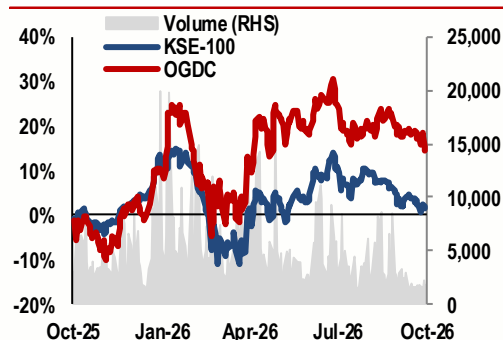


Insight—E&P Sector — 1QFY27 Result Previews

E&P Profitability Expected to Increase ~34%YoY

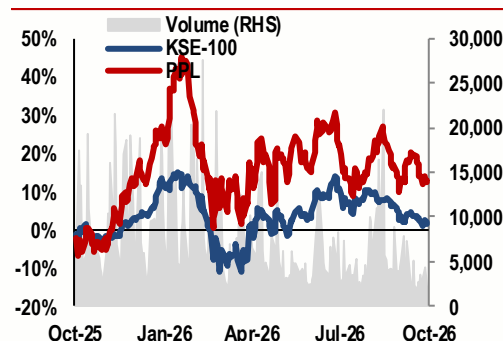
- The TSL E&P universe is expected to report a ~34%YoY increase in profitability in 1QFY27, underpinned by stronger revenues. Topline growth is expected to be driven primarily by a ~25%YoY increase in Arab Light prices, which averaged ~USD 90/bbl during the quarter compared to ~USD 71/bbl in the SPLY. Prices touched a high of ~USD 113/bbl during the quarter as geopolitical tensions across the Middle East kept risk premiums elevated. Higher domestic production from new and major fields relative to 1QFY26 is also expected to support revenues. On a QoQ basis, however, profitability is expected to decline by ~50%, primarily due to a ~14%QoQ decrease in crude oil prices amid easing geopolitical tensions compared to the previous quarter. The decline is further explained by the tax reversal of PKR 54.9Bn booked by the E&P companies in the previous quarter, which we view as non-recurring, going forward.
- OGDC:** OGDC's 1QFY27 EPS is expected to clock in at PKR 12.64, up ~42%YoY, driven primarily by higher crude oil prices along with support from major discoveries such as Baragzai. The growth is, however, expected to be partially offset by higher exploration costs on account of seismic activities at Kohat EL, Kotra East, Fateh Jang, and Sinjoro EL. On a sequential basis, earnings are expected to decline ~57%QoQ, owing to lower oil prices compared to the previous quarter and the absence of the one off super tax reversal booked in the preceding quarter. We expect OGDC to announce an interim cash dividend of PKR 5/sh.
- PPL:** PPL's 1QFY27 EPS is expected to arrive at PKR 9.22, up ~25%YoY, driven by higher oil prices and increased production from the newly commissioned Faiz field and partner operated Baragzai, partially offset by higher exploration expenses from a dry well Ishraq X-1 recorded during the quarter. On a sequential basis, earnings are expected to decline ~33%QoQ, owing to lower realized prices and the super tax reversal booked in 4QFY26, which resulted in an effective tax rate of ~10%. We expect PPL to announce an interim cash dividend of PKR 2.5/sh.
- MARI:** 1QFY27 EPS is expected to arrive at PKR 14.92, up ~15%YoY, driven by higher realized prices and increased production from Shewa and new well in Spinwam, partially offset by higher exploration costs amid seismic acquisitions for Harnai EL. On a QoQ basis, earnings are expected to decline ~52% due to the absence of tax reversals. Finally, we do not expect an interim dividend for the quarter
- POL:** POL's 1QFY27 EPS is expected to arrive at PKR 33.18, up ~73%YoY, driven by higher revenues and lower exploration expenses. On a QoQ basis, earnings are expected to decline ~24%, owing to a lower ETR and higher realized prices in the previous quarter. We do not expect POL to announce a dividend during the quarter.

12 Month Relative Performance of OGDC



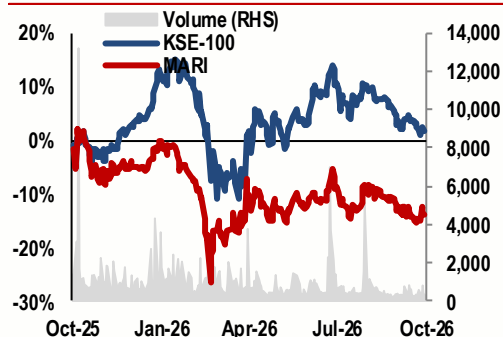
Source: PSX and TSL Research

12 Month Relative Performance of PPL



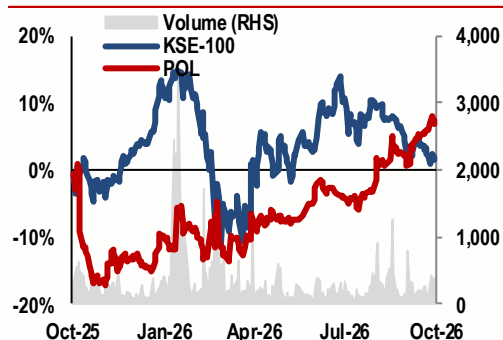
Source: PSX and TSL Research

12 Month Relative Performance of MARI



Source: PSX and TSL Research

12 Month Relative Performance of POL



Source: PSX and TSL Research

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Earnings Preview 1QFY27E

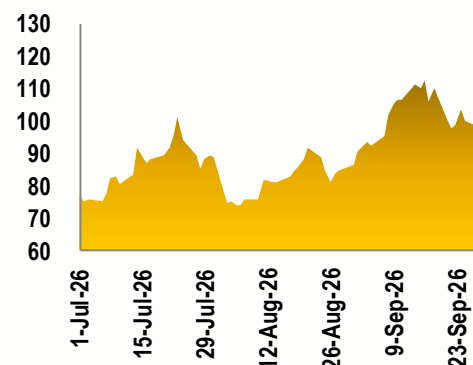
PKR	1QFY27E	1QFY26A	YoY (%)	4QFY26A	QoQ (%)
OGDC					
EPS	12.6	8.9	42%	29.6	-57%
DPS	5.0	3.5		6.0	
PPL					
EPS	9.2	7.4	25%	13.7	-33%
DPS	2.5	2.0		6.0	
MARI					
EPS	14.9	13.0	15%	31.2	-52%
DPS	-	-		18.7	
POL					
EPS	33.2	19.1	73%	43.7	-24%
DPS	-	-		72.5	

Source: Company Accounts & TSL Research

Major Sector Updates during 1QFY27

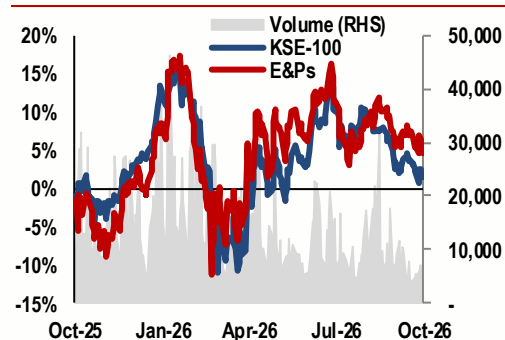
- Arab Light Elevated YoY, Eases QoQ on De-escalation of Tensions:** Arab Light averaged ~USD 90/bbl in 1QFY27, up ~25%YoY from ~USD 71/bbl in the SPLY, as the US-Iran stand-off and wider unrest in the Middle East kept supply risks in focus and left prices well above last year's levels. Prices spiked to ~USD 113/bbl at the peak of the tensions. On a sequential basis, however, the average fell ~14%QoQ, as the easing of hostilities and the absence of actual disruption to shipments pulled the crude oil price back from the highs of the previous quarter.
- Circular Debt Clearance Plan on the Cards, Potential Catalyst for Dividends:** The Petroleum Division has submitted a settlement plan to the CCOE to clear PKR 1.49Tn of the PKR 3.6Tn gas-sector circular debt. Under the plan, PKR 540Bn is to be paid through incremental dividends from OGDC, PPL and Government Holdings Pvt Ltd, with the balance funded through a PKR5/ltr petroleum development levy and savings from lower LNG cargoes. If implemented, we expect higher payouts from OGDC and PPL, a key upside risk to our dividend estimates, while the recovery of receivables should also ease their liquidity.
- E&P Companies Progress Towards Offshore Blocks:** E&P companies continue to move towards offshore exploration, with OGDC and its joint venture partners, including PPL, MARI and Turkish Petroleum, planning additional seismic surveys this year and a possible exploratory well targeted for next year.
- Recent Discoveries Add to Reserve Base:** PPL announced the discoveries of Rahi X-1 and Dolphin X-1, while OGDC announced Lundali-1, with MARI holding a working interest in both Rahi X-1 and Lundali-1, respectively.

Arab Light USD/BBL in 1QFY27



Source: Bloomberg & TSL Research

12 Month Relative Performance of E&Ps



Source: PSX and TSL Research

SECP Research Entity Notification Number: REP-040

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- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: <https://jamapunji.pk/>

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/BVPS	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	JPB	Justified Price to Book

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