

# Flash Note

Friday, 07 September 2018

## Oil & Gas - Exploration Companies

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

#### Higher oil prices and weaker PKR lifts 4QFY18 EPS up by +35%YoY to PKR 5.10; DPS PKR 2.50

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 4QFY18 with earnings clocking in at PKR 21.92bn (EPS PKR 5.10) as compared to PKR 16.21bn (EPS PKR 3.77) in the same period last year, up +35%YoY. The company announced cash dividend of PKR 2.5/share bring total cash payout to PKR 10.0/share. This brings FY18 earnings to PKR 78.74bn (EPS: PKR 18.31) up by +23%YoY compared to PKR 63.80bn (EPS: PKR 14.83) in the similar period last year.
- We attribute this substantial growth in earnings during 4QFY18 to rise in oil prices and PKR depreciation leading to higher oil/gas revenues.
- Net Revenues increased by +27%YoY to PKR 57.62bn during 4QFY18, likely on the back of higher oil prices and weaker PKR against greenback. This brings total FY18 revenues to PKR 205.34bn up by +19%YoY.
- Operating costs increased by +19%YoY to PKR 15.97bn during 4QFY18 as against PKR 13.42bn in the same period last year bringing total operating cost for FY18 to PKR 60.21bn, up by +6%YoY.
- Exploration expense inclined by +73%YoY to PKR 5.01bn during 4QFY18 compared to PKR 2.89bn in the corresponding period last year likely owing to higher dry well costs. However, in our view the Company did not book any dry well cost pertaining to Urs and Surqamar which were suspended during the quarter. This brings total exploration cost to PKR 16.19bn in FY18 up by +22%YoY owing to 11 dry wells booked during FY18 as against 4 wells last year.
- Other income augmented by 38%YoY to PKR 4.75bn during 4QFY18 likely due to exchange gains despite absence of PIB income, keeping total other income for FY18 flattish at PKR 16.01bn.
- Effective tax rate dropped by 167bps to 32.5% during 4QFY18 compared to 34.2% reported in the corresponding period last year, bringing total effective tax rate for FY18 to 30.1% (FY17: 28.4%).

Exhibit:

#### OGDC Financial Highlights

PKRmn	4QFY18	4QFY17	YoY	3QFY18	QoQ	FY18	FY17	YoY
Net Sales	57,623	45,200	27%	51,752	11%	205,335	171,829	19%
Royalty	6,329	4,758	33%	5,680	11%	21,971	18,519	19%
Operating Expenses	15,972	13,417	19%	15,961	0%	60,213	56,585	6%
Gross Profit	34,922	26,605	31%	29,674	18%	121,480	95,004	28%
Other Income	4,748	3,450	38%	4,593	3%	16,008	16,020	0%
Exploration and Prospecting	5,006	2,888	73%	3,819	31%	16,190	13,269	22%
Finance Cost	444	279	59%	439	1%	1,730	1,515	14%
WPP Fund	1,709	1,296	32%	1,481	15%	5,928	4,691	26%
PBT	32,462	24,618	32%	28,136	15%	112,627	89,137	26%
PAT	21,915	16,209	35%	20,150	9%	78,736	63,803	23%
EPS (PKR)	5.10	3.77		4.68		18.31	14.83	
DPS (PKR)	2.50	2.00		2.75		10.00	6.00	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

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