

Flash Note

Wednesday, February 22, 2023



Oil & Gas Exploration Companies

Oil & Gas Development Company Limited

Earnings: Oil & Gas Development Company Limited (OGDC) announced its 2QFY23 result. The Company reported 2QFY23 earnings of PKR 41.71bn (EPS PKR 9.70), up by +18%y/y compared to PKR 35.25bn (EPS PKR 8.20) in the similar period last year. On a quarterly basis, profitability is down by 22%y/y. This brings total 1HFY23 profitability to PKR 95.01bn (EPS PKR 22.09), up by +38%y/y.

Dividend/Payout: The Company announced a cash dividend of PKR 2.25/share along with the result bringing total cash payout for 1HFY23 to PKR 4.0/share.

Operating Performance: During the period under review, OGDC reported +22%y/y increase in revenue during 2QFY23 on the back of rise in average oil prices and PKR depreciation against greenback. However, earnings growth was limited by lower oil & gas production, lower other income, higher operating expense and exploration cost. Exploration cost increased by +11%y/y to PKR 5.10bn during 2QFY23 likely owing to higher prospecting expense and dry well cost. Operating expenses increased by +11%y/y to PKR 21.12bn during 2QFY23 compared to PKR 17.79bn in the similar period last year. Other income declined by 11%y/y during 2QFY23 likely owing to lower exchange gains despite higher interest income. On a quarterly basis, earnings dropped by 22%y/y mainly due to lower other income and higher exploration cost. Effective tax stood at 35.5% during 2QFY23 (1QFY23: 39.6%) compared to 33.4% in the same period last year bringing total effective tax rate for 1HFY23 to 37.8% compared to 34.5% in the corresponding period last year..

Exhibit: OGDC Financial Highlights								
For the period 2QFY23								
PKRmn	2QFY23	2QFY22	y/y	1QFY23	q/q	1HFY23	1HFY22	y/y
Net Sales	97,223	79,633	22%	106,012	-8%	203,236	151,163	34%
Royalty	11,298	8,792	28%	12,177	-7%	23,474	17,034	38%
Operating Expenses	21,116	17,794	19%	18,175	16%	39,291	34,369	14%
Gross Profit	64,509	52,391	23%	75,206	-14%	139,715	98,701	42%
Other Income	9,234	10,359	-11%	18,504	-50%	27,738	21,237	31%
Exploration and Prospecting	5,104	4,610	11%	1,545	3.3x	6,649	6,893	-4%
Finance Cost	1,466	578	2.5x	818	79%	2,284	1,141	2.0x
WPP Fund	3,402	2,784	22%	4,642	-27%	8,045	5,535	45%
Share of profit from associate	2,127	(883)	n/m	2,511	-15%	4,638	936	5.0x
PBT	64,640	52,902	22%	88,207	-27%	152,848	105,172	45%
PAT	41,709	35,253	18%	53,303	-22%	95,012	68,883	38%
EPS (PKR)	9.70	8.20		12.39		22.09	16.02	
DPS (PKR)	2.25	2.00		1.75		4.00	3.75	
Source: IGI Research, PSX						No of Shares: 4,300.93mn		

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