

# Flash Note

Friday, 25 October 2019

## Oil & Gas - Exploration Companies

### Oil & Gas Development Company Limited (OGDC)

#### Earning accrete by mere +2%YoY to PKR 6.35/share on account of lower other income and higher exploration cost despite PKR depreciation; DPS 2.50

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 1QFY20 with earnings clocking in at PKR 27.32bn (EPS PKR 6.35) as compared to PKR 26.73bn (EPS PKR 6.22) in the same period last year, up by +2%YoY.
- The Company announced cash dividend of PKR 2.50/share along with the result.
- We attribute this growth in earnings during 4QFY19 to a) 28%YoY PKR depreciation against USD and, b) higher share of profit from Mari Petroleum Limited (MARI). However earnings growth was limited by +2.0xYoY rise in exploration cost amid dry wells incurred at Nashpa/Khewari Block and 31%YoY drop in other income in the absence of exchange gains.
- Net Revenues increased by +7%YoY to PKR 66.20bn during 1QFY20, likely on the back of lower oil/gas/LPG production and 16%YoY drop in oil prices despite +28%YoY PKR depreciation.
- Operating costs remained flat at PKR 14.89bn during 1QFY20 as against PKR 14.86bn in the same period last year
- Exploration expense augmented by +2.0xYoY to PKR 5.98bn during 1QFY20 compared to PKR 1.96bn in the corresponding period last year likely owing to dry well cost booked against Pirano-01 (Khewari Block) and Shawa X-1 (Nashpa). Exploration cost remained on the higher side also due to higher prospecting expense amid increased seismic activity, in our view.
- Other income receded by 31%YoY to PKR 2.85bn during 1QFY20 compared to PKR 4.10bn in the similar period last year likely in the absence of exchange gains and lower income on investments.
- Finance cost surged by +81%YoY to PKR 0.75bn during 1QFY20 compared to PKR 0.41bn in the same period last likely owing to higher provision for decommissioning cost or exchange losses, in our view.
- Effective tax rate stood at 31.2% during 1QFY20 as against 32.1% in the same period last year (4QFY19: 32.0%).

Exhibit:

#### OGDC Financial Highlights

PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Net Sales	66,204	61,799	7%	69,434	-5%
Royalty	7,739	6,876	13%	7,840	-1%
Operating Expenses	14,886	14,862	0%	18,419	-19%
Gross Profit	43,191	39,678	9%	42,748	1%
Other Income	2,845	4,098	-31%	14,435	-80%
Exploration and Prospecting	3,962	1,961	102%	5,975	-34%
Finance Cost	745	411	81%	436	71%
WPP Fund	2,089	2,072	1%	2,558	-18%
PBT	39,688	39,363	1%	48,606	-18%
PAT	27,316	26,735	2%	33,074	-17%
EPS (PKR)	6.35	6.22		7.69	
DPS (PKR)	2.50	2.75		2.50	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

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