June 2, 2025

RECOMMENDATION

Buy

JSC «KazTransOil» (KZTO)

STOCK MARKET

DCF

Kazakhstan | Midstream O&G

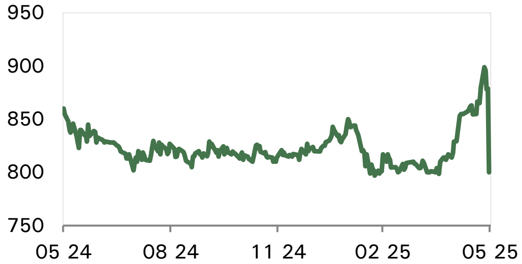
Upside: **30%**
Target Price: **1,040 KZT**
Last price: **800 KZT**

flashnote/update

KazTransOil: Results for the 1st quarter 2025

Revenue, 3M '25 (billion KZT)	**78**
EBIT, 3M '25 (billion KZT)	**7.9**
Net Income, 3M '25 (billion KZT)	**9.4**
Net Debt, 3M '25 (billion KZT)	**23**
P/E, 3M '25 (x)	**7.7x**
P/BV, 3M '25 (x)	**0.31x**
ROA (%)	**2.9%**
ROE (%)	**4.0%**
EBITDA Margin (%):	**37%**
Net Margin (%):	**12%**
Market cap (billion KZT)	**308**
Shares issued (million units)	**385**
Free float (%)	**10%**
52-week min/max (KZT)	**740-910**
Current price (KZT)	**800**
Target Price (KZT)	**1,040**
Upside (%)	**30%**
Investment horizon	**6-12 months**
Planned price update frequency	**Quarterly**

Stock dynamics / exchange/ticker **KASE/KZTO**



Performance (%)	3 months	9 months	12 months
Absolute	-2%	-2%	-7%
vs KASE	-1%	-2%	-17%

Orazbayev Daniyar, CFA
Investment Analyst
(+7) 727 311 10 94 (988) | orazbayev@ffin.kz

KazTransOil JSC has published its financial results for the first quarter of 2025. Quarterly revenue showed only slight growth, while cost of sales increased at a faster pace. As a result, the company's operating margin deteriorated compared to the same period last year. Net profit declined by only 13% YoY, while free cash flow turned positive — in contrast to Q4 — due to lower capital expenditures. Overall, the report can be viewed as moderately negative. In our valuation model, we updated tariff assumptions and adjusted the company's net debt following the dividend cut-off. We also lowered the WACC due to lower government bond yields versus previous expectations. As a result, our updated target price for KazTransOil shares is KZT 1,040, offering 30% upside. Recommendation — "Buy."

(=) Slight revenue growth. KazTransOil's quarterly revenue increased by 1.9% YoY but decreased by 4.6% QoQ, totaling KZT 78 billion. The YoY growth was supported by various revenue segments. Crude oil transportation revenue rose by 1.3% YoY but fell 3.7% QoQ, due to a 6.7% YoY drop in crude oil transportation volumes. This time, the company released a limited operational report. While domestic oil transportation grew by 3.5% QoQ, it is likely that volumes through the key Atyrau–Samara export pipeline declined significantly. Notably, the 11% increase in export tariffs did not lead to stronger revenue, which further signals a drop in export volumes. The second-largest revenue stream — pipeline operation and maintenance services — increased by only 0.8% YoY and decreased by 4.9% QoQ. Water transportation revenue grew by 6.7% YoY. The share of profit from jointly controlled entities (KKT and MunayTas) rose by 3.8% YoY but fell 14% QoQ.

(–) Margin deterioration. Gross margin for Q1 stood at 14%, down from 17% a year earlier. Cost of sales increased by 5.8% YoY, partly due to a 10% rise in personnel expenses. Adjusted net income for Q1 2025 was KZT 9.4 billion (or 24 KZT per share), down 13% YoY, partly due to a 39% drop in other operating income YoY. Meanwhile, free cash flow declined sharply to KZT 581 million (down 93% YoY). However, this is an improvement of KZT 2.8 billion compared to Q4 2024, driven by a 49% QoQ reduction in capital expenditures. That said, operating cash flow fell by 25% YoY and 43% QoQ, due to lower operating profit, reduced payables, increased receivables, and income tax payments. As of the end of March 2025, net debt was negative at KZT -9.9 billion, meaning that cash and liquid assets exceeded debt by this amount. However, considering upcoming dividend payments, the adjusted net debt used for valuation purposes is KZT 23.2 billion

Our opinion and valuation model changes. Overall, KazTransOil's Q1 report can be considered moderately negative. Revenue grew only slightly YoY and declined QoQ amid falling oil transportation volumes. Margins also weakened due to faster growth in cost of sales and administrative expenses. That said, the company still maintains a solid level of net profit, although free cash flow remains low. A significant tariff increase by the MunayTas joint venture could help improve results going forward. In our valuation model, we updated tariffs based on recent company decisions and adjusted net debt after the dividend cut-off. On the other hand, the weighted average cost of capital (WACC) was lowered due to softer government bond yields versus earlier expectations. After all adjustments, we slightly reduced our target price for KazTransOil shares to **KZT 1,040**, implying **30% upside** from the latest market price. **Recommendation — "Buy."**

Appendix

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

Changes	Date of valuation 19.03.2025	Date of valuation 02.06.2025	Change, %	Comments
WACC, %	15.5%	14.8%	-0,7 pp	Lower yield on government bonds relative to previous expectations
Net debt of KazTransOil, billion KZT	-3.8	23	-	Adjustment of net debt for the recent dividends for 2024

Freedom Broker estimates

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

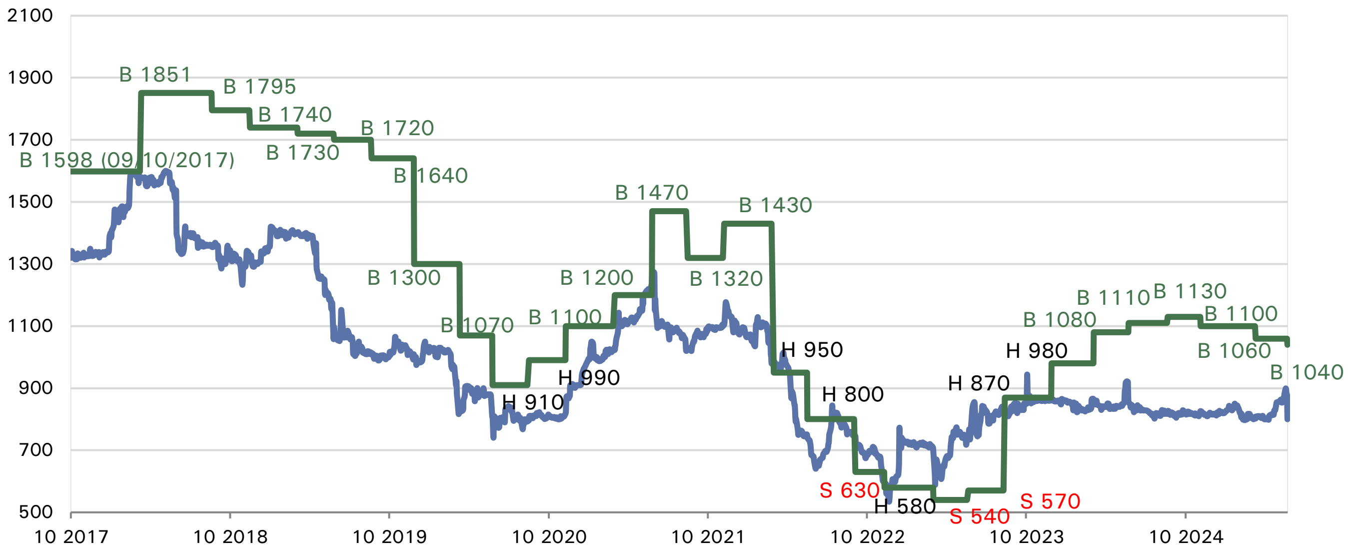


Illustration 3. P/E and EV/EBITDA multiples according to Freedom Broker estimates

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

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

FREEDOM BROKER

June 2, 2025

Disclosure of information

- The author(s) or member of his/her family of this report have no financial interest in the securities of the Issuer
- The author(s) or their family member(s) of this report are not aware of any conflicts of interest that could influence the content or publication of this report.
- The author(s) or a member of his/her family of this report do not have a sufficient amount of the Issuer's securities in their personal portfolio to have a significant impact on the quotes in the event of their sale.
- The order of subordination of the author(s) and his/her/their remuneration does not lead to a conflict of interest
- The Company and its related person do not hold 1% or more of the total issued share capital of the Issuer
- The Company and its related person do not act as a corporate broker for the Issuer.
- The Issuer does not have a significant stake in the Company's share
- The Company may be a market maker in relation to the Issuer's shares. A detailed list of financial instruments is available on the website of the Kazakhstan Stock Exchange at this link: https://kase.kz/ru/membership/SEVEN/

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.