

Flash Note

Wednesday, 18 September 2019

Oil & Gas - Exploration Companies

Oil & Gas Development Company Limited (OGDC)

Hefty other income on account of PKR depreciation lifts 4QFY19 EPS by +51%YoY to PKR 7.69 despite Kekra dry well expense; DPS 2.50

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 4QFY19 with earnings clocking in at PKR 33.07bn (EPS PKR 7.69) as compared to PKR 21.92bn (EPS PKR 5.10) in the same period last year, up by +51%YoY. This brings total earnings for FY19 to PKR 118.39bn (EPS PKR 27.53) compared to PKR 78.74bn (EPS PKR 18.31) in the similar period last year.
- The Company announced cash dividend of PKR 2.50/share along with the result taking FY19 total cash payout to PKR 11.0/share.
- We attribute this substantial growth in earnings during 4QFY19 to a) 26%YoY PKR depreciation against USD, b) hefty other income likely on account of exchange gains and; c) higher revenues amid rise in wellhead gas prices due to PKR depreciation.
- Net Revenues increased by +20%YoY to PKR 69.43bn during 4QFY19, likely on the back of PKR depreciation, bringing total revenues for FY19 to PKR 261.48bn, up by +27%YoY compared to PKR 205.34bn last year.
- Operating costs leaped up by +15%YoY to PKR 18.42bn during 4QFY19 as against PKR 15.97bn in the same period last year, bringing total operating cost for FY19 to PKR 63.46bn, up by +5%YoY compared to PKR 60.21bn in FY18.
- Exploration expense augmented by +19%YoY to PKR 5.98bn during 4QFY19 compared to PKR 5.01bn in the corresponding period last year likely owing to dry well cost booked against Kekra (Indus G-Block) and Qadirpur Deep. This brings total exploration cost for FY19 to PKR 12.50bn compared to PKR 16.19bn in FY18, down by 23%YoY.
- Other income appreciated by +3.0xYoY to PKR 14.44bn during 4QFY19 compared to PKR 4.75bn in the similar period last year likely owing to increase in foreign currency investments and exchange gains realized on them. As a result total other income for FY19 stands at PKR 32.29bn up by +2.0xYoY compared to PKR 16.01bn last year.
- Effective tax rate stood at 32.0% during 4QFY19 as against 32.5% in the same period last year (3QFY19: 34.0%). This brings total effective tax for FY19 to 33.0% compared to 30.1% during FY18.

Exhibit:

OGDC Financial Highlights

PKRmn	4QFY19	4QFY18	YoY	3QFY19	QoQ	FY19	FY18	YoY
Net Sales	69,434	57,623	20%	65,149	7%	261,481	205,335	27%
Royalty	7,840	6,329	24%	7,256	8%	29,336	21,971	34%
Operating Expenses	18,419	15,972	15%	15,403	20%	63,456	60,213	5%
Gross Profit	42,748	34,922	22%	42,078	2%	167,062	121,480	38%
Other Income	14,435	4,748	204%	6,003	140%	32,288	16,008	102%
Exploration and Prospecting	5,975	5,006	19%	2,042	193%	12,499	16,190	-23%
Finance Cost	436	444	-2%	427	2%	1,693	1,730	-2%
WPP Fund	2,558	1,709	50%	2,277	12%	9,295	5,928	57%
PBT	48,606	32,462	50%	43,254	12%	176,599	112,627	57%
PAT	33,074	21,915	51%	28,556	16%	118,386	78,736	50%
EPS (PKR)	7.69	5.10		6.64		27.53	18.31	
DPS (PKR)	2.50	2.50		2.75		11.00	10.00	

Source: IGI Research and Company Financials

No Shares: 4,300.93mn

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