

Oil & Gas Development (OGDC)

4QFY18 EPS Rs5.1, +35% YoY (+9% QoQ); FY18 EPS Rs18.3, +23% YoY

Cash dividend of Rs2.5/share

In-line with expectations

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 **CFA Society
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Higher oil prices and other income improve earnings

OGDC: Financial Highlights						
Rsmn	4QFY18	4QFY17	YoY	QoQ	FY18	YoY
Net Sales	57,623	45,200	27%	11%	205,335	19%
Royalty	6,329	4,758	33%	11%	21,971	19%
Operating Expenses	15,972	13,417	19%	0%	60,213	6%
Transportation Charges	399	421	-5%	-9%	1,671	-3%
Gross profit	34,922	26,605	31%	18%	121,480	28%
Other Income	4,748	3,450	38%	3%	16,008	0%
Exploration Expenses	5,006	2,888	73%	31%	16,190	22%
Administrative Expenses	967	1,418	-32%	-12%	4,088	-4%
Finance Cost	444	279	59%	1%	1,730	14%
Workers fund	1,709	1,296	32%	15%	5,928	26%
Share of Profit in Associate	918	444	107%	29%	3,075	68%
Profit before Tax	32,462	24,618	32%	15%	112,627	26%
Taxation	10,547	8,409	25%	32%	33,890	34%
Profit after Tax	21,915	16,209	35%	9%	78,736	23%
EPS (Rs)	5.1	3.8			18.3	

Source: PSX, Topline Research

- OGDC reported earnings of Rs22bn (EPS Rs5.1/share) in 4QFY18, up 35% YoY, in line with our estimates. The company also announced cash dividend of Rs2.5/share.
- The company's net sales were up 27% YoY during the outgoing quarter thanks to 1) higher Arab Light oil prices, up 48% YoY and 2) PKR devaluation against the greenback, providing support to dollar linked revenues.
- However, oil production posted around 5% YoY decline in 4QFY18 where production flows from Nashpa field (28% of OGDC's oil production) fell 12%, owing to short lifting of crude oil by refineries during Nov-Dec 2017 and natural depletion of the field.

Higher oil prices and other income improve earnings

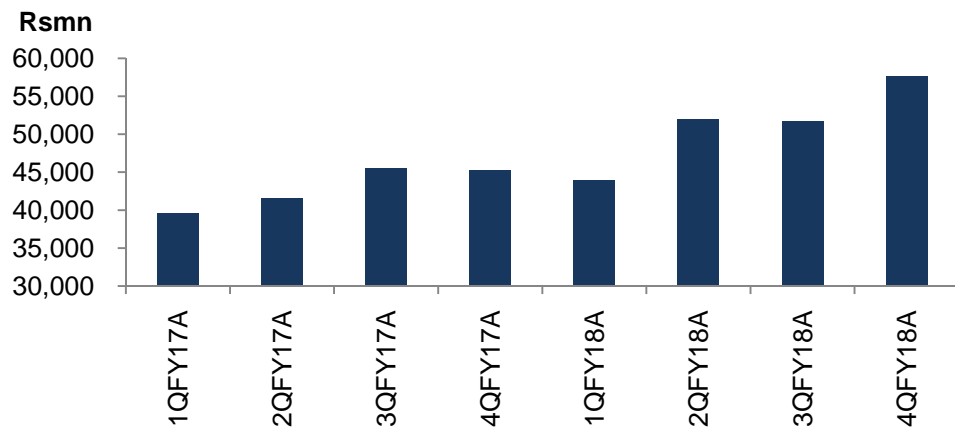
- While Kunnar gas field production (~12% of total gas flow) was up 44% YoY during the outgoing quarter, decline in Nashpa and Qadirpur (cumulatively ~26% of total gas flow) led to flat gas production.
- The company booked exploration charges of Rs5bn, up 73% YoY during the outgoing quarter, mainly on account of dry well cost, we believe.
- Other income and share of profits from associates which were up 38% and 107% 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

	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	28.8	20.3	13.9	14.8	18.3
Earnings Growth	37%	-30%	-31%	6%	23%
PE at Rs152.3	5.3	7.5	10.9	10.3	8.3
Dividend Yield	6%	5%	3%	4%	7%
ROE	30%	19%	12%	12%	14%
PBV	1.6	1.4	1.3	1.2	1.2

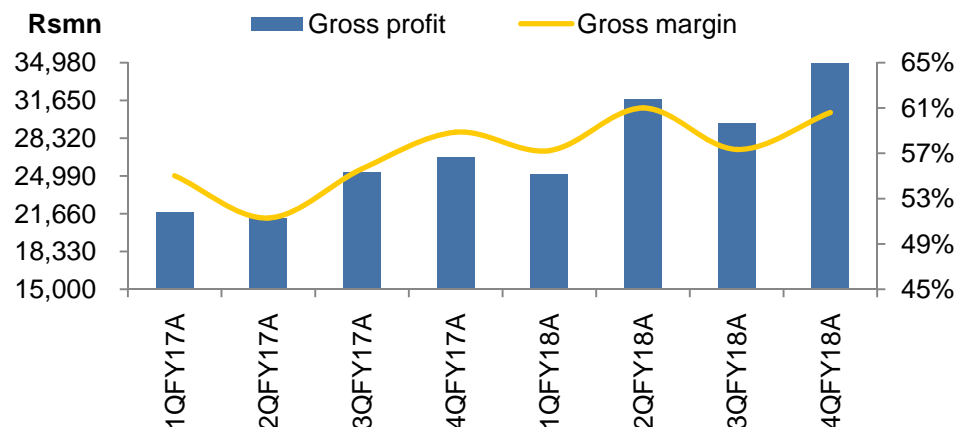
Source: Company Accounts, Topline Research

OGDC: Quarterly Sales



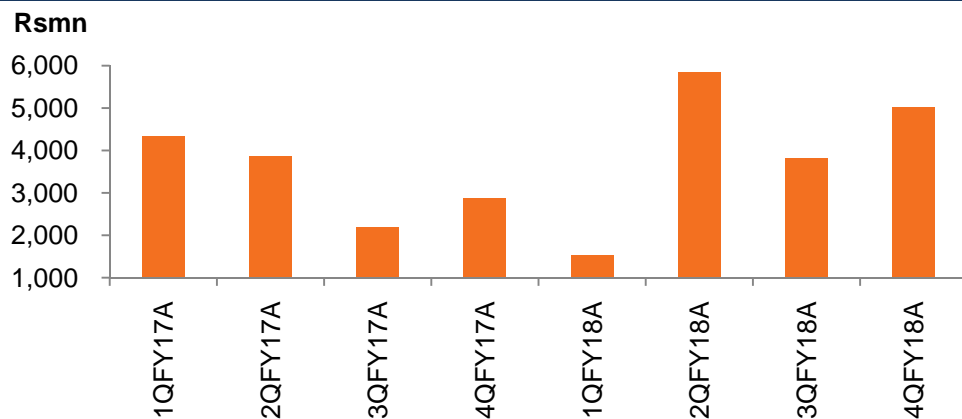
Source: Company Accounts, Topline Research

OGDC: Quarterly Gross Profit & Gross Margins



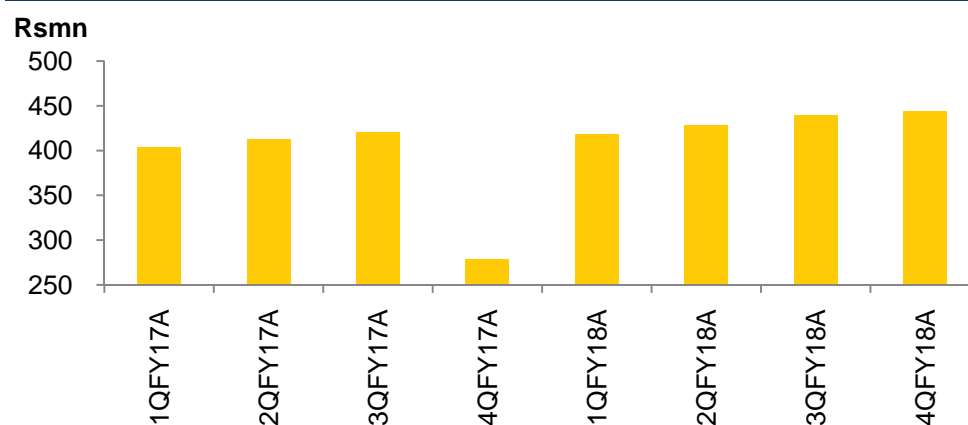
Source: Company Accounts, Topline Research

OGDC: Quarterly Exploration Costs



Source: Company Accounts, Topline Research

OGDC: Finance Cost



Source: Company Accounts, Topline Research

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Neutral	Stock will perform in line with the average total return of stocks in universe
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Market Weight	= Weight in KSE-100 Index
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