

## Production update & result preview of FY24

### FY24: Oil production up by 1.4% YoY; Gas production down by 4.4% YoY

The oil production of Pakistan witnessed an uptick of 1.4% YoY during FY24. The growth in production is contributed by fields such as Chak 2, Pasakhi, Takhat, Lashari Centre, Bolan East, and Bettani. Furthermore, the commencement of production from Mamikhel South in FY24 also contributed to the growth. Meanwhile, gas production depicted a 4.4% YoY decrease. The reduction in gas production is attributable to decline production from fields such as Qadirpur, Sui, Kandhkot, and Uch (due to ATA at Uch Power Limited). On a quarterly basis, oil production of Pakistan showcased 1.1% YoY growth in 4QFY24, while gas production of Pakistan witnessed a decline of 8.8% YoY.

### Drilling Activity

During the FY24, a total of 22 exploratory wells and 37 appraisal/development wells were spud against a target of 21 exploratory wells and 35 appraisal/development wells.

### Discoveries

The exploration efforts of AHL E&P Universe yielded 9 discoveries during FY24, with a cumulative discovery size of ~2,148 bopd of oil and ~99 mmcf of gas.

### Result Previews:

#### MARI: Profitability to arrive at PKR 544.52/share in FY24

Mari Petroleum Company Limited (MARI) is expected to unveil financial result for FY24 on 8th Aug'24. We project the earnings to clock in at PKR 72,641mn (EPS: PKR 544.52) in FY24 against PKR 56,129mn (EPS: PKR 420.75) in FY23, up by 29% YoY. The growth in profitability comes on the back of i) 9% and 12% YoY jump in gas and oil production, respectively, ii) 19% YoY hike in the wellhead price of Mari Gas Field, and iii) 12% YoY devaluation of PKR against USD. On a quarterly basis, net profit during 4QFY24 is expected to ascend by 33% YoY, to arrive at PKR 21,012mn (EPS: PKR 157.51) given i) 11% YoY higher wellhead price of Mari Gas field, ii) 5% YoY growth in gas production, and iii) no additional super tax imposed during the quarter as compared to last year. The exploration cost is anticipated to decline by 48% YoY, to arrive at PKR 3,341mn in 4QFY24 amid lower cost of dry well (Halini-2) during the quarter. In addition to the result, we expect the company to announce a final cash dividend of PKR 125/share (PKR 223/share in FY24).

#### OGDC: Earnings of PKR 51.45/share expected during FY24

Oil & Gas Development Company Limited (OGDC) is expected to disclose its financial result for the period of FY24 soon, where we project earnings to arrive at PKR 221,268mn (EPS: PKR 51.45), showcasing a drop of 1% YoY. The decrease in earnings is expected on account of i) 7% YoY decline in gas production, and ii) 3% YoY decrease in oil price. On a quarterly basis, the bottom line is projected to clock in at PKR 50,164mn (EPS: PKR 11.66) in 4QFY24 vis-à-vis PKR 64,979mn (EPS: PKR 15.03) in 4QFY23, depicting a decline of 23% YoY. The reduction in the profitability is primarily owed to i) one-off gain on modification of finance lease of Uch Power Limited I in 4QFY23, ii) 11% YoY fall in gas production, and iii) Pak Rupee appreciation by 3% YoY against greenback. Whereas, oil production climbed up by 6% YoY while oil prices witnessed an increase of 9% YoY. The exploration cost is anticipated to plummet by 60% YoY, settling at PKR 3,221mn in 4QFY24 on account of lower cost of dry well (Badhra Dir-16) compared to dry well Chak 20-01 in SPLY. Alongside the result, we anticipate a final cash dividend of PKR 3.10/share, taking total FY24 dividend to PKR 9.20/share.

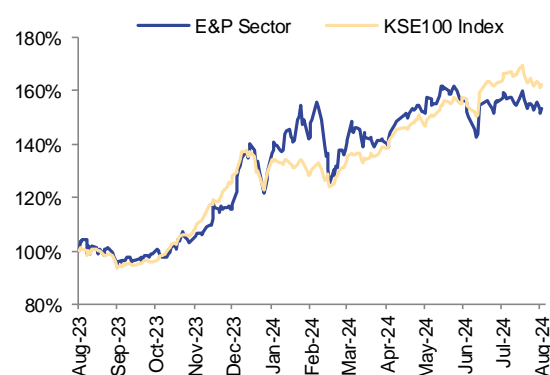
### AHL E&P Universe

|                               | FY24   | FY23   | YoY  |
|-------------------------------|--------|--------|------|
| <b>Oil Production (BOPD)</b>  |        |        |      |
| OGDC                          | 33,168 | 32,389 | 2%   |
| PPL                           | 11,453 | 12,074 | -5%  |
| POL                           | 4,739  | 5,012  | -5%  |
| MARI                          | 1,189  | 1,059  | 12%  |
| <b>Gas Production (MMCFD)</b> |        |        |      |
| OGDC                          | 726    | 730    | -1%  |
| PPL                           | 540    | 730    | -26% |
| POL                           | 62     | 65     | -5%  |
| MARI                          | 822    | 731    | 12%  |
|                               | 4QFY24 | 4QFY23 | YoY  |

|                               |        |        |      |
|-------------------------------|--------|--------|------|
| <b>Oil Production (BOPD)</b>  |        |        |      |
| OGDC                          | 32,652 | 30,804 | 6%   |
| PPL                           | 11,102 | 10,334 | 7%   |
| POL                           | 4,388  | 4,668  | -6%  |
| MARI                          | 1,148  | 1,261  | -8%  |
| <b>Gas Production (MMCFD)</b> |        |        |      |
| OGDC                          | 675    | 761    | -11% |
| PPL                           | 573    | 607    | -6%  |
| POL                           | 55     | 64     | -15% |
| MARI                          | 843    | 804    | 26%  |

Source (s): PPIS, AHL Research

### Relative Performance



Source (s): PSX, AHL Research

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**PPL: Bottom line to clock in at PKR 45.76/share during FY24**

We expect Pakistan Petroleum Limited (PPL) to post net profit of PKR 124,517mn (EPS: PKR 45.76) in FY24 compared to PKR 97,937mn (EPS: PKR 35.99) in FY23, up by 27% YoY. The jump in earnings comes on the back of i) Pak Rupee depreciation against greenback, and ii) a hefty tax reversal in 2QFY24. On the other hand, during 4QFY24, profitability is expected to register a massive jump of 75% YoY, clocking in at PKR 28,106mn (EPS: PKR 10.33). The increase in earnings is attributable to i) 7% YoY growth in oil production and ii) 9% YoY hike in oil price. Meanwhile, Sui wellhead price reduced by 7% YoY. The exploration expenses are projected to decline by 79% YoY in 4QFY24 amid no dry well reported during the quarter. In addition to the result, we expect the company to post final cash dividend of PKR 1.00/share (PKR 4.50/share in FY24).

**POL: Net profit to settle at PKR 138.09/share in FY24**

In the financial result for FY24, Pakistan Oilfields Limited (POL) is expected to post earnings of PKR 39,198mn (EPS: PKR 138.09) in FY24, up by 8% YoY. The growth in bottom-line comes amid Pak Rupee depreciation by 12% YoY against greenback. During 4QFY24, the profitability is expected to arrive at PKR 9,259mn (EPS: PKR 32.62), depicting a surge of 58% YoY. The jump in earnings comes on the back of i) 4% YoY increase in average realized oil prices and ii) imposition of additional super tax in 4QFY23. Meanwhile, oil and gas production declined by 6% and 15% YoY, respectively. Moreover, we anticipate exploration costs to contract by 50% YoY due to a lower in geological and geophysical costs during the period. Alongside the result, the company is projected to announce final cash dividend of PKR 65.00/share (PKR 90.00/share in FY24).

**Exhibit: Earnings Forecast of E&P universe**

|      | FY24e  | FY23a  | YoY | 4QFY24e | 4QFY23a | YoY  | QoQ  |
|------|--------|--------|-----|---------|---------|------|------|
| OGDC | 51.45  | 52.23  | -1% | 11.66   | 15.11   | -23% | 5%   |
| PPL  | 45.76  | 35.99  | 27% | 10.33   | 5.92    | 75%  | 2%   |
| MARI | 544.52 | 420.75 | 29% | 157.51  | 118.72  | 33%  | 49%  |
| POL  | 138.09 | 128.42 | 8%  | 32.62   | 20.66   | 58%  | -25% |

Source (s): Company Financials, AHL Research

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun 2025 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

| Rating | Description  |
|--------|--|
| BUY    | Upside* of subject security(ies) is more than +15% from last closing of market price(s)        |
| HOLD   | Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s) |
| SELL   | Upside* of subject security(ies) is less than -15% from last closing of market price(s)        |

### Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

### Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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