

Borouge PLC

Current Price
AED 2.57

Target Price
AED 2.95

Upside/Downside (%)
+15%

Rating
BUY

4Q24 Net Profit higher than our estimate

- Borouge's revenue grew 8.3% YOY to USD 1.6 Bn in 4Q24, owing to an 8% growth in total sales volume coupled with a marginal increase of 1% in average selling prices.
- Direct cost rose 8.1% YOY to USD 972 Mn in 4Q24 owing to higher volumes.
- Gross profit increased 8.5% YOY to USD 649 Mn in 4Q24 with 10 bps YOY growth in gross margin to 40.0%.
- Borouge's adjusted EBITDA rose from USD 600 Mn in 4Q23 to USD 650 Mn in 4Q24 with an unchanged EBITDA margin of 40.1%.
- The operating profit rose 12.6% YOY to USD 510 Mn in 4Q24 with an expansion in operating profit margin of 122 bps YOY to 31.4%.
- Borouge's net profit grew 14.3% YOY to USD 326 Mn in 4Q24, with an increase in net margin from 19.1% in 4Q23 to 20.1% in 4Q24.
- Borouge's benchmark premia for PE declined 5% YOY to USD 178 per tonne, whereas benchmark premia for PP rose 26% YOY to USD 140 per tonne in 4Q24.
- The Company's cash conversion stood strong at 88% in 4Q24.
- Borouge's adj. operating free cash flow rose from USD 528 Mn in 4Q23 to USD 572 Mn in 4Q24.

Earnings Call Summary

- Borouge achieved premia over the benchmark of USD 198 per tonne for PE and USD 138 per tonne for PP, in-line with the management's target of USD 200 per tonne for PE and USD 140 per tonne for PP.
- Borouge achieved a record production volume of 5.2 Mn tons in 2024, with high asset reliability of 98.5%.
- In polyethylene, the premium was slightly below guidance, primarily due to strong volume push in 4Q24.
- However, polypropylene premium exceeded expectations due to the company's focus on higher-value products from its co-polymer plant.
- The company launched nine new products in 2024, reflecting its innovation-driven approach.
- The company also successfully managed operational costs through its Value Enhancement Program.
- The company actively managed its debt by repaying over USD 200 Mn in debt in 2024, reducing its debt-to-EBITDA ratio to 1.1x. Since its IPO, Borouge repaid over USD 1 Bn in debt.
- Borouge plans to pay a final dividend of USD 650 Mn in April 2025.
- In 2025, Borouge will undergo a turnaround at its Borouge 3 plant, expected to impact production by 320 kT in 2Q25 as a part of the Company's ongoing efforts to maintain asset reliability and ensure world-class operational efficiency.
- There will be a spike in CAPEX for 2025 due to the turnaround and maintenance activities.
- The company is investing in digitalization and AI to enhance operational efficiency.
- The company is also focused on expanding its asset base to unlock additional value.
- Sales volumes and pricing in 1Q25 are expected to remain in line with 1Q24 levels.
- In 1Q25, the price premium is expected to normalize for polypropylene and polyethylene.
- Operational excellence in 2024 led to 5.2 Mn tons of production.
- In 4Q24, for Polypropylene margins were slightly down but still in line with the guidance.
- The premium was slightly below expectations for Polyethylene in Q4 2024, partly due to strong volumes pushing up the sales. The premium is typically measured against the commodity benchmark price, which resulted in a slight dip. Despite this, the overall results were strong due to substantial margins.

Borouge Plc – P&L

USD Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Revenue	1,497	1,600	1,621	1,595	1.6%	8.3%	1.3%
Direct costs	-899	-916	-972	-971	0.1%	8.1%	6.1%
Gross profit	598	684	649	623	4.1%	8.5%	-5.1%
Operating expenses	-147	-182	-176	-155	14.1%	19.8%	-3.3%
Adj. EBITDA	600	646	650	610	6.6%	8.3%	0.6%
EBIT	452	506	510	474	7.5%	12.6%	0.7%
Profit before tax	401	462	468	430	8.7%	16.8%	1.4%
Tax	-112	-134	-137	-126	8.8%	22.0%	2.5%
Profit for the period	285	324	326	301	8.2%	14.3%	0.6%

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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