

## Saudi Arabian Oil Co.

Sector: Oil & Gas

# BUY

18 May 2026

- **Topline increased 6.8% YoY, exceeding our forecast by 8.7%, driven by stronger-than-expected oil price realizations.**
- **Net income rose 25.6% YoY and also surpassed our forecast, supported by better-than-expected downstream margins.**
- **Following the 1Q26 results, we are raising our target price for Saudi Aramco to SAR 31 per share and upgrading our rating to BUY.**

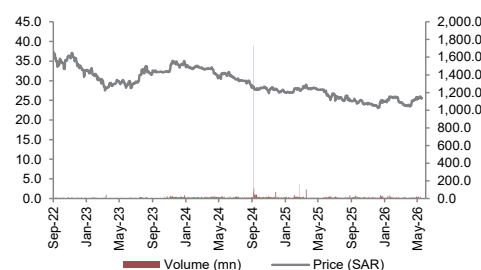
**Target price (SAR) 31.00**

**Current price (SAR) 27.78**

**Return +11.6%**

Saudi Arabian Oil Co. (Saudi Aramco) reported revenue of SAR 433 bn for 1Q26, up 6.8% YoY and 8.7% above our estimate, driven by stronger-than-expected realized oil prices. Topline growth was primarily supported by an 11.3% YoY increase in upstream revenue, while downstream revenue recorded a more modest 3.4% YoY rise. The improvement was aided by a 2.4% YoY increase in production and a 0.8% YoY rise in realized oil prices. It is worth noting that the increase in production came despite significant operational disruptions during March, the full impact of which was not reflected in the 1Q26 results due to strong performance in the first two months of the year. Similarly, the benefit from higher oil prices was only partially reflected in the quarter, as the upward price trend emerged mainly toward the latter part of 1Q26. The downstream segment benefited from improved refined and chemical product prices. However, the share of crude allocated to downstream operations declined to 51% in 1Q26 from 56% in 1Q25. Aramco reported robust EBIT growth of 16.3% YoY to SAR 223 bn, supported by improved revenue, lower production costs and reduced purchases. Upstream EBIT increased 5.4% YoY, reflecting stronger revenue generation. The downstream segment reported EBIT of SAR 56 bn in 1Q26, compared to SAR 2 bn in 1Q25, driven by improved refining margins that more than offset weaker chemical margins. Overall, net income increased 25.6% YoY to SAR 120 bn and exceeded our forecast due to stronger-than-expected downstream margins. Aramco invested SAR 45 bn in capital expenditure during 1Q26, down 3.6% YoY due to lower downstream investments on account of timing differences. The company also proposed a base dividend of SAR 82 bn for 1Q26. We forecast an c.5% dividend yield for 2026e.

**Valuation:** Saudi Aramco started the year on a strong note, with both topline and bottom-line performance exceeding our forecasts. Improved downstream margins were the primary driver behind the earnings beat. Looking ahead, we expect the company's revenue growth to remain constrained by lower volumes amid the ongoing regional conflict and its impact on global oil supply. Management has indicated that supply normalization may only occur in 2027 if current disruptions persist. Aramco has partially mitigated these challenges by ramping up its existing infrastructure, including the East-West pipeline, utilizing new crude export outlets at Rabigh, and reconfiguring infrastructure to supply crude to select West Coast refineries. We also expect the oil prices to remain firm in the medium-term, which is likely to largely offset any pressure in volume. Overall, following the 1Q26 results, we have upgraded our medium-term estimates, increased our target price to SAR 31 per share, and upgraded our rating on the stock to BUY.



Exchange Saudi Arabia  
 Index weight (%) 15.5%

(mn)	SAR	USD
Market Cap	6,722,760	1,791,446
Enterprise value	7,004,175	1,866,436

#### Major shareholders

Kingdom of Saudi Arabia	81.5%
Public Investment Fund	16.0%
Vanguard Group Inc	0.1%
Others	2.4%

#### Valuation Summary (TTM)

PER TTM (x)	18.1
P/Book (x)	4.4
EV/EBITDA (x)	8.4
Dividend Yield (%)	4.7
Free Float (%)	2%
Shares O/S (mn)	242,000
YTD Return (%)	17%
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%

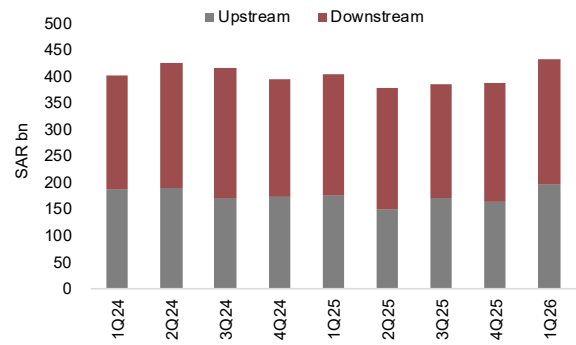
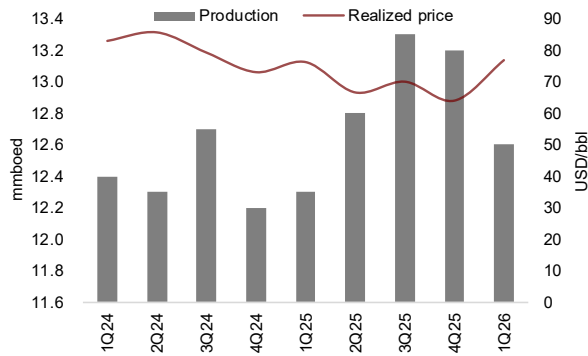
Price performance (%)	1M	3M	12M
Saudi Arabian Oil Co	1%	9%	6%
Tadawul All Share Index	-5%	-1%	-5%

52 week	High	Low	CTL*
Price (SAR)	27.96	23.04	20.6

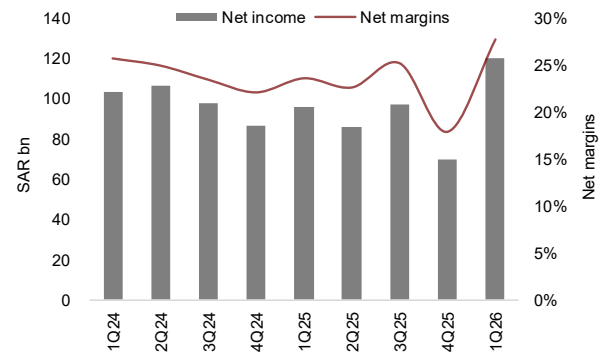
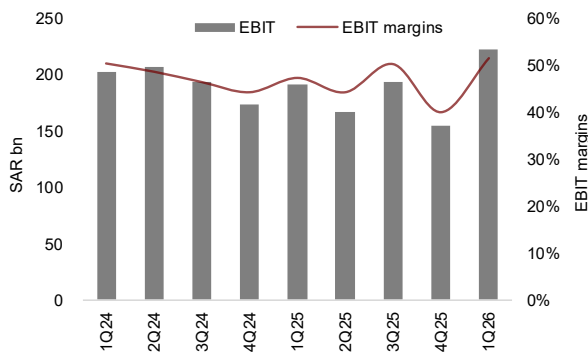
\* CTL is % change in CMP to 52wk low



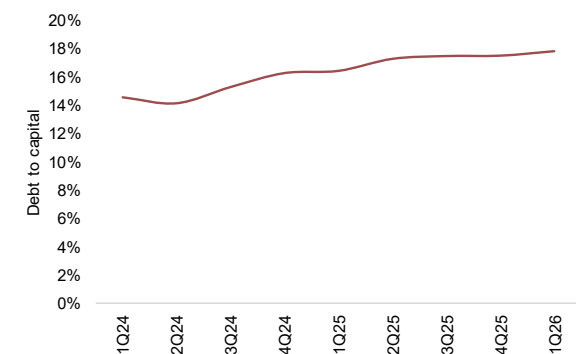
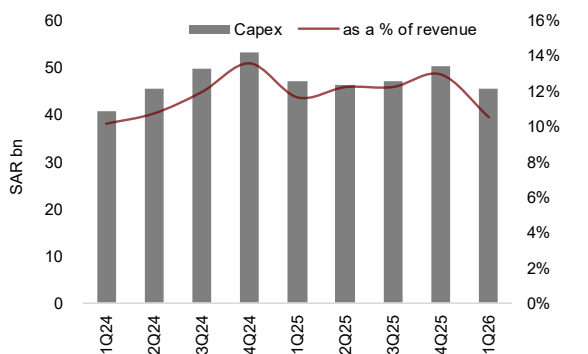
**Hydrocarbon production drops sequentially on account of regional conflict, even as prices improve**



**Improved refining margins and lower costs aids improvement in profitability**



**Capex falls in 1Q26 on account of lower downstream investments, even as leverage remains under control**



Income Statement (SAR bn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Revenue	1,653	1,637	1,559	1,908	1,911	1,922	1,934	2,001
Operating expenses	(785)	(863)	(853)	(974)	(979)	(988)	(997)	(1,032)
<b>Operating profit</b>	<b>868</b>	<b>775</b>	<b>707</b>	<b>935</b>	<b>932</b>	<b>934</b>	<b>937</b>	<b>969</b>
Other income	(4)	(5)	(8)	(8)	(8)	(8)	(8)	(8)
Finance expenses	24	12	4	6	6	10	12	14
<b>Earnings before tax</b>	<b>888</b>	<b>782</b>	<b>703</b>	<b>932</b>	<b>930</b>	<b>935</b>	<b>940</b>	<b>974</b>
Tax	(433)	(384)	(353)	(468)	(467)	(469)	(472)	(489)
<b>Earnings before MI</b>	<b>455</b>	<b>398</b>	<b>350</b>	<b>465</b>	<b>463</b>	<b>466</b>	<b>469</b>	<b>486</b>
Minority interest	(2)	(5)	(2)	(3)	(3)	(3)	(3)	(3)
<b>Net income</b>	<b>453</b>	<b>394</b>	<b>348</b>	<b>462</b>	<b>461</b>	<b>463</b>	<b>466</b>	<b>483</b>

Balance Sheet (SAR bn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Property and equipment	1,385	1,494	1,591	1,682	1,754	1,822	1,888	1,956
Intangibles	165	165	165	163	161	159	157	155
Other non-current assets	197	199	200	209	200	192	185	180
<b>Total non-current assets</b>	<b>1,746</b>	<b>1,858</b>	<b>1,956</b>	<b>2,053</b>	<b>2,115</b>	<b>2,173</b>	<b>2,230</b>	<b>2,290</b>
Receivables	164	168	165	202	203	204	205	212
Inventories	86	84	71	86	86	87	87	91
Cash & Cash Equivalents	199	217	243	247	311	345	381	424
Short term investments	184	13	15	15	15	15	15	15
Other current assets	99	84	103	124	124	124	125	129
<b>Total current assets</b>	<b>732</b>	<b>565</b>	<b>596</b>	<b>674</b>	<b>739</b>	<b>775</b>	<b>814</b>	<b>870</b>
<b>Total assets</b>	<b>2,478</b>	<b>2,424</b>	<b>2,552</b>	<b>2,728</b>	<b>2,853</b>	<b>2,948</b>	<b>3,043</b>	<b>3,161</b>
Share Capital	90	90	90	90	90	90	90	90
Total reserves	1,445	1,368	1,402	1,523	1,645	1,736	1,826	1,931
Minority interest	202	193	230	233	235	238	241	244
<b>Total equity</b>	<b>1,737</b>	<b>1,651</b>	<b>1,722</b>	<b>1,846</b>	<b>1,971</b>	<b>2,064</b>	<b>2,158</b>	<b>2,265</b>
Short term borrowings	64	58	55	55	55	55	55	55
Trade payables	152	157	158	193	193	194	196	202
Other current liabilities	102	84	85	88	88	88	88	88
<b>Total current liabilities</b>	<b>318</b>	<b>299</b>	<b>298</b>	<b>336</b>	<b>336</b>	<b>337</b>	<b>339</b>	<b>346</b>
Long term debt	226	262	308	308	308	308	308	308
Other non-current liabilities	197	211	223	237	238	238	238	241
<b>Total non-current liabilities</b>	<b>423</b>	<b>473</b>	<b>532</b>	<b>546</b>	<b>546</b>	<b>546</b>	<b>547</b>	<b>550</b>
<b>Total Liabilities</b>	<b>741</b>	<b>772</b>	<b>830</b>	<b>882</b>	<b>882</b>	<b>884</b>	<b>886</b>	<b>896</b>
<b>Equity and liabilities</b>	<b>2,478</b>	<b>2,424</b>	<b>2,552</b>	<b>2,728</b>	<b>2,853</b>	<b>2,948</b>	<b>3,043</b>	<b>3,161</b>

Cash Flows (SAR bn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	538	509	511	532	574	580	586	601
Cash from investments	(54)	(3)	(204)	(187)	(172)	(173)	(174)	(180)
Cash from financing	(511)	(488)	(280)	(341)	(338)	(372)	(375)	(378)
Net changes in cash	(27)	18	26	4	64	34	36	42
<b>Closing balance (C/b)</b>	<b>199</b>	<b>217</b>	<b>243</b>	<b>247</b>	<b>311</b>	<b>345</b>	<b>381</b>	<b>424</b>



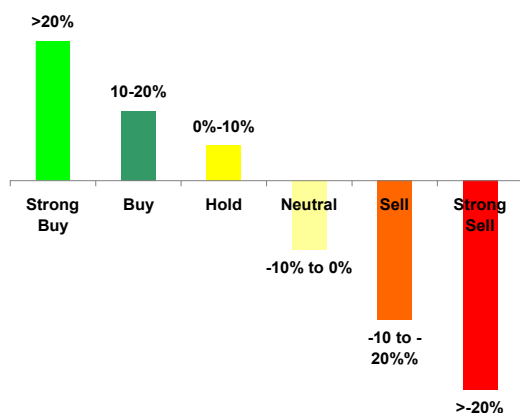
## Key contacts

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### Rating Criteria and Definitions

#### Rating



#### Rating Definitions

<b>Strong Buy</b>	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%
<b>Buy</b>	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%
<b>Hold</b>	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%
<b>Neutral</b>	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%
<b>Sell</b>	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%
<b>Strong Sell</b>	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%
<b>Not rated</b>	This recommendation used for stocks which does not form part of Coverage Universe

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