



Steady topline and operating margin expansion led to sequential earnings growth; likely to remain steadfast amid macro headwinds, maintain “Overweight”

Saudi Arabian Oil Company's (Aramco) net income (after minority) increased 10.3% Q/Q to SAR 95.7bn in Q1-25 in line with AJC and market estimates of SAR 94.0bn and SAR 96.4bn, respectively. The net income growth was attributable to the expansion of operating margin by ~410bps to 44.5% vs. 40.4% in Q4-24. Lower depreciation and amortization due to absence of one-off impairments related to downstream assets recorded in the last quarter and decrease in selling, administrative and general expenses amid lower service, labor, and freight costs supported the operating margins. The revenue inched up 0.2% Q/Q to SAR 429.6bn, in line with our estimate of SAR 429.7bn. The higher prices of crude oil and refined and chemical products coupled with slight increase in hydrocarbon volume led the revenue growth. However, lower downstream volumes limited the topline growth. We maintain our TP of SAR 29.6/share and “Overweight” recommendation on Aramco.

- Aramco's net income increased 10.3% Q/Q to SAR 95.7bn in Q1-25 in line with AJC and market estimates of SAR 94.0bn and SAR 96.4bn, respectively. The operating margin expansion by 410bps owing to 1) lower depreciation and amortization due to absence of one-off impairments related to downstream assets recorded in the last quarter and 2) decrease in the selling, administrative and general expenses amid lower service, labor, and freight costs led the earnings growth during the quarter.
- Revenue rose marginally by 0.2% Q/Q to SAR 429.6bn, in line with our estimate of SAR 429.7bn. The growth was supported by higher crude oil and product prices and a slight uptick in hydrocarbon volumes, though weaker downstream volumes capped the overall increase. Average realized crude oil price in Q1-25 stood at USD 76.3 per barrel vs. USD 73.1 per barrel in Q4-24, while total hydrocarbon production rose to 12.3 mmbpd in Q1-25 from 12.2 in the previous quarter with liquids production growing to 10.3 mmbpd (Q4-24: 10.1 mmbpd) and gas production reducing to 10.2 bscf (Q4-24: 10.5 bscf).
- Operating profit grew 10.4% Q/Q to SAR 191.4bn in Q1-25 (AJC estimate: SAR 186.3bn), as higher operating costs declined 6.7% Q/Q. The previous quarter included non-cash one-off impairments in downstream business worth ~SAR8bn. Lower service, labor, and freight costs eased OPEX further. As a results operating margin expanded by ~410 bps to 44.5%, exceeding our expectation of 43.4%. Upstream EBIT rose 2.3% Q/Q, while downstream EBIT turned positive (SAR 1.9bn) after recording a loss of SAR 8.0bn in the last quarter.
- Aramco's CAPEX for the quarter stood at USD 12.5bn (SAR 47.1bn) vs. USD 14.2bn (SAR 53.2bn) in Q4-24. FCF declined to SAR 71.8bn from SAR 81.1bn in the previous quarter. The dividend payment remained in line with the guidance provided during FY24 results with base dividend payment of SAR 79.3bn and performance linked dividend of SAR 0.8bn. Gearing ratio increased from 4.5% by FY24-end to 5.3% by Q1-25-end.

AJC view and valuation: Aramco's Q1-25 result was broadly in line with our expectation, with a slightly better operating performance. However, a sharp decline in oil prices and global economic headwinds raising crude oil demand concerns are likely to weigh on Aramco's earnings in coming quarters. We forecast a 3.5% Y/Y decline in revenue for FY25E to SAR 1.74tn, driven primarily by an anticipated ~12% drop in average oil prices and subdued downstream product demand. Dividend payouts are also expected to moderate, estimated at ~SAR 1.32 per share for FY25E and SAR 1.34 for FY26E. However, shifts in global trade such as sanctions and tariffs on competing exporters could support short-term demand for Saudi crude, which will be backed by growing out from Q2-25. Over the longer term, Aramco is well-positioned for sustained growth, underpinned by the easing of OPEC+ production cuts, gas expansion projects (including Jafurah Phase I & II), and increased downstream capacity. Aramco currently trades at an EV/EBITDA ratio of 7.0x and P/E of 15.6x based on our FY25E estimates. FY25E dividend yield is estimated at 5.3%. We maintain our TP of SAR 29.6/share and “Overweight” recommendation on Aramco.

Results Summary

SAR bn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	438	429	430	-1.9%	0.2%	0.0%
EBIT	202	173	191	-5.3%	10.4%	2.7%
EBIT Margin	46.1%	40.4%	44.5%	-	-	-
Net Profit	103	87	96	-7.4%	10.3%	1.8%
EPS	0.43	0.36	0.40	-	-	-

Source: Company Reports, Aljazira Capital

Recommendation Overweight

Target Price (SAR) 29.6

Upside / (Downside)* 18.4%

Source: Tadawul *prices as of 11th of May 2025

Key Financials

SAR bn (unless specified)	FY23	FY24	FY25E	FY26E
Revenue	1,856	1,802	1,739	1,808
Growth %	-18.1%	-2.9%	-3.5%	4.0%
EBIT	868	775	768	820
EBITDA	965	878	880	937
Net Income	453	394	388	414
Growth %	-24.2%	-13.0%	-1.6%	6.7%
EPS	1.87	1.63	1.60	1.71
DPS	1.52	1.93	1.32	1.34

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
EBIT Margin	46.8%	43.0%	44.2%	45.3%
EBITDA Margin	52.0%	48.7%	50.6%	51.8%
Net Margin	24.4%	21.9%	22.3%	22.9%
ROE	29.5%	27.0%	25.8%	26.2%
ROA	18.5%	16.4%	15.9%	16.4%
P/E (x)	17.6	17.2	15.6	14.6
P/B (x)	5.2	4.7	4.0	3.8
EV/EBITDA (x)	8.2	7.8	7.0	6.5
Dividend Yield	4.6%	6.9%	5.3%	5.3%

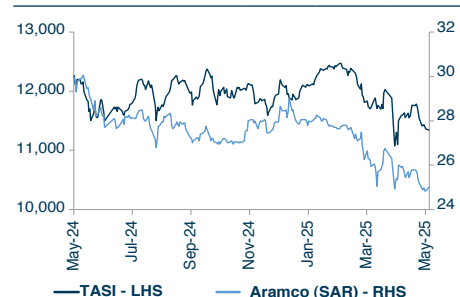
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	6,050
YTD%	-10.9%
52 week (High)/(Low)	30.25/24.60
Share Outstanding (mn)	242.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH
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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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