Company Update

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OQEP

A record quarter on higher oil price and premiums; Reiterate Buy as the best levered oil play at a lucrative 9% DY

- **NI surged 74% q/q (+36% y/y) in Q2 26A, on 44% higher brent price of USD 91/bbl and premium of USD 9/bbl. Revenues came in 8% below ACe on lower volumes.**
- **We now expect 31% higher NI of OMR 363m in FY 26e (-9% vs. prev.) as we expect Brent price of USD 80/bbl (+18% y/y), but at zero premium (vs. USD 10/bbl prev.).**
- **Strong balance sheet (FY 25 ND/EBITDA of c.0.3x, room to lever up to 1.5x) keeps management's 300 kboepd FY 30 ambition within reach; we model 4% CAGR to 270 kboepd, with upside from selective M&A.**
- **Reiterate Buy at TP OMR 0.560 (+1%) on 4% production CAGR to 270 kboepd (vs. 300 kbeopd target) till FY 30e, offering attractive DY 9% and 10% FCFY in FY 26e.**

A solid quarter for OQEP at 74% higher net income in Q2 26A at OMR 125m (+36% y/y, +18% vs. ACe) on 59% higher realized prices q/q. NI before minority rose 74% q/q (+36% y/y) to OMR 125m in Q2 26A, 18% ahead of ACe. The sequential increase was primarily price-driven with revenues up 15% q/q to OMR 251m in Q2 26A (+13% y/y), on a surge in realized price of 59% q/q to USD 100/bbl (+35% y/y), reflecting OQEP's 2-month pricing lag and a USD 9/bbl premium to Brent in Q2, up from USD 0.2/bbl discount in Q1 26A. Revenue came 8% below our estimates, likely on lower-than-expected volumes, down from a high base in Q1 26A of 6.5m sold oil barrels, on the reversal of Q4 25 under-liftings and uninterrupted exports through Mina Al Fahal. Given the 8% revenue miss, NI beat likely came from higher-than-expected margins and below-the-line items, pending the full financials.

We now expect 31% higher NI of OMR 363m in FY 26e (-9% vs. prev.) as we expect Brent price of USD 80/bbl (+18% y/y), but at zero premium (vs. USD 10/bbl prev.). Oman crude price peaked at USD 163/bbl during the disruption before falling to c.USD 73/bbl mid-Jun as the Strait was temporarily reopened and GCC supply returned. OQEP's 2-month pricing lag allowed it to capture an average USD 9/bbl premium to Brent in Q2, but this reversed in the May-Jul prices that should feed into Q3, when Oman crude price traded at a USD 4/bbl discount. We expect this discount to continue into H2 26e, largely offsetting the Q2 premium and leaving the FY 26e realised price broadly in line with Brent at USD 80/bbl. Accordingly, we cut FY 26-28e EPS by c.2%, mainly due to a 9% cut in FY 26e, as we lower revenue by 6% to OMR 1.3bn. Our FY 26-28e Brent remains unchanged at USD 72/bbl. The impact of lower oil price should be partly offset by 7% higher FY 26e oil sales volumes, as thanks to higher OQEP's entitlement share, under the EPSA cost-recovery mechanism (every USD 10/bbl price change shifts OQEP's share by 2-4%). Renewed geopolitical disruption remains the main upside risk to our estimates.

Strong balance-sheet makes the production ambition of 300 kboepd by FY 30 increasingly attainable; we conservatively model c.270 kbpd (4% CAGR in FY 26-30e). OQEP ended FY 25A with ND/EBITDA of 0.3x, leaving leverage headroom of c.OMR 1.1bn based on mid cycle EBITDA, before reaching OQEP's ceiling of 1.5x. This provides sufficient flexibility to fund organic development across existing and new assets while pursuing selective M&A. Our estimates assume a 4% organic production CAGR over FY 26-30e, taking net production from 228 kboepd in FY 26e to 270 kboepd by FY 30e. This remains below management's 300 kboepd ambition, as we think the gap could be bridged comfortably through favourable M&A, presenting clear upside to our volume and earnings estimates.

We reiterate Buy with a TP of OMR 0.560/share (+1% vs. prev.), supported by robust FY 26e FCFY of 10%, DY of 9% and 4% production CAGR (6% for oil sales volume) in FY 26-28e. The investment case rests on strong cash generation, with FCF averaging OMR 364m in FY 26-28e (c.10% yield), low leverage (FY 25 ND/EBITDA of c.0.3x), and production growth to 270 kboepd by FY 30e, with upside toward management's 300 kboepd target from exploration and M&A. OQEP keeps its IPO dividend framework in FY 26e, implying c.OMR 360m (9.4% yield). From FY 27, the company should move to a 25-35% CFO payout, and we expect dividends of OMR 215m in FY 27-28e (c.5.6% yield), still above peers, while keeping room to fund growth and potential M&A. Longer term, Oman's EPSA framework lets OQEP join new discoveries through the government's right to take up to a 30% working interest, supporting portfolio expansion. We see OQEP as the best GCC-listed play on higher oil prices, as peers such as Aramco and ADNOC Gas are more exposed to weaker export volumes, and Oman as the best-placed sovereign to benefit given the significant upside to its fiscal position.

BUY	OMR 0.560

Industrial / OMAN

Bloomberg code	OQEP OM
Market index	MSX
Target Price	0.560
Upside (%)	17

Market data 7/15/2026

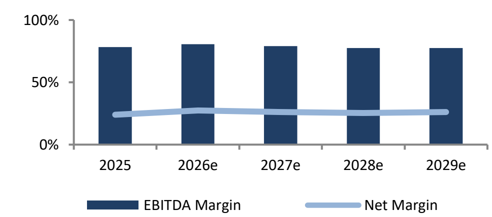
Last closing price	0.480
52 Week range	0.3-0.6
Market cap (OMR m)	3,608
Market cap (USD m)	9,372
Average Daily Traded Value (OMR m)	7.0
Average Daily Traded Value (USD m)	19.4
Free float (%)	25%

Year-end (OMR m)	2025	2026e	2027e	2028e
Revenues	1,159	1,324	1,352	1,314
EBITDA	906	1,066	1,070	1,018
Net income	278	363	353	334
EPS	0.03	0.05	0.04	0.04
EPS growth (%)	(12.0)	30.6	(2.8)	(5.4)
P/E (current price)	13.8	10.6	10.9	11.5
DPS	0.03	0.05	0.03	0.03
Div. yield (%)	7.2%	9.4%	5.7%	5.4%
FCF/share	0.03	0.04	0.03	0.03
FCF yield (%)	6.9%	9.9%	9.0%	9.0%
CAPEX	250	306	320	300
CAPEX/sales (%)	21.5	23.1	23.7	22.8
Net Debt/EBITDA (x)	0.3	0.2	0.1	-
EV/EBITDA (x)	4.5	3.8	3.8	4.0
RoAE (%)	30.6	39.8	35.8	30.0
RoIC (%)	22.6	29.1	28.2	25.6

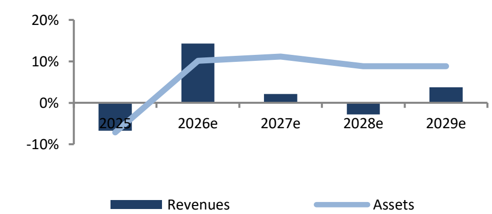
Abacus

Arqaam Capital Fundamental Data

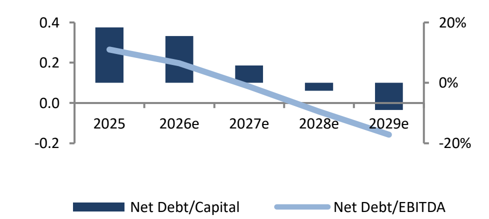
Profitability



Growth



Gearing



OQEP

Year-end	2024	2025	2026e	2027e	2028e	2029e
Financial summary						
Reported EPS	0.04	0.03	0.05	0.04	0.04	0.04
Diluted EPS	0.04	0.03	0.05	0.04	0.04	0.04
DPS	0.02	0.03	0.05	0.03	0.03	0.03
BVPS	0.42	0.42	0.42	0.48	0.54	0.61

Year-end	2024	2025	2026e	2027e	2028e	2029e
Valuation metrics						
P/E (x) (current price)	12.2	13.8	10.6	10.9	11.5	10.8
EV/EBITDA (x) (current price)	4.2x	4.5x	3.8x	3.8x	4.0x	3.8x
EV/FCF (x)	5.4	11.6	9.0	10.5	10.9	9.7
Free cash flow yield (%)	5.8%	6.9%	9.9%	9.0%	9.0%	8.8%
Dividend yield (%)	4.5%	7.2%	9.4%	5.7%	5.4%	5.5%

Year-end	2024	2025	2026e	2027e	2028e	2029e
Growth (%)						
Revenues	16.9	(6.7)	14.3	2.1	(2.8)	3.7
EBITDA	25.2	(5.7)	17.7	0.4	(4.9)	3.7
EBIT	69.0	(9.6)	25.8	0.3	(6.9)	4.9
Net income	(50.2)	(12.0)	30.6	(2.8)	(5.4)	6.3

Year-end	2024	2025	2026e	2027e	2028e	2029e
Margins (%)						
EBITDA	77.3	78.2	80.5	79.2	77.5	77.4
EBIT	55.0	53.3	58.6	57.6	55.2	55.8
Net	25.4	24.0	27.4	26.1	25.4	26.1

Year-end	2024	2025	2026e	2027e	2028e	2029e
Returns (%)						
RoAA	17.0	17.4	22.4	19.7	17.0	16.6
RoAE	37.6	30.6	39.8	35.8	30.0	28.4
RoIC	23.4	22.6	29.1	28.2	25.6	27.2
FCF margin	-	-	-	-	-	-

Year-end	2024	2025	2026e	2027e	2028e	2029e
Gearing (%)						
Net debt/Capital	17.9	18.4	15.5	5.8	(2.6)	(8.9)
Net debt/Equity	25.6	26.5	22.9	8.4	(3.7)	(12.5)
Interest cover (x)	191.7	38.2	36.0	35.9	31.5	31.9
Net debt/EBITDA (x)	0.2	0.3	0.2	0.1	-	(0.2)

Abacus *Arqaam Capital Fundamental Data*

Company profile

OQEP is Oman's majority government-owned upstream oil and gas company and one of the largest subsidiaries of OQ, contributing approximately 56% of the group's adjusted EBITDA in FY 2024. Since its establishment in 2009, the company has expanded production nearly 14-fold, reaching 224 kboe/d in FY 2025. OQEP ranks among Oman's top three oil and gas producers and contributed around 30% of the country's hydrocarbon output in FY 2025.

As of January 2025, it held approximately 0.923 billion boe of 2P working-interest reserves and achieved a 160% reserve replacement ratio. The company manages a diversified portfolio of 15 upstream assets across exploration, development, and production, supported by Oman's strategic location, stable regulatory framework, and strong economic fundamentals.

Investment thesis

We reiterate Buy with a TP of OMR 0.560/share (+1% vs. prev.), supported by robust FY 26e FCFY of 10%, DY of 9.4% and 4% production CAGR (6% for oil sales volume) in FY 26-28e. The investment case rests on strong cash generation, with FCF averaging OMR 364m in FY 26-28e (c.10% yield), low leverage (FY 25 ND/EBITDA of c.0.3x), and production growth to 270 kboepd by FY 30e, with upside toward management's 300 kboepd target from exploration and M&A. OQEP keeps its IPO dividend framework in FY 26e, implying c.OMR 360m (9.4% yield). From FY 27, it moves to a 25-35% CFO payout, and we expect dividends of OMR 215m in FY 27-28e (c.5.6% yield), still above peers, while keeping room to fund growth and potential M&A. Longer term, Oman's EPSA framework lets OQEP join new discoveries through the government's right to take up to a 30% working interest, supporting portfolio expansion. We see OQEP as the best GCC-listed play on higher oil prices, as peers such as Aramco and ADNOC Gas are more exposed to weaker export volumes, and Oman as the best-placed sovereign to benefit given the significant upside to its fiscal position.

OQEP

Year-end	2024	2025	2026e	2027e	2028e	2029e
Income statement (OMRmn)						
Sales revenue	1,243	1,159	1,324	1,352	1,314	1,363
Cost of sales	(523)	(502)	(503)	(527)	(544)	(556)
Gross profit	**720**	**657**	**822**	**825**	**770**	**808**
SG&A	(45)	(37)	(33)	(33)	(34)	(34)
EBITDA	**961**	**906**	**1,066**	**1,070**	**1,018**	**1,056**
Depreciation	(278)	(289)	(290)	(292)	(293)	(294)
EBIT	**683**	**617**	**776**	**779**	**725**	**761**
Interest expense	(4)	(16)	(22)	(22)	(23)	(24)
Share of results of associates & JV	8	9	9	9	20	20
Profit before tax	720	636	809	812	769	805
Taxes	(404)	(358)	(446)	(459)	(435)	(450)
Other post-tax income/(expense)	-	-	-	-	-	-
Net profit (group)	316	278	363	353	334	355
Minorities	-	-	-	-	-	-
Net profit (parent)	**316**	**278**	**363**	**353**	**334**	**355**
Arqaam adjustments (including dilution)	-	-	-	-	-	-
Arqaam Net profit	**316**	**278**	**363**	**353**	**334**	**355**

Year-end	2024	2025	2026e	2027e	2028e	2029e
Balance sheet (OMRmn)						
Cash and equivalents	160	160	229	381	553	705
Receivables	442	309	380	384	370	380
Inventories	77	73	73	77	79	81
Tangible fixed assets	866	855	870	899	905	923
Other assets including goodwill	114	144	144	144	144	144
Total assets	**1,659**	**1,540**	**1,696**	**1,885**	**2,052**	**2,233**
Payables	288	145	248	274	276	282
Interest bearing debt	394	400	439	469	509	539
Other liabilities	65	90	90	90	90	90
Total liabilities	**747**	**635**	**778**	**834**	**875**	**911**
Shareholders equity	912	905	919	1,051	1,177	1,322
Minorities	-	-	-	-	-	-
Total liabilities & shareholders equity	**1,659**	**1,540**	**1,696**	**1,885**	**2,052**	**2,233**

Year-end	2024	2025	2026e	2027e	2028e	2029e
Cash flow (OMRmn)						
Cashflow from operations	**449**	**600**	**653**	**629**	**597**	**600**
Net capex	(246)	(250)	(306)	(320)	(300)	(312)
Free cash flow	**235**	**279**	**314**	**270**	**260**	**293**
Equity raised/(bought back)	80	(10)	10	-	-	-
Dividends paid	(173)	(275)	(360)	(220)	(209)	(210)
Net inc/(dec) in borrowings	(222)	(192)	20	20	20	20
Other investing/financing cash flows	(4)	(16)	(22)	(22)	(23)	(24)
Net cash flow	**(129)**	**27**	**69**	**152**	**172**	**152**
Change in working capital	368	386	565	464	468	422

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Q2 26 Results summary

Exhibit 1: Net income rose 74% q/q to OMR 125m (+36% y/y, +18% vs. ACe) on 59% higher realized prices q/q

OMRm	Q2 26A	Q2 26e	vs. ACe	Q1 26A	q/q	Q2 25A	y/y
Revenue	251	273	-8%	218	15%	223	13%
Net profit	125	106	18%	72	74%	92	36%
Net margin	50%	39%	1,086 bps	33%	1,674 bps	41%	846 bps

Source: Arqaam Capital Research, Company Data

Exhibit 2: We now expect NI of OMR 363m in FY 26e (-9% vs. prev.) as we expect Brent price of USD 80/bbl (+18% y/y), but at zero premium (vs. USD 10/bbl prev.).

	FY 26e			FY 27e			FY 28e		
OMR m	new	old	Δ	new	old	Δ	new	old	Δ
Revenues	1,324	1,410	-6%	1,352	1,336	1%	1,314	1,300	1%
Gross profit	822	910	-10%	825	820	1%	770	767	0%
EBITDA	1,066	1,152	-7%	1,070	1,065	0%	1,018	1,015	0%
Net income	363	398	-9%	353	357	-1%	334	339	-2%
GPM	62.0%	64.5%	(250.1)	61.0%	61.3%	(30.2)	58.6%	59.0%	(37.3)
EBITDA margin	81%	82%	(117.8)	79%	80%	(55.7)	77%	78%	(61.9)
Net margin	27.4%	28.2%	(82.9)	26.1%	26.7%	(61.8)	25.4%	26.1%	(67.7)

Source: Arqaam Capital Research, Company Data

Valuation Summary

Exhibit 3: DCF Summary

OMRm		FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	FY 49e
EBIT		776	779	725	761	842	1,432
Other income		9	9	20	20	21	38
(Taxes Paid)		(446)	(459)	(435)	(450)	(482)	(725)
+Depreciation		290	292	293	294	296	325
COPAT		***630***	***620***	***603***	***626***	***676***	***1,071***
Working capital changes		32	18	13	(6)	(11)	2
CAPEX		(261)	(274)	(253)	(264)	(275)	(147)
Free cash flow		**401**	**364**	**364**	**356**	**390**	**925**
PVOP	4,215						
PVTV							
Enterprise Value	**4,215**						
Net Debt (Q4 25A)	216						
Investments	55						
Equity Value	**4,053**						
Number of Shares	8,000						
Fair Value (OMR/share)	**0.507**						
Target Price (OMR/share)	**0.560**						

Source: Arqaam Capital Research

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