

# Flash Note

Thursday, 27 October 2016

## Oil & Gas Exploration Companies

### OGDC: 1QFY17 Earnings clock in at PKR 3.4/share, down by 20%YoY

- Oil and Gas Development Company (OGDC) posted a decline in earnings of 20%YoY to PKR 14.6bn (EPS PKR 3.40) in 1QFY17 as compared to PKR 18.3bn (EPS PKR 4.25) in the corresponding period last year. Company also announced cash dividend of PKR 1.50/share along with the result.
- Company's revenues plummeted by 11%YoY to PKR 39.7bn in 1QFY17 probably owing to 8%YoY decline in oil price and 2%YoY drop in oil production.
- Operating expense inclined by +4%YoY to PKR 13.1bn as compared to PKR 12.6bn in the same period last year.
- Exploration costs leaped up 2.4xYoY to PKR 4.3bn in 1QFY17 likely owing to higher dry well cost incurred.
- Other Income surged by +27%YoY to PKR 5.1bn in 1QFY17 probably on the back of higher interest income on investment.
- Effective tax rate for 1QFY17 stood at 29% as compared to 30% in the same period last year.

#### Recommendation

We maintain "**BUY**" call on OGDC with our Jun-17 target price of PKR 167/share, offering +18% upside from its last closing. The scrip is currently trading at a FY17E P/E of 7.7x.

#### Exhibit: Financial Highlights

PKRmn	1QFY17	1QFY16	YoY	4QFY16	QoQ
Net Sales	39,657	44,513	-11%	40,155	-1%
Royalty	4,307	5,014	-14%	4,494	-4%
Operating Expenses	13,079	12,634	4%	15,002	-13%
Gross Profit	21,770	26,397	-18%	20,220	8%
Other Income	5,061	3,990	27%	3,063	65%
Exploration and Prospecting	4,322	1,807	139%	3,839	13%
Finance Cost	403	425	-5%	465	-13%
WPP Fund	1,097	1,380	-21%	978	12%
PBT	20,835	26,228	-21%	18,583	12%
PAT	14,632	18,260	-20%	16,471	-11%
EPS (PKR)	3.40	4.25		3.83	
DPS (PKR)	1.50	1.50		2.00	

Source: IGI Research and Company Financials

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**Time Horizon:** Jun - 2017

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(Reserve Based DCF Valuation)

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