

Dana Gas PJSC

Revenue growth offset the impact of impairment

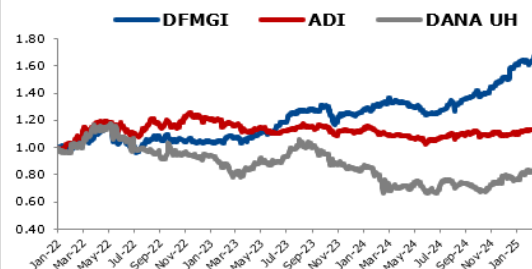
Current Price
AED 0.79

Target Price
AED 0.95

Upside/Downside (%)
+20%

Rating
BUY

- The Company's average production decreased from 55,700 boepd in 4Q23 to 53,500 boepd in 4Q24.
- Dana Gas experienced a 63.9% YOY increase in revenue to USD 159 Mn in 4Q24 mainly due to recognition of additional revenue under Egypt's newly signed Consolidated Concession Agreement coupled with increased output in the KRI region.
- The Company recorded a one-off impairment of USD 33 Mn in 4Q24 in Egypt related to past costs of the terminated concessions, which are no longer recoverable under the new agreement.
- Pearl Petroleum has taken full control for KM250 project expansion, with first gas expected by 2Q26, this expansion will add 250 MMscf/d of processing capacity.



4Q24 Net Profit higher than our estimate

Dana Gas PJSC ("Dana" or "the Company") reported a 14.7% YOY growth in net profit to USD 39 Mn in 4Q24 higher than our estimate of USD 34 Mn. The increase in net profit is primarily attributable to a significant increase in revenue and lower finance costs, partially offset by twofold increase in royalties.

P&L Highlights

Dana Gas experienced a 63.9% YOY increase in revenue to USD 159 Mn in 4Q24 mainly due to recognition of additional revenue under Egypt's newly signed Consolidated Concession Agreement coupled with increased output in the KRI region. The Company's average production decreased from 55,700 boepd in 4Q23 to 53,500 boepd in 4Q24. Notably, KRI's average production rose 7.8% YOY to 38,900 boepd in 4Q24 while Egypt witnessed a 25.1% YOY decline to 14,600 boepd due to the depletion of the natural field. Realized average prices stood at USD 233 per barrel for condensate and USD 194 per barrel for LPG in 2024 compared to USD 249 barrel and USD 196 per barrel, respectively, in 2023. Royalty payments doubled to USD 52 Mn in 4Q24, compared to USD 26 Mn in 4Q23. The operating costs fell 5.9% YOY to USD 32 Mn in 4Q24. Thus, gross profit increased from USD 37 Mn in 4Q23 to USD 75 Mn, in 4Q24. Furthermore, Dana's G&A expenses and investment & finance income remained unchanged at USD 3 Mn in 4Q24 compared to 4Q23. Moreover, impairments stood flat at USD 1 Mn in 4Q24. The Company recorded a one-off impairment of USD 33 Mn in 4Q24 in Egypt related to past costs of the terminated concessions, which are no longer recoverable under the new agreement. Dana's EBITDA increased from USD 56 Mn in 4Q23 to USD 89 Mn in 4Q24 with a 176 bps YOY decline in EBITDA margin to 56.0%. Dana's operating profit surged 2.4% YOY to USD 42 Mn in 4Q24. The Company's finance cost declined from USD 5 Mn in 4Q23 to USD 1 Mn in 4Q24. Additionally, income tax expense remained unchanged at USD 2 Mn in 4Q24.

Stock Information

Market Cap (AED, Mn)	5,617.28
Shares Outstanding(mm)	6,995.37
52 Week High	0.83
52 Week Low	0.61
3M Avg. daily value (AED)	7,799,760

4Q24 Result Review (USD, Mn)

Total Assets	2,948
Total Liabilities	426
Total Equity	2,522
EBITDA	89
Net Profit	39

Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	9.98
Price-to-Book Ratio (x)	0.60
Book Value (USD)	0.36
Return-on Equity (%)	6.17

Stock Performance

5 Days	-1.13%
1 Months	4.08%
3 Months	8.95%
6 Months	16.32%
1 Year	25.16%
Month to Date (MTD%)	4.08%
Quarter to Date (QTD%)	12.20%
Year to Date (YTD%)	12.20%

Balance Sheet Highlights

The Company's cash and bank balance increased from USD 151 Mn in 3Q24 to USD 317 Mn in 4Q24, out of which USD 235 Mn is allocated to Pearl Petroleum. Dana successfully collected USD 326 Mn in FY2024, including a significant contribution of USD 261 Mn from KRI and USD 65 Mn from Egypt. Additionally, KRI receivable decreased from USD 103 Mn in FY2023 to USD 67 Mn in FY2024, with a collection realization of 116%, while receivable from Egypt region stood at USD 78 Mn, achieving a collection realization of 105%. The Company incurred a capex of USD 73 Mn in FY2024 compared to USD 145 Mn in FY2023 owing to decline in investment activities in both the regions. Furthermore, total borrowings rose to USD 255 Mn in 4Q24 compared to USD 144 Mn in 3Q24, while corporate debt declined from USD 108 Mn in 4Q23 to USD 28 Mn in 4Q24 supported by receipt of regular dividend payments from Pearl.

Target Price and Rating

We maintain our BUY rating on Dana Gas with a target price at AED 0.95. Dana's reported robust financial performance in 4Q24 primarily attributed to an increase in production from KRI, partially offset by lower production from Egypt. In December 2024, Dana Gas signed a consolidated concession agreement with the Egyptian government, which combines its existing concessions into one larger agreement. The new concession expands the company's exploration acreage by 297 sq. km and includes better fiscal terms. As part of the agreement, Dana Gas is committing to a USD 100 Mn development and exploration program, which includes drilling 11 wells. The initiative aims to offset natural field declines, boost production, and increase gas recovery by 80 Bn cubic feet (bcf). Additionally, Dana Gas received USD 20 Mn from the Egypt government in December 2024, which will be reinvested to advance the first phase of the consolidation development program. Pearl Petroleum has taken full control for KM250 prSoject expansion, with first gas expected by 2Q26, this expansion will add 250 MMscf/d of processing capacity, significantly boosting the company's cash flows and financial performance. As a result, the Company is anticipating higher capital expenditure in FY2025. Additionally, it will enhance the stable and affordable gas supply, lowering fuel costs, making electricity more accessible to millions in KRI and neighbouring areas and driving economic growth across KRI and Iraq. Furthermore, the Company is actively planning to develop the Chemchemical field, to enhance the Company's output. Dana Partnered with Levidian to pilot LOOP technology, converting methane into graphene and hydrogen, supporting near-zero methane emissions by 2030 while unlocking new revenue streams. The company aims to resume sustainable dividends owing to strengthened financial position and improved collections. The board of directors recommended a payment of cash dividends of 5.5 fils per share, amounting to USD 105 Mn for FY2024. 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	4.9	8.4	9.6	10.1	8.8
PB	0.7	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	10.9	5.7	4.8	6.4	5.8	5.8
Dividend yield	6.8%	10.0%	11.2%	0.0%	7.0%	7.0%

FABS Estimates & Co Data

Dana Gas – P&L

USD mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY	QOQ	2023	2024	Change
Revenue	97	96	159	95	67.1%	63.9%	65.6%	423	445	5.2%
Royalties	-26	-19	-52	-20	NM	NM	NM	-109	-109	0.0%
Net Revenue	71	77	107	75	42.4%	50.7%	39.0%	314	336	7.0%
Operating Costs & depletion	-34	-30	-32	-32	-0.7%	-5.9%	6.7%	-124	-120	-3.2%
Gross Profit	37	47	75	43	74.8%	102.7%	59.6%	190	216	13.7%
G&A expenses	-2	-3	-2	-3	-37.4%	0.0%	-33.3%	-11	-11	0.0%
Investment & finance inc.	3	3	3	3	12.3%	0.0%	0.0%	10	11	10.0%
Other Expenses	1	-1	0	-1	NM	NM	NM	0	-5	NM
Impairment of fin. assets	-1	-1	-1	0	NM	NM	NM	-3	-4	NM
Change in FV of inv prop	1	0	0	0	NM	NM	NM	1	0	NM
Other Income	2	1	0	0	NM	NM	NM	8	1	-87.5%
Operating Profit	41	46	42	42	0.9%	2.4%	-8.7%	194	174	-10.3%
EBITDA	56	59	89	58	52.2%	58.9%	50.8%	257	263	2.3%
Finance costs	-5	-3	-1	-3	-66.9%	-80.0%	-66.7%	-18	-11	-38.9%
Profit Before Tax	36	43	41	39	6.2%	13.9%	-4.7%	176	163	-7.4%
Income tax expense	-2	-3	-2	-4	-55.1%	0.0%	-33.3%	-16	-12	-25.0%
Profit After Tax	34	40	39	34	14.2%	14.7%	-2.5%	160	151	-5.6%
NCI	0	0	0	0	NM	NM	NM	0	0	NM
Net Profit	34	40	39	34	14.2%	14.7%	-2.5%	160	151	-5.6%

FABS estimate & Co Data

Dana Gas - Margins

	4Q23	3Q24	4Q24	YOY	QOQ	2023	2024	Change
Gross margin	38.1%	49.0%	47.2%	903	-179	44.9%	48.5%	362
Operating margin	42.3%	47.9%	26.4%	-1,585	-2,150	45.9%	39.1%	-676
EBITDA margin	57.7%	61.5%	56.0%	-176	-548	60.8%	59.1%	-166
Net profit margin	35.1%	41.7%	24.5%	-1,052	-1,714	37.8%	33.9%	-389

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	0.95	70.0%	0.67
Relative Valuation (RV)	0.95	30.0%	0.28
Weighted Average Valuation (AED)			0.95
Current market price (AED)			0.79
Upside/Downside (%)			+20%

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 9.1%. It is arrived after using the cost of equity of 9.2% and the interest-adjusted cost of debt of 9.1%. The cost of equity is calculated by using a 10-year government bond yield of 5.3%, beta of 0.90, and equity risk premium of 4.3%. Government bond yield is calculated after adding 10-year CDS spread Abu Dhabi over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	534
Terminal value (USD, Mn)	1,308
FV to Common shareholders (USD, Mn)	1,842
No. of share (Mn)	6,995
Current Market Price (AED)	0.79
Fair Value per share (AED)	0.95

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	187	185	180	173	167
D&A	64	67	69	71	73
(-) Capex	-120	-108	-108	-104	-100
(-/+) Change in Working Capital	1	2	7	0	-1
Free Cash Flow to Firm (FCFF)	132	145	147	140	139
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Discounted FCFF	104	124	115	100	91

Source: FAB Securities,¹Adjusted 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
Average		6.7x	6.0x	15.9x	13.5x
Median		7.3x	6.4x	14.9x	14.4x
Max		7.3x	6.6x	16.6x	16.4x
Min		6.3x	5.3x	13.1x	11.4x

Source: FAB Securities

