

Borouge PLC

Current Price AED 2.59	Target Price AED 2.95	Upside/Downside (%) +14%	Rating ACCUMULATE
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4Q25 Net Profit higher than our estimate

- Borouge's revenue increased 3.4% YOY to USD 1.7 Bn in 4Q25, due to an increase in sales volume partially offset by a decline in average realized price for PE and PP.
- Direct cost increased 4.3% YOY to USD 1,014 Mn in 4Q25, owing to increase in feedstock cost and other variable and fixed production costs.
- Gross profit increased 1.9% YOY to USD 662 Mn, while gross margins fell 56 bps YOY to 39.5% in 4Q25.
- EBITDA declined 7.7% YOY to USD 601 Mn in 4Q25, while EBITDA margin declined from 40.1% in 4Q24 to 35.8% in 4Q25.
- Operating profit increased marginally 0.1% YOY to USD 510 Mn, with a decrease in operating profit margin of 98 bps YOY to 30.5% in 4Q25.
- Net profit grew marginally 0.2% YOY to USD 327 Mn, with a decrease of 62 bps YOY in net margin to 19.5% in 4Q25.
- Premia over the benchmark for PE increased 13.5% YOY to USD 202 per tonne in 4Q25, whereas premia for PP declined 15.7% YOY to USD 118 per tonne.
- Cash conversion stood at 84% in 4Q25 compared to 88% in 4Q24 and adjusted operating free cash flow decreased 12.0% YOY to USD 502 Mn in 4Q25.

Earnings Call Summary

- In 4Q25, the Company achieved its highest quarterly production on record at 1,464 thousand tonnes, underpinned by exceptional asset utilization rates of 119% for PE and 114% for PP, the highest in its history.
- Borouge continued to focus on high-value segments, with Infrastructure Solutions accounting for 39% of 4Q25 sales, while maintaining a strong presence in key growth markets, led by Asia Pacific at 59% of sales and the Middle East and Africa at 32%.
- Borouge 4 growth project is progressing well, with XLPE 2 successfully commissioned in late 2025 and the remaining units scheduled to come onstream through 2026. Once fully ramped up, the project is expected to add 1.4 Mn tonnes of new capacity, supporting the next phase of Borouge's earnings growth and long-term value creation.
- AI and digital initiatives delivered significant efficiency and margin gains, with Borouge successfully completing an AI-powered autonomous operations proof of concept at Ruwais in partnership with Honeywell.
- Borouge reinforced its innovation leadership with 10 new product launches in 2025, which generated USD 94 Mn in innovation-driven value.
- Depreciation expense declined following a reassessment of asset useful lives in 3Q25, extending certain assets by up to 10 years. This change is expected to deliver a recurring annual reduction in depreciation of c. USD 163 Mn over the next five years versus 2024 levels.
- The Company continues to execute its share buyback program, having repurchased c. 212 Mn shares by end of 2025, and has returned around USD 4.24 Bn in total dividends to shareholders since IPO.
- Premium guidance remains unchanged at USD 200 per tonne for PE and USD 140 per tonne for PP.
- The Company confirmed its intention to pay a 2025 dividend of 16.2 fils per share. The 2H25 dividend is expected to be paid in April 2026, subject to shareholder approval.
- The Company expects global polyolefin demand to grow at 3.9% per year through 2030.

Borouge Plc – P&L

USD Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,621	1,447	1,676	1,404	19.4%	3.4%	15.8%
Direct costs	-972	-840	-1,014	-865	17.2%	4.3%	20.7%
Gross profit	649	607	662	539	22.9%	1.9%	9.0%
Operating expenses	-177	-158	-160	-1.2%	-13.2%	10.5%	1.2%
EBITDA	650	565	601	527	13.9%	-7.7%	6.2%
EBIT	510	452	510	389	31.3%	0.1%	12.9%
Profit before tax	468	416	463	357	29.9%	-1.0%	11.3%
Tax	-137	-122	-133	-94	41.7%	-3.0%	9.2%
Profit for the period	326	292	327	259	26.1%	0.2%	11.8%

FABS estimate & Co Data

Guidance:

Metric	Management Guidance
Through-the-cycle product premia guidance ⁽¹⁾	<ul style="list-style-type: none"> Polyethylene: c. \$200/t premia Polypropylene: c. \$140/t premia
FY 2025 Dividend	<ul style="list-style-type: none"> 16.2 fils per share

(1) Premia is equal to the difference between average sales prices and the benchmark prices.

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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