

# Flash Note

Friday, 26 April 2019

## Oil & Gas - Exploration Companies

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

#### Lower exploration cost along with PKR depreciation expanded 3QFY19 EPS by 42%YoY to PKR 6.64; DPS 2.75

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 3QFY19 with earnings clocking in at PKR 28.56bn (EPS PKR 6.64) as compared to PKR 20.15bn (EPS PKR 4.68) in the same period last year, up by +42%YoY. This brings total earnings for 9MFY19 to PKR 85.31bn (EPS PKR 19.84) compared to PKR 56.82bn (EPS PKR 13.21) in the similar period last year.
- The Company announced cash dividend of PKR 2.75/share along with the result taking 9MFY19 total cash payout to PKR 8.50/share.
- We attribute this substantial growth in earnings during 3QFY19 to a) 25%YoY PKR depreciation against USD, b) lower exploration cost amid only dry well cost incurred at Wasan-01 (Khewari Block) and; c) +1%/+13%YoY rise in Gas/LPG production.
- Net Revenues increased by +26%YoY to PKR 65.15bn during 3QFY19, likely on the back of PKR depreciation and +1%/+13%YoY rise in Gas/LPG production.
- Operating costs inched down by 3%YoY to PKR 15.40bn during 3QFY19 as against PKR 15.96bn in the same period last year.
- Exploration expense dropped by 47%YoY to PKR 2.04bn during 3QFY19 compared to PKR 3.82bn in the corresponding period last year likely owing to only dry well cost incurred at Wasan-01 (Khewari Block) with estimated cost of PKR 0.6-0.7bn in our view.
- Other income increased by +31%YoY to PKR 6.00bn during 3QFY19 compared to PKR 4.59bn in the similar period last year likely owing to increase in foreign currency investments and exchange gains realized on them.
- Effective tax rate stood at 34.0% during 3QFY19 as against 28.4% in the same period last year (2QFY19: 33.8%). This brings total effective tax for 9MFY19 to 33.3% compared to 29.1% during 9MFY18.

Exhibit:

#### OGDC Financial Highlights

PKRmn	3QFY19	3QFY18	YoY	2QFY19	QoQ	9MFY19	9MFY18	YoY
Net Sales	65,149	51,752	26%	65,099	0%	192,047	147,712	30%
Royalty	7,256	5,680	28%	7,363	-1%	21,495	15,642	37%
Operating Expenses	15,403	15,961	-3%	14,773	4%	45,037	44,241	2%
Gross Profit	42,078	29,674	42%	42,558	-1%	124,314	86,558	44%
Other Income	6,003	4,593	31%	7,752	-23%	17,853	11,260	59%
Exploration and Prospecting	2,042	3,819	-47%	2,520	-19%	6,524	11,184	-42%
Finance Cost	427	439	-3%	419	2%	1,256	1,286	-2%
WPP Fund	2,277	1,481	54%	2,388	-5%	6,737	4,219	60%
PBT	43,254	28,136	54%	45,376	-5%	127,994	80,165	60%
PAT	28,556	20,150	42%	30,021	-5%	85,312	56,821	50%
EPS (PKR)	6.64	4.68		6.98		19.84	13.21	
DPS (PKR)	2.75	2.75		3.00		8.50	7.50	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

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