

## Borouge PLC

Growth in sales volumes and realized price drove profitability

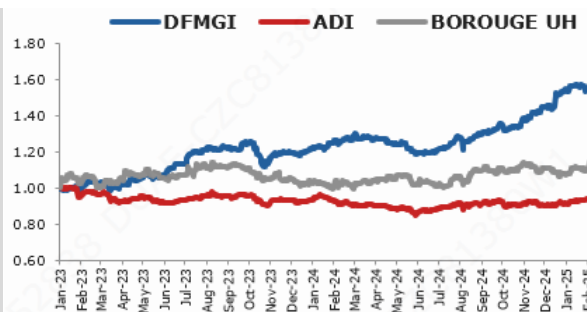
**Current Price**  
AED 2.53

**Target Price**  
AED 2.95

**Upside/Downside (%)**  
+17%

**Rating**  
BUY

- Borouge's PE sales volume rose 10% YOY to 823 thousand tonnes and PP sales volume surged 5% YOY to 640 thousand tonnes in 4Q24.
- The Company exhibited a utilization rate of 113% for PE and 98% for PP in 4Q24.
- Borouge launched nine new products in 2024 across major sectors to meet the global demand for durable and quality products.
- Borouge 4 is planned to expand the Company's production capacity by 28%, with an expectation to generate annual revenue between USD 1.5 to USD 1.9 Bn.
- The Company plans to pay USD 1.3 Bn in dividends for 2024 and 2025.



### 4Q24 Net Profit higher than our estimate

Borouge Plc (Borouge/the Company) net profit rose 14.3% YOY to USD 326 Mn in 4Q24, higher than our estimate of USD 301 Mn. The increase in net profit is mainly attributable to a rise in revenue due to growth in sales volume and average selling prices, decrease in G&A expense, and finance costs partially offset by a higher direct cost, S&D expenses, income tax expenses, and a decline in finance income.

### P&L Highlights

Borouge's revenue grew 8.3% YOY to USD 1,621 Mn in 4Q24 mainly driven by an incline in total sales volume coupled with growth in average selling prices. Polyethylene (PE) average realized price decreased 2% YOY to USD 1,059 per tonne in 4Q24, whereas Polypropylene (PP) average realized price increased 3% YOY to USD 1,025 per tonne in 4Q24. The Company achieved premia over the benchmark prices of USD 140 per tonne for PP and USD 178 per tonne for PE in 4Q24. PE sales volume increased 10% YOY to 823 thousand tons in 4Q24 and PP sales volume surged 5% YOY to 640 thousand tons in 4Q24. The Company's sale of Ethylene stood at four thousand tonnes in 4Q24 compared to nil in 4Q23. Sales volume growth is driven by a strategic presence in Asian, Middle Eastern and African markets, supported by strong customer ties through 14 international sales and marketing offices. Additionally, the Company's focus on durable, differentiated products, geographic optimization, and quick response to address market challenges further supported the growth in sales volume. Furthermore, production units recorded a solid utilization rate for PE and PP at 113% and 98% respectively in 4Q24, while the Olefin Conversion Unit (OCU) was also operated at a high-capacity

### Stock Information

Market Cap (AED, Mn)	76,045.96
Paid Up Capital (Mn)	4,809.23
52 Week High	2.61
52 Week Low	2.31
3M Avg. daily value (AED)	9,934,442

### 4Q24 Result Review (USD, Mn)

Total Assets	8,707
Total Liabilities	4,225
Total Equity	4,482
EBITDA	650
Net Profit	326

### Financial Ratios

Dividend Yield (12M)	6.25
Dividend Pay-out (%)	106.07
Price-Earnings Ratio(x)	16.90
Price-to-Book Ratio (x)	4.64
Book Value (AED)	0.15
Return-on Equity (%)	27.24

### Stock Performance

5 Days	2.43%
1 Months	3.69%
3 Months	0.00%
6 Months	4.98%
1 Year	4.98%
Month to Date (MTD%)	2.43%
Quarter to Date (QTD%)	5.42%
Year to Date (YTD%)	5.42%

utilization rate. The Company's direct cost increased 8.1% YOY to USD 972 Mn in 4Q24. Borouge's gross profit boosted 8.5% YOY to USD 649 Mn in 4Q24. Other income increased significantly from USD 3 Mn in 4Q23 to USD 38 Mn in 4Q24. G&A expenses declined 32.5% YOY to USD 32 Mn in 4Q24, due to one-off adjustment. Selling & distribution expenses increased substantially by 44.4% YOY to USD 145 Mn in 4Q24, supported by higher shipping costs. Meanwhile, the Company's adjusted EBITDA increased from USD 600 Mn in 4Q23 to USD 650 Mn in 4Q24, with an unchanged EBITDA margin of 40.1%, reflecting the Company's continued cost discipline. Borouge's operating profit increased 12.6% YOY to USD 510 Mn in 4Q24, whereas operating profit margin rose 122 bps in 4Q24. The company's finance costs declined 17.7% YOY to USD 47 Mn in 4Q24 while finance income decreased 11.5% YOY to USD 5 Mn. Furthermore, income tax expenses rose 22.0% YOY to USD 137 Mn in 4Q24.

### Balance Sheet Highlights

Borouge's cash conversion declined from 94% in 3Q24 to 88% in 4Q24, and on the other hand, the adjusted operating free cash flow fell from USD 605 Mn in 3Q24 to USD 572 Mn in 4Q24. However, the Company's capital expenditure surged from USD 41 Mn in 3Q24 to USD 78 Mn in 4Q24. Furthermore, Borouge's net debt reduced from USD 3,107 Mn in 3Q24 to USD 2,691 Mn in 4Q24, supported by the repayment of USD 200 Mn in debt during the year.

### Target Price and Rating

We maintain our BUY rating on Borouge with an unchanged target price of AED 2.95. The Company's profitability is mainly driven by increased sales volume and a rise in average realized price in 4Q24. The growth in profitability is supported by high productivity, a strong international marketing network and the use of world-class technology to meet customer demand. Borouge recorded a healthy utilization rate of 113% for PE and 98% for PP in 4Q24. Additionally, the Company experienced premia over the benchmark prices of USD 140 per tonne for PP and USD 178 per tonne for PE in 4Q24. Borouge 3 is scheduled for a planned turnaround in 2Q25, which is expected to impact production capacity by 320 thousand tonnes. In 2024, Borouge introduced nine new products across different sectors including packaging, infrastructure, healthcare and post-consumer recycling to meet the global demand for durable and quality products. Borouge 4 will expand the Company's production capacity by 28% and is expected to generate annual revenue c. USD 1.5 to USD 1.9 Bn. Additionally, Borouge is upgrading its second ethane cracker unit (EU2) to add 230,000 tonnes of capacity, with completion expected in 2028. The expansion is projected will contribute USD 220 to USD 250 Mn in revenue annually. Furthermore, Borouge is planning international growth by exploring expansion opportunities, including a feasibility study for a specialty Polyolefins complex in China. The Company, entered into a strategic agreement with the Mohamed bin Zayed University of Artificial Intelligence (MBZUAI) to integrate advanced AI research into its operation, aiming to enhance efficiency, sustainability and long-term value. Driven by strong financial performance in 2024, the Company plans to distribute a USD 1.3 Bn dividend for 2025, amounting to 16 fils per share, reflecting a dividend yield of 6.2%. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

### Borouge - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F
PE	NA	14.94	21.03	19.50	1.01
PB	NA	4.34	4.64	5.41	0.27
EV/EBITDA	NA	8.25	10.05	8.75	10.66
Dividend yield	NA	4.6%	6.2%	6.2%	6.2%

*FABS Estimates & Co Data*

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

#### Borouge – P&L

USD Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenues	1,497	1,600	1,621	1,595	1.6%	8.3%	1.3%	5,791	6,026	4.1%
Direct Cost	-899	-916	-972	-971	0.1%	8.1%	6.1%	-3,627	-3,491	-3.8%
<b>Gross Profit</b>	<b>598</b>	<b>684</b>	<b>649</b>	<b>623</b>	<b>4.1%</b>	<b>8.5%</b>	<b>-5.1%</b>	<b>2,164</b>	<b>2,535</b>	<b>17.2%</b>
Other income	3	5	38	5	NM	NM	584.7%	17	54	NM
G&A expense	-47	-56	-32	-55	-41.7%	-32.5%	-43.1%	-183	-193	5.6%
Selling and dist. expenses	-100	-127	-145	-100	44.4%	44.4%	14.3%	-399	-472	18.1%
Prov. for impair. on assets	-2	-1	-1	0	NM	NM	-10.8%	-2	-3	NM
<b>EBITDA</b>	<b>600</b>	<b>646</b>	<b>650</b>	<b>610</b>	<b>6.6%</b>	<b>8.3%</b>	<b>0.6%</b>	<b>2,169</b>	<b>2,477</b>	<b>14.2%</b>
<b>Operating Profit</b>	<b>452</b>	<b>506</b>	<b>510</b>	<b>474</b>	<b>7.5%</b>	<b>12.6%</b>	<b>0.7%</b>	<b>1,597</b>	<b>1,921</b>	<b>20.3%</b>
Finance costs	-57	-50	-47	-50	-6.5%	-17.7%	-6.9%	-221	-202	-8.5%
Finance income	6	7	5	6	-22.5%	-11.5%	-32.1%	27	29	6.5%
FX (loss)/Gain	0	-2	0	0	NM	NM	NM	-2	-2	NM
<b>Profit before tax</b>	<b>401</b>	<b>462</b>	<b>468</b>	<b>430</b>	<b>8.7%</b>	<b>16.8%</b>	<b>1.4%</b>	<b>1,401</b>	<b>1,745</b>	<b>24.6%</b>
Income tax expenses	-112	-134	-137	-126	8.8%	22.0%	2.5%	-400	-506	26.5%
NCI	3	4	5	3	56.8%	62.4%	28.8%	10	14	NM
<b>Net Profit</b>	<b>285</b>	<b>324</b>	<b>326</b>	<b>301</b>	<b>8.2%</b>	<b>14.3%</b>	<b>0.6%</b>	<b>991</b>	<b>1,225</b>	<b>23.6%</b>

FABS estimate & Co Data

#### Borouge - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross Profit	39.9%	42.7%	40.0%	10	-270	37.4%	42.1%	470
EBITDA	40.1%	40.4%	40.1%	1	-27	37.5%	41.1%	365
Operating Profit	30.2%	31.6%	31.4%	122	-20	27.6%	31.9%	430
Net Profit	19.1%	20.3%	20.1%	106	-14	17.1%	20.3%	322

FABS estimate & Co Data

## 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	2.68	50.0%	1.34
DDM Method	3.07	25.0%	0.77
Relative Valuation (RV)	3.37	25.0%	0.84
<b>Weighted Average Valuation (AED)</b>			<b>2.95</b>
Current market price (AED)			2.53
Upside/Downside (%)			+17%

### 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 87.7% and debt of 12.3%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.2%. 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)	3,219
Terminal value (USD, Mn)	21,165
<b>Firm Value (USD, Mn)</b>	<b>24,959</b>
Net Debt as of Dec 2024 (USD, Mn)	-2,526
<b>Equity Value to Share Holders (USD Mn)</b>	<b>21,959</b>
No. of share (Mn)	30,058
Current Market Price (AED)	2.53
<b>Fair Value per share (AED)</b>	<b>2.68</b>

DCF Method						
(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Cash flow from operating activities	1,339	2,748	2,696	2,354	2,173	2,143
(-) Capex	-6,680	-180	-250	-250	-250	-250
<b>Free Cash Flow to Firm (FCFF)</b>	<b>-5,341</b>	<b>2,568</b>	<b>2,446</b>	<b>2,104</b>	<b>1,923</b>	<b>1,893</b>
Discounting Factor	0.93	0.86	0.80	0.73	0.68	0.63
<b>Discounted FCFF</b>	<b>-4,974</b>	<b>2,210</b>	<b>1,945</b>	<b>1,545</b>	<b>1,305</b>	<b>1,187</b>

Source: FAB Securities

## 2) DDM Method:

Borouge will distribute a healthy dividend in 2024 and further aims to pay a dividend of USD 1.3 Bn in 2025. 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)	8,428
Terminal value (USD, Mn)	16,691
<b>FV to Common shareholders (USD Mn)</b>	<b>25,120</b>
No. of share (Mn)	30,058
Current Market Price (AED)	2.57
<b>Fair Value per share (AED)</b>	<b>3.07</b>

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
<b>Dividend Paid</b>						
H1	650	1,156	1,101	947	865	852
H2	650	1,156	1,101	947	865	852
<b>Total Dividend</b>	<b>1,300</b>	<b>2,312</b>	<b>2,202</b>	<b>1,893</b>	<b>1,730</b>	<b>1,704</b>
Discounting Factor	0.93	0.85	0.78	0.72	0.66	0.61
<b>Present Value of Dividend</b>	<b>1,204</b>	<b>1,967</b>	<b>1,721</b>	<b>1,360</b>	<b>1,142</b>	<b>1,033</b>

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 2025 EV/EBITDA multiple of 12.9x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Yanbu National Petrochemical	5,596	36.5	32.1	36.5	32.1	1.8	1.9
National Industrialization Co.	2,043	12.8	15.9	12.8	15.9	1.4	1.4
Sahara International Petrochemical	4,475	34.8	19.5	34.8	19.5	1.1	1.1
Advanced Petrochemicals Co	2,148	126.1	24.5	126.1	24.5	2.4	2.2
Saudi Ind Investment Group	3,563	20.3	16.0	20.3	16.0	1.4	1.4
Saudi Aramco Base Oil Co	5,014	18.5	17.2	18.5	17.2	4.4	4.3
<b>Average</b>		<b>12.6x</b>	<b>10.0x</b>	<b>41.5x</b>	<b>20.9x</b>	<b>2.1x</b>	<b>2.0x</b>
<b>Median</b>		<b>12.9x</b>	<b>9.0x</b>	<b>27.5x</b>	<b>18.4x</b>	<b>1.6x</b>	<b>1.7x</b>
<b>Max</b>		<b>14.0x</b>	<b>10.4x</b>	<b>36.1x</b>	<b>23.3x</b>	<b>2.2x</b>	<b>2.1x</b>
<b>Min</b>		<b>9.9x</b>	<b>8.6x</b>	<b>18.9x</b>	<b>16.3x</b>	<b>1.4x</b>	<b>1.4x</b>

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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