ARIF HABIB LIMITED

Daily Call

REP- 300

January 26, 2021

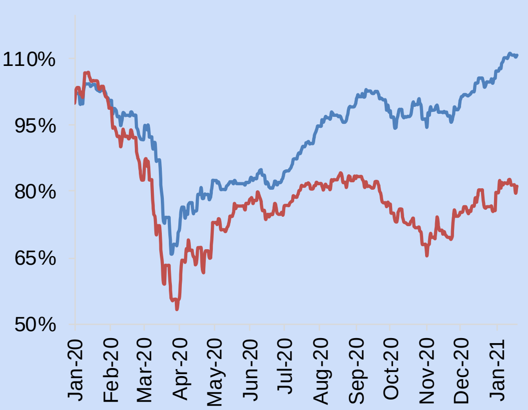
Result Previews — Oil and Gas Exploration and Production

Mixed Earnings

AHL E&P Universe

E&P	1HFY21	1HFY20	YoY
Oil Production (BOPD)			
OGDC	36,557	38,084	-4%
PPL	14,567	14,640	0%
POL	6,366	6,564	-3%
MARI	1,093	1,040	5%
Gas Production (MMCFD)			
OGDC	857	910	-6%
PPL	675	690	-2%
POL	81	85	-5%
MARI	737	672	10%

Relative Performance



Source: PSX

OGDC: Profitability to plunge by 24% YoY in 2QFY21

We expect OGDC's earnings in 1HFY21 to arrive at PKR 42,964mn (EPS: PKR 9.99), down by 19% YoY. The fall is anticipated owed to i) drop in oil prices by 32% YoY given weak oil demand internationally and ii) 4% and 5.8% YoY dip in oil and gas production, respectively. On quarterly basis, profitability is projected to arrive at PKR 19,537mn (EPS: PKR 4.54) in 2QFY21 vis-à-vis PKR 25,868mn (EPS: PKR 6.01) in 2QFY20, declining by 24% YoY. This comes on the back of decrease in oil and gas production by 4.4% and 5.8% YoY, respectively followed by 32.69% YoY plunge in oil prices. Furthermore, exploration cost is expected to plummet by 62% YoY, settling at PKR 2,463mn in 2QFY21 amid one dry well Sheen Dund-01 incurred during the quarter against three dry wells in SPLY. Alongside the result, we expect the company to announce a cash dividend of PKR 1.70/share in 2QFY21 (PKR 3.70/share in 1HFY21).

PPL: Earnings to surge by 25% YoY in 2QFY21

PPL's bottom-line is forecasted to be PKR 27,274mn (EPS: PKR 10.02) during 1HFY21, up by 11% YoY. The net sales in 1HFY21 declined by 10% YoY due to i) drop in Sui wellhead price by 8% YoY ii) 2.1% YoY dip in gas production and iii) 32% YoY massive fall in oil prices. Meanwhile, in 2QFY21, the net profit is expected to witness a hefty jump of 25% YoY, clocking-in at PKR 12,923mn (EPS: PKR 4.75) against PKR 10,017mn (EPS: PKR 3.79) in SPLY, due to 3% YoY Pak Rupee devaluation against USD. Moreover, we expect the exploration expense to tumble by 89% YoY in 2QFY21, arriving at PKR 976mn given absence of dry well during the quarter against two dry wells (Noah X-1 and Talagang X-1) incurred in SPLY.

POL: Earnings to plunge by 19% YoY in 2QFY21

POL is expected to announce its financial result for 1HFY21 on 26th Jan'21, where we expect the company to post a Profit after Tax of PKR 7,385mn (EPS: PKR 26.02/share), depicting a slide of 15% YoY. The decline in earnings comes amid i) 3% and 4.7% YoY dip in oil and gas production, respectively, and ii) 26% YoY plunge in average realized oil prices given slump in oil demand internationally. For 2QFY21, the profitability is expected to settle at PKR 3,756mn (EPS: PKR 13.23) versus PKR 4,633mn (EPS: PKR 16.32) in 2QFY20, down by 19% YoY. This descend comes amid tumble in realized oil prices by 30% YoY followed by oil and gas production plummeting by 4% and 6.8% YoY, respectively. Furthermore, we expect exploration costs to reach PKR 69mn during the quarter amid fall in seismic activity during the period compared to higher seismic activity in SPLY. Additionally, the company is expected to announce a first interim cash dividend of PKR 20/share.

MARI: Earnings to jump up by 17% YoY in 2QFY21

Mari Petroleum Company Limited's financial result is expected to be PKR 17,581mn (EPS: PKR 131.79) in 1HFY21 against PKR 14,748mn (EPS: PKR 110.55) in 1HFY20, up by 19% YoY. This jump is attributable 5.1% and 9.7% YoY growth in oil and gas production, respectively. On quarterly basis, 2QFY21's profitability is expected to climb up by 17% YoY amid 24.7% and 13% YoY growth in oil and gas production respectively. The exploration cost is expected to decline by 19% YoY, arriving at PKR 1,193mn in 2QFY21 owed to drop in acquisition of seismic data during the quarter. Along with the result, the company is expected to announced cash dividend of PKR 4.00/share.

Exhibit: AHL E&P Universe

	1HFY21E	1HFY20A	YoY	2QFY21E	2QFY20A	YoY	QoQ
OGDC	9.99	12.37	-19%	4.54	6.01	-24%	-17%
PPL	10.02	9.02	11%	4.75	3.79	25%	-10%
POL	26.02	30.44	-15%	13.23	16.32	-19%	4%
MARI	131.79	110.55	19%	64.00	55.00	17%	-6%

Source (s): Company Financials, AHL Research

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2021 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 +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

* Upside for Power Generation Companies (Ex. KEL) is upside plus dividend yield.

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**