



KAROON ENERGY LIMITED

Equity Analysis (11 March 2025)



Contents

Introduction	1
Operating Performance	1
Balance Sheet Highlights	1
Ratio Analysis	2
Recent Updates	2
Outlook	2
Risks	2
Technical Analysis	3
Investment Summary	4

Introduction

Karoon Energy Ltd is an Australia-based international oil and gas exploration and production company with assets in Brazil, the United States of America and Australia. The Company has two key producing assets, such as the Bauna Project in the Santos Basin, Brazil and the Who Dat assets in the Gulf of Mexico, the United States of America.

Recommendation	Buy	
Risk Profile	High	
Current Market Price (AU\$)	1.540	
52 Week Low-High (AU\$)	1.175 - 2.420	
Market Capitalisation (AU\$)	1.15 billion	
Outstanding Shares	760.64 million	
PE (TTM)	6.02	
EPS (AU\$) (TTM)	0.253	
Dividend Yield/Frinking	6.22%/-	
Ex-Date/Pay-Date	04 Mar 2025/ 31 Mar 2025	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	1.1x	1.4x
EV/EBITDA (LTM)/(FY-1)	1.7x	2.3x
Price/Book Value (LTM)/(FY-1)	0.7x	-

Performance Chart



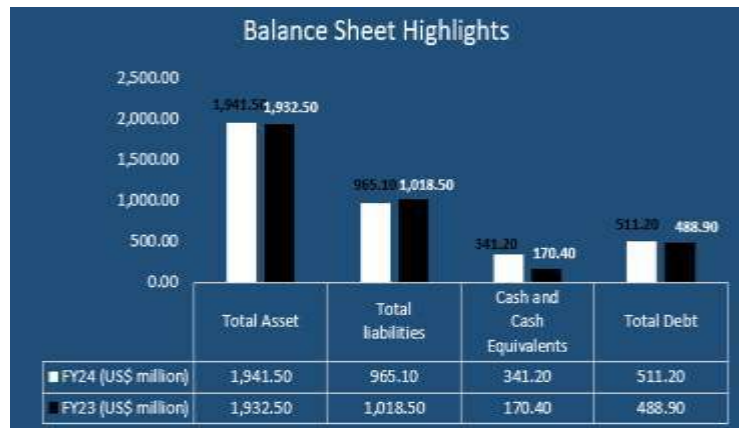
Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- Total revenue of the company in FY24 is US\$776.50 million.
- In FY24, the company's net profit was US\$127.50 million.
- Cash provided from operating activities was US\$434.60 million in FY24 compared to US\$303.40 million in FY23.
- Cash used in investing activities was US\$218.60 million in FY24 compared to US\$728.10 million in FY23.
- Cash used in financing activities was US\$37.20 million in FY24 compared to cash provided US\$519.80 million in FY23.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to FY23, in FY24:

- Total asset increased by 0.47% to US\$1,941.50 million.
- Total liabilities decreased by 5.24% to US\$965.10 million.
- Total debt increased by 4.56% to US\$511.20 million.

Ratio Analysis

Fiscal Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Return on Assets (ROA) %	-16.21%	1.64%	8.64%	13.04%	9.79%
Return On Equity %	-26.35%	1.19%	-19.62%	43.48%	13.49%
Return on Total Capital (ROTC) %	-17.67%	2.20%	14.65%	22.89%	13.12%
EBITDA Margin %	-	49.33%	53.57%	58.61%	60.28%
Gross Profit Margin %	-	34.46%	50.22%	50.29%	48.82%
Net Income Margin %	-	2.57%	-16.72%	28.77%	16.42%
Asset Turnover	-	0.2	0.4	0.5	0.4
Days Outstanding Inventory (Avg)	-	-	28.9	18.2	10.6
Current Ratio	12.3	1.4	1	0.9	1.8
Days Sales Outstanding (Average Receivables)	-	-	42.6	40.5	21.3
Days Payable Outstanding (Avg)	-	-	83.1	73.2	43.7
Cash Conversion Cycle (Average Days)	-	-	-11.7	-14.6	-11.7

Source: Koyfin, Chart Prepared by Kapitales Research

Recent Updates

On 27 February 2025, Karoon Energy has signed a Sale and Purchase Agreement to acquire the Baúna Cidade de Itajaí (CDI) FPSO from Altera & Ocyan for US\$115 million, plus US\$8 million in transaction costs. The move aims to enhance production reliability, reduce operating costs by US\$4-6/bbl from 2026, and extend the Baúna Project's field life into the 2030s. The acquisition will be funded from existing cash reserves, with completion expected by 30 April 2025. A new O&M contractor will be selected by mid-2025 for FPSO operations.

Outlook

Karoon Energy demonstrates a strong outlook with its inaugural US\$350 million bond issuance, maturing in May 2029 at a 10.5% coupon rate, enhancing its debt maturity profile and financial stability. The company also strengthened its governance with the appointment of two highly experienced independent Non-Executive Directors, Ms. Melissa Holzberger and Ms. Joanne Palmer. Their expertise in energy operations, resources law, and audit services complements Karoon's strategic vision. These initiatives position Karoon for sustainable growth in the global energy sector.

Risks

The company has exposure to the following risks-

- Market Competition
- Consumer preference risk
- Operational risk
- Technological Advancements

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Karoon Energy Limited	KAR	Energy	1.540	11 March 2025	Buy	1.745	1.875	1.375

The stock of oil, gas and consumable fuels company KAR settled at AU\$1.540 on 11 March 2025 after a gain of nearly 0.98% from previous day's closing. It is currently trading between its 52-week price levels.

The stock is trading above the significant exponential moving averages (EMA) of 20 week on a weekly time frame, indicating bullishness for the midterm.

RSI (14 weeks) is at 52, holding a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$1.745 (previous swing resistance) and AU\$1.875 (previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$1.375 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

Karoon Energy showcases a robust investment profile, with significant revenue contributions from Brazil and the USA. For the six months ended June 30, 2024, consolidated revenue reached US\$413.8 million, driven by hydrocarbon exploration, development, and production. The company strategically accessed the US144A bond market, issuing US\$350 million at a 10.5% coupon, extending its debt maturity. With strong segment assets totaling US\$1,954.00 million and stable operations across Australia, Brazil, and the USA, Karoon remains well-positioned for sustained growth and shareholder value creation.

Considering all the above factors and the current trading level, we recommend a "Buy" rating on the stock at the current market price of AU\$1.540 as of 11 March 2025 (after-market hours).

Customer Notice:

Nextgen Global Services Pty Ltd trading as Kapitales Research (ABN 89 652 632 561) is a Corporate Authorised Representative (CAR No. 1293674) of Enva Australia Pty Ltd (AFSL 424494). The information contained in this website is general information only. Any advice is general advice only. No consideration has been given or will be given to the individual investment objectives, financial situation or needs of any particular person. The decision to invest or trade and the method selected is a personal decision and involves an inherent level of risk, and you must undertake your own investigations and obtain your own advice regarding the suitability of this product for your circumstances. Please be aware that all trading activity is subject to both profit & loss and may not be suitable for you. The past performance of this product is not and should not be taken as an indication of future performance.

Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.