

28 February 2025

OGDC: 2QFY25 EPS clocks in PKR 9.63, down by 44% YoY, DPS PKR 4.05

Oil and Gas Development Company

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

- OGDC announced its 2QFY25 financial result today wherein the company reported an EPS of PKR 9.63, down by 44% YoY. Along with the result, the company announced an interim cash dividend of PKR 4.05/share.
- Net sales for 2QFY25 clock in at PKR 100.4bn, compared to PKR 115.2bn in SPLY, down 13% YoY mainly on the back of a lower oil prices (-10.2% YoY), and an appreciating exchange rate (+5% YoY).
- Exploration expenses climbed to PKR 4.0bn (+68% YoY) for 2QFY25 vs PKR 2.4bn in SPLY, due to a dry well encountered at Kandewaro-1.
- Other income increased significantly, clocking in at PKR 20.9bn (+89% YoY) due to interest on delayed circular debt payments and from interest payments on TFCs.
- While finance costs declined marginally by 24% YoY to PKR 1.3bn due to a decline in interest rates, the bottom-line plummeted owing to a higher effective tax rate (43% in 2QFY25 vs -3% in SPLY).
- We maintain a 'Buy' recommendation on the stock based on a Dec-25 price target (PT) of PKR 335/share which provides a capital upside of 58% along with a dividend yield of 7.1%.

Key Data

PSX Ticker	OGDC
Target Price (PKR)	335
Current Price (PKR)	212
Upside/(Downside) (%)	+58
Dividend Yield (%)	7.1
Total Return (%)	65
12-month High (PKR)	255
12-month Low (PKR)	104
Outstanding Shares (mn)	4,301
Market Cap (PKR mn)	912,227

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	2QFY24	2QFY25	YoY	1HFY24	1HFY25	YoY
Sales	115,234	100,412	-13%	235,375	206,423	-12%
Operating expenses	32,550	28,579	-12%	60,445	54,844	-9%
Royalties	13,798	11,633	-16%	27,451	24,784	-10%
Gross profit	68,212	61,597	-10%	146,195	127,413	-13%
Exploration expenses	2,395	4,034	68%	5,026	7,887	57%
Other income	11,018	20,855	89%	27,270	46,582	71%
Finance costs	1,750	1,326	-24%	3,432	2,940	-14%
Profit before tax	72,141	72,702	1%	158,315	155,819	-2%
Taxation	(2,117)	31,265	-16x	35,019	73,363	109%
Net income (loss)	74,258	41,437	-44%	123,296	82,457	-33%
EPS	17.27	9.63		28.67	19.17	
DPS	2.50	4.05		4.10	7.05	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
EPS (PKR)	31.1	52.2	48.6	36.5	43.8	45.6
EPS Growth	46.2%	67.9%	-7.0%	-24.9%	20.2%	4.0%
DPS (PKR)	7.3	8.6	10.1	15.0	18.0	18.0
BVPS	203.5	251.8	290.8	312.2	338.1	365.7
PER	6.8	4.1	4.4	5.8	4.8	4.7
Dividend Yield	3.4%	4.0%	4.8%	7.1%	8.5%	8.5%
EV/EBITDA	3.7	2.9	2.2	2.2	1.5	1.1
P/B	1.0	0.8	0.7	0.7	0.6	0.6
ROE	16.3%	22.9%	17.9%	12.1%	13.5%	13.0%

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 12%, a beta of 1.2, and a market risk premium of 6% to arrive at a cost of equity of 19%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-25 PT of PKR 335/share which results in an upside of 58% along with a dividend yield of 7.1%. Our investment case on OGDC is based on (1) recovery of the circular debt stock and (2) improvement in production flows.

Risks

Key downside risks to our investment thesis include (1) a 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	FY25E	FY26F	FY27F
Net sales	335,464	413,594	463,698	410,794	470,530	481,760
Operating expenses	80,590	95,473	126,106	118,536	123,158	127,654
Royalties	37,958	48,394	54,279	48,085	55,077	56,388
Gross profit	216,916	269,727	283,313	244,173	292,296	297,717
Other income	50,680	165,235	54,530	83,587	95,433	105,898
Other charges	12,238	20,199	15,462	12,597	15,089	15,261
Finance cost	2,340	4,715	7,143	6,153	6,277	5,651
Profit before tax	232,521	383,773	293,787	278,168	329,603	343,441
Taxation	98,738	159,155	84,811	121,302	141,033	147,310
Profit after tax	133,784	224,618	208,976	156,865	188,571	196,132

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
PPE	92,685	85,816	86,838	87,357	87,357	86,822
Other LT assets	258,760	379,132	456,927	472,493	487,975	505,140
Non-current assets	351,445	464,947	543,765	559,850	575,332	591,962
Current assets	778,538	959,118	1,060,489	1,152,079	1,271,432	1,393,112
Total assets	1,129,983	1,424,065	1,604,254	1,711,929	1,846,764	1,985,074
Non-current liabilities	139,066	160,964	180,856	186,044	198,906	207,705
Current liabilities	115,525	180,203	172,902	183,037	193,857	204,652
Total liabilities	254,590	341,167	353,758	369,081	392,763	412,358
Equity	875,393	1,082,898	1,250,496	1,342,848	1,454,001	1,572,717
Total equity & liabilities	1,129,983	1,424,065	1,604,254	1,711,929	1,846,764	1,985,074

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Net income	133,784	224,618	208,976	156,865	188,571	196,132
Non-cash charges	27,849	34,426	34,739	36,700	37,805	38,922
Operating cash flows	113,319	156,064	182,205	199,540	232,676	242,138
FCFF	53,691	121,539	165,921	157,752	188,707	197,938
Net borrowings	-	-	-	-	-	-
FCFE	52,344	118,779	160,840	154,283	185,116	194,711
Net change in cash	42,168	55,702	19,970	92,376	112,793	119,966
Closing cash	31,631	25,766	141,030	226,834	335,231	450,681

Source: Company Accounts, Akseer Research

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment-banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

Valuation Methodology

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

Ratings Criteria

JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

Research Dissemination Policy

The JV endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Contact Details



Akseer Research (Pvt) Limited
1st Floor, Shaheen Chambers, KCHS block 7 & 8,
off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com



Alpha Capital (Pvt) Limited
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,
KCH Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alphacapital.com.pk



www.jamapunji.pk