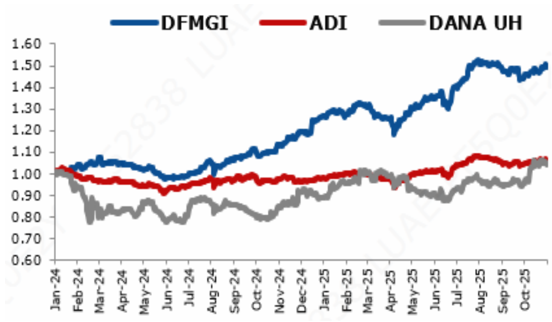
Dana Gas PJSC

Lower production volumes and softer realized prices weighed on profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.83	AED 0.95	+14.3%	ACCUMULATE

- Dana's average production decreased from 55,300 boepd in 3Q24 to 50,700 boepd in 3Q25.
- KRI's average production declined by 1.8% YOY to 38,700 boepd, while Egypt's output fell by 24.5% YOY to 12,000 boepd in 3Q25.
- Cash and bank balance increased from USD 174 Mn in 2Q25 to USD 183 Mn in 3Q25, out of which USD 150 Mn is held at Pearl Petroleum.
- Completed the KM250 expansion project, adding 250 MMscf/d of new processing capacity and increasing Khor Mor's total capacity by 50%.
- The Company's capex grew from USD 43 Mn in 9M24 to USD 67 Mn in 9M25.
- Dana Gas received a USD 70 Mn dividend in 2025 from KRI.



Stock Information	
Market Cap (AED, Mn)	5,827.15
Paid Up Capital (Mn)	1,904.57
52 Week High	0.87
52 Week Low	0.67
3M Avg. daily value (AED)	7,209,799

3Q25 Result Review (USD, Mn)	
Total Assets	2,856
Total Liabilities	336
Total Equity	2,520
EBITDA	50
Net Profit	30

Financial Ratios	
Dividend Yield (12m)	6.60
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	11.42
Price-to-Book Ratio (x)	0.63
Book Value (AED)	0.36
Return-on Equity (%)	5.68

Stock Performance	
5 Days	1.71%
1 Months	2.33%
3 Months	10.33%
6 Months	14.90%
1 Year	22.50%
Month to Date (MTD%)	0.60%
Quarter to Date (QTD%)	9.61%
Year to Date (YTD%)	18.16%

3Q25 Net Profit lower than our estimate

Dana Gas PJSC ("Dana" or "the Company") reported a 25.0% YOY decline in net profit to USD 30 Mn in 3Q25, lower than our estimate of USD 36 Mn. The decline in revenue was mainly attributed to lower revenue, higher operating costs, and increased tax expenses, partially offset by lower royalty payments and finance costs.

P&L Highlights

Dana recorded a 12.5% YOY decrease in revenue to USD 84 Mn in 3Q25, primarily due to lower Egypt volumes and softer oil prices, partly offset by improved Egypt gas pricing and stable KRI volumes. The Company's average production decreased from 55,300 boepd in 3Q24 to 50,700 boepd in 3Q25. Notably, KRI's average production witnessed a 1.8% YOY decline to 38,700 boepd in 3Q25. Egypt reported a 24.5% YOY decrease to 12,000 boepd in 3Q25, mainly due to a drop in the natural field. Royalty payments declined 31.6% YOY to USD 13 Mn in 3Q25. However, net revenue fell 7.8% YOY to USD 71 Mn in 3Q25, as the benefit from lower royalties was offset by weaker topline performance. Operating costs rose 3.3% YOY to USD 31 Mn in 3Q25, leading to a 14.9% YOY contraction in gross profit to USD 40 Mn in 3Q25. Furthermore, Dana's G&A expenses remained steady at USD 3 Mn in 3Q25, unchanged from 3Q24, while investment and finance income also held flat at USD 3 Mn in 3Q25, compared to 3Q24. Similarly, impairments stood flat at USD 1 Mn in 3Q25 compared to 3Q24. Moreover, Dana's operating profit declined 23.9% YOY to USD 35 Mn in 3Q25. Operating profit margin fell from 47.9% in 3Q24 to 41.7% in 3Q25. The Company's EBITDA declined 15.3% YOY to USD 50 Mn in 3Q25. EBITDA margin also contracted 193 bps YOY to 59.5% in 3Q25. Dana's finance cost declined from USD 3 Mn in 3Q24 to USD 1 Mn in 3Q25. Additionally, income tax expense increased 33.3% YOY to USD 4 Mn in 3Q25.

Balance Sheet Highlights

The Company's cash and bank balance increased from USD 174 Mn in 2Q25 to USD 183 Mn in 3Q25, out of which USD 150 Mn is held at Pearl Petroleum. Dana collected USD 183 Mn in 9M25, compared to USD 152 Mn in 1H25, indicating a 94% collection rate from KRI and 79% from Egypt. Additionally, KRI receivable grew from USD 71 Mn in 1H25 to USD 87 Mn in 9M25, while receivable from the Egypt region reached USD 87 Mn in 9M25, compared to USD 89 Mn in 1H25. The Company's capex grew from USD 43 Mn in 9M24 to USD 67 Mn in 9M25. Furthermore, Dana's total borrowings stood almost flat at USD 224 Mn in 3Q25, compared to USD 226 Mn in 2Q25.

Target Price and Rating

We maintain our ACCUMULATE rating on Dana Gas with a target price of AED 0.95. The Company's stock price grew 10.9% since our last rating (August 2025). Dana's profitability declined during 3Q25, owing to lower realized hydrocarbon prices and a decline in Egyptian output. However, these headwinds were primarily offset by operational strength in the Kurdistan Region of Iraq (KRI) and the successful early completion of the KM250 expansion project. The addition of 250 MMscf/d in processing capacity at the Khor Mor field increases total capacity by 50% and is expected to enhance annual revenues by up to 35%, once operating at full capacity. Additionally, Dana continues to progress the Chemchemal field development in the KRI under a USD 160 Mn investment plan, which includes drilling three wells and installing an extended well test facility, with early production of up to 75 MMscf/d targeted by 1H27. In Egypt, the Company's ongoing self-funded USD 100 Mn program, comprising the drilling of 11 wells, is expected to enhance gas recovery by c. 80 bcf and generate over USD 1 Bn in energy cost savings for the Egyptian economy, supporting positive free cash flow. The Company also made steady progress during 3Q25, with three wells drilled and three recompletions adding c. 21 bcf in reserves. The successful Begonia-2 and Salma Delta-6 wells are expected to deliver an incremental output of 10–12 MMscfd before year-end, helping offset natural field declines. These developments, along with improved gas pricing under the Consolidated Concession Agreement, are anticipated to stabilize the Company's production and underpin future growth. The Company's capex also grew to USD 67 Mn in 9M25, compared to USD 43 Mn in 9M24, reflecting the resumption of KM250 spending and the acceleration of drilling activities in Egypt. Hence, based on the above-mentioned factors, we assign our ACCUMULATE rating on the stock.

Dana Gas - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	5.10	8.83	10.04	10.63	11.49
PB	0.75	0.70	0.70	0.68	0.64	0.64
EV/EBITDA	11.39	6.02	5.03	6.72	6.08	7.99
BVPS (AED)	1.125	1.204	1.207	1.245	1.324	1.315
EPS (AED)	NA	0.165	0.095	0.084	0.079	0.073
DPS (AED)	0.055	0.080	0.090	NA	0.055	0.055
Dividend yield	6.7%	9.7%	10.9%	NA	6.7%	6.7%

FABS Estimates & Co Data

Dana Gas – P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY	QOQ	2024	2025F	Change
Revenue	96	80	84	91	-7.3%	-12.5%	5.0%	445	348	-21.9%
Royalties	-19	-10	-13	-18	-28.3%	-31.6%	30.0%	-109	-56	-49.0%
Net Revenue	**77**	**70**	**71**	**72**	**-2.1%**	**-7.8%**	**1.4%**	**336**	**292**	**-13.1%**
Operating Costs & Depletion	-30	-28	-31	-29	5.5%	3.3%	10.7%	-120	-119	-0.4%
Gross Profit	**47**	**42**	**40**	**43**	**-7.2%**	**-14.9%**	**-4.8%**	**216**	**172**	**-20.2%**
G&A expenses	-3	-3	-3	-3	-5.4%	0.0%	0.0%	-11	-12	10.6%
Investment & finance inc.	3	3	3	5	-44.8%	0.0%	0.0%	11	14	26.4%
Other Expenses	-1	-5	0	-1	NM	NM	NM	-5	-5	4.3%
Impairment of fin. assets	-1	-1	-1	-2	-33.3%	NM	NM	-4	-3	-25.0%
Operating Profit	**46**	**36**	**35**	**43**	**-18.9%**	**-23.9%**	**-2.8%**	**174**	**162**	**-7.1%**
EBITDA	**59**	**47**	**50**	**53**	**-6.4%**	**-15.3%**	**6.4%**	**263**	**207**	**-21.2%**
Finance costs	-3	-1	-1	-3	-70.1%	-66.7%	NM	-11	-8	-25.8%
Profit Before Tax	**43**	**35**	**34**	**40**	**-14.6%**	**-20.9%**	**-2.9%**	**163**	**154**	**-5.8%**
Income tax expense	-3	-5	-4	-3	17.5%	33.3%	-20.0%	-12	-14	15.1%
Net Profit	**40**	**30**	**30**	**36**	**-17.6%**	**-25.0%**	**0.0%**	**151**	**140**	**-7.5%**

FABS estimate & Co Data

Dana Gas - Margins

	3Q24	2Q25	3Q25	YOY	QOQ	2024	2025F	Change
Gross Profit	49.0%	52.5%	47.6%	-134	-488	48.5%	49.6%	108
Operating Profit	47.9%	45.0%	41.7%	-625	-333	39.1%	46.5%	742
EBITDA	61.5%	58.8%	59.5%	-193	77	59.1%	59.7%	56
Net Profit	41.7%	37.5%	35.7%	-595	-179	33.9%	40.2%	626

FABS estimate & Co Data

Key Developments:

- **22nd Jan 2025:** Dana revealed a strategic partnership with Levidian to launch a decarbonization initiative using LOOP technology, which transforms methane into hydrogen and graphene. A pilot facility, expected to produce 1.5 tonnes annually, will begin operations in 2025. This effort aligns with the Company's emission reduction objectives and explores graphene's commercial potential, with future units potentially generating over 15 tonnes per year.

- **25th February 2025:** Dana's board proposed an AED 385 Mn payout (5.5 fils/share) for the year 2024.

- **3rd April 2025:** Dana Gas and Crescent Petroleum reported 500 MMboe cumulative output from Khor Mor in Iraq. The Company's KM-250 expansion, aiming for a 50% capacity increase, is scheduled for completion in 1Q26. Dana Gas and Crescent Petroleum also approved a USD 160 Mn investment for the Chemchemal field, with Pearl Petroleum exploring bond financing options.

- **23rd July 2025:** Dana confirmed 9 BCF of reserves and an expected output of 5 MMscfd from the Begonia-2 well in Egypt's Nile Delta. The Company also commenced recompletion work at Balsam 3, adding 4 BCF of reserves and 3 MMscfd of production. Both wells form part of the Company's USD 100 Mn, 11-well investment programme aimed at enhancing reserves and production over the next two years.

- **15th October 2025:** Dana Gas and Crescent Petroleum commenced commercial gas sales from the KM250 expansion project at the Khor Mor field in Iraq, increasing total processing capacity to 750 MMscf/d. Completed eight months ahead of schedule, the USD 1.1 Bn project added 250 MMscf/d of new capacity, utilizing over 6,000 tonnes of steel and 6.2 Mn man-hours. The development was financed through various sources, including a USD 350 Mn bond issuance by Pearl Petroleum in 2024.

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	1.03	70.0%	0.72
Relative Valuation (RV)	0.76	30.0%	0.23
Weighted Average Valuation (AED)			**0.95**
Current market price (AED)			0.83
Upside/Downside (%)			+14.3%

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 8.9% 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 4.8%, a beta of 0.90, and an equity risk premium of 4.6%. 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)	598
Terminal value (USD, Mn)	1,434
FV to Common shareholders (USD, Mn)	**1,971**
No. of shares (Mn)	6,995
Current Market Price (AED)	0.83
Fair Value per share (AED)	**1.03**

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2028E	FY 2030E
NOPAT	148	167	171	175	180	186
D&A	52	56	60	63	66	68
(-) Capex	-97	-91	-95	-94	-94	-94
(-/+) Change in Working Capital	2	1	9	13	11	-11
Free Cash Flow to Firm (FCFF)	**26**	**133**	**145**	**156**	**163**	**150**
Discounting Factor	0.99	0.91	0.83	0.77	0.70	0.65
Discounted FCFF	**26[1]**	**120**	**121**	**120**	**115**	**97**

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 2026 EV/EBITDA multiple of 6.9x in line with its peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
Saudi Arabian Oil Company	1,666,318	7.8	7.7	16.6	16.5
Kimbell Royalty Partners	1,229	7.0	6.9	18.0	19.8
Chevron	310,352	8.1	7.2	21.3	18.8
Santos Ltd	13,342	5.3	4.3	13.2	10.6
Transportadora	4,522	6.5	6.3	16.4	10.1
Average		**6.9x**	**6.5x**	**17.1x**	**15.2x**
Median		**7.0x**	**6.9x**	**16.6x**	**16.5x**
Max		**7.8x**	**7.2x**	**18.0x**	**18.8x**
Min		**6.5x**	**6.3x**	**16.4x**	**10.6x**

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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