

Borouge PLC

Lower average selling prices and a decline in sales volume impacted the bottom line

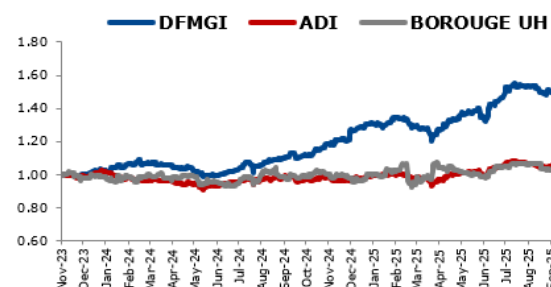
Current Price
AED 2.50

Target Price
AED 2.95

Upside/Downside (%)
+18%

Rating
BUY

- Recorded highest ever volume production of 1,390 thousand tonnes in 3Q25.
- Cash conversion increased from 71% in 2Q25 to 93% in 3Q25
- Capital expenditure declined from USD 130 Mn in 2Q25 to USD 40 Mn in 3Q25.
- Continues to execute its share buyback plan with c. 157.5 Mn shares repurchased by 3Q25.
- Asset utilization stood at 110% for PE and 112% for PP.
- Product pricing is expected to remain soft in 4Q25 with limited signs of recovery.



Stock Information

Market Cap (AED, Mn)	75,144.23
Paid Up Capital (Mn)	4,809.23
52 Week High	2.74
52 Week Low	2.28
3M Avg. daily value (AED)	28,767,200

3Q25 Result Review (USD, Mn)

Total Assets	8,239
Total Liabilities	4,417
Total Equity	3,822
EBITDA	565
Net Profit	292

Financial Ratios

Dividend Yield (12M)	6.40
Dividend Pay-out (%)	106.07
Price-Earnings Ratio(x)	5.21
Price-to-Book Ratio (x)	5.39
Book Value (AED)	0.13
Return-on Equity (%)	27.46

Stock Performance

5 Days	-3.10%
1 Months	-0.79%
3 Months	-5.30%
6 Months	-3.10%
1 Year	-1.96%
Month to Date (MTD%)	-0.79%
Quarter to Date (QTD%)	-0.79%
Year to Date (YTD%)	4.17%

3Q25 Net Profit in line with our estimate

Borouge Plc (Borouge/the Company) net profit declined 9.9% YOY to USD 292 Mn in 3Q25, in line with our estimate of USD 296 Mn. The decline in net profit is mainly attributable to a decline in revenue, partially offset by a decrease in direct costs and operating expenses, coupled with lower net finance cost and tax expense.

P&L Highlights

Borouge's revenue declined 9.5% YOY to USD 1,447 Mn in 3Q25, mainly driven by a decline in both average selling prices and sales volume. Polyethylene (PE) average selling price decreased 4% YOY to USD 1,047 per tonne in 3Q25, whereas Polypropylene (PP) average selling price declined 6% YOY to USD 987 per tonne. Polyethylene (PE) premia over benchmark increased 16% YOY to USD 230 per tonne in 3Q25, whereas Polypropylene (PP) premia over benchmark price declined 18% YOY to USD 132 per tonne in 3Q25. PE sales volume declined 7% YOY to 753 thousand tonnes in 3Q25, while PP sales volume fell 1% YOY to 602 thousand tonnes. The Company's sale of Ethylene & others stood at nil in 3Q25 compared to 6 thousand tonnes in 3Q24. Furthermore, Borouge recorded the highest quarterly production in 3Q25, with 1,390 thousand tonnes of PE and PP, with exceptional asset utilization rates of 110% for PE and 112% for PP. The Company's direct cost decreased 8.2% YOY to USD 840 Mn in 3Q25 due to lower feedstock costs and a decrease in other variable and fixed production expenses. Borouge's gross profit contracted 11.3% YOY to USD 607 Mn in 3Q25. As a result, gross profit margin fell from 42.7% in 3Q24 to 41.9% in 3Q25. Other income declined 12.3% YOY to USD 5 Mn in 3Q25. G&A expenses and selling & distribution expenses declined 13.2% YOY each to USD 49 Mn and USD 110 Mn, respectively, in 3Q25.

Meanwhile, the Company's EBITDA declined 12.5% YOY to USD 565 Mn in 3Q25. EBITDA margin contracted from 40.4% in 3Q24 to 39.1% in 3Q25. Borouge's operating profit decreased 10.7% YOY to USD 452 Mn in 3Q25, whereas the operating profit margin fell 39 bps YOY to 31.2% in 3Q25. The Company's finance costs declined 13.5% YOY to USD 44 Mn in 3Q25, while finance income rose 2.5% YOY to USD 8 Mn. Furthermore, income tax expenses fell 9.0% YOY to USD 122 Mn in 3Q25. Profit share to NCI stood at USD 2 Mn in 3Q25, down from USD 4 Mn in 3Q24.

Balance Sheet Highlights

Borouge's cash conversion increased from 71% in 2Q25 to 93% in 3Q25. The adjusted operating free cash flow fell 13% YOY, but grew 68% QOQ to USD 525 Mn in 3Q25. Moreover, the Company's capital expenditure declined significantly from USD 130 Mn in 2Q25 to USD 40 Mn in 3Q25 due to capex on the turnaround of B3. Furthermore, Borouge's net debt stood at USD 2,915 Mn in 3Q25, up from USD 2,694 Mn in 2Q25.

Target Price and Rating

We revise our rating on Borouge from ACCUMULATE to BUY with an unchanged target price of AED 2.95. Borouge's profitability declined in 3Q25, mainly driven by lower average selling prices and a decline in sales volume. Total sales volume increased 19% QOQ in 3Q25, following the planned B3 turnaround in 2Q25, recording the highest ever quarterly volume production 1,390 thousand tonnes in 3Q25. Borouge is making steady progress on its growth initiatives, with the Borouge 4 expansion project now over 90% complete. The first plant is expected to begin operations by the end of the year 2025. 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. The BGI acquisition is expected to generate over USD 500 Mn in annual EBITDA synergies through both cost efficiencies and revenue growth. ADNOC and OMV successfully secured financing from global banks for BGI, amounting to USD 15.4 Bn, including the acquisition of Nova Chemicals. The Company is also collaborating with Yokogawa and Honeywell to conduct a proof-of-concept for AI powered autonomous control room operations at its Ruwais facility in Abu Dhabi and is set to deliver the petrochemical industry's first AI-driven control room. The Company's premium guidance remains unchanged at USD 200 per tonne for PE and USD 140 per tonne for PP. 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. Additionally, Borouge reiterated its dividend floor of 16.2 fils per share for 2025, and further aims to pay minimum dividend of USD 7.3 Bn by 2030. Thus, considering the above factors, we assign a BUY rating on the stock.

Borouge - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F
PE	NA	14.76	20.79	19.50	18.75
PB	NA	4.29	4.59	5.41	4.89
EV/EBITDA	NA	8.16	9.94	8.65	9.74
BVPS (AED)	NA	0.592	0.553	0.545	0.520
EPS (AED)	NA	0.172	0.122	0.151	0.135
DPS (AED)	NA	0.119	0.159	0.159	0.162
Dividend yield	NA	4.7%	6.2%	6.2%	6.4%

FABS Estimates & Co Data

Note – Borouge listed on ADX in June 2022. Thus, the financial multiple for the prior period is unavailable

Borouge – P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenues	1,600	1,305	1,447	1,434	0.9%	-9.5%	10.9%	6,026	5,686	-5.6%
Direct Cost	-916	-866	-840	-830	1.3%	-8.2%	-2.9%	-3,491	-3,404	-2.5%
Gross Profit	684	439	607	604	0.4%	-11.3%	38.1%	2,535	2,281	-10.0%
Other income	5	6	5	7	-29.9%	-12.3%	-19.4%	54	27	-50.0%
G&A expense	-56	-42	-49	-46	5.1%	-13.2%	15.6%	-193	-196	1.5%
Selling and dist. expenses	-127	-101	-110	-112	-1.4%	-13.2%	8.4%	-472	-425	-10.0%
EBITDA	646	442	565	580	-2.5%	-12.5%	27.9%	2,477	2,214	-10.6%
Operating Profit	506	302	452	454	-0.3%	-10.7%	49.7%	1,921	1,688	-12.1%
Finance costs	-50	-43	-44	-46	-5.1%	-13.5%	0.6%	-202	-178	-12.0%
Finance income	7	9	8	8	-8.3%	2.5%	-13.2%	29	33	15.6%
Profit before tax	462	266	416	416	0.1%	-9.8%	56.5%	1,745	1,541	-11.7%
Income tax expenses	-134	-73	-122	-116	4.6%	-9.0%	67.3%	-506	-431	-14.8%
NCI	4	1	2	3	-20.8%	-31.2%	67.6%	14	10	-26.9%
Net Profit	324	192	292	296	-1.4%	-9.9%	52.3%	1,225	1,099	-10.3%

FABS estimate & Co Data

Borouge - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	42.7%	33.7%	41.9%	-82	826	42.1%	40.1%	-194
EBITDA	40.4%	33.8%	39.1%	-134	521	41.1%	38.9%	-216
Operating Profit	31.6%	23.1%	31.2%	-39	810	31.9%	29.7%	-219
Net Profit	20.3%	14.7%	20.2%	-8	549	20.3%	19.3%	-100

FABS estimate & Co Data

Key Developments:

- **28 January 2025:** Borouge signed four agreements of over USD 100 Mn in new supply and collaboration with Bericap, Taghleef Industries, INDEVCO Group, ALPLA, Tahzeem Packaging, and Rebound to expand advanced and sustainable packaging using recyclable and recycled polyolefin solutions.
- **04 March 2025:** Abu Dhabi National Oil Company (ADNOC) and OMV AG announced a binding framework to combine Borouge and Borealis AG, and to acquire Nova Chemicals Corporation, creating a global polyolefins group ("Borouge Group International") valued at c. USD60 Bn. This will create the fourth-largest polyolefins producer, with a capacity of 13.6 mtpa. ADNOC and OMV company will own 46.9% each, and the deal was expected to close by 1Q26, pending regulatory approvals.
- **17 March 2025:** Borouge proposed a share buyback of up to 2.5% of its outstanding shares. As of 30 October 2025, Borouge repurchased 1812.2 Mn shares at an average price of AED 2.514 per share, which is equivalent to 181.2 Mn shares (0.6% of capital) under its 2.5% buyback program, with 570.2 Mn shares available for repurchase.
- **28 April 2025:** Announced strategic asset expansion projects: awarded contracts for expansion of the second ethane cracker (EU2) and the PE4/PE5 polyethylene units, aimed at boosting capacity and annual EBITDA by ~USD165-200 Mn. Borouge awarded a contract for Front-End Engineering Design (FEED) to upgrade its second ethane unit, a project expected to be completed by Q4 2028. EU2 capacity will increase by 230,000 tonnes per annum. In addition, PE4 and PE5 capacity will increase from 540,000 to 700,000 tonnes per annum.
- **21 May 2025:** Signed a partnership agreement with Mubadala Bio to supply UAE-manufactured polyolefins for medical-applications, reinforcing local manufacturing and the "Make it in the Emirates" initiative.
- **11 June 2025:** Borouge signed 15-year partnership with ADNOC L&S of USD 531 Mn to manage logistics for up to 70.0% of annual production, by delivering over USD 50 Mn in cost savings within five years and enhancing UAE petrochemical exports through improved supply chain efficiency and dedicated shipping operations.
- **25 June 2025:** Announced collaboration with Honeywell International Inc. to develop the petrochemical industry's first AI-driven autonomous control-room in the UAE, under its AI, Digitalisation & Technology (AIDT) programme.
- **08 October 2025:** Borouge reaffirmed its 16.2 fils per share dividend floor through 2030, targets AED 27 Bn in total dividends, and has repurchased 158 Mn shares, while the upcoming Borouge Group International is set to deliver USD 7 Bn EBITDA and make it the world's fourth-largest polyolefins producer.
- **Borouge 4 Project Status:** The mega-project remains over 90% complete as of October 2025, and is on track for its first production plant to come online by the end of 2025, with full completion expected by the end of 2026.

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	2.65	50.0%	0.36
DDM Method	2.49	25.0%	0.17
Relative Valuation (RV)	4.03	25.0%	0.27
Weighted Average Valuation (AED)			2.95
Current market price (AED)			2.50
Upside/Downside (%)			+18%

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 8.3%. It is arrived after using cost of equity of 8.9% and after-tax cost of debt of 3.8% with an equity weight of 87.5% and debt of 12.5%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.3%. 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 28.0% to arrive at after tax cost of debt of 3.8%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (USD, Mn)	1,432
Terminal value (USD, Mn)	22,880
Firm Value (USD, Mn)	24,311
Net Debt as of Sep 2025 (USD, Mn)	-2,749
Equity Value to Share Holders (USD Mn)	21,562
No. of share (Mn)	29,933
Current Market Price (AED)	2.50
Fair Value per share (AED)	2.65

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Cash flow from operating activities	374 ¹	2,631	2,672	2,407	2,204	2,194
(-) Capex	-7,680	-180	-250	-250	-250	-250
Free Cash Flow to Firm (FCFF)	-7,306	2,451	2,422	2,157	1,954	1,944
Discounting Factor	0.99	0.91	0.84	0.78	0.72	0.66
Discounted FCFF	-7,210	2,234	2,039	1,677	1,403	1,289

Source: FAB Securities, ¹Adjusted for partial year

2) DDM Method:

Borouge will distribute a healthy dividend in 2025 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 8.9%.

Sum of PV (USD, Mn)	6,456
Terminal value (USD, Mn)	13,801
FV to Common shareholders (USD Mn)	20,257
No. of share (Mn)	29,933
Current Market Price (AED)	2.50
Fair Value per share (AED)	2.49

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
H1	665	674	666	680	655	671
H2	665	674	666	680	655	671
Total Dividend	1,330	1,348	1,332	1,359	1,309	1,342
Discounting Factor	0.99	0.91	0.83	0.76	0.70	0.64
Present Value of Dividend	1,311	1,220	1,107	1,037	917	863

Source: FAB Securities

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 2026 EV/EBITDA multiple of 11.3x.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Yanbu National Petrochemical	5,130	12.7	11.3	53.0	43.4	1.8	1.9
National Industrialization Co.	2,051	52.9	15.0	22.2	25.9	0.7	0.7
Sahara International Petrochemical	3,648	11.6	9.0	140.4	23.5	0.9	0.9
Advanced Petrochemicals Co	2,570	20.4	13.0	31.9	16.7	3.1	2.7
Saudi Ind Investment Group	2,962	107.2	17.4	86.9	21.2	1.3	1.3
Saudi Kayan Petrochemical Co	2,384	17.3	10.0	NM	NM	0.9	1.1
Saudi Aramco Base Oil Co	4,226	14.3	10.0	18.9	12.4	3.5	3.2
Average		33.8x	12.2x	58.9x	23.8x	1.8x	1.7x
Median		17.3x	11.3x	42.4x	22.3x	1.3x	1.3x
Max		36.6x	14.0x	78.4x	25.3x	2.5x	2.3x
Min		13.5x	10.0x	24.6x	17.8x	0.9x	1.0x

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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