June 4, 2025

RECOMMENDATION

# Buy

## JSC «KazMunayGas» (KMGZ)

**STOCK MARKET**

**DCF**

**Kazakhstan** | Integrated Oil & Gas

Upside: **22%**
Target Price: **17,900 KZT**
Last price: **14,650 KZT**

flashnote/update

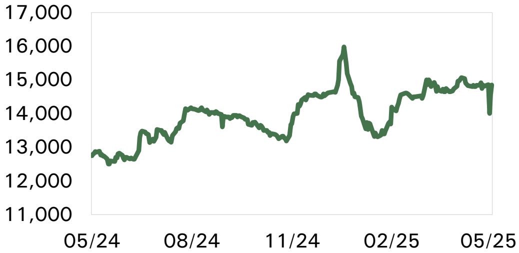
# KazMunayGas: Results for the 1st quarter 2025

| | |
|---|---|
| Revenue, 3M '25 (billion KZT) | **2,241** |
| Share in profit from JV and associates, 3M '25 (billion KZT) | **186** |
| Net Income, 3M '25 (billion KZT) | **197** |
| Free Cash Flow, 3M '25 (billion KZT) | **283** |

| | |
|---|---|
| P/E, 3M '25 (x) | **9.0x** |
| EV/EBITDA, 3M '25 (x) | **4.6x** |
| P/BV, 3M '25 (x) | **0.8x** |
| ROA (%) | **5.2%** |
| ROE (%) | **8.3%** |
| EBITDA Margin (%): | **24%** |

| | |
|---|---|
| Market cap (billion KZT) | **8,938** |
| Shares issued (million units) | **610** |
| Free float (%) | **3%** |
| 52-week min/max (KZT) | **11,490-16,000** |
| Current price (KZT) | **14,650** |
| Target Price (KZT) | **17,900** |
| Upside (%) | **22%** |
| Investment horizon | **6-12 months** |
| Planned price update frequency | **Quarterly** |

Stock dynamics / exchange/ticker **KASE/KMGZ**




| Performance (%) | 3 months | 9 months | 12 months |
|---|---|---|---|
| Absolute | 4% | 3% | 14% |
| vs KASE | 5% | 2% | 3% |


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


**KazMunayGas published its financial statements for Q1 2025. Overall, the company's financial performance can be assessed as neutral. Revenue grew slightly, while in USD terms it showed a YoY decline. Net profit also dropped significantly, however, thanks to joint ventures, adjusted EBITDA and free cash flow posted strong growth. As a result, the Net debt / EBITDA ratio continued to decline — reaching multi-year lows. In our valuation model, we revised the oil price forecast for the coming years downward. However, oil-related expenses, including taxes, also decreased, and forecast administrative costs were lowered. We also slightly improved our capex forecasts, as capital expenditures turned out to be relatively low in the first quarter. As a result, our updated target price for one KazMunayGas share is 17,900 KZT, implying an upside potential of 22% from the current market price. Recommendation — "Buy".**

**(=) Slight revenue growth.** In Q1 2025, KazMunayGas generated revenue of KZT 2.2 trillion, up 0.6% YoY and 13% QoQ. A 11% YoY decline in crude oil revenue was offset by a 23% YoY increase in revenue from petroleum products, driven by a 42% YoY increase in refining volumes at the Petromidia refinery. QoQ growth in revenue was largely supported by a 26% increase in crude oil sales, stemming from a 31% QoQ rise in production at the Kashagan field, along with a 1.6% increase in the average quarterly oil price. The average USD/KZT exchange rate also rose by 2.1% QoQ and 12% YoY, lifting the average tenge-denominated oil price by 3.3% YoY. Share of income from joint ventures rose 50% QoQ and 20% YoY, driven by stronger net profits from CPC and MMG, especially in comparison to CPC's abnormally weak previous quarter and the same period last year. TCO's profit increased slightly by 3.9% YoY, but fell 15% QoQ, despite oil production rising 25% YoY and 48% QoQ. This indicates that TCO has started to realize initial benefits from its expansion project, and output is likely to grow further this year. Total revenue, including other income, amounted to KZT 2.5 trillion (-1% YoY, +14% QoQ)

**(=) Net income declined, but strong growth in EBITDA and free cash flow.** Net operating expenses in Q1 rose 4.7% YoY and 18% QoQ. However, a large part of this dynamic is related to FX gains/losses. Excluding this factor, expenses rose only 6.9% QoQ and 2.6% YoY, mainly due to increased production costs, taxes, and D&A. Meanwhile, the cost of purchased oil and petroleum products fell by 4% QoQ due to lower market prices. Production costs rose by 10% YoY. As a result, operating profit came in at 285 billion KZT (-6.5% QoQ and -30% YoY). However, adjusted EBITDA rose by

23% YoY and 57% QoQ to 553 billion KZT, with margin increasing from 17% in Q4 (20% in Q1 2024) to 23%. EBITDA growth was mainly driven by higher dividends from JVs and an increase in D&A. Net income attributable to KMG shareholders was 197 billion KZT (-13% QoQ and -35% YoY), or 322 KZT per share. Free cash flow reached 283 billion KZT (+96% YoY and +52% QoQ), mainly due to JV dividends. Net debt decreased by 14% QoQ and 38% YoY. The Net debt / EBITDA ratio declined from 0.64x to 0.52x — a new low for at least the past ten years.

**Our opinion and valuation model changes.** KazMunayGas's financial results can be assessed as neutral amid stagnating oil prices. Revenue grew only slightly YoY, and excluding the tenge devaluation, the result would have been negative. Nevertheless, adjusted EBITDA and its margin, as well as free cash flow, showed substantial growth — primarily due to increased dividends from joint ventures. Against this backdrop, the Net debt / EBITDA ratio continues to decline. In our valuation model, the main negative factor was the downward revision of the oil price forecast for the next five years. Due to Brent falling below $70, short-term forecasts in the model have worsened by 9%. Long-term forecast prices ($68–73) remain unchanged. This led to a moderate decline in projected revenue, but at the same time, we expect a reduction in some expenses — primarily taxes (which depend on oil prices) and administrative costs, which showed a relative decrease in Q1. Net debt was also adjusted to reflect the recent dividend payment, and forecast capex was lowered, along with WACC, amid lower government bond yields compared to previous expectations. Taken together, these changes led to a slight increase in our target price for one KazMunayGas share to **17,900 KZT,** implying **22% upside. Recommendation — "Buy".**

# Appendix

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

| Changes | Date of valuation 31.03.2025 | Date of valuation 04.06.2025 | Change, % | Comments |
|---|---|---|---|---|
| Average forecast price of Brent oil, 2025-2029 $/barrel | 80 | 72.8 | -9% | Reduction in the market price of oil and bringing them in line with the consensus forecasts of investment banks in the valuation model |
| Taxes other than income tax, 2026, billion KZT | 517 | 428 | -13% | Reduction in oil prices, which translates into lower tax rates |
| Administrative expenses, 2026, billion KZT | 317 | 221 | -30% | Reduction in the relative cost to revenue in the 1st quarter and an overall decrease in projected revenue due to oil prices |

*Freedom Broker estimates*

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

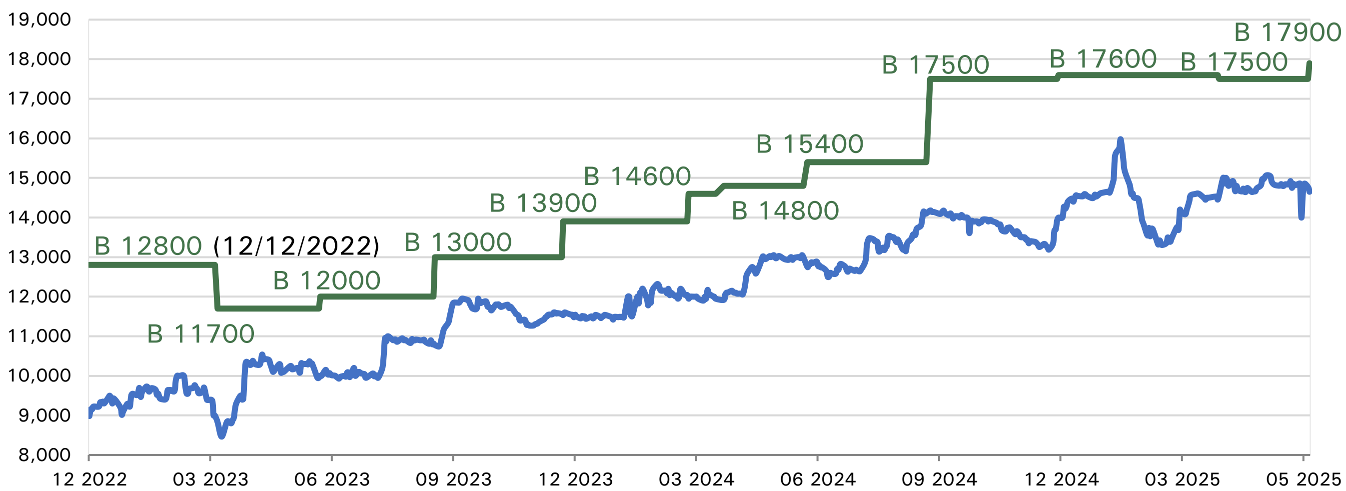



**Illustration 3. P/E and EV/EBITDA multiples according to Freedom Broker estimates**

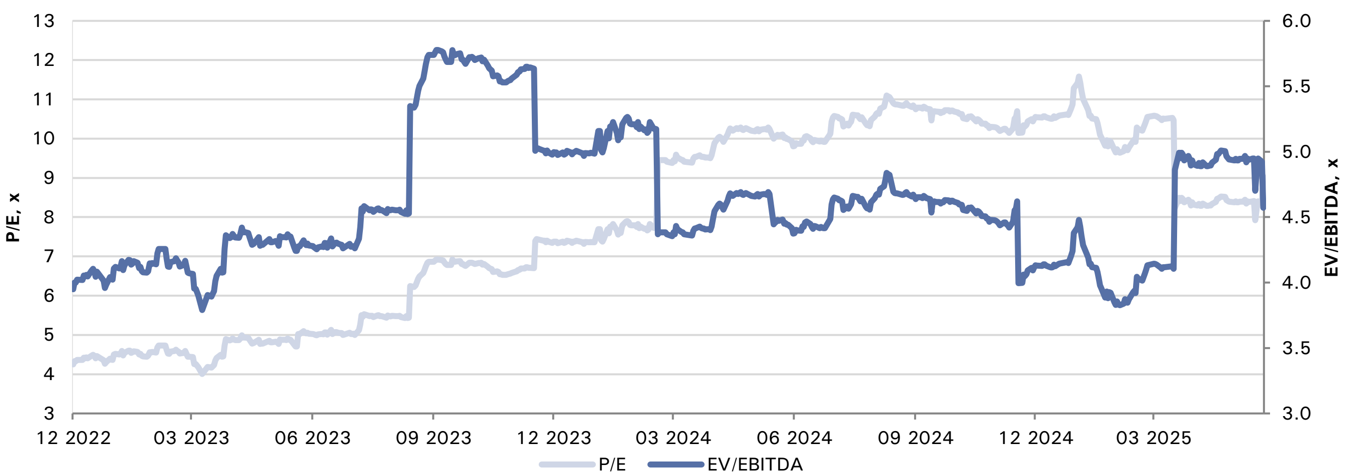



**Illustration 4. Current Rating Percentage from Freedom Broker for KASE securities**

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

June 4, 2025

License **https://ffin.global/licence/**



## 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.