

Borouge PLC

Higher sales volume absorbs price softening and stabilizes earnings

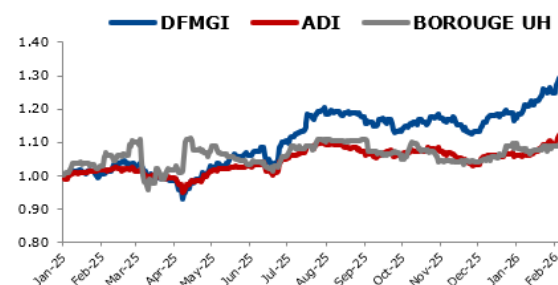
Current Price
AED 2.59

Target Price
AED 2.95

Upside/Downside (%)
+14%

Rating
ACCUMULATE

- Recorded highest ever volume production of 1,643 thousand tonnes in 4Q25.
- Cash conversion declined from 93% in 3Q25 to 84% in 4Q25.
- Capital expenditure rose from USD 40 Mn in 3Q25 to USD 98 Mn in 4Q25.
- Continues to execute its share buyback plan with c. 212 Mn shares repurchased by end of 2025.
- Asset utilization stood at 119% for PE and 114% for PP for 4Q25.
- Borouge generated USD 717 Mn of value in 2025 from its AI, digitalisation, and technology programme.



Stock Information

Market Cap (AED, Mn)	77,849.42
Paid Up Capital (Mn)	4,809.23
52 Week High	2.74
52 Week Low	2.28
3M Avg. daily value (AED)	23,089,190

4Q25 Result Review (USD, Mn)

Total Assets	8,489
Total Liabilities	4,373
Total Equity	4,116
EBITDA	601
Net Profit	327

Financial Ratios

Dividend Yield (12M)	6.15
Dividend Pay-out (%)	120.18
Price-Earnings Ratio(x)	5.41
Price-to-Book Ratio (x)	5.20
Book Value (AED)	0.14
Return-on Equity (%)	25.47

Stock Performance

5 Days	-0.77%
1 Months	0.39%
3 Months	3.19%
6 Months	-2.26%
1 Year	1.57%
Month to Date (MTD%)	-0.77%
Quarter to Date (QTD%)	-1.52%
Year to Date (YTD%)	-1.52%

4Q25 Net Profit higher than our estimate

Borouge Plc (Borouge/the Company) net profit increased marginally 0.2% YOY to USD 327 Mn in 4Q25, higher than our estimate of USD 259 Mn. The increase in net profit is mainly attributable to increase in revenue, coupled with lower selling and distribution expenses, finance costs and income tax expenses, partially offset by higher direct cost, G&A expenses, lower other income, lower finance income and NCI.

P&L Highlights

Borouge's revenue increased 3.4% YOY to USD 1,676 Mn in 4Q25, mainly driven by an increase in sales volume, partially offset by a decline in average selling price. Polyethylene (PE) average selling price decreased 6.1% YOY to USD 994 per tonne in 4Q25, whereas Polypropylene (PP) average selling price declined 11.0% YOY to USD 912 per tonne. Polyethylene (PE) premia over benchmark increased 13.5% YOY to USD 202 per tonne in 4Q25, whereas Polypropylene (PP) premia over benchmark price declined 15.7% YOY to USD 118 per tonne in 4Q25. PE sales volume increased 13.6% YOY to 935 thousand tonnes in 4Q25 and PP sales volume increased 10.6% YOY to 708 thousand tonnes. The Company's sale of Ethylene & others stood at nil in 4Q25 compared to 4 thousand tonnes in 4Q24. Furthermore, Borouge recorded the highest quarterly production in 4Q25 with 1,464 thousand tonnes of PE and PP, with exceptional asset utilization rates of 119% for PE and 114% for PP. The Company's direct cost increased 4.3% YOY to USD 1,014 Mn in 4Q25 due to higher feedstock costs and an increase in other variable and fixed production expenses. Borouge's gross profit increased 1.9% YOY to USD 662 Mn in 4Q25. However, gross profit margin contracted from 40.0% in 4Q24 to 39.5% in 4Q25. Other income significantly declined from USD 38 Mn in 4Q24 to USD 9 Mn in 4Q25. G&A expenses increased 40.6% YOY to USD 46 Mn in

4Q25. Selling and Distribution expenses declined 20.6% YOY to USD 115 Mn in 4Q25. Meanwhile, the Company's EBITDA declined 7.7% YOY to USD 601 Mn in 4Q25. EBITDA margin contracted from 40.1% in 4Q24 to 35.8% in 4Q25. Borouge's operating profit stood at USD 510 Mn in 4Q25, whereas the operating profit margin fell 98 bps YOY to 30.5% in 4Q25. The Company's finance costs declined 1.3% YOY to USD 46 Mn in 4Q25, while finance income declined from USD 5 Mn in 4Q24 to negative USD 0.393 Mn in 4Q25. Furthermore, income tax expenses fell 3.0% YOY to USD 133 Mn in 4Q25. Profit share to NCI declined from USD 5 Mn in 4Q24 to USD 4 Mn in 4Q25.

Balance Sheet Highlights

Borouge's cash conversion declined from 93% in 3Q25 to 84% in 4Q25. The adjusted operating free cash flow fell 12% YOY and 4% QOQ to USD 502 Mn in 4Q25. Moreover, the Company's capital expenditure increased significantly from USD 40 Mn in 3Q25 to USD 98 Mn in 4Q25 due to capex on the turnaround of B3. Furthermore, Borouge's net debt stood at USD 2,696 Mn in 4Q25, down from USD 2,915 Mn in 3Q25.

Target Price and Rating

We revise our rating on Borouge from BUY to ACCUMULATE with an unchanged target price of AED 2.95. Borouge's profitability was maintained in 4Q25, mainly driven by higher sales volume reported by the company, partially offset by the decline in average selling prices. Total sales volumes rose 12.3% YOY in 4Q25, with infrastructure solutions accounting for 39% of quarterly volumes and 38% of full-year sales, reflecting the company's continued strategic focus on high value-add segments. Asia Pacific remained the largest market at 59% of sales, followed by the Middle East and Africa at 32%. Following the planned B3 turnaround in 2Q25, Borouge delivered a record quarterly production of 1,464 kt in 4Q25, supported by exceptional asset utilisation of 119% for PE and 114% for PP, the highest in the company's history. The Borouge 4 growth project is advancing smoothly, with XLPE-2 commissioned in late 2025, boosting XLPE capacity to 180 ktpa, more than double its previous level. The facility uses resin feedstock from the B3 plant to produce high-purity XLPE, mainly catering to the high-value wire and cable segment. Additionally, the remaining units of Borouge 4 are scheduled to become onstream through 2026. Once fully ramped up, the development is expected to contribute 1.4 Mtpa of polyethylene capacity and deliver c. USD 900 Mn of EBITDA on a through-the-cycle basis following full operational integration, with initial customer shipments targeted for 1Q26. Borouge's EU2 ethane cracker expansion project is progressing, with FEED (Front-End Engineering Design) completed. The company plans to award an EPC (Engineering, Procurement, and Construction) contract in 2026. Additionally, Borouge has conducted a feasibility study for the EU3 ethane cracker expansion and is advancing with pre-FEED activities. Borouge reinforced its innovation leadership with 10 new product launches in 2025, which generated USD 94 Mn in innovation-driven value. Depreciation expense declined following a reassessment of asset useful lives in 3Q25, extending certain assets by up to 10 years. This change is expected to deliver a recurring annual reduction in depreciation of c. USD 163 Mn over the next five years versus 2024 levels. Borouge generated USD 717 Mn of value in 2025 from its AI, digitalisation, and technology programme, exceeding its USD 575 Mn target, and successfully completed an AI-enabled autonomous operations proof of concept at Ruwais in partnership with Honeywell. Borouge is progressing well on its innovation agenda, targeting at least 20% of annual sales from new products to support long-term growth and portfolio resilience. The Company's premium guidance remains unchanged at USD 200 per tonne for PE and USD 140 per tonne for PP, with the company expecting an average utilization rate of c. 105% during 2026. The Company expects global polyolefin demand to grow at 3.9% per year through 2030. Borouge continues to execute its share buyback program, having repurchased c. 212 Mn shares by end of 2025, and has returned around USD 4.24 Bn in total dividends to shareholders since IPO. Additionally, Borouge confirmed its intention to pay a 2025 dividend of 16.2 fils per share. The 2H25 dividend of 8.1 fils per share is expected to be paid in April 2026, subject to shareholder approval. Thus, considering the above factors, we assign an ACCUMULATE rating on the stock.

Borouge - Relative valuation

(at CMP)	2022	2023	2024	2025	2026F
PE	15.23	21.44	19.50	19.52	15.77
PB	4.45	4.75	5.44	5.28	5.60
EV/EBITDA	8.40	10.24	8.94	10.20	8.50
BVPS (AED)	0.592	0.553	0.545	0.496	0.527
EPS (AED)	0.172	0.122	0.151	0.134	0.187
DPS (AED)	0.119	0.159	0.159	0.162	0.162
Dividend yield	4.5%	6.1%	6.1%	6.2%	6.2%

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	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Revenues	1,621	1,447	1,676	1,404	19.4%	3.4%	15.8%	6,026	5,848	-3.0%
Direct Cost	-972	-840	-1,014	-865	17.2%	4.3%	20.7%	-3,491	-3,566	2.1%
Gross Profit	649	607	662	539	22.9%	1.9%	9.0%	2,535	2,282	-10.0%
Other income	38	5	9	10	-6.5%	-74.8%	96.7%	54	26	-51.2%
G&A expense	-32	-49	-46	-36	25.5%	40.6%	-6.1%	-193	-197	1.8%
Selling and dist. expenses	-145	-110	-115	-124	-7.1%	-20.6%	4.5%	-472	-416	-11.9%
EBITDA	650	565	601	527	13.9%	-7.7%	6.2%	2,477	2,172	-12.3%
Operating Profit	510	452	510	389	31.3%	0.1%	12.9%	1,921	1,694	-11.8%
Finance costs	-47	-44	-46	-41	13.2%	-1.3%	6.2%	-202	-176	-12.9%
Finance income	5	8	0	9	NM	NM	NM	29	24	-16.9%
Profit before tax	468	416	463	357	29.9%	-1.0%	11.3%	1,745	1,540	-11.8%
Income tax expenses	-137	-122	-133	-94	41.7%	-3.0%	9.2%	-506	-441	-13.0%
NCI	5	2	4	4	-1.3%	-19.5%	50.7%	14	10	-27.2%
Net Profit	326	292	327	259	26.1%	0.2%	11.8%	1,225	1,089	-11.1%

FABS estimate & Co Data

Borouge - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	40.0%	41.9%	39.5%	-56	-244	42.1%	39.0%	-305
EBITDA	40.1%	39.1%	35.8%	-430	-323	41.1%	37.1%	-397
Operating Profit	31.4%	31.2%	30.5%	-98	-79	31.9%	29.0%	-291
Net Profit	20.1%	20.2%	19.5%	-62	-69	20.3%	18.6%	-171

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 7 February 2026, Borouge repurchased 233.2 Mn shares at an average price of AED 2.612 per share, which is equivalent to 0.7% of issued shares under its 2.5% buyback program, with 528.3 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.
- **04 February 2026:** Borouge 4 growth project is progressing well, with XLPE 2 successfully commissioned in late 2025 and the remaining units scheduled to come onstream through 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	3.08	50.0%	1.54
DDM Method	2.60	25.0%	0.65
Relative Valuation (RV)	3.05	25.0%	0.76
Weighted Average Valuation (AED)			2.95
Current market price (AED)			2.59
Upside/Downside (%)			+14%

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 8.2%. It is arrived after using cost of equity of 8.8% and after-tax cost of debt of 3.8% with an equity weight of 87.8% and debt of 12.2%. Cost of equity is calculated by using 10-year government bond yield of 4.9%, 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 28.6% 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)	1,084
Terminal value (USD, Mn)	26,504
Firm Value (USD, Mn)	27,588
Net Debt as of Dec 2025 (USD, Mn)	-2,531
Equity Value to Share Holders (USD Mn)	25,057
No. of share (Mn)	29,835
Current Market Price (AED)	2.59
Fair Value per share (AED)	3.08

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Cash flow from operating activities	2,002	2,273	2,121	2,236	2,333
(-) Capex	-7,650	-160	-170	-180	-190
Free Cash Flow to Firm (FCFF)	-5,648	2,113	1,951	2,056	2,143
Discounting Factor	0.93	0.86	0.80	0.74	0.68
Discounted FCFF	-5,261	1,819	1,553	1,513	1,458

Source: FAB Securities

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 8.8%.

Sum of PV (USD, Mn)	5,074
Terminal value (USD, Mn)	16,060
FV to Common shareholders (USD Mn)	21,133
No. of share (Mn)	29,835
Current Market Price (AED)	2.59
Fair Value per share (AED)	2.60

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
H1	620	581	615	689	739
H2	620	581	615	689	739
Total Dividend	1,241	1,162	1,229	1,377	1,479
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Present Value of Dividend	1,150	990	963	992	979

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 11.1x.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F	2026F	2027F
Yanbu National Petrochemical	4,059	9.5	7.5	53.2	27.5	1.6	1.7
National Industrialization Co.	1,610	21.6	14.2	NM	27.9	0.6	0.6
Sahara International Petrochemical	2,875	10.7	8.4	49.6	20.4	0.8	0.8
Advanced Petrochemicals Co	1,751	11.5	10.2	18.7	13.2	1.9	1.7
Saudi Ind Investment Group	2,212	36.6	21.8	37.0	22.7	1.0	1.0
Saudi Kayan Petrochemical Co	1,884	10.7	7.9	NM	NM	0.9	1.0
Saudi Aramco Base Oil Co	4,644	11.1	9.5	14.1	11.2	3.4	3.2
Average		16.0x	11.4x	34.5x	20.5x	1.5x	1.4x
Median		11.1x	9.5x	37.0x	21.5x	1.0x	1.0x
Max		16.6x	12.2x	49.6x	26.3x	1.7x	1.7x
Min		10.7x	8.2x	18.7x	15.0x	0.9x	0.9x

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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