

Feb 22, 2022

- ◆ OGDC is scheduled to announce 2QFY22 results on 23rd February 2022, wherein we expect the company to post PAT of PKR 31.2 bn (EPS: PKR 7.25/share) for 2QFY22 up by 65% YoY (-7%QoQ) against PKR 18.8 bn (EPS: PKR 4.39/share) SPLY. For 1HFY22, we expect the company to post PAT of PKR 64.8 bn (EPS: PKR 15.07/share) up by 53%YoY against PAT of PKR 42.3 bn (EPS: PKR 9.84/share) SPLY. Additionally, OGDC is estimated to declare interim cash dividend of PKR 2/share.
- ◆ The expected surge in earnings is primarily due to hike in Crude oil prices by 74% YoY, remained on average US\$74.99/ton during 2QFY22 against US \$43.22/ton SPLY, surge in well head gas prices; coupled with favorable USD-PKR Parity (7%YoY averaging PKR 169/USD).
- ◆ Our estimation suggests topline to be increased by 34%YoY (PKR 73.3 bn against PKR 54.6 bn). However, on quarter basis OGDC is likely to post decline in earnings (-7%QoQ) on the back of lower oil and gas production during 2QFY22; maintained net profits due to higher oil/gas prices by 4%/12%QoQ each and currency devaluation of 5.15% QoQ.
- ◆ The cost of sales is expected to surge by 25%YoY, to be recorded at PKR 28.96 bn as against PKR 23.19 bn, on account of surge in royalty/operating expenses by 37%/22%YoY during 2QFY22. Exploration expenditure is expected to increase by 68% YoY to PKR 3.67 bn, as against PKR 2.3 bn in SPLY.
- ◆ We expect normalized gross margins of 61% during 2QFY22 versus 58% in the previous year. Moreover, the company's gross profit is expected to surge by 41%YoY recorded at PKR 44 bn during 2QFY22 vs PKR 31.4 bn SPLY.
- ◆ Moreover, it is expected that other income would have positive impact on bottom-line, up by 11.62x due to exchange gains on account of currency devaluation.

PKR MN	2QFY22E	2QFY21A	YoY	1QFY22A	QoQ	1HFY22	1HFY21	YoY
Net Sales	73,357	54,632	34%	71,531	3%	144,888	114,161	27%
Royalty	(8,453)	(6,176)	37%	(8,242)	3%	(16,695)	(12,903)	29%
Operating expense	(20,019)	(16,413)	22%	(16,575)	21%	(36,594)	(33,687)	9%
Cost of Sales	(28,960)	(23,195)	25%	(25,221)	15%	(54,181)	(47,426)	14%
<b>Gross Profit</b>	<b>44,397</b>	<b>31,437</b>	<b>41%</b>	<b>46,310</b>	<b>-4%</b>	<b>90,707</b>	<b>66,735</b>	<b>36%</b>
Other Income	8,069	640	11.62	10,878	-26%	18,947	3,934	382%
Exploration & prospecting	(3,668)	(2,266)	62%	(2,283)	61%	(5,951)	(5,222)	14%
general & admin	(1,378)	(1,039)	33%	(1,141)	21%	(2,518)	(2,113)	19%
Finance cost	(698)	(582)	20%	(563)	24%	(1,261)	(1,146)	10%
PBT	44,522	28,174	58%	52,270	-15%	96,792	62,194	56%
Tax	(13,357)	(9,292)	44%	(18,640)	-28%	(31,997)	(19,885)	61%
PAT	31,166	18,882	65%	33,629	-7%	64,795	42,309	53%
<b>EPS</b>	<b>7.25</b>	<b>4.39</b>	<b>65%</b>	<b>7.82</b>	<b>-7%</b>	<b>15.07</b>	<b>9.84</b>	<b>53%</b>
<b>DPS</b>	<b>2.00</b>	<b>1.75</b>	<b>25%</b>	<b>-</b>	<b>-</b>	<b>3.75</b>	<b>1.75</b>	<b>-</b>
Gross Margin	61%	58%		65%		63%	58%	
Net Profit Margin	42%	35%		47%		45%	-8%	

Source: Company Accounts, WE Research

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Potential to target price	
Buy Upside	More than +15% from last closing price
HOLD	In between -15% and +15% from last closing price
SELL	Less than -15% from last closing price

#### Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

#### Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk