

Company Update

Oil & Gas Development Company Limited (OGDC)

Target Price: PKR 156/share;

Upside: 83.5%

2022: Dividend yld: 11%, P/E: 2.7x

Market Price: PKR 85.03

52 weeks: 81.9 — 87.9

Return: (3M) -0.5%, (6M) 0.7%,

(12M) 3.7%

Outstanding Shares: 4.3bn (FF%: 15)

Market Capitalisation: PKR 352.2bn,

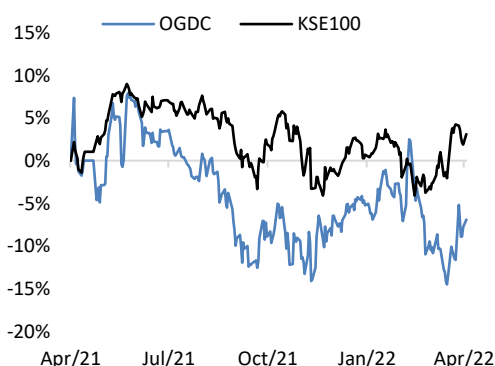
US\$ 1.9bn

Exchange: KSE100, KSEALL, MSCI FM

Key Financial Highlights

PKR/ Share	2021a	2022e	2023f
EPS	21.3	31.9	27.9
DPS	6.9	9.0	8.3
BVPS	178.9	201.5	221.4
ROE%	12%	16%	13%
P/E	4.0x	2.7x	3.0x
DY	8.1%	10.6%	9.7%
P/B	0.5x	0.4x	0.4x

Relative Price performance



Analyst

Abdullah Farhan

Abdullah.farhan@igi.com.pk

Tel: +92 21 111 234 234 Ext: 912

Saad Khan

Saad.khan@igi.com.pk

Tel: +92 21 111 234 234 Ext: 810

Oil & Gas Exploration Companies

OGDC: EPS to clock in at PKR 10.45 during 3QFY22, up by +86%/y

- Oil & Gas Development Company Limited's (OGDC) board meeting is scheduled on 28th-Apr-22 to announce financial results for 3QFY22 where we expect the Company to report earnings of earnings of PKR 44.93bn (EPS PKR 10.45) during 3QFY22, up by +86%/y.
- This will bring total 9MFY22E earnings to PKR 113.82bn (EPS PKR 26.46), up by +72%/y, against PKR 66.35bn (EPS PKR 15.43) same period last year.
- We attribute growth in the earnings primarily on the back of PKR depreciation, upward revision in wellhead gas price, 65%/y rise in average oil prices and exchange gains. Support to earnings is likely to emanate from lower exploration cost as only one dry well was reported during the quarter.

Earnings to clock in at PKR 10.45/share during 3QFY22

Oil & Gas Development Company Limited's (OGDC) board meeting is scheduled on 28th-Apr-22 to announce financial results for 3QFY22 where we expect the Company to report earnings of earnings of PKR 44.93bn (EPS PKR 10.45) during 3QFY22, up by +86%/y, compared to profitability of PKR 24.12bn (EPS PKR 5.61) in the same period last year. On quarterly basis, earnings are expected to improve by +27%q/q. This will bring total 9MFY22E earnings to PKR 113.82bn (EPS PKR 26.46), up by +72%/y, against PKR 66.35bn (EPS PKR 15.43) same period last year. We expect OGDC to announce cash dividend of PKR 2.25/share along with the result taking total 9MFY22 payout to PKR 6.0/share.

Higher oil prices and weaker PKR along with exchange gains to bolster earnings

We attribute growth in the earnings primarily on the back of PKR depreciation, upward revision in wellhead gas price, 65%/y rise in average oil prices and exchange gains. Support to earnings is likely to emanate from lower exploration cost as only one dry well was reported during the quarter. However, earnings growth is likely to be restricted due to lower oil and gas production.

Exhibit: OGDC Financial Highlights For the period 3QFY22

PKRmn	3QFY22E	3QFY21	y/y	2QFY22	q/q	9MFY22E	9MFY21	y/y
Net Sales	93,455	65,402	43%	79,633	17%	244,618	176,382	39%
Royalty	10,318	7,271	42%	8,792	17%	27,353	20,174	36%
Operating Cost	18,897	16,566	14%	17,794	6%	53,265	49,868	7%
Gross Profit	63,472	41,064	55%	52,391	21%	162,173	105,004	54%
Other Income	10,634	1,627	6.5x	10,359	3%	31,871	8,225	3.9x
Exploration Cost	3,999	5,587	-28%	4,610	-13%	10,892	10,809	1%
Share of profit	2,020	1,391	45%	(883)	n/m	2,956	4,671	-37%
PBT	67,063	34,823	93%	52,902	27%	172,234	96,892	78%
PAT	44,932	24,121	86%	35,253	27%	113,815	66,346	72%
EPS (PKR)	10.45	5.61		8.20		26.46	15.43	
DPS (PKR)	2.25	1.80		2.00		6.00	5.40	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2022 IGI Finex Securities Limited

Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.yaseen@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
 Building, 2- Liaqat Road
 Tel: (+92-41) 2540843-45
 Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2022 IGI Finex Securities Limited