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First Look Note | 2Q26

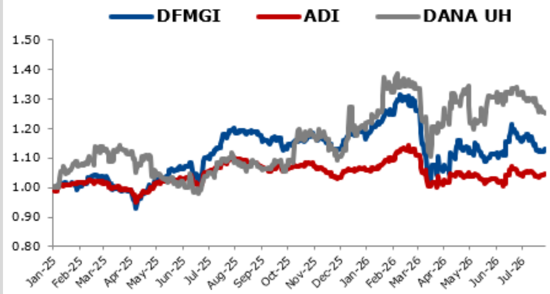
UAE Equity Research | Sector: Energy | Market: ADX

Dana Gas PJSC

Egypt offsets KRI disruptions with higher realization driving topline despite cost headwinds

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.882	AED 1.15	+30%	BUY

- Average production increased from 51.5 kboep/d in 2Q25 to 52.7 kboep/d in 2Q26, supported by higher production from Egypt.
- Khor Mor production has recovered to c.630 MMscf/d following the temporary disruptions, compared with the expanded capacity of 750 MMscf/d.
- KRI's average production remained broadly stable at 39.2 kboep/d in 2Q26, while Egypt's average production increased 9.8% YOY to 13.5 kboep/d.
- Dana Gas plans to drill c. four development and exploration wells during 2H26.
- Collections totalled USD 168 Mn during 1H26, comprising USD 104 Mn from the KRI and USD 64 Mn from Egypt.



Stock Information	
Market Cap (AED, Mn)	6,169.92
Paid Up Capital (Mn)	1,904.59
52 Week High	1.00
52 Week Low	0.74
3M Avg. daily value (AED)	7,731,235

2Q26 Result Review (USD, Mn)	
Total Assets	2,907
Total Liabilities	377
Total Equity	2,530
EBITDA	62
Net Profit	33

Financial Ratios	
Dividend Yield (12m)	7.37
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	10.06
Price-to-Book Ratio (x)	0.64
Book Value (AED)	0.37
Return-on Equity (%)	6.21

Stock Performance	
5 Days	1.38%
1 Months	-3.61%
3 Months	1.85%
6 Months	-7.16%
1 Year	15.60%
Month to Date (MTD%)	3.28%
Quarter to Date (QTD%)	-5.36%
Year to Date (YTD%)	2.56%

2Q26 Net Profit lower than our estimate

Dana Gas PJSC ("DANA" or "the Company") reported a 10.0% YOY increase in net profit to USD 33 Mn in 2Q26, lower than our estimate of USD 50 Mn. The increase in net profit was primarily driven by higher revenue and investment & finance income coupled with a decrease in tax expenses, partially offset by higher royalties and operating costs coupled with increase in G&A expenses, other expenses, impairment of financial assets and finance costs.

P&L Highlights

DANA's revenue grew 41.3% YOY to USD 113 Mn in 2Q26 mainly attributed to higher realized prices supported by higher sales volumes in KRI and increase in production output in Egypt, although production levels remain same in KRI during 2Q26 compared 2Q25. The Company's average production increased from 51.5 kboep/d in 2Q25 to 52.7 kboep/d in 2Q26. Notably, KRI's average production remained stable at 39.2 kboep/d in 2Q26. Egypt reported a 9.8% YOY increase to 13.5 kboep/d in 2Q26. Royalty payments increased from USD 10 Mn in 2Q25 to USD 19 Mn in 2Q26 owing in revenue in Egypt. As a result, net revenue increased 34.3% YOY to USD 94 Mn in 2Q26. Operating costs rose from USD 28 Mn in 2Q25 to USD 40 Mn in 2Q26. Consequently, the gross profit increased 28.6% YOY to USD 54 Mn in 2Q26. However, the gross profit margin contracted 471 bps YOY to 47.8% in 2Q26. Furthermore, DANA's G&A expenses increased 33.3% YOY to USD 4 Mn in 2Q26. Also, the investment and finance income rose 33.3% YOY to USD 4 Mn in 2Q26. The Company's other expenses increased from USD 5 Mn in 2Q25 to USD 9 Mn in 2Q26 due to higher arbitration cost against the previous EPC contractor for KM250 and higher provision on receivables. Impairment of financial assets increased from USD 1 Mn in 2Q25 to USD 2 Mn in 2Q26. Share of loss from joint venture stood at USD 1 Mn in 2Q26. Moreover, DANA's operating profit increased 16.7%

YOY to USD 42 Mn in 2Q26, while operating profit margin contracted from 45.0% in 2Q25 to 37.2% in 2Q26. EBITDA rose 31.9% YOY to USD 62 Mn in 2Q26. However, EBITDA margin decreased from 58.8% in 2Q25 to 54.9% in 2Q26. The Company's finance costs increased from USD 1 Mn in 2Q25 to USD 6 Mn in 2Q26 owing to expensing of finance cost which was capitalized earlier. Additionally, income tax expense declined from USD 5 Mn in 2Q25 to USD 3 Mn in 2Q26.

Balance Sheet Highlights

The Company's cash and bank balance remained broadly stable at USD 230 Mn in 2Q26 as compared to USD 228 Mn in 1Q26, out of which USD 95 Mn was held at Pearl Petroleum. DANA collected USD 100 Mn in 2Q26, compared to USD 68 Mn in 1Q26, indicating improvement in collection activities in 2Q26. Additionally, the trade receivables decreased from USD 245 Mn in 1Q26 to USD 238 Mn in 2Q26. Capex on PP&E increased from USD 11 Mn in 1Q26 to USD 32 Mn in 2Q26, driven by continued drilling and investment activities in Egypt, as well as ongoing development work at the Chemchemal project in the KRI. Furthermore, Dana's total gross debt increased from USD 201 Mn in 1Q26 to USD 291 Mn in 2Q26, following the drawdown of a USD 75 Mn bank facility in April 2026 to strengthen liquidity and financial flexibility.

Target Price and Rating

We maintain our BUY rating on Dana Gas with a target price of AED 1.15. Dana Gas delivered a resilient performance in 2Q26 despite temporary disruptions caused by regional conflict at the Khor Mor field, which constrained utilisation of the expanded KM250 processing facility. Despite the challenges, profitability remained healthy, supported by higher realized energy prices, increased production in Egypt and higher gas volume sales at Pearl Petroleum. Operationally, Egypt continues to be the growth driver, with production increasing from 12.3 kboe/d in 2Q25 to 13.5 kboe/d in 2Q26, driven by the ongoing investment programme and drilling activities. Following the drilling of two wells in 1Q26, the Company drilled an additional well and recompleted one well during 2Q26. The recent exploration has delivered encouraging results, identifying an estimated 10 Bcf of gas resources, exceeding the initial estimates of 3 Bcf. This development could add c. 12 Bcf of gas resources in the licensed area. Furthermore, DANA expects to drill an additional four wells before the end of 2026, supporting continued production growth and reserve expansion. Egypt's PP&E capex stood at USD 16 Mn in 2Q26, taking cumulative 1H26 capex to USD 28 Mn, indicating acceleration in the drilling programme and continued investment across its Egyptian assets. The Company had guided for c.USD 50 Mn of capex in 2026 to support ongoing drilling and exploration activities. In the KRI, KM250 had successfully demonstrated its expanded processing capacity, with Khor Mor production exceeding 700 MMscf/d and the Company's production reaching 70 kboe/d in January 2026. However, the conflict in the region constrained the capacity utilisation. After 2Q26, operations are normalising and DANA has commenced supplying 100 MMscf/d of gas to Iraq's Ministry of Electricity under a one-year agreement, marking the first commercial utilisation of the additional KM250 capacity and expanding the Company's domestic customer base. Furthermore, Khor Mor production has recovered to 630 MMscf/d following the temporary shutdowns in 2Q26 with production ramp-up expected as operating environment in the region normalizes. Beyond KM250, Chemchemal remains the Company's next major growth project. Pearl Petroleum continues to advance the USD 160 Mn appraisal and early development programme, while long-term gas sales agreements had signed to supply up to 142 MMscf/d to industrial customers in Bazian and Erbil, thereby expanding the customer base. DANA continued to strengthen its financial position during 2Q26, with cash balances increasing to USD 230 Mn. Collections remained healthy, supported by continued timely payments from Egypt and improved collections from the KRI. The Company also drew a new USD 75 Mn bank facility in April 2026 at a lower cost compared to previous borrowing enhancing liquidity and financial flexibility. Overall, improving utilisation of the KM250 expansion, expanding domestic gas sales, sustained production growth in Egypt, continued progress at Chemchemal and a strong balance sheet support earnings outlook. Thus, we maintain BUY rating on the stock.

Dana Gas - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F	2026F
PE	5.19	8.99	10.21	10.82	12.57	8.62
PB	0.71	0.71	0.69	0.65	0.64	0.62
EV/EBITDA	6.13	5.12	6.83	6.19	7.79	5.40
BVPS (AED)	1.204	1.207	1.245	1.324	1.337	1.374
EPS (AED)	0.165	0.095	0.084	0.079	0.068	0.100
DPS (AED)	0.080	0.090	NA	0.055	0.065	0.070
Dividend yield	9.1%	10.2%	NA	6.3%	7.4%	8.0%

FABS Estimates & Co Data

Dana Gas – P&L

USD Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY	QOQ	2025	2026F	Change
Revenue	80	145	113	116	-2.3%	41.3%	-22.1%	348	479	37.7%
Royalties	-10	-15	-19	-18	6.0%	90.0%	26.7%	-51	-68	33.3%
Net Revenue	**70**	**130**	**94**	**98**	**-3.9%**	**34.3%**	**-27.7%**	**297**	**411**	**38.4%**
Operating Costs & Depletion	-28	-35	-40	-38	4.9%	42.9%	14.3%	-121	-152	25.4%
Gross Profit	**42**	**95**	**54**	**60**	**-9.4%**	**28.6%**	**-43.2%**	**176**	**259**	**47.4%**
G&A expenses	-3	-4	-4	-4	-1.7%	33.3%	0.0%	-12	-16	34.8%
Investment & finance inc.	3	3	4	3	19.2%	33.3%	33.3%	12	14	19.8%
Other Expenses	-5	-2	-9	-1	NM	80.0%	NM	-7	-19	NM
Impairment of fin. assets	-1	-7	-2	0	NM	NM	-71.4%	-4	0	NM
Operating Profit	**36**	**85**	**42**	**58**	**-27.9%**	**16.7%**	**-50.6%**	**154**	**239**	**55.0%**
EBITDA	**47**	**108**	**62**	**74**	**-15.8%**	**31.9%**	**-42.6%**	**215**	**306**	**42.3%**
Finance costs	-1	-6	-6	-1	NM	NM	0.0%	-8	-26	NM
Profit Before Tax	**35**	**79**	**36**	**57**	**-37.2%**	**2.9%**	**-54.4%**	**146**	**213**	**45.9%**
Income tax expense	-5	-5	-3	-7	-56.4%	-40.0%	-40.0%	-16	-23	46.5%
Net Profit	**30**	**74**	**33**	**50**	**-34.6%**	**10.0%**	-55.4%	**130**	**190**	**45.8%**

FABS estimate & Co Data

Dana Gas - Margins

	2Q25	1Q26	2Q26	YOY	QOQ	2025	2026F	Change
Gross Profit	52.5%	65.5%	47.8%	-471	-1,773	50.6%	54.1%	357
Operating Profit	45.0%	58.6%	37.2%	-783	-2,145	44.3%	49.8%	556
EBITDA	58.8%	74.5%	54.9%	-388	-1,962	61.8%	63.9%	209
Net Profit	37.5%	51.0%	29.2%	-830	-2,183	37.4%	39.6%	222

FABS estimate & Co Data

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Key Developments:

- **4th August 2026:** Dana Gas and Crescent Petroleum commenced supplying 100 MMscf/d of natural gas from the Khor Mor field to Iraq's Ministry of Electricity under a one-year agreement to fuel the Kirkuk Taza power station. This marks the first commercial utilization of the additional capacity created by the KM250 expansion, which increased Khor Mor's processing capacity by 50% to 750 MMscf/d. The agreement enables Dana Gas to expand beyond its traditional customer base, opening new domestic gas markets in Iraq.

- **6th May 2026:** Dana Gas PJSC signed a MOU with Levidian, a British advanced material company to develop the Sharjah Graphene Park, a phased initiative aimed at establishing graphene production and future localisation of advanced manufacturing capabilities in the UAE. The initial phase targets graphene production capacity of c. 15 tonnes per annum, with investment expected to range between USD 2–5 Mn and potential expansion exceeding USD 50 Mn.

- **17th March 2026:** CP Upstream Holding Limited increased its ownership stake in DANA to 20% through the transfer of 1.4 billion shares from Crescent Petroleum Company International Limited. The transaction was executed as part of an internal group restructuring under the same ultimate ownership and did not involve any financial consideration. Dana Gas confirmed that the transfer will not result in any changes to its business operations.

- **26th January 2026:** DANA and Crescent Petroleum signed long-term gas sales agreements to supply up to 142 MMscf/d of natural gas from the Chemchemal field to major cement and steel producers in the Kurdistan Region of Iraq (KRI). The 10-year agreement starting from 2H27 will support the commercialization of the Chemchemal development.

- **19th January 2026:** DANA achieved a production milestone of 70,000 boepd highest level in seven years, supported by increased output from the Kurdistan Region of Iraq. The ramp-up follows the successful completion of the KM250 gas expansion project at Khor Mor, which added 250 MMscf/d of gas processing capacity and lifted Khor Mor production above 700 MMscf/d. The company expects a further increase in output beyond 75,000 boepd upon completion of the new common-user gas pipeline in Q3 2026.

- **5th January 2026:** DANA received a USD 50 Mn payment from the Government of Egypt under the Consolidation Agreement signed in December 2024. Additionally, the programme recorded four wells drilled in 2025, while seven further wells are planned for 2026. Moreover, executed drilling and workover activities added around 30 MMscf/d of production and 36 bcf of reserves, coupled with a separate workover programme across three wells adding 9 MMscf/d. Similarly, the broader 11-well programme is expected to generate over USD 1 Bn in fuel import savings for Egypt.

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	1.22	70.0%	0.85
Relative Valuation (RV)	1.00	30.0%	0.30
Weighted Average Valuation (AED)			**1.15**
Current market price (AED)			0.882
Upside/Downside (%)			+30%

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 9.4%. It arrived after using the cost of equity of 9.5% and the interest-adjusted cost of debt of 7.6%. The cost of equity is calculated by using a 10-year government bond yield of 5.2%, a beta of 0.90, and an equity risk premium of 4.8%. 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)	656
Terminal value (USD, Mn)	1,799
FV to Common shareholders (USD, Mn)	**2,455**
No. of shares (Mn)	6,995
Current Market Price (AED)	0.882
Fair Value per share (AED)	**1.22**

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	215	218	219	218	218
D&A	82	78	81	84	86
(-) Capex	-121	-116	-112	-108	-103
(-/+) Change in Working Capital	-57	13	5	-1	-9
Free Cash Flow to Firm (FCFF)	**119**	**193**	**193**	**193**	**192**
Discounting Factor	*0.97*	*0.88*	*0.81*	*0.74*	*0.67*
Discounted FCFF	**57**[1]	**171**	**156**	**142**	**130**

Source: FAB Securities. [1]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 2027 EV/EBITDA multiple of 6.7x in line with its peers.

Company	**Market**	**EV/EBITDA (x)**		**P/E (x)**	
	(USD Mn)	**2026F**	**2027F**	**2026F**	**2027F**
Saudi Arabian Oil Company	1,708,084	6.7	6.8	13.5	14.0
Kimbell Royalty Partners	1,431	7.6	7.5	19.8	18.1
Chevron	376,870	5.9	6.7	12.5	14.7
Santos Ltd	17,449	5.1	4.6	10.6	9.9
Transportadora	2,138	5.9	5.5	11.4	11.5
Average		**6.3x**	**6.2x**	**13.5x**	**13.6x**
Median		**5.9x**	**6.7x**	**12.5x**	**14.0x**
Max		**6.7x**	**6.8x**	**13.5x**	**14.7x**
Min		**5.9x**	**5.5x**	**11.4x**	**11.5x**

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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