

Flash Note

Thursday, 29 October 2020

Oil & Gas - Exploration Companies

Oil & Gas Development Company Limited (OGDC)

Lower production and oil prices along with higher operating cost drags 1QFY21 EPS to 5.45; DPS PKR 2.0

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 1QFY21 with earnings clocking in at PKR 23.43bn (EPS PKR 5.45) as compared to PKR 27.32bn (EPS PKR 6.35) in the same period last year, down by 14% YoY. On a quarterly basis earnings up by +43% QoQ.
- The Company announced cash dividend of PKR 2.0/share along with the result.
- We attribute this decline in earnings during 1QFY21 to a) 10% YoY drop in revenues amid lower oil/gas production and 31% YoY drop in oil prices and, b) +16% YoY rise in operating expenses. However, earnings decline was restricted by higher share of profit from Mari Petroleum Company Limited (MARI) and 25% YoY drop in exploration expense.
- Net Revenues dropped by 10% YoY to PKR 59.53bn during 1QFY21 compared to PKR 66.20bn in the similar period last year, likely on the back of 31% YoY drop in oil prices and lower oil/gas production despite PKR depreciation.
- Operating costs are up by +16% YoY to PKR 17.27bn during 1QFY21 as against PKR 14.89bn in the same period last year likely on account of higher amortization expense.
- Exploration expense declined by 25% YoY to PKR 2.96bn during 1QFY21 compared to PKR 3.96bn in the corresponding period last year likely owing lower prospecting expense and dry well cost.
- Other income augmented by +16% YoY to PKR 3.29bn during 1QFY21 compared to PKR 2.85bn in the similar period last year likely owing to lower exchange loss realized during the quarter..
- Finance cost dropped by +24% YoY to PKR 0.56bn during 1QFY21 compared to PKR 0.75bn in the same period last year.
- Effective tax rate stood at 31.1% during 1QFY21 as against 31.2% in the same period last year (4QFY20: 16.8%)

Exhibit: OGDC Financial Highlights

PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	59,528	66,204	-10%	46,444	28%
Royalty	6,727	7,739	-13%	5,266	28%
Operating Expenses	17,274	14,886	16%	20,178	-14%
Gross Profit	35,298	43,191	-18%	20,723	70%
Other Income	3,294	2,845	16%	5,036	-35%
Exploration and Prospecting	2,957	3,962	-25%	4,711	-37%
Finance Cost	564	745	-24%	672	-16%
WPP Fund	1,791	2,089	-14%	1,039	72%
Share of profit from associate	1,813	1,493	21%	1,638	11%
PBT	34,020	39,688	-14%	19,750	72%
PAT	23,427	27,316	-14%	16,437	43%
EPS (PKR)	5.45	6.35		3.82	
DPS (PKR)	2.00	2.50		2.50	

Source: IGI Research and Company Financials No Shares: 4,300.9mn

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