

Borouge PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.64	AED 2.95	+11.7%	ACCUMULATE

2Q25 Net Profit higher than our estimate

- Borouge's revenue declined 13.2% YOY to USD 1.3 Bn in 2Q25, primarily due to planned maintenance at Borouge 3, partially offset by c. 140 kt of inventory sales.
- Direct cost declined marginally 0.9% YOY to USD 0.9 Bn in 2Q25, owing to lower feedstock costs partially offset by an increase in other variable and fixed production costs primarily due to inventory impact in the quarter.
- Gross profit decreased substantially 30.2% YOY to USD 439 Mn in 2Q25, while gross margins fell 823 bps YOY to 33.7%.
- EBITDA declined from USD 613 Mn in 2Q24 to USD 442 Mn in 2Q25, while EBITDA margin declined from 40.8% in 2Q24 to 33.8% in 2Q25.
- Operating profit fell 36.5% YOY to USD 302 Mn in 2Q25, with a decrease in operating profit margin of 852 bps YOY to 23.1%.
- Net profit declined 37.0% YOY to USD 192 Mn in 2Q25, with a decrease in net margin from 20.3% in 2Q24 to 14.7% in 2Q25.
- Premia over the benchmark for PE increased 25.8% YOY to USD 249 per tonne in 2Q25, whereas premia for PP grew 2.2% YOY to USD 141 per tonne.
- Cash conversion stood at 71% in 2Q25 compared to 95% in 2Q24 due to higher capex and adjusted operating free cash flow decreased 46% YOY to USD 311 Mn in 2Q25.

Earnings Call Summary

- Polyethylene premia increased to USD 249 per tonne in 2Q25, while polypropylene premia stood at USD 141 per tonne in 2Q25, above the management's through-the-cycle guidance of USD 200 per tonne for PE and USD 140 per tonne for PP.
- purchased 125 Mn shares at the end of 2Q25 with transactions reported as per ADX regulatory requirements.
- Borouge successfully completed the Borouge 3 turnaround, eight days ahead of schedule, cutting downtime by 15%. This was the Company's most complex maintenance activity to date and positions its assets for six years of high performance.
- The Borouge 3 turnaround included 88 debottlenecking projects, improving the plant's performance outlook.
- Sales volumes in 2Q25 totalled 1.14 Mn tonnes, a 9% QOQ decline, but commendable given the scale of the B3 turnaround. Inventory releases of c. 140 kt helped offset volume shortfalls.
- Utilization rate stood at 78% for PE and 74% for PP in 2Q25, impacted by B3 turnaround.
- G&A expenses dropped sharply, 22.5% YOY and 30.8% QOQ, primarily due to cost reclassification. The Company reiterated its structural cost base remains lean, and future G&A should reflect this revised baseline.
- The Company's capex stood at USD 130 Mn in 2Q25, driven by B3 turnaround and Borouge 4 tie-ins.
- Reaffirmed its 2025 dividend guidance of 16.2 fils/share, with an interim payout of 8.1 fils for the period of 1H25, scheduled for September.
- No further major turnarounds planned for 2025, allowing Borouge to resume full asset utilization in 2H25.
- Borouge plans to launch a new high-performance polypropylene grade, leveraging Borstar® PP technology, aimed at lightweight packaging with high recycled content.

- Healthcare segment innovations included a new LDPE solution for pharma packaging, making it the first of its kind in the Middle East.
- Lower sales to China in 2Q25 helped lift average premia, as this market typically delivers thinner margins. Management confirmed this was a tactical reallocation during the turnaround period and could reverse in 2H25.
- Cumulative dividends paid since IPO reached USD 3.6 Bn, representing a compelling total return.
- The Borouge Group International transaction remains on track for 1Q26 closing, with regulatory filings underway. Borouge 4 will be transferred to the new entity at cost.
- Asia Pacific remained the top sales destination, accounting for 57% of volumes, while 34% went to the Middle East, which offered stronger logistics efficiencies and netback advantages.

Borouge PLC – P&L

USD Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,503	1,420	1,305	1,082	20.6%	-13.2%	-8.1%
Direct costs	-873	-846	-866	-680	27.3%	-0.9%	2.4%
Gross profit	630	574	439	402	9.3%	-30.2%	-23.5%
Operating expenses	-159	-151	-143	-138	3.8%	-9.8%	-4.8%
EBITDA	613	564	442	404	9.4%	-28.0%	-21.7%
EBIT	476	430	302	277	8.9%	-36.5%	-29.7%
Profit before tax	431	394	266	238	11.8%	-38.2%	-32.5%
Tax	-123	-113	-73	-67	9.3%	-40.8%	-35.6%
Profit for the period	304	279	192	169	13.5%	-37.0%	-31.2%

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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