

Borouge PLC

Current Price
AED 2.54

Target Price
AED 2.95

Upside/Downside (%)
+16.1%

Rating
BUY

3Q25 Net Profit in line with our estimate

- Borouge's revenue declined 9.5% YOY to USD 1.5 Bn in 3Q25, due to a decline in both sales volume and average realized price for PE and PP.
- Direct cost declined 8.2% YOY to USD 840 Mn in 3Q25, owing to a decline in feedstock cost and lower other variable and fixed production costs.
- Gross profit decreased 11.3% YOY to USD 607 Mn in 3Q25, while gross margins fell 82 bps YOY to 41.9%.
- EBITDA declined from USD 646 Mn in 3Q24 to USD 565 Mn in 3Q25, while EBITDA margin declined from 40.4% in 3Q24 to 39.1% in 3Q25.
- Operating profit fell 10.7% YOY to USD 452 Mn in 3Q25, with a decrease in operating profit margin of 39 bps YOY to 31.2%.
- Net profit declined 9.9% YOY to USD 292 Mn in 3Q25, with a marginal decrease of 8 bps YOY in net margin to 20.2%.
- Premia over the benchmark for polyethylene (PE) increased 16.2% YOY to USD 230 per tonne in 3Q25, whereas premia for polypropylene (PP) declined 17.5% YOY to USD 132 per tonne.
- Cash conversion stood at 93% in 3Q25 compared to 94% in 3Q24 and adjusted operating free cash flow decreased 13% YOY to USD 525 Mn in 3Q25.

Earnings Call Summary

- Recorded the highest quarterly production units in 3Q25, with 1,390 thousand tonnes, with exceptional asset utilization rates of 110% for PE and 112% for PP.
- XLPE premiums are expected to exceed USD 230 per tonne, with a recovery anticipated in 2026 due to resilient demand.
- Borouge strategically allocated volumes to markets offering the strongest netbacks. In 3Q25, 61% of volumes were directed to the resilient Asia-Pacific market with solid infrastructure demand and 33% to the Middle East and Africa, where lower costs enhance margins.
- Borouge 4 plant is over 90% complete and set to boost earnings after starting operation. The XRP2 facility is on track to start by the end of 2025, doubling high-value cross-linked polyethylene (XLPE) capacity to 180,000 tonnes annually.
- Premium guidance remains unchanged at USD 200 per tonne for PE and USD 140 per tonne for PP.
- Borouge expects its price premiums to remain stable in the fourth quarter, supported by the strength and uniqueness of its portfolio and continued commercial agility.
- Borouge confirmed that the first Borouge 4 facility is coming online in 4Q25, with remaining units to be tested and commissioned gradually through 2026. Additionally, Borouge is currently focusing on completing the XDP unit, while the XLPE and speciality wiring and cable plants will follow.
- Reduction in sales to China and India is a deliberate move to prioritize higher-value segments and regions that offer stronger profitability. Borouge emphasised its focus on innovation and product diversification, enabling it to maintain value creation despite market challenges.
- Lower depreciation in 3Q25 is due to an asset life reassessment following the major Borouge 3 turnaround. The review confirmed that the assets can operate longer, leading to an adjustment aligned with industry standards. This lower depreciation level is expected to be sustainable in the future.
- Borouge expects product pricing to remain soft in 4Q25 with limited signs of recovery; however, its price premiums are expected to stay strong and even improve as the company continues focusing on high-value applications and regions.

- The BGI acquisition is expected to generate over USD 500 Mn in annual EBITDA synergies through both cost efficiencies and revenue growth. Integration efforts with Nova Chemicals and Borealis are advancing smoothly.

Borouge Plc – P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,600	1,305	1,447	1,434	0.9%	-9.5%	10.9%
Direct costs	-916	-866	-840	-830	1.3%	-8.2%	-2.9%
Gross profit	684	439	607	604	0.4%	-11.3%	38.1%
Operating expenses	-182	-143	-158	-158	0.5%	-13.2%	10.5%
EBITDA	646	442	565	580	-2.5%	-12.5%	27.9%
EBIT	506	302	452	454	-0.3%	-10.7%	49.7%
Profit before tax	462	266	416	416	0.1%	-9.8%	56.5%
Tax	-134	-73	-122	-116	4.6%	-9.0%	67.3%
Profit for the period	324	192	292	296	-1.4%	-9.9%	52.3%

FABS estimate & Co Data

Borouge Guidance:

Metric	Management Guidance
Through-the-cycle product premia guidance ⁽¹⁾	Polyethylene: c. \$200/t premia Polypropylene: c. \$140/t premia
FY 2025 Dividend	16.2 fils per share

(1) 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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