

## Dana Gas PJSC

Decline in production and lower realized hydrocarbon prices impacted profitability

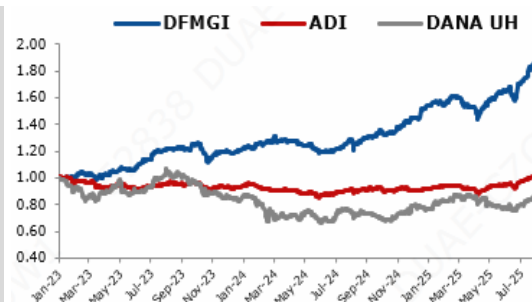
**Current Price**  
AED 0.76

**Target Price**  
AED 0.95

**Upside/Downside (%)**  
+25%

**Rating**  
**BUY**

- KRI's average production increased 2.7% YOY to 37,500 boepd in 2Q25, whereas Egypt saw a 28.4% YOY decline to 12,300 boepd, due to the depletion of the natural field.
- Khor Mor's daily gas production averaged more than 500 MMscfd in 1H25.
- Cash and bank balance declined from USD 373 Mn in 1Q25 to USD 174 Mn in 2Q25, out of which USD 147 Mn is held at Pearl Petroleum.
- Successfully drilled its first well within the investment programme, which confirmed 9 bcf in reserves
- Capex grew from USD 31 Mn in 1H24 to USD 59 Mn in 1H25.



### 2Q25 Net Profit lower than our estimate

Dana Gas PJSC ("Dana" or "the Company") reported an 11.8% YOY decline in net profit to USD 30 Mn in 2Q25, lower than our estimate of USD 36 Mn. The decrease in net profit is primarily driven by a fall in revenue, rising operating costs, and tax expense, partially offset by lower royalties.

### P&L Highlights

Dana recorded a 14.0% YOY decline in revenue to USD 80 Mn in 2Q25, mainly due to a decrease in production in Egypt, along with lower realised hydrocarbon prices, partially offset by revised gas pricing in Egypt and increased output in Kurdistan Region of Iraq (KRI). The Company's average production decreased from 53,700 boepd in 2Q24 to 49,800 boepd in 2Q25. Notably, KRI's average production rose 2.7% YOY to 37,500 boepd in 2Q25. Egypt witnessed a 28.4% YOY decline to 12,300 boepd in 2Q25, mainly due to a drop in the natural field. Royalty payments declined 50.0% YOY to USD 10 Mn in 2Q25. However, net revenue fell 4.1% YOY to USD 70 Mn in 2Q25. Operating costs rose 7.7% YOY to USD 28 Mn in 2Q25. Thus, gross profit decreased 10.6% YOY to USD 42 Mn in 2Q25. Furthermore, Dana's G&A expenses remained unchanged at USD 3 Mn in 2Q25 compared to 2Q24. Investment & finance income increased 50.0% YOY to USD 3 Mn in 2Q25. Meanwhile, impairments stood flat at USD 1 Mn in 2Q25 compared to 2Q24. Moreover, Dana's operating profit declined 10.0% YOY to USD 36 Mn in 2Q25. Operating profit margin increased from 43.0% in 2Q24 to 45.0% in 2Q25. The Company's EBITDA reduced 13.0% YOY to USD 47 Mn in 2Q25. However, EBITDA margin increased 69 bps YOY to 58.8% in 2Q25. Dana's finance cost declined from USD 3 Mn in 2Q24 to USD 1 Mn in 2Q25. Additionally, income tax expense increased 66.7% YOY to USD 5 Mn in 2Q25.

### Stock Information

Market Cap (AED, Mn)	5,337.47
Paid Up Capital (Mn)	1,904.54
52 Week High	0.83
52 Week Low	0.62
3M Avg. daily value (AED)	5,736,639

### 2Q25 Result Review (USD, Mn)

Total Assets	2,835
Total Liabilities	345
Total Equity	2,490
EBITDA	47
Net Profit	30

### Financial Ratios

Dividend Yield (12m)	7.25
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	9.57
Price-to-Book Ratio (x)	0.58
Book Value (AED)	0.36
Return-on Equity (%)	6.16

### Stock Performance

5 Days	-0.13%
1 Months	-0.78%
3 Months	4.83%
6 Months	-2.57%
1 Year	14.65%
Month to Date (MTD%)	-0.91%
Quarter to Date (QTD%)	2.99%
Year to Date (YTD%)	7.66%

### Balance Sheet Highlights

The Company's cash and bank balance reduced from USD 373 Mn in 1Q25 to USD 174 Mn in 2Q25, out of which USD 147 Mn is held at Pearl Petroleum. Dana collected USD 120 Mn in 1H25 compared to USD 152 Mn in 1H24, indicating 96% collection rate from KRI and 61% from Egypt. Additionally, KRI receivable fell from USD 81 Mn in 1H24 to USD 71 Mn in 2H25, while receivable from the Egypt region increased from USD 60 Mn in 1H24 to USD 89 Mn in 2Q25. The Company's capex grew from USD 31 Mn in 1H24 to USD 59 Mn in 1H25. Furthermore, Dana's total borrowings stood at USD 226 Mn in 2Q25, down from USD 285 Mn in 1Q25.

### Target Price and Rating

We maintain our BUY rating on Dana Gas with a target price of AED 0.95. A decline in Egypt's production and lower realized hydrocarbon prices impacted Dana's profitability in 2Q25. Dana Gas conducted planned maintenance at the Khor Mor plant, leading to lower output in 2Q25. Nevertheless, production at the Khor Mor field stood firm in 1H25, averaging more than 500 MMscfd. Lower output and realized prices in Egypt are partially offset by the revised gas pricing after the consolidation agreement in Egypt. Dana Gas launched a two-year programme after the signing of the Consolidation Concession Agreement. The Company successfully drilled its first well within the investment programme, which confirmed 9 bcf in reserves with expected output of 5 MMscfd. Additionally, Balsam-3 well is under construction while Marzouk-4 well is scheduled for spudding in August 2025. This program is expected to increase gas recovery by 80 Bn cubic feet and help offset natural field decline in Egypt. Dana Gas is consistently progressing the KM250 expansion project and development at Chemchemical. Capex increased from USD 31 Mn 1H24 to USD 59 Mn in 1H25, attributable to the ramp-up of the drilling programme in Egypt and the full resumption of KM250 expenditure. Hence, based on the above-mentioned factors, we maintain our BUY rating on the stock.

#### Dana Gas - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	4.6	8.0	9.1	9.6	10.0
PB	0.7	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	10.3	5.5	4.6	6.1	5.5	7.2
EPS	-0.054	0.045	0.026	0.023	0.022	0.021
BVPS	0.306	0.328	0.329	0.339	0.361	0.359
DPS	0.015	0.022	0.025	0.000	0.015	0.015
Dividend yield	7.2%	10.5%	11.8%	NA	7.2%	7.2%

FABS Estimates & Co Data

#### Dana Gas – P&L

USD mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY	QOQ	2024	2025F	Change
Revenue	93	91	80	86	-6.8%	-14.0%	-12.1%	445	347	-21.9%
Royalties	-20	-16	-10	-16	-38.7%	-50.0%	-37.5%	-109	-63	-42.6%
<b>Net Revenue</b>	<b>73</b>	<b>75</b>	<b>70</b>	<b>70</b>	<b>0.7%</b>	<b>-4.1%</b>	<b>-6.7%</b>	<b>336</b>	<b>285</b>	<b>-15.2%</b>
Operating Costs & Depletion	-26	-27	-28	-26	7.7%	7.7%	3.7%	-120	-116	-3.5%
<b>Gross Profit</b>	<b>47</b>	<b>48</b>	<b>42</b>	<b>44</b>	<b>-3.5%</b>	<b>-10.6%</b>	<b>-12.5%</b>	<b>216</b>	<b>169</b>	<b>-21.8%</b>
G&A expenses	-3	-3	-3	-3	2.8%	0.0%	0.0%	-11	-12	10.5%
Investment & finance inc.	2	4	3	3	-0.1%	50.0%	-25.0%	11	17	57.9%
Other Expenses	-4	0	-5	0	NM	NM	NM	-5	-3	-30.5%
Impairment of fin. assets	-1	-1	-1	-1	-2.9%	0.0%	NM	-4	-5	25.0%
<b>Operating Profit</b>	<b>40</b>	<b>48</b>	<b>36</b>	<b>43</b>	<b>-15.5%</b>	<b>-10.0%</b>	<b>-25.0%</b>	<b>174</b>	<b>166</b>	<b>-4.3%</b>
<b>EBITDA</b>	<b>54</b>	<b>58</b>	<b>47</b>	<b>56</b>	<b>-15.8%</b>	<b>-13.0%</b>	<b>-19.0%</b>	<b>263</b>	<b>208</b>	<b>-20.9%</b>
Finance costs	-3	-2	-1	-3	-60.8%	-66.7%	-50.0%	-11	-10	-7.3%
<b>Profit Before Tax</b>	<b>37</b>	<b>46</b>	<b>35</b>	<b>40</b>	<b>-12.6%</b>	<b>-5.4%</b>	<b>-23.9%</b>	<b>163</b>	<b>156</b>	<b>-4.1%</b>
Income tax expense	-3	-3	-5	-4	35.3%	66.7%	66.7%	-12	-12	-3.7%
<b>Profit After Tax</b>	<b>34</b>	<b>43</b>	<b>30</b>	<b>36</b>	<b>-17.4%</b>	<b>-11.8%</b>	<b>-30.2%</b>	<b>151</b>	<b>145</b>	<b>-4.2%</b>
<b>Net Profit</b>	<b>34</b>	<b>43</b>	<b>30</b>	<b>36</b>	<b>-17.4%</b>	<b>-11.8%</b>	<b>-30.2%</b>	<b>151</b>	<b>145</b>	<b>-4.2%</b>

FABS estimate & Co Data

#### Dana Gas – Margins

	2Q24	1Q25	2Q25	YOY	QOQ	2024	2025F	Change
Gross Profit	50.5%	52.7%	52.5%	196	-25	48.5%	48.7%	12
Operating Profit	43.0%	52.7%	45.0%	199	-775	39.1%	47.9%	881
EBITDA	58.1%	63.7%	58.8%	69	-499	59.1%	59.9%	80
Net Profit	36.6%	47.3%	37.5%	94	-975	33.9%	41.7%	772

FABS estimate & Co Data

## Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value DANA. We have assigned 70% weight to DCF and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.01	70.0%	0.71
Relative Valuation (RV)	0.83	30.0%	0.25
<b>Weighted Average Valuation (AED)</b>			<b>0.95</b>
Current market price (AED)			0.76
Upside/Downside (%)			+25%

### 1) DCF Method:

DANA is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.9%. It is arrived after using the cost of equity of 9.0% and the interest-adjusted cost of debt of 7.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, a beta of 0.90, and an equity risk premium of 4.3%. Government bond yield is calculated after adding the 10-year CDS spread of Abu Dhabi over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	481
Terminal value (USD, Mn)	1,379
<b>FV to Common shareholders (USD, Mn)</b>	<b>1,923</b>
No. of share (Mn)	6,995
Current Market Price (AED)	0.76
<b>Fair Value per share (AED)</b>	<b>1.01</b>

### DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	155	154	159	164	167
D&A	55	63	64	66	68
(-) Capex	-97	-90	-93	-92	-91
(-/+ ) Change in Working Capital	53	-9	-1	-8	-7
<b>Free Cash Flow to Firm (FCFF)</b>	<b>83<sup>1</sup></b>	<b>117</b>	<b>129</b>	<b>130</b>	<b>138</b>
Discounting Factor	0.97	0.89	0.81	0.75	0.69
<b>Discounted FCFF</b>	<b>80</b>	<b>104</b>	<b>105</b>	<b>97</b>	<b>94</b>

Source: FAB Securities,<sup>1</sup>Adjusted for partial year

## 2) Relative Valuation:

We have used local as well as international peers to value DANA, and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 7.3x in line with its peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Saudi Arabian Oil Company	1,555,572	7.3	7.2	15.8	15.5
Kimbell Royalty Partners	1,351	7.3	7.1	25.2	23.9
Chevron	314,553	8.3	7.0	20.2	15.9
Santos Ltd	16,666	6.0	5.3	NA	NA
Transportadora	4,288	6.5	6.0	NA	NA
<b>Average</b>		<b>7.1x</b>	<b>6.5x</b>	<b>20.4x</b>	<b>18.4x</b>
<b>Median</b>		<b>7.3x</b>	<b>7.0x</b>	<b>20.2x</b>	<b>15.9x</b>
<b>Max</b>		<b>7.3x</b>	<b>7.1x</b>	<b>22.7x</b>	<b>19.9x</b>
<b>Min</b>		<b>6.5x</b>	<b>6.0x</b>	<b>18.0x</b>	<b>15.7x</b>

Source: FAB Securities

## Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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