



OGDC 4QFY26 Result Review — Earnings surprise due to tax reversal, growth in production and higher oil prices



AKD Securities Limited

OGDC reported 4QFY26 PAT of PkR127bn (EPS: PkR29.6), up 3.2x YoY/3x QoQ, higher than expectations due to sharp reversal in tax provision during the final quarter. This takes FY26 PAT to PkR242.4bn (EPS: PkR56.4), up 43%YoY from PkR169.9bn in FY25. The company declared a final DPS of PkR6.0/sh, taking cumulative DPS to PkR17.0/sh for FY26 (+13%YoY).

- Net sales surged to PkR149.1bn (+65%YoY/+39%QoQ), due to higher oil prices and growth in hydrocarbon production. Notably, Arab Light price averaged at US\$103.9/bbl (+52%YoY) amid the ongoing geopolitical conflict. Moreover, company's oil production reached 35,370bpd (+24%YoY) and gas production of 723mmcf (+25 %YoY) during 4Q as per latest transmission.
- Exploration expenses surged to PkR10.9bn (+62%YoY), escalating sharply due to accelerated activity across Kohat, Kunhar and TAY blocks during the period. Operating expenses also rose 44%YoY to PkR51.4bn, resulting in operating profit of PkR69.6bn (+62%YoY) during the final quarter.
- The standout anomaly during the quarter was the net tax credit of PkR44bn, taking OGDC's annual effective tax rate to 6% (vs 39% in FY25). This is due to the Federal Constitutional Court's ruling in Jan'26 stating that Super Tax (Section 4B/C) do not apply to E&P petroleum income where it exceeds the aggregate tax rate prescribed under the respective PCAs. For this reason, company reversed PkR50.8bn of previously provisioned super tax.
- Finance income recovered to PkR15.9bn (+37%QoQ but -7%YoY), while finance cost remained low at PkR1.3bn (-3%YoY). Notably, OGDC's cash and equivalents balance stands at PkR252bn (up 23%YoY).
- We reiterate our 'BUY' stance on OGDC with a Dec'26 target price of PkR522/sh, alongside FY26 DY of 7.0%. Our outlook is strengthened due to the following aspects: i) strong production profile, ii) higher future exploration prospects on back of improving liquidity situation, iii) 8.33% stake in highly prospective Reko Diq Mining Project, iv) offshore working interest in Abu Dhabi Offshore Block-5, along with consortium partners, v) improvement in cash payouts, and vi) potential JV with U.S. firms to explore one of the world's most significant unexploited shale reserves.

OGDC: Income Statement

(PKRmn)	4QFY26	4QFY25	YoY	3QFY26	QoQ	FY26	FY25	YoY
Net Sales	149,064	90,271	65%	107,297	39%	449,191	401,178	12%
Royalty	17,242	10,208	69%	12,824	34%	52,618	47,145	12%
Op. Exp.	51,384	35,782	44%	31,604	63%	149,808	122,425	22.4%
Exploration Exp.	10,878	4,096	166%	6,004	81%	28,781	18,767	53%
Operating profit	69,559	42,828	62%	56,866	22%	217,984	217,074	0%
Finance cost	1,286	1,332	-3%	1,392	-8%	5,101	5,806	-12%
Finance Income	15,885	17,129	-7%	11,563	37%	54,385	81,821	-34%
Other charges	4,387	2,959	48%	3,418	28%	13,640	14,701	-7%
PAT	127,110	40,298	215%	42,243	201%	242,372	169,904	43%
EPS	29.6	9.4	215%	9.8	201%	56.4	39.5	43%
DPS	6.0	5.0	20%	3.3	85%	17.0	15.1	13.0%

Source: PSX & AKD Research

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

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