

## OQEP

Q3 EPS slipped on softer oil prices, despite higher volumes; Reiterate Buy on 10% FCFY and 10% DY.

- Q3 25A EPS down 25% q/q on softer realized prices and narrowing premiums, partly offset by higher y/y volumes.
- EPSA framework grants OQEP up to 30% working interest in any commercial discovery – a LT growth driver with minimal exploration risk.
- Low OpEx of USD 8/bbl (53% below peers) and CapEx of USD 9/bbl, support a strong FCF yield and DY of 10% over FY 25-29e. Base dividends at an 8.7% yield are sustainable even with an oil price as low as USD 55-60/bbl, in our view.
- We maintained Buy at a TP of OMR 0.40/share, as the stock trades at 5.2x EV/EBITDA, in-line with peers, but offering a lucrative DY of 10% vs. 4.5% for peers and 35% P/E discount at 9x.

**OQEP Q3 25A EPS down 25% q/q on softer realized prices and narrowing premiums, partly offset by higher y/y volumes.** OQEP reported revenues of SAR 202m (-9% q/q, -8% y/y) and net income of SAR 69m in Q3 25A (-25% q/q, -20% y/y), explained by a decline in realized oil prices (-3% q/q to USD 71.9/boe) and a sharp contraction in premiums to Brent, which offset otherwise stable output (-4% q/q, +18% y/y). We expect only a minor 1% decline y/y in revenues to OMR 831m in FY 25e on a 15% decline in global oil prices to USD 68/bbl, which is partly compensated by a higher production share of 52% (+2 pts y/y) to OQEP, thanks to favorable production sharing agreements, offering a higher share to contractors at lower oil prices.

**OQEP's low lifting costs at USD 8/bbl, nearly half the global average of USD 16/bbl - make production profitable even at USD 55/boe oil price.** OQEP's operational efficiency is exemplified by its low lifting costs, estimated at around USD 8/bbl in FY 26-29e, which are among the lowest globally (peers' average is around USD 16/bbl). This low-cost base is driven by economies of scale, favorable geology, and efficient transformation initiatives—such as remote monitoring and data-driven production scheduling—that optimize field uptime and reduce operational variability. The focus on mature, de-risked assets with geologically favorable reserves ensures consistent, low-cost production, supporting profitability even when oil prices hover around USD 55 per barrel.

**We expect a strong FCFY of 10% and DY of 10% in FY 25-29e on low OpEx and CapEx per barrel.** We expect a FCF of USD 696m (OMR 268m) in FY 25-29e at a FCFY of 10%, despite lower oil prices (USD 68/bbl in FY 25e, -15% y/y), on a strong production base, strategic gas sales contracts with 1.75-2% annual price escalations, and exclusive EPSA rights. Its low-cost base (USD 8/bbl vs. USD 16/bbl peers) and CapEx/boe (USD 9.2/boe through FY 44e to USD 4.6/boe by FY 49e) support an attractive FCF yield of 10% over FY 25-29e. We expect total dividends of USD 679m (OMR 261m) in FY 25-28e, comprising base dividends of USD 600m (OMR 231m) and a performance-linked dividend (PLD) of USD 79m (OMR 30m), based on an oil price of USD 68/bbl and cash costs of USD 8/boe. We think the base dividends are sustainable even at a lower oil price of USD 55-60/bbl, as FCF of USD 528-584m (OMR 203-225m) would still cover 93% of base dividends.

**OQEP's production should grow at a modest 2% CAGR in FY 25-29e, following a sharp CAGR of 5.7% in FY 21-24A.** OQEP's net production has grown at a CAGR of 5.7% in FY 21-24A, explained by incremental production in block 60 thanks to continued expansion in production profile and exploration. We expect this trend to continue, albeit at a slower pace of 2% CAGR in FY 25-29e, thanks to higher gas production given promising gas discovery at block 11 backed by sizable gross CapEx of USD 2.52bn (OMR 974m) annually, with a production plateau beyond FY 44e.

**We reiterate Buy at a TP of OMR 0.400/share (a 23% upside),** thanks to a resilient FCFY of 10% and DY of 10% with upside from exploration and stake increase in existing and new fields. We estimate an average FCF of OMR 443m (USD 1.1bn) in FY 25-49e, assuming that reserves are fully depleted by FY 49e. Our assumptions incorporate an oil price moderation to USD 68/bbl in FY 25e (-15% y/y) and a gradual shift in the production mix toward gas, with the oil/gas split converging to 50/50 by FY 29e from 55/45 in FY 25e. OQEP trades at 5.1x EV/EBITDA on FY 26e, broadly in line with peers, but it trades at a huge discount of 35% to peers on P/E of 9x in FY 26e, thanks to equity income and low interest expense on a healthy balance sheet. OQEP's appeal lies in its dividend story, offering an estimated 10% DY in FY 26e vs. a peer average of c.4.5%.

## OMR

OMR 0.40

### Industrial / OMAN

Bloomberg code	OQEP OM
Market index	MSX
Target Price	0.40
Upside (%)	23

### Market data 1/5/2026

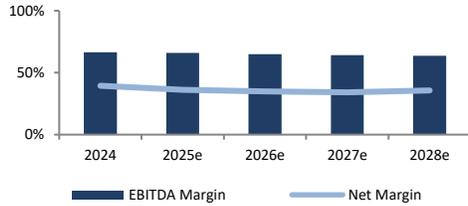
Last closing price	0.33
52 Week range	0.3-0.4
Market cap (OMR m)	2,960
Market cap (USD m)	7,688
Average Daily Traded Value (OMR m)	3.0
Average Daily Traded Value (USD m)	8.3
Free float (%)	25%

Year-end (local m)	2024	2025e	2026e	2027e
Revenues	841	831	822	825
EBITDA	559	548	534	528
Net income	332	300	286	282
EPS	0.04	0.04	0.04	0.04
EPS growth (%)	(48.2)	(6.5)	(4.8)	(1.6)
P/E (current price)	8.1	8.6	8.7	8.9
DPS	0.02	0.03	0.03	0.03
Div. yield (%)	6.6%	10.6%	9.8%	9.5%
FCF/share	0.03	0.04	0.03	0.03
FCF yield (%)	9.4%	11.6%	9.9%	9.5%
CAPEX	246	307	313	319
CAPEX/sales (%)	29.2	37.0	38.1	38.7
Net Debt/EBITDA (x)	0.4	0.4	0.4	0.4
EV/EBITDA (x)	5.0	5.1	5.1	5.2
RoAE (%)	39.5	32.5	30.2	29.0
RoIC (%)	23.4	22.9	21.5	20.5

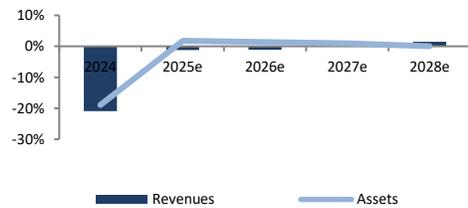
**Abacus**

*Arqaam Capital Fundamental Data*

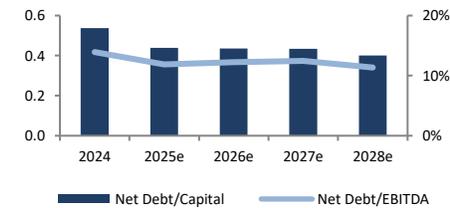
**Profitability**



**Growth**



**Gearing**



**OQEP**

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Financial summary</b>						
Reported EPS	0.08	0.04	0.04	0.04	0.04	0.04
Diluted EPS	0.08	0.04	0.04	0.04	0.04	0.04
DPS	0.04	0.02	0.03	0.03	0.03	0.03
BVPS	0.35	0.42	0.43	0.44	0.45	0.46

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Valuation metrics</b>						
P/E (x) (current price)	4.2	8.1	8.6	8.7	8.9	8.4
P/E (x) (target price)	5.2	10.0	10.5	10.7	10.9	10.4
EV/EBITDA (x) (current price)	3.6x	5.0x	5.1x	5.1x	5.2x	5.2x
EV/EBITDA (x) (target price)	4.4	6.0	6.1	6.2	6.3	6.3
EV/FCF (x)	5.4	11.6	9.0	10.5	10.9	9.7
Free cash flow yield (%)	20%	9.4%	11.6%	9.9%	9.5%	10.3%
Dividend yield (%)	12.1%	6.6%	10.6%	9.8%	9.5%	10.1%

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Growth (%)</b>						
Revenues	(23.5)	(20.9)	(1.2)	(1.1)	0.3	1.5
EBITDA	(26.6)	(27.1)	(2.1)	(2.6)	(1.0)	0.8
EBIT	(35.5)	(30.4)	(5.6)	(5.9)	(2.6)	1.1
Net income	-	(47.7)	(9.4)	(4.8)	(1.6)	6.3

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Margins (%)</b>						
EBITDA	72.2	66.5	65.9	64.9	64.1	63.6
EBIT	38.0	33.5	32.0	30.4	29.5	29.4
Net	59.6	39.4	36.2	34.8	34.1	35.8

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Returns (%)</b>						
RoAA	29.6	17.9	18.0	16.8	16.4	17.3
RoAE	105.6	39.5	32.5	30.2	29.0	30.0
RoIC	23.2	23.4	22.9	21.5	20.5	20.4
FCF margin	16.0	7.4	10.0	8.5	8.1	9.3

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Gearing (%)</b>						
Net debt/Capital	31.4	17.9	14.7	14.5	14.5	13.4
Net debt/Equity	61.1	25.6	20.8	20.5	20.0	18.0
Interest cover (x)	36.0	79.0	16.3	15.3	15.7	17.2
Net debt/EBITDA (x)	0.6	0.4	0.4	0.4	0.4	0.3

**Abacus** *Arqaam Capital Fundamental Data*

## Company profile

OQEP is Oman's only government-owned upstream oil and gas company and a major subsidiary of OQ, contributing around 56% of OQ's adjusted EBITDA in FY 2024. Since its founding in 2009, it has grown production nearly 14-fold to 227.8 kboe/d as of FY 24.

The company ranks among Oman's top three oil and gas producers, contributing ~14% of the country's hydrocarbon output in FY 2023. It holds 2P working interest reserves of approximately 0.974 billion boe as of H1 24. OQEP manages 14 upstream assets across exploration, development, and production, and benefits from Oman's strategic location, strong regulatory environment, and economic stability.

## Investment thesis

We reiterate Buy at a TP of OMR 0.400/share (a 23% upside), thanks to a resilient FCFY of 10% and DY of 10% with upside from exploration and stake increase in existing and new fields. We estimate an average FCF of OMR 443m (USD 1.1bn) in FY 25-49e, assuming that reserves are fully depleted by FY 49e. Our assumptions incorporate an oil price moderation to USD 68/bbl in FY 25e (-15% y/y) and a gradual shift in the production mix toward gas, with the oil/gas split converging to 50/50 by FY 29e from 55/45 in FY 25e. OQEP trades at 5.1x EV/EBITDA on FY 26e, broadly in line with peers, but it trades at a huge discount of 35% to peers on P/E of 9x in FY 26e, thanks to equity income and low interest expense on a healthy balance sheet. OQEP's appeal lies in its dividend story, offering an estimated 10% DY in FY 26e vs. a peer average of c.4.5%.

## OQEP

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Income statement (OMRmn)</b>						
Sales revenue	1,063	841	831	822	825	837
Cost of sales	(614)	(523)	(532)	(538)	(547)	(557)
<b>Gross profit</b>	<b>449</b>	<b>318</b>	<b>299</b>	<b>284</b>	<b>277</b>	<b>280</b>
SG&A	(45)	(37)	(33)	(33)	(34)	(34)
<b>EBITDA</b>	<b>767</b>	<b>559</b>	<b>548</b>	<b>534</b>	<b>528</b>	<b>533</b>
Depreciation	(363)	(278)	(282)	(283)	(285)	(286)
<b>EBIT</b>	<b>404</b>	<b>282</b>	<b>266</b>	<b>250</b>	<b>244</b>	<b>246</b>
Interest expense	(11)	(4)	(16)	(16)	(16)	(14)
Share of results of associates & JV	-	8	11	12	12	25
Profit before tax	707	329	305	291	286	304
Taxes	(80)	(3)	(5)	(4)	(4)	(5)
<b>Other post-tax income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit (group)	627	327	300	286	282	299
Minorities	7	5	-	-	-	-
<b>Net profit (parent)</b>	<b>634</b>	<b>332</b>	<b>300</b>	<b>286</b>	<b>282</b>	<b>299</b>
Arqaam adjustments (including dilution)	7	5	-	-	-	-
<b>Arqaam Net profit</b>	<b>634</b>	<b>332</b>	<b>300</b>	<b>286</b>	<b>282</b>	<b>299</b>

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Balance sheet (OMRmn)</b>						
Cash and equivalents	257	160	199	198	178	166
Receivables	471	442	414	408	407	411
Inventories	99	77	70	71	72	73
Tangible fixed assets	931	866	891	921	955	962
Other assets including goodwill	289	114	114	115	116	116
<b>Total assets</b>	<b>2,047</b>	<b>1,659</b>	<b>1,689</b>	<b>1,712</b>	<b>1,728</b>	<b>1,729</b>
Payables	328	288	293	297	302	307
Interest bearing debt	725	394	394	394	375	348
Other liabilities	154	65	65	65	65	65
<b>Total liabilities</b>	<b>1,208</b>	<b>747</b>	<b>752</b>	<b>755</b>	<b>741</b>	<b>719</b>
Shareholders equity	767	912	937	957	986	1,010
Minorities	71	-	-	-	-	-
<b>Total liabilities &amp; shareholders equity</b>	<b>2,047</b>	<b>1,659</b>	<b>1,689</b>	<b>1,712</b>	<b>1,728</b>	<b>1,729</b>

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Cash flow (OMRmn)</b>						
<b>Cashflow from operations</b>	<b>795</b>	<b>449</b>	<b>582</b>	<b>538</b>	<b>528</b>	<b>527</b>
Net capex	(265)	(246)	(307)	(313)	(319)	(293)
<b>Free cash flow</b>	<b>529</b>	<b>245</b>	<b>314</b>	<b>270</b>	<b>260</b>	<b>293</b>
Equity raised/(bought back)	-	80	-	-	-	-
Dividends paid	(316)	(173)	(276)	(266)	(252)	(276)
Net inc/(dec) in borrowings	(546)	(222)	-	-	(219)	(27)
Other investing/financing cash flows	(11)	(4)	(16)	(16)	(16)	(14)
<b>Net cash flow</b>	<b>75</b>	<b>(124)</b>	<b>39</b>	<b>(1)</b>	<b>(20)</b>	<b>(12)</b>
Change in working capital	961	400	426	292	252	340

### Nour Eldin Sherif, CFA

noureldin.sherif@arqaamcapital.com  
+971 55 780 9963

### Passant Mohamed

passant.mohamed@arqaamsecurities.com  
+20 109 925 8411

## Q3 25A Results Review

### Exhibit 1: Q3 25A KPIs summary

OMRm	Q3 25A	Q2 25A	q/q	Q3 24A	y/y
Revenue	202	223	-9%	219	-8%
Net profit	69	92	-25%	86	-20%
Net margin	34%	41%	-7.30%	39%	-5.20%

Source: Company Data, Arqaam Capital Research

## Valuation Summary

### Exhibit 2: DCF Summary

OMRm	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 49e
EBIT	269	262	257	256	262	586
Other income	11	12	12	25	26	49
(Taxes Paid)	(5)	(5)	(4)	(5)	(5)	(10)
+Depreciation	279	281	282	284	285	315
COPAT	555	550	546	560	568	939
Working capital changes	22	4	3	1	(2)	(0)
CAPEX	(263)	(284)	(289)	(268)	(273)	(149)
<b>Free cash flow</b>	<b>314</b>	<b>270</b>	<b>260</b>	<b>293</b>	<b>292</b>	<b>790</b>
PVOP	3,027					
PVTV	0					
<b>Enterprise Value</b>	<b>3,027</b>					
Net Debt (Q2 25A)	173					
Investments	16					
<b>Equity Value</b>	<b>2,870</b>					
Number of Shares	8,000					
<b>Target Price (OMR/share)</b>	<b>0.400</b>					

Source: Arqaam Capital Research

## Important Notice

### 1. Author, regulator and responsibility

Arqaam Capital Limited ("Arqaam") is incorporated in the Dubai International Financial Centre ("DIFC") and is authorised and regulated by the Dubai Financial Services Authority ("DFSA") to carry on financial services in and from the DIFC. Arqaam publishes and distributes (i.e. issues) all research.

Arqaam Capital Research Offshore s.a.l. is a specialist research centre in Beirut, Lebanon, which assists in the production of research issued by Arqaam.

### 2. Purpose

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Arqaam did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives.

### 3. Rating system

Arqaam investment research is based on the analysis of regional and country economics, industries and company fundamentals. Arqaam company research reflects a long-term (12-month) fair value target for a company or stock. The ratings bands are:

<b>Buy</b>	Total return >15%
<b>Hold</b>	0-15%
<b>Sell</b>	Total return <0%

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Arqaam policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Arqaam's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Arqaam clients.

### 4. Accuracy of information

The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is accurate or complete and it should not be relied upon as such. Any mention of market rumours has been derived from the markets and is not purporting to be fact or reflect our opinions. Arqaam has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. In accordance with Regulation AC of the 1934 Exchange Act, the views expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and are subject to change without notice. No part of the research analysts' compensation is related to the specific recommendations or views in the research report.

### 5. Recipients and sales and marketing restrictions

5.1 Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service.

5.2 This document is directed at Professional Clients and not Retail Clients within the meaning of DFSA rules. Any investments or financial products referred to herein will only be made available to clients who Arqaam is satisfied qualifies as Professional Clients. Any other persons in receipt of this document must not rely upon or otherwise act upon it.

5.3 This document is only being distributed to investors who meet certain qualifications and to whom an investment or service may be offered or promoted in accordance with relevant country restrictions. This excludes the US except for SEC registered broker-dealers (or banks in permissible "broker" or "dealer" capacity) acting on a principal or agency capacity, and major US institutional investors in accordance with SEC Rules 15a-6(a)(2). Details of other relevant country restrictions are set out on our website at <http://www.arqaamcapital.com/english/system/footer/terms-of-use.aspx>. Persons into whose possession this document comes are required to inform themselves about, and observe, such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorisation, registration or other legal requirements.

### 6. Risk warnings

6.1 Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected.

6.2 The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

6.3 Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgement. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance.

6.4 Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors.

6.5 This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

### 7. Conflict

7.1 Arqaam and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document.

7.2 Arqaam may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document.

7.3 Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Arqaam business areas, including investment banking personnel.

7.4 Emirates NBD PJSC owns 8.32% of Arqaam.

7.5 This is a commissioned report for which Arqaam Capital has been remunerated.

### 8. No warranty

Arqaam makes no representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, merchantability, fitness for a particular purpose and/or non-infringement.

### 9. No liability

Arqaam will accept no liability in any event including (without limitation) negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

### 10. Copyright and Confidentiality

The entire content of this document is subject to copyright with all rights reserved and the information is private and confidential for your own personal use only. This document and the information contained herein may not be reproduced, distributed or transmitted to any other person or incorporated in any way into another document or other material without our prior written consent.

### 11. Governing law

English law governs this document and these disclaimers and any dispute in relation thereto shall be exclusively referred to the English Courts.