

RECOMMENDATION

Buy

JSC «KEGOC» (KEGC)

Upside: **53%**
Target Price: **KZT 2,180**
Last price: **KZT 1,421**

STOCK MARKET

DCF

Kazakhstan | Power Industry



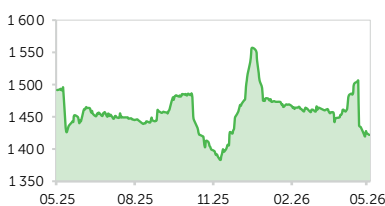
FLASHNOTE/UPDATE

KEGOC: Q1 2026 Results

Revenue, 3M'26 (billion KZT)	126
EBITDA, 3M'26 (billion KZT)	57
Net Income, 3M'26 (billion KZT)	33
Net Debt, 3M'26 (billion KZT)	67
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P/E, 3M'26 (x)	4,6x
P/BV, 3M'26 (x)	0,5x
P/S, 3M'26 (x)	0,9x
EV/EBITDA, 3M'26 (x)	2,7x
ROA (%)	7,1%
ROE (%)	10,8%
EBIT Margin (%)	35%
EBITDA Margin (%)	45%

Market cap (billion KZT)	392
Shares issued (million units)	275,3
Free float (%)	15%
52-week min/max (KZT)	1 375–1 563
Current price (KZT)	1 421
Target Price (KZT)	2 180
Upside (%)	53%
Investment horizon	6-12 month
Planned price update frequency	quarterly

Stock dynamics / exchange/ticker KEGC/KASE



Yield (%)	3 months	9 months	12 months
Absolute	-3%	2%	-5%
vs KASE	-2%	-8%	-38%

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KEGOC JSC has published its Q1 2026 financial results. We assess the report as positive: record quarterly revenue — driven by a sharp tariff hike since October — was accompanied by a recovery in margin, and net profit surged to a record high. In late April, the company approved new tariffs for the period up to September of this year, which turned out to be above our expectations. This has become the main factor behind the increase in our target price. On the other hand, the risk that a new five-year tariff schedule will be approved, with tariffs significantly lower than current levels, remains. The company also faces a major investment cycle. Following all changes to the valuation model, we have increased our target price per KEGOC share from KZT 1,930 to KZT 2,180, with upside potential of 53% from current levels. **Recommendation: Buy.**

Core Valuation Factors. The tariff trajectory remains the main driver. Following the end of the reporting period, the Committee for Regulation of Natural Monopolies issued an order dated April 24, 2026 (effective from May 1), approving a substantial tariff increase for the final five months of the current five-year cycle: the transmission tariff increased to 5.575 KZT/kWh (+11% compared to the April level of 5.012 KZT/kWh); the National Electric Network usage tariff increased to 3.216 KZT/kWh (+11% compared to 2.892 KZT/kWh). This revision is significant not only in itself, but also as an indicator of the level from which the next five-year tariff cycle will start. A higher exit point from the current cycle establishes the foundation for higher tariffs in the new schedule and raises the revenue forecast in our valuation model over the medium-term horizon. The key risk remains the approval of a new five-year tariff schedule. Experience from previous years and examples from other companies indicate the likelihood of tariffs being maintained at current levels or even reduced upon transition to the new five-year cycle. The scale of the investment cycle remains the primary structural risk. However, the securing of the first tranche from the Development Bank of Kazakhstan (DBK) — KZT 32 billion at an interest rate of 12.6% — confirms that financing is secured. Capital-related contractual obligations decreased to KZT 321 billion as of the end of Q1 (from KZT 643 billion at the end of 2025), reflecting progress in project implementation.

Revenue: A New Record amid Tariff Growth. Quarterly revenue reached KZT 126 billion (+44% YoY), exceeding the record set in Q4

(KZT 118.9 billion). National Electric Network usage services — the largest revenue item — grew by 49% YoY to KZT 61.7 billion. This growth was driven by a 43 % increase in the applicable tariff and a 4.6% rise in volumes. Electricity transmission revenues increased by 31% YoY to KZT 26.8 billion: the transmission tariff rose by 42%; however, transmission volumes declined by 7.7% YoY, continuing the trend observed in previous quarters. Dispatching services grew by 31% YoY, driven by a 30 % tariff increase, with stable volumes (+0.9 %). Balancing electricity sales on the Balancing Electricity Market (BEM) more than doubled (+112% YoY), reaching KZT 11.8 billion. Balancing services increased by 28% YoY. Revenues from compensation for cross-border electricity flows rose by 18% YoY. Overall, total electricity generation increased in Kazakhstan by only 0.5 % YoY in Q1.

Margin: A Reversal after Several Quarters of Decline. The first quarter confirmed the sustainability of the profitability recovery trend that began in Q4. Gross margin reached 37.4%, up from 30.6% in the same period last year. Cost of goods sold (COGS) increased by 30% YoY, while revenue grew by 44%, ensuring outpacing profit growth. Cost of technical electricity losses rose by 39% YoY to KZT 27.6 billion— notably higher than in Q4 (+18%). Expenditures for electricity purchases to compensate cross-border flows more than doubled (+127% YoY). Depreciation and amortization decreased by 5% YoY to KZT 13.2 billion. Payroll costs increased by 23% YoY. EBITDA amounted to KZT 57.3 billion (+49% YoY), while EBITDA margin expanded to 45.3%, up from 43.5% a year earlier — the highest quarterly level over the past two years. Net profit grew by 80% YoY to KZT 33.4 billion, or KZT 121 per share. Net margin reached 26.4% (vs. 21.1%). Quarterly free cash flow declined by 41% YoY due to a 29% YoY increase in capital expenditures (CapEx). Operating cash flow grew only by 8.3% YoY.

Our Opinion and Changes to the Valuation Model. The first-quarter report has proven stronger than expected and confirms our investment thesis: tariff growth is fully translating into revenue and profit, margin continues to expand, and the investment cycle is gaining momentum while maintaining comfortable debt levels. Tariff increases have a direct positive impact on the valuation model. When recalculating forecast tariffs over the model horizon, both revenue and EBITDA are revised upwards — which, all other things being equal, increases the fair value per share. We note low current valuation multiples in light of the demonstrated results. On the other hand, we have slightly lowered our forecast for electricity consumption and imports in the country following a weak first quarter in electricity generation. As a result, after all adjustments to the valuation model, the target price for one KEGOC JSC share has been raised **from KZT 1,930 to KZT 2,180**, implying an **upside potential of 53%**. **Recommendation: Buy.**

APPENDIX

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

Changes	Date of valuation		Growt, %	Remarks
	17-MAR-2026	19-MAY-2026		
Revenue, 2027, KZT billion	531	566	+6,6%	Tariff increases exceed our expectations
Electricity consumption and import forecast, 2026, billion kWh	133,7	132,9	-0,6%	Slowdown in electricity generation growth in Kazakhstan in the Q1

Illustration 2. Previous recommendations and target prices by Freedom Broker. (B - "buy", H - "hold", S - "sell")

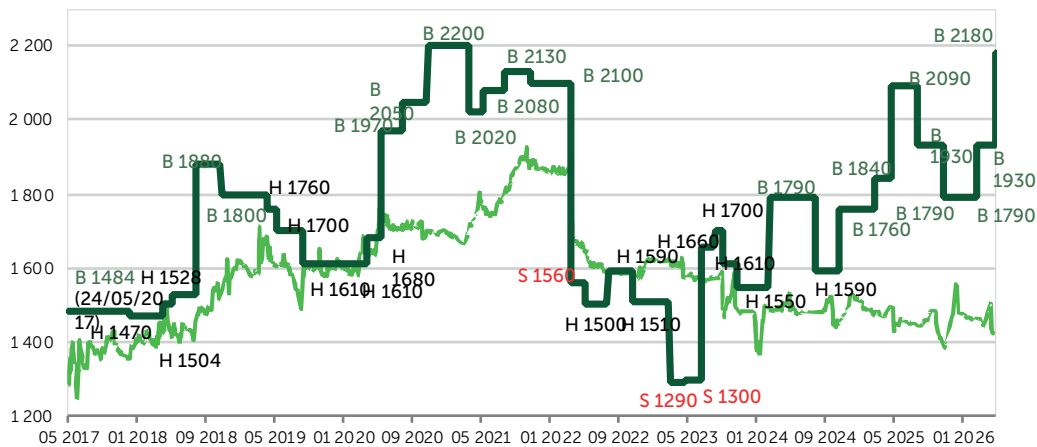


Illustration 3. Figure 3. P/E and EV/EBITDA price multiples based on Freedom Broker's calculations

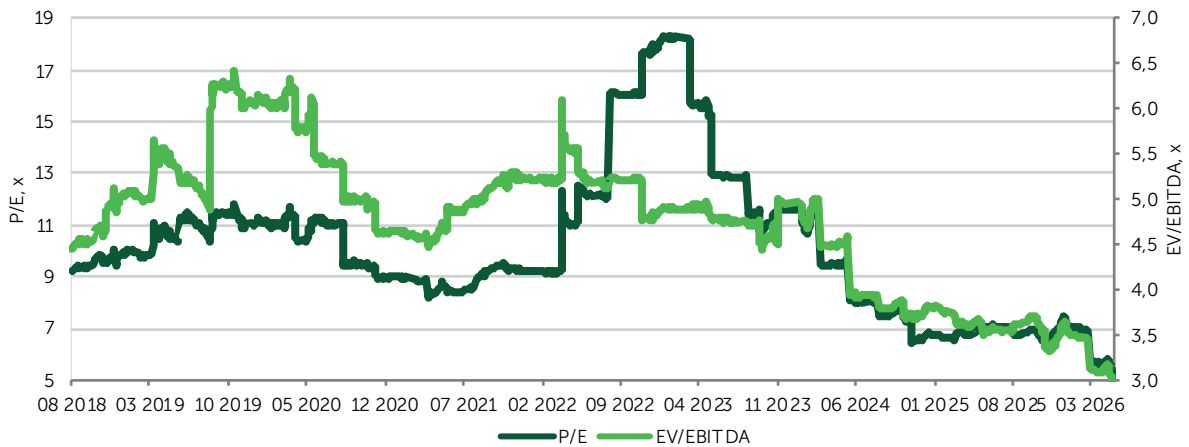


Illustration 4. Figure 4. Percentage of current Freedom Broker ratings for KASE index companies

Recommendation	Quantity	Percentage
Buy	3	30%
Hold	6	60%
Sell	1	10%

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- 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.