

Oil & Gas

BUY: 12M TP @ 27

Upside +10.9%

Valuation Summary (TTM)

Price (SAR)	24.3
PER TTM (x)	16.1
P/Book (x)	4.0
P/Sales (x)	3.7
EV/Sales (x)	3.6
EV/EBITDA (x)	3.9
Dividend Yield (%)	6.1
Free Float (%)	2%
Shares O/S (mn)	242,000
YTD Return (%)	-13%
Beta	0.7

(mn)	SAR	USD
Market Cap	5,890,280	1,569,569
Enterprise Value	6,194,540	1,650,715

Price performance (%)	1M	3M	12M
Saudi Arabian Oil Co	-3%	-2%	-11%
Tadawul All Share Index	-4%	-4%	-7%

Trading liquidity (.000)	1M	3M	6M
Avg daily turnover (SAR ,000)	272,257	315,447	311,158
Avg Daily Volume (.000)	11,693	12,726	12,240

52 week	High	Low	CTL*
Price (SAR)	28.99	23.81	2.2

* CTL is % change in CMP to 52wk low

Major shareholders

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

Other details

Exchange	Saudi Arabia
Sector	Oil&Gas
Index weight (%)	17.2%

Key ratios	2022	2023	2024
EPS (SAR)	2.47	1.87	1.63
BVPS (SAR)	5.99	6.34	6.03
DPS (SAR)	1.31	1.69	1.77
Payout ratio (%)	53%	91%	109%



Saudi Arabian Oil Co: Pricing pressure continues

Saudi Arabian Oil Co. (Saudi Aramco) reported revenue of SAR 379 bn for 2Q25, down 11.0% YoY, although 4.6% above our estimate. The revenue decline was primarily driven by a 21.3% YoY drop in upstream revenue, while downstream revenue decreased by 2.7% YoY. A 22.2% YoY decline in realized oil prices significantly impacted revenue, and a 4.1% increase in production was insufficient to offset this effect. Meanwhile, the downstream segment was affected by lower prices for refined and chemical products, though the impact was partially mitigated by higher volumes. The proportion of crude allocated to downstream operations rose to 54% in 2Q25, up from 52% in 2Q24. Operating profit declined by 19.1% YoY to SAR 167 bn, primarily due to reduced profitability in upstream operations, despite a recovery in downstream margins. Upstream EBIT dropped 20.4% YoY due to lower revenue, whereas the downstream segment reported an EBIT of SAR 2 bn for 2Q25, compared to a loss of SAR 981 mn in 2Q24, driven by improved refining margins during the quarter. Overall, net income fell by 19.3% YoY to SAR 86 bn, which was 3.3% below our expectations.

Saudi Aramco's financial performance remained under pressure in 1H25, primarily due to lower realized crude prices. Although revenue exceeded expectations, net income came in lower, driven by weaker-than-expected margins in upstream operations. The company invested SAR 93 bn in capital expenditure during 1H25, marking an 8.3% YoY increase. These investments align with the full-year expectation of SAR 195-220 bn for 2025. Aramco has proposed a dividend of SAR 160 bn for 1H25, which includes performance-linked components. We forecast a dividend yield of c.5% for 2025e.

Investment thesis and valuations: Saudi Aramco's financial performance remained under pressure in 2Q25 and fell short of our expectations. We anticipate this trend to persist, as crude oil prices are projected to remain subdued. According to Bloomberg estimates, Brent crude is expected to average USD 68.8/bbl in 2025 and USD 65.5/bbl in 2026. Although Aramco is expected to increase production, this is unlikely to fully offset the impact of lower price realizations. Nevertheless, the company's strong market position, as the world's largest oil producer, accounting for over 10% of global crude output, and its locational advantage, which enables it to be one of the lowest-cost oil producers globally, remain key strengths. We also expect Aramco to maintain a consistent dividend payout to shareholders. Overall, we have revised our medium-term estimates downward and reduced our target price for Saudi Aramco to **SAR 27 per share**, while maintaining our **Buy** rating.

Income Statement (SAR bn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	1,347	2,007	1,653	1,637	1,471	1,434	1,464	1,514
Operating expenses	(575)	(863)	(785)	(863)	(775)	(744)	(758)	(781)
Operating profit	772	1,144	868	775	696	691	706	733
Other income	8	3	(4)	(5)	(5)	(5)	(5)	(5)
Finance expenses	(10)	6	24	12	14	12	10	16
Earnings before tax	770	1,153	888	782	705	697	711	744
Tax	(357)	(549)	(433)	(384)	(342)	(338)	(345)	(361)
Earnings before MI	412	604	455	398	363	359	366	383
Minority interest	(17)	(7)	(2)	(5)	(4)	(4)	(4)	(4)
Net income	395	597	453	394	359	355	362	379

Balance Sheet (SAR bn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	1,244	1,303	1,385	1,494	1,597	1,693	1,710	1,730
Intangibles	161	159	165	165	163	160	158	156
Other non-current assets	146	172	197	199	187	180	177	174
Total non-current assets	1,551	1,635	1,746	1,858	1,946	2,034	2,045	2,060
Receivables	140	164	164	168	151	147	150	155
Inventories	75	101	86	84	75	73	75	77
Cash & Cash Equivalents	300	226	199	217	190	173	242	275
Short term investments	27	281	184	13	13	13	13	13
Other current assets	70	86	99	84	76	74	75	78
Total current assets	611	858	732	565	505	480	555	598
Total assets	2,163	2,493	2,478	2,424	2,451	2,514	2,600	2,659
Share Capital	60	75	90	90	90	90	90	90
Total reserves	1,053	1,374	1,445	1,368	1,415	1,479	1,557	1,604
Minority interest	167	217	202	193	197	201	206	210
Total equity	1,281	1,666	1,737	1,651	1,702	1,770	1,852	1,904
Short term borrowings	75	75	64	58	58	58	58	58
Trade payables	125	135	152	157	141	138	141	146
Other current liabilities	105	121	102	84	83	83	83	83
Total current liabilities	304	331	318	299	282	278	281	287
Long term debt	436	318	226	262	262	262	262	262
Other non-current liabilities	142	177	197	211	205	204	205	207
Total non-current liabilities	578	495	423	473	467	466	467	469
Total Liabilities	882	827	741	772	749	744	748	755
Equity and liabilities	2,163	2,493	2,478	2,424	2,451	2,514	2,600	2,659

Cash Flows (SAR bn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	523	698	538	509	495	484	485	501
Cash from investments	(136)	(389)	(54)	(3)	(210)	(210)	(132)	(136)
Cash from financing	(295)	(383)	(511)	(488)	(312)	(291)	(284)	(332)
Net changes in cash	92	(74)	(27)	18	(27)	(17)	69	33
Closing balance (C/b)	300	226	199	217	190	173	242	275


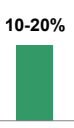

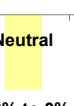


Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<u>Per Share (SAR)</u>								
EPS	1.8	2.5	1.9	1.6	1.5	1.5	1.5	1.6
BVPS	5.1	6.0	6.3	6.0	6.2	6.5	6.8	7.0
DPS	1.4	1.3	1.7	1.8	1.3	1.2	1.2	1.4
FCF/share	1.8	2.3	1.6	1.3	1.2	1.1	1.5	1.5
Revenue/share	6.1	8.3	6.8	6.8	6.1	5.9	6.1	6.3
<u>Valuations</u>								
M.Cap (SAR bn)	6,443	8,066	7,744	7,260	5,890	5,890	5,890	5,890
EV (SAR bn)	6,771	8,142	7,819	7,503	6,164	6,186	6,121	6,092
P/E	16.3	13.5	17.1	18.4	16.4	16.6	16.3	15.5
EV/EBITDA	7.9	6.6	8.1	8.5	7.7	7.7	7.4	7.2
EV/Sales	5.0	4.1	4.7	4.6	4.2	4.3	4.2	4.0
P/BV	5.8	5.6	5.0	5.0	3.9	3.8	3.6	3.5
P/S	4.8	4.0	4.7	4.4	4.0	4.1	4.0	3.9
Div. yield	4.8%	3.9%	5.3%	5.9%	5.3%	4.9%	4.8%	5.6%
FCF yield	6.3%	6.9%	4.9%	4.4%	4.8%	4.6%	6.0%	6.2%
<u>Liquidity</u>								
Cash Ratio	1.0	0.7	0.6	0.7	0.7	0.6	0.9	1.0
Current ratio	2.0	2.6	2.3	1.9	1.8	1.7	2.0	2.1
Quick ratio	1.8	2.3	2.0	1.6	1.5	1.5	1.7	1.8
<u>Return ratio</u>								
ROA	19.1%	24.2%	18.4%	16.4%	14.8%	14.3%	14.1%	14.4%
ROE	35.5%	41.2%	29.5%	27.0%	23.8%	22.6%	22.0%	22.4%
ROCE	43.1%	55.6%	42.8%	39.3%	34.4%	33.1%	32.5%	33.0%
<u>Cash cycle</u>								
Payables turnover	10.8	14.8	10.9	10.4	10.4	10.4	10.4	10.4
Receivables turnover	9.6	12.2	10.1	9.8	9.8	9.8	9.8	9.8
Inventory turnover	18.0	20.0	19.2	19.6	19.6	19.6	19.6	19.6
Payable days	34	25	33	35	35	35	35	35
Receivables days	38	30	36	37	37	37	37	37
Inventory days	20	18	19	19	19	19	19	19
Cash Cycle	24	24	22	21	21	21	21	21
<u>Profitability ratio</u>								
EBITDA margins	63.7%	61.6%	58.4%	53.6%	54.7%	56.2%	56.2%	56.2%
Operating margins	57.3%	57.0%	52.5%	47.3%	47.3%	48.2%	48.2%	48.4%
PBT margins	57.1%	57.4%	53.7%	47.8%	47.9%	48.6%	48.6%	49.2%
Net margins	29.3%	29.8%	27.4%	24.1%	24.4%	24.8%	24.7%	25.0%
Effective tax rate	46.4%	47.6%	48.8%	49.1%	48.5%	48.5%	48.5%	48.5%
<u>Leverage</u>								
Total debt (SAR bn)	511	393	290	319	319	319	319	319
Net debt (SAR bn)	211	167	91	103	129	147	78	45
Debt/Capital	28.5%	19.1%	14.3%	16.2%	15.8%	15.3%	14.7%	14.4%
Debt/Total assets	23.6%	15.8%	11.7%	13.2%	13.0%	12.7%	12.3%	12.0%
Debt/Equity	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Debt/EBITDA	0.6	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Net debt/EBITDA	0.2	0.1	0.1	0.1	0.2	0.2	0.1	0.1

Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	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	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	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	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	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	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	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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