

Flash Note

Friday, 27 April 2018

Oil & Gas - Exploration Companies

OGDC: Exchange gain, higher oil price and PKR depreciation pulls quarterly earnings to PKR 4.7/share

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 3QFY18 with earnings clocking in at PKR 20.15bn (EPS PKR 4.68) as compared to PKR 17.59bn (EPS PKR 4.09) in the same period last year, up +15%YoY. This brings 9MFY18 earnings to PKR 56.82bn (EPS PKR 13.21) up by +19%YoY compared to PKR 47.60bn (EPS PKR 11.07) in the same period last year.
- We attribute this substantial growth in earnings in 3QFY18 to a) exchange gains owing to 5% PKR depreciation in Mar-18, b) 24%YoY rise in oil prices, c) +41%YoY incline in other income owing to exchange gains on USD based foreign investments and, d) higher profit contribution from Mari Petroleum Company Limited (MARI).
- Net Revenues increased by +14%YoY to PKR 51.75bn, likely on the back of a) +24%YoY increase in oil price and, b) 5% PKR depreciation in Mar-18.
- Exploration expense inclined by +74%YoY to PKR 3.82bn during 3QFY18 compared to PKR 2.19bn in the corresponding period last year likely owing to dry well cost incurred at Kacha khel-1 (Nashpa block-stake 57.2%) and Ganjo Takkar-1 (Nim block-stake 77.5%).
- Other income augmented by +41%YoY to PKR 4.59bn during 3QFY18 likely due to exchange gains incurred on foreign currency investments.
- Effective tax rate increased by 161bps to 28% during 3QFY18 compared to 27% reported in the corresponding period last year.

Exhibit:

Financial Highlights

PKRmn	3QFY18	3QFY17	YoY	9MFY18	9MFY17	YoY
Net Sales	51,752	45,549	14%	147,712	126,630	17%
Royalty	5,680	4,933	15%	15,642	13,761	14%
Operating Expenses	15,961	14,812	8%	44,241	43,169	2%
Gross Profit	29,674	25,339	17%	86,558	68,400	27%
Other Income	4,593	3,261	41%	11,260	12,570	-10%
Exploration and Prospecting	3,819	2,191	74%	11,184	10,380	8%
Finance Cost	439	420	4%	1,286	1,236	4%
WPP Fund	1,481	1,264	17%	4,219	3,396	24%
PBT	28,136	24,017	17%	80,165	64,520	24%
PAT	20,150	17,586	15%	56,821	47,595	19%
EPS (PKR)	4.68	4.09		13.21	11.07	
DPS (PKR)	2.75	1.50		7.50	4.00	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

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