

Oil & Gas Development (OGDC)

3QFY18 EPS Rs4.7, +15% YoY (+2% QoQ);

Cash dividend of Rs2.75/share

In-line with expectations

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Higher revenues and other income supported profitability

OGDC: Financial Highlights							
Rs mn	3QFY18	3QFY17	YoY	QoQ	9MFY18	9MFY17	YoY
Net Sales	51,752	45,549	14%	0%	147,712	126,630	17%
Royalty	5,680	4,933	15%	3%	15,642	13,761	14%
Operating Expenses	15,961	14,812	8%	11%	44,241	43,169	2%
Transportation Charges	436	464	-6%	4%	1,272	1,300	-2%
Gross profit	29,674	25,339	17%	-6%	86,558	68,400	27%
Other Income	4,593	3,261	41%	29%	11,260	12,570	-10%
Exploration Expenses	3,819	2,191	74%	-35%	11,184	10,380	8%
Administrative Expenses	1,105	1,169	-6%	22%	3,121	2,822	11%
Finance Cost	439	420	4%	2%	1,286	1,236	4%
Workers fund	1,481	1,264	17%	2%	4,219	3,396	24%
Share of Profit in Associate	712	461	54%	-28%	2,157	1,384	56%
Profit before Tax	28,136	24,017	17%	2%	80,165	64,520	24%
Taxation	7,986	6,431	24%	0%	23,343	16,925	38%
Profit after Tax	20,150	17,586	15%	2%	56,821	47,595	19%
EPS (Rs)	4.7	4.1			13.2	11.1	

Source: PSX, Topline Research

- OGDC reported earnings of Rs20bn (EPS Rs4.7/share) in 3QFY18, up 15% YoY, mainly due to higher sales and considerable increase in other income. The company also announced cash dividend of Rs2.75/share.
- The company's net sales were up 14% YoY during the outgoing quarter thanks to 1) increase in Arab Light oil prices, up 24% YoY and 2) PKR devaluation against the greenback, providing support to dollar linked revenues.
- However, oil production posted around 9% YoY decline in 3QFY18 where production flows from Nashpa field (30% of OGDC's oil production) fell 24%. We attribute this to natural depletion of the field and lower uplift from refineries.

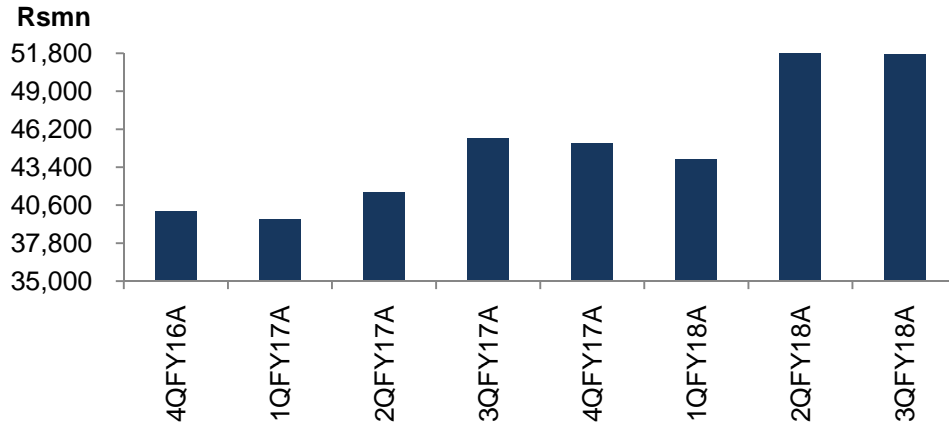
Higher revenues and other income supported profitability

- The company booked exploration charges of Rs3.8bn, up 74% YoY during the outgoing quarter, mainly on account of dry well cost, we believe.
- Other income and share of profits from associates which were up 41% and 54% YoY, respectively, supported the company's bottom-line.
- Increase in other income was mainly on the back of higher interest income and exchange gain, while improvement in profitability of Mari Petroleum (MARI) supported profits from associates, we believe.
- We flag 1) volatility in international oil prices, 2) lower than expected hydrocarbon production and 3) significant exploration and development cost as key risks for OGDC.

OGDC: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	21.1	28.8	20.3	13.9	14.8
Earnings Growth	-6%	37%	-30%	-31%	6%
PE at Rs167	7.9	5.8	8.2	12.0	11.3
Dividend Yield	5%	6%	4%	3%	4%
ROE	28%	30%	19%	12%	12%
PBV	2.2	1.8	1.5	1.4	1.3

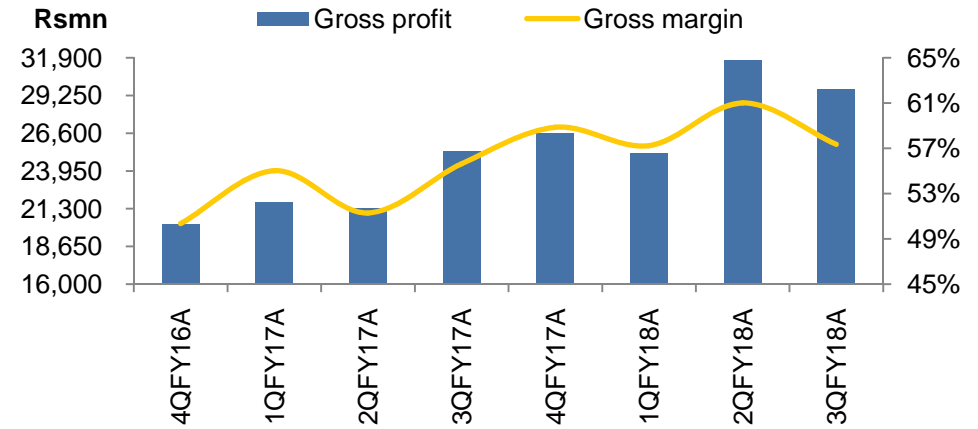
Source: Company Accounts, Topline Research

OGDC: Quarterly Sales



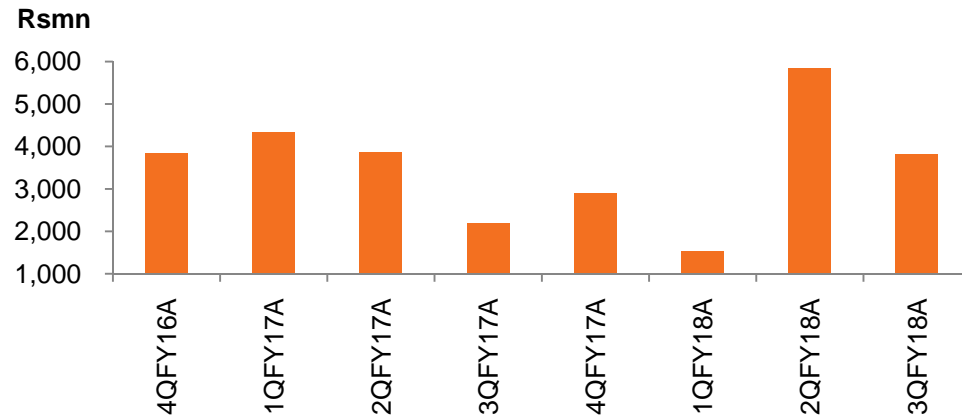
Source: Company Accounts, Topline Research

OGDC: Quarterly Gross Profit & Gross Margins



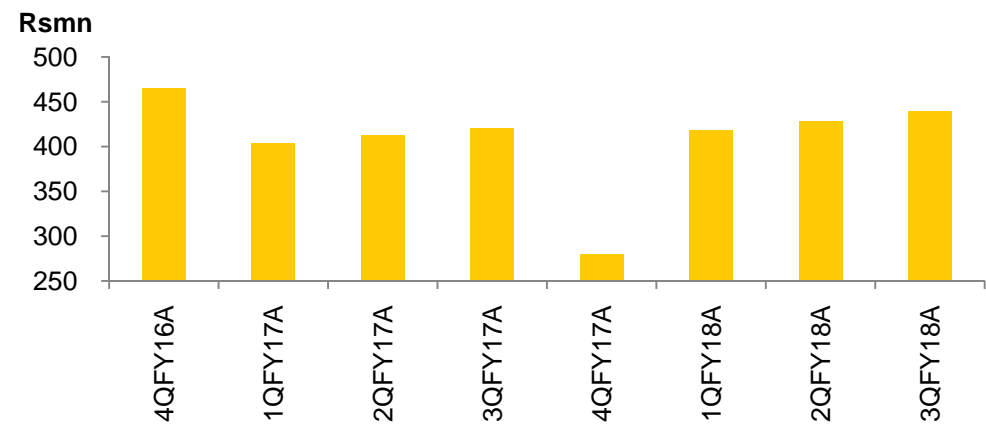
Source: Company Accounts, Topline Research

OGDC: Quarterly Exploration Costs



Source: Company Accounts, Topline Research

OGDC: Finance Cost



Source: Company Accounts, Topline Research

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