Quarterly Review

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Boubyan Petrochemical

Despite operationally in line numbers, NI disappoints on higher SG&A, minorities and lower other income/associate income. Maintain Buy

- **BPC reported Q3 24/25A net profit of KWD 7m, growing by 46% y/y mainly on higher dividend income from Equate and improved educational sector performance.**
- **The y/y boost in earnings was on the back of a combination of higher revenues (+11% y/y), especially from tuition fees (+15% y/y), higher dividend income from Equate and investment income.**
- **It is 23% weaker q/q mainly on a one-off capital gain of KWD 2.6m recorded in Q2 24/25 relating to the sale off stakes in Warba Capital Holding Co. and Bapco Gas Co., excluding which net income would be up 4% q/q.**
- **We maintain our Buy rating with our SoTP based TP of KWD 0.79/share. The stock trades at 11x FY 25e P/E and provides a DY of 9% (assuming a flat DPS of KWD 60/fils).**

Q3 24/25 net income (+46% y/y) is boosted by higher dividend income from equate and education sector profitability growth. BPC reported Q3 24/25A net profit of KWD 7m, growing by 46% y/y mainly on higher dividend income from Equate. It is 23% weaker q/q mainly on a one-off capital gain of KWD 2.6m recorded in Q2 24/25 relating to the sale off stakes in Warba Capital Holding Co. and Bapco Gas Co., excluding which net income would be up 4% q/q. The y/y boost in earnings was on the back of a combination of higher revenues (+11% y/y), specifically from tuition fees (+15% y/y), higher dividend income from Equate and investment income. This was partially offset by the 28% y/y spike in SG&A costs, lower other income (-16% y/y), and higher interest charges. BPC reported Q3 24/25A revenues of KWD 27m (+11% y/y, +19% q/q), in-line with our estimates. Sales of goods (mainly Al-Kout) is up 8% y/y (+1% q/q) to KWD 13.8m (+3.2% vs. ACe), while tuition fees increased by 15% y/y to KWD 13.2m (+47% q/q and -5% vs. ACe).

The education sector drove core investment income growth. As of Q3 24/25, the investment portfolio reached KWD 516.3m, with core investments (excluding Equate) accounting for c.37% of the total investments. Income from core investments rose to KWD 7m in Q3 24/25, up from KWD 4.8m in Q3 23/24, with the increase driven by the robust performance of the education sector, including EPG (consolidated in Q3 23/24, reported a net income of KWD 1.3m in Q3 24/25, +63% y/y). It was also supported by growth in Eyas net income to KWD 2.6m, up 14% y/y with the growth primarily driven by a 17% increase in revenues on a rise in enrollments for the Fall 24/25 semester compared to the previous year. In addition, Sama reported net income of KWD 3.9m, up from KWD 3.6m last year, with the hike driven by a c.6% revenue growth. Net income was, however, weighed down by lower profitability at Nafais, which reported a net income of KWD 2.2m in Q3 24/25, down from KWD 2.9m reported last year on higher OpEx.

BPC recently completed the sale of two subsidiaries and received an offer to sell its entire 75% stake in Knowledge City North Lebanon. BPC has been increasing its exposure to the education sector, acquiring The English Education Providers Group (EPG), an education company specializing in K-12 and early years education, for KWD 53m in Aug-23A. BPC recently completed exits from Warba Capital Holding Co. and Bapco Gas Co., realizing a total gain of KWD 2.6m in Q2 24/25. Additionally, BPC received an offer for its entire 75% stake in Knowledge City North, a dormant subsidiary in Lebanon, of approximately KWD 328k, with ownership transfer procedures ongoing with the relevant Lebanese authorities. The company recorded a gain of c. KWD 318k on the back of this in Q3 24/25**.**

We maintain our Buy rating at an unchanged TP of KWD 0.79/share; FY 25e P/E of 11x and 9% DY. MEG prices remain a key factor for BPC's stock price performance, given that Equate contributes 55% to our fair value estimate. Looking at MEG, Asian benchmark prices hiked by c.1% q/q in Q3 24/25 on a well-balanced market. MEG demand is set to weaken, while supply shortages should persist despite new capacity additions coming to the market, leaving MEG prices stable in FY25e, in our view. We maintain our Buy recommendation at a target price of KWD 0.79/share, trading at FY 24/25e P/E of 11x and offering a DY of 9%. We note that the company did not formalize a new dividend policy after the previous 3-year dividend policy that came to an end in FY 23/24A. We forecast a flat DPS of KWD 60 fils/share in FY 24/25e.

BUY **KWD 785**

Petrochemicals / Kuwait

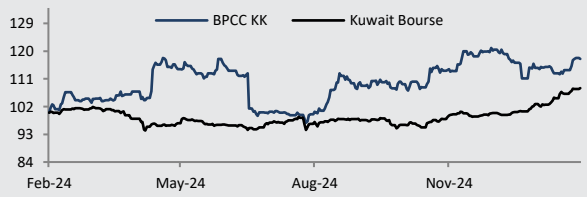
Bloomberg code	BPCC KK
Market index	Kuwait Bourse
Target Price	784.9
Upside (%)	12.9

Market data 2/18/2025

Last closing price	677
52 Week range	560.0-713.0
Market cap (KWD m)	371
Market cap (USD m)	1,201
Average Daily Traded Value (KWD m)	543.0
Average Daily Traded Value (USD m)	1,759.1
Free float (%)	72%

Year-end (local m)	2024	2025e	2026e	2027e
Revenues	82,985	103,739	104,023	105,503
EBITDA	40,104	57,071	60,443	62,837
Net income	17,675	33,917	35,825	39,363
EPS	33.90	65.04	68.70	75.49
EPS growth (%)	(49.6)	91.9	5.6	9.9
P/E (current price)	21.4	11.2	10.6	9.6
DPS	60.00	60.00	61.15	64.16
Div. yield (%)	8.5	8.5	8.6	9.1
FCF/share	(52.4)	196.3	103.6	108.0
FCF yield (%)	(7.4)	27.7	14.6	15.2
CAPEX	4,236	4,150	4,161	4,220
CAPEX/sales (%)	5.1	4.0	4.0	4.0
Net Debt/EBITDA (x)	4.9	2.4	2.1	1.9
EV/EBITDA (x)	14.6	10.3	9.7	9.3
RoAE (%)	6.5	12.8	13.3	14.3
RoIC (%)	7.5	11.3	13.0	13.7

Price Performance



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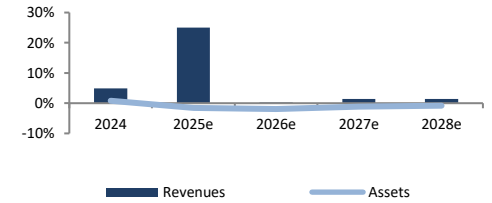
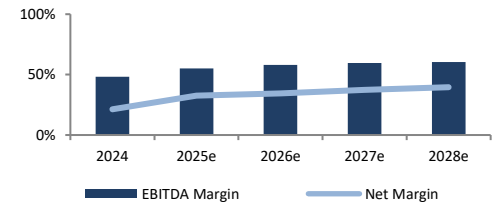
Abacus

Arqaam Capital Fundamental Data

Profitability



Growth



Boubyan Petrochemical

Year-end	2023	2024	2025e	2026e	2027e	2028e
Financial summary						
Reported EPS	67.20	33.90	65.04	68.70	75.49	81.20
Diluted EPS	65.62	33.10	63.51	67.09	73.71	79.29
DPS	60.00	60.00	60.00	61.15	64.16	69.02
BVPS	520.65	495.16	500.09	508.59	522.59	539.23
Weighted average shares	534.00	534.00	534.00	534.00	534.00	534.00
Average market cap	-	-	-	-	-	-

Year-end	2023	2024	2025e	2026e	2027e	2028e
Valuation metrics						
P/E (x) (current price)	10.8	21.4	11.2	10.6	9.6	8.9
P/E (x) (target price)	11.7	23.2	12.1	11.4	10.4	9.7
EV/EBITDA (x) (current price)	11.2	14.6	10.3	9.7	9.3	9.0
EV/EBITDA (x) (target price)	11.9	15.6	11.0	10.4	10.0	9.7
EV/FCF (x)	17.0	(20.9)	5.6	10.6	10.1	9.8
Free cash flow yield (%)	9.1	(7.4)	27.7	14.6	15.2	15.7
Dividend yield (%)	8.5	8.5	8.5	8.6	9.1	9.7

Year-end	2023	2024	2025e	2026e	2027e	2028e
Growth (%)						
Revenues	9.9	4.9	25.0	0.3	1.4	1.4
EBITDA	(3.4)	(23.5)	42.3	5.9	4.0	3.0
EBIT	(4.0)	(29.2)	52.2	6.7	4.4	3.2
Net income	(9.6)	(49.6)	91.9	5.6	9.9	7.6

Year-end	2023	2024	2025e	2026e	2027e	2028e
Margins (%)						
EBITDA	66.2	48.3	55.0	58.1	59.6	60.5
EBIT	58.1	39.2	47.7	50.8	52.3	53.2
Net	44.3	21.3	32.7	34.4	37.3	39.6

Year-end	2023	2024	2025e	2026e	2027e	2028e
Returns (%)						
RoAA	5.7	2.9	5.7	6.1	6.8	7.4
RoAE	12.6	6.5	12.8	13.3	14.3	14.9
RoIC	10.6	7.5	11.3	13.0	13.7	14.3
FCF margin	9.1	(7.4)	27.7	14.6	15.2	15.7

Year-end	2023	2024	2025e	2026e	2027e	2028e
Gearing (%)						
Net debt/Capital	23.7	36.6	26.2	25.1	23.1	20.7
Net debt/Equity	43.7	74.0	51.1	47.2	41.7	35.8
Interest cover (x)	5.7	2.5	3.2	3.9	4.8	5.8
Net debt/EBITDA (x)	2.3	4.9	2.4	2.1	1.9	1.6

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Abacus *Arqaam Capital Fundamental Data*

Company profile

Boubyan Petrochemical Company (BPC) was established in 1995 as the first privately held company to enter the government-controlled petrochemical arena in Kuwait. BPC entered a JV with Petrochemical Industrials Company (PIC) and Union Carbide (subsequently acquired by Dow Chemical); and formed Equate Petrochemical Company– the largest petrochemical complex in Kuwait.

BPC has since evolved into an industrial holding company with investments focused on petrochemicals and the industrial/manufacturing sectors and has recently also ventured into the education and healthcare sectors. BPC's 9% stake in Equate continues to be the single largest investment in its portfolio– contributing to 2/3 of its net assets and net income in FY 23A and 55% of our core valuation

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	2023	2024	2025e	2026e	2027e	2028e
Income statement (KWD'000)						
Sales revenue	79,132	82,985	103,739	104,023	105,503	107,014
Cost of sales	(50,007)	(52,143)	(62,684)	(61,441)	(62,259)	(63,094)
Gross profit	**29,126**	**30,842**	**41,056**	**42,583**	**43,244**	**43,920**
SG&A	(13,537)	(14,278)	(15,802)	(15,821)	(16,060)	(16,305)
EBITDA	**52,394**	**40,104**	**57,071**	**60,443**	**62,837**	**64,696**
Depreciation	(6,429)	(7,548)	(7,537)	(7,612)	(7,688)	(7,765)
EBIT	**45,965**	**32,556**	**49,535**	**52,831**	**55,148**	**56,931**
Interest expense	(8,006)	(13,105)	(15,717)	(13,582)	(11,597)	(9,762)
Share of results of associates & JV	8,770	11,797	10,697	11,048	11,322	11,605
Profit before tax	42,864	23,644	41,658	43,996	48,333	51,985
Taxes	(675)	(324)	(708)	(748)	(822)	(884)
Other post-tax income/(expense)	-	-	-	-	-	-
Net profit (group)	42,099	23,229	40,860	43,158	47,421	51,011
Minorities	7,058	5,554	6,943	7,334	8,058	8,668
Net profit (parent)	**35,041**	**17,675**	**33,917**	**35,825**	**39,363**	**42,343**
Arqaam adjustments (including dilution)	-	-	-	-	-	-
Arqaam Net profit	**35,041**	**17,675**	**33,917**	**35,825**	**39,363**	**42,343**

Year-end	2023	2024	2025e	2026e	2027e	2028e
Balance sheet (KWD'000)						
Cash and equivalents	112,826	73,902	117,878	111,233	108,059	106,494
Receivables	35,194	84,049	33,452	32,476	32,694	32,913
Inventories	6,913	6,759	7,018	6,598	6,646	6,695
Tangible fixed assets	56,730	53,418	50,030	46,579	43,111	39,627
Other assets including goodwill	387,123	385,441	385,441	385,441	385,441	385,441
Total assets	**598,787**	**603,568**	**593,818**	**582,327**	**575,951**	**571,170**
Payables	49,782	34,963	37,238	35,612	35,774	35,941
Interest bearing debt	234,443	269,443	254,443	239,443	224,443	209,443
Other liabilities	-	-	-	-	-	-
Total liabilities	**284,225**	**304,406**	**291,681**	**275,055**	**260,217**	**245,384**
Shareholders equity	278,028	264,417	267,047	271,585	279,064	287,948
Minorities	36,534	34,745	35,091	35,687	36,670	37,837
Total liabilities & shareholders equity	**598,787**	**603,568**	**593,818**	**582,327**	**575,951**	**571,170**

Year-end	2023	2024	2025e	2026e	2027e	2028e
Cash flow (KWD'000)						
Cashflow from operations	**52,783**	**(23,739)**	**108,976**	**59,465**	**61,911**	**63,711**
Net capex	(12,520)	(4,236)	(4,150)	(4,161)	(4,220)	(4,281)
Free cash flow	**34,343**	**(27,975)**	**104,827**	**55,304**	**57,691**	**59,430**
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	(31,287)	(31,287)	(31,287)	(31,287)	(31,884)	(33,459)
Net inc/(dec) in borrowings	(37,910)	35,000	(15,000)	(15,000)	(15,000)	(15,000)
Other investing/financing cash flows	(8,006)	(13,105)	(15,717)	(13,582)	(11,597)	(9,762)
Net cash flow	**21,178**	**(38,924)**	**43,976**	**(6,645)**	**(3,174)**	**(1,565)**
Change in working capital	1,064	(63,519)	52,613	(230)	(104)	(102)

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BPCC Q3 24/25e results review

Exhibit 1: BPCC Q3 24/25e results review

KWD'000	Q3 25	ACe	Δ	Q3 24	y/y	Q2 25	q/q
Sale of goods	13,802	13,368	*3.2%*	12,779	*8.0%*	13,641	*1.2%*
Tuition fees	13,239	13,948	*-5.1%*	11,541	*14.7%*	8,999	*47.1%*
Total Revenues	27,041	27,316	*-1.0%*	24,319	*11.2%*	22,640	*19.4%*
Gross profit	10,365	10,258	*1.0%*	8,993	*15.3%*	8,576	*20.9%*
EBIT	11,320	12,321	*-8.1%*	9,232	*22.6%*	10,847	*4.4%*
Net income	7,023	8,324	*-15.6%*	4,822	*45.6%*	9,068	*-22.6%*
Gross margin	38.3%	37.6%	78	37.0%	135	37.9%	45
EBIT margin	41.9%	45.1%	(324)	38.0%	390	47.9%	(605)
Net margin	26.0%	30.5%	(450)	19.8%	614	40.1%	(1,408)

Source: Arqaam Capital Research, Company Data

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