

Borouge PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.25	AED 2.95	+31%	BUY

3Q26 Net Profit for shareholders slightly lower than our estimate

- Borouge's revenue marginally declined 0.2% YOY to USD 1.4 Bn in 3Q26, mainly driven by a 21.0% decline in sales volumes, partially offset by a 22.0% increase in blended average selling prices.
- Direct costs increased 21.0% YOY and 17.6% QOQ to USD 1,017 Mn in 3Q26. The QOQ increase was mainly driven by higher other variable and fixed production costs, while feedstock costs declined 7.0% QOQ.
- Gross profit declined 29.6% YOY to USD 427 Mn in 3Q26, while gross profit margin contracted to 29.6% in 3Q26 from 41.9% in 3Q25.
- Adjusted EBITDA declined to USD 279 Mn in 3Q26 from USD 565 Mn in 3Q25, while EBITDA margin contracted to 19.3% in 3Q26 from 39.1% in 3Q25.
- Operating profit declined to USD 172 Mn in 3Q26 from USD 452 Mn in 3Q25, while operating profit margin contracted to 11.9% in 3Q26 from 31.2% in 3Q25.
- Net profit to shareholders of the company declined to USD 107 Mn in 3Q26 from USD 292 Mn in 3Q25, while net profit margin contracted to 7.4% in 3Q26 from 20.2% in 3Q25.
- Premia over the benchmark for PE increased 30.9% YOY to USD 301 per tonne in 3Q26, while premia for PP increased 18.2% YOY to USD 156 per tonne in 3Q26, both above the Company's through-the-cycle guidance of USD 200 per tonne and USD 140 per tonne, respectively.
- Cash conversion improved to 88.0% in 3Q26 from 71.0% in 2Q26, while adjusted operating free cash flow declined to USD 244 Mn in 3Q26 from USD 287 Mn in 2Q26.

Earnings Call Summary

- In 3Q26, production recovered 32% QOQ to 949 kt, as improved ethane feedstock availability lifted average utilisation to 76% in 3Q26 from 58% in 2Q26. PE utilisation rose to 80% in 3Q26 from 48% in 2Q26, while PP utilisation remained stable QOQ at 71% in 3Q26. Average ethane consumption rose c. 80% QOQ.
- Borouge's assets remained fully available throughout 3Q26 following the repairs completed in 2Q26, with production constraints driven by external factors. Feedstock availability reached c. 90% in September 2026 and utilisation reached c. 90% in October 2026.
- Sales volumes increased 22% QOQ to 1,069 kt in 3Q26, exceeding Ruwais production by 120 kt through 66 kt of non-Ruwais sales and a 54 kt inventory drawdown. All volumes were shipped through alternative road, rail and sea routes with zero shipments through the Strait of Hormuz.
- In 9M26, the Company recognised insurance income of USD 13.2 Mn for property, plant and equipment damage and USD 11.5 Mn for inventory losses from the April 2026 incident within other income. An USD 6.4 Mn impairment loss was recognised on the damaged assets.
- Borouge's sales mix shifted back towards Infrastructure Solutions, which rose to 39% of sales volumes in 3Q26 from 34% in 2Q26, while Consumer Solutions declined to 58% in 3Q26 from 63% in 2Q26.
- Asia Pacific remained the largest market at 59% of sales volumes in 3Q26, up from 49% in 2Q26 and more in line with the historical mix. The Middle East and Africa declined to 34% in 3Q26 from 41% in 2Q26, returning closer to historical levels.
- Average selling prices declined 19% QOQ to USD 1,249 per tonne in 3Q26, as benchmark prices fell from the 2Q26 peak. PE prices fell 17% QOQ to USD 1,309 per tonne and PP prices fell 20% QOQ to USD 1,185 per tonne, though both remain above pre-conflict levels.

- Through-the-cycle premia guidance remains unchanged at USD 200 per tonne for PE and USD 140 per tonne for PP. Actual 3Q26 premia of USD 301 per tonne for PE and USD 156 per tonne for PP stayed above guidance for a second consecutive quarter. The Company expects premia to continue normalising from the elevated 2Q26 levels of USD 438 per tonne for PE and USD 282 per tonne for PP.
- Feedstock costs per tonne fell to USD 341 in 3Q26 from USD 448 in 2Q26. Other variable and fixed production costs per tonne rose to USD 513 in 3Q26 from USD 430 in 2Q26, partly reflecting a product mix effect from a higher share of PP sales.
- Selling and distribution expenses per tonne fell 19% QOQ to USD 206 in 3Q26 from USD 254 in 2Q26, supported by logistics optimisation and higher volumes. The Company expects logistics costs to continue declining in 4Q26 and 2027, although they are expected to remain above historical levels in the near term.
- The Borouge 4 project continued to progress, with the PE7 plant reaching mechanical completion and starting commissioning, adding 700 kt of annual PE capacity using Borstar third generation technology. The XLPE 2 plant recorded about 20 kt of sales in 3Q26. The PE6 plant and other units are expected online in 4Q26 and 2027, and the project is expected to add 1.4 Mn tonnes of capacity once fully ramped up.
- Depreciation and amortisation declined 4% YOY to USD 107 Mn in 3Q26 but rose 6% QOQ. In 9M26 it fell 21% YOY to USD 307 Mn, reflecting the extended asset useful lives applied after the 3Q25 reassessment.
- The Company expects 4Q26 to be the strongest quarter of FY2026, with adjusted EBITDA significantly higher than 3Q26. The drivers are higher production volumes, improved pricing, better fixed cost absorption and easing logistics costs, subject to no material deterioration in the regional environment.
- Benchmark prices in 4Q26 to date are above 3Q26 levels. The Company expects higher realised prices on the current order book, rising industry feedstock costs, low industry inventories and industry turnarounds.
- The Company paid an interim dividend of 8.1 fils per share in September 2026. It reaffirmed its 2026 dividend intention of 16.2 fils per share, consistent with its commitment to maintain this minimum annual dividend through at least 2030.
- Borouge International grew sales volumes 11% QOQ to 2.6 Mn tonnes in 3Q26, with EBITDA of USD 899 Mn and run-rate synergies of USD 200 Mn secured against a target of over USD 500 Mn. The tender offer and listing are targeted for 2027, subject to market conditions and regulatory approvals.

Borouge Plc – P&L

USD Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Revenue	1,447	1,406	1,444	1,219	18.4%	-0.2%	2.7%
Direct costs	-840	-865	-1,017	-789	28.9%	21.0%	17.6%
Gross profit	607	541	427	430	-0.8%	-29.6%	-21.0%
Operating expenses	-158	-272	-265	-253	5.1%	NM	-2.4%
EBITDA	565	401	279	304	-8.3%	NM	-30.4%
Operating Profit	452	293	172	183	-5.8%	NM	-41.4%
Profit before tax	416	253	135	157	-13.9%	NM	-46.6%
Tax	-122	-62	-27	-44	-39.2%	NM	NM
Net Profit to shareholders	292	190	107	112	-4.7%	NM	-43.8%

FABS estimate & Co Data

Management Guidance: (FY 2026 GUIDANCE)

Production ⁽¹⁾	<ul style="list-style-type: none"> Targeting continued high utilisation rates through Q4 2026, subject to feedstock availability
Pricing	<ul style="list-style-type: none"> Q4 2026 global polyolefin benchmark prices expected to be higher than Q3 2026 levels, supporting higher realised selling prices
Adjusted EBITDA	<ul style="list-style-type: none"> Q4 2026 adjusted EBITDA expected to be significantly higher than Q3 2026, supported by higher production volumes and improved pricing
Borouge 4	<ul style="list-style-type: none"> Production expected to ramp up through Q4 2026 and 2027, subject to feedstock availability, as units are commissioned and brought online
Through-the-cycle product premia guidance ⁽²⁾	<ul style="list-style-type: none"> Polyethylene: c. \$200/t premia. Polypropylene: c. \$140/t premia.
Costs	<ul style="list-style-type: none"> Purchased propylene feedstock linked to market prices Further incremental improvements in logistics costs per tonne expected through Q4 2026, while remaining above historical levels
Dividend (FY 2026)	<ul style="list-style-type: none"> 16.2 fils per share

1) Ruwais plant nameplate capacity: 5 mtpa.

2) 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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