First Look Note | 3Q26

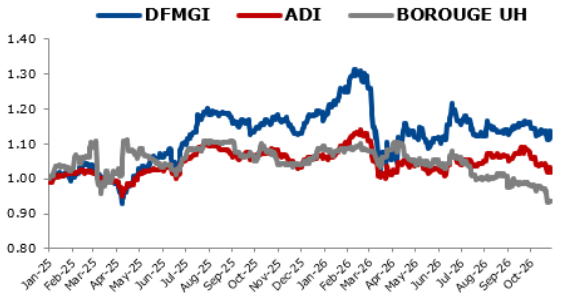
UAE Equity Research | Sector: Basic Material | Market: ADX

Borouge PLC

Lower volumes, higher feedstock and logistics costs weighed on profitability

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

- PE and PP premia moderated to USD 301 and USD 156 per tonne, respectively, in 3Q26 from USD 438 and USD 282 per tonne in 2Q26, remaining above the Company's through-the-cycle guidance.
- Capital expenditure declined to USD 35 Mn in 3Q26 from USD 114 Mn in 2Q26 and USD 40 Mn in 3Q25, following elevated spending in the previous quarter.
- Reaffirmed its FY2026 dividend of 16.2 fils per share, with share buybacks totalling USD 70 Mn during 9M26.
- Cash conversion improved to 88% in 3Q26 from 71% in 2Q26, although it remained below 93% recorded in 3Q25.



Stock Information	
Market Cap (AED, Mn)	68,832.11
Paid Up Capital (Mn)	4,809.23
52 Week High	2.65
52 Week Low	2.22
3M Avg. daily value (AED)	31,428,040

3Q26 Result Review (USD, Mn)	
Total Assets	8,510
Total Liabilities	5,320
Total Equity	3,190
EBITDA	279
Net Profit	107

Financial Ratios	
Dividend Yield (12M)	7.20
Dividend Pay-out (%)	120.18
Price-Earnings Ratio(x)	21.01
Price-to-Book Ratio (x)	5.94
Book Value (AED)	0.11
Return-on Equity (%)	22.33

Stock Performance	
5 Days	1.78%
1 Months	-2.55%
3 Months	-4.58%
6 Months	-8.40%
1 Year	-8.40%
Month to Date (MTD%)	1.77%
Quarter to Date (QTD%)	-2.97%
Year to Date (YTD%)	-12.55%

3Q26 Net Profit slightly lower than our estimate

Borouge Plc (Borouge/the Company) net profit decreased to USD 107 Mn in 3Q26 from USD 292 Mn in 3Q25, slightly lower than our estimate of USD 112 Mn. The decrease in net profit is mainly attributable to higher direct costs and S&D expenses, coupled with marginally lower revenue and lower finance income. This was partially offset by higher other income and lower G&A expenses, finance costs and tax expenses.

P&L Highlights

Borouge's revenue marginally declined 0.2% YOY to USD 1,444 Mn in 3Q26, mainly driven by a decline in sales volumes, partially offset by higher average selling prices. Polyethylene (PE) average selling price increased 25.0% YOY to USD 1,309 per tonne in 3Q26, while Polypropylene (PP) average selling price increased 20.1% YOY to USD 1,185 per tonne in 3Q26. Polyethylene (PE) premia over benchmark increased 30.9% YOY to USD 301 per tonne in 3Q26, while Polypropylene (PP) premia over benchmark increased 18.2% YOY to USD 156 per tonne in 3Q26. PE sales volume declined 28.0% YOY to 542 kt in 3Q26 and PP sales volume declined 12.5% YOY to 527 kt in 3Q26. The Company's sales of Ethylene & others remained nil in 3Q26, unchanged from 3Q25. Furthermore, Borouge's production volume declined 32% YOY to 949 kt of PE and PP in 3Q26, although it increased 32% QOQ from 721 kt in 2Q26, supported by improved ethane feedstock availability following the disruptions earlier in 2026. PE utilisation improved to 80.0% in 3Q26 from 48.0% in 2Q26, while PP utilisation remained stable QOQ at 71.0% in 3Q26. The Company's direct costs increased 21.0% YOY and 17.6% QOQ to USD 1,017 Mn in 3Q26 from USD 865 Mn in 2Q26, with the QOQ increase partly driven by a higher proportion of PP sales, which carry higher feedstock costs than PE. Borouge's

gross profit declined 29.6% YOY to USD 427 Mn in 3Q26. Gross profit margin contracted from 41.9% in 3Q25 to 29.6% in 3Q26. Other income increased to USD 10 Mn in 3Q26 from USD 5 Mn in 3Q25. G&A expenses declined 6.1% YOY to USD 46 Mn in 3Q26. Selling and Distribution expenses increased to USD 220 Mn in 3Q26 from USD 110 Mn in 3Q25, reflecting elevated freight and logistics costs due to the continued use of alternative shipping routes. Meanwhile, the Company's Adjusted EBITDA declined to USD 279 Mn in 3Q26 from USD 565 Mn in 3Q25. EBITDA margin contracted from 39.1% in 3Q25 to 19.3% in 3Q26. Borouge's 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. The Company's finance costs declined 8.5% YOY to USD 40 Mn in 3Q26, while finance income declined to USD 3 Mn in 3Q26 from USD 8 Mn in 3Q25. Furthermore, income tax expenses declined to USD 27 Mn in 3Q26 from USD 122 Mn in 3Q25. Profit share to NCI stood stable at USD 2 Mn in 3Q26.

Balance Sheet Highlights

Borouge's cash conversion improved to 88% in 3Q26 from 71% in 2Q26, although it declined from 93% in 3Q25. The Company's adjusted operating free cash flow declined to USD 244 Mn in 3Q26 from USD 525 Mn in 3Q25, and decreased 15% QOQ from USD 287 Mn in 2Q26. Moreover, capital expenditure declined to USD 35 Mn in 3Q26 from USD 114 Mn in 2Q26. Furthermore, Borouge's net debt stood at USD 3,346 Mn as at 3Q26, up from USD 3,275 Mn as at 2Q26.

Target Price and Rating

We maintain our BUY rating on Borouge with a target price of AED 2.95. Borouge's profitability remained under pressure in 3Q26, mainly due to lower selling prices compared to 2Q26 and elevated logistics and feedstock costs, partially offset by a recovery in production and sales volumes. Adjusted EBITDA declined from USD 565 Mn in 3Q25 to USD 279 Mn in 3Q26, while net profit declined to USD 107 Mn in 3Q26 from USD 292 Mn in 3Q25. The Company's revenue marginally declined 0.2% YOY to USD 1,444 Mn in 3Q26 from USD 1,447 Mn in 3Q25, as higher average selling prices largely offset lower sales volumes. Average selling prices increased 22.0% YOY to USD 1,249 per tonne in 3Q26 but declined 19% QOQ as benchmark prices moderated from the 2Q26 peak, while sales volumes declined 21.0% YOY to 1,069 kt in 3Q26 from 1,355 kt in 3Q25. Asia Pacific remained the largest market, accounting for 59% of revenue in 3Q26, followed by the Middle East and Africa at 34% and the Rest of the World at 7%. Consumer Solutions remained the largest segment, accounting for 58% of revenue in 3Q26 compared to 63% in 2Q26, while Infrastructure Solutions increased its share to 39% from 34% in 2Q26, indicating a shift in the Company's sales mix towards infrastructure-related applications. Other segments accounted for the remaining 2% of revenue in 3Q26. PE utilisation recovered to 80% in 3Q26, supported by improved ethane feedstock availability, while PP utilisation remained stable at 71%, bringing overall utilisation to 76%. Ethane feedstock availability recovered to c. 90% in September 2026, while overall utilisation reached c. 90% in October 2026, supporting expectations of stronger production volumes in 4Q26. The Company continued to ship all available production through alternative logistics routes without relying on the Strait of Hormuz. Although logistics costs remained elevated during 3Q26, the Company expects costs per tonne to decline further in 4Q26 and 2027 as it continues to optimise alternative supply chain routes. The Borouge 4 growth project continued to progress, with the PE7 plant achieving mechanical completion and commencing commissioning during 3Q26, adding 700 kt of annual polyethylene capacity, while commissioning of the PE6 plant is expected to begin later in 2026. The Company expects Borouge 4 to become fully operational during 2027, adding 1.4 Mtpa of polyethylene production capacity. Meanwhile, the XLPE2 plant continued its production ramp-up, recording sales of 20 kt during 3Q26. The Company's PE and PP premia of USD 301 per tonne and USD 156 per tonne remained above its through-the-cycle guidance of USD 200 per tonne and USD 140 per tonne, respectively, despite moderating from the elevated levels recorded in 2Q26. Borouge expects 4Q26 to be its strongest quarter of FY2026, with a significant improvement in EBITDA, supported by higher production volumes, stronger polyolefin pricing and easing logistics costs. The Company maintained strong cash generation, with cash conversion of 88% in 3Q26, while net debt stood at USD 3,346 Mn as at 3Q26. The Company reaffirmed its FY2026 dividend intention of 16.2 fils per share and paid an interim dividend of 8.1 fils per share in 1H26. Additionally, Borouge continued its share buyback programme, spending USD 70 Mn on buybacks during 9M26. Furthermore, Borouge International achieved c. USD 200 Mn in annual run-rate EBITDA synergies, driven primarily by cross-regional sales opportunities, progressing towards its target of over USD 500 Mn. The Company confirmed that the Borouge International transaction continues to progress as planned,

with key milestones expected during 2027, subject to market conditions and regulatory approvals. Thus, considering the above factors, we maintain our BUY rating on the stock.

Borouge - Relative valuation

(at CMP)	2022	2023	2024	2025	2026F
PE	13.23	18.59	19.72	16.92	36.61
PB	3.82	4.08	5.44	4.54	7.09
EV/EBITDA	7.26	8.85	7.72	8.81	12.39
BVPS (AED)	0.589	0.552	0.543	0.496	0.416
EPS (AED)	0.170	0.121	0.150	0.133	0.081
DPS (AED)	0.119	0.159	0.159	0.162	0.162
Dividend yield	5.3%	7.0%	7.0%	7.2%	7.2%

FABS Estimates & Co Data, Borouge listed on ADX in June 2022. Thus, the financial multiple for the prior period is unavailable

Borouge – P&L

USD Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,447	1,406	1,444	1,219	18.4%	-0.2%	2.7%	5,848	5,619	-3.9%
Direct Cost	-840	-865	-1,017	-789	28.9%	21.0%	17.6%	-3,566	-3,722	4.4%
Gross Profit	**607**	**541**	**427**	**430**	**-0.8%**	**-29.6%**	**-21.0%**	**2,282**	**1,896**	**-16.9%**
Other income	5	31	10	5	NM	NM	NM	26	66	NM
G&A expense	-49	-50	-46	-49	-7.5%	-6.1%	-8.9%	-197	-187	-5.0%
Selling and dist. expenses	-110	-222	-220	-203	8.1%	NM	-1.0%	-416	-767	NM
Prov. for imp. on assets	-1	-6	0	0	NM	NM	NM	-1	-6	NM
EBITDA	**565**	**401**	**279**	**304**	**-8.3%**	**NM**	**-30.4%**	**2,172**	**1,488**	**-31.5%**
Operating Profit	**452**	**293**	**172**	**183**	**-5.8%**	**NM**	**-41.4%**	**1,694**	**1,002**	**-40.8%**
Finance costs	-44	-46	-40	-35	14.4%	-8.5%	-12.8%	-176	-171	-2.7%
Finance income	8	5	3	9	NM	NM	-31.1%	24	21	-10.0%
Foreign. Exh. Gain/(Loss)	0	1	0	0	NM	NM	NM	-2	1	-153.7%
Profit before tax	**416**	**253**	**135**	**157**	**-13.9%**	**NM**	**NM**	**1,540**	**853**	**-44.6%**
Income tax expenses	-122	-62	-27	-44	-39.2%	NM	NM	-441	-196	-55.5%
NCI	2	1	2	1	NM	-17.4%	38.6%	10	5	-49.8%
Net Profit	**292**	**190**	**107**	**112**	**-4.7%**	**NM**	**-43.8%**	**1,089**	**652**	**-40.1%**

FABS estimate & Co Data

Borouge - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	41.9%	38.5%	29.6%	-1,235	-890	39.0%	33.8%	-527
EBITDA	39.1%	28.5%	19.3%	-1,973	-918	37.1%	26.5%	-1,064
Operating Profit	31.2%	20.9%	11.9%	-1,933	-895	29.0%	17.8%	-1,113
Net Profit	20.2%	13.5%	7.4%	-1,280	-610	18.6%	11.6%	-702

FABS estimate & Co Data

Key Developments:

- **7 January 2026:** Borouge successfully completed a proof of concept for AI-powered autonomous operations at its Ruwais facility, demonstrating the potential to improve efficiency, reduce downtime and operating costs, and advance the industry's first AI-driven control room.
- **10 February 2026:** Borouge and Borealis, together with local partners, launched a strategic initiative to establish Indonesia's first fully integrated circular waste management and polyolefin recycling ecosystem, supporting the development of high-quality recycled polyolefins through a feasibility study.
- **6 May 2026:** Borouge announced the start of production at its new XLPE plant under the Borouge 4 project, doubling XLPE capacity to 200,000 tonnes per year and strengthening its ability to supply premium materials for power grid infrastructure and energy projects.
- **7 May 2026:** Borouge signed strategic logistics partnerships with Gulftainer and Etihad Rail to expand multi-gateway export access, strengthen supply chain resilience, and enhance operational flexibility through integrated sea and rail connectivity.
- **19 May 2026:** Borouge and AD Ports Group signed a strategic partnership to explore establishing an alternative export hub on the UAE's East Coast, enhancing export resilience, supply chain flexibility, and continuity.
- **31 July 2026:** Borouge reported a 53% QOQ increase in average realised prices in 2Q26, supported by global polyolefin shortages and record premia for differentiated products. The company shipped 0.9 Mn tonnes, exceeding production of 0.7 Mn tonnes through additional volumes from inventory and alternative logistics routes.

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	3.28	50.0%	1.64
DDM Method	2.31	25.0%	0.58
Relative Valuation (RV)	2.94	25.0%	0.73
Weighted Average Valuation (AED)			**2.95**
Current market price (AED)			2.25
Upside/Downside (%)			+31%

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 8.9%. It is arrived after using cost of equity of 9.1% and after-tax cost of debt of 4.1% with an equity weight of 96.6% and debt of 3.4%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 0.90 and equity risk premium of 4.1%. 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 23.0% to arrive at after tax cost of debt of 4.1%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (USD, Mn)	7,363
Terminal value (USD, Mn)	19,502
Firm Value (USD, Mn)	**26,865**
Net Debt as of Sep 2026 (USD, Mn)	-326
Equity Value to Share Holders (USD Mn)	**26,539**
No. of share (Mn)	29,720
Current Market Price (AED)	2.25
Fair Value per share (AED)	**3.28**

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Cash flow from operating activities	1,140	2,015	1,926	2,251	2,408	2,186
(-) Capex	-335	-260	-270	-280	-290	-300
Free Cash Flow to Firm (FCFF)	**805**	**1,755**	**1,656**	**1,971**	**2,118**	**1,886**
Discounting Factor	0.99	0.91	0.83	0.76	0.70	0.64
Discounted FCFF	**198[1]**	**1,588**	**1,376**	**1,504**	**1,483**	**1,213**

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

2) DDM Method:

Borouge distributed 8.1 fils per share interim dividend for 1H26 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 9.1%.

Sum of PV (USD, Mn)	5,415
Terminal value (USD, Mn)	13,293
FV to Common shareholders (USD Mn)	**18,709**
No. of share (Mn)	29,720
Current Market Price (AED)	2.25
Fair Value per share (AED)	**2.31**

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid						
H1	665	665	665	665	665	665
H2	665	665	665	665	665	665
Total Dividend	**1,330**	**1,330**	**1,330**	**1,330**	**1,330**	**1,330**
Discounting Factor	0.99	0.90	0.83	0.76	0.70	0.64
Present Value of Dividend	**328[1]**	**1,202**	**1,102**	**1,010**	**926**	**849**

Source: FAB Securities [1]Adjusted for partial year

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 2027 EV/EBITDA median multiple of 9.9x.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F	2026F	2027F
Yanbu National Petrochemical	4,722	9.7	9.9	35.3	32.7	1.7	1.8
National Industrialization Co.	1,296	0.0	14.3	NM	37.2	0.8	0.7
Sahara International Petrochemical	2,286	18.1	8.6	NM	20.0	0.7	0.7
Advanced Petrochemicals Co	1,648	15.5	12.3	61.8	16.7	2.0	1.9
Saudi Ind Investment Group	2,180	26.5	22.0	9.7	18.7	1.0	1.0
Saudi Kayan Petrochemical Co	1,947	18.0	9.3	NM	NM	1.0	1.1
Saudi Aramco Base Oil Co	5,208	7.5	8.4	9.2	12.1	3.3	3.0
Average		**13.6x**	**12.1x**	**29.0x**	**22.9x**	**1.5x**	**1.5x**
Median		**15.5x**	**9.9x**	**22.5x**	**19.3x**	**1.0x**	**1.1x**
Max		**18.0x**	**13.3x**	**41.9x**	**29.5x**	**1.9x**	**1.8x**
Min		**8.6x**	**9.0x**	**9.6x**	**17.2x**	**0.9x**	**0.9x**

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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