FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Basic Material | Market: ADX

Borouge PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.40	AED 2.95	+22.9%	BUY

2Q26 Net Profit higher than our estimate

- Borouge's revenue increased 7.7% YOY to USD 1.4 Bn in 2Q26, driven by an increase in blended average selling prices amid tight global polyolefins market conditions, partially offset by decline in sales volumes along with production volumes following the Ruwais asset damage and Strait of Hormuz-related disruption.
- Direct cost marginally decreased 0.1% YOY to USD 865 Mn in 2Q26, owing to increase in feedstock costs, partially offset by a decline in other variable and fixed production costs.
- Gross profit increased 23.1% YOY to USD 541 Mn in 2Q26, while gross margins rose 480 bps YOY to 38.5% in 2Q26.
- Adjusted EBITDA declined 9.3% YOY to USD 401 Mn in 2Q26, while EBITDA margin declined from 33.8% in 2Q25 to 28.5% in 2Q26.
- Operating profit declined 2.9% YOY to USD 293 Mn in 2Q26, with a decrease in operating profit margin of 228 bps YOY to 20.9% in 2Q26.
- Net profit declined marginally 1.1% YOY to USD 190 Mn in 2Q26, with a decrease of 121 bps YOY in net margin to 13.5% in 2Q26.
- Premia over the benchmark for PE increased 75.9% YOY to USD 438 per tonne in 2Q26, while premia for PP doubled to USD 282 per tonne on a YOY basis, both substantially above Company's through-the-cycle guidance of USD 200 per tonne and USD 140 per tonne respectively.
- Cash conversion stood stable at 71% in 2Q26 on YOY basis, and adjusted operating free cash flow decreased 8.0% YOY to USD 287 Mn in 2Q26.

Earnings Call Summary

- In 2Q26, the Company's production was significantly impacted by the April 2026 security incident and the closure of the Strait of Hormuz, with quarterly production declining to 721 kt in 2Q26 and utilization rates falling to 48% for PE and 71% for PP, a sharp reversal from the record utilization levels achieved in 4Q25.
- Full production availability at the Ruwais complex was restored by the end of June 2026 following an accelerated repair program.
- The Company recognized c. USD 25 Mn (pre-tax) in insurance claims proceeds within other income, relating to expected payouts for the regional geopolitical disruption, partially offset by a USD 6 Mn impairment loss on assets damaged
- Borouge shifted its sales mix toward Consumer Solutions during the quarter, which rose to 63% of sales volumes in 2Q26 from 58% in 1Q26, while Infrastructure Solutions declined to 34% of sales volumes in 2Q26 from 39% in 1Q26, reflecting a pause in some infrastructure project activity amid regional uncertainty.
- Asia Pacific remained the largest market at 49% of sales volumes in 2Q26 down from 52% in 1Q26, while the Middle East and Africa increased to 41% of sales volumes in 2Q26 from 39% in 1Q26, supported by higher land freight shipments.
- The Borouge 4 growth project continued to progress, with commercial operations commencing at the XLPE 2 unit following successful performance testing and completion of the first shipments to regional customers during 2Q26. Remaining Borouge 4 units remain on schedule for commissioning through 2026 and 2027. Once fully ramped up, the project is expected to add 1.4 Mn tonnes of new capacity, consistent with prior guidance.

- Depreciation and amortisation expense continued to decline, down 27% YOY to USD 101 Mn in 2Q26, consistent with the extended asset useful lives applied following the 3Q25 reassessment; no new reassessment was announced during 2Q26.
- In 2H26 utilization recovery hinges on the Strait of Hormuz reopening to free maritime traffic. Borouge's plants are ready for a fast ramp-up once feedstock allows. Pricing should stay elevated near-term, logistics costs remain high, and the balance sheet has ample resilience to absorb continued short-term disruption.
- The Company continued its capital returns program during 1H26, utilizing USD 59 Mn to fund its ongoing share buyback program and paying aggregate dividends of USD 665 Mn during 1H26.
- Through-the-cycle premium guidance remains unchanged at USD 200 per tonne for PE and USD 140 per tonne for PP, despite actual 2Q26 premia of USD 438 per tonne for PE and USD 282 per tonne for PP. The Company characterized the elevated quarterly premia as a temporary function of acute supply tightness and product-mix optimization rather than a structural shift in through-cycle economics.
- The Company confirmed its intention to pay a minimum 2026 dividend of 16.2 fils per share, consistent with its commitment to maintain this minimum annual dividend through at least 2030, paid on a semi-annual basis 8.1 fils per share.
- The Company reiterated that global polyolefin demand in its core markets remains structurally stable, with long-term growth expected to continue outpacing GDP.

Borouge Plc – P&L

USD Mn	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Revenue	1,305	1,175	1,406	1,134	24.0%	7.7%	19.6%
Direct costs	-866	-766	-865	-759	13.9%	-0.1%	12.9%
Gross profit	**439**	**409**	**541**	**374**	**44.5%**	**23.1%**	**32.3%**
Operating expenses	-143	-171	-272	-146	86.3%	89.8%	59.2%
EBITDA	**442**	**343**	**401**	**356**	**12.6%**	**-9.3%**	**16.7%**
EBIT	**302**	**244**	**293**	**234**	**25.2%**	**-2.9%**	**20.1%**
Profit before tax	**266**	**209**	**253**	**203**	**25.0%**	**-4.7%**	**21.1%**
Tax	-73	-54	-62	-57	9.9%	-14.3%	16.2%
Profit for the period	**192**	**155**	**190**	**143**	**32.6%**	**-1.1%**	**22.5%**

FABS estimate & Co Data

Management Guidance:

Metric	Management Guidance
Production(1)	▪ **Targeting higher utilisation rates in H2 2026, subject to feedstock and logistics availability and freedom of navigation through the Strait of Hormuz**
Borouge 4	▪ **Production expected to ramp up through 2026, subject to feedstock availability, as units are commissioned and brought online**
Through-the-cycle product premia guidance(2)	▪ **Polyethylene: c. $200/t premia** ▪ **Polypropylene: c. $140/t premia**
Costs	▪ **Purchase propylene feedstock linked to market prices** ▪ **High distribution costs to persist whilst navigation through Strait of Hormuz remains disrupted**
FY 2026 Dividend	▪ **16.2 fils per share**

(1) Ruwais nameplate capacity: 5 Mtpa
(2) 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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