

RECOMMENDATION

Buy

**JSC «KazTransOil»
(KZTO)**

Upside: **37%**
Target Price: **1 110 KZT**
Last price: **810 KZT**

STOCK MARKET

DCF

Kazakhstan | Midstream O&G



FLASHNOTE/UPDATE

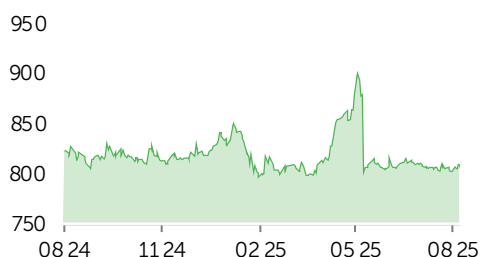
KazTransOil: Results for the 2nd quarter 2025

Revenue, 6M '25 (billion KZT)	163
EBIT, 6M '25 (billion KZT)	29
Net Income, 6M '25 (billion KZT)	22
Net Debt, 6M '25 (billion KZT)	-5,5

P/E, 6M '25 (x)	7,2x
P/BV, 6M '25 (x)	0,32x
ROA (%)	3,2%
ROE (%)	4,4%
EBITDA Margin (%)	38%
Net Margin (%)	13%

Market cap (billion KZT)	312
Shares issued (million units)	385
Free float (%)	10%
52-week min/max (KZT)	770-910
Current price (KZT)	810
Target Price (KZT)	1 110
Upside (%)	37%
Investment horizon	6-12 months
Planned price update frequency	Quarterly

Stock dynamics / exchange/ticker KASE/KZTO



Performance (%)	3 months	9 months	12 months
Absolute	-8%	-1%	-2%
vs KASE	-33%	-25%	-34%

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KazTransOil published its 2Q 2025 financial results. Quarterly revenue showed solid growth and reached record highs, while cost of sales rose only slightly. As a result, the company's operating margin improved versus last year. Quarterly net profit increased 39% YoY, and free cash flow was also strong thanks to higher cash generation. Overall, the report can be considered moderately positive. In our valuation model, we updated the key financial indicators, raised WACC due to higher government bond yields, and increased the forecast USD/KZT rate. As a result, our updated target price per KazTransOil share is 1,110 KZT, implying 37% upside. Recommendation — Buy.

(+) Revenue reached new records. KazTransOil's quarterly revenue rose 14% YoY and 9% QoQ to a record 85.1 billion KZT. Annual growth was recorded across all major revenue segments. Crude oil transportation revenue increased 13% YoY and 6.7% QoQ, mainly driven by higher tariffs for certain services. Given the limited production report in 1Q, it is difficult to assess the full quarterly dynamics. Domestic deliveries rose 10% YoY in 2Q thanks to higher shipments to PKOP. Export flows via the main Atyrau–Samara pipeline were maintained in 1H. Overall oil transportation volumes through the company's system in 1H remained at last year's level. The second-largest revenue segment — "Pipeline operation and maintenance services" — grew 17% YoY and 12% QoQ. Quarterly water transportation revenue also increased (+30% YoY and +16% QoQ). Meanwhile, profit from jointly controlled entities KKT and Munaytas declined 12% YoY and 23% QoQ.

(+) Margin improvement. Gross margin in 2Q was 20%, well above last year's 13%. Cost of sales rose only 4.8% YoY, including higher personnel costs (+6.3% YoY). EBITDA margin expanded from 36% to 39%. Adjusted net profit for 2Q 2025 reached 12.2 billion KZT (32 KZT per share), up 39% YoY, mainly due to gross profit growth. Free cash flow in 2Q also grew, reaching 14.2 billion KZT (+2.1% YoY). Compared to 1Q 2025, operating cash flow jumped nearly 25x. Operating cash flow rose 21% YoY and 75% QoQ. Despite a 54% YoY increase in capex, free cash flow was slightly higher than last year. Net debt at end-June 2025 was -5.5 billion KZT, meaning cash and liquid financial assets exceeded debt, slightly better than at end-2023 and 2024.

Our opinion and valuation model changes. Overall, KazTransOil's report can be assessed as moderately positive. Revenue rose to record highs on tariff increases while oil transportation volumes were maintained. Operating margin also improved thanks to slower growth in costs. As a result, the company delivered solid net profit and free cash flow. However, there is a risk that cost growth could catch up with revenue later, and at year-end the company may record a non-cash impairment charge, as in 2022–2024. If realized, this would reduce net

APPENDIX

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

Changes	Date of valuation		Change, %	Comments
	02.06.2025	03.09.2025		
WACC, %	14,8%	16,2%	+1,4 p.p.	Increase in government bond yield since previous valuation
Net debt, billion KZT	23,2	-5,5	-%	Decrease in net debt amid good cash generation
USDKZT exchange rate	500	540	+8%	Actual increase in the dollar exchange rate on the market

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

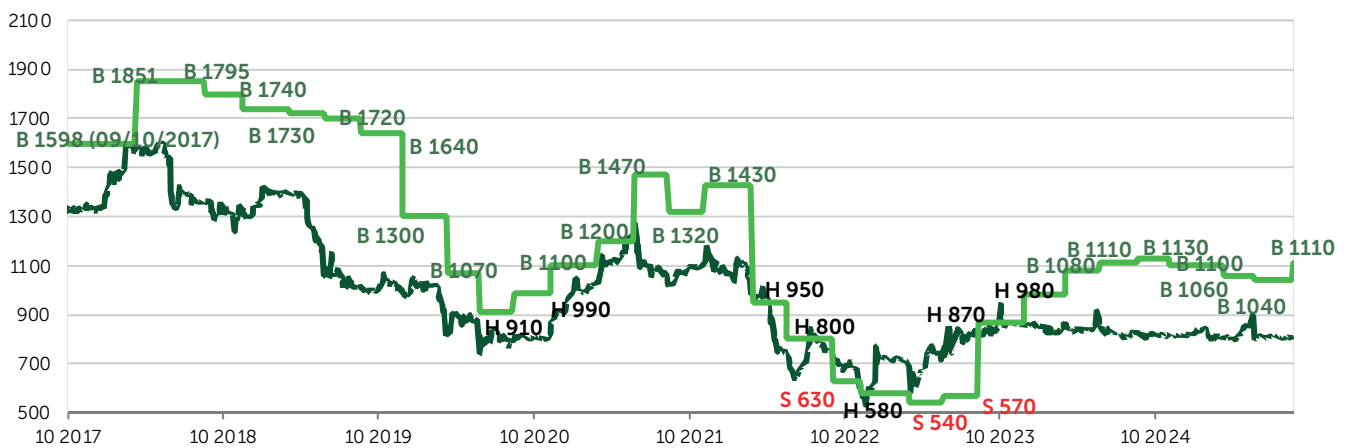


Illustration 3. P/E and EV/EBITDA multiples according to Freedom Broker estimates

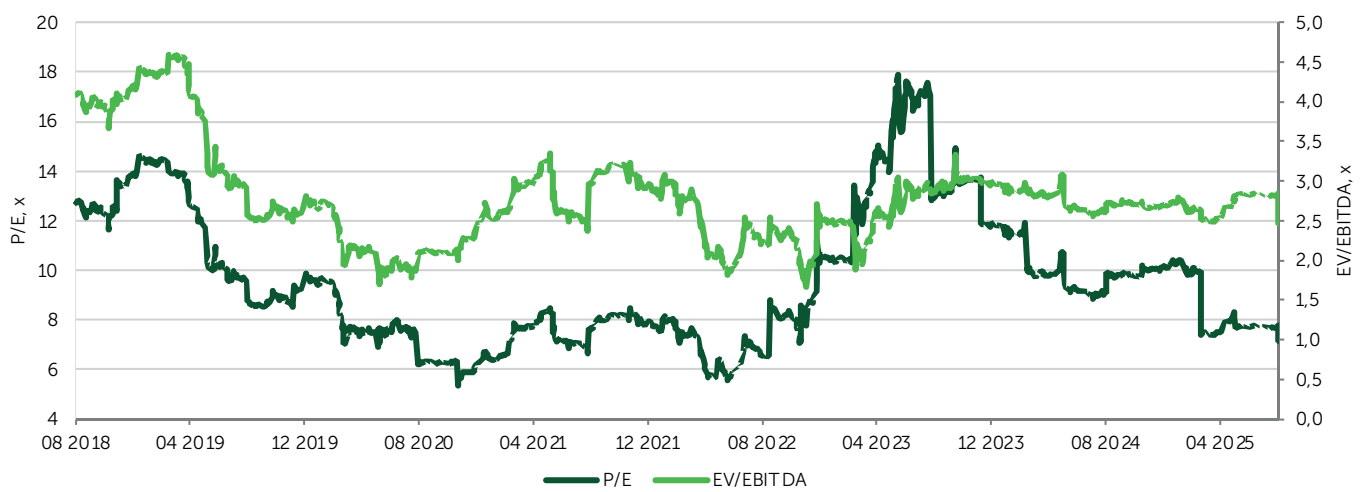


Illustration 4. Current Rating Percentage from Freedom Broker for KASE securities

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.

profit and dividends. In our model, we updated key financial metrics, raised the forecast USD/KZT rate (boosting revenue from USD-tariff services), and increased WACC due to higher government bond yields. After these adjustments, our target price per KazTransOil share rose slightly to **1,110 KZT**, implying **37%** upside from the last market price. Recommendation — **Buy**.