

Borouge PLC

Current Price
AED 2.50

Target Price
Under review

Upside/Downside (%)
Under review

Rating
Under review

Borouge Group International Proposed Transaction Summary

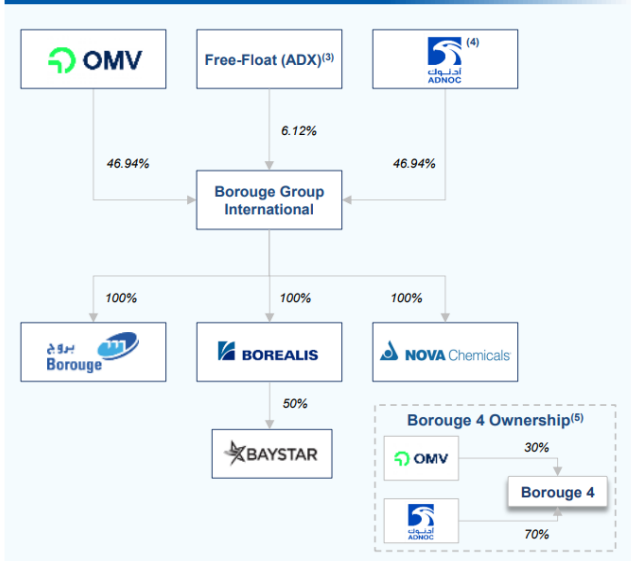
- ADNOC and OMV have established a binding framework agreement that details the merger of Borouge Plc (Borouge) and Borealis AG (Borealis) to create a new organization called Borouge Group International, positioning it as a prominent global player in polyolefins. The newly formed company is then proposed to acquire Nova Chemicals, a major polyethylene producer in North America, for USD 13.4 Bn, including its debt, with the objective of enhancing the company's presence in the North American market. The proposed transactions are expected to close by 1Q26, subject to receiving all necessary regulatory approvals and meeting customary conditions required for the merger to proceed.
- The new combined entity, owned by ADNOC & OMV, is proposed to be formed by an all-share combination of Borouge & Borealis. Additionally, OMV will inject c. EUR 1.6 Bn into Borouge Group International to equalize its ownership. Following the transaction, ADNOC and OMV will each own 46.94% of Borouge Group International, while the remaining 6.12% will be held as free float. The existing shareholders of Borouge Plc will be proposed a share exchange offer to exchange their existing shares in Borouge Plc for shares in the newly formed Borouge Group International, pending approval from the SCA.
- The headquarters of Borouge Group International will be located in Vienna, with regional headquarters in Abu Dhabi. Key corporate hubs in Calgary, Pittsburgh, and Singapore will remain central to the company's global operations. The goal of the merger and acquisition is to position Borouge Group International as the fourth-largest polyolefins company in the world based on nameplate production capacity, broadening its global presence and strengthening its market position in key regions.
- In 2024, the combined revenue from polyolefins across Borouge, Borealis, and Nova Chemicals is expected to reach USD 17.2 Bn. These three companies are highly complementary in terms of geographic revenue split, with Borouge generating the majority of its revenue from the Middle East and Asia Pacific, Borealis primarily contributing from Europe, and Nova Chemicals driving its revenue from North America. This geographic diversification strengthens the global footprint of Borouge Group International, enabling the new entity to capitalize on growth opportunities across key regions.
- Borouge Group International's pro-forma EBITDA is USD 4.2 Bn, reflecting a strong margin of 25% in 2024. Additionally, the newly formed entity's pro-forma free cash flow stands at USD 2.9 Bn, with a cash flow conversion rate of 68% in 2024. These financial metrics are notably higher than those of its industry peers, showcasing robust financial performance.
- Borouge Group International will then acquire a 100% stake in Nova Chemicals for an enterprise value of USD 13.4 Bn, equating to a 7.5x EV/EBITDA multiple, with the acquisition being financed through debt that will later be refinanced in the capital markets.
- Furthermore, Borouge Group International intends to raise cash capital c. USD 4 Bn by offering primary shares to improve its investment-grade credit rating and secure inclusion in MSCI in 2026. After the primary offering, free float is expected to increase up to the low teens from the currently proposed 6.12%.

- The combined entity is projected to operate at 13.6 mtpa (million tonnes per annum), including 5.0 mtpa from Borouge, 4.6 mtpa from Borealis, and 2.6 mtpa from Nova Chemicals (as of Dec 2024), with an expected addition of 1.4 mtpa from Borouge 4 after its completion.
- The Borouge 4 expansion project, with a total investment of USD 7.5 Bn, is set to increase polyolefins production capacity by 1.4 mtpa and is expected to commence full operations by the end of 2026. Once operational, the expansion is projected to contribute c. USD 900 Mn annually to EBITDA, further enhancing the Company's financial performance and profitability.
- Borouge Group International will create a global polyolefins platform that covers essential geographic regions, benefiting from access to cost-effective feedstock and a strong stance on the cost curve. The merger will also provide advantaged feedstock costs, leveraging ADNOC's competitive upstream position and Borealis' established supply chain efficiencies, ensuring a strong cost advantage in polyolefins production.
- Additionally, Borouge Group International will be uniquely situated to capitalize on the growing demand for sustainable and circular solutions, which will boost its competitive edge on a global scale and provide cost advantages. Polyethylene spot prices are expected to recover from their highs and return to average levels, positioning Borouge Group International to benefit from price recovery.
- The new entity's dividend policy will target a minimum annual payout of AED 16.2 fils per share, representing an increase over Borouge's current annual dividend, providing value to shareholders.
- The transaction is expected to generate run-rate synergies of USD 500 Mn per year, with an estimated 75% of these synergies to be realized within the first three years after closing. Additionally, the combination is expected to generate an annual through-the-cycle EBITDA of more than USD 7 Bn, driven by synergies, increased production capacities, and optimized operational efficiencies across the combined entity.
- The merger brings together more than 800 R&D experts and an intellectual property portfolio with over 16,500 patents, which will accelerate innovation, enabling the development of differentiated products and enhancing competitive advantage. Furthermore, Borouge Group International will operate seven world-class innovation centers that will drive the development of advanced and high-value products, helping the newly formed entity stay ahead in the rapidly evolving polyolefins market.
- Borouge Group International will have an extensive global production and distribution network that spans major markets, providing the newly formed entity with a competitive advantage in expanding its global market presence. Also, the acquisition of Nova Chemicals, with its 2.6 mtpa of polyethylene capacity, will significantly strengthen Borouge Group International's position in North America, expanding its product offerings and production capabilities in the region.
- Sustainability is a key pillar of the transaction, with Borouge Group International aiming to become a leader in circular solutions, continuing to leverage the existing sustainability commitments of Borouge, Borealis, and Nova. Borouge, Borealis, and Nova have committed to achieving net-zero emissions (Scope 1 and 2) by 2050, and Borouge Group International will build upon these goals with an expanded sustainability strategy once the merger is completed.

Overview of Proposed Transactions

- 01** All-share combination of Borouge & Borealis resulting in newly formed Borouge Group International equally owned by ADNOC & OMV
- 02** Acquisition of Nova, at completion, by Borouge Group International funded through acquisition debt, which is expected to be refinanced in the capital markets
- 03** Headquartered and domiciled in Austria with regional headquarters in Abu Dhabi
- 04** To be listed on the Abu Dhabi Securities Exchange (ADX)⁽²⁾
- 05** Share exchange offer to Borouge free float for new shares in Borouge Group International⁽¹⁾⁽³⁾
- 06** Cash capital increase by Borouge Group International in 2026 of up to c.\$4bn to augment investment grade credit rating profile and achieve MSCI inclusion
- 07** Reconstitution of Borouge 4 when fully operational, expected to be at total cost, estimated at c.\$7.5bn⁽⁶⁾
- 08** Simplified ownership structure aligning objectives to fully capitalize on combined potential
- 09** Upon completion, ADNOC's shareholding in Borouge Group International will be transferred to XRG's Global Chemicals Platform, supporting its global chemicals growth strategy and value-creation agenda

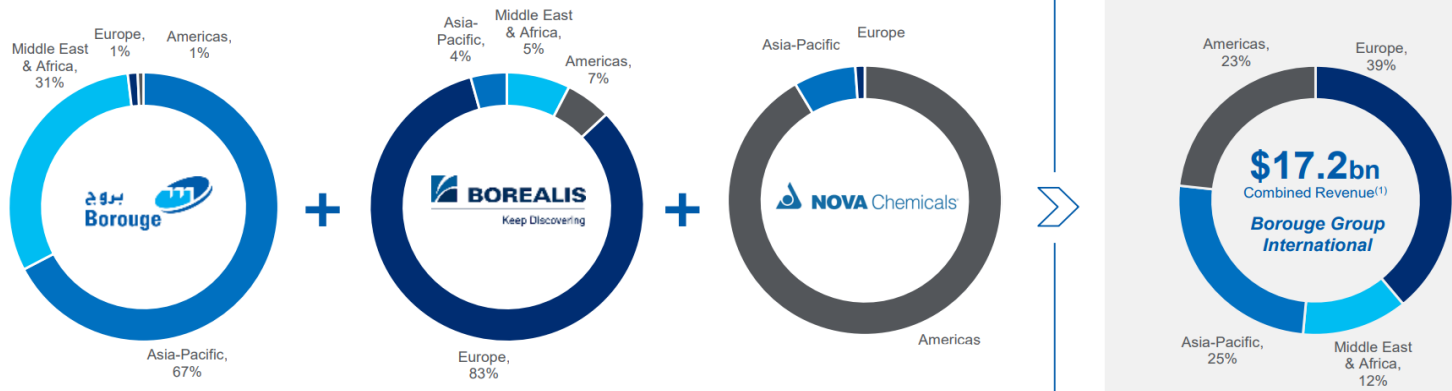
Post-Transaction Ownership Structure^(2,3)



Notes: ⁽¹⁾ For the avoidance of doubt, nothing in this document shall constitute an offer (or an intention to make an offer) by ADNOC, OMV, Borealis, NOVA Chemicals Corporation or, following its incorporation, Borouge Group International, for the shares in Borouge held by the free float or a recommendation by the board of directors of Borouge under the Decision of the Chairman of the SCA Board of Directors No. (18 / R.M) of 2017 or under the ADGM Takeover Regulations (Takeover Code) Rules 2015. ⁽²⁾ The proposed listing of Borouge Group International on the ADX and a proposed share exchange offer to the Borouge free float are subject to discussion with, and (if required) approval by, the UAE Securities & Commodities Authority ("SCA") and ADX. ⁽³⁾ Assumes SCA approval of a share exchange offer by Borouge Group International and 100% acceptance of the share exchange offer by the Borouge free float. ⁽⁴⁾ Shares of ADNOC are to be transferred to XRG at the completion of the transactions. ⁽⁵⁾ Borealis' direct ownership of B4 to be upstreamed to ADNOC and OMV. ⁽⁶⁾ Cost is defined as adjusted net book value and includes aggregate expenses and investments, financing and owner's costs.

Revenue by Geography

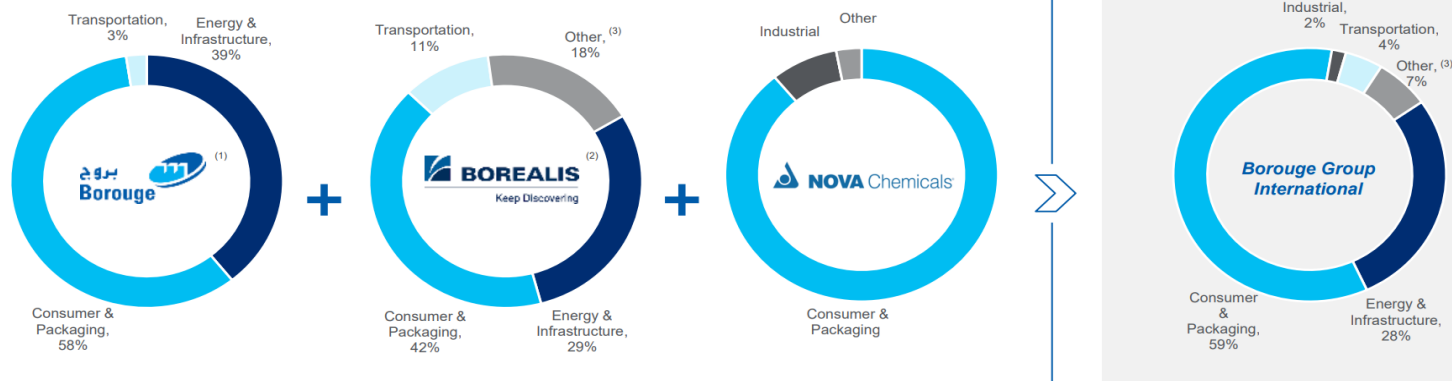
(Polyolefins, 2024A)



Notes: Numbers may not add up to 100% due to rounding. FX EUR / USD:1.08. (1) Excludes Nitro and Baystar. Includes adjustments for consolidation effects relating to Borouge sales through Borealis and Borealis sales through Borouge

Product Sales by Application

(Polyolefins Sales Volumes in Tonnes, 2024A)



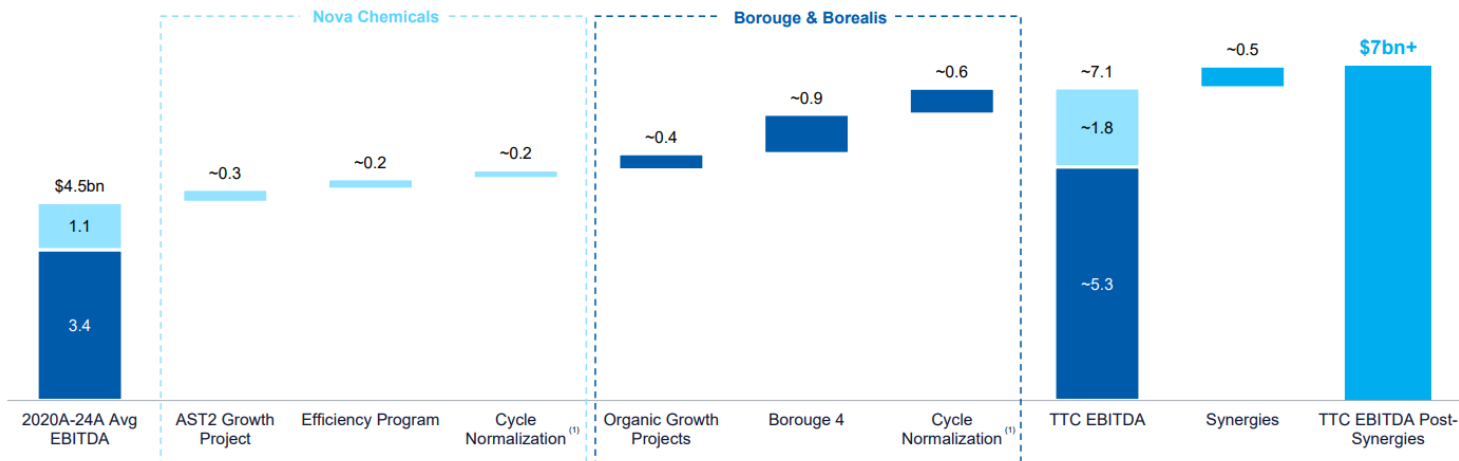
Notes: (1) Does not include Borealis sales through Borouge. (2) Does not include Borouge sales through Borealis. (3) Includes Advanced Products (Specialty grade) going into a variety of industries.

Expected Through-the-Cycle EBITDA

EBITDA Breakdown

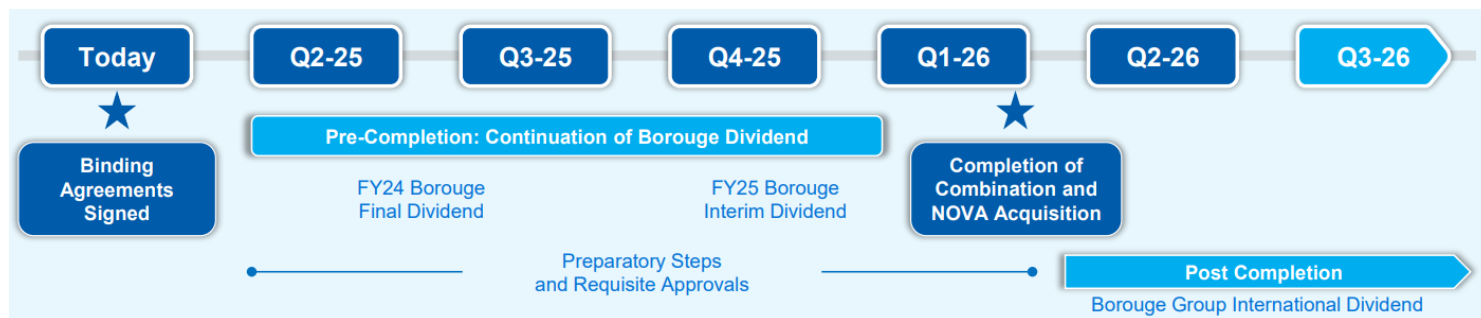
(\$bn)

■ Borouge & Borealis ■ Nova Chemicals ■ Borouge, Borealis & Nova Chemicals

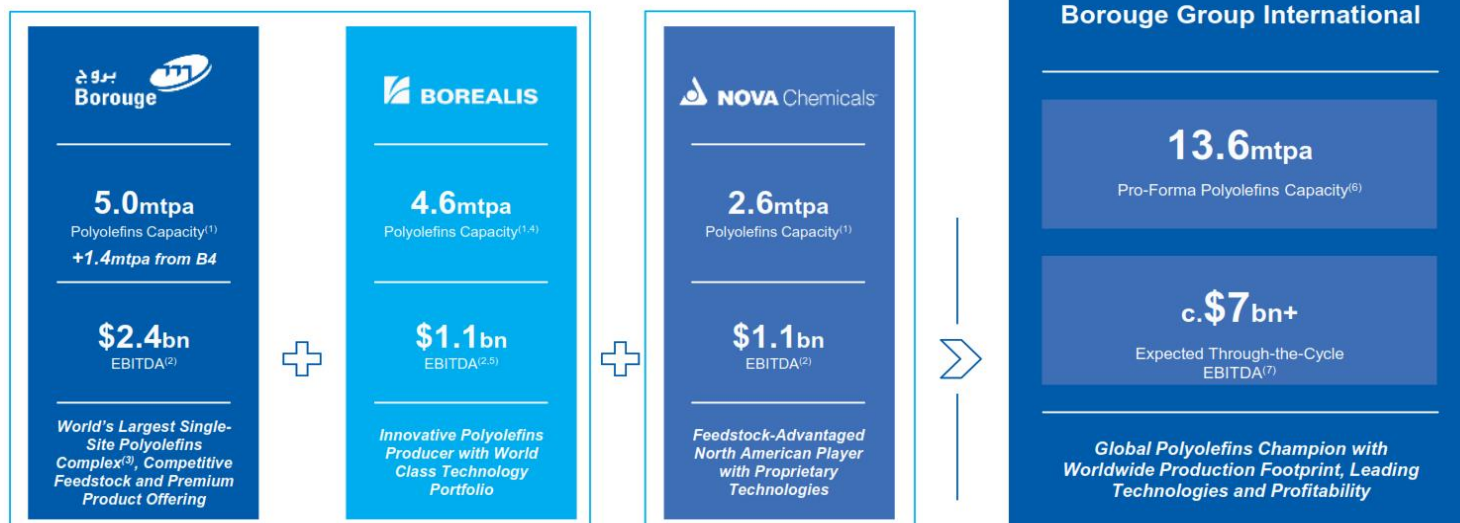


Notes: (1) Reflects expected impact from normalization of operating rates and prices / spreads to mid-cycle levels compared to 2020 to 2024 average.

Expected Timeline



Borouge Group International: (The new listing entity)



Notes: (1) Nameplate production capacity as of 2024A. (2) Average over 2020A-2024A. (3) Post completion and recontribution of B4. (4) Includes 0.5mt for Baystar, reflecting 50% stake, and 0.1mt of recycled polyethylene capacity. (5) FX EUR / USD: 1.14 (2020A); 1.18 (2021A); 1.05 (2022A); 1.08 (2023A); 1.08 (2024A); excluding Nitro. (6) Including 1.4mtpa capacity from B4. (7) Guidance for Borouge Group International EBITDA.

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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