

Borouge PLC

| Current Price (AED) | Market Cap (AED/mm) | Shares Outstanding (mm) | 52 Week High (AED) |
|----------------------------|-------------------------|--------------------------|--------------------|
| 2.58 (▲ 0.39%) | 77,548.84 | 30,057.69 | 2.74 |
| Month to Date (MTD%) | Quarter to Date (QTD%) | Year to Date (YTD%) | 52 Week Low (AED) |
| +5.74% | +5.74% | +7.50% | 2.28 |
| Price-to-Earnings Ratio(x) | Price-to-Book Ratio (x) | Dividend Yield (12month) | Book Value (AED) |
| 17.12 | 4.46 | 6.12 | 0.58 |

Key Highlights:

Higher revenue growth driven by higher volumes and pricing premiums despite seasonal headwinds

- Net profit rose to \$281 Mn in 1Q25, a 3% increase from \$273 Mn in 1Q24, driven by higher production volumes (up 7% YoY) and record monthly production in March.
- Sales volumes up 10% year-over-year, fuelled by strong demand in core Asia Pacific and Middle East markets. Despite YoY growth, sales volumes declined 15% QoQ from 1.467 Mn tonnes in 4Q24, with PE down 10% and PP down 21%. This was attributed to seasonal disruptions from Chinese New Year and Ramadan in March. While this dip is temporary, it underscores the importance of monitoring quarterly seasonality risks, which may impact short-term cash flows and investor sentiment.
- Borouge reported revenue of \$1,420 Mn in 1Q25, up 9% from \$1,302 Mn in 1Q24, primarily fueled by a 10% increase in total sales volumes to 1.25 Mn tonnes. This growth was supported by an 8% rise in Polyethylene (PE) and a 13% rise in Polypropylene (PP) sales volumes, reflecting robust demand in core markets like Asia Pacific (59% of sales) and the Middle East & Africa (31%). The company's strategic focus on differentiated, durable products and geographic optimization has likely contributed to this performance, making it an attractive proposition for investors seeking exposure to high-growth regions.
- Total operating costs (excluding depreciation & amortization) increased 13% YoY to \$712 Mn in 1Q25, reflecting higher volumes. However, a 15% QoQ cost reduction from \$837 Mn in 4Q24 due to a 26% drop in variable and fixed production costs demonstrates effective cost control. The completion of the Value Enhancement Program in 2023, which delivered \$607 Mn in savings, continues to bolster margins, appealing to value-focused investors.
- Adjusted EBITDA stood at \$564 Mn in 1Q25, a marginal 1% decrease from \$567 Mn in 1Q24, maintaining an industry-leading margin of 40%. This resilience, despite lower volumes QoQ, highlights Borouge's strong cost discipline and premium pricing power (\$224/tonne for PE and \$154/tonne for PP, above through-the-cycle guidance of \$200/tonne and \$140/tonne, respectively). The stable margin suggests operational efficiency, a key metric for long-term investors.
- A scheduled Borouge 3 turnaround in 2Q25 will reduce production by 320 Kilotonnes, potentially affecting Q2 revenue and profitability. Investors should anticipate a temporary dip but view this as a strategic move to maintain asset reliability (94.4% in 1Q25), which supports long-term operational excellence.
- Net debt decreased by 3% to \$2,348 Mn in 1Q25 from \$2,423 Mn in 1Q24, and 13% lower from \$2,691 Mn in 4Q24, reflecting strong cash generation (\$523 Mn in adjusted operating free cash flow).

This deleveraging, alongside a high cash conversion rate, reduces financial risk and supports Borouge's capacity to fund dividends and share buybacks, enhancing shareholder value.

- Borouge announced a FY2025 dividend of 16.2 fils per share, with Borouge Group International targeting a minimum of \$2.2 billion annually (also 16.2 fils per share) from 2026 to 2030 post-transaction closure in 1Q26. Additionally, the company has initiated a share buyback of up to 2.5% of outstanding shares, having repurchased 64 Mn shares to date. These moves signal confidence in future cash flows and could boost earnings per share, making Borouge an appealing dividend stock.

Borouge management guidance summarised below:

| Metric | Management Guidance |
|--|---|
| Planned Turnaround of Borouge 3 (Q2 2025) | <ul style="list-style-type: none"> Production volume impact in Q2 2025 of 320,000 tonnes |
| Through-the-cycle product premia guidance⁽¹⁾ | <ul style="list-style-type: none"> Polyethylene: \$200 / tonne premia Polypropylene: \$140 / tonne 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.

- Borouge Plc 1Q25 performance reflects a robust operational and financial foundation, with strong volume growth, maintained profitability, and prudent capital management. The company's focus on innovation, sustainability, and shareholder returns (via dividends and buybacks) positions it well for long-term value creation. However, investors should monitor 2Q25 turnaround impacts and seasonal volatility. Overall, Borouge remains a compelling investment in the Basic Material sector, balancing growth and stability.

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