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KazMunayGas and Peers – Scale and Performance

Introduction

KazMunayGas [KMG], Kazakhstan's national oil and gas champion navigated the turbulence of fiscal year 2024 [FY2024] with a blend of operational resilience and financial discipline that sets it apart from many of its state-owned peers. The company's journey through a challenging global environment marked by falling oil prices and shifting energy market dynamics, has not been without setbacks. Yet, KMG's ability to maintain robust production levels, strengthen its cash flow, and reduce its debt burden underscores a strategic agility that is increasingly rare among comparable state-owned energy champions.

This analysis seeks to descript the contours of KMG's recent performance by benchmarking it against a carefully selected group of comparable companies: Argentina's YPF SA, Hungary's MOL Group, and Angola's Sonangol. Each of these entities operates under the watchful eye of the state, yet their trajectories diverge in telling ways, shaped by unique geopolitical, economic, and operational realities. Through a comparison of financial ratios, operational trends, and strategic responses, this article aims to provide a comprehensive portrait of KMG's position in the global energy landscape, while also reflecting on the broader challenges and opportunities facing state-owned oil and gas enterprises.

Glimpse of KMG and Peers Selection

KazMunayGas, established in 2002 through the merger of Kazakhoil and Oil&Gas Transportation companies, has become the key player of Kazakhstan's hydrocarbon sector. As a vertically integrated entity, KMG's activities span the full spectrum of oil and gas value chain, from exploration and production to transportation, refining, and (wholesale) marketing of refined products. The company's ownership structure is emblematic of its strategic importance to the Kazakh state: Samruk-Kazyna, the country's sovereign wealth fund, holds a controlling 67.42% stake, while the Ministry of Finance of Kazakhstan and the National Bank of Kazakhstan own 20% and 9.58% respectively. The remaining stake of circa 3% represents free float on the KASE and AIX.

Key indicators

KMG is the national leader in the oil and gas industry of Kazakhstan

26%	56%	80%	21%	9%
In oil production of the Republic of Kazakhstan	In oil transportation of the Republic of Kazakhstan	In oil refinery of the Republic of Kazakhstan	Assets to GDP of the Republic of Kazakhstan	Share in the state budget of the Republic of Kazakhstan

Source: KMG website

In selecting peers for this comparative analysis, the focus was on identifying companies that mirror KMG's scale, business mix, and ownership structure, while also providing a window into the diverse realities of state-owned oil and gas enterprises. The exclusion of Rosneft, the National Iranian Oil Company, and Petróleos de Venezuela was a deliberate choice, driven by the distorting effects of international sanctions that would have rendered any comparison both unfair and analytically unsound. Instead, the spotlight falls on YPF SA, MOL Group, and Sonangol.

In addition to the initially selected peers [YPF SA, MOL Group, and Sonangol], a broader list of potential comparators was considered, including ADNOC [UAE], Saudi Aramco [Saudi Arabia], PEMEX [Mexico], Petrobras [Brazil], PetroChina [China], and Equinor [Norway]. However, most of these companies were ultimately excluded from the main comparative set for reasons beyond sanctions, such as significant differences in production scale, political systems, or the lack of publicly available information. There is also SOCAR, Azerbaijan's state-owned oil and gas company, which is broadly comparable to KMG in terms of scale and operational context. However, its FY2024 annual report is not published yet.

It is important to note that some of the industry giants such as Saudi Aramco, Petrobras, PetroChina, and Equinor are addressed separately in a dedicated chapter, given their unique scale and global influence, which set them apart from KMG's peer group.

The selected peers, while operating in distinct regulatory and market environments, share with KMG the challenge of balancing state interests with commercial imperatives:

- YPF SA, Argentina's flagship energy company, is majority state-owned and operates in a market marked by macroeconomic volatility and political intervention.
- MOL Group, though not majority state-owned, has the Hungarian government as its largest shareholder and operates across Central and Eastern Europe, offering a perspective on partial privatization and regional integration.
- Sonangol, Angola's national oil company, provides a contrasting case of a resource-rich entity grappling with the legacies of political instability and economic mismanagement.

Company name	KMG	YPF SA	MOL Group	Sonangol
Oil&Gas Production	✓	✓	✓	✓
Pipeline System	✓	✓	✓	✓
Refineries	✓	✓	✓	✓
Gas Stations	×	✓	✓	✓
Equity Listing	KASE, AIX	Buenos Aires, NYSE	Budapest, Warsaw	×
State Ownership	~97%	51%	21%	100%
Oil and condensate production, FY2024*	23.8 mln tonnes	12.8 mln tonnes	2.19 mln tonnes	55.8 mln tonnes
Natural gas production, FY2024*	9.6 bln m3	14.6 bln m3	2.2 bln m3	5.6 bln m3
Oil Reserves, end of FY2024	716 mln toe [2P]	75 mln toe [1P]	47 mln toe [2P]	Not disclosed

*Sonangol's values for 2023.

Source: compiled by ENERGY Insights & Analytics based on public information

By focusing on trends and key financial ratios rather than absolute figures, this analysis seeks to account for differences in operational contexts, ensuring a more meaningful and nuanced comparison.

KazMunayGas and Peers in FY2024

The fiscal year 2024 proved to be challenging for KMG, testing its capacity to adapt to a global oil market characterized by heightened volatility and subdued demand. The company reported a modest decline in revenue, a reflection of the broader condition affecting oil exporters worldwide as average crude prices declined. Yet, beneath these headline numbers lies a story of operational resilience and strategic focus. KMG’s oil and gas condensate production rose by 1% to 23.8 million tonnes.

Oil and gas condensate production, thous. tonnes

Indicator	2022	2023	2024
Oil and gas condensate production	**22,012**	**23,532**	**23,837**
Operating assets	**13,761**	**13,559**	**14,294**
Ozenmunaigas	5,096	4,877	5,098
Embamunaigas	2,581	2,722	2,790
Mangistaumunaigaz	3,049	3,075	3,085
Kazgermunai	651	594	521
Karazhanbasmunai	1,071	1,027	1,077
PetroKazakhstan Inc.	554	515	472
Kazakhoil Aktobe	281	253	238
Kazakhturkmunay	436	436	440
Urikhtau Operating	43	20	84
Dunga		40	378
Ural Oil and Gas		1	111
Megaprojects	**8,251**	**9,973**	**9,544**
Tengizchevroil	5,836	5,779	5,562
KMG Kashagan B.V. [1]	1,402	3,108	2,885
KMG Karachaganak	1,013	1,086	1,097

Source: KMG FY2024 Annual Report

The increase in oil and gas condensate production was achieved thanks to increased production of major companies operating legacy oilfields, including Ozenmunaigas [OMG], Embamunaigas [EMG], and Mangistaumunaigas.

Robust performance of mature assets helped to partially offset declined volumes produced by megaprojects in FY2024. The improved results from mature fields were achieved through management's focus on production efficiency measures. In contrast, KMG's stakes in the megaprojects [Tengiz, Kashagan, and Karachaganak] do not provide operational control, meaning KMG's management has limited influence on their operating performance.

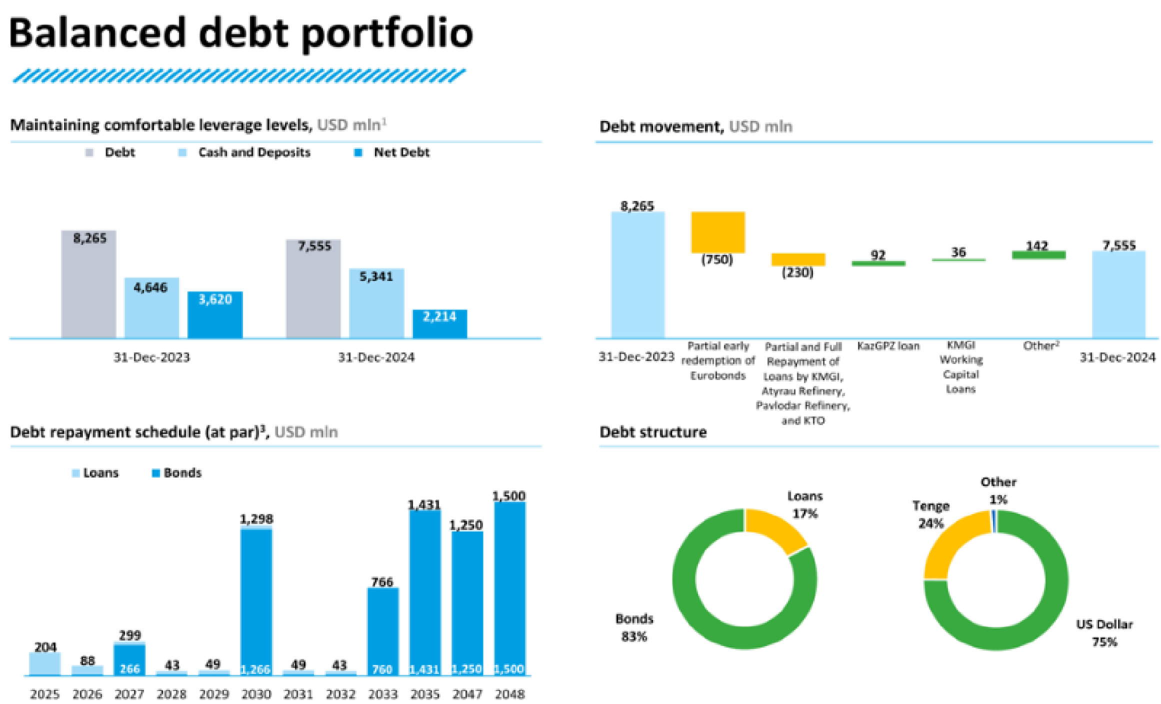
Key operational and financial results

		2023	2024	% change
Operational	Oil and gas condensate	23.5 mt	23.8 mt	+1.3%
		(485 kbopd)	(490 kbopd)	+1.2%
	Oil transportation	80.4 mt	83.5 mt	+3.9%
	Refining volumes	19.6 mt	19.2 mt	-2.2%

		2023	2024	% change
Financial	Revenue	$ 18,236 mln	$ 17,750 mln	-2.7%
	EBITDA	$ 4,398 mln	$ 4,264 mln	-3.1%
	FCF[1]	$ 2,157 mln	$ 2,555 mln	+18.4%
	CAPEX (cash method)	$ 1,498 mln	$ 1,374 mln	-8.3%
	Gross debt	$ 8,265 mln	$ 7,555 mln	-8.6%
	Net debt	$ 3,620 mln	$ 2,214 mln	-38.8%

Source: KMG FY2024 Earnings Presentation

While revenue pressures were certain, KMG's operational performance provided a crucial buffer, offsetting some of the financial strain through increased production volumes and improved efficiency. The company's focus on cost control and disciplined capital allocation was evident in its ability to generate robust free cash flow, even as market headwinds persisted. This improvement in cash generation was not a matter of happenstance but the result of strategic initiatives aimed at streamlining operations, renegotiating supplier contracts, and optimizing working capital. The significance of these efforts cannot be overstated, as strong cash flow is the lifeblood of any capital-intensive industry, enabling the company to fund ongoing operations, support dividend payments, and retain the flexibility needed to pursue future growth projects.



Source: KMG FY2024 Earnings Presentation

Perhaps most impressive was KMG's progress in reducing its debt burden during FY2024. In an environment where peers struggle under the weight of legacy obligations, KMG's deleveraging stands out as a testament to prudent financial management. By lowering its interest expenses and fortifying its balance sheet, the company has not only improved its credit profile but also enhanced investor confidence. This strategic focus on financial health has allowed KMG to preserve profitability despite margin pressures, with disciplined spending and productivity gains mitigating the impact of revenue decline. The company's ability to maintain positive net income and free cash flow in tough conditions underscores its resilience and adaptability, qualities that are likely to serve it well as it navigates an uncertain future.

	KMG	YPF SA	MOL Group	Sonangol
Revenue, $ billion	17,8	19,3	25,1	10,5
EBITDA, $ billion	4,3	4,7	2,9	3,4
EBITDA, %	24%	24%	12%	32%
FCF, $ billion	2,6	-0,8	0,5	0,4
FCF/Revenue, %	15%	-4%	2%	3%
CapEx [cash], $ billion	1,4	5,0	1,7	0,7
CapEx/Revenue, %	8%	26%	7%	7%
ROACE*	6,5%	10,9%	5,2%	3,6%

* Net Income / Average Capital Employed (Equity + Debt)

Source: compiled by ENERGY Insights & Analytics based on public information

When viewed in comparison to its selected peers, KMG's FY2024 performance stands out as particularly robust, especially when considering the nuances revealed by the key financial metrics. Despite reporting lower total revenue than YPF SA and MOL Group, KMG matched YPF SA in EBITDA margin at 24%, significantly outperforming MOL Group's 12% and only trailing Sonangol's exceptionally high 32%. This strong operational profitability is further complemented by KMG's impressive free cash flow [FCF] generation in the amount of $2.6 billion. KMG's FCF not only overshadowed those of MOL and Sonangol but also represented a healthy 15% of revenue, while YPF SA posted negative FCF, reflecting ongoing challenges in cash generation despite higher revenues.

KMG's capital expenditure discipline is also notable. With CapEx at just 8% of revenue, KMG maintained a prudent investment profile, enabling it to preserve liquidity and strengthen its balance sheet, while YPF SA's CapEx intensity was much higher at 26% of revenue. MOL Group and Sonangol both registered CapEx-to-Revenue ratios of 7%, suggesting a similar investment ceiling, but neither matched KMG's combination of strong free cash flow and moderate capital spending.

From the angle of return on invested capital, KMG's 6.5% ROACE is the second-best result trailing only YPF SA. On the other hand, we also see that YPF SA's FCF margin was negative in FY2024, which outweighs its strongest ROACE since this ratio relies on accounting profits rather than the FCF generating capacity.

Taken together, these metrics underscore KMG's balanced and resilient performance relative to its international peers.These figures underscore the effectiveness of KMG's management strategy in prioritizing operational efficiency and capital allocation. While YPF SA benefited from a rebound in fuel prices and increased exports, it still struggled to convert this into positive cash flow, partly due to Argentina's volatile macroeconomic environment and significant investment requirements. MOL Group, operating in a more stable European context, managed steady results but was hampered by lower downstream margins and heavy turnaround activity, which compressed its EBITDA margin and limited free cash flow growth. Sonangol, though achieving the highest EBITDA margin, generated only modest free cash flow and maintained low CapEx, reflecting ongoing constraints from operational inefficiencies and legacy issues.

Looking ahead, KMG's strengthened cash flow and reduced debt provide a solid foundation for future growth. The company is well-positioned to capitalize on any recovery in oil prices and/or demand, and its operational improvements should continue to drive value. Management's prudent financial strategy and focus on core assets are expected to support sustainable returns for shareholders, while also enabling the company to respond nimbly to the evolving demands of the global energy market. Yet, the road ahead is not without risks. The twin pressures of market volatility and the global energy transition will require KMG to continue innovating and adapting, balancing the imperatives of national development with the need to remain competitive.

The State-owned Giants' Performance

To fully appreciate the financial standing and aspirations of KazMunayGas, it is useful to look beyond its immediate peers and examine the performance of the world's oil and gas giants: state-owned enterprises whose scale, profitability, and operational efficiency set the gold standard for the industry.

Key financial results

All amounts in millions unless otherwise stated	Year ended December 31			
	SAR		USD*	
	2024	2023	**2024**	2023
Net income	**398,422**	454,764	**106,246**	121,271
EBIT[6]	**772,296**	865,037	**205,946**	230,677
Capital expenditures	**188,890**	158,308	**50,371**	42,215
Free cash flow[6]	**319,998**	379,506	**85,333**	101,202
Dividends paid	**465,918**	366,674	**124,245**	97,780
ROACE[6,7]	**20.2%**	22.5%	**20.2%**	22.5%
Average realized crude oil price ($/barrel)	**NA**	NA	**80.2**	83.6

Source: Saudi Aramco

Among these, Saudi Aramco remains the undisputed leader, consistently delivering results that are the envy of both state and private sector competitors. In FY2024, Aramco reported a net income of $106.2 billion, a figure that, while down 12% from the previous year due to lower oil prices, still dwarfs the profits of every other energy company worldwide. This extraordinary bottom line was achieved on revenues of $436 billion, underscoring Aramco's unrivaled ability to generate value even in a weaker pricing environment. The company's operating cash flow reached $135.7 billion, and free cash flow stood at $85.3 billion, both reflecting a disciplined approach to capital allocation and cost management.

In FY2024, the world's other largest state-owned oil and gas companies faced the same challenging market environment, but their responses varied, revealing important benchmarks for KazMunayGas.

	KMG	Saudi Aramco	PetroChina	Equinor	Petrobras
Oil and condensate, million tonnes	23,8	514	105	137	110
Natural gas, bln m3	9,6	120	140	116	32
Revenue, $ billion	17,8	480	400	104	79
EBITDA, $ billion	4,3	206	65	32	32
EBITDA, %	24%	43%	16%	31%	40%
FCF, $ billion	2,6	85	14	8	16
FCF/Revenue, %	15%	18%	4%	8%	21%
CapEx [cash], $ billion	1,4	50	36	12	13
CapEx/Revenue, %	8%	10%	9%	12%	16%
ROACE*	6,5%	20,2%	7,6%	8,6%	3,9%

* Net Income / Average Capital Employed (Equity + Debt)

Source: compiled by ENERGY Insights & Analytics based on public information

Despite their much larger scale, these global state-owned giants offer valuable lessons for KazMunayGas. KMG's profitability ratios hold up well even when compared to these industry leaders, who benefit from far greater operating leverage due to their size. The management's focus on driving efficiency also aligns with the core priorities of the world's top state-owned oil and gas companies.

On the downside, KMG notably lags behind in terms of return on average capital employed, a key area that requires urgent attention. Addressing this gap will require more than just improving the company's bottom line as it may also necessitate restructuring KMG's capital structure and realigning its portfolio of non-core assets. This is a critical imperative: as long as Kazakhstan's flagship oil and gas company demonstrates weaker returns on capital and investment, it will be challenging to attract new investment into the country's energy sector as a whole.

KMG Q1 2025 Earnings Analysis

KazMunayGas began 2025 with a strong operational performance in Q1, successfully expanding both its oil and gas output despite a weaker pricing environment as the average Brent price per barrel declined from $83.2 to $75.7 on a year-on-year basis. In the first quarter, oil and gas condensate production rose by 5.8% year-on-year to 6.4 million tons, driven largely by a 24.9% surge at the Tengiz field following the finishing the Future Growth Project-Wellhead Pressure Management Project. Gas production also saw a robust 12.7% increase. However, oil transportation volumes declined by 2.9%, primarily due to lower deliveries from Kashagan and temporary disruptions in marine logistics, while refining throughput grew by an impressive 11.1% as refineries in Kazakhstan and Romania operated at higher utilization rates.

Financially, KMG's revenue remained stable at 2,241 billion tenge [$4.39 billion], up just 0.6% year-on-year, as higher refining and trading volumes offset the negative impact of lower oil prices and transportation volumes. EBITDA grew 6.2% to 582 billion tenge [$1.14 billion]. The EBITDA growth was driven by increased share in profit of joint ventures and associates, as well as lower cost of purchased oil, gas, petroleum products and other materials. Notably, free cash flow nearly doubled, rising 96.4% to 283 billion tenge [$555 million], thanks to higher operating cash inflows and a significant uptick in dividends received from joint ventures.

Consolidated statement of comprehensive income

mln KZT	1Q 2025	1Q 2024	Change	Change, %
Revenue and other income				
Revenue from contracts with customers	2,241,251	2,227,318	13,933	0.6%
Share in profit of joint ventures and associates, net	185,393	154,325	31,068	20.1%
Gain from disposal of subsidiary	-	16,410	(16,410)	-100.0%
Interest income calculated using the effective interest rate method	43,433	39,817	3,616	9.1%
Other finance income	1,102	61,567	(60,465)	-98.2%
Other operating income	7,391	4,110	3,281	79.8%
Total revenue and other income	**2,478,570**	**2,503,547**	**(24,977)**	**-1.0%**
Costs and expenses				
Cost of purchased oil, gas, petroleum products and other materials	(1,215,853)	(1,265,810)	49,957	-3.9%
Production expenses	(362,146)	(328,271)	(33,875)	10.3%
Taxes other than income tax	(149,287)	(133,399)	(15,888)	11.9%
Depreciation, depletion and amortization	(177,916)	(162,313)	(15,603)	9.6%
Transportation and selling expenses	(71,393)	(66,509)	(4,884)	7.3%
General and administrative expenses	(45,480)	(39,005)	(6,475)	16.6%
Finance costs	(81,723)	(74,517)	(7,206)	9.7%
Foreign exchange loss, net	(60,928)	(16,521)	(44,407)	268.8%
Impairment of property, plant and equipment and exploration expenses	(22,548)	(96)	(22,452)	23,387.5%
Expected Credit Losses	168	(503)	671	-133.4%
Other expenses	(6,251)	(8,566)	2,315	-27.0%
Total costs and expenses	**(2,193,357)**	**(2,095,510)**	**(97,847)**	**4.7%**
Profit before income tax	**285,213**	**408,037**	**(122,824)**	**-30.1%**
Income tax expenses	(92,695)	(107,597)	14,902	-13.8%
Net profit for the year	**192,518**	**300,440**	**(107,922)**	**-35.9%**

Source: KMG Q1 2025 earnings presentation

Despite these operational and cash flow gains, net profit fell by 35.9% to 193 billion tenge [$377 million], largely due to higher depreciation, increased production and administrative costs, foreign exchange losses, and one-off impairment charges related to infrastructure projects. The company nonetheless continued to strengthen its balance sheet, reducing net debt by nearly 20% compared to year-end 2024, and increasing its consolidated cash and cash equivalents by 6.9%.

Overall, KMG's Q1 2025 performance is a logical continuation of the company's solid FY2024 results, reflecting management's ongoing commitment to disciplined capital allocation and cost control. Despite a persistently challenging environment marked by declining oil prices and macroeconomic uncertainty, KMG prioritized operational efficiency and prudent investment, which is already yielding tangible benefits. Revenue remained stable, and EBITDA increased, supported by higher refining volumes and a significant rise in free cash flow, nearly doubling year-over-year, driven by robust operational cash generation and increased dividends from joint ventures.

This consistent focus on cost discipline and capital efficiency, even though market conditions remain volatile, is fully aligned with the practices of the world's most successful state-owned oil and gas companies However, despite these efforts, the company faces ongoing challenges, including rising operating costs at OMG and EMG, limited influence on major sector megaprojects, ongoing arbitration with NCOC's shareholders, and underwhelming performance from KMG International. While market conditions remain volatile, KMG's approach appears focused on maintaining financial stability. Notably, the company has fixed its dividend payouts (depend on Brent price), which may indicate that current cost-saving initiatives are intended to accumulate cash reserves for the state as the primary shareholder.

The Bottom Line

In summary, KazMunayGas delivered solid performance in FY2024, demonstrating resilience amid a volatile and challenging global oil market. Management's focus on operational improvements, disciplined capital allocation, and debt reduction allowed the company to demonstrate results that look decent compared both to the peer group and the world's largest state-owned oil and gas giants.

On the other hand, it is essential for KMG to maintain its rock-solid commitment to innovation and efficiency initiatives that can drive key profitability metrics, especially since its returns on capital currently trail those of global leaders. Because return metrics are heavily influenced by the amount and structure of capital employed, optimizing KMG's capital structure and divesting non-core, unprofitable assets should also be a priority. This focus is critical because efficiency in capital employed is a key metric, and outperforming global averages in this area is crucial if Kazakhstan aims to attract more foreign investment into its energy sector.

ENERGY Insights & Analytics

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The key tool and product of ENERGY Insight & Analytics is internally developed software - the Analytical Platform EXia, aimed to identify, localize, format, and present data most efficiently for the specified use cases.

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