

RECOMMENDATION

Buy

**JSC «KazMunayGas»
(KMGZ)**

Upside: **32%**

Target Price: **KZT 41,700**

Last price: **KZT 31,513**

STOCK MARKET

DCF

Kazakhstan | **Integrated Oil & Gas**



FLASHNOTE/UPDATE

KazMunayGas: Q4 2025 Results

Financial Information, KZT billion, '25

Revenue	9,371	9,371
Share in income of joint ventures		781
Net Profit	1,040	1,040
Free Cash Flow		1,233

Ratios and Margins, '25

P/E (x)	18.5x
EV/EBITDA (x)	8.5x
P/B (x)	1.5x
ROA (%)	5.6%
ROE (%)	10.3%
EBITDA margin (%)	23%

Market Metrics

Market Cap (KZT billion)	19,227
Shares Issued (Million)	610
Outstanding (%)	3%
52-Week Min/Max (KZT)	13,800-35,920
Current Price (KZT)	31,513
Target Price (KZT)	41,700
Upside Potential (%)	32%
Investment Horizon	6-12 months
Planned Price Update Frequency	Quarterly

Stock dynamics / exchange/ticker KASE/KMGZ



Performance (%) 3 months 9 months 12 months

Absolute	44%	43%	113%
vs KASE	35%	35%	73%

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NC KazMunayGas JSC (KMG) has published its Q4 2025 financial results. The report is assessed as neutral: the strengthening of the tenge at the end of the year predictably led to a foreign exchange loss, which sharply reduced quarterly net profit by 65% YoY. Excluding foreign exchange revaluation, the picture is more moderate — the EBITDA margin remained approximately at the level of previous quarters. We also note a reduction in the debt load to a record low level in many years. In our valuation model, we have significantly increased oil price forecasts for the next three years, with a narrowing of the discount to the benchmark price. We have also improved the valuation models for TCO and CPC based on 2025 results. On the other hand, the forecasted USD exchange rate has been lowered. As a result, the updated target price per share of KazMunayGas is KZT 41,700, offering a 32 % upside potential from the current market price. Recommendation: Buy.

Core Valuation Factors. The main catalyst is the continued ramp-up of Tengiz to its design capacity following the launch of the Third Generation Plant. KMG's share of production at TCO increased by 35% YoY in Q4, while its share in TCO's profit amounted to KZT 122 billion (+14% YoY). We also note a sharp increase in revenue from CPC by 124% YoY for the full year 2025, driven by higher volumes of Tengiz crude oil transportation. A record-low debt load and a cash cushion exceeding KZT 3 trillion create room for increasing dividends to shareholders. Another clear catalyst is the current elevated oil prices. On the other hand, oil prices may decline sharply if the current geopolitical factor proves temporary and unexpectedly quickly fades from traders' radar. Nevertheless, in this version of the valuation model, we assume that prices will remain elevated this year. The strengthening of the tenge continues to have a negative impact and reduces forecasted tenge revenues from oil sales. Another important risk is the negative impact of the military conflict in Ukraine on CPC.

Revenue: Growth Driven by USD Exchange Rate and Petroleum Products.

Quarterly revenue amounted to KZT 2.3 trillion (+17% YoY, -10% QoQ). The annual growth was driven by a 5% YoY weakening of the average KZT-USD exchange rate, which partially offset the decline in dollar oil prices. Revenue from crude oil sales increased by 8.3% YoY to KZT 1.1 trillion, while revenue from petroleum products rose by 30% YoY to KZT 979 billion, supported by an 8% YoY increase in refining volumes at Romanian refineries. The 10% QoQ decline in revenue was due to a 9.7% QoQ decrease in the average tenge oil price. Oil production from operational assets remained stable at 3,626 thousand tonnes (-1% YoY). In megaprojects, production increased by 28% YoY, driven by the launch of the TCO expansion project. However, a scheduled maintenance at TCO in October led to a 6.4% quarterly decline in oil production from megaprojects. The share in profit of joint ventures and associates increased by 78% YoY and 4% QoQ to KZT 220 billion, driven by CPC, TCO, and Valsera Holdings. Refining amounted to 5,211 thousand

tonnes (+3.5% YoY, -3.4% QoQ), while oil transportation reached 18,385 thousand tonnes (+4.9% YoY, +0.9% QoQ). Total KMG revenue, including other income, amounted to KZT 2.6 trillion (+21% YoY, -7.2% QoQ).

Margin: FX Losses Hit Profit, but Margin Remains Stable. Net operating expenses increased by 31% YoY. The most notable growth was observed in the cost of purchased crude oil and petroleum products (+15% YoY); production expenses (+16% YoY, including a 11% YoY increase in wages and a 21% YoY rise in electricity costs); depreciation (+28% YoY). Transportation expenses increased by 30% YoY. Adjusted EBITDA amounted to KZT 334 billion (-5% YoY, -55% QoQ), while the EBITDA margin, including interest in joint ventures, decreased slightly to 23.4%, down from 23.9% in Q3. The main blow to net profit came from foreign exchange differences: a loss of KZT 163 billion, compared to a profit of KZT 129 billion a year earlier and KZT 102 billion in the previous quarter. In addition, financial expenses rose by 31% YoY and 43% QoQ to KZT 120 billion. As a result, net profit attributable to KMG shareholders amounted to KZT 78 billion (-65% YoY, -82% QoQ), or KZT 128 per share. Free cash flow was KZT 138 billion (-26% YoY). Long-term borrowings decreased by 11% YoY to KZT 3,244 billion following the early redemption of Eurobonds. As a result, net debt declined by 23% QoQ, and the net debt-to-EBITDA ratio fell to a record low of 0.16x in many years.

Our Opinion and Changes to the Valuation Model. KMG's financial statements can be assessed as neutral, as the decline in quarterly net profit due to the strengthening of the exchange rate was expected. The most positive factor at present is the continued reduction in debt load and the ongoing accumulation of cash on accounts. This increases the likelihood of dividend growth, even though the average oil price in 2025 was below \$70 per barrel, which does not oblige the company to pay dividends at the level of the previous year. The current rise in oil prices, with an additional premium on Urals and CPC Blend, will have a strong positive impact on financial performance. In the valuation model, the main change was an increase in oil price forecasts for the next 10 years, with a gradual decline to previous long-term levels of \$68-73 per barrel. Additionally, the valuation of KMG was positively affected by the update of certain valuation models for TCO and CPC, which, based on 2025 results, showed a much higher margin compared to our previous expectations. On the other hand, a further decline in the USD exchange rate led to a reduction in the final tenge valuation of KMG. As a result, all these changes collectively led to an update of the target price per share of KazMunayGas to **KZT 41,700, offering a 32% upside potential from the current market price. Recommendation: Buy.**

APPENDIX

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

Changes	Date of valuation		Change, %	Comments
	27.11.2025	06.04.2026		
USD-KZT exchange rate	520	475	-8.7%	Actual decline in the USD exchange rate
Brent price forecast, 2026, USD/barrel	63	110	+75%	Sharp increase in oil prices on the market
TCO valuation, USD billion	7.8	11.3	+45%	Improvement in operating margin relative to our expectations and oil price growth

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

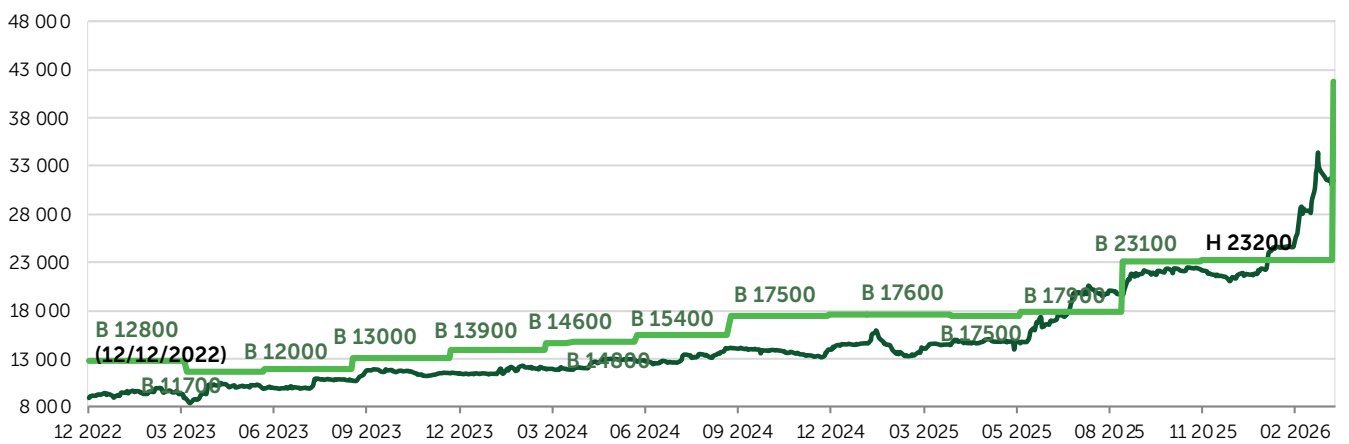


Illustration 3. P/E and EV/EBITDA multiples according to Freedom Broker estimates

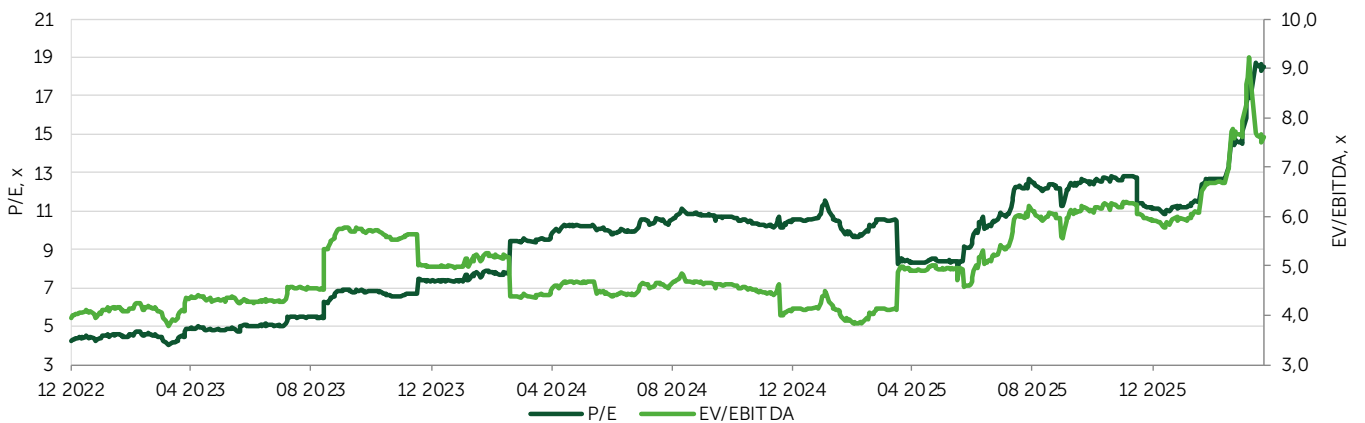


Illustration 4. Current Rating Percentage from Freedom Broker for KASE securities

Recommendation	Quantity	Percentage
Buy	3	30%
Hold	6	60%
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.