Results review

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Boubyan Petrochemical

Education drives a Q2 beat, but elevated S,G&A costs partially offsets the y/y operational gain. Reiterate Buy.

- **Q2 26/27A net income reached KWD 4.9m, up 55% y/y (+15% q/q, +58% vs. ACe), as higher income from associates, lower finance costs, higher other income and lower minorities more than offset a sharp rise in S,G&A. Recurring net income (ex-other income/expenses) came in at KWD 4.1m (+49% y/y, +54% vs. ACe).**
- **Revenues came in at KWD 25.8m, up 11% y/y (-4% q/q, +16% vs. ACe), and GPm widened 370bps y/y to 35%. However, S,G&A rose 48% y/y, absorbing all of the gross profit growth. EBIT reached KWD 7.6m, up 9% y/y (+16% vs. ACe), with the y/y gain coming entirely from associates.**
- **Education subsidiaries remained the key growth driver, with core investment income (ex-EQUATE) up 3% y/y to KWD 5.7m. EYAS's contribution nearly doubled and Muna Noor turned around sharply, offsetting softer EPG and Al Kout.**
- **We maintain our Buy rating and TP of KWD 0.78/share, with the stock at 12x FY27e EV/EBITDA. EQUATE remains positioned to capture elevated MEG prices through its North American capacity (MEGlobal's Asian contract price at USD 880/t for Nov-Dec)**

BPCC reported NI of KWD 4.9m in Q2 26/27A, up 55% y/y and 58% above ACe, as higher income from associates, lower funding costs and lower minorities more than offset a sharp rise in S,G&A. Excluding other income/expenses, recurring NI came in at KWD 4.1m, up 49% y/y (+24% q/q) and 54% above ACe. Of the KWD 1.8m beat vs. our estimate, KWD 1.0m came from EBIT (gross profit +KWD 1.5m and income from associates +KWD 0.7m, less S,G&A of -KWD 1.2m), a further KWD 0.5m from lower minority interest (KWD 0.9m vs. KWD 1.4m in ACe) and KWD 0.4m from higher other income, partly offset by slightly higher net interest and tax. On a y/y basis, EBIT growth explains only about a third of the KWD 1.7m increase in NI; the rest came from lower net interest expense (-15% y/y to KWD 2.5m), higher other income (KWD 0.8m vs. KWD 0.4m) and lower minorities. The 15% q/q rise in NI came entirely from minority interest, which fell 54% q/q to KWD 0.9m (15% of group net profit vs. 31% in Q1); NI before minorities fell 6% q/q. Minorities also fell 27% y/y despite the improved education results cited by management. Lower earnings at Al Kout (54% owned) and full ownership of Muna Noor and EPG explain only part of this, given EYAS's (63% owned) much higher contribution.

Revenues and gross margin improved, but S,G&A inflation absorbed all of the gross profit gain. Revenues came in at KWD 25.8m, up 11% y/y (-4% q/q, +16% vs. ACe), and gross profit rose 24% y/y as GPm widened to 35% (+370bps y/y, +120bps vs. ACe, -470bps q/q). However, S,G&A rose 48% y/y to KWD 5.4m (21% of revenues vs. 16%), leaving gross profit less S,G&A flat y/y at KWD 3.6m (-28% q/q). S,G&A has now run at KWD 5.4-5.7m for two consecutive quarters vs. KWD 4.2m in our Q2 estimate, highlighting mounting inflationary pressures. EBIT reached KWD 7.6m, up 9% y/y (-2% q/q) and 16% above ACe, with the y/y increase coming entirely from income from associates, which rose 20% y/y (+47% q/q, +21% vs. ACe) to KWD 3.9m and made up 52% of EBIT (47% a year ago, 34% in Q1).

Education assets continued to drive core investment income, which rose 3% y/y to KWD 5.7m, while non-core investment income more than doubled to KWD 2.3m (KWD 1.0m in Q2 25/26A). EYAS was the largest positive contributor, nearly doubling to KWD 1.5m (+KWD 0.7m y/y). EYAS's operating income rose 36% to KWD 15.2m in FY25/26, and GUST recorded its highest-ever student enrolment for the Fall 2026/27 semester. Muna Noor delivered a sharp turnaround, with net income rising to OMR 533k from OMR 77k a year earlier (vs. OMR 193k in Q1) on stronger gross margins and higher export volumes, adding KWD 0.4m to core income. Nafais held steady, with net income of KWD 1.9m, flat y/y. In contrast, EPG's net income eased to KWD 1.1m from KWD 1.3m on softer revenues, while Al Kout's net income fell to KWD 1.5m from KWD 1.8m y/y on lower revenue and margins amid regional logistical disruptions (KWD 739k in the previous quarter). Other core investments, which include Sama, contributed KWD 0.6m less y/y.

MEG prices remain elevated as the SoH disruption persists, a dynamic EQUATE is positioned to partially capture given its global footprint. Traffic through the strait has partially recovered, with October the busiest month since the conflict began, but it remains well below pre-war levels and attacks on shipping continue. EQUATE's North American MEG capacity (c.2.3mtpa) continues to run unaffected and is positioned to capture the price strength, partially offsetting export disruption at the Kuwait operations (c.1.15mtpa). The near-term direction hinges on whether the strait can return to full operation.

We maintain our Buy rating with a target price of KWD 0.78/share on education sector resilience and Equate's global footprint (ex-Hormuz MEG sales to capture price upside). We continue to view BPCC favorably given the strength and resilience of its education portfolio, Equate's global footprint allowing it to capture MEG price gains (an edge amplified by MEG's liquid form, which requires specialized chemical tankers and makes rerouting around SoH bottlenecks materially harder for region-concentrated producers), and improving recurring earnings profile. At current levels, the stock trades on FY 26/27e EV/EBITDA of c.12x and offers a DY of 4%.

BUY **KWD 780**

Petrochemicals / Kuwait

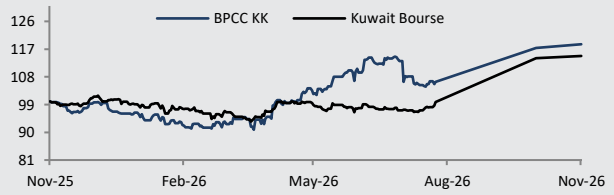
Bloomberg code	BPCC KK
Market index	Kuwait Bourse
Target Price	780
Upside (%)	13.8

Market data 11/22/2026

Last closing price	677
52 Week range	519.1-742.0
Market cap (KWD m)	384
Market cap (USD m)	1,244
Average Daily Traded Value (KWD m)	769.0
Average Daily Traded Value (USD m)	2,467.9
Free float (%)	73%

Year-end (local m)	2026	2027e	2028e	2029e
Revenues	107,111	102,852	107,014	108,557
EBITDA	53,978	49,753	57,980	58,356
Net income	26,748	22,329	27,522	28,196
EPS	51.29	32.46	40.00	40.98
EPS growth (%)	(11.3)	(36.7)	23.3	2.4
P/E (current price)	14.1	16.8	13.7	13.3
EV/EBITDA (x)	-	-	-	-
DPS	25.00	29.21	36.00	36.88
Div. yield (%)	3.6	4.3	5.2	5.4
FCF	53,276.0	43,278.3	55,032.9	53,189.1
FCF yield (%)	14.2	11.5	14.6	14.1
CAPEX	6,699	(7,229)	4,281	4,342
CAPEX/sales (%)	6.3	(7.0)	4.0	4.0
Net Debt/EBITDA (x)	3.9	4.1	3.2	3.1
RoAE (%)	10.9	9.3	11.2	11.2
RoIC (%)	9.5	8.9	11.2	11.4

Price Performance



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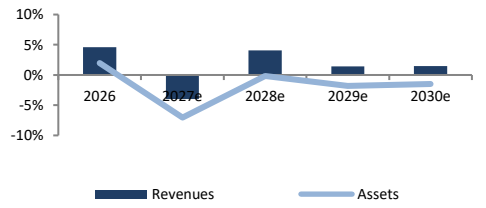
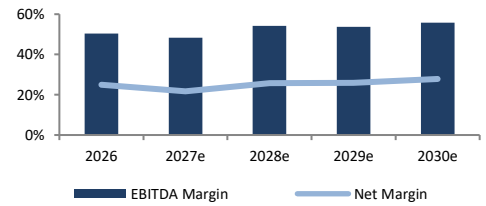
Arqaam Capital Fundamental Data

Profitability



Growth



Boubyan Petrochemical

Year-end	2025	2026	2027e	2028e	2029e	2030e
Financial summary						
Reported EPS	57.81	51.29	32.46	40.00	40.98	44.55
Diluted EPS	56.45	50.09	41.82	51.54	52.80	57.40
DPS	40.00	25.00	29.21	36.00	36.88	40.10
BVPS	474.88	444.66	454.26	468.17	474.58	484.46
Weighted average shares	534.00	534.00	534.00	534.00	534.00	534.00
Average market cap	-	-	-	-	-	-

Year-end	2025	2026	2027e	2028e	2029e	2030e
Valuation metrics						
P/E (x) (current price)	12.5	14.1	16.8	13.7	13.3	12.3
P/E (x) (target price)	13.5	15.2	24.1	19.5	19.1	17.5
EV/EBITDA (x) (current price)	-	-	-	-	-	-
EV/EBITDA (x) (target price)	10.3	11.7	12.7	10.9	10.9	10.3
EV/FCF (x)	12.4	11.1	13.7	10.8	11.1	11.3
Free cash flow yield (%)	12.7	14.2	11.5	14.6	14.1	14.0
Dividend yield (%)	5.7	3.6	4.1	5.1	5.2	5.7

Year-end	2025	2026	2027e	2028e	2029e	2030e
Growth (%)						
Revenues	23.4	4.6	(4.0)	4.0	1.4	1.5
EBITDA	53.6	(12.4)	(7.8)	16.5	0.6	5.1
EBIT	59.7	(15.0)	(8.7)	24.5	0.6	5.8
Net income	70.5	(11.3)	(16.5)	23.3	2.4	8.7

Year-end	2025	2026	2027e	2028e	2029e	2030e
Margins (%)						
EBITDA	60.2	50.4	48.4	54.2	53.8	55.7
EBIT	50.8	41.3	39.2	46.9	46.5	48.5
Net	29.4	25.0	21.7	25.7	26.0	27.8

Year-end	2025	2026	2027e	2028e	2029e	2030e
Returns (%)						
RoAA	4.7	4.2	3.6	4.6	4.8	5.3
RoAE	11.7	10.9	9.3	11.2	11.2	12.0
RoIC	10.9	9.5	8.9	11.2	11.4	12.1
FCF margin	46.8	49.7	42.1	51.4	49.0	47.7

Year-end	2025	2026	2027e	2028e	2029e	2030e
Gearing (%)						
Net debt/Capital	41.0	39.7	38.8	36.6	36.0	35.5
Net debt/Equity	86.1	89.1	83.4	75.3	71.4	67.6
Interest cover (x)	4.5	4.0	4.1	4.1	4.4	4.9
Net debt/EBITDA (x)	3.5	3.9	4.1	3.2	3.1	2.9

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Abacus *Arqaam Capital Fundamental Data*

Company profile

Boubyan Petrochemical Company (BPCC) was established in 1995 as the first privately held company to participate in Kuwait's government-dominated petrochemical sector. The company entered a joint venture with Petrochemical Industries Company (PIC) and Union Carbide (later acquired by Dow Chemical) to establish EQUATE Petrochemical Company, which remains one of the largest integrated petrochemical complexes in Kuwait.

Over the years, BPCC has evolved into a diversified investment holding company with exposure across petrochemicals, industrials, manufacturing, education, and healthcare. While EQUATE remains the group's single largest investment and a key contributor to dividends and valuation, BPCC has increasingly diversified its earnings base through strategic investments in education and healthcare assets. As of Q4 25/26A, BPCC's investment portfolio stood at KWD485.6m, with core investments excluding EQUATE accounting for c.40% of total investments.

The group's education platform has become an increasingly important earnings driver, supported by strong contributions from subsidiaries including EYAS, EPG, Sama Education, and Nafais. Core investment income (excluding EQUATE) grew 6% y/y in FY25/26A, highlighting the improving quality and diversification of recurring earnings. Despite the growing contribution from non-petrochemical investments, EQUATE continues to represent a significant portion of BPCC's NAV and dividend inflows, underpinning the company's cash generation and shareholder returns profile.

Ownership structure

Shareholders	%
Sons Mubarak Al-Dabbous Company	15.4%
Public Institution for Social Security (PIFSS)	6.0%
Ali Alghanim Sons Company	5.5%
Others	73.1

Boubyan Petrochemical

Year-end	2025	2026	2027e	2028e	2029e	2030e
Income statement (KWD'000)						
Revenue	102,400	107,111	102,852	107,014	108,557	110,132
OPEX	(62,665)	(67,624)	(63,619)	(64,441)	(65,303)	(66,184)
EBITDA	**61,611**	**53,978**	**49,753**	**57,980**	**58,356**	**61,357**
Depreciation	(9,603)	(9,788)	(9,430)	(7,765)	(7,843)	(7,921)
EBIT	**52,008**	**44,190**	**40,324**	**50,215**	**50,513**	**53,436**
Finance income	(1,697)	1,651	2,545	2,778	2,798	2,819
Finance cost	**(11,555)**	**(11,103)**	**(9,758)**	**(12,230)**	**(11,555)**	**(10,880)**
Net finance income/cost	(13,251)	(9,452)	(7,213)	(9,452)	(8,757)	(8,061)
Other income/(expense)	(200)	(200)	(200)	(200)	(200)	(200)
Share of results of associates & JV	9,336	12,008	11,795	10,118	10,366	10,623
Profit before tax	38,757	34,738	33,110	40,763	41,757	45,375
Taxes	**(644)**	**(612)**	**(575)**	**(708)**	**(725)**	**(788)**
Net profit (group)	37,913	33,927	32,335	39,855	40,831	44,387
Minorities	7,770	7,179	10,006	12,333	12,635	13,735
Net profit (parent)	**30,143**	**26,748**	**22,329**	**27,522**	**28,196**	**30,652**
Arqaam adjustments (including dilution)	-	-	-	-	-	-
Arqaam Net profit	**30,143**	**26,748**	**22,329**	**27,522**	**28,196**	**30,652**

Year-end	2025	2026	2027e	2028e	2029e	2030e
Balance sheet (KWD'000)						
Cash and equivalents	61,038	84,595	77,001	76,034	68,360	59,307
Receivables	47,997	48,620	30,666	32,913	33,134	33,356
Inventories	8,994	9,048	5,791	6,976	7,028	7,081
Tangible fixed assets	62,823	59,734	43,075	39,591	36,090	36,090
Other assets including goodwill	451,540	442,869	442,869	442,869	442,869	442,869
Total assets	**632,391**	**644,867**	**599,403**	**598,382**	**587,481**	**578,702**
Payables	58,791	66,114	31,774	37,246	37,420	37,599
Interest bearing debt	279,362	296,275	279,275	264,275	249,275	234,275
Other liabilities	6,195	10,462	10,462	10,462	10,462	10,462
Total liabilities	**344,349**	**372,851**	**321,511**	**311,983**	**297,157**	**282,335**
Shareholders equity	253,584	237,446	242,575	250,001	253,427	258,702
Minorities	34,458	34,570	35,317	36,398	36,897	37,665
Total liabilities & shareholders equity	**632,391**	**644,867**	**599,403**	**598,382**	**587,481**	**578,702**

Year-end	2025	2026	2027e	2028e	2029e	2030e
Cash flow (KWD'000)						
Cashflow from operations	**45,514**	**60,012**	**36,049**	**59,313**	**57,531**	**60,472**
Net capex	1,428	(6,699)	7,229	(4,281)	(4,342)	(7,921)
Free cash flow	**47,908**	**53,276**	**43,278**	**55,033**	**53,189**	**52,551**
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	(31,287)	(20,858)	(17,200)	(20,096)	(24,770)	(25,377)
Net inc/(dec) in borrowings	(4,579)	16,914	(17,000)	(15,000)	(15,000)	(15,000)
Other investing/financing cash flows	(11,555)	(11,103)	(9,758)	(12,230)	(11,555)	(10,880)
Net cash flow	**(11,497)**	**28,105**	**(7,594)**	**(967)**	**(7,674)**	**(9,054)**
Change in working capital	(15,453)	6,645	(13,129)	2,041	(99)	(97)

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BPCC Q2 26/27A results review

Exhibit 1: BPCC Q2 26/27A results review

KWD'000	Q2 27A	ACe	Δ	Q2 26A	y/y	Q1 27A	q/q
Revenues	25,764	22,163	*16.2%*	23,307	*10.5%*	26,868	*-4.1%*
Gross profit	9,050	7,518	*20.4%*	7,326	*23.5%*	10,712	*-15.5%*
EBIT	7,578	6,536	*16.0%*	6,948	*9.1%*	7,713	*-1.7%*
Net income	4,856	3,070	*58.2%*	3,137	*54.8%*	4,213	*15.3%*
Gross margin	35.1%	33.9%	120	31.4%	369	39.9%	(474)
EBIT margin	29.4%	29.5%	(7)	29.8%	(39)	28.7%	71
Net margin	18.8%	13.9%	499	13.5%	539	15.7%	317

Source: Arqaam Capital Research, Company Data

**Note EBIT includes dividend income, investment income and income from associates*

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