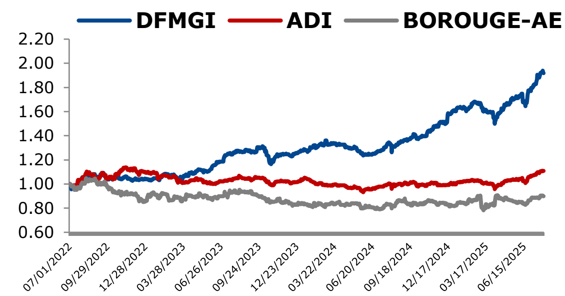
Borouge PLC

Contraction in production & sales volumes and lower prices impacted topline

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

- Completed B3 turnaround eight days early, executing 88 debottlenecking projects and Borouge 4 tie-ins, significantly improving asset performance and ensuring six years reliability.
- PE premia rose to USD 249 per tonne, PP premia hit USD 141 per tonne, both exceeding targets, supported by product differentiation, market reallocation, and commercial discipline.
- Capital expenditure increased from USD 41 Mn in 1Q25 to USD 130 Mn in 2Q25.
- Successfully executed a share buyback and purchased 125 Mn shares, reflecting confidence in the future prospects.
- The Borouge Group International transaction remains on track for 1Q26 completion; Borouge 4 will transfer at cost.



Stock Information	
Market Cap (AED, Mn)	79,352.30
Paid Up Capital (Mn)	30,057.69
52 Week High	2.74
52 Week Low	2.28
3M Avg. daily value (AED)	10,384,051

2Q25 Result Review (USD, Mn)	
Total Assets	8,505
Total Liabilities	4,290
Total Equity	4,194
EBITDA	442
Net Profit	192

Financial Ratios	
Dividend Yield (12M)	6.0
Dividend Pay-out (%)	106.08
Price-Earnings Ratio(x)	16.03
Price-to-Book Ratio (x)	4.40
Book Value (AED)	0.55
Return-on Equity (%)	27.24

Stock Performance	
5 Days	-0.75%
1 Months	3.94%
3 Months	2.33%
6 Months	6.88%
1 Year	8.20%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	3.94%
Year to Date (YTD%)	10.00%

2Q25 Net Profit higher than our estimate

Borouge Plc (Borouge/the Company) net profit declined 37.0% YOY to USD 192 Mn in 2Q25, higher than our estimate of USD 169 Mn. The decline in net profit is mainly attributable to a lower sales volume due to the scheduled turnaround of the Borouge 3 plant, coupled with a decline in average realized price of PE and PP, partially offset by decline in direct cost and G&A expenses along with lower tax.

P&L Highlights

Borouge's revenue declined 13.2% YOY to USD 1,305 Mn in 2Q25, mainly driven by lower sales volume and production coupled with a decline in average selling prices. Polyethylene (PE) average selling price decreased 3% YOY to USD 1,081 per tonne in 2Q25, whereas Polypropylene (PP) average selling price also declined 3.5% YOY to USD 1,025 per tonne in 2Q25. The Company achieved premia over the benchmark prices of USD 249 per tonne for PE and USD 141 per tonne for PP in 2Q25. PE sales volume declined 17% YOY to 625 thousand tons, while PP sales volume fell 9% YOY to 507 thousand tons in 2Q25. The Company's sale of Ethylene & others stood at 6 thousand tonnes in 2Q25 compared to nil in 2Q24. Sales volume decline is primarily driven by the turnaround of Borouge 3 (B3), which impacted the production volume. Furthermore, production units recorded a lower utilization rate for PE and PP at 78% and 74%, respectively, in 2Q25. The Company's direct cost marginally increased 0.9% YOY to USD 866 Mn in 2Q25. Borouge's gross profit contracted substantially 30.2% YOY to USD 439 Mn in 2Q25. As a result, the gross profit margin contracted from 41.9% in 2Q24 to 33.7% in 2Q25. Other income declined 10.5% YOY to USD 6 Mn in 2Q25. G&A expenses declined 22.5% YOY to USD 42 Mn in 2Q25 primarily due to cost reclassification. Selling & distribution expenses declined 3.3% YOY to USD 101 Mn in 2Q25. Meanwhile, the Company's EBITDA declined 28.0% YOY to USD 442 Mn in 2Q25. EBITDA margin also contracted from 40.8% in 2Q24 to 33.8% in 2Q25. Borouge's operating profit also declined from USD 476 Mn in 2Q24 to USD 302 Mn in 2Q25, whereas the operating profit margin fell from 31.7% in 2Q24 to 23.1% in 2Q25. The Company's finance costs declined 15.3% YOY to USD 43 Mn in 2Q25, while finance income rose 32.5% YOY to USD 9 Mn. Furthermore, income tax expenses declined from USD 123 Mn in 2Q24 to USD 73 Mn in 2Q25. NCI stood at USD 1 Mn in 2Q25.

Balance Sheet Highlights

Borouge's cash conversion declined from 93% in 1Q25 to 71% in 2Q25. The adjusted operating free cash flow fell 46% YOY and 41% QOQ to USD 311 Mn in 2Q25 due to an increase in capex. However, the Company's capital expenditure rose from USD 41 Mn in 1Q25 to USD 130 Mn in 2Q25 due to capex on the turnaround of B3. Furthermore, Borouge's net debt stood at USD 2,694 Mn in 2Q25 compared to USD 2,348 Mn in 1Q25.

Target Price and Rating

We revise our rating from BUY to ACCUMULATE on Borouge with an unchanged target price of AED 2.95. The decline in profitability is mainly driven by lower sales volume and a decline in production during 2Q25, impacted by the turnaround of Borouge 3 plant. In the 2Q25, Borouge Plc demonstrated resilient performance despite a challenging macro environment and a major planned turnaround. The Company successfully completed the Borouge 3 turnaround, finishing eight days ahead of schedule and reducing downtime by 15%, a significant operational milestone. This complex maintenance activity involved 88 debottlenecking projects and all tie-ins for Borouge 4 and PE4/5 revamps, setting up the plant for enhanced asset performance over the next six years. As a result, utilization rates in 2Q25 stood at 78% for PE and 74% for PP, down from 1Q25 rates of 101% and 98%, respectively, due to the planned outage. Sales volumes reached 1.14 Mn tonnes, a 9% QOQ and 13% YOY decline, with c. 140kt of inventory drawdowns helping offset lower production availability. Notably, infrastructure solutions continued to play a dominant role, accounting for 45% of total sales volumes in 2Q25. On the pricing front, Borouge achieved strong premia above management's through-the-cycle guidance. PE premia increased to USD 249 per tonne, up 11% from 1Q25 and 26% from 2Q24, while PP premia stood at USD 141 per tonne in 2Q25, slightly above the long-term target of USD 140 per tonne. Average selling prices declined modestly (PE flat on QOQ, down 3% YOY; PP down 2% QOQ and 3% YOY), but the Company continued to outperform regional benchmarks, aided by lower exposure to China, which typically yields thinner margins. Management indicated this regional reallocation is temporary and may reverse in 2H25. Borouge also completed a 125 Mn share buyback in 2Q25 and reaffirmed its 2025 dividend guidance of 16.2 fils per share, with an interim payment of 8.1 fils scheduled for September. Since its IPO, Borouge has returned USD 3.6 Bn in cumulative dividends to shareholders. The Borouge Group International transaction remains on track for completion expected in 1Q26, with Borouge 4 expected to be transferred to the new entity at cost, creating potential strategic and financial upside. In terms of innovation, Borouge continues to invest in differentiated offerings, including a new high-performance PP grade leveraging Borstar® technology focused on lightweight packaging with recycled content, and a new LDPE product for pharmaceutical packaging, the first of its kind in the Middle East. Thus, considering the above factors, we assign our ACCUMULATE rating on the stock.

Borouge - Relative valuation

(at CMP)	**2022**	**2023**	**2024**	**2025F**
PE	15.35	21.61	19.50	20.21
PB	4.46	4.77	5.41	5.13
EV/EBITDA	8.47	10.32	8.98	10.30
EPS	0.172	0.122	0.151	0.131
BVPS	0.592	0.553	0.545	0.515
DPS	0.119	0.159	0.159	0.162
Dividend yield	4.5%	6.0%	6.0%	6.1%

FABS Estimates & Co Data

Note – Borouge listed on ADX in June 2022. Thus, the financial multiple for the prior period is unavailable

Borouge – P&L

USD Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenues	1,503	1,420	1,305	1,082	20.6%	-13.2%	-8.1%	6,026	5,801	-3.7%
Direct Cost	-873	-846	-866	-680	27.3%	-0.9%	2.4%	-3,491	-3,604	3.2%
Gross Profit	**630**	**574**	**439**	**402**	**9.3%**	**-30.2%**	**-23.5%**	**2,535**	**2,198**	**-13.3%**
Other income	7	6	6	13	-55.7%	-10.5%	-1.3%	54	54	0.0%
G&A expense	-54	-61	-42	-54	-22.6%	-22.5%	-30.8%	-193	-196	1.5%
Selling and dist. expenses	-105	-90	-101	-84	20.9%	-3.3%	12.7%	-472	-425	-10.0%
Prov. for impair. on assets	-1	0	0	0	NM	NM	NM	-3	0	NM
EBITDA	**613**	**564**	**442**	**404**	**9.4%**	**-28.0%**	**-21.7%**	**2,477**	**2,157**	**-12.9%**
Operating Profit	**476**	**430**	**302**	**277**	**8.9%**	**-36.5%**	**-29.7%**	**1,921**	**1,631**	**-15.1%**
Finance costs	-51	-43	-43	-44	-2.5%	-15.3%	1.7%	-202	-178	-12.0%
Finance income	7	8	9	5	73.6%	32.5%	9.9%	29	33	15.6%
FX (loss)/Gain	-1	-1	-1	0	NM	NM	NM	-2	0	NM
Profit before tax	**431**	**394**	**266**	**238**	**11.8%**	**-38.2%**	**-32.5%**	**1,745**	**1,486**	**-14.9%**
Income tax expenses	-123	-113	-73	-67	9.3%	-40.8%	-35.6%	-506	-416	-17.8%
NCI	3	2	1	3	-41.0%	-55.9%	-35.5%	14	10	-26.9%
Net Profit	**304**	**279**	**192**	**169**	**13.5%**	**-37.0%**	**-31.2%**	**1,225**	**1,060**	**-13.5%**

FABS estimate & Co Data

Borouge - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	41.9%	40.4%	33.7%	-823	-677	42.1%	37.9%	-419
EBITDA	40.8%	39.8%	33.8%	-696	-591	41.1%	37.2%	-392
Operating Profit	31.7%	30.3%	23.1%	-852	-712	31.9%	28.1%	-377
Net Profit	20.3%	19.6%	14.7%	-557	-495	20.3%	18.3%	-206

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Discount Dividend Method (DDM), and Relative Valuation (RV) to value Borouge. We have assigned 50% weight to DCF and 25% each to DDM and RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.62	50.0%	1.31
DDM Method	3.22	25.0%	0.81
Relative Valuation (RV)	3.34	25.0%	0.83
Weighted Average Valuation (AED)			**2.95**
Current market price (AED)			2.64
Upside/Downside (%)			+11.7%

1) DCF Method:

Borouge is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.3%. It is arrived after using cost of equity of 8.9% and after-tax cost of debt of 3.8% with an equity weight of 88.0% and debt of 12.0%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.2%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt of 5.3% is adjusted for a tax rate of 28.0% to arrive at after tax cost of debt of 3.8%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (USD, Mn)	1,726
Terminal value (USD, Mn)	22,148
Firm Value (USD, Mn)	**23,873**
Net Debt as of Jun 2025 (USD, Mn)	-2,527
Equity Value to Share Holders (USD Mn)	**21,347**
No. of share (Mn)	29,933
Current Market Price (AED)	2.64
Fair Value per share (AED)	**2.62**

DCF Method						
(All Figures in USD Mn)	**FY 2025E**	**FY 2026E**	**FY 2027E**	**FY 2028E**	**FY 2029E**	**FY 2030E**
Cash flow from operating activities	716[1]	2,619	2,696	2,394	2,212	2,181
(-) Capex	-7,680	-180	-250	-250	-250	-250
Free Cash Flow to Firm (FCFF)	**-6,964**	**2,439**	**2,446**	**2,144**	**1,962**	**1,931**
Discounting Factor	0.97	0.89	0.82	0.76	0.70	0.65
Discounted FCFF	**-6,736**	**2,179**	**2,017**	**1,633**	**1,380**	**1,254**

Source: FAB Securities, [1]Adjusted for partial year

2) DDM Method:

Borouge will distribute a healthy dividend in 2025 and aims to pay a minimum dividend of 16.2 fils per share until 2030. It further expects this dividend payment will be sustained even in the forecasted period due to strong cash flow generation. The dividend is discounted at the cost of equity of 8.9%.

Sum of PV (USD, Mn)	8,766
Terminal value (USD, Mn)	17,481
FV to Common shareholders (USD Mn)	**26,248**
No. of share (Mn)	29,933
Current Market Price (AED)	2.64
Fair Value per share (AED)	**3.22**

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
H1	665	1,098	1,101	965	883	869
H2	665	1,098	1,101	965	883	869
Total Dividend	**1,330**	**2,195**	**2,202**	**1,930**	**1,766**	**1,738**
Discounting Factor	*0.97*	*0.89*	*0.81*	*0.75*	*0.69*	*0.63*
Present Value of Dividend	**1,284**	**1,945**	**1,791**	**1,442**	**1,211**	**1,094**

Source: FAB Securities

3) Relative Valuation:

We have used local peers to value Borouge, and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 13.8x.

Company	Market Cap	EV/EBITDA (x)		P/E (x)		P/B (x)	
	(USD Mn)	2025F	2026F	2025F	2026F	2025F	2026F
Yanbu National Petrochemical	4,583	9.9	8.3	43.0	27.4	1.6	1.7
National Industrialization Co.	1,708	19.9	12.0	31.2	15.4	0.6	0.6
Sahara International Petrochemical	3,535	10.3	8.0	25.1	18.8	0.9	0.9
Advanced Petrochemicals Co	2,161	20.4	11.6	36.1	12.8	2.7	2.2
Saudi Ind Investment Group	3,278	38.0	14.9	50.1	19.6	1.4	1.3
Saudi Kayan Petrochemical Co	1,823	13.8	7.8	NM	NM	0.7	0.8
Saudi Aramco Base Oil Co	4,611	13.2	10.4	18.1	13.3	4.0	3.7
Average		**17.9x**	**10.4x**	**33.9x**	**17.9x**	**1.7x**	**1.6x**
Median		**13.8x**	**10.4x**	**33.7x**	**17.1x**	**1.4x**	**1.3x**
Max		**20.1x**	**11.8x**	**41.3x**	**19.4x**	**2.1x**	**2.0x**
Min		**11.7x**	**8.1x**	**26.7x**	**13.9x**	**0.8x**	**0.8x**

Source: FAB Securities

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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