

RESULT REVIEW

Oil & Gas Development Company Limited (OGDC) - 3QFY25

Wednesday, April 30, 2025

Oil and Gas Development Company Limited (OGDC) announced its 3QFY25 results, posting an EPS of PKR 10.96, outperforming our estimate of PKR 9.75. The company also declared a cash dividend of PKR 3.0/share, underscoring its ongoing commitment to shareholder returns.

- Revenue increased on a q/q basis, primarily driven by higher production volumes from exploratory wells. However, the y/y moderation in top-line growth could be partially attributed to the decline in international oil prices during the period.
- Gross margins remained largely stable, both sequentially and on a y/y basis, indicating consistent cost control relative to revenue.
- Finance income declined by 13% q/q, possibly reflecting lower returns on cash or reduced interest rates, though the y/y increase of 5% suggests the company has expanded its investment base over the year.
- On the exploration front, costs surged by 68% q/q and 90% y/y, signifying OGDC's strategic focus on expanding reserves and sustaining long-term production.
- Finance costs increased by 16% q/q, indicating a higher reliance on debt financing during the quarter. Notably, the share of profit from associates more than doubled (+108% q/q), offering a significant uplift to net profitability and validating the strength of OGDC's joint ventures.
- A key contributor to improved earnings was the drop in the effective tax rate to 30%, down from 43% in the previous quarter, further supporting bottom-line growth.

Overall, net profit rose by 14% q/q, driven by stronger revenues, enhanced contributions from associates, and lower taxation. With robust fundamentals, strategic exploration efforts, and promising joint ventures, OGDC remains well-positioned for long-term value creation. We reiterate our BUY rating, viewing the stock as attractively priced at current levels.

Financials (PKR in mn)	3QFY25	2QFY25	Q/Q	3QFY24	Y/Y
Sales- net	104,483	100,412	4%	112,788	-7%
Royalty	(12,153)	(11,632)	4%	(12,974)	-6%
Operating expenses	(31,907)	(26,806)	19%	(26,798)	19%
Transportation charges	(508)	(375)	35%	(653)	-22%
	(44,568)	(38,813)	15%	(40,425)	10%
Gross profit	59,915	61,599	-3%	72,363	-17%
Finance and other income	18,109	20,855	-13%	17,270	5%
Exploration & prospecting exp.	(6,783)	(4,034)	68%	(3,475)	95%
General & administration exp.	(1,813)	(1,969)	-8%	(1,914)	-5%
Finance cost	(1,534)	(1,326)	16%	(1,820)	-16%
Workers' profit participation fund	(3,541)	(3,826)	-7%	(4,278)	-17%
Share of profit (net) in associates	2,929	1,405	108%	3,143	-7%
	7,367	11,105	-34%	8,926	-17%
Profit before taxation	67,282	72,704	-7%	81,289	-17%
Taxation	(20,131)	(31,264)	-36%	(33,478)	-40%
Profit for the period	47,151	41,440	14%	47,811	-1%
EPS - basic and diluted	10.96	9.63		11.12	

Source: Company Financials, HMFS Research

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- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

HMFS RATING GUIDE

BUY	<i>More than 15% Upside</i>
HOLD	<i>Between 15% Upside & 15% Downside</i>
SELL	<i>More than 15% Downside</i>

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