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25 July 2022

**Pakistan**  
**Oil and Gas**

## FY22 earnings upbeat despite super tax

### Full year earnings expected to jump 71%YoY on pre-tax basis

The outgoing year was beneficial for the Oil and Gas Exploration sector as surging international oil prices and PKR depreciation provided significant tailwinds to earnings performance. Note, average oil prices rose 71% YoY, while PKR depreciated 11% YoY against USD.

FY22 sector earnings are estimated to jump 71% YoY on a pre-tax basis, however, a supernormal 10% tax is expected to limit the post-tax earnings growth to 36% YoY. Note that these earnings incorporate massive exchange gains as well since PKR depreciated by PKR46/USD on closing basis. Company wise performance remained contingent on the level of oil's share in revenue mix, with POL leading the pack and MARI lagging the most. The cash-rich industry also benefitted from rising interest rates, which translated into higher other income.

For 4QFY22, earnings are expected to rise 14% QoQ/2.1x YoY on PBT basis; however, on post tax basis, earnings are expected to decline 40% QoQ/ 6% YoY due to the full year effect of 10% super tax being absorbed in 4QFY22.

OGDC, PPL, MARI and POL are expected to report earnings of PKR26.1/sh, PKR24.26/sh, PKR250.9/sh, PKR77.2/sh along with final cash dividends of PKR2.5/sh, PKR2.0/sh, PKR80.0/sh and PKR35.0/sh, respectively.

**Outlook:** Note that another round of wellhead gas price hike will follow through in 1HFY23 as lagged impact of higher oil prices kicks in coupled with the impact of the massive PKR depreciation in the recent month. Therefore, we maintain our liking for the sector with MARI being our top pick.

### Earnings Preview (PKR/sh)

	3QFY22	4QFY22E	QoQ	FY21	FY22E
<b>OGDC</b>					
EPS	10.03	5.64	-44%	21.28	26.05
DPS	1.00	2.50	150%	6.90	7.25
<b>PPL</b>					
EPS	7.58	5.03	-34%	19.27	24.26
DPS	0.00	2.00	n/m	3.50	3.50
<b>MARI</b>					
EPS	81.63	45.02	-45%	235.71	250.86
DPS	0.00	80.00	n/m	141.00	142.00
<b>POL</b>					
EPS	23.16	15.60	-33%	47.14	77.24
DPS	0.00	35.00	n/m	50.00	55.00

Source: Company Accounts, Alfalah CLSA Research

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