Saudi Arabian Oil Co. (SAUDI ARAMCO)

Earning Forecasts I Q2-2025

Q2-25 forecast: Lower crude oil prices to weigh on earnings partially compensated for by higher production and better downstream operating performance.

Saudi Arabian Oil Company's (Aramco) is forecasted to post net income (after minority) of SAR 90.6bn in Q2-25 (-14.7% Y/Y, -5.3% Q/Q) down 6.5% Q/Q from adjusted net income in Q1-25. The decline in net income is likely to be mainly led by an 11.4% Q/Q decrease in crude oil prices during the quarter. Revenue is estimated at SAR 418.3bn (-11.1% Y/Y, -2.6% Q/Q), as upstream revenue would decline (-9.2% Q/Q), while downstream revenue is expected to increase (+2.5% Q/Q). EBIT margins are forecasted to contract from 44.5% in Q1-25 to 44.1% in Q2-25.

- Aramco's revenue is expected to fall 2.6% Q/Q to SAR 418.3bn. **The upstream** revenue is projected to drop by 9.2% Q/Q to SAR 167.4bn, impacted by a decline in crude oil price. Brent crude prices averaged USD 65.9 per barrel in Q2-25 (-11.4% Q/Q). We forecast average realized crude oil price for Aramco in Q2-25 at USD 66.7 per barrel (-12.5% Q/Q). However, total hydrocarbon production is anticipated to increase to 12.5 mmboed in Q2-25 from 12.3 mmboed in the previous quarter with liquids production growing to 10.5 mmbpd (Q1-25: 10.3 mmbpd) and gas production to 10.4 bscfpd (Q1-25: 10.2 bscfpd). **The downstream** revenue is forecasted to increase by 2.5% Q/Q to SAR 250.5bn backed by improving refining margins.
- Operating profit is expected to reach SAR 184.5bn (-3.6% Q/Q) with tighter operating margins of 44.1% vs. 44.5% EBIT margin and 44.6% adjusted EBIT margin in Q1-25. The decrease in the topline and higher depreciation and amortization charges are likely to weigh on margin, despite lower royalties amid oil prices below USD 70 per barrel. Depreciation and amortization charges are expected to return to a normalized level after easing in Q1-25. The EBITDA margin would improve to 50.4% from 49.9% in Q1-25.
- Net income (after minority) is projected to decrease by 6.5% Q/Q to SAR 90.6bn from adjusted net income of SAR 96.8bn in Q1-25; down 5.3% from reported net income in Q1-25. We expect continued losses from JVs and associates and lower finance and other income compared to the previous quarter.
- **2025 outlook:** We expect Aramco's topline and earnings to remain under pressure in FY25E, with revenue decreasing 4.3% Y/Y to SAR 1,724bn and net income falling 3.9% to SAR 378bn. We estimate oil prices averaging ~USD 69 per barrel, 13% below the previous year. Nonetheless, OPEC+ output cut unwinding is likely to lead to higher production. Thus, total hydrocarbon production for 2025 is forecasted at 12.6 mmboed with crude oil production estimated at 9.3 mbpd from 9.1 mbpd in 2024. Moreover, the improving trend in the downstream segment with recovery refining margin is likely to support operating performance. Aramco's stock is trading at P/E multiple of 15.4x and a dividend yield of 5.5% based on our FY25E estimates.

Q2-25 Forecasts Highlights:

SAR bn	Q2-24	Q1-25	Q2-25E	Change Y/Y	Change Q/Q
Brent crude (USD/bbl)	85.0	74.4	65.9	-22.4%	-11.4%
Realized oil price (USD/bbl)	85.7	76.3	66.7	-22.1	-12.5%
Liquid (mbpd)	NA	10.3	10.5	-	-
Gas (bscfpd)	NA	10.2	10.4	-	-
Total hydrocarbon prod. (mmboed)	12.3	12.3	12.5	-	-
Upstream	203.3	184.4	167.4	-17.7%	-9.2%
Downstream	266.6	244.5	250.5	-6.1%	2.5%
Revenue	**470.6**	**429.6**	**418.3**	-11.1%	-2.6%
EBIT	206.5	191.4	184.5	-10.6%	-3.6%
EBIT Margin	43.9%	44.5%	44.1%	-	-
Adj. EBIT	206.1	191.4	184.5	-10.5%	-3.6%
Net Profit	**106.2**	**95.7**	**90.6**	-14.7%	-5.3%
Adj. Net Profit	103.8	96.8	90.6	-12.8%	-6.5%
EPS	0.44	0.40	0.37	-	-

Source: Company Reports, AlJazira Capital

Recommendation	Overweight
Target Price (SAR)	29.6
Upside / (Downside)*	22.8%

Source: Tadawul *prices as of 21th of July 2025

Key Financials

SAR bn (unless specified)	FY23	FY24	FY25E
Revenue	1,856	1,802	1,724
Growth %	-18.1%	-2.9%	-4.3%
EBIT	868	775	768
EBITDA	965	878	870
Net Income	453	394	378
Growth %	-24.2%	-13.0%	-3.9%
EPS	1.87	1.63	1.56
DPS	1.52	1.93	1.32

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E
EBIT Margin	46.8%	43.0%	44.6%
EBITDA Margin	52.0%	48.7%	50.5%
Net Margin	24.4%	21.9%	22.0%
ROE	29.5%	27.0%	25.3%
ROA	18.5%	16.4%	15.6%
P/E (x)	17.6	17.2	15.4
P/B (x)	5.2	4.7	3.9
EV/EBITDA (x)	8.2	7.8	6.8
Dividend Yield	4.6%	6.9%	5.5%

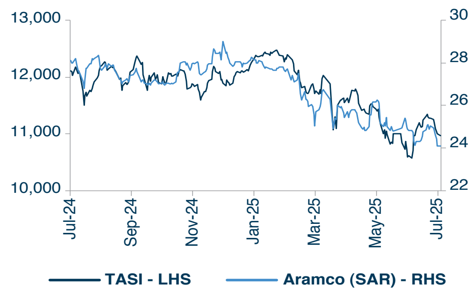
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	5,835
YTD%	-14.0%
52 week (High)/(Low)	29.00/24.05
Share Outstanding (bn)	242.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, AJC Research

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RESEARCH DIVISION

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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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