

Pakistan Oil & Gas Exploration

4QFY23 Previews: Profitability to increase by 85% YoY

We preview ISL E&P Universe 4QFY23 results, where we estimate sector's net profit to increase by 85% YoY to ~PKR69bn. The increase is mainly attributable to devaluation of PKR against USD of 32% YoY resulting in higher topline. Whereas, on QoQ basis, profits are expect to decline by 45% due to imposition of 10% super tax and absence of exchange gain recorded in the previous quarter.

Revenues are expected to increase by 23%/4% YoY/QoQ mainly due to PKR devaluation. To highlight, avg. oil prices during the quarter decline by 30%/3% YoY/QoQ. Exploration cost is expected to decline by 45% YoY due to lower number of dry wells.

Company wise, we estimate 4QFY23 EPS for OGDC/PPL/POL/MARI at PKR7.2/6.8/21.4/96.8, respectively. We expect OGDC/PPL/POL/MARI to announce a DPS of PKR1.1/1.5/70/110, respectively.

OGDC PA: 4QFY23 EPS expected to clock in at PKR7.2

We expect company to post earnings of PKR7.2/sh in 4QFY23, up by 43% while down by 52% QoQ. Topline is expected to increase by 13% YoY due to devaluation of PKR against USD. Other income to expected to declined by 17%/62% YoY/QoQ mainly due to absence of FX income. Whereas, we expect ETR of the company to clocked in at 59% in 4QFY23 vs 65% SPLY. Along with the result, we expect company to announce final dividend of PKR1.1/sh, taking FY23 dividend to PKR6.9/sh.

PPL PA: 4QFY23 EPS expected to clock in at PKR6.8

We expect company to post earnings of PKR6.8/sh in 4QFY23, up by 15x YoY. We expect topline to increase by 25% YoY to clock in at ~PKR77.5bn due to 32% YoY PKR devaluation coupled with increase in wellhead prices (Sui: ↑16% YoY). ETR of the company to clocked in at 57% in 4QFY23 vs 94% SPLY. Along with the result, we expect company to announce final dividend of PKR1.5/sh, taking FY23 dividend to PKR2.5/sh.

MARI PA: 4QFY23 EPS expected to clock in at PKR96.8

We expect company to post earnings of PKR96.8/sh in 4QFY23, up by 131% YoY. Topline is expected to increase by 62% YoY due to i) higher gas offtakes from MARI field and ii) PKR devaluation. ETR of the company to clocked in at 52% in 4QFY23 vs 55% SPLY. Along with the result, we expect company to announce final dividend of PKR110/sh, taking FY23 dividend to PKR199/sh.

POL PA: 4QFY23 EPS expected to clock in at PKR21.4

We expect company to post earnings of PKR21.4/sh in 4QFY23, down by 28%/63% YoY/QoQ. ETR of the company to clocked in at 55% in 4QFY23 vs 25% SPLY. Along with the result, we expect company to announce final dividend of PKR70/sh, taking FY23 dividend to PKR90/sh.

ISL E&P sector preview

PKRbn	4QFY23	4QFY22	3QFY23	YoY	QoQ	FY23	FY22	YoY
Net sales	246	199	236	23%	4%	914	685	33%
Royalty	32	26	31	24%	4%	121	86	40%
Operating costs	46	47	42	-3%	8%	166	145	14%
Gross Profit	167	125	161	34%	3%	623	448	39%
Exploration cos	14	26	13	-45%	12%	54	51	6%
Other income	23	27	65	-15%	-64%	133	77	73%
PBT	160	108	193	47%	-17%	639	420	52%
Tax	91	71	63	28%	45%	258	173	49%
PAT	69	37	130	85%	-47%	381	246	55%

Source: Company Accounts, Insight Research

ISL E&P universe earning estimates

PKR/sh	4QFY23	4QFY22	3QFY23	YoY	QoQ	FY23	FY22	YoY	DPS
OGDC	7.2	5.1	15.0	43%	-52%	44.3	31.1	43%	1.1
PPL	6.8	0.4	12.1	1422%	-44%	36.9	19.7	87%	1.5
MARI	96.8	42.0	123.2	131%	-21%	398.9	247.8	61%	110.0
POL	21.4	29.7	57.2	-28%	-63%	129.2	91.4	41%	70.0

Source: Company Accounts, Insight Research

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Valuation Methodology: To arrive at our period end target prices, ISL uses different valuation methodologies including

- Discounted cash flow (DCF)
- Relative Valuation (P/E, P/Bv, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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