before Tax	5,292	2,933	80%	-11%	20,292	82%
Taxation	701	104	573%	-65%	4,917	144%
Profit after Tax	4,590	2,829	62%	16%	15,374	68%
<b>EPS</b>	<b>41.7</b>	<b>25.7</b>			<b>139.5</b>	

Source: PSX, Topline Research

- MARI Petroleum Company (MARI) announced its 4QFY18 earnings, where company posted earnings of Rs4.6bn (EPS Rs42/share) up 62% YoY. Earnings were broadly in line with our expectations. Higher earnings could be attributed to higher well head gas prices of Mari Field at Rs141.15/mmbtu during 2Q2018, vs.~Rs106.05/mmbtu in 2Q2017 amidst higher international oil prices. Further, rupee devaluation and unwinding of entitlement factor of Mari field gas price are key reasons behind higher earnings.
- Exploration cost of the company increased by 56% YoY due to occurrence of one dry well (Sufi 1) coupled with higher prospecting expenditures. Similarly, opex of the company grew by 29% YoY, in line with sales activity of the company.

## Higher well-head gas price lift bottom-line

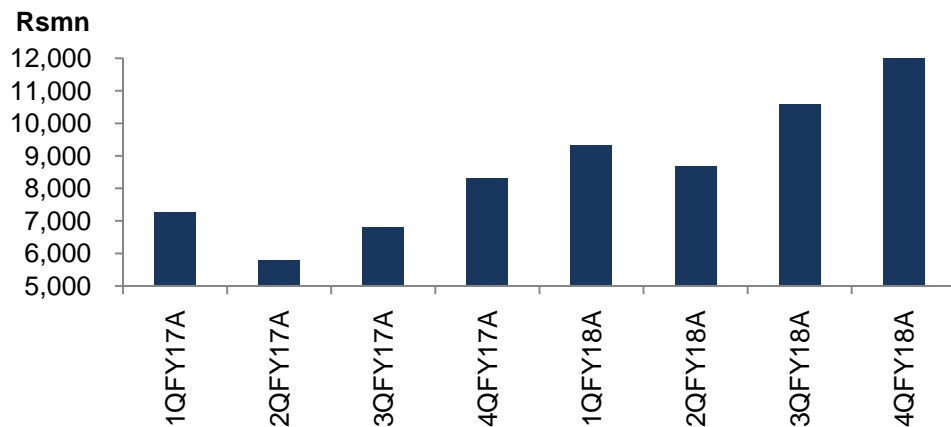
- Finance income of the company went up by 204% YoY due to higher short term investment and increase in income on bank deposits amidst higher interest rates, we believe.
- Other income (expense) of the company clocked in at -Rs246mn for 4QFY18 due to distressed performance of seismic and drilling unit.
- Full year (FY18) earnings of the company clocked in at Rs139.45, up by 68% YoY due to increase in average international Arab Light oil prices by 31% YoY to US\$63.28/bbl coupled with rupee devaluation.
- Risk:** We flag 1) inability to meet set benchmark of incremental production to avail higher pricing, 2) slowdown in demand from customers and 3) lower than anticipated international oil prices as a key risk to company's earnings and valuation.

### MARI: Key Numbers

	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	35.8	51.3	50.6	82.9	139.4
Earnings Growth	63%	43%	-1%	64%	68%
PE at Rs1544.4	43.2	30.1	30.5	18.6	11.1
Dividend Yield	0%	0%	0%	0%	0%
ROE	23%	49%	33%	36%	43%
PBV	10.1	14.8	10.0	6.7	4.8

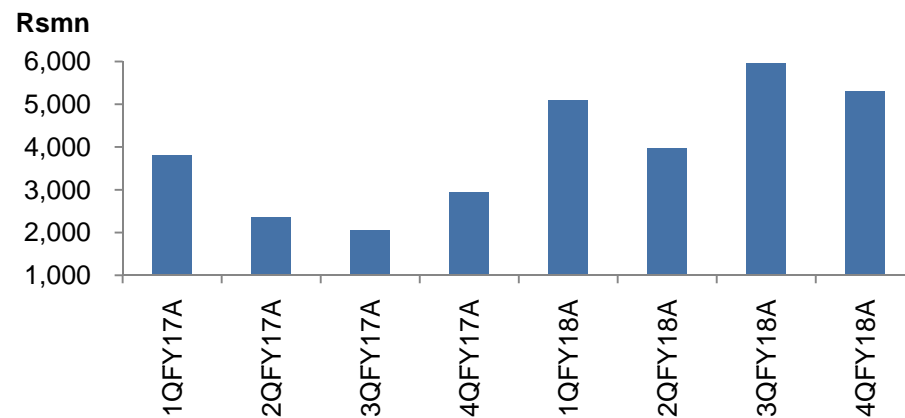
Source: Company Accounts, Topline Research

### MARI: Quarterly Sales



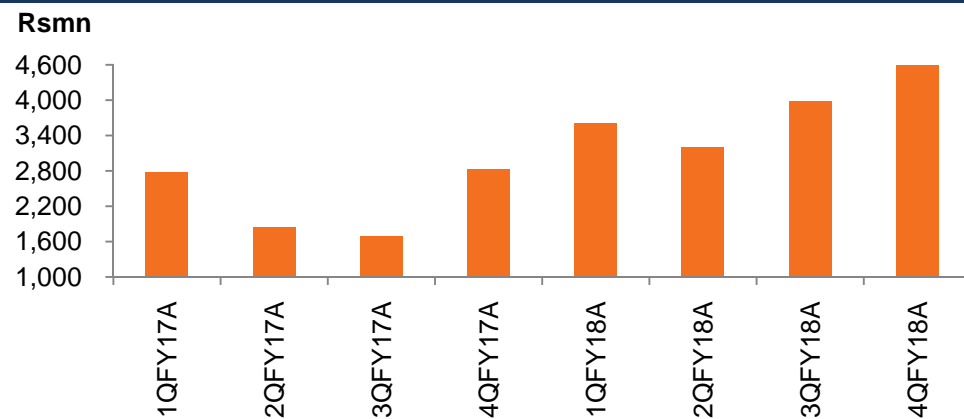
Source: Company Accounts, Topline Research

### MARI: Quarterly Profit Before Tax



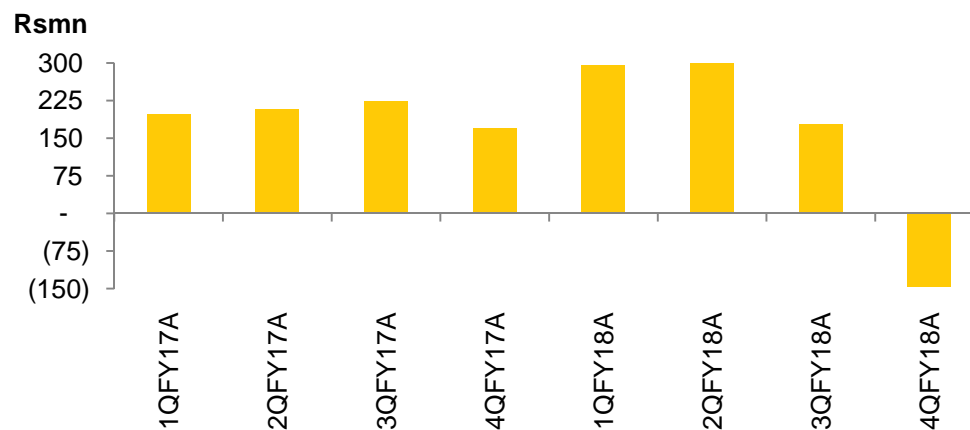
Source: Company Accounts, Topline Research

### MARI: Quarterly Profit After Tax



Source: Company Accounts, Topline Research

### MARI: Financial Expenses



Source: Company Accounts, Topline Research

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