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INVESTMENT RESEARCH – Saudi Arabia

Saudi Arabian Oil Co.

Sector: Oil & Gas

BUY

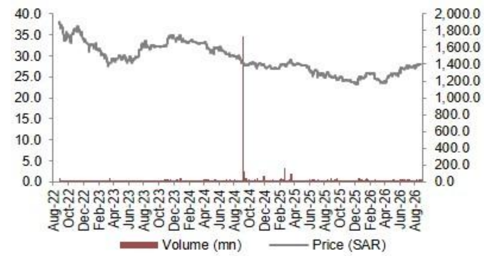
26 August 2026

- **Topline increases by 19.0% YoY driven by improved pricing of crude oil and refined products and chemicals.**
- **Net income rose 41.9% YoY on strong revenue growth and improved refining margins**
- **Following the 2Q26 results, we maintain our target price on Saudi Aramco at SAR 31 per share and retaining our rating at BUY.**

Saudi Arabian Oil Co. (Saudi Aramco) reported revenue of SAR 451 bn for 2Q26, up 19.0% YoY driven by robust improvement in realized oil prices. Topline growth was primarily supported by a 19.8% YoY increase in downstream revenue, while upstream revenue recorded an impressive 17.9% YoY rise. The improvement was aided by a 62.1% YoY increase in realized oil prices, which more than made up for the 25.8% YoY fall in hydrocarbon production. Volume continues to be impacted by the supply disruption caused by the ongoing geopolitical disruption. The downstream segment benefited from improved pricing seen for refined and chemical products. However, the share of crude allocated to downstream operations declined to 52% in 2Q26 from 54% in 2Q25. Aramco reported robust EBIT growth of 29.4% YoY to SAR 216 bn, supported by improved revenue, which more than made up the increasing operating cost on account of higher purchases, royalties, and SG&A. Upstream EBIT increased 14.5% YoY, reflecting strong crude oil prices. The downstream segment's reported EBIT more than tripled to SAR 7 bn in 2Q26, driven by improved refining margins. Overall, net income increased 41.9% YoY to SAR 122 bn aided by improved pricing and refining margins. Aramco invested SAR 95 bn in capital expenditure during 1H26, up 1.6% YoY driven mainly by its investment in gas projects and development of new oil fields to maintain its capacity. The company also proposed a base dividend of SAR 164 bn for 1H26. We forecast an c.5% dividend yield for 2026e.

Valuation: Saudi Aramco benefitted from the ongoing geopolitical uncertainty, which resulted in its realized crude oil prices increasing by over 60% YoY in 2Q26. This more than made up for the lower volumes on account of the disruption in supply. The uncertainty in the market continues and is likely to remain a key driver in its performance in the short term. We expect the average crude prices will remain elevated providing head room for financial performance. While the company has taken steps to alleviate the supply constraint, this is likely to remain, as the flexibility available to the company in the short run remains limited. Any intensifying of the current geopolitical tension, especially in the Red Sea route could further impact the volumes of Aramco and put pressure on its financials. Overall, post 2Q26 numbers we retain our target price on Aramco at SAR 31 per share and reiterate our Buy rating.

Target price (SAR)	**31.00**
Current price (SAR)	**26.28**
Return	**+18.0%**



Exchange	Saudi Arabia
Index weight (%)	14.6%

(mn)	SAR	USD
Market Cap	6,359,760	1,693,948
Enterprise value	6,720,104	1,789,928

Major shareholders	
Kingdom of Saudi Arabia	81.5%
Public Investment Fund	12.0%
Sanabil Direct Investment	4.0%
Others	2.5%

Valuation Summary (TTM)	
PER TTM (x)	15.6
P/Book (x)	4.1
EV/EBITDA (x)	7.6
Dividend Yield (%)	5.1
Free Float (%)	2.5%
Shares O/S (mn)	242,000
YTD Return (%)	10%
Beta	0.7

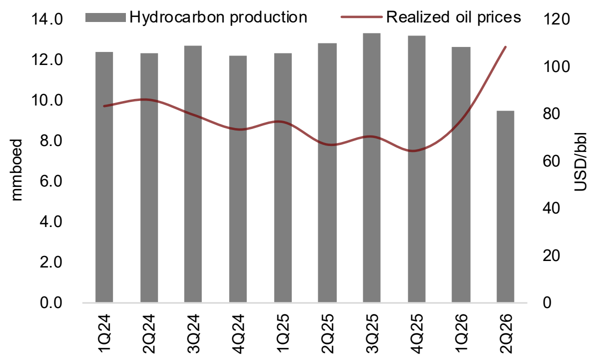
Key ratios	2023	2024	2025
EPS (SAR)	1.87	1.63	1.44
BVPS (SAR)	6.34	6.03	6.17
DPS (SAR)	1.69	1.33	1.29
Payout ratio (%)	91%	82%	90%

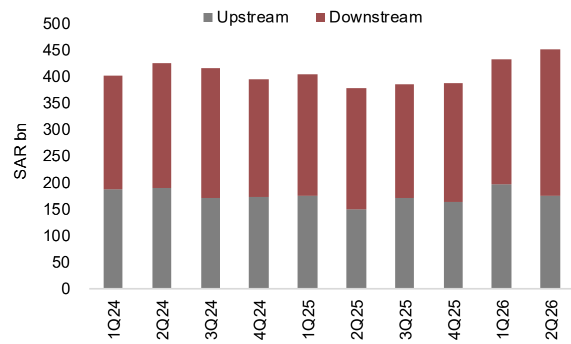
Price performance (%)	1M	3M	12M
Saudi Arabian Oil Co	-2%	-6%	10%
Tadawul All Share Index	4%	2%	3%

52 week	High	Low	CTL*
Price (SAR)	27.96	23.04	14.1

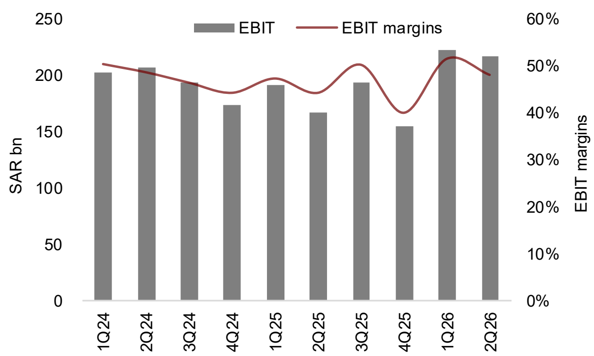
* CTL is % change in CMP to 52wk low

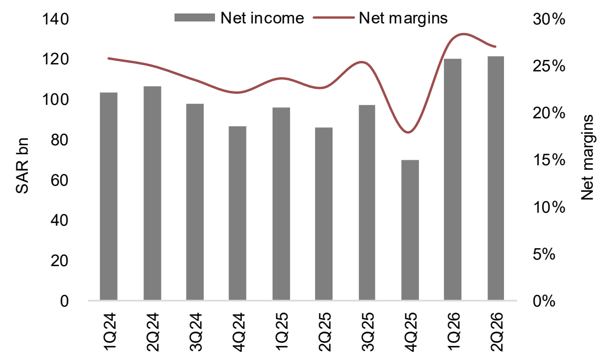
Hydrocarbon production remains under pressure, as supply constraints persist; improved pricing drives topline



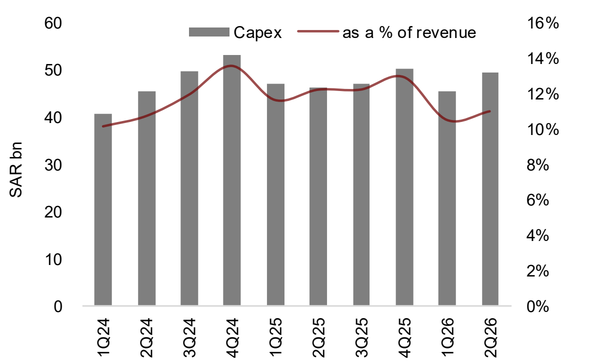


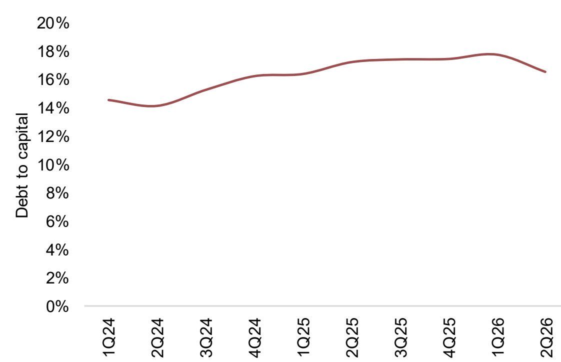
Strong growth in revenue and improved refining margins aid profitability





Capex continues to grow steadily, while leverage remains largely under controlol





Income Statement (SAR bn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Revenue	1,653	1,637	1,559	1,712	1,820	1,848	1,863	1,927
Operating expenses	(785)	(863)	(853)	(866)	(918)	(935)	(945)	(977)
Operating profit	**868**	**775**	**707**	**846**	**902**	**914**	**919**	**950**
Other income	(4)	(5)	(8)	(8)	(8)	(8)	(8)	(8)
Finance expenses	24	12	4	6	6	12	15	19
Earnings before tax	**888**	**782**	**703**	**843**	**899**	**917**	**926**	**961**
Tax	(433)	(384)	(353)	(371)	(396)	(403)	(407)	(423)
Earnings before MI	**455**	**398**	**350**	**472**	**504**	**514**	**518**	**538**
Minority interest	(2)	(5)	(2)	(6)	(6)	(6)	(6)	(7)
Net income	**453**	**394**	**348**	**467**	**498**	**507**	**512**	**532**

Balance Sheet (SAR bn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Property and equipment	1,385	1,494	1,591	1,682	1,746	1,809	1,869	1,932
Intangibles	165	165	165	163	161	159	157	155
Other non-current assets	197	199	200	236	235	229	221	217
Total non-current assets	**1,746**	**1,858**	**1,956**	**2,081**	**2,142**	**2,196**	**2,247**	**2,304**
Receivables	164	168	165	182	193	196	198	204
Inventories	86	84	71	77	82	84	84	87
Cash & Cash Equivalents	199	217	243	240	342	407	467	533
Short term investments	184	13	15	15	15	15	15	15
Other current assets	99	84	103	112	118	120	121	125
Total current assets	**732**	**565**	**596**	**626**	**751**	**821**	**885**	**964**
Total assets	**2,478**	**2,424**	**2,552**	**2,706**	**2,892**	**3,017**	**3,132**	**3,269**
Share Capital	90	90	90	90	90	90	90	90
Total reserves	1,445	1,368	1,402	1,528	1,692	1,806	1,912	2,033
Minority interest	202	193	230	235	242	248	254	261
Total equity	**1,737**	**1,651**	**1,722**	**1,854**	**2,023**	**2,144**	**2,257**	**2,384**
Short term borrowings	64	58	55	55	55	55	55	55
Trade payables	152	157	158	173	184	187	188	195
Other current liabilities	102	84	85	87	87	87	88	88
Total current liabilities	**318**	**299**	**298**	**315**	**327**	**330**	**331**	**338**
Long term debt	226	262	308	308	308	308	308	308
Other non-current liabilities	197	211	223	230	234	235	236	238
Total non-current liabilities	**423**	**473**	**532**	**538**	**542**	**544**	**544**	**547**
Total Liabilities	**741**	**772**	**830**	**853**	**869**	**873**	**875**	**885**
Equity and liabilities	**2,478**	**2,424**	**2,552**	**2,706**	**2,892**	**3,017**	**3,132**	**3,269**

Cash Flows (SAR bn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	538	509	511	525	600	624	634	651
Cash from investments	(54)	(3)	(204)	(187)	(164)	(166)	(168)	(173)
Cash from financing	(511)	(488)	(280)	(341)	(334)	(393)	(406)	(411)
Net changes in cash	(27)	18	26	(3)	102	65	60	66
Closing balance (C/b)	**199**	**217**	**243**	**240**	**342**	**407**	**467**	**533**

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Per Share (SAR)								
EPS	1.9	1.6	1.4	1.9	2.1	2.1	2.1	2.2
BVPS	6.3	6.0	6.2	6.7	7.4	7.8	8.3	8.8
DPS	1.7	1.3	1.3	1.4	1.4	1.6	1.7	1.7
FCF/share	1.6	1.3	1.3	1.4	1.8	1.9	1.9	2.0
Valuations								
M.Cap (SAR bn)	7,744	7,260	6,360	6,360	6,360	6,360	6,360	6,360
EV (SAR bn)	7,819	7,503	6,657	6,665	6,569	6,511	6,457	6,397
EBITDA (SAR bn)	965	866	800	944	1,004	1,019	1,028	1,063
P/E	17.1	18.4	18.3	13.6	12.8	12.5	12.4	12.0
EV/EBITDA	8.1	8.7	8.3	7.1	6.5	6.4	6.3	6.0
EV/Sales	4.7	4.6	4.3	3.9	3.6	3.5	3.5	3.3
P/BV	5.0	5.0	4.3	3.9	3.6	3.4	3.2	3.0
P/S	4.7	4.4	4.1	3.7	3.5	3.4	3.4	3.3
Div. yield	5.3%	4.4%	4.9%	5.4%	5.3%	6.2%	6.4%	6.5%
Liquidity								
Cash Ratio	0.6	0.7	0.8	0.8	1.0	1.2	1.4	1.6
Current ratio	2.3	1.9	2.0	2.0	2.3	2.5	2.7	2.9
Quick ratio	2.0	1.6	1.8	1.7	2.0	2.2	2.4	2.6
Return ratio								
ROA	18.4%	16.4%	13.7%	17.5%	17.4%	17.0%	16.6%	16.5%
ROE	29.5%	27.0%	23.3%	28.8%	27.9%	26.8%	25.6%	25.0%
ROCE	42.8%	39.3%	33.9%	38.2%	37.8%	36.4%	35.1%	34.6%
Cash cycle								
Payables turnover	10.9	10.4	9.9	9.9	9.9	9.9	9.9	9.9
Receivables turnover	10.1	9.8	9.4	9.4	9.4	9.4	9.4	9.4
Inventory turnover	19.2	19.6	22.1	22.1	22.1	22.1	22.1	22.1
Payable days	33	35	37	37	37	37	37	37
Receivables days	36	37	39	39	39	39	39	39
Inventory days	19	19	17	17	17	17	17	17
Cash Cycle	22	21	18	18	18	18	18	18
Profitability ratio								
EBITDA margins	58.4%	52.9%	51.3%	55.2%	55.2%	55.2%	55.2%	55.2%
Operating margins	52.5%	47.3%	45.3%	49.4%	49.6%	49.4%	49.3%	49.3%
Net margins	27.4%	24.1%	22.3%	27.3%	27.3%	27.5%	27.5%	27.6%
Leverage								
Total debt (SAR bn)	290	319	364	364	364	364	364	364
Net debt (SAR bn)	91	103	121	123	21	(43)	(104)	(170)
Debt/Total assets	11.7%	13.2%	14.2%	13.4%	12.6%	12.1%	11.6%	11.1%
Debt/Equity	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

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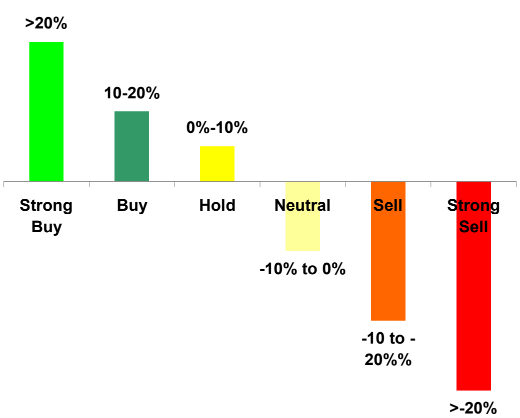
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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