

RECOMMENDATION

Buy

JSC «KEGOC» (KEGC)

Upside: **34%**

Target Price: **1 930 KZT**

Last price: **1 445 KZT**

STOCK MARKET

DCF

Kazakhstan | Electric Power



FLASHNOTE/UPDATE

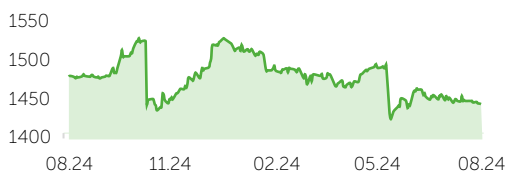
KEGOC: Financial results for the 2nd quarter 2025

Revenue, 6M '25 (billion KZT)	183
EBITDA, 6M '25 (billion KZT)	74
Net Income, 6M '25 (billion KZT)	34
Net Debt, 6M '25 (billion KZT)	83

P/E, 6M '25 (x)	6,8x
P/BV, 6M '25 (x)	0,51x
P/S, 6M '25 (x)	1,2x
EV/EBITDA, 6M '25 (x)	3,6x
ROA (%)	5,3%
ROE (%)	7,4%
EBIT Margin (%)	25%
EBITDA Margin (%)	40%

Market cap (billion KZT)	397
Shares issued (million units)	275,3
Free float (%)	15%
52-week min/max (KZT)	1,415–1,534
Current price (KZT)	1 445
Target Price (KZT)	1 930
Upside (%)	34%
Investment horizon	6-12 months
Planned price update frequency	Quarterly

Stock dynamics / exchange/ticker KEGC/KASE



Табыстылық (%)	3 ай	6 ай	12 ай
Абсолютная	-3%	-3%	-2%
vs KASE	-25%	-27%	-32%

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JSC "KEGOC" delivered a moderately positive report for Q2 2025. The company demonstrated a sharp increase in revenue driven by a significant rise in tariffs across all major services starting from April 1 this year. This translated into higher profit figures in absolute terms. However, margins declined slightly due to faster growth in expenses relative to revenue. We also note a sharp increase in capital expenditures, which may mark the beginning of a new investment cycle into large-scale infrastructure projects. As a result, our valuation model incorporated stronger capex growth. Along with updating key financial indicators, another important factor driving the lower valuation was an increase in the risk-free rate. Rising yields on government bonds in Kazakhstan led to higher WACC. Consequently, the target price per KEGOC share was lowered to 1,930 KZT, implying 34% upside potential. **Recommendation – Buy.**

(+) Accelerating revenue growth. The company's quarterly revenue in Q2 2025 rose by 30% YoY and 8% QoQ. The acceleration in revenue growth was driven by a sharp increase in tariffs. Specifically, quarterly revenue from electricity transmission rose by 23% YoY, reflecting a 23% YoY tariff increase, while transmission volumes in megawatts stagnated. The largest revenue component – services for using the National Electricity Grid (NEG) – grew by 28% YoY, supported by a 4% increase in volumes and a 23% tariff hike. For the other two main revenue streams, tariffs rose by roughly 10% YoY, leading to a 13% YoY increase in balancing services revenue and a 14% YoY increase in dispatching services revenue. Notably, balancing electricity sales surged by 63% YoY. Overall, quarterly electricity production volumes in Kazakhstan grew by 3.7% YoY.

(-) Decline in margin indicators. The company's quarterly gross margin fell from 29.7% in 2024 to 25.6% in 2025 due to faster cost growth compared to revenue. Service costs rose by 37% YoY, primarily driven by higher technological electricity losses (+36% YoY) and electricity purchases to compensate for interstate flows (+96% YoY). The cost of technological losses continues to rise amid sharp increases in market electricity prices. Other major expenses, such as labor costs and depreciation, also rose by 27% and 13% YoY, respectively. The quarterly EBITDA margin fell from 42.6% in 2024 to 37.1%. Nevertheless, overall revenue growth led to higher profit in absolute terms. As a result, quarterly net profit increased 14% YoY to 15.7 bln KZT, or 57.1 KZT per share. KEGOC's net margin declined from 19% last year to 16.5%.

Quarterly free cash flow dropped 81% YoY due to a 15-fold increase in capex compared to Q2 last year. For H1 2025, capex surged 252% YoY. However, quarterly operating cash flow rose 72% YoY.

Our opinion and valuation model changes. Overall, we assess KEGOC's financial results as moderately positive. As expected, revenue rose sharply following tariff hikes. Despite this, the company's quarterly margins again came in below last year's levels. Another round of tariff increases is scheduled for October, suggesting further revenue growth ahead. While margins contracted in percentage terms, operating and net profit grew in absolute terms, raising prospects for higher dividends. However, the sharp rise in H1 2025 capex likely marks the beginning of a new investment cycle in large infrastructure, which will act as a headwind for dividend growth. In our valuation model, we raised our capex forecast for 2025 given the significant increase in Q2. We also updated all key financial indicators and increased the discount rate due to sharply higher yields on government bonds in Kazakhstan. Taken together, these adjustments reduced our target price for KEGOC shares to **1,930 KZT, offering 34% upside potential. Recommendation – "Buy."**

APPENDIX

Illustration 1. Key changes in the latest version of the valuation model

Changes	Date of valuation		Change, %	Comments
	19.05.2025	19.08.2025		
WACC, %	15,9	17,2	+1,3 p.p	Increase in yield of 10-year government bonds of the Republic of Kazakhstan on the market
Capex, 2025, billion KZT	80	100	+25%	Strong actual growth of capital expenditures in the 2nd quarter

Illustration 2. Previous recommendations and price targets from Freedom Broker.
(B - "buy", H - "hold", S - "sell")

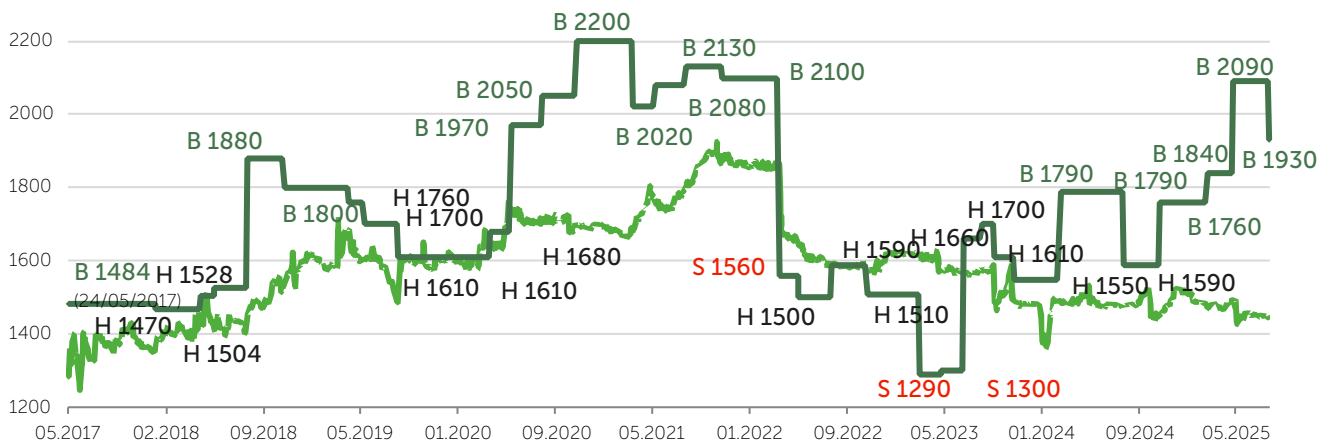


Illustration 3. P/E and EV/EBITDA multiples according to Freedom Broker estimates

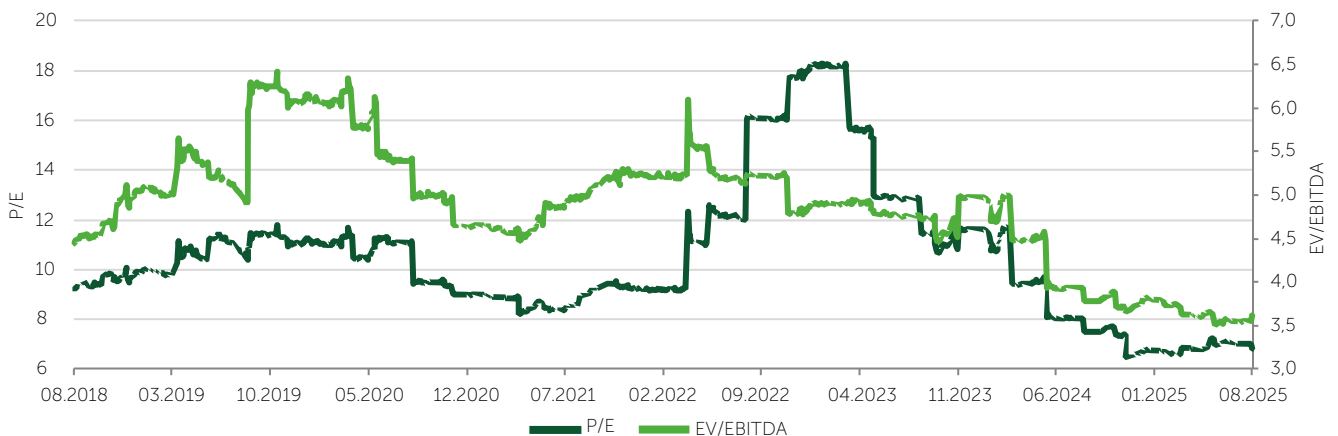


Illustration 4. Current Rating Percentage from Freedom Broker for KASE securities

Recommendation	Quantity	Percentage
Buy	7	70%
Hold	2	20%
Sell	1	10%

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Rating system

- Buy: A stock that, at the time of rating, is expected to increase in price by more than 20 percent over the next 6-12 months.
- Hold: A stock that, at the time of rating, is expected to move in price in the range of minus 10 percent to plus 10 percent over the next 6-12 months.
- Sell: A stock that, at the time of rating, is expected to decline in price by more than 10 percent over the next 6-12 months.