

Production update & result preview of 1QFY25

1QFY25: Oil and gas production down 8% and 7% YoY

During 1QFY25, the oil and gas production of Pakistan witnessed a decline of 8% and 7% YoY, respectively amid annual turnarounds (ATAs) and forced curtailments at major fields. In terms of oil production, the major decline was reported in Nashpa, Mela, Dhok Sultan, Adhi, Makori East, Maramzai, Mardenkhel, and Pasakhi. Meanwhile, reduction in gas production is attributable to decline in output from fields such as Sui, Qadirpur, Uch, Nashpa, Maramzai, Kandhkot, and Naimat West.

Drilling Activity

During the 1QFY25, a total of 6 exploratory wells and 9 appraisal/development wells were spud by E&P companies operating in Pakistan against FY25 target of 27 exploratory wells and 40 appraisal/development wells.

Discoveries

The exploration efforts by local E&P companies yielded 9 discoveries during 1QFY25, which includes wells such as Razgir, Chak202-1, Baloch-2, and Akhiro-1.

Result Previews:

POL: Net profit to settle at PKR 14.70/share in 1QFY25

Pakistan Oilfields Limited (POL) is expected to announce financial result for 1QFY25 on 18th Oct'24, where we project the company to post earnings of PKR 4,172mn (EPS: PKR 14.70), down 57% YoY. The decline in bottom-line is expected to come amid i) reduction in oil and gas production by 6% and 4% YoY, respectively, ii) 6% YoY decline in average realized oil prices, iii) appreciation of Pak Rupee by 5% YoY against greenback, and iv) hefty exploration cost. We project exploration costs to depict a massive jump of 9x YoY to PKR 6,535mn due to higher cost of dry well Balkassar Deep-1A during the period. Other income is expected to reduce by 6% YoY owed to lower income from cash and cash balances.

OGDC: Earnings of PKR 10.57/share expected during 1QFY25

Oil & Gas Development Company Limited (OGDC) is expected to disclose its financial result for the period of 1QFY25 soon, where we project earnings to arrive at PKR 45,466mn (EPS: PKR 10.57), down 7% YoY. The decrease in earnings is expected on account of i) 3% and 13% YoY decline in oil and gas production, ii) 10% YoY fall in oil price, and iii) depreciation of USD against PKR. The exploration cost is anticipated to expand by 57% YoY, settling at PKR 4,136mn in 1QFY25 on account of dry well Tando Allahyar NE-1 reported during the quarter. Meanwhile, the other income is expected to decrease by 1% YoY on the back of expectation of decline in interest income. Alongside the result, we anticipate announcement of an interim cash dividend of PKR 5.00/share.

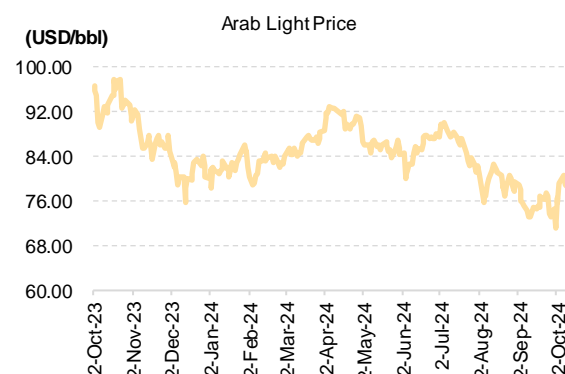
PPL: Bottom line to clock in at PKR 7.42/share during 1QFY25

In the 1QFY25's financial result, we project net profit of Pakistan Petroleum Limited (PPL) to arrive at PKR 20,196mn (EPS: PKR 7.42) compared to PKR 29,626mn (EPS: PKR 10.89) in 1QFY24, down 32% YoY. The decline in earnings comes on the back of i) contraction in oil and gas production by 11% and 7% YoY, respectively, and ii) 10% YoY descend in oil price. The exploration expenses are projected to surge by 2x YoY in 1QFY25 owing to dry well Rizq-5 reported during the quarter. The other income is estimated to swell up by 41% YoY given anticipation of higher income from short term investments.

AHL E&P Universe

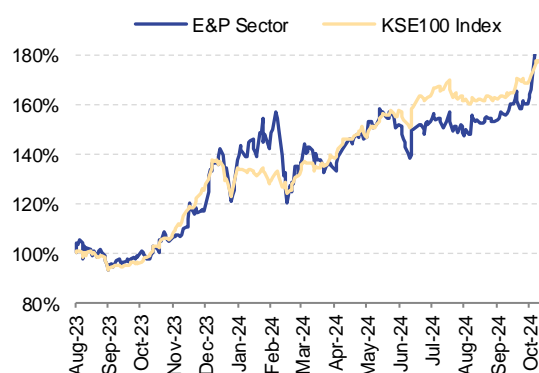
	1QFY25	1QFY24	YoY
Oil Production (BOPD)			
OGDC	31,851	32,835	-3%
PPL	10,366	11,659	-11%
POL	4,618	4,893	-6%
MARI	1,153	1,168	-1%
Gas Production (MMCFD)			
OGDC	660	762	-13%
PPL	534	574	-7%
POL	61	63	-4%
MARI	907	818	11%

Oil Price trend over the past one year



Source (s): PPIS, AHL Research

Relative Performance



Source (s): PSX, AHL Research

Muhammad Iqbal Jawaid

D: +92 21 38280256

UAN: +92 21 111 245 111, Ext: 255

iqbal.jawaid@arifhabibltd.com

www.arifhabibltd.com

MARI: Profitability to arrive at PKR 18.31/share in 1QFY25

We expect Mari Petroleum Company Limited (MARI) announce profit after tax of PKR 21,979mn (EPS: PKR 18.31) in 1QFY25 against PKR 19,143mn (EPS: PKR 15.94) in 1QFY24, up by 15% YoY. The growth in profitability comes on the back of 11% YoY growth in gas production. Meanwhile, the wellhead price of Mari Gas Field plummeted by 5% YoY while PKR strengthened against USD. The exploration cost is anticipated to decline by 20% YoY, settling at PKR 1,438mn in 4QFY24 amid lower seismic activity during quarter compared to prior year. In the previous quarter, the company reported a reversal in exploration cost due to reversal of impairment loss booked during 4QFY24. The finance income is expected to climb up by 35% YoY amid higher income on cash and cash balances.

Exhibit: Earnings Forecast of E&P universe

	1QFY25e	1QFY24a	YoY	4QFY24a	QoQ
OGDC	10.57	11.4	-7%	8.81	20%
PPL	7.42	10.89	-32%	6.58	13%
MARI	18.31	15.94	15%	21.37	-14%
POL	14.70	34.2	-57%	32.45	-55%

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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