

Flash Note

Wednesday, 24 February 2021

Oil & Gas - Exploration Companies

Oil & Gas Development Company Limited (OGDC)

Lower production, oil prices and other income drags 2QFY21 EPS to 4.39; DPS PKR 1.6

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 2QFY21 with earnings clocking in at PKR 18.88bn (EPS PKR 4.39) as compared to PKR 24.78bn (EPS PKR 5.76) in the same period last year, down by 24%y/y. On a quarterly basis earnings down by 19%QoQ. This brings total profitability for 1HFY21 to PKR 42.23bn (EPS PKR 9.82) down by 20%y/y.
- The Company announced cash dividend of PKR 1.6/share along with the result, taking total cash payout for 1HFY21 to PKR 3.6/share.
- We attribute this decline in earnings during 2QFY21 to a) 15%y/y drop in revenues amid lower oil/gas production and 31%y/y drop in oil prices and, b) 89%y/y decline in operating expenses. However, earnings decline was restricted by 65%y/y drop in exploration expense.
- Net Revenues dropped by 15%y/y to PKR 54.63bn during 2QFY21 compared to PKR 64.20bn in the similar period last year, likely on the back of 33%y/y drop in oil prices and lower oil/gas production despite 3%y/y PKR depreciation on average.
- Operating costs are up by +7%y/y to PKR 16.41bn during 2QFY21 as against PKR 15.32bn in the same period last year likely on account of higher salary and depreciation cost.
- Exploration expense declined by 65%y/y to PKR 2.27bn during 2QFY21 compared to PKR 6.46bn in the corresponding period last year likely owing lower prospecting expense and dry well cost.
- Other income plummeted by 89%y/y to PKR 0.64bn during 2QFY21 compared to PKR 6.06bn in the similar period last year likely owing to exchange loss and lower interest income on deposits amid decline in interest rates.
- Finance cost dropped by 23%y/y to PKR 0.58bn during 2QFY21 compared to PKR 0.76bn in the same period last year.
- Effective tax rate stood at 33.0% during 2QFY21 as against 34.0% in the same period last year (1QFY21: 31.1%), bringing total effective tax rate for 1HFY21 to 32.0% against 32.5% in the comparative period.
- To note, OGDC has restated its 1QFY21, 1QFY20 and 2QFY20 results with major reclassification in revenue, operating expense and other income. However, earnings are marginally reduced as a result of this restatement. We await further clarity on this from the management.

Exhibit: OGDC Financial Highlights

PKRmn	2QFY21	2QFY20*	y/y	1QFY21	q/q	1HFY21*	1HFY20*	y/y
Net Sales	54,632	64,195	-15%	56,347	-3%	110,980	127,452	-13%
Royalty	6,176	7,477	-17%	6,727	-8%	12,903	15,216	-15%
Operating Expenses	16,413	15,319	7%	16,889	-3%	33,302	29,839	12%
Gross Profit	31,437	40,975	-23%	32,503	-3%	63,940	81,584	-22%
Other Income	640	6,059	-89%	5,958	-89%	6,597	13,096	-50%
Exploration and Prospecting	2,266	6,463	-65%	2,957	-23%	5,222	10,425	-50%
Finance Cost	582	755	-23%	564	3%	1,146	1,500	-24%
WPP Fund	1,483	1,975	-25%	1,784	-17%	3,267	4,144	-21%
Share of profit from associate	1,467	1,457	1%	1,813	-19%	3,280	2,950	11%
PBT	28,174	37,522	-25%	33,895	-17%	62,069	78,741	-21%
PAT	18,882	24,782	-24%	23,344	-19%	42,225	53,111	-20%
EPS (PKR)	4.39	5.76		5.43		9.82	12.35	
DPS (PKR)	1.60	1.75		2.00		3.60	4.25	

Source: IGI Research and Company Financials

* Restated

No Shares: 4,300.9mn

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