## OGDC | PPL 1QFY24 Result Previews

OGDC - Earnings to clock in at PkR10.22/sh in 1QFY24: Oil \& Gas Development Company Limited (OGDC) is scheduled to release its 1QFY24 earnings on Wednesday, wherein we expect the company to post NPAT of PkR43.94bn (EPS PkR10.22), changing by $-32 \% /-18 \%$ on a QoQ/YoY basis. The decrease in bottom-line on a quarterly basis is primarily attributed to a higher base from the previous quarter. This was mainly due to one-off gains recognized from the modification of a finance lease with Uch Power Ltd, which resulted in an unusually high finance gain (+PkR75bn) during that period. Overall, net sales are expected to amount to PkR118bn (up $13 \% / 12 \% \mathrm{QoQ} / \mathrm{YoY}$ ), largely attributable increased production (up 3.4\%QoQ) alongside higher effective crude prices (up $12 \%$ QoQ) during the period. On the hydrocarbon production front, oil and gas production rose by $+3 \% /+1 \%$ QoQ, as recoveries from Nashpa ( $\uparrow 21 \%$ QoQ) alongside inclusions from Mamikhel South ( $+1.7 \mathrm{kbpd} /+8.5 \mathrm{mmcfd}$ ) helped offset the turnarounds at KPDTAY and Chanda fields during the period under review. On the non-operating front, exploration expenses are expected to be at PkR4.5bn (down 45\%QoQ) amidst no significant dry wells during the period, however active exploration in Lakki Marwat and Kohat blocks are expected to keep exploration expenses on the higher side in the near term. Alongside the earnings, we expect the company to announce a cash dividend of PkR1.75/sh (vs. 1.75/sh SPLY). We have a Buy rating on the stock, with a June'24 TP of PkR145/sh, representing an upside potential of $46 \%$ from last close.
OGDC: Income Statement

| (PKRmn) | 1QFY24F | 4QFY23A | QoQ | 1QFY23A | YoY |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Net Sales | 118,422 | 104,446 | $13 \%$ | 106,012 | $12 \%$ |
| Royalty | 13,939 | 12,266 | $14 \%$ | 12,177 | $14 \%$ |
| Op. Exp. | 28,526 | 34,498 | $-17 \%$ | 18,629 | $53 \%$ |
| Exploration Exp. | 4,463 | 8,129 | $-45 \%$ | 1,545 | $189 \%$ |
| Operating profit | 63,086 | 39,264 | $61 \%$ | 68,010 | $-7 \%$ |
| Finance cost | 1,017 | 1,230 | $-17 \%$ | 818 | $24 \%$ |
| PAT | 43,943 | 64,979 | $-32 \%$ | 53,303 | $-18 \%$ |
| EPS-Adjusted | 10.22 | 15.11 | $-32 \%$ | 12.39 | $-18 \%$ |
| DPS-Adjusted | 1.75 | 2.75 | $-36 \%$ | 1.75 | $0.0 \%$ |

Source: Company Report \& AKD Research
PPL - Earnings expected at PkR10.25/sh for 1QFY24: Pakistan Petroleum Limited (PPL) is scheduled to hold its board meeting today, wherein we expect the company to post NPAT of PkR27.89bn (EPS: PkR10.25) for 1QFY24, depicting an increase of $76 \% / 6 \%$ QoQ/YoY. The said incline on a quarterly basis is largely due to the absence of retrospective super tax during the period, alongside slight uptick in US\$/PkR parity (up $2.1 \% \mathrm{QoQ}$ ) coupled with higher crude prices (up $12 \%$ QoQ). Overall, inclusion of production from Mamikhel South ( $+1.7 \mathrm{kbpd} /+8.5 \mathrm{mmcfd}$ ) served as a face saving grace amidst sharp decreases in company's operated fields including Adhi ( $\downarrow 6 \%$ QoQ) and Kandhot ( $\downarrow 11 \%$ QoQ) during the period. The said declines may be attributed to Adhi's long standing water incursion issues alongside low gas offtakes from GTPS. Overall, total production during the quarter is expected to end at ${ }^{\sim} 8.62 \mathrm{mn} \mathrm{BOE}$ (down $1 \% \mathrm{QoQ}$ ) largely due to lower offtakes from Kandhkot during the period. On the non operating front, exploration expenses are anticipated to end at PkR2.7bn (up 33\%QoQ), on the lower end amidst no significant dry wells during the period. We have a Buy rating on the stock, with a June'24 TP of PkR125/sh, representing an upside potential of $58 \%$ from last close.

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OGDC Vs. KSE100 Index


Source: PSX \& AKD Research

PPL Vs. KSE100 Index


Source: PSX \& AKD Research
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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)

| New Rating Definitions |  |
| :--- | :--- |
| Buy | $>30 \%$ expected total return (Rf: $21 \%+\mathrm{Rp}: 9 \%$ ) |
| Neutral | $>21 \%$ to < $30 \%$ expected total return |
| Sell | $<21 \%$ expected total return (Rf: $21 \%$ ) |

- Equity \& Asset return based methodologies (EVA, Residual Income etc.)


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