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OGDC: 1QFY25 EPS clocks in at PKR 9.54, down by 16% YoY, DPS PKR 3.00

Oil and Gas Development Company

PSX: OGDC | Bloomberg: OGDC PA | Reuters: OGDC.PSX

- OGDC announced its 1QFY25 financial result today, wherein, the company reported an EPS of PKR 9.54, down by 16% YoY. Along with the result, the company announced an interim cash dividend of PKR 3.00/share.
- Net sales for 1QFY25 clocked in at PKR 106bn, compared to PKR 120bn in SPLY, down 12% YoY mainly on the back of lower oil prices (-10.2% YoY), and an appreciating PKR against the greenback (+5% YoY).
- Exploration expenses climbed to PKR 3.8bn (+46% YoY) for 1QFY25 vs PKR 2.6bn in SPLY, due to a drywell encountered at Tando Allahyar NE-1.
- Other income increased significantly, clocking in at PKR 25.7bn (+58% YoY). Further details are awaited for clarity.
- Finance costs declined marginally by 4% YoY to PKR 1.6bn due to lower interest rates.
- The bottom-line plummeted primarily due to a higher effective tax rate (50.6% in 1QFY25 vs 43.1% in SPLY).
- We maintain a 'HOLD' recommendation on the stock based on a Jun-25 price target (PT) of PKR 179/share which provides a capital upside of 2% along with a dividend yield of 6.5%.

Key Data

PSX Ticker	OGDC
Target Price (PKR)	179
Current Price (PKR)	176
Upside/(Downside) (%)	2%
Dividend Yield (%)	6.5%
Total Return (%)	13%
12-month High (PKR)	183
12-month Low (PKR)	99
Outstanding Shares (mn)	4,301
Market Cap (PKR mn)	755,243

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	1QFY24	1QFY25E	YoY	FY24	FY25E	YoY
Sales	120,141	106,011	-12%	462,063	422,180	-9%
Operating expenses	19,330	18,451	-5%	89,031	85,564	-4%
Royalties	13,654	13,151	-4%	54,279	49,417	-9%
Gross profit	77,983	65,816	-16%	281,452	247,674	-12%
Exploration expenses	2,631	3,853	46%	12,561	21,994	75%
Other income	16,251	25,727	58%	41,344	46,519	13%
Finance costs	1,682	1,614	-4%	7,143	6,867	-4%
Profit before tax	86,174	83,118	-4%	291,926	256,375	-12%
Taxation	37,137	42,098	13%	84,811	93,433	10%
Net income (loss)	49,038	41,020	-16%	207,114	162,941	-21%
EPS	11.40	9.54		48.16	37.89	
DPS	1.60	3.00		10.10	11.50	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
EPS (PKR)	31.1	52.2	48.6	37.9	37.3	35.5
EPS Growth	46.2%	67.9%	-7.0%	-22.0%	-1.4%	-4.9%
DPS (PKR)	7.3	8.6	10.1	11.5	11.0	10.5
BVPS	203.5	251.8	290.8	317.1	343.5	368.5
PER	5.6	3.4	3.6	4.6	4.7	4.9
Dividend Yield	4.1%	4.9%	5.8%	6.5%	6.3%	6.0%
EV/EBITDA	3.0	2.3	1.7	1.9	1.7	1.6
P/B	0.9	0.7	0.6	0.6	0.5	0.5
ROE	16.3%	22.9%	17.9%	12.5%	11.3%	10.0%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Oil and Gas Development Company (OGDC) has been computed using the reserve-based Free cash flow to equity (FCFE) method. We have used a risk-free rate of 14%, beta of 1.0, and a market risk premium of 6% to arrive at a cost of equity of 20%.

Investment Thesis

We have a 'HOLD' recommendation on the stock based on our Jun-25 PT of PKR 179/share which results in an upside of 2% alongside a dividend yield of 6.5%. Our investment case on OGDC is based on (1) recovery in oil prices, (2) currency devaluation, and (3) incremental production from discoveries.

Risks

Key downside risks to our investment thesis include (1) decrease in oil prices (2) delay in development of discoveries (3) low success ratio of drilling activities (4) lower than estimated life of main reserves and (5) further delays in the resolution of circular debt.

Company Description

Oil and Gas Development Company Limited explores for, develops, produces, and sells oil and gas in Pakistan. It primarily produces crude oil, gas, liquefied petroleum gas, and sulphur. The company also offers drilling, logistics, and well services, as well as rig maintenance services; and construction and engineering support, geological, and geophysical services.

Financial Highlights - OGDC

Income Statement (PKR mn)	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
Net sales	335,464	413,594	463,698	422,180	423,410	400,147
Operating expenses	80,590	95,473	126,106	125,089	127,883	125,875
Royalties	37,958	48,394	54,279	49,417	49,557	46,828
Gross profit	216,916	269,727	283,313	247,674	245,970	227,445
Other income	50,680	165,235	54,530	59,838	58,705	61,000
Other charges	12,238	20,199	15,462	12,764	12,550	11,450
Finance cost	2,340	4,715	7,143	6,867	7,005	6,307
Profit before tax	232,521	383,773	293,787	256,375	251,687	237,158
Taxation	98,738	159,155	84,811	93,433	91,051	84,404
Profit after tax	133,784	224,618	208,976	162,941	160,636	152,754

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
PPE	92,685	85,816	86,838	92,613	97,318	100,944
Other LT assets	258,760	379,132	456,927	467,632	481,199	498,303
Non-Current Assets	351,445	464,947	543,765	560,245	578,517	599,247
Current assets	778,538	959,118	1,060,489	1,127,742	1,235,838	1,330,091
Total Assets	1,129,983	1,424,065	1,604,254	1,687,987	1,814,355	1,929,338
Non-Current liabilities	139,066	160,964	180,856	140,259	141,753	137,690
Current liabilities	115,525	180,203	172,902	183,751	195,299	206,751
Total Liabilities	254,590	341,167	353,758	324,010	337,052	344,440
Equity	875,393	1,082,898	1,250,496	1,363,977	1,477,303	1,584,898
Total Equity & liabilities	1,129,983	1,424,065	1,604,254	1,687,987	1,814,355	1,929,338

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
Net Income	133,784	224,618	208,976	162,941	160,636	152,754
Non-cash Charges	27,849	34,426	34,513	36,835	38,202	39,567
Operating Cash flows	113,319	156,064	181,979	115,929	154,125	144,051
FCFF	58,413	129,500	161,185	81,894	107,550	95,285
Net borrowings	-	-	-	-	-	-
FCFE	57,066	126,740	156,104	77,530	103,079	91,223
Net change in cash	42,168	55,702	19,970	24,002	61,889	50,045
Closing cash	31,631	25,766	141,030	155,765	210,402	252,906

Source: Company Accounts, Akseer Research

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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