

## Dana Gas PJSC

Lower royalties and operating costs boosted profitability

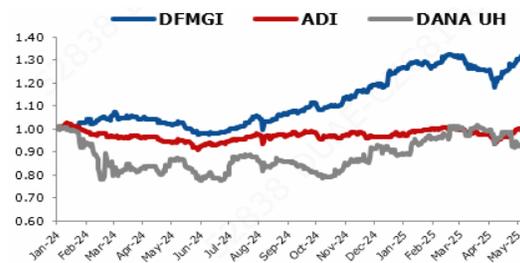
**Current Price**  
AED 0.725

**Target Price**  
AED 0.95

**Upside/Downside (%)**  
+31%

**Rating**  
BUY

- The Company's KRI's average production increased 2.7% YOY to 39,650 boepd in 1Q25, driven by strong demand from local power stations, whereas Egypt saw a 31.0% YOY decline to 12,550 boepd, supported by the depletion of the natural field, and the effect of a planned maintenance shutdown.
- Khor Mor's daily gas production stood at 525 Mn standard cubic feet, indicated a 75% increase since 2017.
- The Company's cash and bank balance increased from USD 317 Mn in 4Q24 to USD 373 Mn in 1Q25, out of which USD 214 Mn is allocated to Pearl Petroleum.
- The Company approved a cash dividend of USD 105 Mn for 2024, resulting in a dividend yield of 7.6% in 2024.



### 1Q25 Net Profit higher than our estimate

Dana Gas PJSC ("Dana" or "the Company") reported a 13.2% YOY growth in net profit to USD 43 Mn in 1Q25, beating our estimate of USD 36 Mn. The increase in net profit was primarily driven by lower royalties, reduced operating and finance costs, and higher investment and finance income, partially offset by a decline in revenue due to lower realised hydrocarbon prices.

### P&L Highlights

Dana experienced a 6.2% YOY decline in revenue to USD 91 Mn in 1Q25, mainly due to a decline in production in Egypt, along with lower realised hydrocarbon prices, partially offset by revised gas pricing in Egypt and increased condensate price realisation in Kurdistan Region of Iraq (KRI). The Company's average production decreased from 56,800 boepd in 1Q24 to 52,200 boepd in 1Q25. Notably, KRI's average production rose 2.7% YOY to 39,650 boepd in 1Q25, supported by strong demand from local power stations. Egypt witnessed a 31.0% YOY decline to 12,550 boepd in 1Q25, mainly due to the decline of the natural field, and the effect of a planned maintenance shutdown. Royalty payments declined 11.1% YOY to USD 16 Mn in 1Q25. However, net revenue fell 5.1% YOY to USD 75 Mn in 1Q25. Operating costs declined 15.6% YOY to USD 27 Mn in 1Q25. Thus, gross profit increased 2.1% YOY to USD 48 Mn in 1Q25. Gross margins grew 429 bps YOY to 52.7% in 1Q25. Furthermore, Dana's G&A expenses remained unchanged at USD 3 Mn in 1Q25 compared to 1Q24. Investment & finance income increased 33.3% YOY to USD 4 Mn in 1Q25. Moreover, impairments stood flat at USD 1 Mn in 1Q25 compared to 1Q24. Hence, Dana's operating profit surged 4.3% YOY to USD 48 Mn in 1Q25. Operating profit margin increased from 47.4% in 1Q24 to 52.7% in 1Q25. The Company's EBITDA declined 4.9% YOY to USD 58 Mn, however EBITDA margin increased 85 bps YOY to 63.7% in 1Q25. Dana's finance cost declined from USD 4 Mn in 1Q24 to USD 2 Mn in 1Q25. Additionally, income tax expense declined 25.0% YOY to USD 3 Mn in 1Q25.

### Stock Information

Market Cap (AED, Mn)	5,071.65
Shares Outstanding (Mn)	6,995.37
52 Week High	0.83
52 Week Low	0.61
3M Avg. daily value (AED)	9,218,894

### 1Q25 Result Review (USD, Mn)

Total Assets	3,010
Total Liabilities	445
Total Equity	2,565
EBITDA	58
Net Profit	43

### Financial Ratios

Dividend Yield (12m)	7.59
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	8.91
Price-to-Book Ratio (x)	0.54
Book Value (AED)	0.37
Return-on Equity (%)	6.27

### Stock Performance

5 Days	-0.96%
1 Months	-4.61%
3 Months	-6.33%
6 Months	6.62%
1 Year	5.53%
Month to Date (MTD%)	-2.68%
Quarter to Date (QTD%)	-7.76%
Year to Date (YTD%)	2.84%

### Balance Sheet Highlights

The Company's cash and bank balance increased from USD 317 Mn in 4Q24 to USD 373 Mn in 1Q25, out of which USD 214 Mn is allocated to Pearl Petroleum. Dana successfully collected USD 70 Mn in 1Q25 compared to USD 76 Mn in 1Q24, indicating 100% collection rate from KRI and 92% from Egypt. Additionally, KRI receivable decreased from USD 91 Mn in 1Q24 to USD 67 Mn in 1Q25, while receivable from Egypt region increased from USD 57 Mn in 1Q24 to USD 79 Mn in 1Q25. The Company's capex grew from USD 17 Mn in 1Q24 to USD 19 Mn in 1Q25. Furthermore, Dana's total borrowings stood at USD 285 Mn in 1Q25 compared to USD 255 Mn in 4Q24.

### Target Price and Rating

We maintain our BUY rating on Dana Gas with a target price of AED 0.95. Dana reported strong growth in net income in 1Q25, primarily attributed to an increase in production in KRI, partially offset by lower production in Egypt. Despite the lower output in Egypt and oil prices, the Company benefited from the revised gas pricing in Egypt. Additionally, in Egypt, Dana is progressing with its post-Consolidation Agreement investment program, committing USD 100 Mn over the next two years to drill 11 new wells. The Company plans to drill three wells in 2025, with drilling operations for the first well commencing in May and spudding anticipated in June. These programs are expected to increase gas recovery by 80 billion cubic feet and help offset natural field decline. Furthermore, the cumulative production from the Khor Mor field reached 500 Mn barrels of oil equivalent, indicating the strength and consistency of operations. The daily gas production at Khor Mor stood at 525 Mn standard cubic feet, marking a 75% increase since 2017. In April, production at the Khor Mor plant was temporarily reduced to undertake planned maintenance activities aimed at preserving the facility's long-term reliability and operational efficiency. This planned downtime is expected to impact the Company's performance in 2Q25. Despite this, the KM250 expansion project is progressing well on an accelerated timeline, with first gas anticipated by 1Q26. Upon full commissioning, the project is expected to add 250 MMscf/d of gas processing capacity, representing a 50% increase in Pearl Petroleum's overall production, which is anticipated to enhance Dana's profitability significantly. Pearl Petroleum also commenced the first phase of a USD 160 Mn investment plan for the development of Chemchemical field, which involved drilling three wells and installing an extended well test facility, with a Production target of up to 75 MMscfd in 2H26. Recently Dana's shareholders also approved a cash dividend of USD 105 Mn for 2024 resulting in a dividend yield of 7.6%. The Company's Board is also planning to resume sustainable dividend payments which reflects the Dana's strong financial position and positive outlook. Hence, based on the above-mentioned factors, we maintain a BUY rating.

### Dana Gas - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	4.4	7.6	8.7	9.2	9.7
PB	0.6	0.6	0.6	0.6	0.5	0.6
EV/EBITDA	9.9	5.2	4.4	5.9	5.2	6.2
DPS	0.055	0.08	0.09	0.00	0.055	0.055
Dividend yield	7.6%	11.0%	12.4%	NA	7.6%	7.6%

FABS Estimates & Co Data

**Dana Gas – P&L**

USD mn	1Q24	4Q24	1Q25	1Q25F	var.	YOY	QOQ	2024	2025F	Change
Revenue	97	159	91	96	-4.9%	-6.2%	-42.8%	445	356	-20.0%
Royalties	-18	-52	-16	-21	-24.0%	-11.1%	-69.2%	-109	-64	-41.2%
<b>Net Revenue</b>	<b>79</b>	<b>107</b>	<b>75</b>	<b>75</b>	<b>0.5%</b>	<b>-5.1%</b>	<b>-29.9%</b>	<b>336</b>	<b>292</b>	<b>-13.1%</b>
Operating Costs & Depletion	-32	-32	-27	-30	-8.5%	-15.6%	-15.6%	-120	-122	1.6%
<b>Gross Profit</b>	<b>47</b>	<b>75</b>	<b>48</b>	<b>45</b>	<b>6.4%</b>	<b>2.1%</b>	<b>-36.0%</b>	<b>216</b>	<b>170</b>	<b>-21.2%</b>
G&A expenses	-3	-2	-3	-3	16.1%	NM	50.0%	-11	-12	13.3%
Investment & finance inc.	3	3	4	3	39.4%	33.3%	33.3%	11	18	61.9%
Other Expenses	0	0	0	-1	NM	NM	NM	-5	-4	-28.8%
Impairment of fin. assets	-1	-1	-1	-1	NM	NM	NM	-4	-5	25.0%
<b>Operating Profit</b>	<b>46</b>	<b>42</b>	<b>48</b>	<b>43</b>	<b>11.0%</b>	<b>4.3%</b>	<b>14.3%</b>	<b>174</b>	<b>168</b>	<b>-3.7%</b>
<b>EBITDA</b>	<b>61</b>	<b>88</b>	<b>58</b>	<b>58</b>	<b>-0.6%</b>	<b>-4.9%</b>	<b>-34.1%</b>	<b>263</b>	<b>215</b>	<b>-18.3%</b>
Finance costs	-4	-1	-2	-4	-43.0%	-50.0%	NM	-11	-10	-7.3%
<b>Profit Before Tax</b>	<b>42</b>	<b>41</b>	<b>46</b>	<b>40</b>	<b>15.7%</b>	<b>9.5%</b>	<b>12.2%</b>	<b>163</b>	<b>157</b>	<b>-3.4%</b>
Income tax expense	-4	-2	-3	-4	-16.1%	-25.0%	50.0%	-12	-14	18.1%
<b>Profit After Tax</b>	<b>38</b>	<b>39</b>	<b>43</b>	<b>36</b>	<b>18.9%</b>	<b>13.2%</b>	<b>10.3%</b>	<b>151</b>	<b>143</b>	<b>-5.1%</b>
NCI	0	0	0	0	NM	NM	NM	0	0	NM
<b>Net Profit</b>	<b>38</b>	<b>39</b>	<b>43</b>	<b>36</b>	<b>18.9%</b>	<b>13.2%</b>	<b>10.3%</b>	<b>151</b>	<b>143</b>	<b>-5.1%</b>

FABS estimate & Co Data

**Dana Gas - Margins**

	1Q24	4Q24	1Q25	YOY	QOQ	2024	2025F	Change
Gross Profit	48.5%	47.2%	52.7%	429	558	48.5%	47.8%	-78
Operating Profit	47.4%	26.4%	52.7%	532	2,633	39.1%	47.1%	796
EBITDA	62.9%	55.3%	63.7%	85	839	59.1%	60.3%	124
Net Profit	39.2%	24.5%	47.3%	808	2,272	33.9%	40.2%	628

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%	0.70
Relative Valuation (RV)	0.83	30.0%	0.25
<b>Weighted Average Valuation (AED)</b>			<b>0.95</b>
Current market price (AED)			0.725
Upside/Downside (%)			+31%

### 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 5.2%, a beta of 0.90, and an equity risk premium of 4.2%. 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)	516
Terminal value (USD, Mn)	1,391
<b>FV to Common shareholders (USD, Mn)</b>	<b>1,918</b>
No. of share (Mn)	6,995
Current Market Price (AED)	0.725
<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	153	158	164	171	177
D&A	61	63	65	67	68
(-) Capex	-100	-93	-96	-95	-95
(-/+ ) Change in Working Capital	49	-9	-2	-10	-9
<b>Free Cash Flow to Firm (FCFF)</b>	<b>123<sup>1</sup></b>	<b>119</b>	<b>131</b>	<b>132</b>	<b>142</b>
Discounting Factor	0.95	0.87	0.80	0.73	0.67
<b>Discounted FCFF</b>	<b>116</b>	<b>103</b>	<b>105</b>	<b>97</b>	<b>95</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	1,756,105	7.7	7.7	16.6	16.5
Kimbell Royalty Partners	1,265	7.3	6.4	24.7	16.4
Chevron	273,139	6.3	5.3	14.9	12.4
Santos Ltd	13,436	4.8	4.0	10.5	8.5
Transportadora	4,405	7.3	6.6	13.1	NA
<b>Average</b>		<b>6.7x</b>	<b>6.0x</b>	<b>15.9x</b>	<b>13.5x</b>
<b>Median</b>		<b>7.3x</b>	<b>6.4x</b>	<b>14.9x</b>	<b>14.4x</b>
<b>Max</b>		<b>7.3x</b>	<b>6.6x</b>	<b>16.6x</b>	<b>16.4x</b>
<b>Min</b>		<b>6.3x</b>	<b>5.3x</b>	<b>13.1x</b>	<b>11.4x</b>

Source: FAB Securities

