FitchRatings

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Fitch Affirms EDO at 'BBB-'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 03 Aug 2026: Fitch Ratings has affirmed Energy Development Oman SAOC's (EDO) Long-Term Issue Default Rating (IDR) at 'BBB-' with a Stable Outlook.

EDO's rating is constrained by that of its sole shareholder, the government of Oman (BBB-/Stable), due to their strong links, in line with Fitch's Government-Related Entities (GRE) Rating Criteria and Parent and Subsidiary Linkage (PSL) Rating Criteria.

EDO's 'bbb+' Standalone Credit Profile (SCP) is supported by its large-scale oil and gas operations, strong and resilient cash flow generation, with contracted sale prices for gas, a flexible royalty framework, a flexible dividend policy and low leverage. The company's operations also have not been materially affected by the ongoing Middle East conflict.

The SCP is constrained by EDO's concentration on a single country of operations, an upstream-focussed business model and a mature reserve base with significant use of secondary and tertiary oil recovery techniques with low proved reserve life compared with peers'.

Key Rating Drivers

Sovereign Constrains Rating: EDO's rating is constrained by that of Oman due to strong linkages between the company and the state. Under our GRE Rating Criteria, we assess the precedents of support as 'Strong', while we assess decision-making and oversight, preservation of government policy role, and contagion risk as 'Very Strong'. This results in an overall GRE support score of 55 points out of a maximum of 60.

'Very Strong' Decision-Making & Oversight: EDO's 'Very Strong' decision-making and oversight reflects full ownership by the state with no near-term privatisation plans. The company's strategy and activities are directed by a board of directors nominated by the government. Its gas business is subject to regulated pricing, and its Block 6 oil and gas concessions are critical to the domestic economy.

'Strong' Precedents of Support: In 2022, the government provided a shareholder bridge facility by permitting EDO to defer dividend payouts and instead allowing the company to allocate its excess cash towards near-term investments. This facility was converted into a subordinated shareholder loan in 2025 with more equity-like features, which we continue to treat as non-debt.

The government has also established a flexible royalty regime, whereby royalties are based on average oil prices during the relevant period, to allow EDO to preserve cash flow at times of low hydrocarbon prices. We expect the government to continue providing support, due to EDO's pivotal role within Oman's infrastructure and economy.

'Very Strong' Government-Policy Role Preservation: The oil and gas sector is a major part of the Omani economy, with EDO's Block 6 concessions accounting for a large share of the nation's total oil and gas reserves. The company sells gas mainly on the domestic market. EDO is also one of the largest corporate employers in Oman.

'Very Strong' Contagion Risk: EDO currently has a growing presence in capital markets. Its default would significantly impair the financial standing of the sovereign and the ability of either the government or other GREs within the country to raise financing. We view EDO as a benchmark issuer for its government in the financing market.

Scale Offsets Limited Diversification: EDO is the largest oil and gas producer in Oman via its interest in Petroleum Development Oman (PDO). PDO operates the onshore Block 6 oil and gas concessions, which comprise over 24% of Oman's land acreage. This partially mitigates EDO's focus on a single country of operations. We expect an average output of over 850 thousand barrels of oil equivalent per day (kboe/d) until 2029 in our rating case.

Flexible Payouts Under Fiscal Framework: EDO has been subject to a unique fiscal framework since 2021. The fiscal terms include royalties paid to the government based on EDO's revenue from the sale of oil and condensate and taxes paid on income derived from its oil and gas operations. Royalties and taxes paid are substantial under our price deck, but they are structured in order to ease the burden on cash flow when market conditions are weak.

Strong Financial Profile: We expect EDO will maintain a strong financial profile until 2029 under our rating case, despite growing capex, high royalties and tax payments to the government. Dividends are paid from excess cash flow after all debt-service obligations and working-capital requirements have been met, as well as considering minimum cash levels, which allows for cash flow flexibility. We expect EDO's EBITDA net leverage to average below 1x in 2026-2029. EDO plans to maintain company-defined net debt below 2.2x funds from operations (FFO). To date, EDO's operations have not been materially affected by the Iran war as the company is not reliant on the Strait of Hormuz for exports.

Favourable Unit Economics: In 2025, EDO's total cash costs before royalties were about USD4/boe of direct production costs and about USD13/boe of capex, which place the company at the lower end of the global cost curve. Adding royalties, of about USD15-20/boe under our rating case, significantly increases total cash costs. This is partly mitigated by EDO's still strong financial profile, the broad alignment of the interests of EDO and the government and progressive taxation on oil prices.

Gas Expansion Projects: EDO is evaluating new gas projects that would be integrated with LNG export infrastructure, allowing the company to export gas volumes directly. We currently do not incorporate any impact from these projects into our rating case. We will assess their impact on the company's SCP if and when they are sanctioned.

Peer Analysis

EDO's closest peers in EMEA oil and gas are Saudi Arabian Oil Company (Saudi Aramco; A+/Stable; SCP: aa+), QatarEnergy (AA/Rating Watch Negative; SCP: aa+) and OQ S.A.O.C. (BBB-/Stable; SCP: bbb-).

EDO has a stronger SCP than its Omani peer OQ, as OQ has modestly higher gross leverage metrics, lower through-the-cycle EBITDA and cash flow, and smaller scale, which are partially offset by greater diversification and a much lower dividend burden. OQ's rating is equalised with the rating of Oman under GRE Rating Criteria and is at the same level as its SCP.

Fitch assesses EDO, Saudi Aramco and QatarEnergy under its GRE Rating Criteria and PSL Rating Criteria. Their IDRs are constrained by their respective sovereign ratings.

Fitch’s Key Rating-Case Assumptions

- Brent crude oil prices in 2026-2029 in line with Fitch's base-case price deck

- Gas production sold at contracted prices

- Upstream production volumes averaging about 860kboe/d in 2026-2029

- Capex averaging USD4.6 billion per year in 2026-2029

- Dividends in line with the company's financial policy

Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bb+', Moderate), market and competitive positioning ('bbb+', Higher), diversification and asset quality ('bbb+', Moderate), company operational characteristics ('bbb', Moderate), profitability ('bbb+', Higher), financial structure ('aa', Moderate), and financial flexibility ('a', Moderate).

The quantitative financial subfactors are based on custom CRT financial period parameters: 10% weight for the historical year 2025, 10% for the forecast year 2026, 30% for the forecast year 2027, 30% for the forecast year 2028 and 20% for the forecast year 2029.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bbb+' has no impact.

The SCP is 'bbb+'.

To derive the Long-Term IDR:

Application of Fitch's PSL Rating Criteria results in a(n) consolidated approach.

Application of Fitch's GRE Rating Criteria results in a(n) constrained approach.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- A negative rating action on Oman would be mirrored in EDO's rating

-- FFO gross leverage or EBITDA net leverage rising above 1.5x on a sustained basis, due to, for example, sustained negative free cash flow driven by high capex or large acquisitions, which may be negative for the SCP but not necessarily for the IDR

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- A positive rating action on Oman would be mirrored in EDO's rating

-- The SCP is capped by limitations of the company's business profile

For Oman's rating sensitivities, see 'Fitch Upgrades Oman to 'BBB-'; Outlook Stable' dated 8 December 2025 on www.fitchratings.com.

Liquidity and Debt Structure

At end-March 2026, EDO had readily available cash and cash equivalents of USD382 million and fully undrawn revolving credit facilities of USD520 million (OMR200 million). Its nearest major repayment obligation is a USD975 million (OMR375 million) term loan due 2028, which has two one-year extension options at EDO's sole discretion.

We expect EDO to maintain a robust liquidity profile due to strong pre-dividend free cash flow, proven access to international debt markets and strong links with the sovereign. We expect EDO's flexible dividend policy will allow for liquidity preservation during periods of restricted capital-market access or lower oil prices.

EDO has a stated minimum cash target of about USD220 million plus additional cash reserves for next quarter's debt-service obligations, which is taken into account for determining cash flow available for dividends.

Issuer Profile

EDO is Oman's national energy company and owns participating interest in two concessions, accounting for about 60% of Oman's oil and gas production.

EDO is currently undergoing an administrative reorganisation to establish intermediate holding companies for its oil, gas and industrial activities.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

EDO's rating is constrained by Oman's sovereign rating.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

Climate Vulnerability Signals

The 2025 revenue-weighted Climate.VS for EDO is 51 for 2035, which is in line with the pure-play upstream oil and gas sector average. Key transition risks arise from potential demand reductions, driven by policies aimed at lowering global oil and gas consumption, and, in the nearer term, from policies intended to limit greenhouse gas emissions from oil and gas production. These risks do not have a material immediate impact on the rating, given the very long transition timescale, uncertainty around the extent and nature of changes and the potential reaction of companies and markets.

EDO's transition strategy, executed through PDO and Hydrom, focusses on green hydrogen and renewable generation. In the green hydrogen sector, EDO's role is to develop the sector master plan for Oman, manage the allocation of government-owned lands and licenses, co-ordinate shared infrastructure and oversee project execution. EDO will not commit large amounts of capital to these projects; instead, it will receive royalties from the concessions, once operational.

In additional to its oil and gas assets, PDO operates a network of power assets across Oman, including thermal power generation, transmission and distribution. PDO aims to increase renewable electricity capacity to 30% in the near term. Key renewable projects currently in operation include the Amin Solar project, the Nimr Reed Beds water treatment project, the Miraah solar project and the Solar PV car park. PDO expects to add 300MW of renewable generation capacity by end-2026, comprising solar-plus-storage and two wind plants.

Any rating impact may differ from the illustrative impact in the Climate.VS framework, reflecting the evolution of our assessment of global risks and action the entity might take to adapt to or mitigate the exposure.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Energy Development Oman SAOC	LT IDR	BBB-	Affirmed		BBB-
• senior unsecured	LT	BBB-	Affirmed		BBB-
EDO Sukuk Limited					
• senior unsecured	LT	BBB-	Affirmed		BBB-

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◉	◆
STABLE	⊙	

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.02 Aug 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub.18 Jul 2025)

Parent and Subsidiary Linkage Rating Criteria (pub.27 Jun 2025)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

Sukuk Rating Criteria (pub.13 Oct 2025)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

EDO Sukuk Limited	EU Issued, UK Endorsed
Energy Development Oman SAOC	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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