

## Borouge PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.58	AED 2.95	+14.3%	ACCUMULATE

### 1Q25 Net Profit lower than our estimate

- Borouge's revenue grew 9.0% YOY to USD 1.4 Bn in 1Q25, owing to a 10.0% YOY growth in total sales volume, partially offset by a 4.0% YOY decline in average PE selling price.
- Direct cost rose 15.9% YOY to USD 846 Mn in 1Q25 owing to an increase in sales volumes.
- Gross profit increased marginally 0.3% YOY to USD 574 Mn in 1Q25 while gross margins fell 352 bps YOY to 40.4%.
- Adj. EBITDA decreased marginally from USD 567 Mn in 1Q24 to USD 564 Mn in 1Q25. Adj. EBITDA margin declined 382 bps YOY to 39.8% in 1Q25.
- Operating profit remained flat on YOY basis in 1Q25 at USD 430 Mn with a decrease in operating profit margin of 271 bps YOY to 30.3%.
- Net profit grew 3.0% YOY to USD 279 Mn in 1Q25, with a decrease in net margin from 20.8% in 1Q24 to 19.6% in 1Q25.
- Premia over the benchmark for PE increased 1% YOY to USD 224 per tonne in 1Q25, whereas premia for PP declined 5% YOY to USD 154 per tonne.
- Cash conversion stood at 93% in 1Q25 compared to 97% in 1Q24.
- Adj. operating free cash flow decreased 5% YOY to USD 523 Mn in 1Q25.

### Earnings Call Summary

- Borouge achieved premia over the benchmark of USD 244 per tonne for PE and USD 154 per tonne for PP in 1Q25, above the management's guidance of USD 200 per tonne for PE and USD 140 per tonne for PP.
- Recorded a 10% YOY growth in total sales volume to 1,252 thousand tonnes in 1Q25. Sales volume declined 15% on QOQ basis in line with seasonality due to the Chinese New Year and Ramadan, coupled with a higher base in 4Q24.
- Prioritizes high-value applications with more than 38% volumes, with over 38% of its 1Q25 volumes derived from value-added energy and infrastructure segments.
- Witnessed strong customer retention and a stable demand for its differentiated solutions.
- Utilization rate stood strong at 101% for PE and 98% for PP.
- The Company started Borouge 3 (B3) planned turnaround and is expected to be completed by May 2025, with a production volume impact of 320 thousand tonnes in 2Q25.
- Selling and distribution expenses declined 38% QOQ, owing to a one-off item from the incentive payment
- The Company's capex stood at USD 41 Mn in 1Q25, driven by B3 turnaround and planned upgrades
- Borouge completed its share buyback with 64 Mn shares purchased to date.
- Increased full-year 2025 dividend guidance to 16.2 fils per share, reflecting a dividend yield of 6%. Additionally, ADNOC intends to offer a minimum dividend of 16.2 fils per share annually during 2026-2030
- Borouge Group International (BGI) is estimated to have a through-the-cycle EBITDA of USD 7 Bn.
- Borouge is expected to have a limited impact from US tariffs due to the minimal quantity of sales in the US.
- Decline in oil price will have no change on the Company's cost due to the long-term contract with ADNOC.
- The Company closely monitors development on a daily and hourly basis in China. Tariff impact on shipments from the US to China will create an opportunity for Borouge to benefit from it.

#### Borouge Plc – P&L

USD Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,302	1,621	1,420	1,515	-6.3%	9.0%	-12.4%
Direct costs	-730	-972	-846	-916	-7.7%	15.9%	-13.0%
<b>Gross profit</b>	<b>572</b>	<b>649</b>	<b>574</b>	<b>598</b>	<b>-4.1%</b>	<b>0.3%</b>	<b>-11.6%</b>
Operating expenses	-147	-177	-151	-163	-7.4%	2.6%	-15.0%
<b>Adj. EBITDA</b>	<b>567</b>	<b>650</b>	<b>564</b>	<b>578</b>	<b>-2.3%</b>	<b>-0.5%</b>	<b>-13.2%</b>
<b>EBIT</b>	<b>429</b>	<b>510</b>	<b>430</b>	<b>449</b>	<b>-4.4%</b>	<b>0.1%</b>	<b>-15.7%</b>
<b>Profit before tax</b>	<b>385</b>	<b>468</b>	<b>394</b>	<b>410</b>	<b>-3.8%</b>	<b>2.3%</b>	<b>-15.7%</b>
Tax	-113	-137	-113	-115	-1.5%	0.5%	-17.5%
<b>Profit for the period</b>	<b>271</b>	<b>326</b>	<b>279</b>	<b>293</b>	<b>-4.7%</b>	<b>3.0%</b>	<b>-14.5%</b>

FABS estimate & Co Data

## 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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