

OGDC- FY18 Conference Call Takeaways

- OGDC announced its FY18 result today where company posted FY18 PAT of Rs78.73bn (EPS: Rs18.31) as compared to PAT of Rs63.80bn (EPS: Rs14.83) in SPLY up by 23% YoY. OGDC also announced final cash dividend of Rs2.5/share taking the full year dividend to Rs10/share
- Despite decline in oil production from 44,041bpd in FY17 to 41,278bpd in FY18 (down by 6.27%), sales revenue increased by 19% YoY which is emanated from increase in oil realized prices from avg. USD44.04bbl in FY17 to USD54.56bbl in FY18 and devaluation of PKR
- Gas production remained flat at 1,022 MMscf/day in FY18, whereas price increase by ~8.30% in FY18 to 258.93Mcf
- OGDC spudded 20 wells while 4 new discoveries were made during FY18
- According to management company acquired 2,073L.Kms of 2D seismic survey and 792Sq. Kms of 3D seismic survey
- On question regarding the Indus G offshore Block exploration plan, management expects exploration activity to start from Jan 2019. However, it will take 4-5 years to start production in case of any discovery
- Company expects production from Nashpa, Mela, Dhok Hussain and Jhal Magsi project to start production in FY19 and add around 1,520bpd of oil, 55 MMSCFD of gas and 375 MTD of LPG in the production of company
- We expect OGDC to post FY19E EPS of ~Rs21.45/share (crude oil assumption USD70/bbl). Currently trading at FY19E P/E of around 7x and offers dividend yield of ~8%

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Valuation Methodology

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B etc.)
- Discounted Cash flow Method
- Sum of the parts {SOTP}
- Equity and Asset based valuation

Rating

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



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