

## OQ Base Industries (OQBI)

**A diversified petchem player with superior margins, robust FCF generation (14% FCFY) and capacity growth upside. Initiate with Buy.**

- OQBI is the only integrated petrochemical player in Oman, offering a diverse range of highly demanded chemicals, including methanol, ammonia, and LPG. This diverse product mix helps drive consistent revenue and cash flow, with a platform utilization rate exceeding 100%.
- It enjoys superior industry margins (EBITDAm c.37-40%) given cost-effective NG supply contracts, with a price-linked formula ensuring margin protection throughout the cycle.
- EPS is expected to grow at an 8% CAGR in FY 25-30e, despite a moderate EBITDA CAGR of 2%, driven by declining finance costs (deleveraging), with potential upside from brownfield methanol expansion (+50% methanol capacity).
- Despite the commencement of IGC payments in FY 25e (80% of OQ LPG FCFs in return for non-cash notional gas costs), the CMP still implies an attractive FCFY of c.14% in FY 25-29e.
- We initiate coverage at a TP of OMR 0.16 and a Buy rating. It trades at a 20% discount to regional peers (8x EV/EBITDA in FY 25e) and offers a superior DY of >8% (+5% p.a. in FY 26e as per the IPO policy), with upside to dividends as FCFs comfortably cover CapEx and deleveraging (net debt/EBITDA peaked at 1.9x in FY 24A, on our numbers)

**OQBI's diversified product basket, a favorable methanol/ammonia exposure, and feedstock cost advantage position it as a superior regional petchem player.** OQBI is an integrated producer of methanol, ammonia, and LPG products in Oman, with a combined production capacity of 1,816 ktpa. Given the majority shareholding by OQ (51%), it benefits from LT, a take-or-pay off-take agreement with OQ Trading for export globally (primarily Asia/MENA). Methanol is the largest contributor to total revenues/EBITDA (c.50%), with the ramp-up of LPG/ammonia plants in FY 21A/FY 22A, respectively.

**A well-balanced market for methanol/ammonia should drive price recovery over FY 25-30e, offsetting the subdued LPG price outlook.** OQBI's product prices are expected to slightly decline in FY 25e y/y on soft demand, subdued energy prices and global capacity growth, yet we forecast a gradual recovery in methanol prices in FY 25-30e (to a LT price of USD 330/t, vs. USD 280/t spot price) driven by improving MTO economics as demand picks up, and upside from marine fuel applications, despite capacity growth. For ammonia, we also expect a gradual recovery towards a LT price of USD 380/t, still 8% below mid-cycle levels, on elevated gas costs and strong demand being equally matched by capacity growth. LPG prices, however, are expected to dip in FY 25e vs. FY 24A on a softer oil price outlook, while a slight recovery is expected towards FY 27e on an anticipated pick-up in petchem demand, production slowdown from high-cost producers, and lower supply growth after FY 30e.

**Favorable NG cost agreements underpin above-average margins (EBITDAm of 37-40%).** The gas supply agreement for the methanol business is based on a netback-linked pricing formula, providing margin protection through the cycle (5-year avg. gas cost stood at USD 3/mmBtu). For the LPG plant, OQBI receives rich natural gas from IGC at no immediate cost. In return, IGC receives lean gas and a share of the LPG product sales proceeds (commencing in FY 25e), based on a payment waterfall where the remaining cash, after covering OpEx, CapEx, and financing obligations, is allocated between IGC (80%) and OQBI (20%). OQBI's EBITDAm averaged 40% over the past 4 years (the highest in the regional petchem space), with revenues/EBITDA growing at a CAGR of 15%/17% owing to capacity growth and improving utilization rates, despite the downtrend in product prices (commodity upcycle in FY 21/22A).

**EPS is expected to grow at an 8% CAGR in FY 25-30e, despite soft EBITDA growth, driven by declining finance costs (deleveraging).** Beyond FY 25e, we expect EBITDA to grow at a 2% CAGR, as a 3% revenue CAGR in FY 25-30e (slight recovery in prices, stable volumes) is partly offset by OpEx growth and higher natural gas prices. EBITDA margins are expected to average 36% in FY 25-30e, on our numbers. Nevertheless, we expect EPS to grow at an 8% CAGR on lower finance costs (deleveraging), with further upside from potential rate cuts (every 50bps lower interest rate impacting EPS by 3%).

**Given the commencement of IGC payments in FY 25e, FCFF should see a dip in FY 25e, still implying an attractive FCFY of 12%.** OQBI generated robust FCFs in FY 21-24A, on healthy EBITDA growth and the non-cash nature of gas costs at the LPG plant. Unlevered FCFs amounted to OMR 112m in FY 24A, with a FCF conversion rate of 120%. Nevertheless, we assume the payment of OMR 37m to the IGC in FY 25e (first payment made in April-25A), below notional gas costs, driving an expected 36% y/y drop in FCFs in FY 25e, still implying a robust FCF conversion rate of 90% and an industry-leading FCF yield of 12%. On our numbers, FCFs averaging OMR 83m in FY 25-30e are sufficient to cover dividends (averaging OMR 39m p.a. over the same period) as well as gradual deleveraging, with room to uplift dividends after FY 26e, given ample room on its balance sheet (net debt/EBITDA peaking at 1.9x in FY 24A), barring any significant growth/M&A CapEx.

**We initiate coverage with a Buy rating at a TP of OMR 0.16 (23% upside) on an attractive valuation (DY >8%).** OQBI trades at a c.20% discount to regional peers (8x EV/EBITDA in FY 25e) and offers a decent DY of 8% (+5% p.a. in FY 26e as per the IPO policy), with upside to dividends after the end of the IPO stated policy on robust FCF generation. Despite trading almost in line with its peers in Oman on an EV/EBITDA and DY basis, OQBI trades at a superior FCFY of 12% in FY 25e (averaging 14% in FY 25-30e) vs. <9% for Oman peers, implying a decent valuation discount. Upside to our valuation includes i) higher-than-expected product prices/utilization rates, and ii) capacity growth (potential methanol brownfield project adding 50% methanol capacity). Major downside risks involve lower-than-expected product prices/volumes, and any unfavorable changes in the LPG waterfall agreement with the IGC. Oman offers a compelling investment opportunity given the current valuation discount vs. regional markets and potential EM upgrade expected by mid-2027e.

**BUY**

**OMR 0.16**

### Petrochemicals / Oman

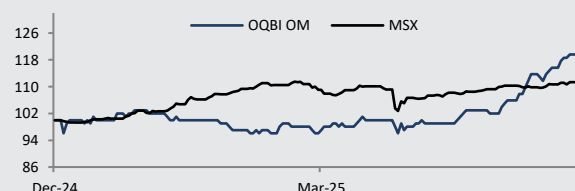
Bloomberg code	OQBI OM
Market index	MSX
Target Price	0.16
Upside (%)	23

### 3Market data 6/25/2025

Last closing price	0.13
52 Week range	0.1-0.1
Market cap (OMR m)	432
Market cap (USD m)	1,123
Average Daily Traded Value (OMR m)	1.0
Average Daily Traded Value (USD m)	2.2
Free float (%)	49%

Year-end (local m)	2024	2025e	2026e	2027e
Revenues	235	217	226	242
EBITDA	93	79	84	91
Net income	40	32	38	47
EPS	0.01	0.01	0.01	0.01
EPS growth (%)	(14.9)	(20.1)	18.7	23.0
P/E (current price)	10.7	13.4	11.3	9.2
DPS	0.01	0.01	0.01	0.01
Div. yield (%)	7.6	7.9	8.3	8.8
FCF/share	-	-	-	-
FCF yield (%)	18.4	11.8	12.9	16.0
CAPEX	28	21	21	17
CAPEX/sales (%)	12.0	9.5	9.3	7.0
Net Debt/EBITDA (x)	1.9	1.8	1.4	0.7
EV/EBITDA (x)	6.5	7.7	7.3	6.7
RoAE (%)	13.9	9.9	11.7	14.0
RoIC (%)	11.2	9.2	10.7	13.2

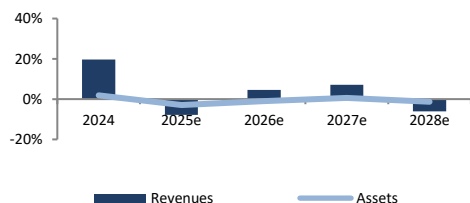
### Price Performance



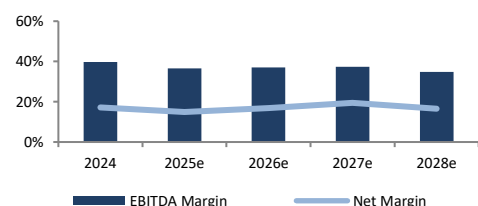
## Abacus

### Arqaam Capital Fundamental Data

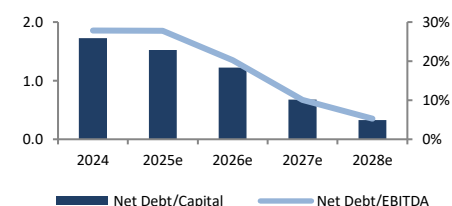
#### Profitability



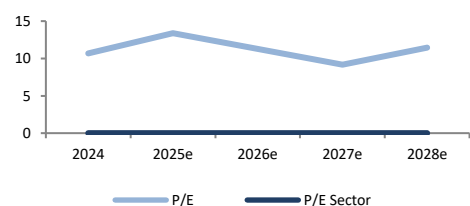
#### Growth



#### Gearing



#### Valuation



#### OQ Base Industries

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Financial summary</b>						
Reported EPS	0.01	0.01	0.01	0.01	0.01	0.01
Diluted EPS	0.01	0.01	0.01	0.01	0.01	0.01
DPS	-	0.01	0.01	0.01	0.01	0.01
BVPS	0.07	0.09	0.09	0.10	0.10	0.10
Weighted average shares	3,459.49	3,459.49	3,459.49	3,459.49	3,459.49	3,459.49
Average market cap	432.44	432.44	432.44	432.44	432.44	432.44

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Valuation metrics</b>						
P/E (x) (current price)	9.1	10.7	13.4	11.3	9.2	11.4
P/E (x) (target price)	11.5	13.5	16.9	14.3	11.6	14.5
EV/EBITDA (x) (current price)	7.2	6.5	7.7	7.3	6.7	7.7
EV/EBITDA (x) (target price)	8.0	7.3	8.5	8.1	7.5	8.5
EV/FCF (x)	388.1	307.3	481.7	439.1	354.8	443.6
Free cash flow yield (%)	14.6	18.4	11.8	12.9	16.0	12.8
Dividend yield (%)	-	7.6	7.9	8.3	8.8	9.2

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Growth (%)</b>						
Revenues	(9.0)	19.7	(7.7)	4.5	7.1	(6.1)
EBITDA	(5.1)	10.7	(15.0)	5.7	8.2	(12.5)
EBIT	(15.7)	7.7	(25.8)	10.1	13.9	(20.3)
Net income	(23.3)	(14.9)	(20.1)	18.7	23.0	(19.8)

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Margins (%)</b>						
EBITDA	42.9	39.7	36.6	37.0	37.4	34.8
EBIT	28.5	25.6	20.6	21.7	23.1	19.6
Net	24.2	17.2	14.9	16.9	19.5	16.6

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Returns (%)</b>						
RoAA	5.7	5.0	4.0	4.9	6.0	4.8
RoAE	18.1	13.9	9.9	11.7	14.0	11.0
RoIC	9.4	11.2	9.2	10.7	13.2	11.5
FCF margin	14.6	18.4	11.8	12.9	16.0	12.8

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Gearing (%)</b>						
Net debt/Capital	46.9	25.9	22.9	18.4	10.2	4.9
Net debt/Equity	126.3	52.8	44.8	34.2	17.8	8.2
Interest cover (x)	6.7	3.9	3.6	4.5	6.3	6.5
Net debt/EBITDA (x)	3.8	1.9	1.8	1.4	0.7	0.4

## Abacus *Arqaam Capital Fundamental Data*

### Company profile

OQBI is Oman's only integrated producer of methanol, ammonia, and LPG products, including propane, butane, condensate, and LPG (cooking gas) sold domestically. Established in 2006, the company 51% owned by OQ, Oman's leading energy company. In 2024, OQBI acquired OQ LPG, previously a separate subsidiary of OQ. It operates across the entire natural gas value chain, with three advanced plants producing methanol, ammonia and LPG that have a combined production capacity of 1,816 ktpa.

### Investment case

OQBI's diversified product portfolio enables streamlined earnings, with revenues mainly driven by highly demanded chemicals, methanol, ammonia and LPG, positioning the company for sustained growth. It enjoys superior industry margins (EBITDA margin c.40%) thanks to cost-effective natural gas supply agreements, providing margin protection through the cycle. There is upside potential from brownfield methanol project, targeting methanol capacity growth of 50% with relatively low CapEx leveraging current infrastructure and access to low-cost gas. It also has the potential for exposure to clean/sustainable fuels (blue/green methanol/ammonia), capitalizing on the shift towards low-carbon energy solutions and accelerating decarbonization efforts.

OQBI offers strong free cashflow generation, with one of the highest FCFYs (c.12-14%) in the petchem space implying comfortable dividend capacity and ample headroom for growth. It has a clear dividend policy with an attractive dividend yield of >8% (sustainable and growing) vs. c.6% for regional peers, enabled by strong FCF generation. Current market price implies a normalized P/E of 10x, below regional and global peers.

We initiate coverage with a Buy rating at a TP of OMR 0.16/share (23% upside).

### Ownership structure

Shareholders	%
OQ	51%
Free Float	49%

### OQ Base Industries

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Income statement (OMRmn)</b>						
Sales revenue	196	235	217	226	242	228
Cost of sales	(131)	(166)	(163)	(168)	(177)	(174)
<b>Gross profit</b>	<b>65</b>	<b>69</b>	<b>53</b>	<b>58</b>	<b>65</b>	<b>54</b>
SG&A	(9)	(9)	(9)	(9)	(9)	(9)
<b>EBITDA</b>	<b>84</b>	<b>93</b>	<b>79</b>	<b>84</b>	<b>91</b>	<b>79</b>
Depreciation	(28)	(33)	(35)	(35)	(35)	(35)
<b>EBIT</b>	<b>56</b>	<b>60</b>	<b>45</b>	<b>49</b>	<b>56</b>	<b>45</b>
Interest expense	(8)	(15)	(12)	(11)	(9)	(7)
Share of results of associates & JV	-	-	-	-	-	-
<b>Profit before tax</b>	<b>48</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>47</b>	<b>38</b>
Taxes	-	-	-	-	-	-
Other post-tax income/(expense)	-	-	-	-	-	-
<b>Net profit (group)</b>	<b>48</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>47</b>	<b>38</b>
Minorities	-	-	-	-	-	-
<b>Net profit (parent)</b>	<b>48</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>47</b>	<b>38</b>
Arqaam adjustments (including dilution)	-	-	-	-	-	-
<b>Arqaam Net profit</b>	<b>48</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>47</b>	<b>38</b>

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Balance sheet (OMRmn)</b>						
Cash and equivalents	109	168	167	172	195	198
Receivables	76	40	31	31	30	25
Inventories	9	11	11	11	12	11
Tangible fixed assets	580	580	566	552	534	526
Other assets including goodwill	24	15	15	15	15	15
<b>Total assets</b>	<b>798</b>	<b>813</b>	<b>789</b>	<b>782</b>	<b>787</b>	<b>776</b>
Payables	49	27	26	24	23	21
Interest bearing debt	428	341	314	285	256	226
Other liabilities	68	117	121	140	163	185
<b>Total liabilities</b>	<b>545</b>	<b>484</b>	<b>461</b>	<b>449</b>	<b>443</b>	<b>432</b>
Shareholders equity	253	328	327	331	342	342
Minorities	-	-	-	-	-	-
<b>Total liabilities &amp; shareholders equity</b>	<b>798</b>	<b>812</b>	<b>788</b>	<b>780</b>	<b>785</b>	<b>774</b>

Year-end	2023	2024	2025e	2026e	2027e	2028e
<b>Cash flow (OMRmn)</b>						
<b>Cashflow from operations</b>	<b>93</b>	<b>140</b>	<b>92</b>	<b>100</b>	<b>114</b>	<b>104</b>
Net capex	(4)	(28)	(21)	(21)	(17)	(26)
<b>Free cash flow</b>	<b>89</b>	<b>112</b>	<b>72</b>	<b>78</b>	<b>97</b>	<b>78</b>
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	-	-	(33)	(34)	(36)	(38)
Net inc/(dec) in borrowings	(121)	(37)	(27)	(28)	(29)	(30)
Other investing/financing cash flows	(26)	(28)	(12)	(11)	(9)	(7)
<b>Net cash flow</b>	<b>(89)</b>	<b>143</b>	<b>-</b>	<b>5</b>	<b>23</b>	<b>3</b>
Change in working capital	(19)	3	8	(2)	-	3

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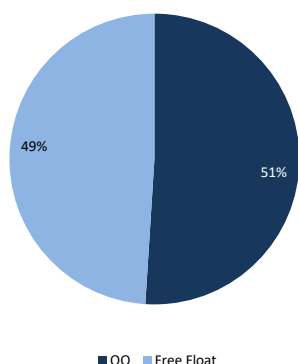
## Investment thesis – A low-cost producer with diversified petchem exposure, capacity growth upside, and industry-leading FCFY/DY

- As the only integrated petchem player in Oman, OQBI has a diversified product mix of highly demanded chemicals (methanol, ammonia, and LPG), driving steady revenues/cashflow streams (platform utilization rate >100%).
- OQBI enjoys superior industry margins (EBITDA margin of c.37-40%) given cost-effective NG supply agreements, with a price-linked formula ensuring margin protection through the cycle.
- EPS is expected to grow at an 8% CAGR in FY 25-30e, despite modest EBITDA growth (+2% CAGR), driven by declining finance costs (deleveraging), with potential upside from brownfield methanol expansion (+50% methanol capacity).
- Despite the commencement of IGC payments in FY 25e (80% of OQ LPG FCFs in return for non-cash notional gas costs), the CMP still implies an attractive FCFY of 12%.
- We initiate coverage at a TP of OMR 0.16 and a Buy rating. OQBI trades at c.20% discount to regional peers (8x EV/EBITDA in FY 25e) and offers a superior DY of 8% (+5% p.a. in FY 26e as per the IPO policy), with upside to div as FCFs comfortably cover CapEx and deleveraging (net debt/EBITDA peaks at 1.9x in FY 24A, on our numbers).

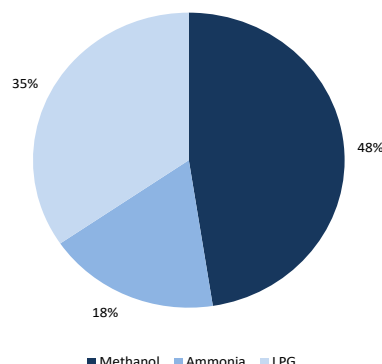
## Oman's integrated petchem producer, benefiting from LT exclusive take-or-pay agreements for export to key demand centers

OQBI is the leading integrated producer of methanol, ammonia, and LPG products in Oman, with a combined production capacity of 1,816 ktpa across three advanced plants located in the Salalah Free Zone. This strategic location, near the Port of Salalah, provides access to one of Oman's largest ports, facilitating easy export to key markets in Asia, MENA, Europe, and Africa. The company operates three key divisions: methanol, ammonia, and LPG products, with a focus on high-demand industrial chemicals. Given the majority shareholding by OQ (51% post-IPO), Oman's flagship energy company, the company benefits from long-term, exclusive take-or-pay off-take agreements with OQ Trading for export to key global markets, primarily in Asia and the MENA region, with a smaller share directed towards Europe and Africa. Its strategic location near the Port of Salalah offers access to major shipping routes, enhancing its export capabilities and market reach.

**Exhibit 1: Post-IPO, OQBI is 51% owned by OQ, with 49% as free float**



**Exhibit 2: Methanol is the largest contributor to total revenues, followed by LPG sales**



Source: Company Data, Arqaam Capital Research

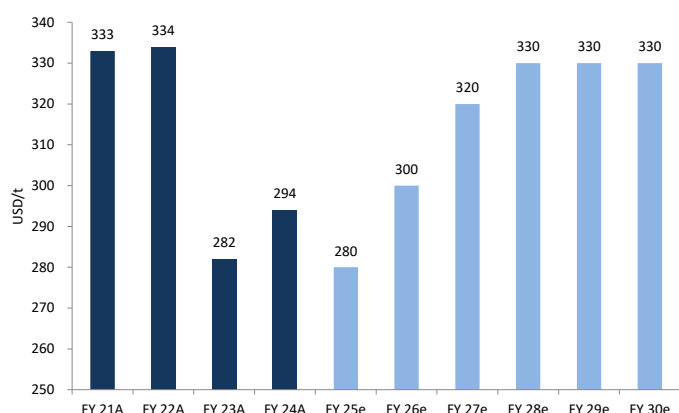
Source: Company Data, Arqaam Capital Research

The company produces methanol, ammonia, and LPG Products. The production chain for its products begins with rich natural gas that the company receives from the Integrated Gas Company (IGC – the sole supplier of natural gas in Oman) and uses as feedstock. The rich natural gas is transported via a natural gas transportation network operated by OQGN to the LPG plant (commissioned in FY 21A), where it is processed into i) propane, butane and condensate for export and ii) LPG (being a mixture of predominantly propane and butane) for sale in the domestic market. The lean natural gas that remains after the LPG products are extracted is fed back into OQGN’s natural gas transportation network and transported to users of lean natural gas in Oman, including OQBI’s methanol plant. The methanol plant processes the lean natural gas into methanol for export, and the excess hydrogen that results from this process is transported through the company’s pipeline network to the ammonia plant (commissioned in FY 22A), where it is used to produce ammonia for export. A substantial proportion of the company’s methanol is exported to Asian markets, while its ammonia is primarily exported to India and the MENA region, and the majority of its LPG Products (except LPG - cooking gas) is exported to India.

### **OQBI’s diversified product mix, with methanol and LPG serving as key revenue contributors, supports steady revenues/cashflow streams**

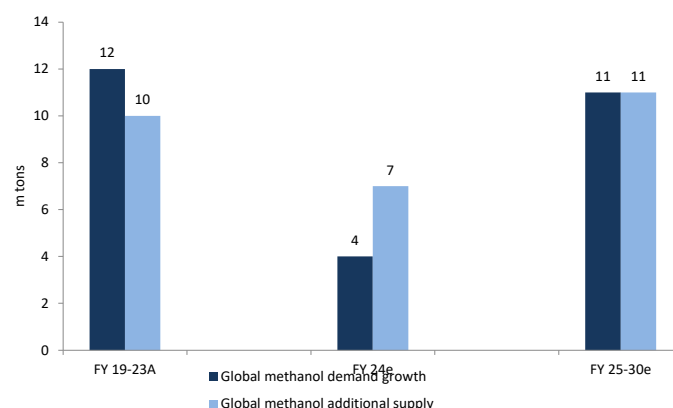
Revenue from the sale of methanol is the largest contributor to OQBI’s total revenues, averaging 56% over the past 4 years (although this was due to the ramp-up of the LPG and ammonia plants that started commercial operations in FY 21A and FY 22A, respectively). In FY 24A, methanol revenue contributed 48% to total revenues. It is followed by LPG sales, which contribute c.35% of total revenues, which we expect to slightly decline to c.30% of revenues as LPG, given the expected downtrend in oil/LPG prices. We expect methanol prices to slightly decline in FY 25e, gradually recovering towards FY 27/28e driven by improving MTO economics and upside from marine fuel applications, despite capacity growth. We factor in a long-term methanol price of USD 330/t as demand picks up (China’s stimulus plans and rising demand from marine fuel applications during transition to low-carbon methanol) and as the market balances out demand growth (+2.3% in FY 23-40e) with supply additions (+2.6% in FY 23-40e) by forcing Chinese operating rates down (with excess supply exported to China as a large consumption base and a high-cost incremental supplier), pushing operating rates up to c.87-88% by FY 30e vs. c.83% in FY 19-24A.

**Exhibit 3: We expect methanol prices to remain largely stable in FY 25e vs. FY 24A, gradually recovering thereafter**



Source: Bloomberg, Company Data, Arqaam Capital Research

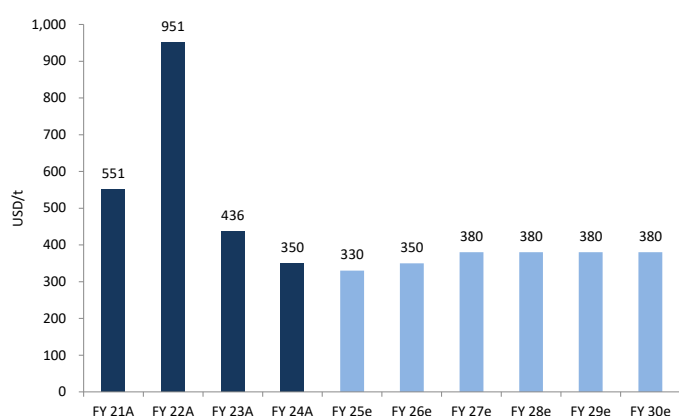
**Exhibit 4: Aided by relatively well-balanced supply/demand dynamics amid resilient demand**



Source: Argus Consulting, Company Data, Arqaam Capital Research

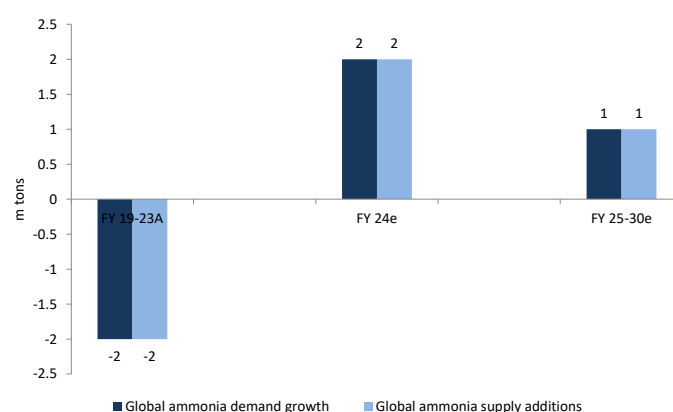
**Ammonia prices are expected to slightly recover towards mid-cycle levels on elevated gas costs and as sustainable demand is expected to be equally matched by capacity growth.** We forecast ammonia prices of USD 330/t in FY 25e, 6% below FY 24A levels and 40% below the past 5-year average (peak levels reached in FY 22A on the Russia/Ukraine war and gas price build-up in Europe). We then assume a gradual recovery in ammonia prices towards a long-term price of USD 380/t, still 8% below mid-cycle levels. We note that the current TTF natural gas price of USD 12/mmBtu implies ammonia cash costs of USD 460/t, vs. the current ME ammonia spot price of USD 290/t, implying that EU producers are loss making at these levels rendering further capacity shutdowns necessary, which would ultimately push ammonia prices upwards from these levels.

**Exhibit 5: We expect ammonia prices to settle slightly above mid-cycle averages...**



Source: Bloomberg, Company Data, Arqaam Capital Research

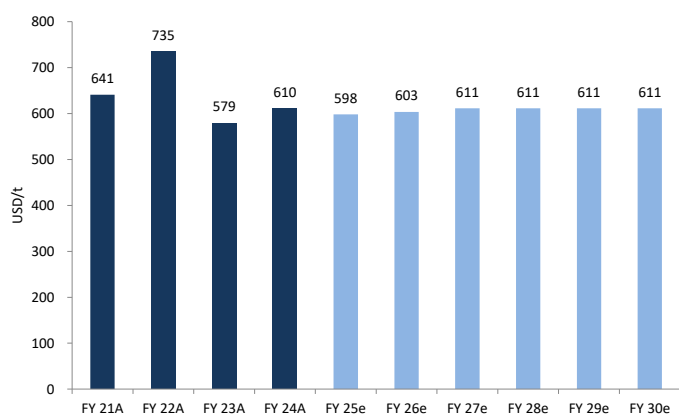
**Exhibit 6: ...as the market is expected to remain well-balanced over the medium/long-term**



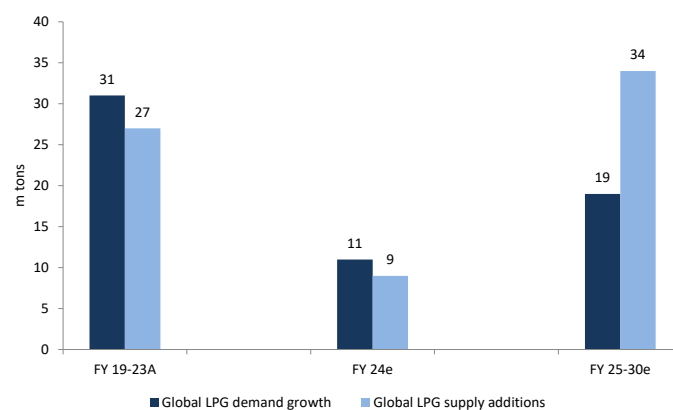
Source: Argus Consulting, Company Data, Arqaam Capital Research

**LPG prices are expected to dip in FY 25e vs. FY 24A on a softer oil price outlook, while recovery is expected towards FY 27e as petchem demand picks up, yet we expect it to remain below pre-2022 levels.** We expect a softer oil price outlook in FY 25e (oil prices -10% YtD) driven by demand concerns on the US/China trade war and OPEC+ output hike, with Brent prices expected to average c.USD 65-70/bbl this year vs. USD 80/bbl in FY 24A (-19% y/y). This is expected to put pressure on regional LPG prices, in our view, albeit at a softer pace vs. Brent prices. LPG prices (Saudi Aramco benchmark) have weakened by c.5% YtD, with the Jan-June average prices flattish y/y. Accordingly, we expect LPG prices to decline by 2% y/y in FY 25e to USD 598/t against a backdrop of a c.15% y/y dip in Brent oil prices.

Beyond FY 25e, we expect largely stable LPG prices until FY 27e when we expect to see a marginal recovery driven by i) loosened trade tensions between US/China, ii) likelihood of proactive OPEC+ measures to put a floor to oil prices (we expect LT oil prices of USD 67-70/bbl) as high cost producers are priced out below USD 65/bbl, iii) marginal demand from steam crackers switching to LPG feedstock from naphtha to meet China's petchem demand and energy demand in emerging economies, and iv) slow-down in supply additions beyond FY 30e from gas processing, with loss of refinery LPG product volumes due to lower refinery utilization and shutdown of less competitive assets.

**Exhibit 7: We expect LPG prices to slightly decline y/y in FY 25e on a muted oil price outlook...**


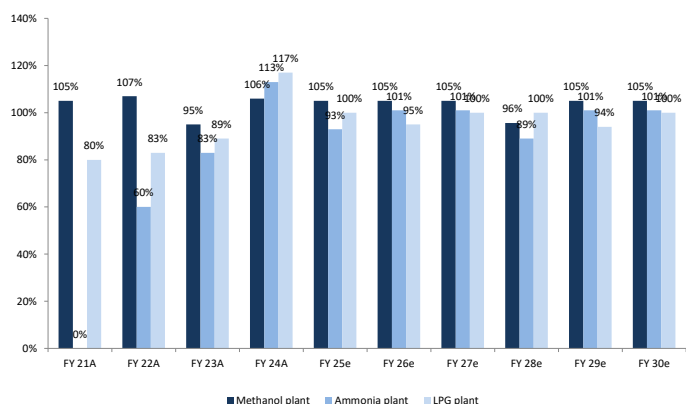
Source: Bloomberg, Company Data, Arqaam Capital Research

**Exhibit 8: ...exacerbated by significant global oversupply over FY 25-30e**


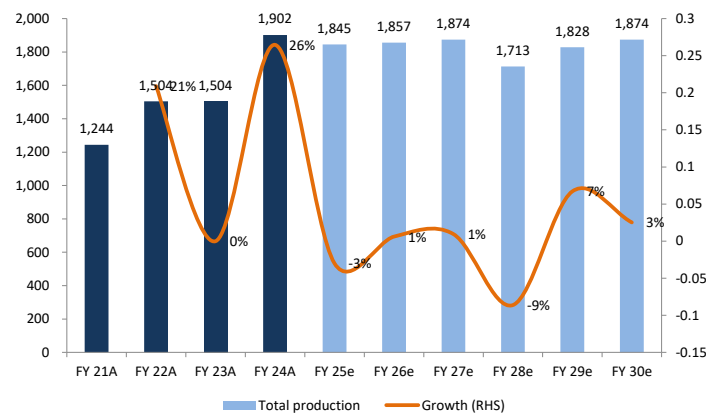
Source: Argus Consulting, Company Data, Arqaam Capital Research

### QOBI's plants benefit from state-of-the-art technologies and high operational efficiencies, enabling optimal utilization rates (>100% in FY 24A)

Commissioned in 2010, 2022, and 2021, respectively, QOBI's methanol, ammonia, and LPG plants form a modern asset base that offers enhanced operational efficiency, strong technological reliability, and reduced maintenance requirements. Also, with over 50% of lean natural gas from the LPG plant consumed internally by its methanol and ammonia facilities, QOBI optimizes overall plant utilization by aligning scheduled maintenance with demand and market conditions. This integrated approach enables strategic production planning and is reflected in the consistently high utilization rates across all three plants (all three plants operating >100% in FY 24A – excluding the ammonia plant turnaround). After record volumes achieved in FY 24A, we expect stable volumes during the forecast period, aside from planned turnarounds which occur every 4-5 years on average (next planned shutdown in the ammonia plant in FY 25e to impact volumes, followed by a maintenance shutdown planned for the LPG plant in FY 26e).

**Exhibit 9: QOBI has maintained healthy utilization rates across its different plants**


Source: Company Data, Arqaam Capital Research

**Exhibit 10: Total platform production volumes to remain largely stable after record volumes in FY 24A**


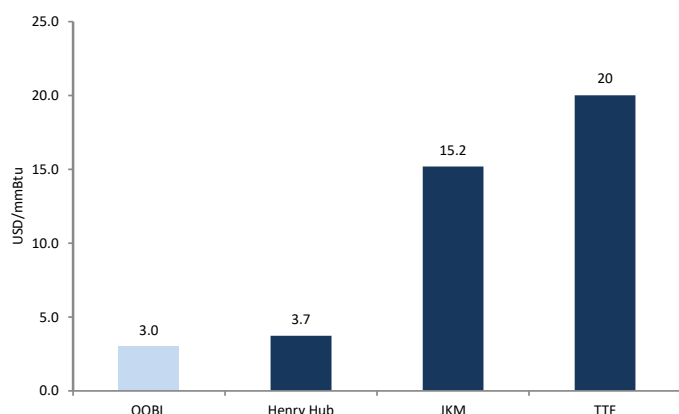
Source: Company Data, Arqaam Capital Research



## **OQBI enjoys superior industry margins (EBITDAm c.37-40%) on cost-effective NG supply agreements, providing margin protection through the cycle**

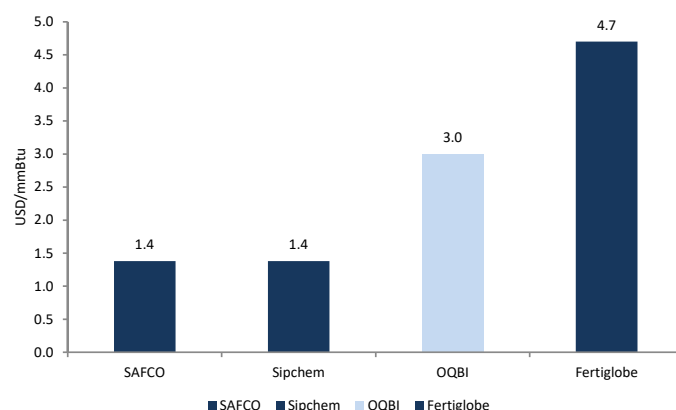
OQBI's long-term access to abundant, competitively priced natural gas supports its stable financial performance, especially during periods of market price volatility. For methanol, the gas supply agreement (GSA) includes a netback-linked pricing formula, which ties gas costs to the company's realized product prices, providing margin protection over the cycle. Over the past five years, the average gas cost for the methanol plant was c.USD 3.0/mmBtu, which is significantly lower than global benchmark natural gas prices (TTF gas price currently at USD 12/mmBtu, and Henry Hub now at USD 3.5/mmBtu).

**Exhibit 11: OQBI's 5-year average natural gas price for methanol vs. global natural gas benchmark prices**



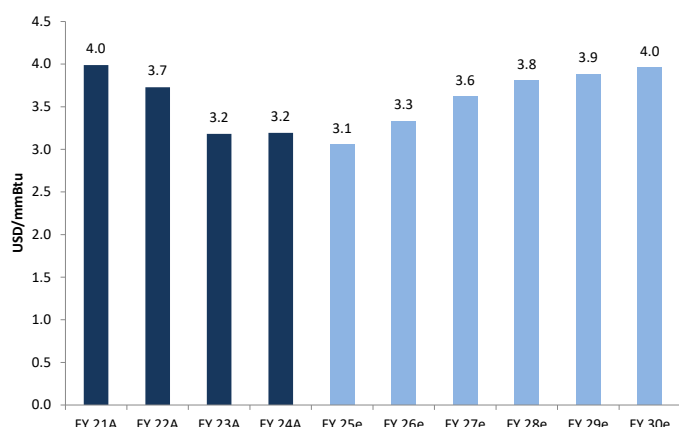
Source: Company Data, Arqaam Capital Research

**Exhibit 12: OQBI's NG price vs. regional peers**



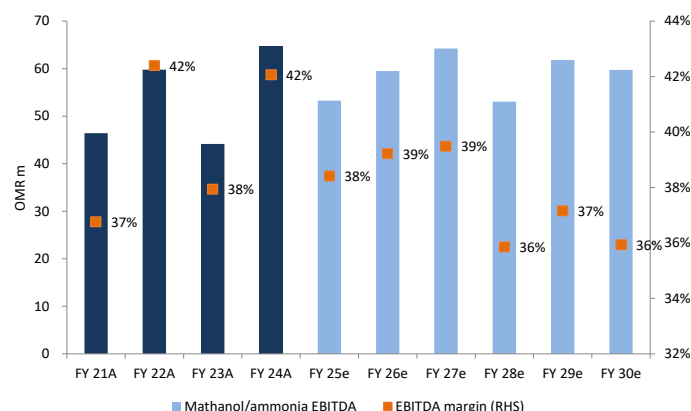
Source: Company Data, Arqaam Capital Research

**Exhibit 13: Implied natural gas cost for the methanol/ammonia plant to grow in line with methanol price recovery**



Source: Company Data, Arqaam Capital Research

**Exhibit 14: Methanol/ammonia plant EBITDA margin to be maintained at an average of c.37%**



Source: Company Data, Arqaam Capital Research

## **The LPG plant receives rich natural gas at no immediate cost in return for the payment of 80% of LPG business FCFs to the IGC (commencing in FY 25e)**

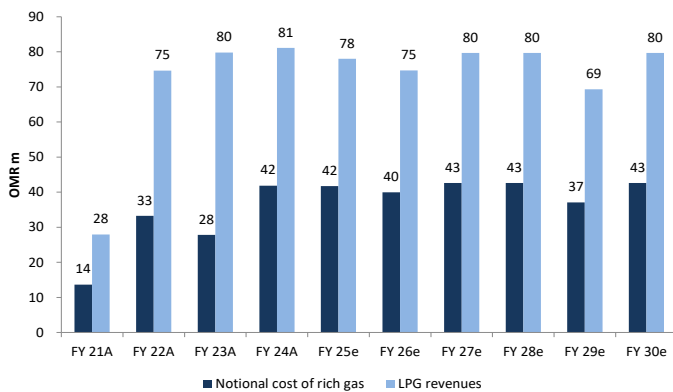
Under the LPG Plant BOOT/NGSA arrangement, OQBI receives rich natural gas from IGC at no immediate cost for the extraction of LPG products (non-cash expense but is still recorded as part



of COGS on the income statement – c.25% of total COGS). In return, IGC receives lean gas and a share of the LPG product sales proceeds, distributed according to a predefined payment waterfall. The payment waterfall stipulates that, after covering OpEx, CapEx, and financing obligations (principal and interest), the remaining cash from LPG product sales is allocated between IGC and OQBI based on the agreed revenue-sharing terms, with IGC getting 80% and OQBI getting the remaining 20% of residual cash.

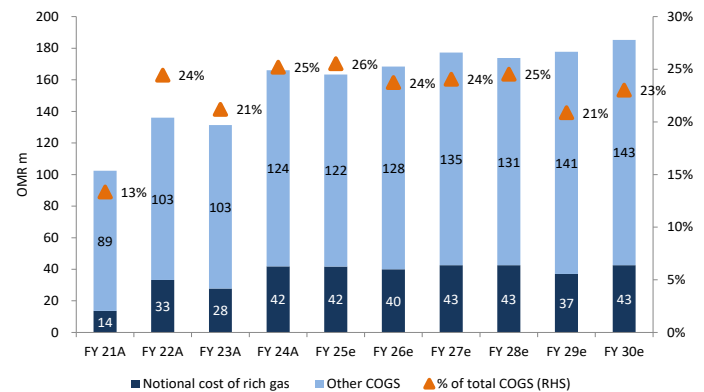
Based on company guidance, theoretical LPG notional gas costs are estimated to remain around 40-50% of LPG revenues (we assume 50% in our model), with a cumulative provision maintained on the balance sheet based on the sum of theoretical gas cost supplied, offset by cash payments made in the form of dividend payout to IGC.

**Exhibit 15: Notional gas cost for the LPG plant to remain around 50% of LPG revenues**



Source: Company Data, Arqaam Capital Research

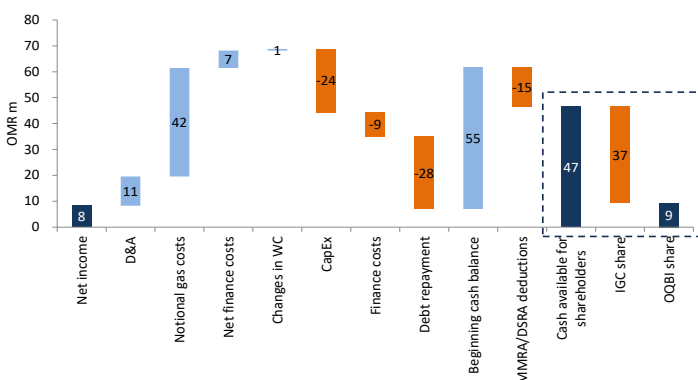
**Exhibit 16: Notional gas cost for the LPG plant is expected to contribute c.24% of total COGS in FY 25-30e**



Source: Company Data, Arqaam Capital Research

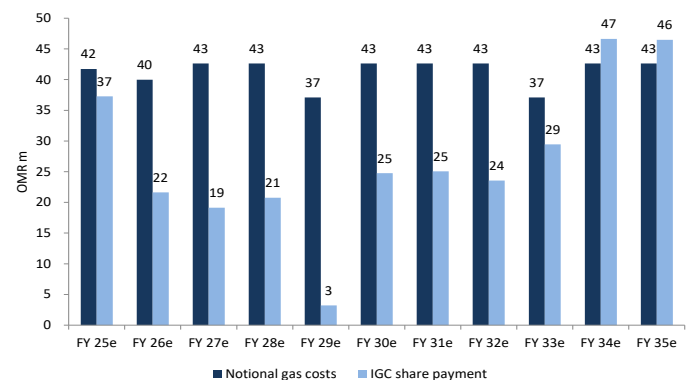
**Payments to IGC for LPG sales would negatively impact OQBI's cash flows starting FY 25e, but these should remain below non-cash notional gas costs.** The payments to IGC commence in FY 25e, as the shareholder loan for OQ LPG has been paid pre-IPO. The first payment to IGC was made in April 2025, and we expect this to be paid periodically thereafter. We highlight that the theoretical notional gas costs are added back in OQBI's cashflow statement to derive the company's FCFs, which should also be negatively impacted by the payments to IGC (in some instances exceeding notional gas costs, on our numbers, specifically after repaying OQ LPG's loans by FY 32e).

**Exhibit 17: Payment waterfall for OQ LPG in FY 25e**



Source: Company Data, Arqaam Capital Research

**Exhibit 18: IGC payments are lower than notional gas costs, going up after OQ LPG loan repayment in FY 32e**

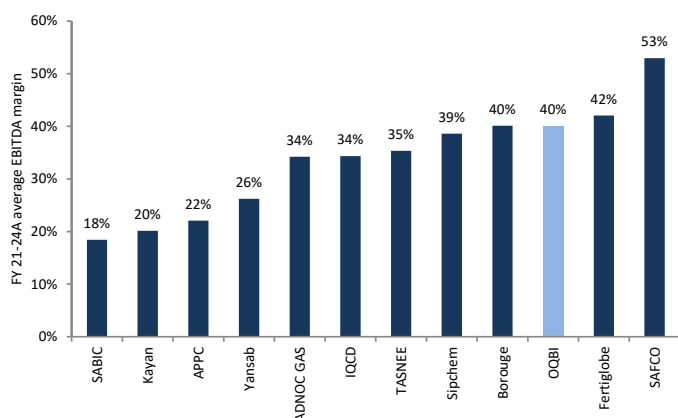


Source: Company Data, Arqaam Capital Research

## Capacity growth, a diversified product basket, and an attractive quartile cost position underpin revenue/EBITDA growth with superior industry margins.

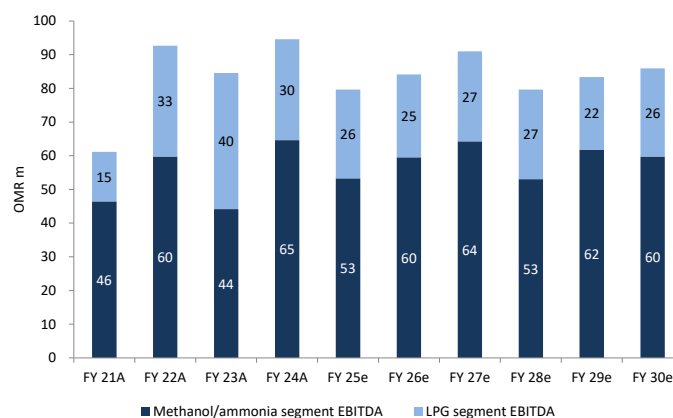
OQBI has achieved robust EBITDA margins over the previous 4 years, averaging 40% in FY 21-24A, vs. regional peers' average of 34% during the same period. reflecting disciplined cost management and resilient margins supported by access to competitively priced feedstock. Revenues have grown at a CAGR of 15% over FY 21-24A owing to capacity growth after the addition of LPG products in FY 21A and ammonia production in FY 22A, and improving utilization rates, despite the downtrend in product prices over the same period (commodity upcycle in FY 21/22A). Thanks to cost efficiencies, production ramp-up, and cost-effective feedstock pricing, EBITDA grew at a faster pace during the same period, at a CAGR of 17% (from OMR 59m in FY 21A to OMR 93m in FY 24A). EBITDA margins have improved by 161bps in FY 24A (vs. FY 21A) and averaged 40% during the period.

**Exhibit 19: OQBI has one of the highest EBITDA margins among regional chemicals peers**



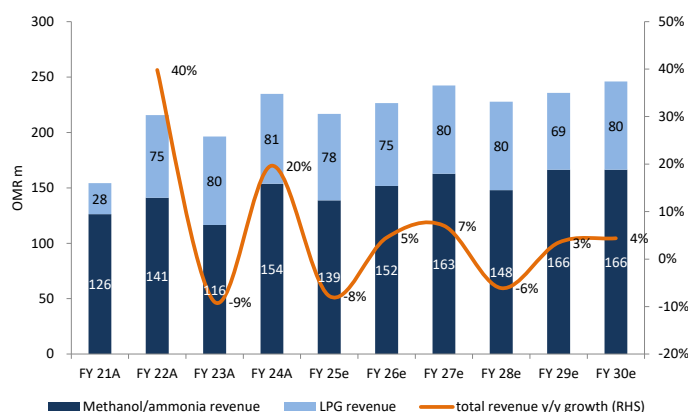
Source: Company Data, Arqaam Capital Research

**Exhibit 20: EBITDA is expected to remain largely stable in the forecast period (2% CAGR in FY 25-30e)**

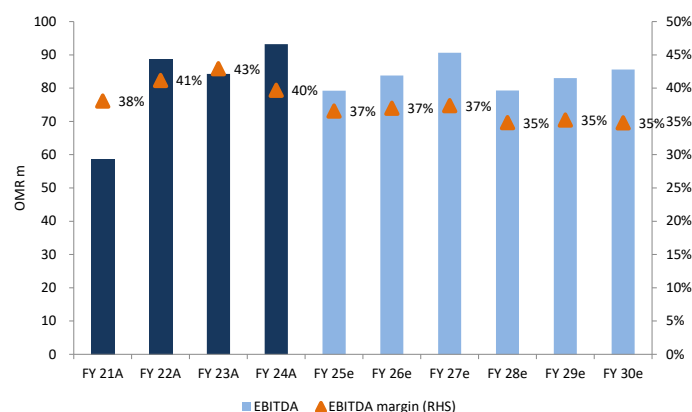


Source: Company Data, Arqaam Capital Research

In FY 25e, we expect revenues to dip by 8% y/y due to i) weaker methanol, ammonia and LPG realized prices (c.-6% y/y) owing to subdued demand, lower energy costs and capacity growth, and ii) 3% y/y lower sales volumes after exceptional utilization rates achieved in FY 24A (105% platform utilization rate) with a planned maintenance shutdown in the ammonia plant in FY 25e. Lower revenues and our estimated 3% y/y growth in OpEx underpin our assumption of a 15% y/y dip in EBITDA in FY 25e at OMR 79m, with an EBITDAm of 37% (vs. 40% in FY 24A, vs. 44% EBITDAm in Q1 25A). Beyond FY 25e, we expect EBITDA to grow modestly at a 2% CAGR by FY 30e, as a 3% revenue CAGR in FY 25-30e is offset by OpEx growth and higher natural gas prices (price-linked formula underpins higher natural gas costs as we assume methanol price recovery). EBITDA margins are expected to average 36% in FY 25-30e, on our numbers.

**Exhibit 21: Revenues are expected to grow at a 3% CAGR in FY 25-30e on price recovery and stable volumes**


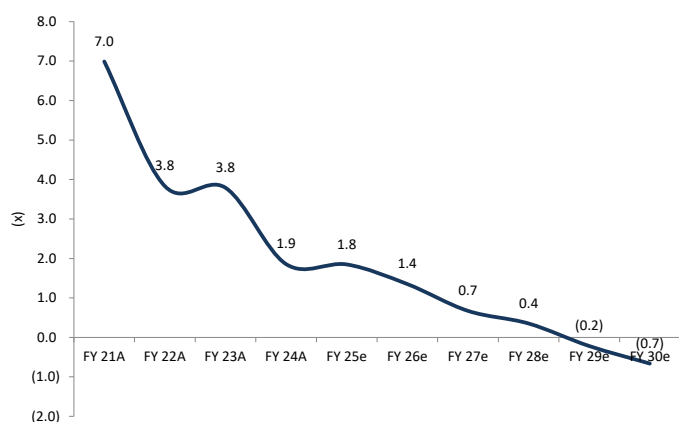
Source: Company Data, Arqaam Capital Research

**Exhibit 22: EBITDA should remain flat in FY 25-30e as growth in OpEx offsets revenue increase**


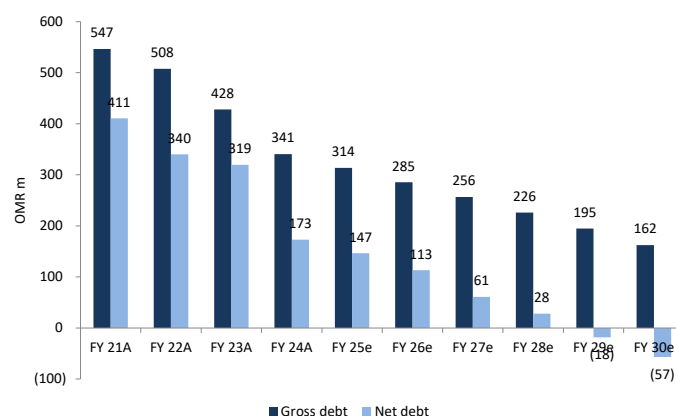
Source: Company Data, Arqaam Capital Research

### EPS is expected to grow at an 8% CAGR in FY 25-30e, despite a flattish EBITDA, driven by declining finance costs (deleveraging)

As part of the IPO, the company executed the refinancing of its syndicated facilities and repaid the shareholder loan through the NGS agreement's waterfall arrangement. Accordingly, OQBI refinanced its debt at the end of FY 24A at preferential rates, with the two new facilities carrying a variable interest rate of SOFR plus a margin (1.15%-1.4%) and are repayable by FY 32/35e (we forecast an average effective interest rate of 5.4% in FY 25-30e). Given consistently strong cashflow generation and low maintenance CapEx (with cumulative OCFs in FY 25-30e exceeding required maintenance CapEx and dividend commitment under the current policy), we expect OQBI to be able to deleverage over the forecast period, with net debt/EBITDA declining from 1.9x in FY 24A to 0.4x in FY 28e.

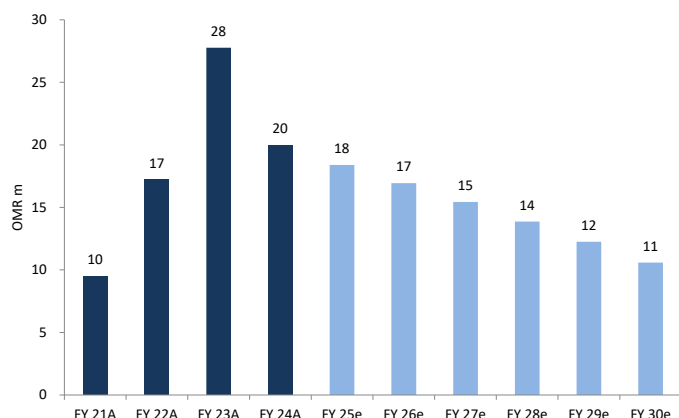
**Exhibit 23: OQBI is expected to continue to deleverage going forward, driving lowering finance costs**


Source: Company Data, Arqaam Capital Research

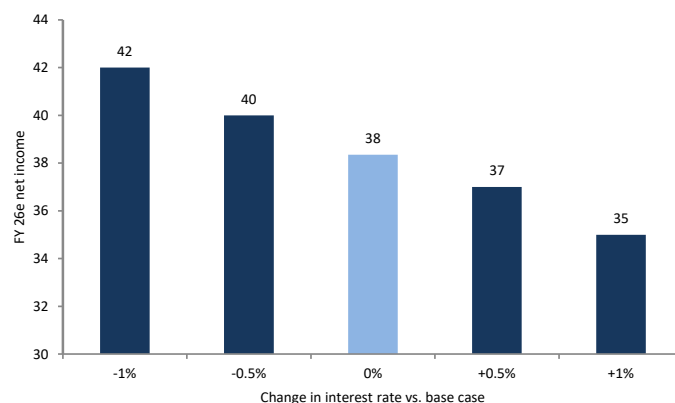
**Exhibit 24: It has progressed with deleveraging over the past years, with net debt declining by 58% since FY 21A**


Source: Company Data, Arqaam Capital Research

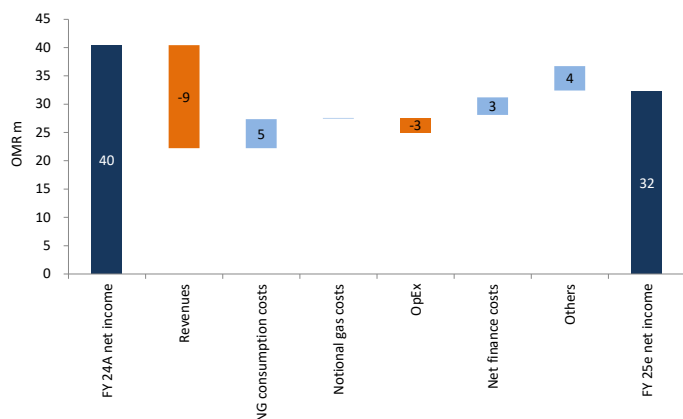
Accordingly, we expect net finance costs to gradually decline over FY 25-30e, driving an EPS CAGR of 8% over the same period despite a moderate EBIT/EBITDA growth. **On our numbers, every 50bps decline in interest rates lifts our EPS estimates by 3-4%.**

**Exhibit 25: Pre-IPO debt restructuring and deleveraging should continue to drive finance costs lower...**


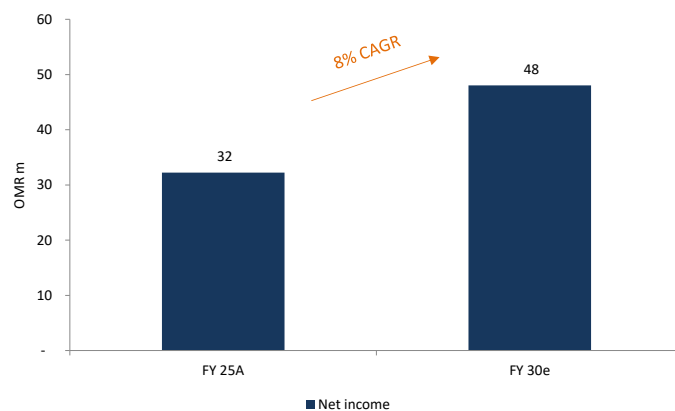
Source: Company Data, Arqaam Capital Research

**Exhibit 26: ...with potential rate cuts presenting upside to our earnings estimates**


Source: Company Data, Arqaam Capital Research

**Exhibit 27: Lower product prices/volumes to impact FY 25e net income vs. FY 24A**


Source: Company Data, Arqaam Capital Research

**Exhibit 28: Beyond FY 25A, net income is expected to grow at a CAGR of 8%**


Source: Company Data, Arqaam Capital Research

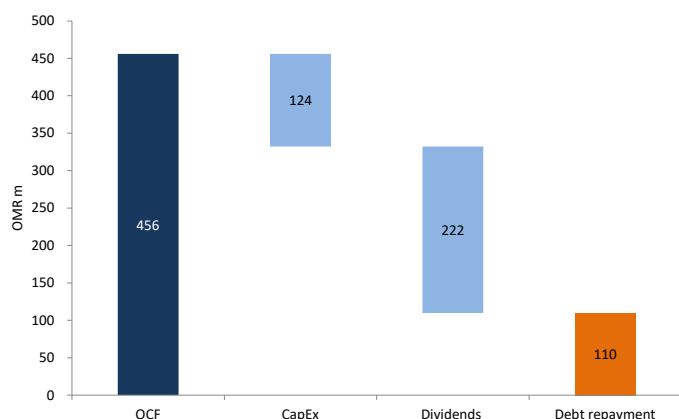
## OCFs to remain above OMR 90m, supporting CapEx, deleveraging, and sustainable dividend payments, despite the commencement of IGC payments

OQBI's strong operating cash flow (OCF) generation is underpinned by i) low maintenance capex, ii) exemption from tax payments due to being an SFZ entity, iii) organic EBITDA growth due to product diversification (the addition of LPG production in FY 21A and ammonia in FY 22A), iv) competitive feedstock pricing, and v) de-risked sales and distribution model through a 100% off-take agreement for exported products with OQ Trading. OQBI's OCFs amounted to OMR 140m in FY 24A, a 50% y/y growth vs. FY 23A with a healthy OCF conversion of 150% (average 123% in FY 21-24A). The jump in OCFs was driven by 11% y/y EBITDA growth (with higher notional gas costs during the year added back when calculating OCFs, given their non-cash nature) and positive working capital movement.

Despite our assumption of consistent payment of IGC's 80% share in OQ LPG FCFs starting FY 25e (which we deduct from OQBI's OCFs) in return for non-cash notional gas costs, our estimated OCF is expected to remain above OMR 90m over FY 25-30e, with a healthy OCF conversion of

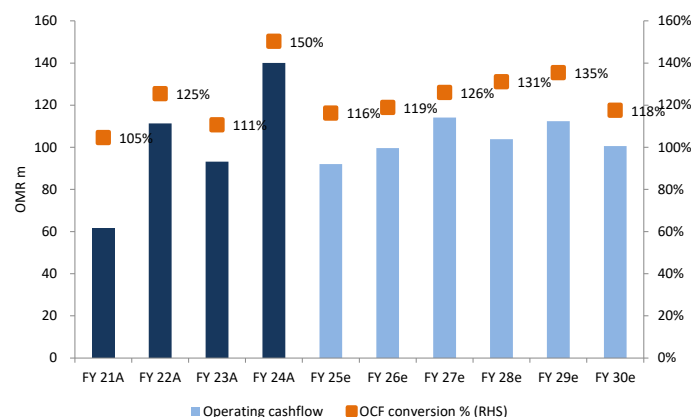
>115% implying efficient working capital management and strong cash generation. These OCFs are sufficient to support operations, CapEx investments, and dividend distribution.

**Exhibit 29: FY 25-30e cumulative OCFs sufficient to cover CapEx, dividends, and allows for deleveraging**



Source: Arqaam Capital Research, Company Data

**Exhibit 30: Despite commencement of IGC payments, OCF conversion remains >100% in FY 25-30e**

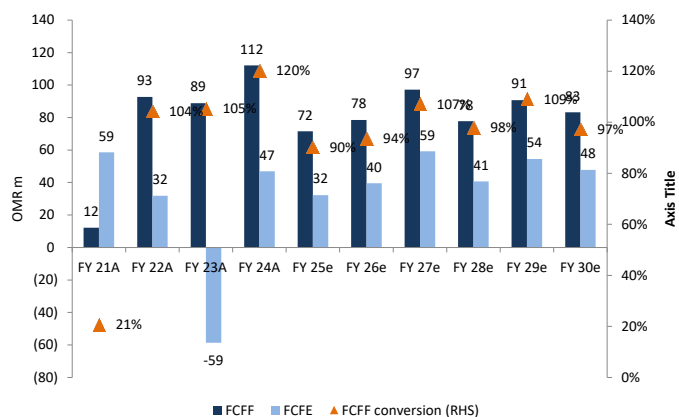


Source: Arqaam Capital Research, Company Data

**Given the commencement of IGC payments in FY 25e, FCFE should see a 36% y/y dip in FY 25e, still implying an attractive FCFY of 12%**

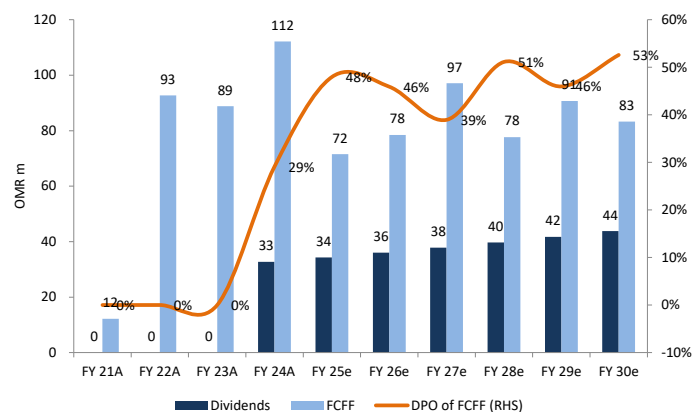
OQBI generated significantly strong FCFs over FY 21-24e, owing to healthy EBITDA growth and non-cash notional gas costs at the LPG plant. Unlevered FCFs amounted to OMR 112m in FY 24A, with a FCF conversion rate of 120% (reflecting non-cash notional gas costs for the LPG plant, positive working capital movements, and healthy EBITDA growth, despite higher CapEx). Nevertheless, we assume in our model the payment of OMR 37m to the IGC in FY 25e (first payment commenced in April-25A) as an 80% share in OQ LPG FCFs as per the payment waterfall, which is slightly lower than the notional gas cost recorded on OQBI's income statement. Accordingly, FCFs are expected to witness a 36% y/y drop in FY 25e on our numbers, recording OMR 72m, still implying a robust FCF conversion rate of 90% (taking into consideration higher CapEx on the planned ammonia plant turnaround) and an industry-leading FCF yield of 12%.

**Exhibit 31: FCFE to see a dip in FY 25e vs. FY 24A**



Source: Company Data, Arqaam Capital Research

**Exhibit 32: But FCFE remains sufficient to cover dividends**



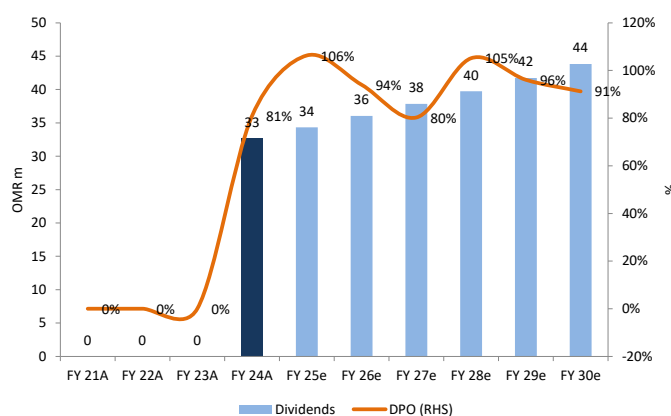
Source: Company Data, Arqaam Capital Research

Beyond FY 25e, FCFs are expected to average OMR 85m, implying an FCF conversion rate of c.100% (above peers), which is dependent on i) EBITDA (product pricing and volumes evolution), ii) fluctuation in turnaround CapEx, and iii) IGC payments during the years.

### FCFs can comfortably cover dividends and deleveraging, with ample capacity for dividend growth.

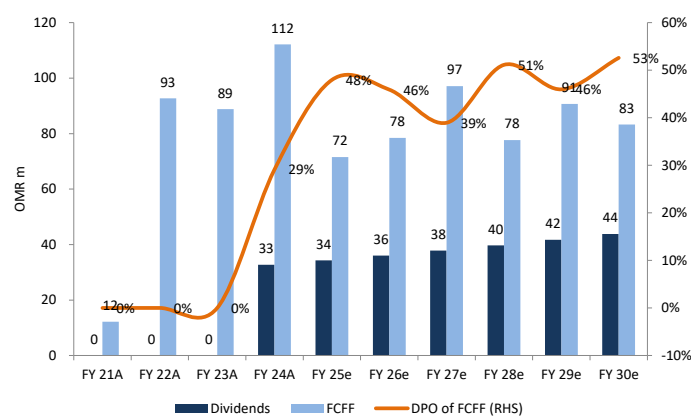
OQBI has a dividend policy aimed at returning most of its distributable FCFs to shareholders, after accounting for growth opportunities and credit rating considerations. It adopts a semi-annual cash dividend policy whereby it paid a total of OMR 32.7m, with OMR 24.5m paid in January 2025 and OMR 8.2m in April 2025. For FY 25e and FY 26e, dividends are expected to increase by at least 5% annually, starting from a minimum of OMR 34.3m in FY 25e. Starting from FY 27e, dividends will be paid from cash not reserved for corporate purposes, growth investment, or mergers and acquisitions (M&A).

**Exhibit 33: The stated dividend policy implies a DPO of c.90% in FY 25/26e...**



Source: Company Data, Arqaam Capital Research

**Exhibit 34: ...but implies a much lower (c.46%) payout of FCFs given non-cash notional gas costs on the P&L**



Source: Company Data, Arqaam Capital Research

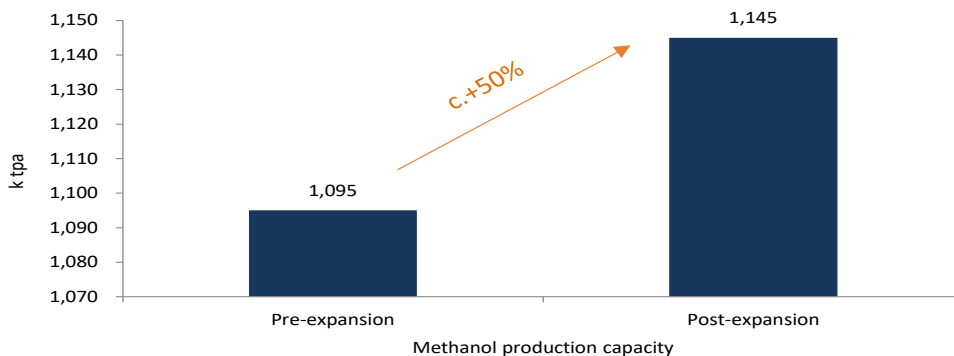
On our numbers, FCFs averaging OMR 83m in FY 25-30e are sufficient to cover dividends (averaging OMR 39m p.a. over the same period) as well as gradual deleveraging as per the payment terms of the two existing debt facilities. Our model assumes 5% p.a. growth in dividends beyond FY 26e under the stated policy, but we believe OQBI has the room to uplift dividends beyond FY 26e given ample room on its balance sheet (with net debt/EBITDA peaking at 1.9x in FY 24A) and consistent FCF generation, barring any significant growth/M&A CapEx.

### Upside potential from brownfield methanol expansion (+50% capacity) at low CapEx, leveraging current infrastructure and access to low-cost gas

The company has multiple avenues for growth (unmodelled), including a short/medium-term opportunity to expand its existing methanol plant through brownfield expansion, along with longer-term prospects in downstream product expansion and the development of low-carbon ammonia solutions. These opportunities present upside to our current valuation of OQBI.

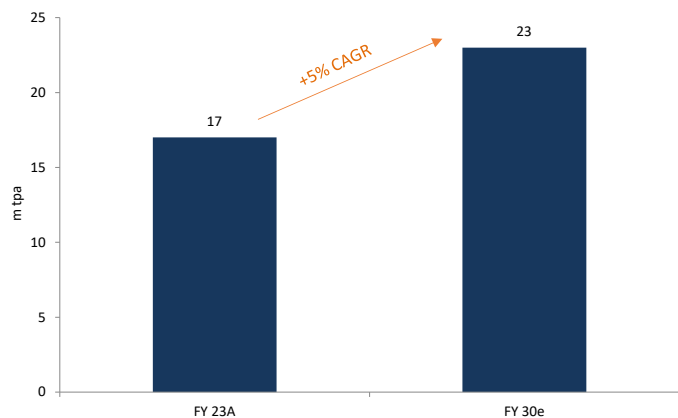
The proposed brownfield methanol expansion project is expected to increase the OQBI's existing methanol production capacity by c.50% (+550 ktpa), enabling the company to capitalize on rising

methanol demand. The project has already been substantially de-risked, thanks to government-approved gas allocation and the use of proven technology in place. By leveraging OQBI's existing operational infrastructure, the expansion is expected to achieve c.40% lower capital intensity compared to a comparable greenfield project, with CapEx expected around USD470m (c.40% less than greenfield options). Post-commissioning, the project is expected to deliver enhanced returns through shared commercial platforms, economies of scale, and downside protection through the existing variable gas price formula. Also, the expansion aligns with the company's broader decarbonization strategy, targeting a c.20% improvement in conversion efficiency. Subject to a final investment decision (FID) - anticipated in Q1 26e – the project is targeted for completion in Q4 28e, in alignment with the next scheduled turnaround for the methanol and ammonia plants.

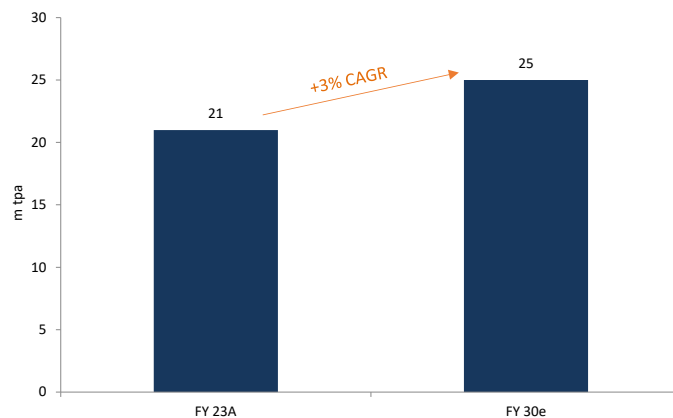
**Exhibit 35: Potential methanol brownfield expansion would add 50% methanol capacity**


Source: Company Data, Arqaam Capital Research

In the medium term, OQBI has significant potential to expand into a range of attractive downstream derivative markets. Existing methanol and ammonia facilities could be further developed to produce value-added products such as acetic acid, urea formaldehyde resin, and a variety of ammonium-based compounds, including phosphates, nitrates, and sulphates. Also, the company's LPG plant can be utilized to produce derivatives such as polyacrylamide and butadiene.

**Exhibit 36: Acetic acid demand is expected to grow at a 5% CAGR in FY 23-30e**


Source: Company Data, Arqaam Capital Research

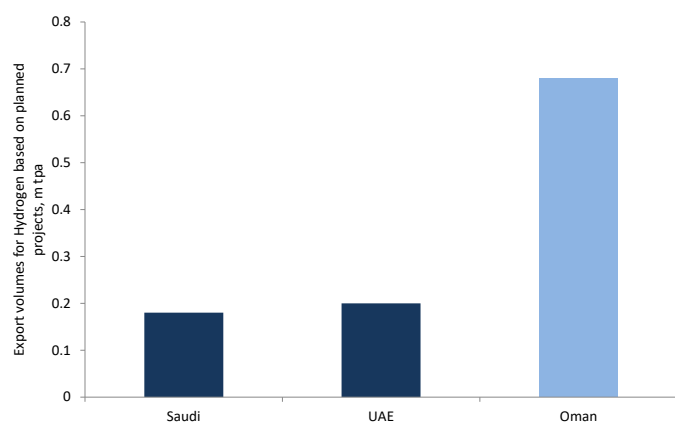
**Exhibit 37: Urea formaldehyde resin demand is expected to expand at a 3% CAGR in FY 23-30e**


Source: Company Data, Arqaam Capital Research



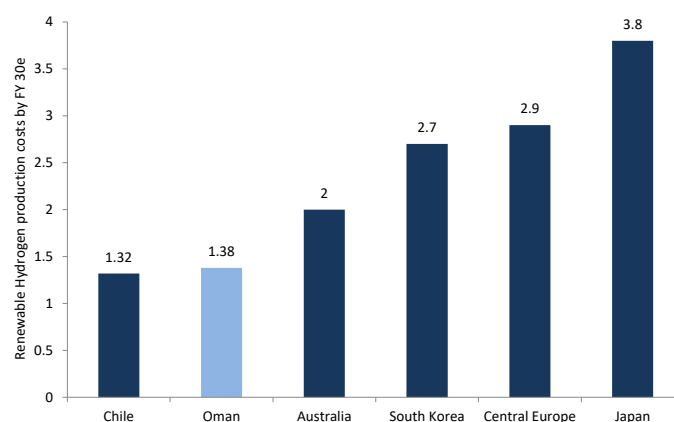
Among these, acetic acid and urea formaldehyde resin have been identified as the most compelling near-term opportunities. Acetic acid is an intermediate used in the production of vinyl acetate monomer (VAM) and purified terephthalic acid (PTA), both essential for polyethylene terephthalate (PET) manufacturing. Global demand for acetic acid reached 17m tons in FY 23A, with a projected increase of 6m tons by FY 30e (4% CAGR). Urea formaldehyde resin, a polymer widely used in adhesives, construction materials, and molded products, witnessed demand of 21m tons in FY 23A, with an additional 4m tons in demand growth expected by FY 30e (3% CAGR).

**Exhibit 38: Oman is well-positioned to emerge as a key player in the global renewable energy sector...**



Source: Argus Consulting, IEA, Company Data, Arqaam Capital Research

**Exhibit 39: ...supported by a strong cost advantage**



Source: Argus Consulting, IEA, Company Data, Arqaam Capital Research

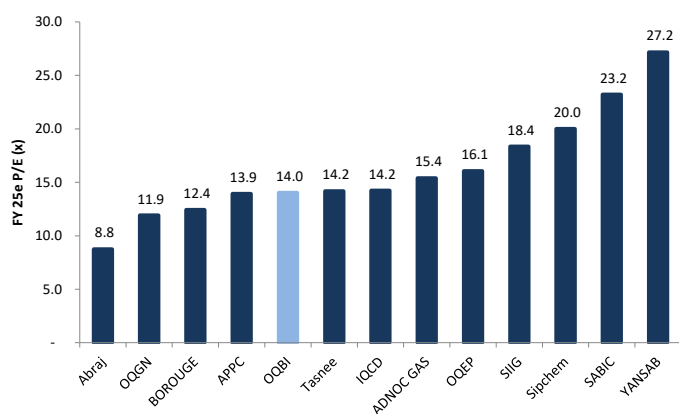
Over the longer term, OQBI is also well-positioned to capitalise on emerging opportunities in low-carbon ammonia and methanol, particularly for use in marine fuels and broader energy applications. Demand for clean ammonia is projected to exceed 200m tons by 2040, with the marine fuels segment expected to account for c.170m tons of that demand. A similar uptrend is anticipated for green methanol, as both clean ammonia and green methanol are poised to play a critical role in supporting the decarbonization goals of the global shipping industry.

### **OQBI trades at a discount to regional peers, at a compelling FCFY of 12% in FY 25e, 8x EV/EBITDA, and offers a superior DY of >8%**

OQBI trades at a c.20% discount to regional peers; it trades at an EV/EBITDA of 8x in FY 25e (vs. 9x for regional peers), P/E of 14x (vs. 16x for regional peers), and trades at an attractive DY of 8% in FY 25e (9% in FY 26e) vs. 6% for regional peers.

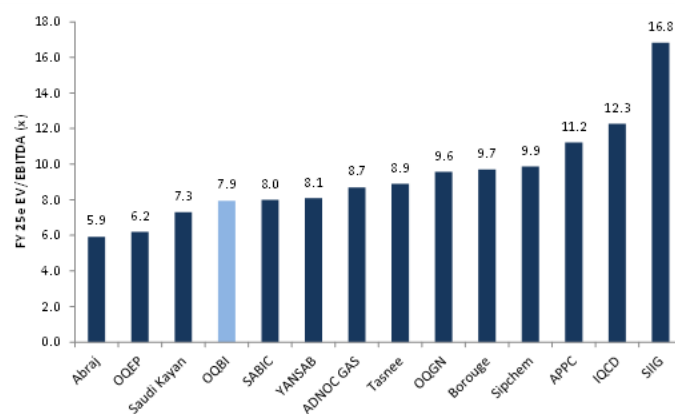
In our view, given the non-cash nature of notional gas costs for the LPG business (constituting c.25% of total COGS) and the corresponding cash payment to IGC for 80% of OQ LPG FCFs (being mostly lower than non-cash notional gas costs on our numbers in initial years), we believe it is more reasonable to focus on FCFY vs. P/E and EV/EBITDA for OQBI when comparing with peers. Accordingly, despite trading almost in line its peer in Oman on an EV/EBITDA and DY basis, OQBI trades at a superior FCFY of 12% in FY 25e (averaging 14% in FY 25-30e) vs. 8.7% for Oman peers, implying a decent valuation discount to its local peers (at 30%).

**Exhibit 40: OQBI trades at a significant discount to regional peers' average, at a P/E of 14x in FY 25e**



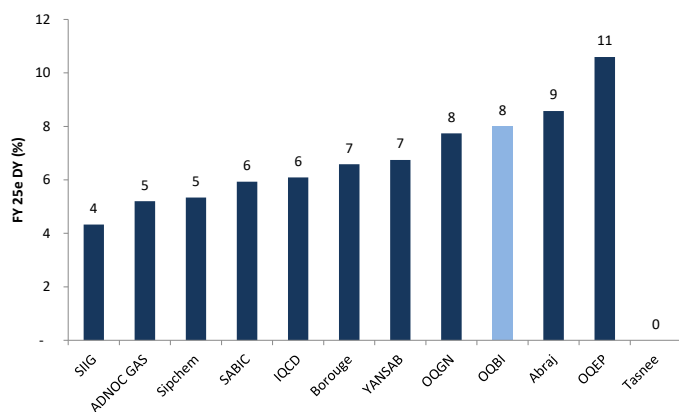
Source: Bloomberg, Company Data, Arqaam Capital Research

**Exhibit 41: It also trades at a 20% discount to regional peers' average. EV/EBITDA of 9x (vs. 8x for OQBI in FY 25e)**



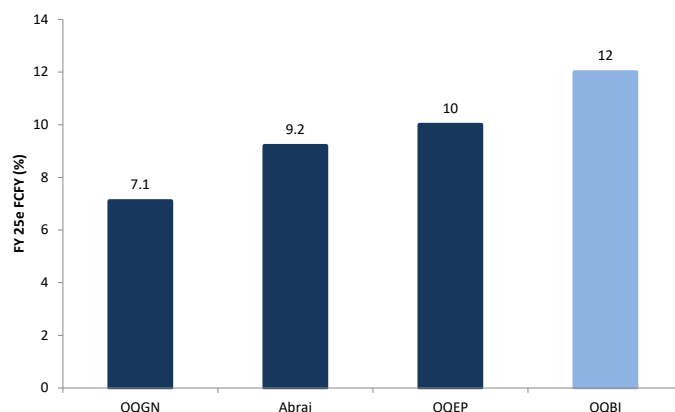
Source: Bloomberg, Company Data, Arqaam Capital Research

**Exhibit 42: OQBI offers a superior DY vs. regional peers at >8%, growing by 5% y/y in FY 26e**



Source: Bloomberg, Company Data, Arqaam Capital Research

**Exhibit 43: More importantly, it offers a significantly higher FCFY of 12% in FY 25e vs. Oman peers**



Source: Bloomberg, Company Data, Arqaam Capital Research

## Valuation - Initiate with Buy at OMR 0.16/share TP (23% upside)

We initiate coverage on QQBI with a Buy rating as our DCF valuation yields a TP of OMR 0.16/share, offering 23% upside to the current market price. We arrive at our valuation using the DCF valuation method, as it best captures the intrinsic value and accounts for non-cash adjustments, like the notional cash costs and the 80% share payment for IGC in accordance with the LPG waterfall agreement. Our valuation framework is based on long-term analysis and is not linked to near-term assessment. We forecast 10 years of free cash flows to calculate the fair value for QQBI. On our numbers, beyond FY 25e, FCFs are expected to average OMR 85m, implying an FCF conversion rate of c.100% (above peers) which is dependent on i) EBITDA (product pricing and volumes evolution), ii) fluctuation in volumes and turnaround CapEx, and iii) IGC payments during the years.

Our base case is based on a moving WACC factoring in the company's capital structure, with WACC averaging 10%, based on a cost of equity of 12% (5.5% risk-free rate in Oman, a 6.5% equity risk premium, and a beta of 1). We use a debt-to-equity ratio of 73% to 27% at the terminal year and a cost of debt of 5.5%. Our base case perpetual growth is assumed to be 2.5%.

### Exhibit 44: QQBI DCF valuation summary

OMR m	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	FY 31e	FY 32e	FY 33e	FY 34e	FY 35e
Operating Income (EBIT)	45	49	56	45	48	51	49	47	30	42	39
Tax Paid	0	0	0	0	0	0	0	0	0	0	0
<b>NOPAT</b>	<b>45</b>	<b>49</b>	<b>56</b>	<b>45</b>	<b>48</b>	<b>51</b>	<b>49</b>	<b>47</b>	<b>30</b>	<b>42</b>	<b>39</b>
Depreciation	35	35	35	35	35	35	35	35	35	35	35
Amortization											
Notional gas cost adjustment	42	40	43	43	37	43	43	43	37	43	43
IGC 80% share payment	(37)	(22)	(19)	(21)	(3)	(25)	(25)	(24)	(29)	(47)	(46)
<b>Adjusted COPAT</b>	<b>84</b>	<b>102</b>	<b>114</b>	<b>101</b>	<b>117</b>	<b>103</b>	<b>101</b>	<b>100</b>	<b>72</b>	<b>72</b>	<b>70</b>
CAPEX and Changes in WC	(12)	(24)	(17)	(23)	(26)	(20)	(17)	(17)	(28)	(20)	(35)
Change in Working Capital	8	(2)	0	3	(5)	(3)	0	0	3	(3)	0
CAPEX	(21)	(21)	(17)	(26)	(22)	(17)	(17)	(17)	(31)	(17)	(35)
<b>Free Cash Flow to Firm</b>	<b>72</b>	<b>78</b>	<b>97</b>	<b>78</b>	<b>91</b>	<b>83</b>	<b>84</b>	<b>83</b>	<b>44</b>	<b>52</b>	<b>36</b>
Present Value of FCFF	69	69	78	57	60	49	44	39	19	22	182
PVOP	518										
PVTV	169										
<b>Enterprise Value</b>	<b>687</b>										
Excess Cash and Equivalents	165										
Debt	341										
<b>Net Debt</b>	<b>176</b>										
Provisions											
<b>Equity Value</b>	<b>511</b>										
No of Shares	3,459										
<b>DCF Value/Share</b>	<b>0.15</b>										
<b>12M Target Price</b>	<b>0.16</b>										
Weight of Equity	57%	54%	57%	60%	64%	68%	73%	79%	80%	66%	73%
Weight of Debt	43%	46%	43%	40%	36%	32%	27%	21%	20%	34%	27%
Ke	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Kd	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.5%	5.5%	5.5%	5.5%	5.5%
<b>WACC</b>	<b>9.2%</b>	<b>8.9%</b>	<b>9.2%</b>	<b>9.4%</b>	<b>9.6%</b>	<b>9.9%</b>	<b>10.3%</b>	<b>10.7%</b>	<b>10.7%</b>	<b>9.8%</b>	<b>10.3%</b>
<b>Perpetual Growth Rate</b>	<b>2.5%</b>										

Source: Arqaam Capital Research

## Peer analysis

### Exhibit 45: OQBI's peer multiples

Company Name	Mkt Cap (USD mn)	EV (USD mn)	EV/EBITDA		P/E		EBITDA CAGR	EPS CAGR	DY (%)
			FY 25e	FY 26e	FY 25e	FY 26e	25-27e	25-27e	FY 25e
Global utility peers									
Methanex corp	2,282	4,717	4.8	4.8	9.6	10.5	9%	4%	2.2
Celanese corp	6,129	18,753	7.7	7.3	8.3	7.7	5%	19%	0.2
LyondellBasell indu-cl a	18,747	1,053	7.1	6.2	10.5	8.0	22%	41%	9.2
Basf se	43,614	719	6.9	6.2	11.9	10.1	11%	17%	5.6
Mitsubishi Gas Chemical Co	3,140	1,279	6.2	5.5	8.7	7.7	N/A	N/A	4.7
China Petroleum & Chemicals-h	89,525	1,339	4.8	4.5	8.3	7.6	5%	9%	7.0
Solvay sa	3,580	5,546	4.5	4.1	7.3	6.5	6%	10%	8.4
Croda International plc	5,790	6,475	10.5	9.4	18.2	16.2	10%	13%	3.7
Linde plc	217,839	237,864	16.9	15.9	25.8	23.6	7%	9%	1.3
Bayer ag-reg	29,838	66,745	5.4	5.0	5.4	5.0	5%	8%	0.4
Koninklijke kpn nv	18,584	27,237	8.9	8.7	16.3	15.4	2%	7%	4.4
Basf se	43,625	67,041	6.9	6.2	11.9	10.1	11%	17%	5.6
Wacker Chemie AG	3,802	4,880	4.6	4.2	12.3	10.3	16%	55%	2.5
Reliance Industries Ltd	230,721	267,055	11.2	10.0	N/A	N/A	9%	14%	N/A
Lotte Chemical Corp	1,974	10,438	11.2	9.5	N/A	54.0	25%	N/A	3.5
DI holdings co ltd	710	4,672	6.2	5.9	5.5	4.6	N/A	N/A	2.2
Formosa Plastics Corp	7,623	10,035	23.4	30.6	34.6	21.6	2%	43%	1.2
Nan ya plastics corp	7,547	11,024	9.1	7.8	18.9	12.1	15%	47%	2.4
Ptt global chemical pcl	2,763	9,366	6.5	5.9	14.0	11.2	8%	61%	2.6
Westlake corp	9,718	13,069	6.1	5.3	18.7	13.2	23%	129%	2.8
Global peers average			8.4	8.1	13.7	13.4	10%	30%	3.7
Regional peers									
Saudi Basic Industries Corp	43,593	50,893	8.0	6.5	23.2	17.7	2%	8%	5.9
Saudi Kayan Petrochemical Co	1,836	4,152	7.3	5.7	N/A	N/A	9%	N/A	0.0
Yanbu National Petrochemical	4,432	3,701	8.1	6.7	27.2	18.0	3%	6%	6.7
Advanced Petrochemicals Co	2,114	4,421	11.2	8.8	13.9	9.2	9%	31%	0.0
Saudi ind investment group	3,068	2,806	16.8	13.4	18.4	14.5	4%	5%	4.3
National industrialization c	1,655	3,277	8.9	7.4	14.2	10.5	5%	9%	N/A
Sahara International Petroch	3,699	4,154	9.9	9.0	20.0	14.2	2%	5%	5.3
Industries qatar	20,319	18,170	12.3	12.5	14.2	13.8	6%	3%	6.1
Borouge	20,543	22,911	9.7	8.4	12.4	10.8	4%	5%	6.6
Adnoc Gas PLC	70,847	66,063	8.7	8.1	15.4	14.2	2%	2%	5.2
OQ gas networks saoc	1,743	2,637	9.6	10.1	11.9	11.9	3%	5%	7.7
OQ exploration & production	6,669	2,744	6.2	6.2	16.1	16.1	2%	1%	10.6
Abraj energy services saog	490	724	5.9	4.9	8.8	7.7	11%	13%	8.6
Regional peers average			9.5	8.4	15.7	12.8	5%	8%	6.3
Global and regional peers' average			9.0	8.3	14.7	13.1	8%	19%	5.0
OQBI	1,277	1,674	7.9	7.5	14.0	11.8	7%	21%	8

Source: Bloomberg, Arqaam Capital Research

## OQBI's financial outlook

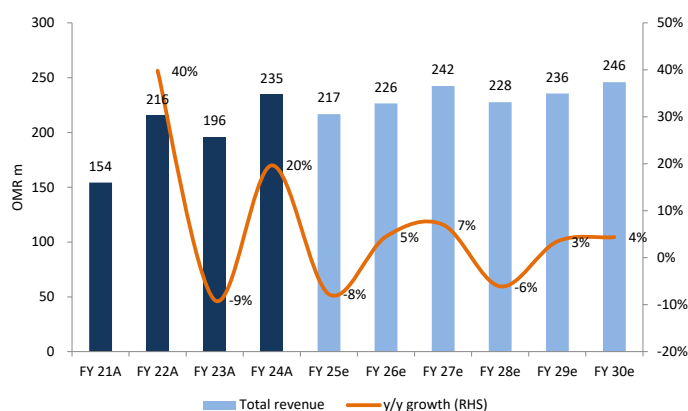
**Revenues – backed by stable utilization rates and diversified product basket, despite cyclical exposure and weak oil price outlook**

Revenues are mainly composed of revenues from methanol (c.48%), LPG (c.34%), and ammonia (c.18%), with the contribution of LPG products decreasing gradually on a lower oil price outlook.

OQBI derives its revenue primarily from export sales of methanol and LPG products (including butane, propane, and condensate), as well as ammonia products, under offtake agreements with OQ Trading, and from the domestic sale of LPG (cooking gas), adjusted for discounts/premiums, marketing fees, and incentives.

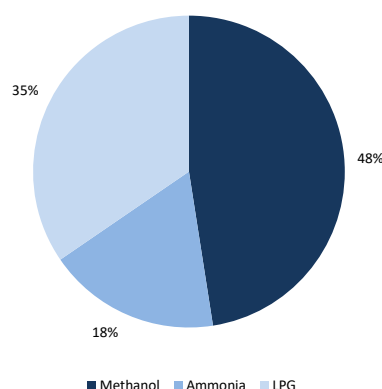
Revenue from the sale of methanol is the largest contributor to OQBI's total revenues, averaging 56% over the past 4 years (although this was due to the ramp-up of the LPG and ammonia plants that started commercial operations in FY 21A and FY 22A, respectively). In FY 24A, methanol revenue contributed 48% to total revenues. It is followed by LPG sales, which contribute c.35% of total revenues, which we expect to slightly decline to c.31% of revenues as LPG, given the expected downtrend in oil/LPG prices. LPG sales include sales of propane (c.45% of LPG sales), butane (c.30% of LPG sales), condensate (c.15% of LPG sales), and cooking gas (c.10% of LPG sales). Roughly 90% of the company's LPG products are exported, with a small portion sold domestically in the form of LPG (cooking gas). The smallest contributor to revenues is ammonia, which contributed 18% to total sales in FY 24A.

**Exhibit 46: Revenues have grown at a 3-year CAGR of 15% till FY 24A; expected to remain flattish in FY 24-30e**

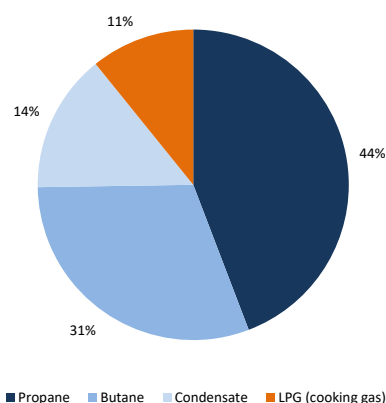


Source: Company Data, Arqaam Capital Research

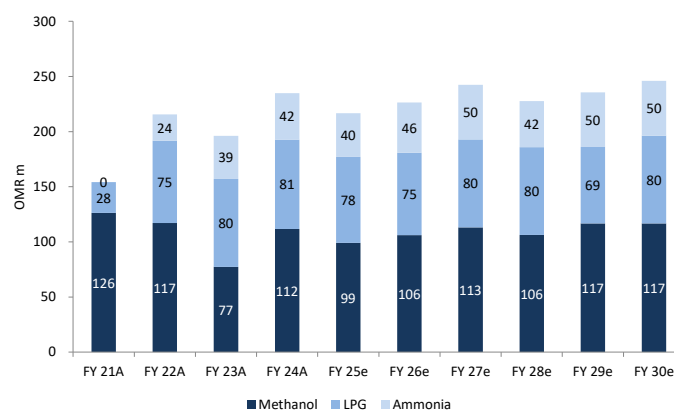
**Exhibit 47: Methanol is the largest contributor to total revenues, followed by LPG sales**



Source: Company Data, Arqaam Capital Research

**Exhibit 48: Within LPG, propane contributes the most, followed by butane. All exports except for cooking gas.**


Source: Company Data, Arqaam Capital Research

**Exhibit 49: Contribution from LPG slightly declines in our forecast on the expected weakness in oil/LPG prices**


Source: Company Data, Arqaam Capital Research

### Expect stable methanol/ammonia prices on balanced supply/demand dynamics, while weak oil price outlook and lackluster petchem demand imply lower LPG prices in FY 25/26e

Under its offtake agreements with OQ Trading, pricing for each of the company's products is set by reference to the relevant market index for that product, adjusted by a discount or premium based on an assessment of the relevant market's supply and demand characteristics for the next 12-month period as well as for applicable taxes, inspection costs, port charges, product insurance, and import and customs duties and, concerning certain products, for, among other things, freight costs, and shipping and handling charges. The discount or premium, as well as the volume of product that OQ Trading agrees to offtake, is agreed in Q4 of each year, and takes effect from 1 January of the following year.

**Exhibit 50: Benchmark and realized net prices for OQBI's products**

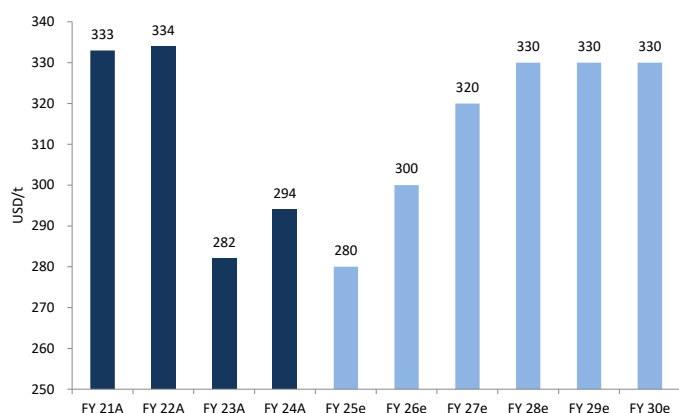
USD/t	FY 21A	FY 22A	FY 23A
<b>Methanol</b>			
Benchmark price (China CFR)	333	334	282
Freight	(39)	(59)	(65)
Premia/ (Discount)		2	
Average realized net price	294	277	217
Premia/ (Discount) to Benchmark price (%)	-12%	-17%	-23%
<b>Ammonia</b>			
Benchmark price (Middle East FOB)		951	436
Premia/ (Discount)		(151)	(55)
Average realized net price.		801	381
Premia/ (Discount) to Benchmark price (%)		-16%	-13%
<b>LPG products</b>			
Benchmark price (Saudi CP, Mideast Gulf)	641	735	579
Premia/ (Discount)	37	(42)	6
Average realized net price	678	693	585
Premia/ (Discount) to Benchmark price (%)	6%	-6%	1%

Source: Company Data, Arqaam Capital Research

**Methanol prices to dip in FY 25e, gradually recovering towards FY 27/28e driven by improving MTO economics and upside from marine fuel applications, despite capacity growth.**

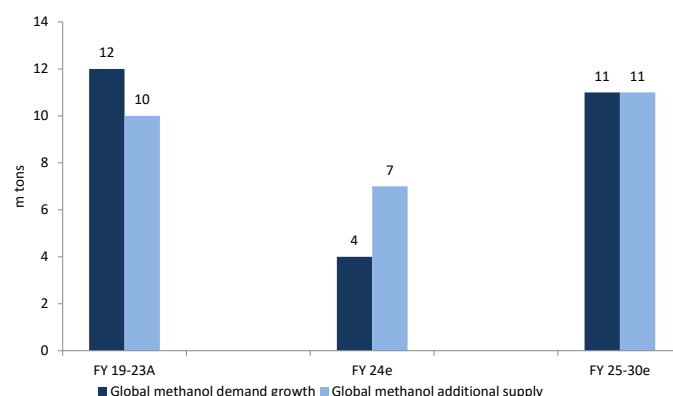
We factor in an average methanol price of USD 280/t in FY 25e, -5 y/y, as elevated natural gas prices (supporting the global cost curve) should be offset by capacity growth and lackluster chemicals demand following implications of the US-China trade war. Beyond FY 25e, we expect methanol prices to gradually recover towards FY 27/28e to a long-term price of USD 330/t as demand picks up (China's stimulus plans and rising demand from marine fuel applications during transition to low-carbon methanol) and as the market balances out demand growth (+2.3% in FY 23-40e) with supply additions (+2.6% in FY 23-40e) by forcing Chinese operating rates down (with excess supply exported to China as a large consumption base and a high-cost incremental supplier), pushing operating rates up to c.87-88% by FY 30e vs. c.83% in FY 19-24A.

**Exhibit 51: We expect methanol prices to remain largely stable in FY 25e vs. FY 24A, gradually recovering thereafter**



Source: Bloomberg, Company Data, Arqaam Capital Research

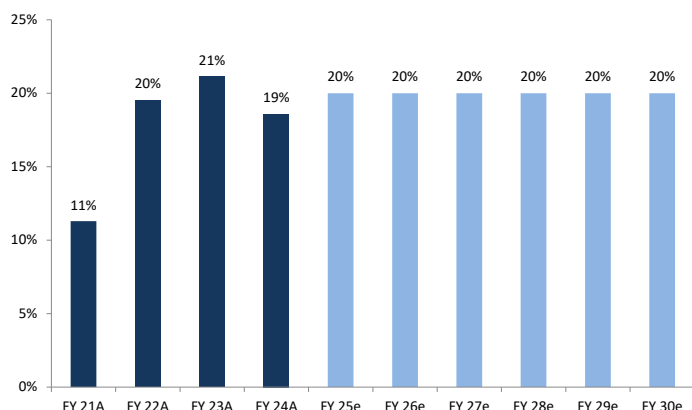
**Exhibit 52: Aided by relatively well-balanced supply/demand dynamics amid resilient demand**



Source: Argus Consulting, Company Data, Arqaam Capital Research

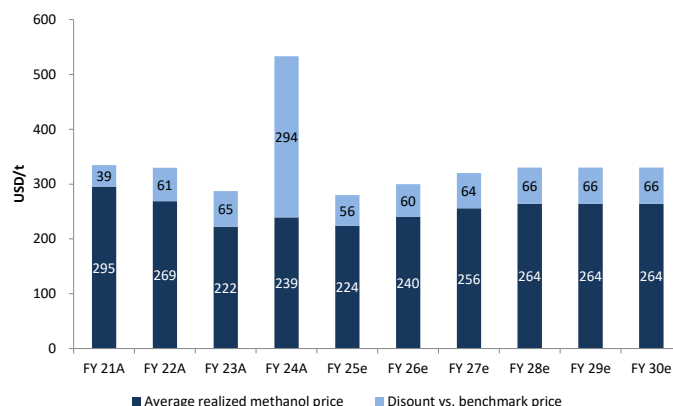
In our model, we assume a discount of 20% to benchmark methanol prices (CFR China 22kt), in line with management guidance. The actual realized discount has averaged c.18% over the past 4 years.

**Exhibit 53: We assume a discount on the methanol benchmark price of 20% over the forecast period...**



Source: Company Data, Arqaam Capital Research

**Exhibit 54: ...leading to an average realized methanol price of USD 256/t in FY 25-30e**



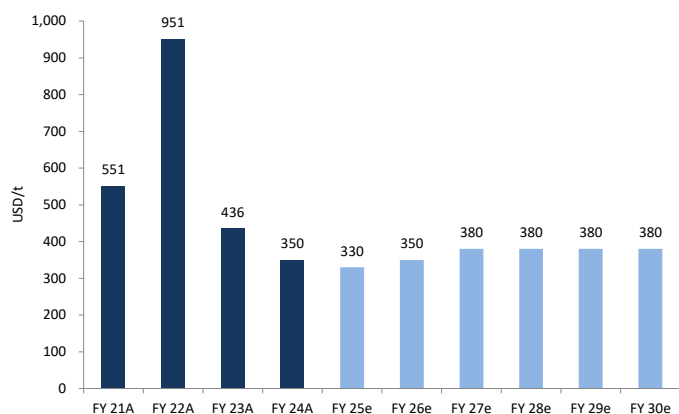
Source: Company Data, Arqaam Capital Research



**Ammonia prices are expected to slightly recover to above mid-cycle levels on elevated gas costs; sustainable demand is expected to be equally matched by capacity growth.**

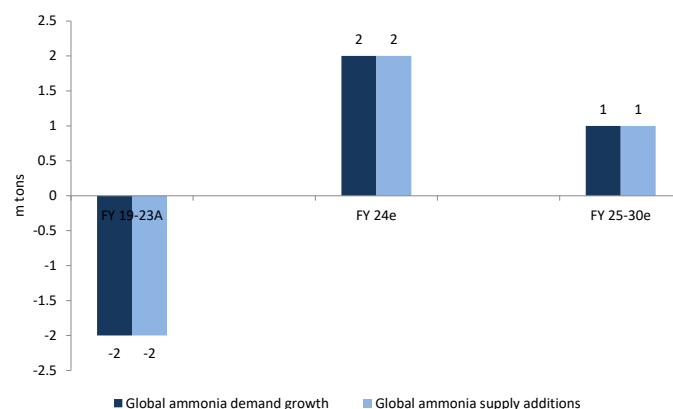
We forecast ammonia prices of USD 330/t in FY 25e, 6% below FY 24A average and 40% below the past 5-year average (peak levels reached in 22A on the Russia/Ukraine war and gas price build-up in Europe). We then assume a gradual recovery in ammonia prices towards a long-term price of USD 380/t, still 8% below mid-cycle levels. We assume a slight dip in ammonia prices in FY 25e despite elevated TTF natural gas costs this year (YtD average of USD 14/mmBtu vs. USD 11/mmBtu in FY 24A), lifting the global cost curve, on subdued demand. We note that the current TTF natural gas price of USD 12/mmBtu implies ammonia cash costs of USD 425/t, vs. the current ME ammonia spot price of USD 290/t, implying that EU producers are loss making at these levels rendering further capacity shutdowns necessary, which would ultimately push ammonia prices upwards from these levels.

**Exhibit 55: We expect ammonia prices to settle slightly above mid-cycle averages...**



Source: Bloomberg, Company Data, Arqaam Capital Research

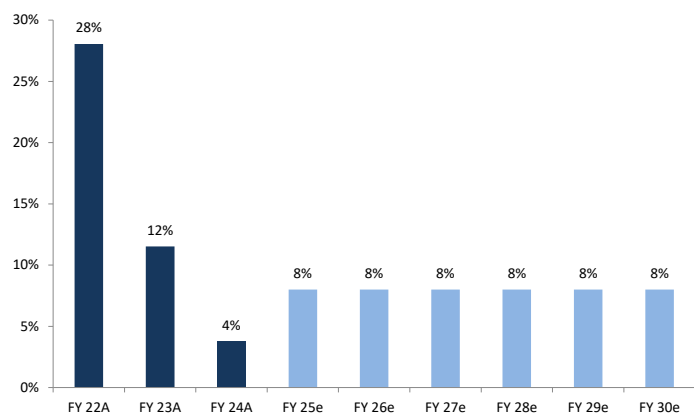
**Exhibit 56: ...as the market is expected to remain well-balanced over the medium/long-term**



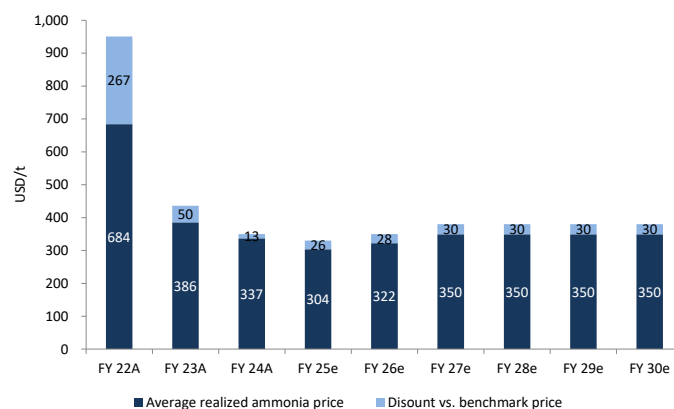
Source: Argus Consulting, Company Data, Arqaam Capital Research

Ammonia fundamentals should remain strong on the long-run due to i) sustained demand backed by nitrogen fertilizers consumption, supported by income and population growth in emerging regions, ii) a well-balanced supply/demand forecast over FY 25-30e, with global operating rates expected to improve to 92% during that period vs. c.88-90% in FY 19-24, iii) expected start-up of new downstream ammonium phosphate capacity in the medium-term further tightening the market, and iv) new demand sources such as the global shift towards leaner marine fuels which would drive higher demand for ammonia in the transition period.

In our model, we assume a discount of 8% to benchmark ammonia prices (ME), in line with management guidance. The actual discount realized has averaged c.14% over the past 3 years.

**Exhibit 57: Assume 8% discount to benchmark ammonia prices**


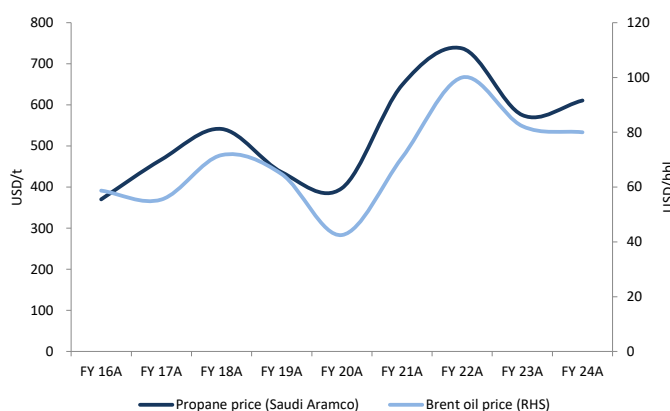
Source: Company Data, Arqaam Capital Research

**Exhibit 58: With a realized LT price of USD 350/t**


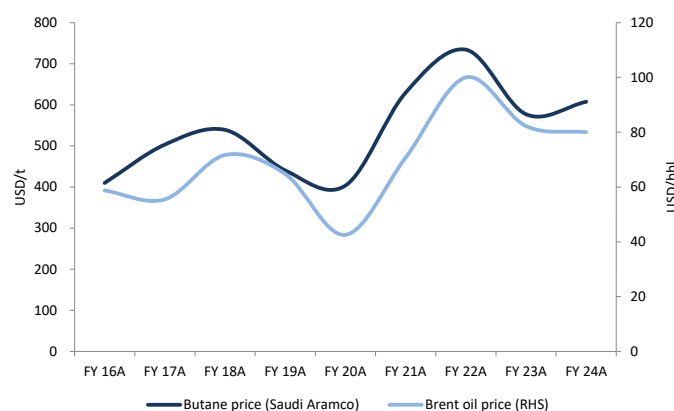
Source: Company Data, Arqaam Capital Research

**LPG prices to dip in FY 25e vs. FY 24A on a softer oil price outlook, while recovery is expected towards FY 27e as petchem demand picks up, we expect it to remain below pre-2022 levels**

LPG prices jumped aggressively in FY 21A and FY 22A, reflecting the righter energy markets and the spike in oil prices during both years (post-COVID demand, supply disruptions, and Russia/Ukraine war impact). They have averaged USD 639/t and USD 736/t in FY 21 and FY 22A, respectively, jumping by 60% y/y (from a low base in FY 20A) and 15% y/y in both years. This was correlated with a significant surge in global oil prices over these two peak years when oil prices averaged USD 71/bbl (+66% y/y) in FY 21A and USD 100/bbl (+41% y/y) in FY 22A.

**Exhibit 59: Propane prices vs. Brent oil prices**


Source: Bloomberg, Arqaam Capital Research

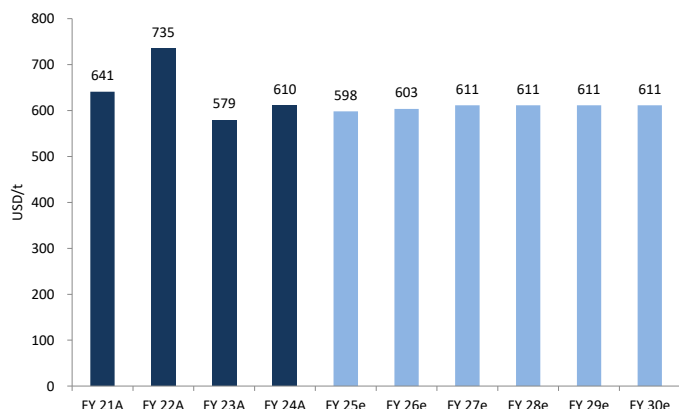
**Exhibit 60: Butane prices vs. Brent oil prices**


Source: Bloomberg, Arqaam Capital Research

LPG prices are largely based on crude oil pricing, given that LPG is a by-product of natural gas and crude oil production. However, this is mainly true over a long-term/full cycle, as some disconnect occurs over the short-term (e.g., Brent prices declined by 2% y/y in FY 24A while LPG prices grew by 5% y/y) given specific supply/demand dynamics in both markets. Nevertheless, we expect a softer oil price outlook in FY 25e (oil prices -15% YtD) driven by demand concerns on the US/China trade war and OPEC+ output hike, with Brent prices expected to average c.USD 65-70/bbl this year vs. USD 80/bbl in FY 24A (-19% y/y). This is expected to put pressure on regional LPG prices, in our view, albeit at a softer pace vs. Brent prices. LPG prices (Saudi Aramco

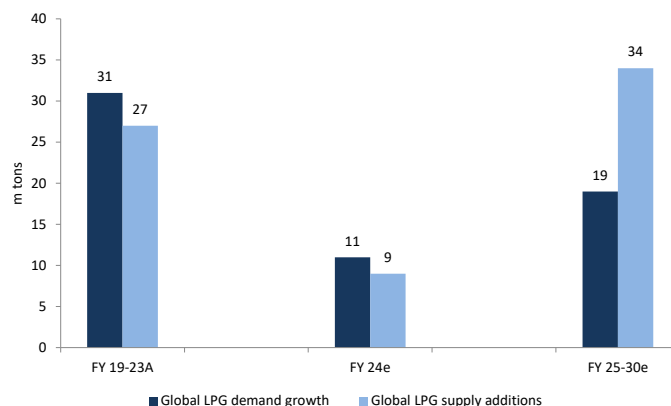
benchmark) have weakened by c.5% YtD, with the Jan-June average prices flattish y/y. Accordingly, we expect LPG prices to decline by 2% y/y in FY 25e to USD 598/t against a backdrop of a 15% y/y dip in Brent oil prices.

**Exhibit 61: We expect LPG prices to slightly decline y/y in FY 25e on a muted oil price outlook...**



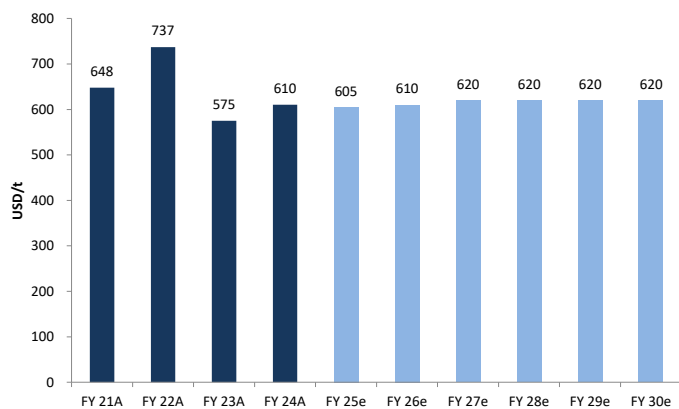
Source: Bloomberg, Company Data, Arqaam Capital Research

**Exhibit 62: ...exacerbated by significant global oversupply over FY 25-30e**



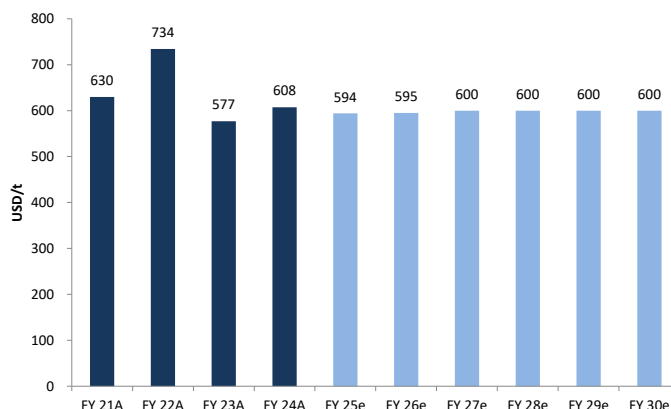
Source: Argus Consulting, Company Data, Arqaam Capital Research

**Exhibit 63: Propane prices**



Source: Bloomberg, Company Data, Arqaam Capital Research

**Exhibit 64: Butane prices**



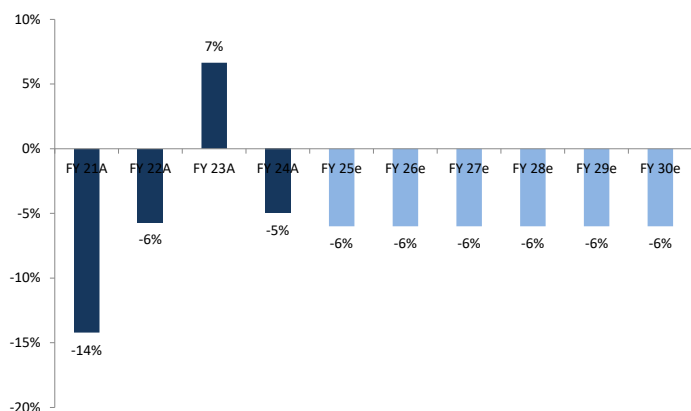
Source: Bloomberg, Company Data, Arqaam Capital Research

Beyond FY 25e, we expect largely stable LPG prices until FY 27e when we expect to see a marginal recovery driven by i) loosened trade tensions between US/China, ii) likelihood of proactive OPEC+ measures to put a floor to oil prices (we expect LT oil prices of USD 70-75/bbl), iii) marginal demand from steam crackers switching to LPG feedstock from naphtha to meet China's petchem demand and energy demand in emerging economies, and iv) slow-down in supply additions beyond FY 30e from gas processing, with loss of refinery LPG product volumes due to lower refinery utilization and shutdown of less competitive assets. Accordingly, we expect long-term LPG prices to settle slightly above mid-cycle levels, albeit below pre-FY 22A peak.

The price of LPG (cooking gas), which is sold domestically and comprises butane and propane, is typically slightly higher than the price the company would have received had the same products been sold to OQ Trading due to the absence of shipping freight costs. The price of LPG (cooking

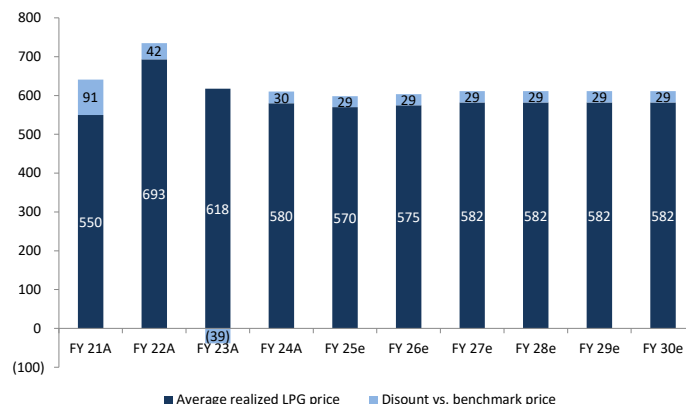
gas) is calculated by combining the benchmark prices for butane and propane on a proportional basis (58% and 42%, respectively).

**Exhibit 65: We factor in a 6% discount vs. the LPG benchmark price**



Source: Company Data, Arqaam Capital Research

**Exhibit 66: With LT LPG prices of USD 582/t starting FY 27e**

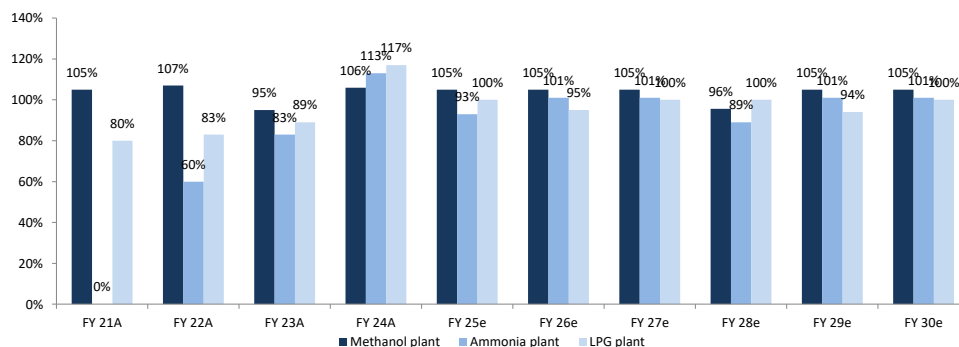


Source: Company Data, Arqaam Capital Research

**After record volumes achieved in FY 24A, we expect stable volumes aside from turnaround years; a planned shutdown in the ammonia plant in FY 25e is expected to impact volumes.**

OQBI's production volumes sometimes exceed the respective nameplate production capacity (i.e., utilization rate exceeding 100%), such as the case for the 3 plants in FY 24A and the methanol plant in FY 21-22A. That's due to the company optimizing the way the plant is operated. A higher utilisation rate generally reflects a lower number of unscheduled production outages or unplanned slowdowns, which typically result from unforeseen events such as extreme weather conditions or equipment failures. A higher utilisation rate can also result from the use of lower quality feedstock, which then requires higher plant utilisation to yield the same amount of production volume that would otherwise have resulted from the use of higher quality feedstock (which in turn may result in a lower relative utilisation rate).

**Exhibit 67: OQBI has maintained healthy utilization rates across its different plants**

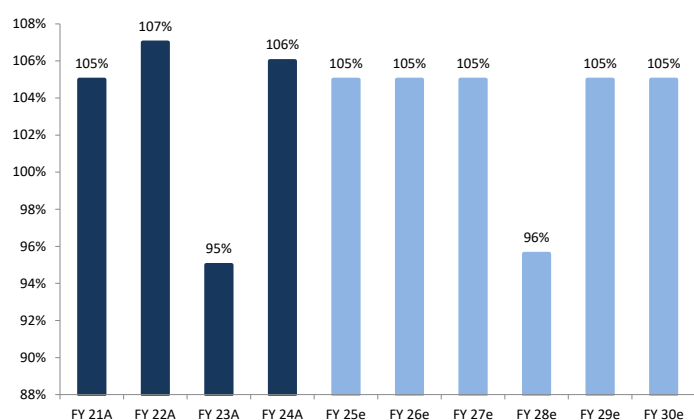


Source: Company Data, Arqaam Capital Research

For the LPG plant, its utilisation rate depends on the quality of the feedstock (rich natural gas) received from IGC, which determines the amount of products (propane, butane, condensate and LPG (cooking gas)) that can be separated and produced at the LPG plant from the same amount

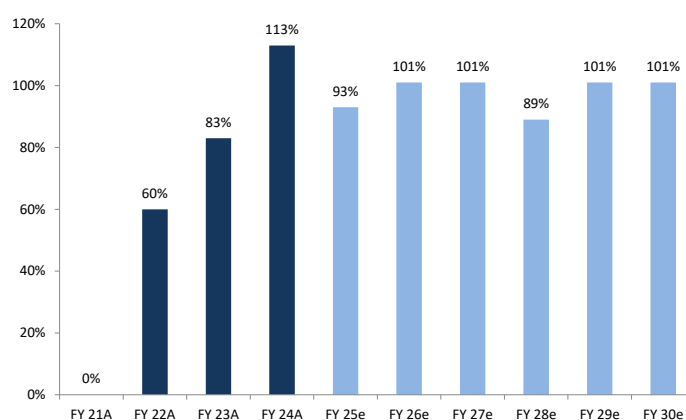
of rich natural gas. After these products are produced by the company for sale to OQ Trading (in the case of the propane, butane and condensate) and to domestic consumers (in the case of the LPG (cooking gas), the lean natural gas that remains is transferred via the OQGN gas transmission network for sale by IGC i) to the methanol plant (which results in the production of methanol and ammonia by the company) and ii) to other users of lean natural gas in Oman. As the amount of lean natural gas that can be processed at the methanol plant is limited by its maximum production capacity, which is currently less than the amount of lean natural gas that results from the production of the company's products at its LPG plant, the LPG plant's utilisation rate and its ability to increase it materially is currently dependent on the level of demand from third party downstream consumers of lean natural gas in the Salalah region. Nevertheless, as more than 50% of lean natural gas produced by the LPG plant is consumed by the company's methanol and ammonia plants, the company can optimise LPG plant utilisation by timing scheduled production outages based on expected demand and pricing.

**Exhibit 68: The methanol plant to operate at >100%, excluding planned turnaround years (every 4-5 years)**



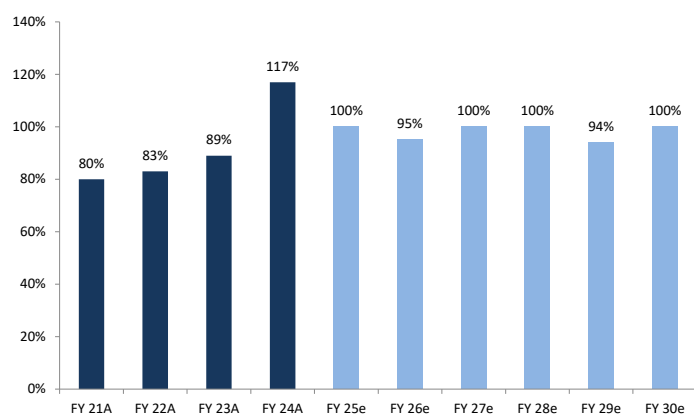
Source: Company Data, Arqaam Capital Research

**Exhibit 69: Ammonia plant utilization rates to hover around 100%**



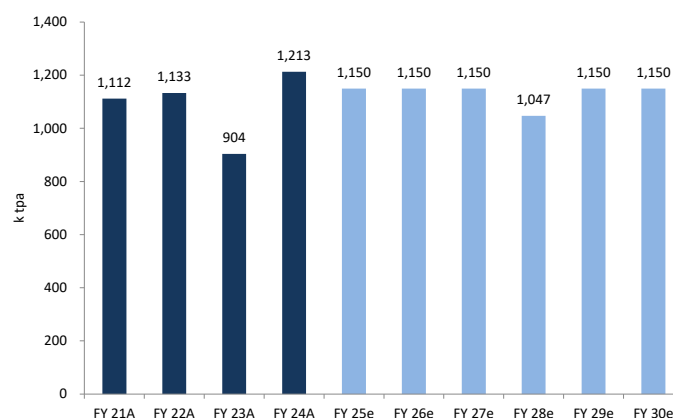
Source: Company Data, Arqaam Capital Research

**Exhibit 70: LPG plant utilization rates**

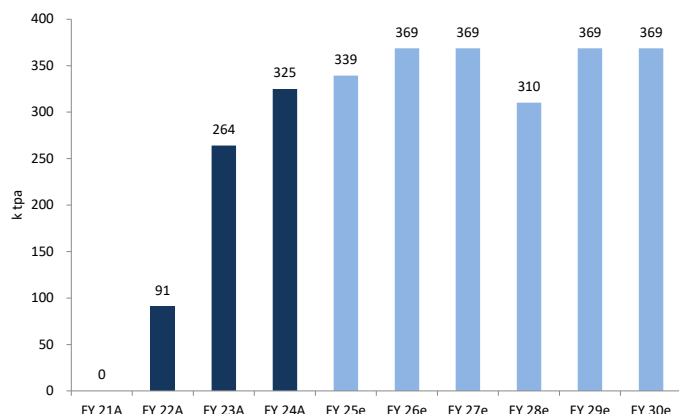


Source: Company Data, Arqaam Capital Research

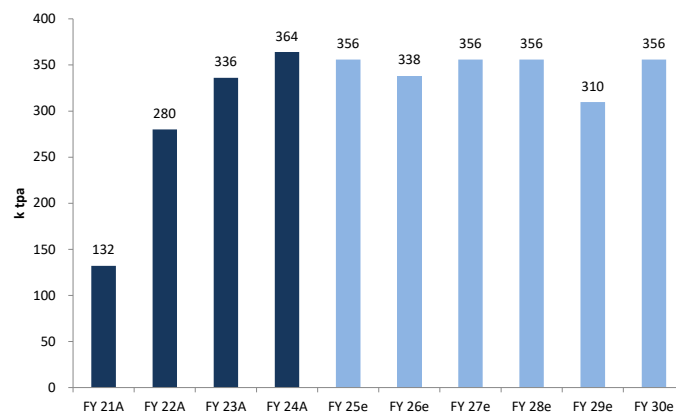
**Exhibit 71: Methanol plant production volumes**



Source: Company Data, Arqaam Capital Research

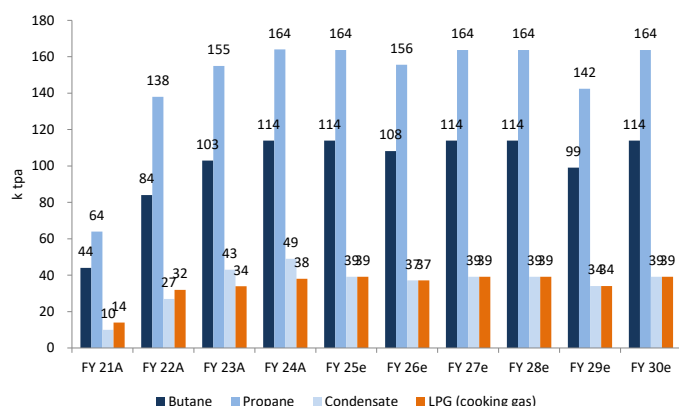
**Exhibit 72: Ammonia plant production volumes**


Source: Company Data, Arqaam Capital Research

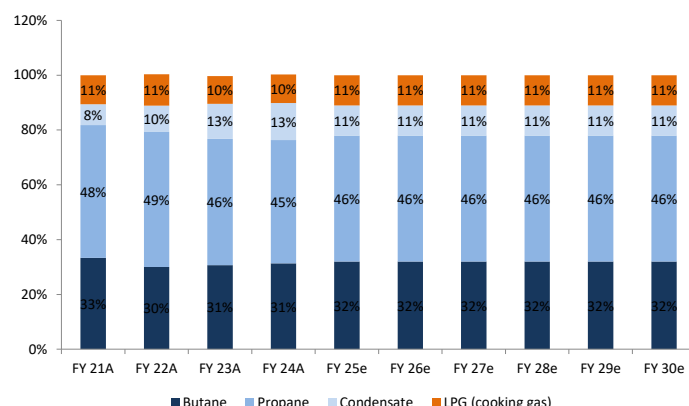
**Exhibit 73: LPG plant production volumes**


Source: Company Data, Arqaam Capital Research

The company schedules planned turnarounds every 4-5 years in accordance with each plant's maintenance cycle. The most recent turnaround of the methanol and ammonia plants was in the Q3 23A, and the next turnaround is expected to take place in FY 28e. OQBI expects the first turnaround of the LPG plant to take place in FY 26e (deferred from previous plans of a turnaround in FY 25e). These outages are scheduled for a certain period of time (typically 4-6 weeks for the methanol and ammonia plants, and 4-5 weeks for the LPG plant) and hence result in decreased production levels. Despite FY 23e being a turnaround year for the methanol and ammonia plants, OQBI still achieved a record combined production volume of 1,168 kt (FY 22e 1,224 kt) due to the ramp-up of ammonia production and the high quality of the natural-rich gas received at the LPG plant.

**Exhibit 74: LPG volumes are dominated by propane, followed by butane**


Source: Company Data, Arqaam Capital Research

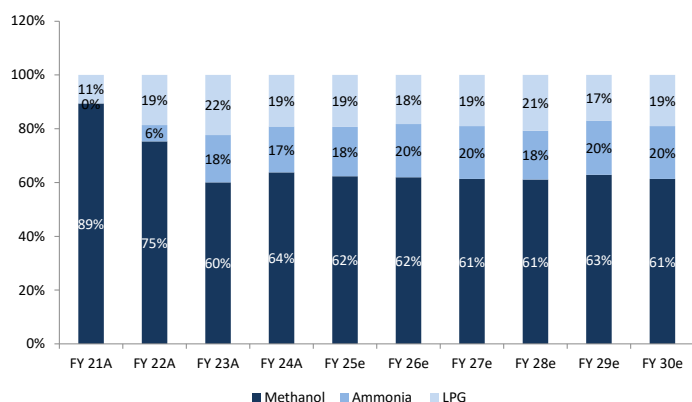
**Exhibit 75: With propane volumes constituting c.46% of total LPG sales, local LPG sales are c.11% of LPG volumes**


Source: Company Data, Arqaam Capital Research

Following the turnaround of the methanol plant in Q3 23A, the methanol plant was run initially at its maximum operating rate, resulting in a utilisation rate of 116% in H1 24A. The utilisation rates for the ammonia plant and LPG plant were 97% and 98%, respectively, reflecting normal operating rates for these plants. The utilisation rates of the ammonia plant and the LPG plant

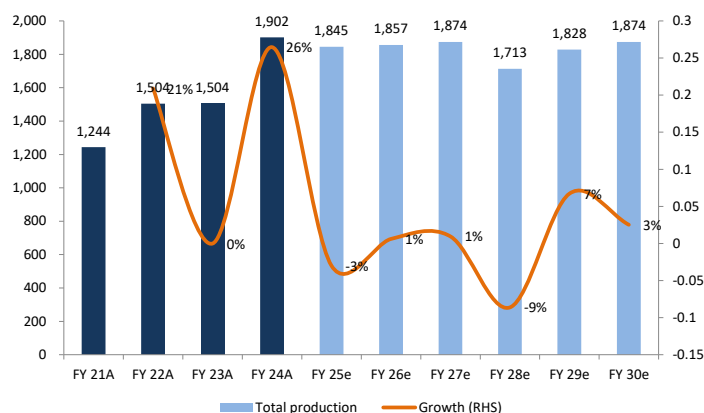
have been increasing consistently as they ramped up since their respective commissioning in FY 22A and FY 21A. In addition to the LPG plant being in the stabilisation phase, its utilisation rates in FY 21/22A reflected the lower demand from domestic consumers of lean natural gas and the quality of feedstock. The LPG plant's utilisation improved in Q2 23A and Q3 23A due to increased lean natural gas demand and the stable operation of the ammonia plant. In Q4 23A, the LPG plant's utilisation declined due to turnarounds of the methanol and ammonia plants.

**Exhibit 76: Methanol production volumes constitute the majority (>60%) of total sales volumes**



Source: Company Data, Arqaam Capital Research

**Exhibit 77: Total platform production volumes to remain largely stable after record volumes in FY 24A**

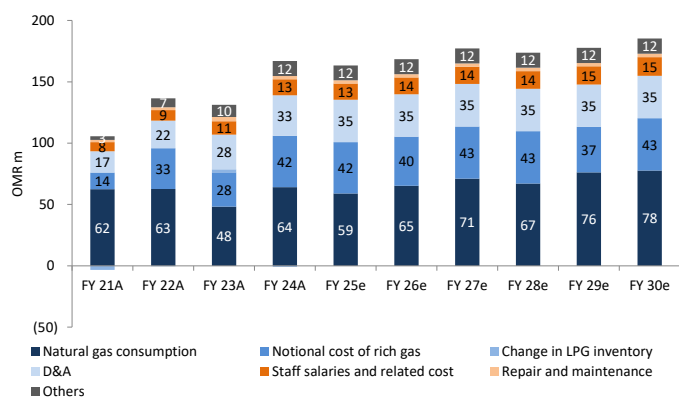


Source: Company Data, Arqaam Capital Research

### COGS – NG costs expected to grow in line with methanol price recovery (price-linked formula), with notional gas costs should remain largely stable

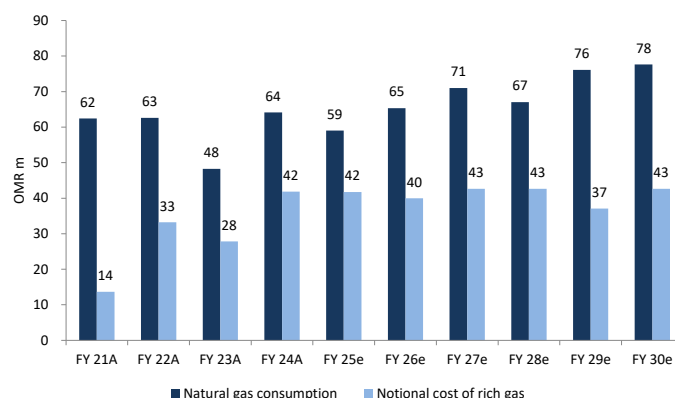
OQBI's cost structure is mainly composed of gas feedstock costs (c.64% of total COGS and c.80% of cash costs in FY 24A). Feedstock costs include both natural gas consumption for the methanol and ammonia plants, and notional cost of rich gas for the LPG plant (non-cash in nature). Each of these two components constitutes c.60% and 40% of total feedstock costs, respectively (FY 24A).

**Exhibit 78: Natural gas consumption costs constitute the majority of OQBI's total COGS**



Source: Company Data, Arqaam Capital Research

**Exhibit 79: NG consumption for the methanol plant is expected to grow in line with expected price recovery**



Source: Company Data, Arqaam Capital Research



**We expect natural gas costs to grow in line with the assumed recovery in methanol prices.**

As per the profit-sharing agreement, rich gas supplied for the LPG plant is provided at no immediate cost to the LPG plant, and hence, the notional gas cost recorded in OQBI's income statement is notional and non-cash in nature.

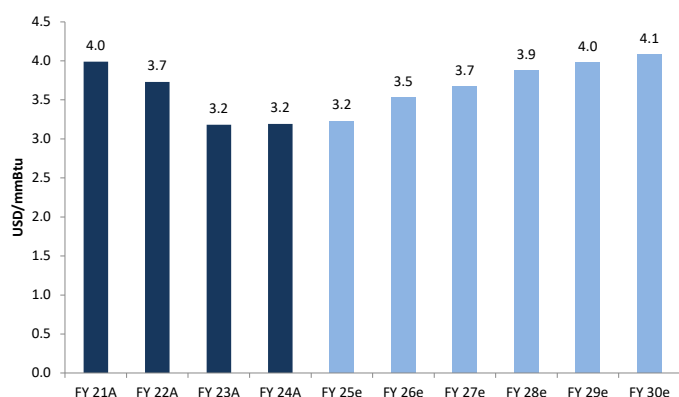
**Exhibit 80: Secure long-term feedstock contracts strengthen OQBI's cost advantage**

	Methanol	Ammonia	LPG
<b>Supplier</b>	IGC (previously the Ministry of Energy and Minerals)		IGC (previously the Ministry of Energy and Minerals)
<b>Term</b>	25 years from the commercial operations date (2010 for methanol)		25 years from the commercial operations date (2021)
<b>Delivery Terms</b>	Methanol gas delivery		Rich gas points to LPG; residual gas back to IGC
<b>Gas Price</b>	<ul style="list-style-type: none"> <li>Set at a base price of USD 1.50/MMBTU in 2010, it is adjusted annually for US CPI and an adjustment dependent upon the weighted average netback price per ton of methanol</li> <li>The formula is defined in a 25-year NGSA agreement signed with the IGC, with a duration until 2035 (average gas price of USD 3/MMBTU over 15Y)</li> </ul>		<ul style="list-style-type: none"> <li>Rich gas is supplied by IGC for LPG Products extraction at no immediate cost</li> <li>IGC is entitled to 80% of the remaining cash balance at OQ LPG level</li> </ul>
<b>Quantity</b>	Maximum 150,000 mmBtu/day	Included in the allocation to methanol	Shrinkage (rich gas-residual gas) should not exceed 0.91 MMSCM/Day
<b>Failure to deliver gas quantity/quality</b>	Seller to compensate the buyer	Part of the methanol allocation	Seller to compensate the buyer
<b>High consumption of gas</b>	N/A	N/A	Shrinkage >0.91 MMSC/day, IGC can: <ul style="list-style-type: none"> <li>Suspend/reduce rich gas supply to maintain max consumption</li> <li>Continue to supply rich gas and recover from The company shares of sales revenue through Adjustment to the payment made</li> </ul>

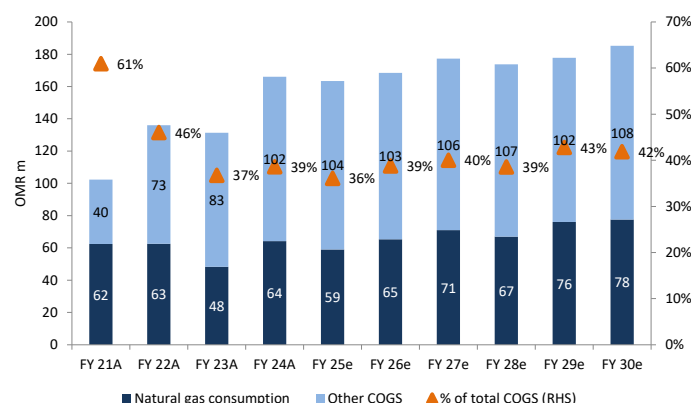
Source: Company Data, Arqaam Capital Research

The company uses rich natural gas as the primary feedstock in the production of LPG Products and lean natural gas as the primary feedstock in the production of methanol and ammonia. The lean natural gas price for methanol and ammonia plants will be based on the pricing formula set out in the methanol plant GSA, and the company expects its lean natural gas requirements to remain stable at 36.6 mmBtu/kt for methanol and 24.2 mmBtu/kt for ammonia in the medium term. Under the Methanol Plant GSA, IGC supplies lean natural gas to the company at a price that is set according to an agreed formula and is adjusted annually based on US CPI, with a base price of USD 1.5/mmBtu (further adjusted for gas quality). The gas pricing formula for methanol and ammonia production is also linked to methanol prices, whereby lower methanol prices result in lower lean natural gas prices, which reduces the impact of sales price volatility.

Based on our methanol/ammonia price estimates, we expect natural gas cost for the methanol/ammonia plant to average USD 3.6/mmBtu in FGY 25-29e (vs. USD 3.2/mmBtu in FY 24A). Since we assume a gradual recovery in methanol prices over the forecast period, the contribution of natural gas costs for the methanol/ammonia plant is expected to increase gradually from 39% in FY 24A to c.45% throughout the forecast period.

**Exhibit 81: Implied natural gas cost for the methanol/ammonia plant**


Source: Company Data, Arqaam Capital Research

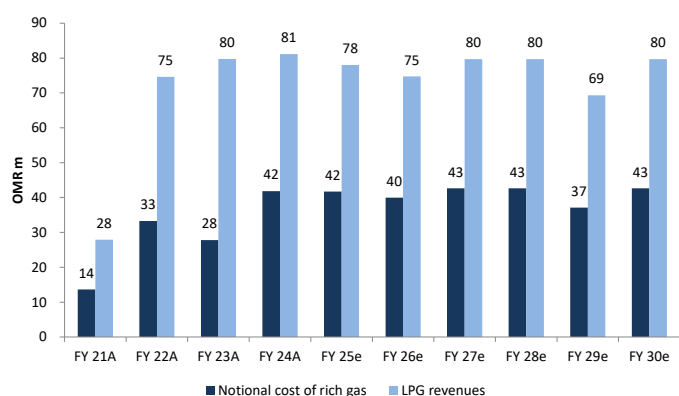
**Exhibit 82: Natural gas consumption to constitute c.40% of total COGS**


Source: Company Data, Arqaam Capital Research

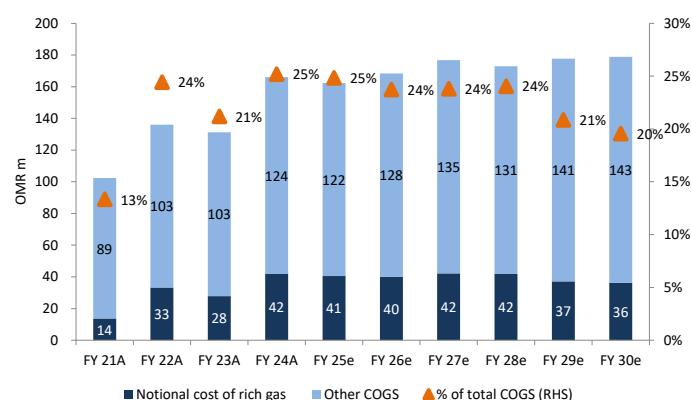
**Notional gas costs for the LPG plant should remain around 50% of LPG plant revenues, which adjusts according to LPG price forecasts and volumes (trending lower in FY 25e)**

Under the LPG Plant BOOT/NGSA, IGC supplies rich natural gas to the company for the extraction of LPG products at no immediate cost in return for lean natural gas and a share of the proceeds of the sale of LPG products according to an agreed payment waterfall (further discussed below). The notional cost of rich gas is a theoretical non-cash amount which is recognised in the income statement for accounting purposes only; accordingly it does not have any effect on the company's cash flows. Based on IFRS 9 and IFRS 13, OQBI estimates the amount payable based on the expected future cash flows from the LPG plant, recognised at present value. The present value of the notional cost of rich gas can fluctuate in line with the fluctuations of the cash flow projection, which is updated each quarter based on the LPG plant's performance.

Based on company guidance, theoretical LPG notional gas costs are estimates to remain around 40-50% of LPG revenues (we assume 50% in our model), with a cumulative provision maintained on the balance sheet based on the sum of theoretical gas cost supplied, offset by cash payments made in the form of dividend payout to IGC.

**Exhibit 83: Notional gas cost for the LPG plant to remain around 50% of LPG revenues**


Source: Company Data, Arqaam Capital Research

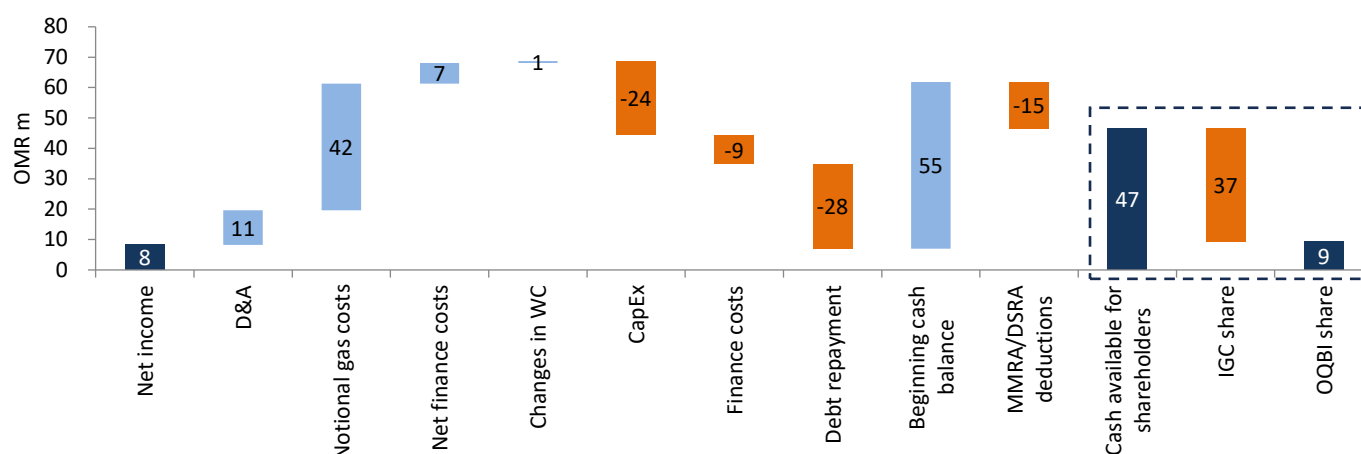
**Exhibit 84: Notional gas cost for the LPG plant is expected to contribute c.22% of total COGS in FY 25-30e**


Source: Company Data, Arqaam Capital Research

**Cash distribution for LPG operations follows a waterfall mechanism, with IGC receiving 80% of the leftover LPG cashflow in return for the provision of free feedstock.**

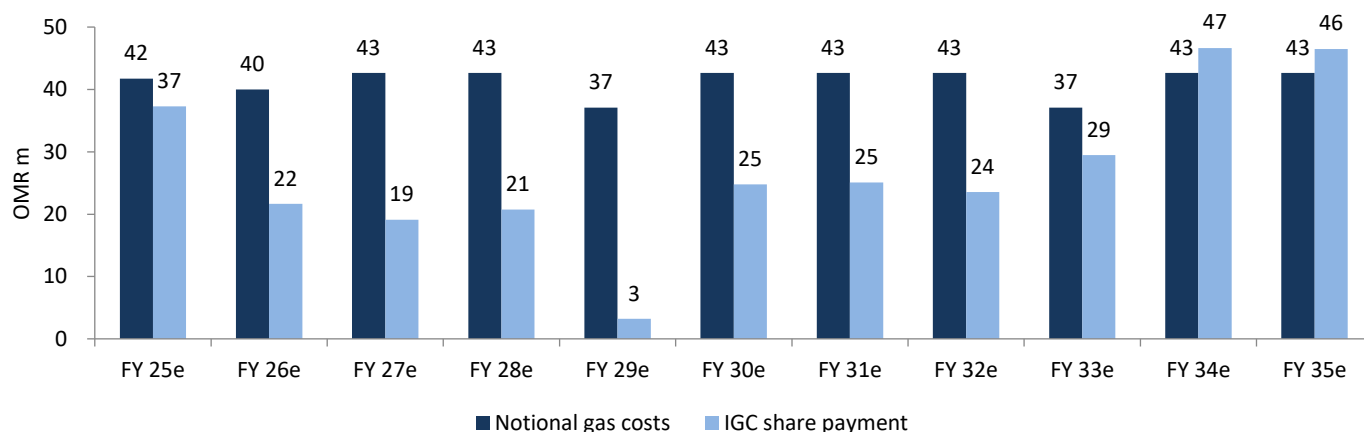
Rich natural gas is supplied by IGC for the LPG plant at no immediate cost in return for lean natural gas and a share of the proceeds from the sale of LPG products under an agreed payment waterfall under the LPG Plant BOOT/NGSA. After considering operating expenditure, capital expenditure, and the payment of financing obligations, the remaining cash balance of revenue from the sale of LPG products is distributed between IGC and the company as per the revenue sharing arrangement on an 80%/20% basis for IGC/OQBI.

**Exhibit 85: Payment waterfall for OQ LPG in FY 25e**



Source: Company Data, Arqaam Capital Research

The payments to IGC commence in FY 25e, given that the shareholder loan for OQ LPG has been paid pre-IPO. The first payment to IGC was made in April 2025, and we expect this to be paid periodically thereafter. Cash distribution for the LPG operations follows a waterfall mechanism, and the IGC receives 80% of the leftover LPG cash flow as compensation for the provision of free feedstock. The priority is given to the operating and capital expenditure required to run the business, and hence these are paid first out of OQ LPG revenues. Any cash remaining after the payments towards OpEx and CapEx is applied towards financing payments owed to Lenders (including principal repayment and interest, etc.). After repayment of lenders, shareholder loans also need to be repaid (which has already been done pre-IPO), and all the obligations, only then will 80% of any remaining cash balance available be allocated to the government (IGC) and 20% to the company. We highlight that the theoretical notional gas costs are added back in OQBI's cashflow statement to derive the company's FCFs, which should also be impacted by the payments to IGC (in some instances exceeding notional gas costs, on our numbers, especially after repaying OQ LPG's loans).

**Exhibit 86: IGC payments are slightly lower than notional gas costs, but become higher after OQ LPG loan repayment in FY 32e**


Source: Company Data, Arqaam Capital Research

**Exhibit 87: OQ LPG payment waterfall**

	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e
OQ LPG net income	8	8	11	12	8	14
D&A	11	11	11	11	11	11
Notional gas costs	42	40	43	43	37	43
Finance income	(3)	(3)	(3)	(3)	(3)	(3)
Finance expenses	9	8	7	6	5	4
Changes in WC	1	1	1	1	0	1
<b>Total OCF</b>	<b>69</b>	<b>65</b>	<b>70</b>	<b>70</b>	<b>59</b>	<b>69</b>
CapEx	(24)	(10)	(10)	(10)	(22)	(10)
Finance costs	(9)	(8)	(7)	(6)	(5)	(4)
Debt repayment	(28)	(28)	(28)	(28)	(28)	(28)
<b>Ending cashflow</b>	<b>7</b>	<b>19</b>	<b>24</b>	<b>25</b>	<b>4</b>	<b>27</b>
Beginning of period cash	55	6	0	0	0	0
MMRA deduction	(6)	0	0	0	0	0
DSRA deductions	(9)	2	(0)	1	(0)	4
<b>Cash available for shareholders</b>	<b>47</b>	<b>27</b>	<b>24</b>	<b>26</b>	<b>4</b>	<b>31</b>
IGC share (80%)	37	22	19	21	3	25
OQBI share (20%)	9	5	5	5	1	6

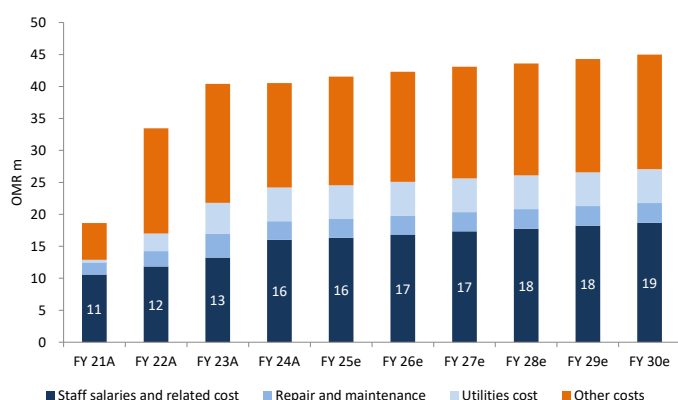
Source: Company Data, Arqaam Capital Research

**OQBI's operating expenses are expected to increase by an average of c2-3% y/y**

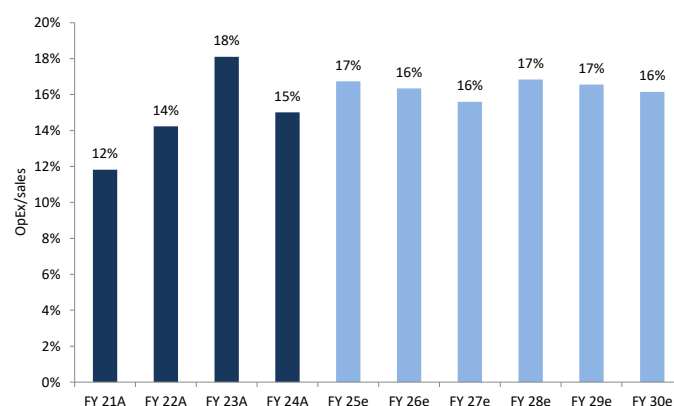
Operating Expenses (excluding D&A) are defined as a sum of administrative and general expenses, selling and promotion expenses, other income, impairment charge on trade and other receivables, cost of sales, excluding natural gas consumption and notional cost of rich gas, excluding depreciation and amortization. Staff salaries are c.8% of total COGS, and other costs, including repair and maintenance, utilities costs, and spare parts and tools, are c.7% of total COGS. It is worth noting that the expenses recharged by the OQBI are recognized and included

in SG&A, and expenses charged to the group companies with a margin are recognized and included in other Income.

Over FY 22/23A, OpEx has been growing at an annual rate of c.30% y/y as OQBI has been internalizing some of the functions that were previously provided by the group, in addition to OpEx relating to ramp-up of new plants, departments, and management. OpEx growth is expected to normalize going forward, with the company guiding for OpEx to constitute 18% of revenue for the methanol/ammonia business, and for the LPG business, OpEx to grow by 3% y/y in the medium term. On our numbers, we expect overall staff salaries, the largest component of OpEx, to increase by 3% y/y, while we expect other operating expenses to increase by c.2% y/y. Based on our numbers, total group OpEx (excluding D&A) constitutes c.16% of total revenues in the medium term.

**Exhibit 88: Staff salaries constitute the majority of OpEx**


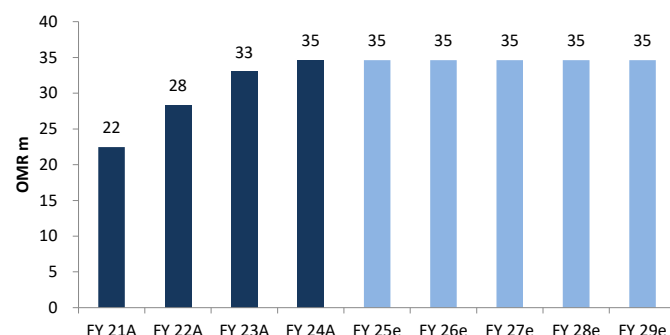
Source: Arqaam Capital Research, Company Data

**Exhibit 89: OpEx should remain at c.16% of total sales**


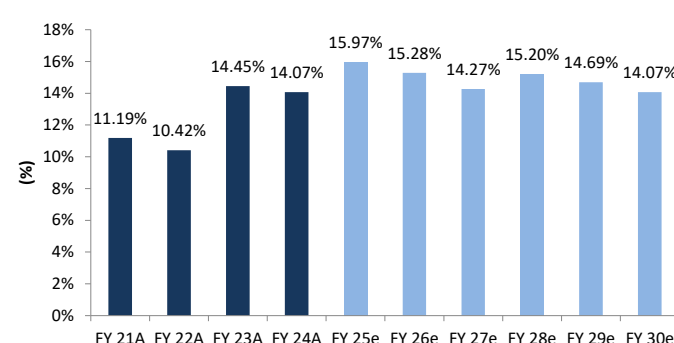
Source: Arqaam Capital Research, Company Data

### D&A expenses are expected to remain c.USD 35m in the medium term

OQBI's depreciation expense is calculated using the straight-line method, based on the cost of PP&E net of its estimated residual value. Overall, the majority of D&A is primarily driven by plant & machinery depreciation. D&A surged by 27% y/y at OMR 28m due to the launch and ramp-up of the new ammonia plant and consequently growing asset base.

**Exhibit 90: OQBI's depreciation expense to remain at OMR 35m in the medium-term**


Source: Arqaam Capital Research, Company Data

**Exhibit 91: ...which reflects c.15% of total sales**


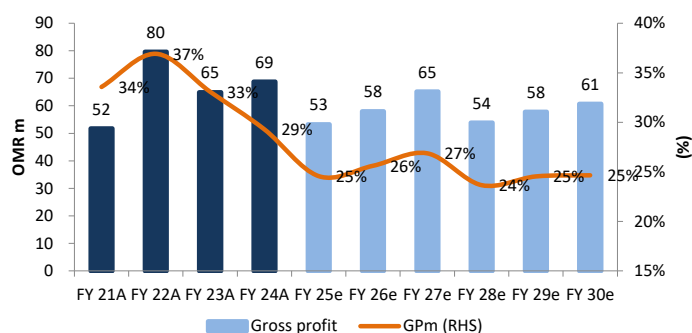
Source: Arqaam Capital Research, Company Data

D&A for FY 24A came in at OMR 33m, and OQBI's management guided for D&A expenses of c.OMR 35m in the medium term. Accordingly, we estimate D&A of OMR 35m in our forecast, which is considered c.3.5% of gross fixed assets (in line with FY 24A levels).

**GPM is expected to gradually normalize to an average of 25% in FY 25-30e on stable LPG prices, growing OpEx, and slightly lower utilization rates**

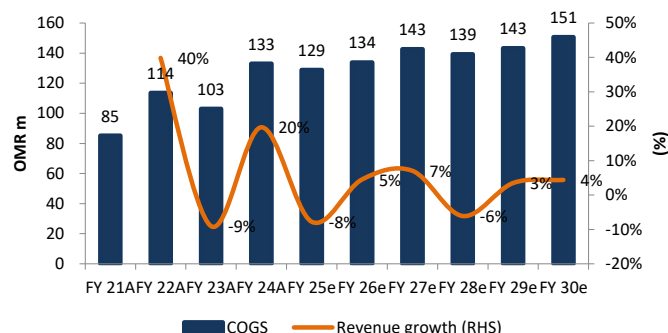
OQBI's GPM declined to 29% in FY 24A vs. 33% in FY 23A, despite higher sales, on higher feedstock costs and weaker ammonia/LPG prices, which more than offset improved utilization rates and higher methanol prices. In FY 25-30e, we expect GPM to gradually decline to an average of 25% over the period as we assume softer LPG prices, conservatively lower utilization rates across the 3 plants, and growing OpEx, which offset the impact of gradually recovering methanol/ammonia prices over the forecast period. Accordingly, we assume a dip in gross profit from OMR 69m in FY 24A to OMR 53m in FY 25e, which then grows at a CAGR of 3% by FY 30e.

**Exhibit 92: OQBI's GP to dip in FY 25e vs. FY 24A levels on lower commodity prices and growing OpEx**



Source: Arqaam Capital Research, Company Data

**Exhibit 93: With growing costs/OpEx almost matching revenue growth in FY 25-30e**

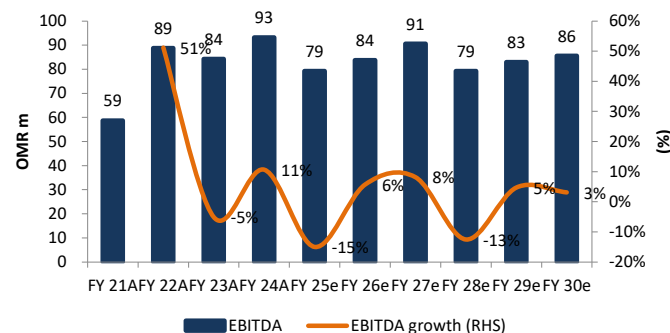


Source: Arqaam Capital Research, Company Data

**EBITDAm to gradually normalize to 35% by FY 30e on conservatively lower utilization rates and rising costs, despite recovering methanol/ammonia prices**

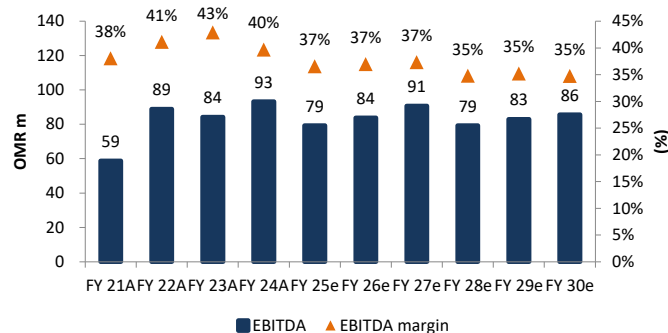
FY 24A EBITDAm landed at 40%, slightly below FY 23A EBITDAm of 43%, mainly on the hike in OpEx, which was partially offset by higher revenues and lower G&A expenses. Going forward, we expect EBITDA margin to decline in FY 25-30e to reach c.35% in FY 30e, as the recovery in methanol and ammonia prices (LPG prices largely stable) is more than offset by rising costs and our conservative assumption of utilization rates remaining stable below FY 24A levels.

**Exhibit 94: EBITDA is expected to reach OMR 83m in FY 30e, almost flat vs. FY 25e**



Source: Arqaam Capital Research, Company Data

**Exhibit 95: EBITDA margins to gradually decline to reach 34% in FY 30e as higher OpEx wipes out revenue growth**

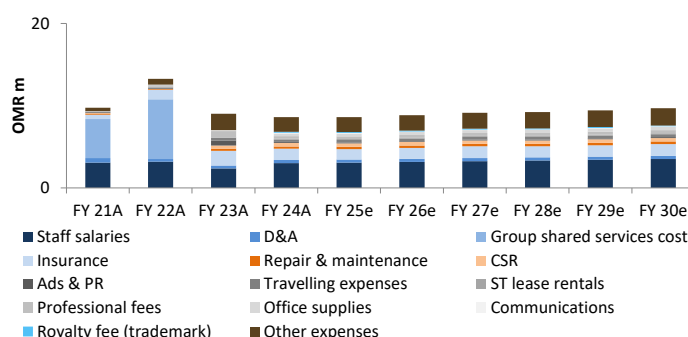


Source: Arqaam Capital Research, Company Data

### SG&A expenses are expected to remain at c.4% of sales beyond FY 24A

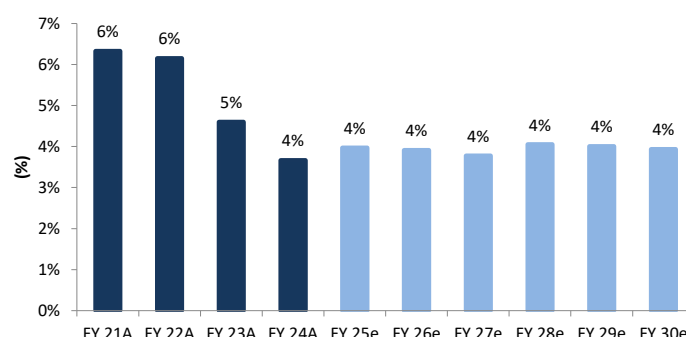
OQBI's SG&A expenses consist primarily of staff salaries and related costs, which is considered the biggest contributor to S,G&A (c.36% of SG&A), followed by plant insurance expenses (c.15% of SG&A), and then other expenses consisting of professional fees (c.4% of S,G&A), advertising and public relations expenses, depreciation and amortization charges (c.4% of S,G&A) and other related expenses that are not directly attributable to the cost of sales. In FY 24A, OQBI reported SG&A of OMR 8.6m, and we estimate SG&A in FY 25e to be OMR 8.7m. We estimate SG&A to remain at c.4% of sales in the medium-term following FY 24A.

**Exhibit 96: Staff salaries are considered the biggest contributor to S,G&A costs, followed by insurance expenses**



Source: Arqaam Capital Research, Company Data

**Exhibit 97: We expect overall S,G&A expenses to remain at c.4% of total sales in the medium-term**



Source: Arqaam Capital Research, Company Data

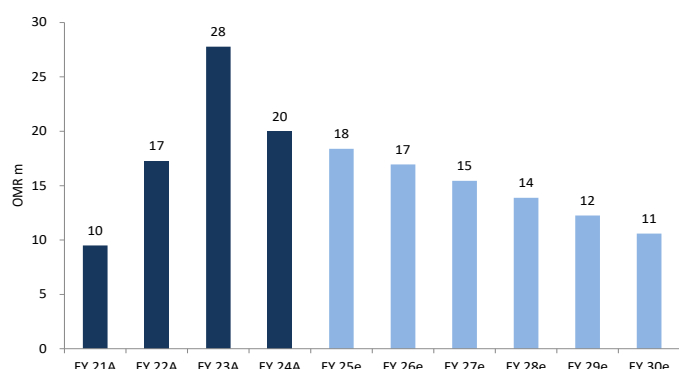
### Finance costs are expected to gradually decline beyond FY 24A on gradual deleveraging.

Finance costs have been mainly related to the term loan in the form of two syndicated facilities. OQBI witnessed a 2x increase in finance costs in FY 23A vs. FY 22A, which was largely driven by a payment made as per the terms of the shareholder agreement. In FY 24A, finance costs normalized back to OMR 20m, with an effective interest rate of 5.2%, due to the discontinuation of hedge derivatives, which has resulted in an additional gain of OMR 8m.

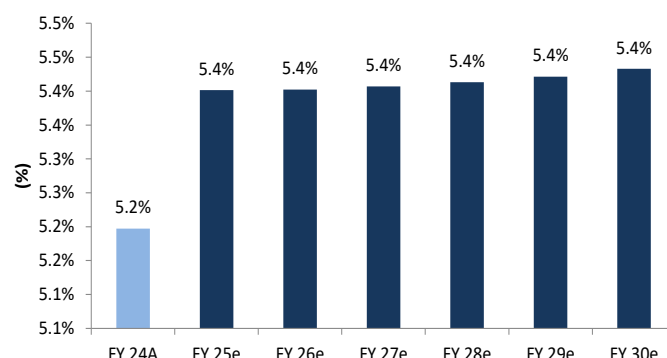
In the medium term, the company expects its annual interest payments to be in line with the commercial terms of the outstanding debt instruments. At the end of FY 24e (pre-IPO), OQBI has repaid the shareholder loan through the NGS agreement waterfall arrangement as part of the mechanism of revenue sharing. Also, as part of the IPO, the company executed the refinancing of its syndicated facilities. This refinancing was achieved through the issuance of a new loan with substantially different terms. Upon receiving the disbursement of the new syndicated term facility, the company fully prepaid the existing loan. The company restructured the existing syndicated facilities with a total limit of OMR 355.7m. The two new facilities carry a variable interest rate of SOFR plus a margin (1.15%-1.4%) and are repayable by FY 32/35e.

We expect finance costs to decline over the forecast period, driven by gradual deleveraging.



**Exhibit 98: Finance costs dropped to FY 22A levels, after a surge in FY 23A on shareholder loan payment terms**


Source: Arqaam Capital Research, Company Data

**Exhibit 99: We forecast an effective interest rate of 5.4% over the forecast period**


Source: Arqaam Capital Research, Company Data

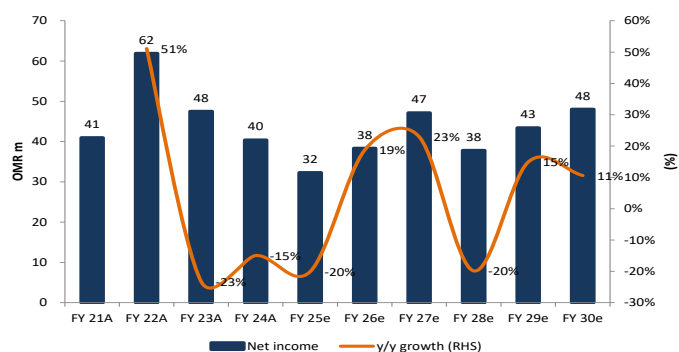
### OQBI enjoys tax exemptions on both its methanol/ammonia plant and its LPG plant for 30 years from the day of operation

OQBI enjoys tax exemption for both its methanol and ammonia plants as it is registered in the Salalah Free Zone and thus is exempt from corporate income taxes for a period of 30 years for its Methanol & Ammonia plant plants from 1 October 2012, and 10 years for its LPG Plant from 24 May 2021, extendable for another 30 years.

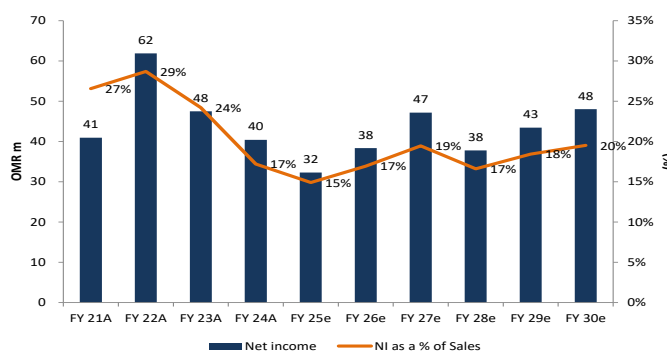
### Net income is expected to grow at a CAGR of 8% in FY 25-30e despite moderate EBITDA growth, mainly due to declining finance costs.

We factor in lower earnings in FY 25A vs. FY 24A, with net income expected to decline by 28% y/y to OMR 32m as we factor in i) 3% y/y dip in sales volumes due to a planned maintenance shutdown in the ammonia plant during the year (with the 3 plants coming from exceptionally high utilization rate base in FY 24A), ii) lower methanol, ammonia and LPG prices on weaker energy prices and global capacity growth, and iii) 3% y/y growth in OpEx. This is offset by a 20% y/y decline in net finance costs (debt restructuring) and absence/reversal of receivables provision amounting to OMR 5.3m in FY 24A (related to receivable from its related party supplier, IGC).

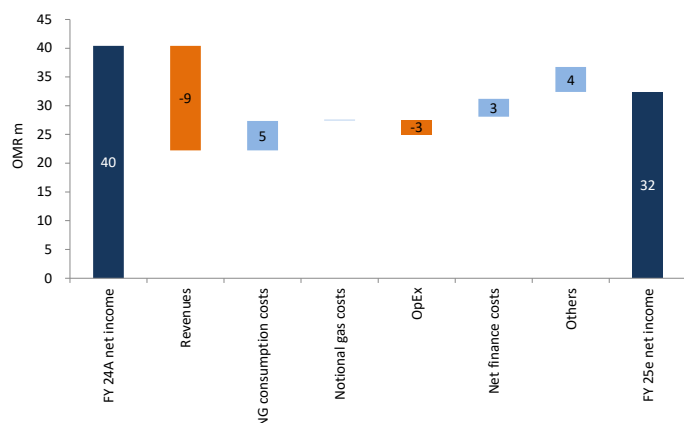
Beyond FY 25e, net income is expected to grow at a CAGR of 8% in FY 25-30e, despite moderate EBITDA growth during the period due to gradually declining net finance costs on deleveraging.

**Exhibit 100: Net income is expected to grow at a CAGR of 8% in FY 25-30e on lower finance costs**


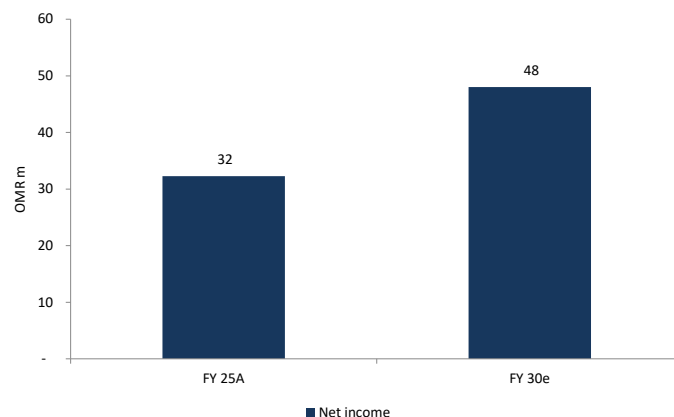
Source: Arqaam Capital Research, Company Data

**Exhibit 101: NPM to remain at above 15% in FY 25-30e**


Source: Arqaam Capital Research, Company Data

**Exhibit 102: Lower product prices/volumes to impact FY 25e net income vs. FY 24A**


Source: Company Data, Arqaam Capital Research

**Exhibit 103: Beyond FY 24A, net income is expected to grow at a CAGR of 8%**


Source: Company Data, Arqaam Capital Research

**Exhibit 104: OQBI income statement summary**

	FY 21A	FY 22A	FY 23A	FY 24A	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e
<b>Net Sales</b>	<b>154</b>	<b>216</b>	<b>196</b>	<b>235</b>	<b>217</b>	<b>226</b>	<b>242</b>	<b>228</b>	<b>236</b>	<b>246</b>
% y/y growth		40%	-9%	20%	-8%	5%	7%	-6%	3%	4%
COGS (excl. depreciation)	(85)	(114)	(103)	(133)	(129)	(134)	(143)	(139)	(143)	(151)
% y/y growth		33%	-9%	29%	-3%	4%	7%	-2%	3%	5%
SG&A	(10)	(13)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(10)
% of sales	-7%	-6%	-5%	-4%	-4%	-4%	-4%	-4%	-4%	-4%
<b>EBITDA</b>	<b>59</b>	<b>89</b>	<b>84</b>	<b>93</b>	<b>79</b>	<b>84</b>	<b>91</b>	<b>79</b>	<b>83</b>	<b>86</b>
EBITDA margin	38%	41%	43%	40%	37%	37%	37%	35%	35%	35%
<b>EBIT</b>	<b>41</b>	<b>66</b>	<b>56</b>	<b>60</b>	<b>45</b>	<b>49</b>	<b>56</b>	<b>45</b>	<b>48</b>	<b>51</b>
EBIT margin	27%	31%	28%	26%	21%	22%	23%	20%	21%	21%
Net interest costs	(2)	(8)	(8)	(15)	(12)	(11)	(9)	(7)	(5)	(3)
Others	2	4	0	(4)	0	0	0	0	0	0
PBT	41	62	48	40	32	38	47	38	43	48
Taxes	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>41</b>	<b>62</b>	<b>48</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>47</b>	<b>38</b>	<b>43</b>	<b>48</b>
NPM	27%	29%	24%	17%	15%	17%	19%	17%	18%	20%

Source: Arqaam Capital Research, Company Data

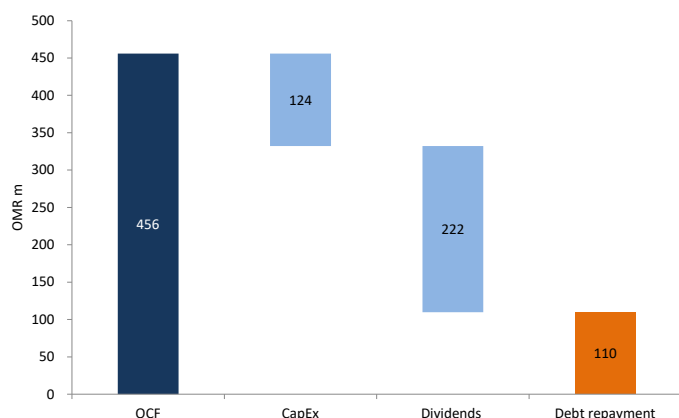
## OCFs to remain above OMR 90m, supporting CapEx, deleveraging, and sustainable dividend payments, despite commencement of IGC payments

OQBI's operating cash flows (OCF) amounted to OMR 140m in FY 24A, a 50% y/y growth vs. FY 23A with a healthy OCF conversion of 150% (average 123% in FY 21-24A). The jump in OCFs was driven by 11% y/y EBITDA growth (with higher notional gas costs during the year added back when calculating OCFs, given their non-cash nature) and positive working capital movement.

Despite our assumption of consistent payment of IGC's 80% share in OQ LPG FCFs (which we deduct from OQBI's OCFs) in return for non-cash notional gas costs starting FY 25e, OCF is

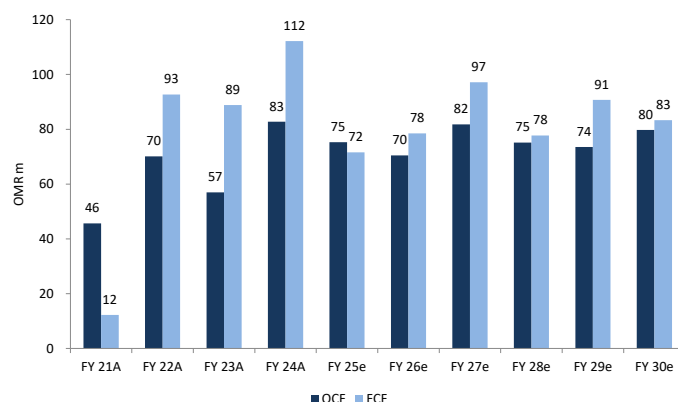
expected to remain above OMR 90m over FY 25-30e, with a healthy OCF conversion of >100% implying efficient working capital management and strong cash generation. These OCFs are sufficient to support operations, CapEx investments, and dividend distribution.

**Exhibit 105: FY 25-30e cumulative OCFs sufficient to cover CapEx, dividends, and allows for deleveraging**



Source: Arqaam Capital Research, Company Data

**Exhibit 106: OQBI is expected to continue to generate healthy OCFs and FCFs during the forecast period**

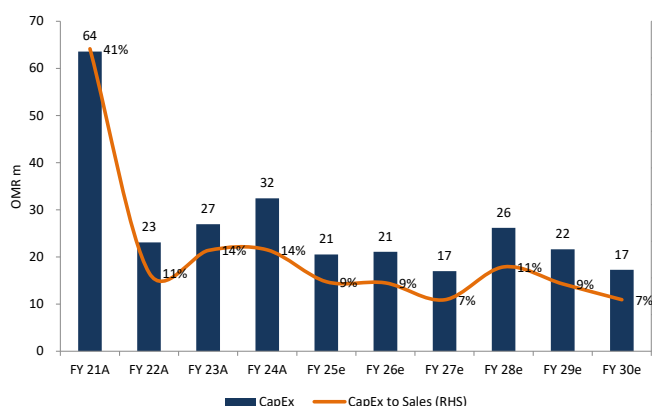


Source: Arqaam Capital Research, Company Data

**OQBI's CapEx is expected to jump in turnaround years, with CapEx coming in lower than the previous 4 years as the company phases out ammonia and LPG construction CapEx**

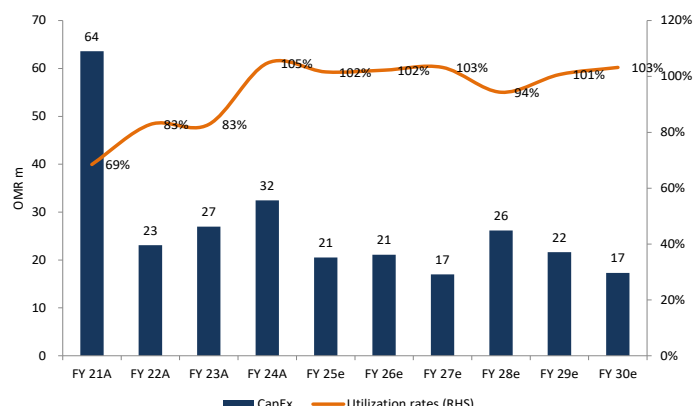
OQBI's CapEx is split into sustaining CapEx, turnaround CapEx, and capitalized construction cost (growth CapEx). Growth CapEx surged significantly in FY 21A y/y (with total CapEx amounting to OMR 64m) due to the ammonia plant construction costs, part of which were also recognized in FY 22A in addition to some LPG plant construction costs. After the launch of the ammonia plant, maintenance CapEx remained around OMR 3m. Every 4-5 years, OQBI schedules a turnaround plan for its methanol, ammonia, and LPG plants. In FY 23A, OQBI concluded a 45-day shutdown of the methanol plant (with a parallel 49-day shutdown of the ammonia plant), with the extent of the turnaround CapEx dependent on the condition of certain plant machinery replacement or repair equipment.

**Exhibit 107: CapEx to normalize in FY 25-30e on limited construction CapEx after full plant ramp-up**



Source: Company Data, Arqaam Capital Research

**Exhibit 108: With utilization rates remaining >100% on plant optimization**



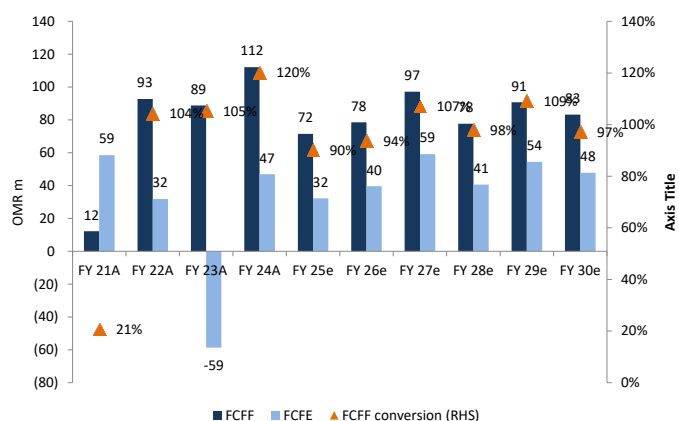
Source: Company Data, Arqaam Capital Research

OQBI's management guides for methanol/ammonia plant CapEx of 5-8% of revenues on average, with higher levels during turnaround years (next turnaround for ammonia plant expected in FY 25e for c.20 days). As for the LPG plant, CapEx is expected to be around 12% of revenues during turnaround years (with the next turnaround planned for the LPG plant in FY 26e, deferred from FY 25e originally), and c.5% during other years. Accordingly, CapEx is expected to average c.OMR 21m in FY 25-30e on our numbers, averaging 9% of sales, which is below the historical average of 20% in the absence of growth CapEx.

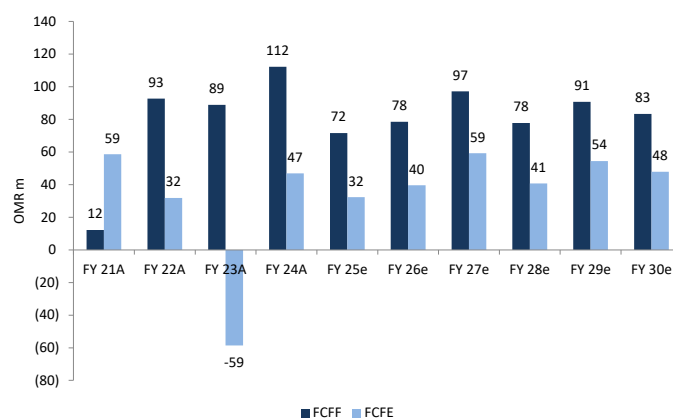
**Given the commencement of IGC payments in FY 25e, FCFs should see a 36% y/y dip in FY 25e, but FCF conversion to remain around 100% in FY 25-30e**

OQBI generated significantly strong FCFs over FY 21-24e, owing to healthy EBITDA growth and non-cash notional gas costs at the LPG plant. Unlevered FCFs amounted to OMR 112m in FY 24A, with a FCF conversion rate of 120% (reflecting non-cash notional gas costs for the LPG plant, positive working capital movements, and healthy EBITDA growth, despite higher CapEx). Nevertheless, we assume in our model the payment of OMR 37m to the IGC in FY 25e (first payment commenced in April-25A) as an 80% share in OQ LPG FCFs as per the payment waterfall, which is mostly equal to the notional gas cost recorded on OQBI's income statement. Accordingly, FCFs are expected to witness a 36% y/y plunge in FY 25e on our numbers, recording OMR 72m, still implying a robust FCF conversion rate of 90% (taking into consideration higher CapEx on the planned ammonia plant turnaround).

Beyond FY 25e, FCFs are expected to average OMR 85m, implying an FCF conversion rate of c.100% (above peers), which is dependent on i) EBITDA (product pricing and volumes evolution), ii) fluctuation in turnaround CapEx, and iii) IGC payments during the years.

**Exhibit 109: FCFF to see a dip in FY 25e vs. FY 24A**


Source: Company Data, Arqaam Capital Research

**Exhibit 110: But FCFF remains sufficient to cover dividends**


Source: Company Data, Arqaam Capital Research

**Exhibit 111: OQBI FCF summary**

OMR m	FY 21A	FY 22A	FY 23A	FY 24A	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e
Operating Income (EBIT)	41	66	56	60	45	49	56	45	48	51
Tax Paid	0	0	0	0	0	0	0	0	0	0
<b>NOPAT</b>	<b>41</b>	<b>66</b>	<b>56</b>	<b>60</b>	<b>45</b>	<b>49</b>	<b>56</b>	<b>45</b>	<b>48</b>	<b>51</b>
Depreciation	18	23	29	33	35	35	35	35	35	35
Notional gas cost adjustment	14	33	28	42	42	40	43	43	37	43
IGC 80% share payment	0	0	0	0	(37)	(22)	(19)	(21)	(3)	(25)
<b>Adjusted COPAT</b>	<b>73</b>	<b>122</b>	<b>112</b>	<b>135</b>	<b>84</b>	<b>102</b>	<b>114</b>	<b>101</b>	<b>117</b>	<b>103</b>
CAPEX	(49)	(19)	(4)	(28)	(21)	(21)	(17)	(26)	(22)	(17)
Changes in WC	(13)	(15)	(19)	3	8	(2)	0	3	(5)	(3)
<b>FCFF</b>	<b>11</b>	<b>89</b>	<b>89</b>	<b>111</b>	<b>72</b>	<b>78</b>	<b>97</b>	<b>78</b>	<b>91</b>	<b>83</b>

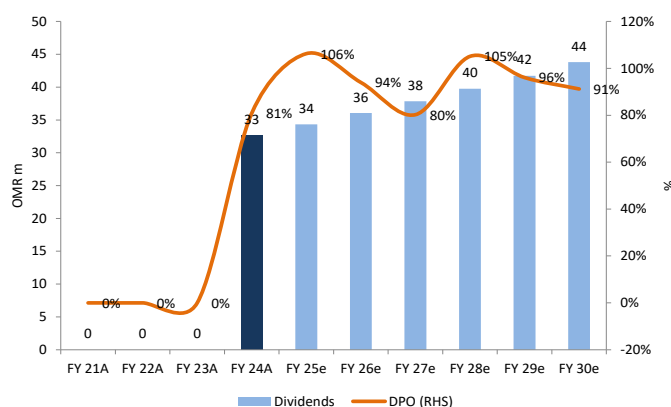
Source: Company Data, Arqaam Capital Research

**FCFs can comfortably cover dividends in FY 25-26e and deleveraging, with room for higher dividends beyond FY 26e**

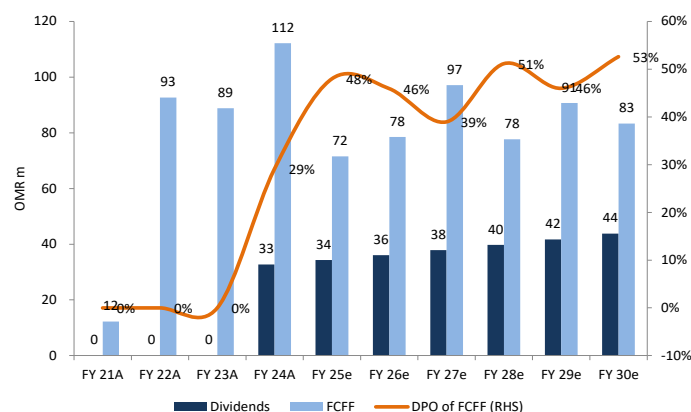
OQBI has a dividend policy aimed at returning most of its distributable FCF to shareholders, after accounting for growth opportunities and credit rating considerations. However, the ability to pay dividends depends on several factors, including the availability of reserves, capital expenditure plans, and other cash requirements. There is no guarantee of dividend payments, and the Board has discretion over the amount, which must be approved by the Shareholders in an Ordinary General Meeting (OGM).

The company plans to adopt a semi-annual cash dividend policy:

- For FY 24A, it distributed a total of OMR 32.7m, with OMR 24.5m paid in January 2025 and OMR 8.2m in April 2025.
- For FY 25e and FY 26e, the dividend is expected to increase by at least 5% annually, starting from a minimum of OMR 34.3m in FY 25e.
- Starting from FY 27e, dividends will be paid from cash not reserved for corporate purposes, growth investment, or mergers and acquisitions (M&A).

**Exhibit 112: The stated dividend policy implies a DPO of c.100% in FY 25/26e...**


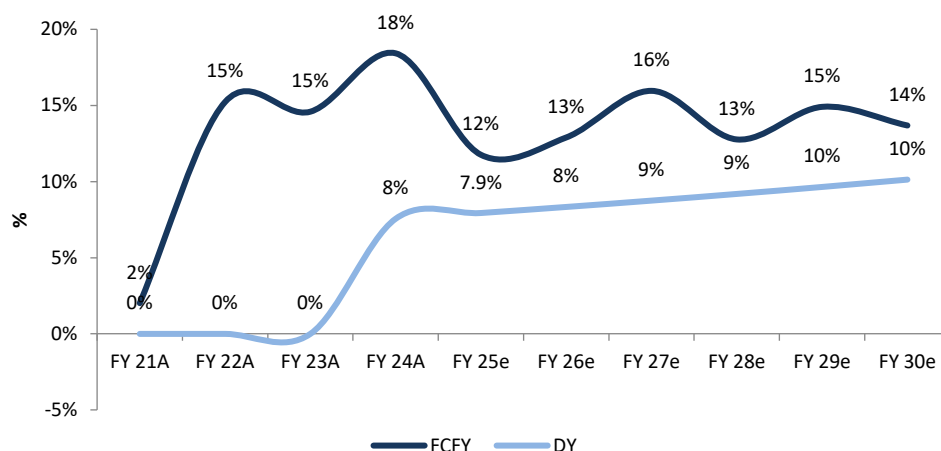
Source: Company Data, Arqaam Capital Research

**Exhibit 113: ...but implies a much lower (c.47%) payout of FCFFs given non-cash notional gas costs on the P&L**


Source: Company Data, Arqaam Capital Research

From FY 26e onward, the company plans to distribute any surplus cash not allocated for general corporate needs, growth initiatives, or potential M&A activity. Future dividend decisions will consider market conditions, the company's operating environment, capital structure, cash generation capabilities, necessary approvals, and the overall business outlook. This policy remains subject to approval by the Board of Directors. It is worth mentioning that no dividends were paid for FY 21A, FY 22A, or FY 23A.

#### Exhibit 114: Free cash flow generation implies ample room for deleveraging and increasing dividend payments, in case of limited growth, CapEx



Source: Company Data, Arqaam Capital Research

On our numbers, FCFs averaging OMR 83m in FY 25-30e are sufficient to cover dividends (averaging OMR 39m p.a. over the same period) as well as gradual deleveraging as per the payment terms of the two existing debt facilities. Our model assumes 5% p.a. growth in dividends beyond the FY 26e under the stated policy, but we believe OQBI has the room to uplift dividends after FY 26e given ample room on its balance sheet (with net debt/EBITDA peaking at 1.9x in FY 24A), barring any significant growth/M&A CapEx.

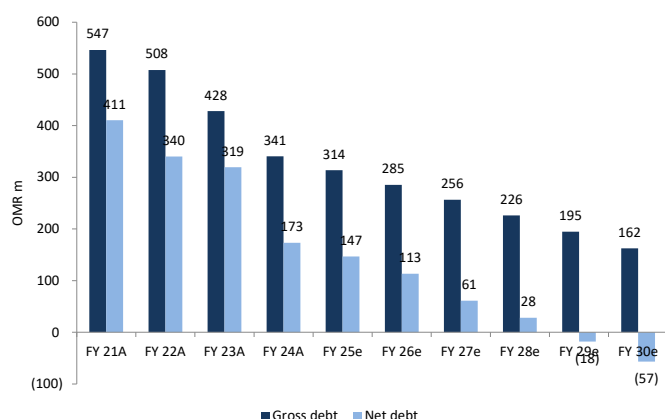
#### Debt restructuring should lead to interest savings; leverage peaks at 1.9x in FY 24A on our numbers, with deleveraging expected to drive lower finance costs.

OQBI has undertaken significant balance sheet restructuring throughout FY 24, replacing its legacy LIBOR-linked syndicated facilities with new SOFR-linked debt instruments. As of FY 23, the company had c.USD 1.04bn in term loans across two syndicated facilities (USD 728m and USD 640m respectively), priced at US LIBOR + 2.80–3.45%, with repayments having commenced in December 2020. In addition, OQBI carried subordinated shareholder loans, repayable under waterfall arrangements linked to the NGS agreement. As part of its broader refinancing strategy, OQBI executed a debt restructuring in December 2024, replacing the legacy syndicated loans with two new unsecured facilities: a Wakala facility and a new syndicated term loan, both benchmarked to Term SOFR. The OMR 169.1m Wakala facility (Islamic financing structure) is repayable over 24 semi-annual instalments until FY 35, with a final bullet payment of OMR 76.1m, and bears a profit rate of SOFR + 1.4%. Proceeds were used to fully refinance the existing syndicated facility. Separately, the OMR 185.8m new syndicated facility is repayable over 16

semi-annual instalments (starting Dec 2024) and bears interest of SOFR + 1.15%, with proceeds used to refinance project-level debt and for general corporate purposes.

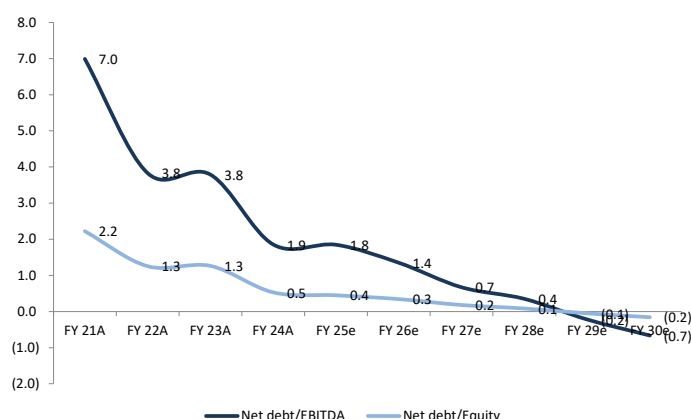
We expect leverage to gradually decline beyond FY 24A (1.9x net debt/EBITDA) as FCFs are more than sufficient to cover CapEx and dividends under the current policy, barring any significant growth/M&A CapEx. On our numbers, OQBI will gradually deleverage over the forecast period, reaching a net cash position by FY 29e.

**Exhibit 115: OQBI to continue to deleverage in FY 25-30e after significant deleveraging in previous years**



Source: Company Data, Arqaam Capital Research

**Exhibit 116: ...reaching a net cash position by FY29e**



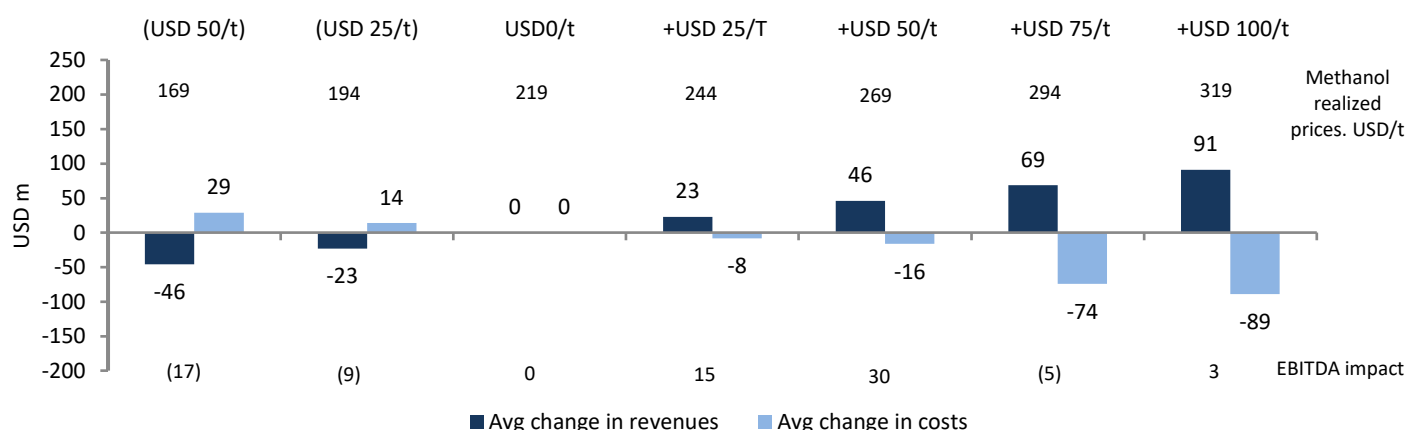
Source: Company Data, Arqaam Capital Research

## Sensitivity Analysis

### Impact of an increase/decrease in methanol prices

OQBI uses rich natural gas as the primary feedstock in the production of LPG products and lean natural gas as the primary feedstock in the production of methanol and ammonia. It sources rich natural gas and lean natural gas under long-term GSAs with IGC. Based on the Methanol plant GSA, IGC supplies lean natural gas to the company at a price that is set according to an agreed formula and is adjusted annually by the consumer price index published by the U.S. Bureau of Labor Statistics. The gas pricing formula for methanol and ammonia production is also linked to methanol prices, whereby lower methanol prices result in lower lean natural gas prices, which reduces the impact of sales price volatility. The adjustment factor contained within the gas price formula for methanol and ammonia results in a non-linear relationship between revenues, the cost of lean natural gas, and the EBITDA impact.

**Exhibit 117: Impact of methanol price changes on feedstock costs and EBITDA (at FY 23 production volumes)**



Source: Company Data, Arqaam Capital Research

While the revenue from the sales of methanol would typically increase or decrease in line with changes in methanol benchmark prices, the cost of lean natural gas for methanol and ammonia would increase or decrease at a different pace due to the step changes included in the gas price formula. At low and high methanol prices, as compared to historical average prices, the changes in the cost of lean natural gas for methanol and ammonia become linear.

### Impact of an increase/decrease in Brent oil/LPG prices

Under the LPG Plant BOOT/NGSA, IGC supplies rich natural gas to the company for the extraction of LPG products at no immediate cost in return for lean natural gas and a share of the proceeds of the sale of LPG products according to an agreed payment waterfall. Our model is based on LPG price of USD 598/t in FY 25e (based on an oil price of USD 70/bbl), growing modestly to USD 611/bbl by FY 27e as we assume a moderate recovery in oil prices to USD 73-75/bbl by FY 27e and until perpetuity.

Based on our model, and assuming a linear relationship between oil and LPG prices, every 5% change in LPG/oil prices impacts our EBITDA/EPS estimates by 2%/6%. The impact on valuation



is slightly more moderate at 2% for every 5% change in prices, driven by the corresponding payments to IGC according to the payment waterfall, whereby OQBI shares the upside/downside with IGC.

<b>Exhibit 118: Impact of changes in LPG prices on EBITDA, net income, and valuation</b>					
<b>LPG price (FY 25e), USD/t*</b>	<b>EBITDA, OMR m</b>	<b>Impact on EBITDA (%)</b>	<b>Net income, OMR m</b>	<b>Impact on net income (%)</b>	<b>Impact on TP (%)</b>
539 (-10%)	75	-5%	28	-11%	-4%
569 (-5%)	77	-2%	30	-6%	-2%
<b>598 (base case)</b>	<b>79</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>-</b>
628 (+5%)	81	2%	34	6%	2%
658 (+10%)	83	5%	36	11%	4%

Source: Arqaam Capital Research, \*LPG price is based on a weighted average considering Propane (46%), Butane (32%), Condensate (11%), and cooking gas (11%).

## Key risks

### Risks Relating to the company and its business

#### **Volatility in product prices may adversely impact the company's financial performance.**

The company's revenues and profitability depend on the market prices for its products, which are influenced by global market conditions. All methanol, ammonia, and LPG Products (excluding LPG for cooking) are sold to OQ Trading, which then exports these to customers in Asia, East Africa, and the MENA region. Product pricing is affected by global supply-demand dynamics and fluctuates based on economic, political, and logistical factors. For instance, while FY 21A and FY 22A saw price increases due to geopolitical tensions and higher input costs, 2023 experienced significant price corrections as markets stabilised. In early FY 24A, methanol and LPG benchmark prices improved slightly, but ammonia prices declined sharply due to weak demand and oversupply.

Further capacity expansions in the market could pressure product prices if demand growth lags. Key demand drivers include industrial activity, agricultural cycles, government policy shifts, and competition from alternative products, including green ammonia. Declines in demand or increased competition could reduce sales volumes and prices, harming margins and potentially forcing production cuts or inventory write-downs. Since methanol and LPG prices are also sensitive to oil prices and trends in olefin production, fluctuations in these markets could also negatively affect the company's business.

#### **Unplanned shutdowns or curtailments could significantly impact operational and financial results.**

The company's operations in the Salalah Free Zone are integrated and interdependent. The LPG plant relies on downstream demand for lean gas, particularly from the methanol plant. A shutdown at the methanol plant would also halt the ammonia plant, which requires hydrogen-rich purge gas from methanol production. Unplanned shutdowns may result from equipment failures, gas supply interruptions, weather events, or force majeure incidents. Additionally, planned maintenance (turnarounds) typically occur every 4–5 years and take several weeks per plant. Any delays in these activities or unforeseen shutdowns could reduce utilisation and revenues, and impact overall financial performance.

#### **The company relies entirely on IGC for natural gas supply.**

The company uses rich and lean natural gas provided solely by IGC under long-term supply agreements, one for the LPG plant (at no immediate cost in exchange for lean gas return and profit share) and one for the methanol plant (with fixed pricing). If IGC cannot meet supply obligations—due to upstream issues, disputes, or changes to commercial terms—the company's operations could be significantly disrupted. Additionally, any degradation in gas quality could reduce LPG output, affecting overall production and revenues.

#### **Any disruption in natural gas transmission could impair operations.**

The company depends on OQGN's gas transmission network—the only one in Oman—to supply gas to its plants. A disruption in this pipeline network, caused by mechanical failure, extreme weather, natural disasters, or sabotage, could halt production. Since the company has no gas

storage facilities, any interruption would have an immediate impact. Furthermore, a stoppage at one plant may affect the operation of others due to interdependence, compounding the negative effects on production and revenue.

**The LPG plant and facilities may be transferred back to the government.**

The LPG plant was developed under a BOOT/NGSA agreement, under which ownership may revert to the government under specific circumstances. This includes i) the natural expiry of the agreement in August 2046 (unless extended), or ii) the occurrence of an Event of Default by OQ LPG, such as a serious breach, material overstatement of operating costs, or insolvency, if unremedied for more than 120 days. Any such transfer would prevent the company from operating its methanol and ammonia plants in their current integrated structure. This would significantly impact its operations and financial performance.

**The company does not own the land where its facilities are located.**

The company's core facilities (LPG, methanol, and ammonia plants) are built on leased land under agreements with Salalah Port Services and Salalah Free Zone. These land rights are set to expire between 2035 and 2047 unless renewed. There is no guarantee that renewals will be on favorable terms or secured at all. Failure to renew or renegotiate these agreements could result in the company losing access to key production assets, with material adverse effects on its business and financial condition.

**The majority of OQBI products are sold via an offtake agreement with OQ Trading.**

The company exports all its methanol and ammonia, and c. 90% of its LPG products (excluding cooking gas), under long-term, arm's-length exclusive offtake agreements with OQ Trading. These agreements expiring in FY 31/32/37e for methanol/ammonia/LPG require OQ Trading to purchase all export-designated volumes. As the sole off-taker, OQ Trading poses concentration risk, including potential liquidity issues, insolvency, or operational disruptions. Though none have occurred since 2010, any failure by OQ Trading to offtake could force the company to find alternate buyers, likely under less favorable terms, or reduce production if sales or storage cannot be arranged promptly. The agreements also mandate that products meet specific quality standards. If quality is not met, lower pricing may be negotiated. Failing agreement on revised terms, the company must find other buyers, which may not be possible on acceptable terms. Additionally, the company must compensate OQ Trading for its marketing services if it fails to deliver contractually agreed volumes or quality.

**OQBI's products are transported through a third party and are subject to regulatory oversight**

The company's ability to transport and distribute its products is subject to environmental, safety, and regulatory constraints, as well as risks inherent to the shipping industry. All methanol, ammonia, and about 90% of LPG exports are shipped via sea from the Port of Salalah, using pipelines and loading arms operated by the company. Risk transfers to OQ Trading at the flange point. Domestically sold LPG (cooking gas) is trucked by third-party distributors, with risk passing upon loading. Transportation may be disrupted by hazards such as equipment failure, accidents, adverse weather, or regulatory issues, any of which can increase costs or delay shipments, impacting revenue and operations. Additionally, costs related to freight, vessel hire, taxes, inspections, port fees, insurance, and customs duties are deducted from the company's sale

price to OQ Trading. Significant increases in these expenses could impact the company's profitability and financial performance.

#### **OQBI could incur substantial CapEx due to ESG-related regulatory changes**

The international community has reached consensus on the importance of addressing climate change through the reduction of emissions for methanol, ammonia, LPG, and broader petrochemical industries due to their environmental impact. These sectors face both physical risks, such as extreme weather, and transition risks (towards lower carbon products), including regulatory changes, technological shifts, and evolving public and market expectations. These risks can result in higher costs, operational disruptions, and financial liabilities. Efforts to reduce emissions and enhance safety are driving global policy changes. For methanol, the focus is on lowering emissions; for ammonia, regulations aim to reduce its agricultural use and associated environmental impacts; for LPG, initiatives target stricter emission standards and promote cleaner alternatives, especially in households. These changes vary by region and are shaped by local policies and international agreements. Governments are implementing measures like carbon taxes, emission trading schemes, and mandates for renewable energy. Oman, which ratified the Paris Agreement in 2019, is committed to reducing fossil fuel use and has launched multiple initiatives to meet climate goals. These include forming the National Committee for Climate Change, adopting a national net-zero plan, and pledging a 21% reduction in GHG emissions by 2030.

Five key sectors, including oil and gas, are targeted under this strategy. The company has set its own GHG reduction targets and identified over 30 potential initiatives through 2035. However, achieving these goals is uncertain due to operational complexity and economic viability challenges, especially without consistent carbon pricing mechanisms. The 2023 UN Climate Conference's agreement to transition away from fossil fuels by 2050 may significantly affect hydrocarbon production in Oman, though the exact impact remains unclear. Stricter emissions regulations could materially impact the company's operations, as its production processes rely on natural gas and emit GHGs like CO<sub>2</sub> and N<sub>2</sub>O. These changes could increase operating and capital costs, lower efficiency, raise administrative burdens, or limit export opportunities, particularly to Europe under the European Green Deal. The company also plans to tighten compliance checks for new projects, which may delay or prevent future developments.

## Company overview

### OQBI is the only integrated producer in Oman of methanol, ammonia, and LPG Products

OQBI is Oman’s sole integrated producer of methanol, ammonia, and LPG products, including propane, butane, condensate, and cooking gas. Established in 2006, it became a wholly-owned subsidiary of OQ, Oman’s leading energy company, and in 2024, it acquired OQ LPG, a previously independent subsidiary of OQ. The company operates across the entire natural gas value chain, with three advanced plants in the South Free Zone (SFZ) near the Port of Salalah, Oman’s largest port, which connects to key markets in MENA, Europe, and Asia. The plants have a combined production capacity of 1,816 ktpa and process both rich and lean natural gas feedstock supplied under long-term agreements with IGC through a network operated by OQGN, an OQ subsidiary. Most of the company’s products are exported under long-term, exclusive take-or-pay agreements with OQ Trading, mainly to markets in Asia and the MENA region, with some sales to Europe and Africa.

#### Exhibit 119: OQBI’s historical timeline

Date	Event
2006	Salalah Methanol Company was established
2010	Salalah Methanol plant commissioned
2016	Salalah LPG SFZCO LLC was established
2019	OQ brand launched
2021	LPG plant commissioned
2022	Ammonia plant commissioned
2024	Acquisition by the Company of OQ LPG and rebranding of the Company as OQ Base Industries

Source: Company Data

The company operates through three main divisions—Methanol, Ammonia, and LPG Products—and reports its financial performance under two segments: the Methanol Plant (which also includes the ammonia plant results) and the LPG Plant.

- **Methanol:** The company runs a methanol plant with a production capacity of 1,095ktpa. Methanol is a key chemical used in various industrial products and as a cleaner fuel. In 2023, the company produced 904kt of methanol, and in H1 2024, it produced 614kt. Methanol sales contributed to c39.4% of total revenues in 2023 and 50.0% in H1 2024. All the produced methanol is exported.
- **Ammonia:** The company operates an ammonia plant with a production capacity of 365ktpa. Ammonia is primarily used in nitrogen-based products, including fertilizers, industrial chemicals, and energy applications. In 2023, the company produced 264kt of ammonia, and in H1 2024, it produced 147kt. Ammonia sales made up 20.0% of total revenues in 2023 and 15.5% in H1 2024. All the produced ammonia is exported.
- **LPG Products:** The company runs an LPG plant with a production capacity of 356ktpa, producing LPG Products such as propane, butane, condensate, and cooking gas. These products are used for various energy purposes. In 2023, the company produced 336kt

of LPG Products, and in H1 2024, it produced 178kt. LPG Product sales accounted for 40.7% of revenues in 2023 and 34.5% in the first half of 2024. Around 90% of the LPG Products are exported, with the remaining portion sold domestically as cooking gas.

### **OQBI's strong operational track record**

The company's methanol, ammonia, and LPG plants were commissioned in 2010, 2022, and 2021, respectively. These relatively new assets benefit from advanced technology, enhanced operational efficiency, and lower maintenance needs. Ensuring the safe operation of its plants is a top priority, and as of June 30, 2024, the company reached a significant achievement of 4.7m man-hours without a Lost Time Injury (LTI). Additionally, the plants' reliability and efficiency are bolstered by integrated production at scale. More than 50% of the lean natural gas produced by the LPG plant is used by the company's methanol and ammonia plants, allowing for optimized LPG plant operations by scheduling production outages based on demand and pricing forecasts. This integration has resulted in high utilization rates across all three plants during the review periods, with the methanol plant achieving an average of 99% utilization between 2021 and 2023, the ammonia plant averaging 80% between 2022 and 2023, and the LPG plant averaging 84% during the same period. In the first half of 2024, utilization rates reached 116% for the

### **OQBI's strengths:**

#### **Oman as a strategic investment hub and the Salalah Free Zone advantages**

The company benefits significantly from its strategic location in Oman, a rapidly growing and politically stable investment destination in the region. Oman's positive economic outlook is underpinned by Vision 2040, which outlines a long-term national strategy focused on economic diversification and private sector growth. Recent structural reforms, including the consolidation of national assets under the Oman Investment Authority (OIA) and the acceleration of divestment programs, have enhanced the country's investment appeal to both regional and international investors.

Operating within the Salalah Free Zone (SFZ), the company enjoys numerous structural advantages, including zero income tax, customs duty exemptions, and access to a skilled yet cost-effective labor pool. Its location, just 3 km from the Port of Salalah, one of the largest transshipment hubs in the Middle East, provides a critical logistical advantage by offering direct access to major global trade routes across Asia, Africa, the Middle East, and Europe. This strategic positioning supports efficient energy sector operations, enabled by long-term gas supply from the OQGN pipeline network under favorable terms.

#### **Operational excellence and state-of-the-art assets**

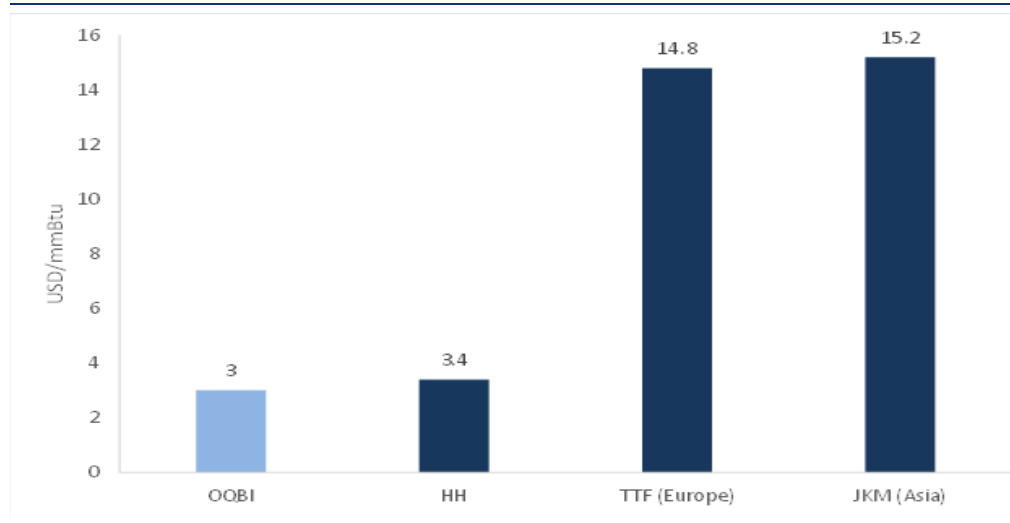
The company's operations are anchored by three integrated production facilities: a methanol plant commissioned in 2010, an LPG plant commissioned in 2021, and an ammonia plant brought online in 2022. These state-of-the-art assets are designed for high reliability and efficiency, as evidenced by the company achieving over 4.7 mn man-hours without a Lost Time Injury (LTI) as of June 30, 2024. Utilization rates further demonstrate operational strength, with average utilization between 2021 and 2023 reaching 99% for methanol, 80% for ammonia, and 84% for LPG. In H1 2024, these figures climbed to 116%, 97%, and 98%, respectively, reflecting stable operations and high demand. The integration of production processes also allows for enhanced

energy efficiency, with approximately 50% of lean gas from the LPG plant being consumed internally.

### Gas supply and pricing advantage

The company's long-term natural gas supply agreements are a critical component of its cost competitiveness. Notably, the methanol plant benefits from a netback pricing structure that ties gas input costs to methanol market prices, preserving margins in periods of volatility. Historically, these pricing arrangements have delivered significant savings, with gas costs estimated to be 10% to 80% lower than international benchmarks such as Henry Hub, TTF, and JKM. The LPG facility operates under a revenue-sharing model with IGC, which eliminates the need for upfront gas purchases and reduces exposure to price fluctuations. Additionally, the upcoming expansion of the OQGN pipeline—expected to be operational by August 2024—will increase gas availability to the Dhofar region, further strengthening the company's feedstock security.

**Exhibit 120: OQBI enjoyed 10%-80% cheaper gas cost vs. global peers over the last 5 years**

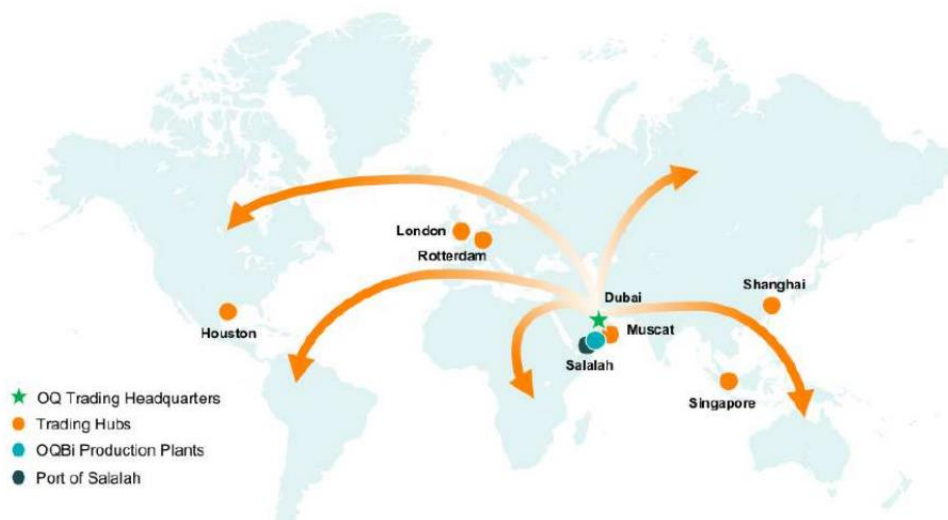


Source: Company Data

### Strategic location and logistics advantage

The company's proximity to the Port of Salalah allows for highly efficient outbound logistics and reduced transportation costs. Its dedicated pipeline infrastructure and ample onsite storage provide reliable access to export terminals, streamlining product movement to global markets. Offtake agreements with OQ Trading, a leading global petrochemical trading house, cover 100% of the company's methanol, ammonia, and LPG production. These take-or-pay contracts ensure stable offtake volumes, diversified market access, and predictable revenue streams, providing insulation from market demand fluctuations.

### Exhibit 121: OQBI benefits from a strategic location

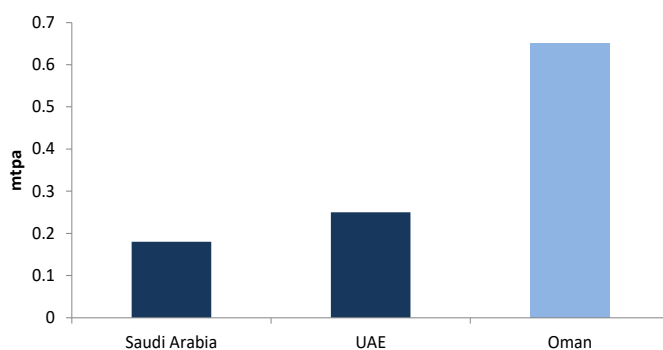


Source: Arqaam Capital Research, Company Data

### Growth potential: expansion and clean energy transition

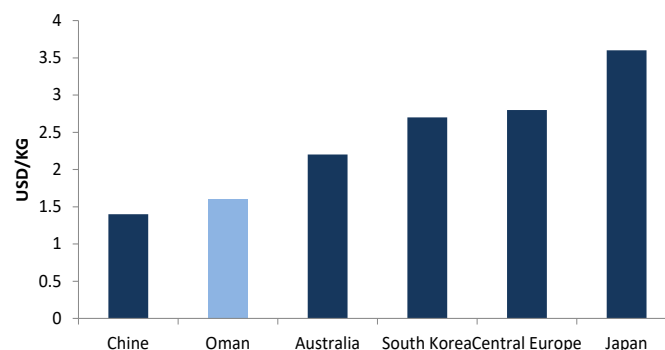
The company has a clearly defined growth trajectory, supported by a planned brownfield expansion project to increase methanol production capacity by approximately 50%, or 550ktpa. This project is substantially de-risked through secured feedstock allocation, proven process technology, and existing offtake arrangements. It positions the company to capture rising demand, particularly in Asia, where methanol consumption is expected to grow from 120mtpa in 2023 to 141mtpa by 2030, ammonia from 41mtpa to 46mtpa, and LPG from 357mtpa to 396mtpa over the same period. The company is also well-positioned to benefit from the global transition toward cleaner fuels, with both methanol and ammonia emerging as key players in decarbonizing the marine and industrial sectors. Clean ammonia demand is projected to exceed 200mtpa by 2040, with 170mtpa expected to be consumed in marine applications alone. The company's decarbonization plan, which targets net-zero emissions by 2050, aligns with Oman's Vision 2040 and enhances its attractiveness to ESG-conscious investors.

### Exhibit 122: Export Volumes for Hydrogen in the Middle East Based on Planned Projects, 2030



Source: Company data

### Exhibit 123: Renewable hydrogen production costs in potential export countries and import markets in 2030



Source: Company data

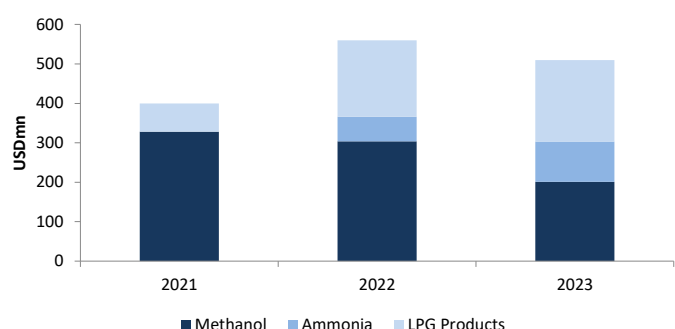


Oman's strategic geographic position and climate conditions, which provide ample access to low-cost solar and wind resources, make it optimally positioned to benefit from low-cost renewable energy production, which is one of the key focus areas of the Government's energy transition strategy. Additionally, the Company benefits from direct access to European and Asian markets, where there is a growing regulatory mandate for cleaner fuels

### Financial strength and dividend capacity

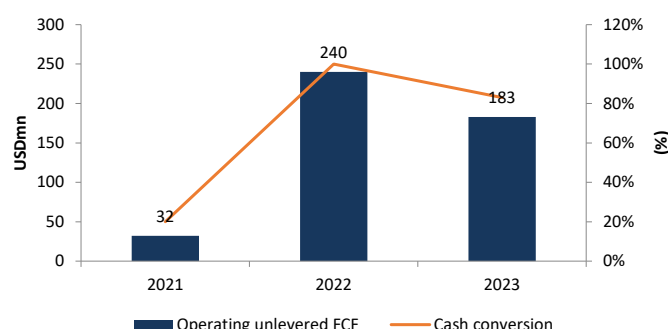
The company's financial profile reflects strong operational and market fundamentals. In 2023, it generated revenue of USD 509.5mn and maintained an adjusted EBITDA margin of 43.1%, highlighting its ability to operate profitably across market cycles. This financial strength supports consistent dividend distribution and long-term value creation. The company's performance is underpinned by its cost advantage, high plant reliability, and diversified product mix, placing it competitively alongside regional and international petrochemical peers.

**Exhibit 124: Attractive dividends supported by strong operational performance...**



Source: Company data

**Exhibit 125: ...and a strong cash flow generation across commodity cycles**



Source: Company data

### OQBI's strategy:

#### Operational excellence and reliability

The company's strategy is centered on driving sustainable growth and operational excellence by fostering a people-focused culture, advancing energy-efficient decarbonisation initiatives, and supporting domestic development. A core strategic priority is maintaining high operating standards, particularly through reducing energy intensity and enhancing plant reliability. In the first half of 2024, the company achieved less than 1% unplanned downtime across its methanol, ammonia, and LPG facilities, which is well below its internal targets of 4% for the methanol and LPG plants and 8% for ammonia. Scheduled turnarounds, which are critical to ensuring long-term reliability and performance, occur every five years for the methanol and ammonia plants, with the next scheduled for 2028, and every four years for the LPG plant, with the next turnaround planned for 2025.

#### Energy efficiency and decarbonisation

Operational excellence is complemented by a clear commitment to energy efficiency. As of 30 June 2024, the company had already achieved a reduction in energy intensity of 0.3 mmBtu/kt compared to a 2023 baseline, on track to meet its 2025 target of a 1.1 mmBtu/kt reduction. This forms part of a broader decarbonisation strategy, which includes a roadmap to reduce emissions

by 25% by 2030 and to achieve net-zero emissions by 2050. In 2024, the company launched detailed greenhouse gas (GHG) and energy efficiency studies to establish consistent processes for measuring and reporting emissions and energy use. By the end of 2025, it aims to reduce emissions by 5% and energy intensity by 1.1mmBtu/kt, relative to 2023, through process optimisation initiatives across its production assets.

### **Process optimisation and emissions reduction initiatives**

These initiatives include the implementation of advanced process control systems in the methanol and LPG plants, upgrading the steam and hot water systems at the methanol plant, transitioning from steam to electric drivers, and optimising the water content in ammonia and the quality of LPG products. Over the medium term, the company has identified several capital investment projects—such as carbon capture, utilisation and storage (CCUS) units for methanol reforming, steam de-superheating, and LPG power integration—that could collectively reduce emissions by a further 20%. Additional measures include utilizing carbon credits, deploying green hydrogen, and exploring CCUS applications for blue or green ammonia production.

### **Sustainable water management**

Beyond energy, the company is actively engaged in sustainable water management. It operates a dedicated seawater intake and treatment facility and is developing baseline water consumption data for its administrative facilities to further enhance water use efficiency.

### **Environmental, Social, and Governance (ESG) Commitment**

The company is committed to implementing a comprehensive ESG strategy with key priorities focused on health and safety, environmental stewardship, corporate social responsibility (CSR), and diversity and inclusion. As of 30 June 2024, the company achieved 4.7 million man-hours without a lost time injury and has intensified efforts to ensure contractor wellbeing by preparing a joint assessment to identify improvement areas. Environmental goals include reducing emissions by 25% by 2030 and reaching net-zero by 2050, supported by decarbonisation initiatives such as energy optimisation, CCUS, green hydrogen utilisation, and a suite of efficiency upgrades. On the CSR front, the company is engaged in various community-focused projects, including the OQ Innovation Laboratory at the Vocational College in Salalah, the Dhalkout Cultural Centre, and the Chemical Engineering Lab at the University of Technology and Applied Science in Salalah. Additionally, it has planted over 800 trees under the OQ Green Initiative since 2023 and is developing a social return on investment (SROI) framework. In terms of inclusion, the company is targeting increased youth employment and aims to have at least 2% of its workforce comprised of individuals with disabilities.

### **Brownfield Expansion and Capex Efficiency**

From a growth perspective, the company has a clear roadmap that includes a brownfield expansion of its methanol plant, which would increase capacity by approximately 50%—or 550 ktpa—by leveraging existing infrastructure and approved gas allocations. This project is expected to require capital expenditure of around USD 470 million and would benefit from approximately 40% lower capex intensity compared to a greenfield development. Subject to a final investment decision in Q1 2026, the expansion is slated for completion in Q4 2028 to align with scheduled plant maintenance.

### Downstream and Derivative Product Development

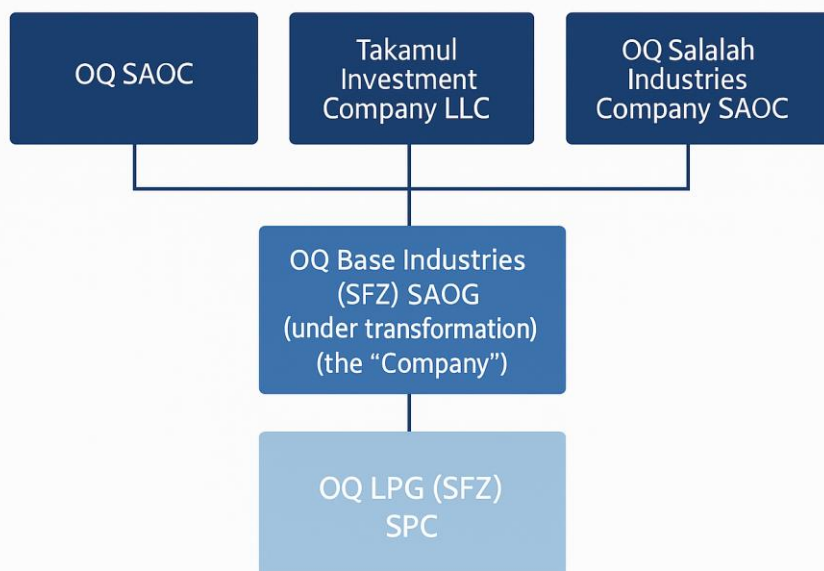
Looking further ahead, the company is exploring opportunities to enter attractive downstream markets. These include potential production of acetic acid, urea formaldehyde resin, and various nitrogen- and phosphate-based fertilizers and additives. Demand for acetic acid stood at 17 million metric tons (mmt) in 2023, with an additional 6 mmt expected by 2030, while urea formaldehyde resin demand was 21 mmt in 2023 and is projected to grow by 4 mmt by 2030. The LPG facility also holds potential for derivative products such as polyacrylamide and butadiene.

### Long-Term Transition to Low-Carbon Products

Over the long term, the company is well-positioned to participate in emerging low-carbon ammonia and methanol markets, particularly as demand accelerates for marine fuels and clean energy solutions.

### Organizational structure:

**Exhibit 126: OQBI's organizational structure**



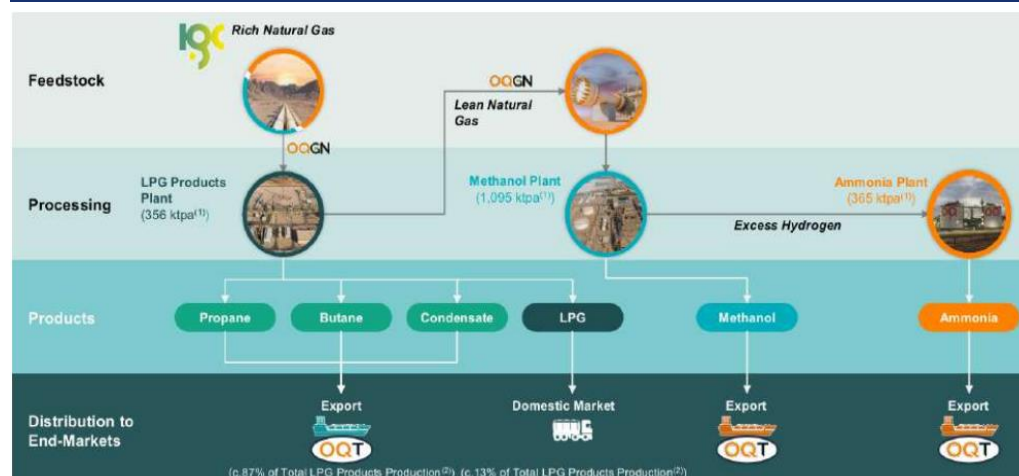
Source: Arqaam Capital Research

### OQBI's operations:

The company operates a tightly integrated production complex in Salalah consisting of three major process units: a methanol plant, an ammonia plant, and an LPG plant. These assets are strategically configured as part of a value chain that maximizes feedstock utilization and minimizes wastage, with each facility supporting or supplying the next. Feedstock for the entire complex, rich natural gas, is procured from International Gas Company (IGC) and delivered through OQ Gas Network's (OQGN) transmission system. The integrated design enables optimal

use of energy and materials, facilitating high plant utilization and contributing to the company's overall operational efficiency.

**Exhibit 127: OQBI's operational chain**



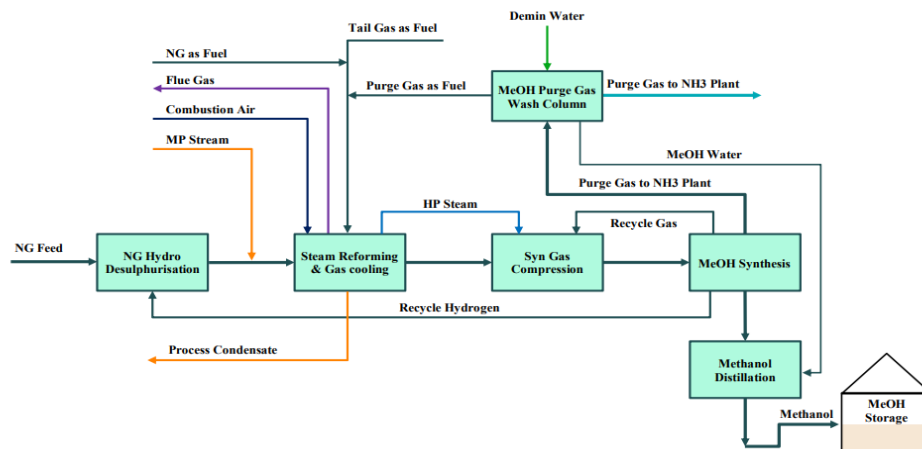
Source: Arqaam Capital Research

**Exhibit 128: OQBI's utilization rates and production volumes**

	2021	2022	2023	H1 2023	H1 2024
<b>Utilisation (%)</b>	<b>92%</b>	<b>83%</b>	<b>89%</b>	<b>90%</b>	<b>104%</b>
- Methanol plant (%)	105%	107%	95%	94%	116%
- Ammonia plant (%)		60%	83%	84%	97%
- LPG plant (%)	80%	83%	89%	92%	98%
<b>Production Volumes (kt)</b>	<b>1,244</b>	<b>1,504</b>	<b>1,504</b>	<b>810</b>	<b>939</b>
- Methanol (kt)	1,112	1,133	904	497	614
- Ammonia (kt)		91	264	147	147
- LPG Products (kt)	132	280	336	167	178
• Butane (kt)	44	84	103	52	56
• Propane (kt)	64	138	155	78	79
• Condensate (kt)	10	27	43	20	25
• LPG (cooking gas) (kt)	14	32	34	16	18

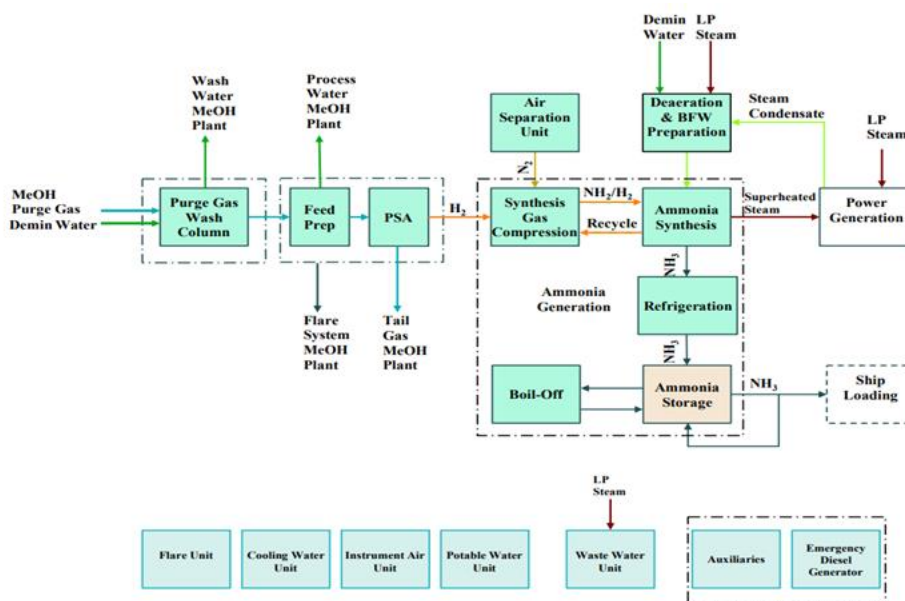
Source: Company Data, Arqaam Capital Research

**The methanol plant**, commissioned in 2010, was the company's first major asset and can produce 1,095ktpa of commercial-grade methanol with a purity of at least 99.85%. Lean gas, which is produced as a byproduct of processing at the LPG plant, serves as the feedstock for methanol. It is reformed through steam methane reforming technology and converted into synthesis gas, which is then catalyzed to form methanol. The final product undergoes a multi-stage distillation process to achieve high purity standards before being stored in tanks and transported via pipeline to the Port of Salalah for export. The company is currently assessing a brownfield expansion of the methanol plant that would add 550ktpa of new capacity. Gas for the project has already been allocated, and a variable gas pricing formula has been approved, providing downside protection in unfavorable market conditions. The expansion will rely on conventional and proven technologies, and a final investment decision is expected by Q1 2026.

**Exhibit 129: Methanol production process**


Source: Arqaam Capital Research

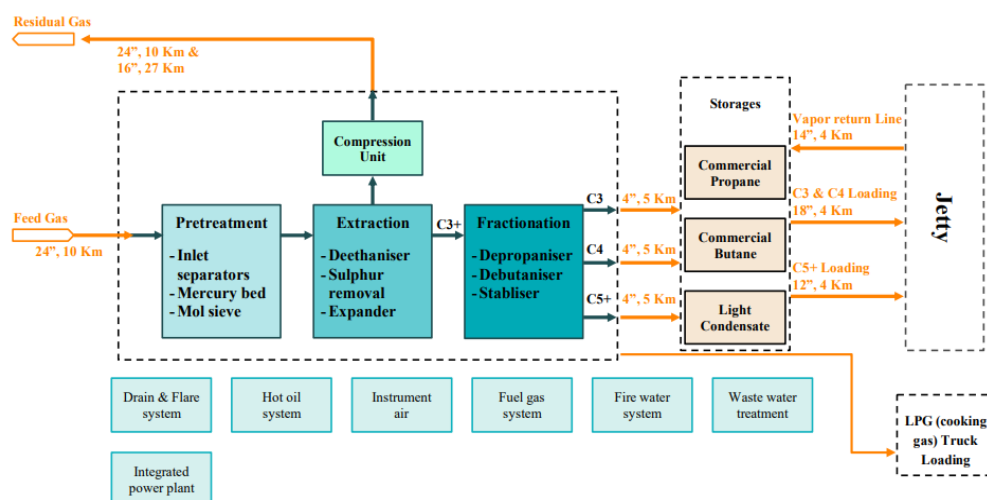
The ammonia plant, which began operations in 2022, has a nameplate capacity of 365ktpa and operates with a significant energy and capital cost advantage due to its unique design. Unlike conventional ammonia facilities, this plant does not include a reformer. Instead, it sources hydrogen-rich purge gas, a byproduct from the methanol plant, as its primary feedstock. This hydrogen is transferred via a dedicated interconnecting pipeline, and nitrogen is produced on-site from atmospheric air using an air separation unit. The combination of hydrogen and nitrogen in a synthesis reactor yields ammonia gas, which is then cooled and condensed into liquid ammonia and stored in dedicated tanks. This process design reduces energy consumption by 20–30% compared to traditional plants and significantly lowers capital intensity, offering a structural advantage over peers.

**Exhibit 130: Ammonia Production Process**


Source: Company Data, Arqaam Capital Research

**The LPG plant**, which was commissioned in 2021, is designed to process up to 8.8MMSCM/D of rich gas. It has a production capacity of 356ktpa and is responsible for extracting propane, butane, condensate, and lean gas from the feedstock. The facility includes several processing units, gas pretreatment, dehydration, extraction, and fractionation, to separate the components. The extracted propane and butane are either exported or sold domestically (especially for use as cooking gas), while the condensate is exported. Crucially, the lean gas produced after these separations is not wasted; it is used as feedstock for the methanol plant, allowing the company to close the loop on feedstock utilization and maintain the integration of its value chain. All LPG products are stored in product-specific tanks and transported to the Port of Salalah for shipping.

**Exhibit 131: LPG Production Process**



Source: Company Data, Arqaam Capital Research

All three plants are constructed using commercially proven technologies and were designed with an operational life of 25 years. They undergo regular turnarounds every four to five years to ensure mechanical integrity and process safety. Operationally, the company has consistently.

## Competition

The markets for methanol, ammonia, and LPG products are characterized by strong competition, driven by several key factors. Among the most influential are feedstock costs, which significantly impact the cost competitiveness of producers, and technological advancements in production processes, which can result in improved efficiency and lower operational costs. Regional market dynamics also play a critical role—these include local supply and demand balances, import and export restrictions, and broader trade policies that can influence market access and pricing in different geographies.

The company operates in an industry where competition comes primarily from large, well-established entities. These include major integrated energy corporations, large-scale chemical producers, and companies that specialise in industrial gases. Such competitors often benefit

from scale, diversified product portfolios, and global distribution networks, which can enhance their competitive positioning across international markets.

Despite the competitive nature of the industry, the company currently does not participate in an open market for its core products. OQ Trading acts as the exclusive offtaker for all of the company's methanol, ammonia, and LPG products, with the sole exception of LPG (cooking gas), which is distributed domestically in Oman under a separate arrangement with the Ministry of Energy and Minerals (MEM). This offtake structure provides a level of insulation from typical competitive pressures, as the company is not required to compete for customers in the open market on a day-to-day basis.

However, the company remains indirectly exposed to competitive forces through the pricing mechanisms embedded in its offtake agreements. These mechanisms link product pricing to global indices and include provisions for annual review of volume and price adjustments based on market trends and supply-demand forecasts. As such, while the company is not selling its products through open bidding or spot markets, it must remain cost-competitive and responsive to broader market movements to preserve the long-term value and attractiveness of its offtake arrangements.

Petchems regional competitors include: SABIC, Saudi Kayan, Yansab, Advanced Petrochemicals, SIIG, Tasnee, Sipchem, IQCD, Borouge, and ADNOC GAS.

### OQBI's agreements:

#### LPG Plant BOOT/NGSA Agreement

On 11 June 2017, OQ LPG entered a Build, Own, Operate and Transfer and Natural Gas Supply Agreement (BOOT/NGSA) with the Government of Oman, represented initially by the Ministry of Energy and Minerals (MEM), and subsequently by IGC from 1 January 2023. Under this agreement, IGC supplies rich natural gas to OQ LPG's plant at no upfront cost, in exchange for the return of lean natural gas post-extraction into OQGN's transmission network and a **revenue share from LPG product sales**, calculated after deducting operating expenses, capital expenditure, financing obligations and shareholder funding through a **payment waterfall**. According to this waterfall, revenue is applied to costs first, and the remaining amount is split 80% to the Government and 20% to the company. If IGC does not deliver the agreed gas volume or provides gas that does not meet specifications, the company may be entitled to compensation, provided it gives notice and chooses to reject the non-conforming gas. Shrinkage—the difference between supplied rich gas and returned lean gas—must not exceed 0.91MMSCM/day. If it does, IGC may reduce or suspend gas supply or seek recovery of revenues from the company. The term of this agreement is 25 years from commissioning of the plant, expiring in August 2046, with an optional 10-year extension. The LPG plant and facilities will revert to the Government upon expiry or termination due to an unremedied default lasting over 120 days. Events of default include material breaches, overstatement of operating costs, or insolvency by the company, and utility or land-related terminations or material breaches by the Government. In the case of early termination due to default, the Government must compensate the company for the plant and facilities.



### **Methanol Plant Gas Supply Agreement**

The company signed a long-term Gas Supply Agreement with the Government on 14 January 2008, through MEM and currently administered by IGC, for the supply of lean natural gas to its methanol plant. The company undertakes to purchase a minimum volume on a take-or-pay basis, with a maximum daily delivery cap of 150,000mmBtu. The base gas price is set at USD1.50/mmBtu and is subject to adjustments based on gas quality and the weighted average netback price per tonne of methanol sold during the invoice month. Additionally, starting from the date of commercial production and every 1 January thereafter, the base price is adjusted annually in line with the U.S. Consumer Price Index (CPI) as published by the U.S. Bureau of Labor Statistics. The contract remains in force for 25 years from the plant's commercial production start, expiring in 2035, and may be extended upon mutual agreement. If IGC fails to meet delivery volumes or if the gas does not meet the quality standards, the agreement outlines prioritisation and compensation mechanisms.

### **Offtake Agreements for LPG and Methanol**

On 1 June 2017, OQ LPG entered into a 15-year offtake agreement with OQ Trading for the sale of all its LPG products—excluding LPG allocated for domestic cooking gas usage—running until 2037. Pricing for propane and butane is linked to the Saudi Aramco contract price, while condensate pricing is jointly agreed upon annually, with adjustments for market conditions. Each year, in Q4, the two parties agree on the volume to be offtaken for the upcoming year, and any price premium or discount to be applied, which takes effect from 1 January. If OQ Trading fails to offtake the agreed volumes, the company may sell the excess via spot sales and recover the price differential, subject to specific conditions. Similarly, the company entered into a methanol offtake agreement with OQ Trading on 20 September 2017, covering 100% of its methanol production. This contract runs until 31 December 2031 and is expected to be amended to extend until 2042. The agreement automatically renews in three-year cycles until project financing is repaid, and thereafter annually unless either party gives a one-year termination notice. Pricing is tied to relevant market indices and adjusted for freight and market supply/demand dynamics. Annual volume and pricing adjustments are agreed upon each Q4 and applied from the start of the next year. Failure by OQ Trading to offtake agreed volumes allows the company to sell excess methanol and claim compensation.

### **Ammonia Offtake Agreement**

On 11 June 2017, the company also signed an ammonia offtake agreement with OQ Trading for the purchase of 100% of its ammonia production. This contract is valid for ten years from the start of commercial production and will be automatically extended until the company's financing obligations are fully repaid. After that, it renews yearly unless terminated with at least one year's notice before expiry. Like the methanol agreement, pricing is determined using a relevant market index and adjusted for market-based discounts or premiums. Each year, in Q4, the parties agree on the volume and pricing adjustments for the next 12-month period. If OQ Trading does not lift the agreed quantity, the company is permitted to sell the product on the spot market and recover the price differential under certain conditions.

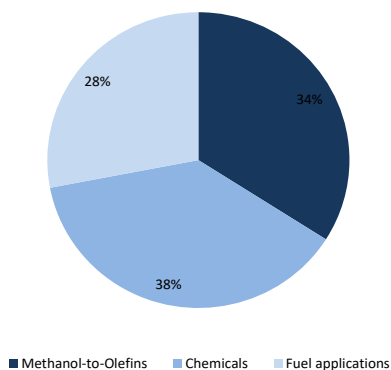


## Industry overview

### Methanol

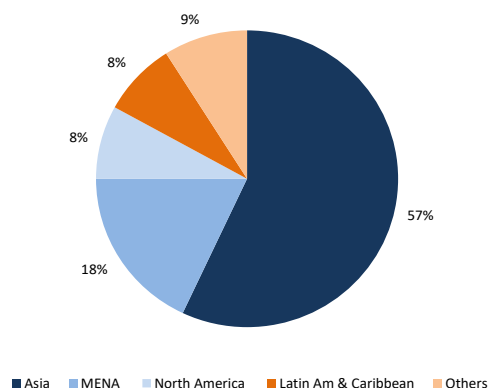
Methanol is a clear, water-soluble petrochemical and an essential building block for numerous industrial and energy-related applications, namely building and automotive parts, paints, paper, plastics, pharmaceuticals, fuel for road and sea vehicles, boilers, kilns, and cooking, as well as an input for methanol-to-olefin processes. Demand for methanol in 2023 was broken down into 28% for fuel applications and fuel enhancers while 72% was used for olefin and non-olefin chemical applications, 34% of which was converted into olefins using methanol to olefins technology (MTO) or methanol to propylene (MTP) technologies to be used in a multitude of plastic applications and the remaining 38% was used for non-olefin applications, including formaldehyde, acetic acid, methylamines, and methyl methacrylate. Global methanol capacity stood at 180 mtpa in FY 23A, of which 43% was produced from natural gas, 28% from coal, 19% from MTO/MTP, and 10% from other processes. Asia leads methanol capacity with 57% of global capacity, followed by the MENA region with 18% and then North America and Latin America, and the Caribbean, all with 8%. Global demand for methanol was at 120m tons in FY 23, with a 21m ton accretion expected in FY 23-30e. Supply is currently outpacing demand by c. 3m tons, but supply/demand is expected to be well balanced in FY 25- 30e.

**Exhibit 132: Methanol applications**



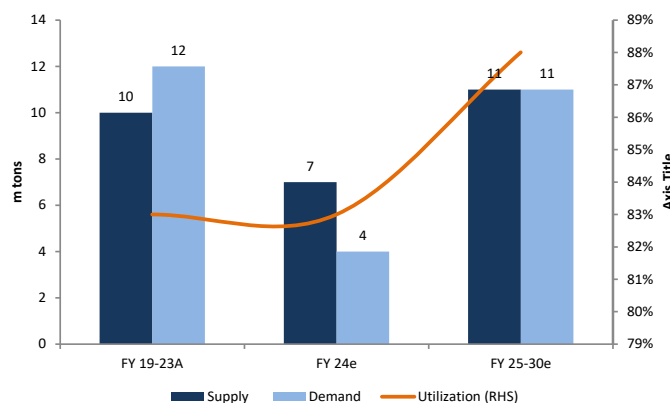
Source: Company Data, Arqaam Capital Research

**Exhibit 133: Methanol global capacity by region**



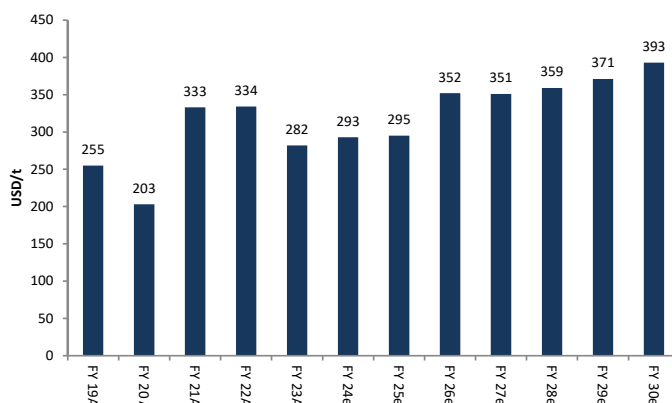
Source: Company Data, Arqaam Capital Research

**Exhibit 134: Global methanol supply/demand**



Source: Company Data, Argus Consulting, Arqaam Capital Research

**Exhibit 135: Methanol China CFR spot prices FY 23-30e**

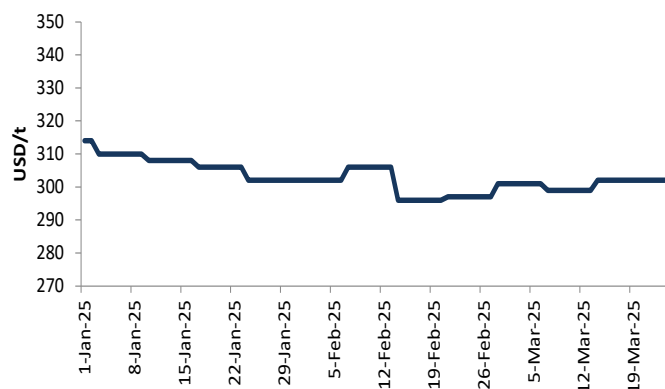


Source: Company Data, Argus Consulting, Arqaam Capital Research

## Methanol – Demand to remain robust and supported by increased downstream capacities, supply tightness to continue amidst shutdowns

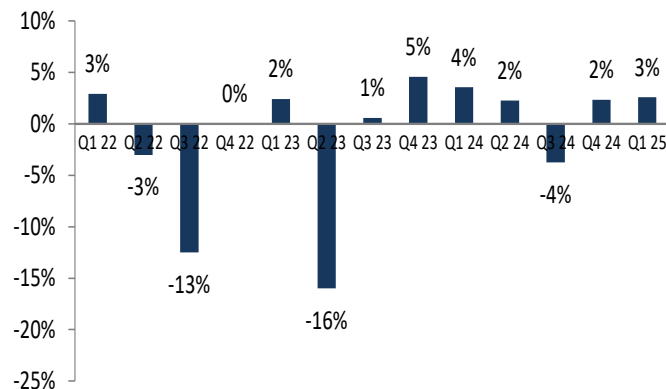
Methanol demand in Asia, particularly in China, remains robust, driven by the country's position as the world's largest importer of methanol. By October 2024, China had imported over 11mt of methanol, reflecting the continued importance of methanol in its industrial sector. Despite fluctuations in spot prices throughout the year, demand from China remained robust. A significant factor in the demand for methanol is the methanol-to-olefins (MTO) process, which saw an increase in operating rates from 55% in July to over 90% in October as methanol prices dropped. Approaching FY 25e, methanol consumption is expected to remain strong, supported by upcoming capacity additions for downstream products like acetic acid and MTBE. In total, 5mtpa of acetic acid and over 1mtpa of MTBE will be added in China by the end of FY 25e, further boosting methanol demand.

**Exhibit 136: Methanol YtD price trajectory**



Source: Bloomberg, Arqaam Capital Research

**Exhibit 137: Methanol price q/q % change**

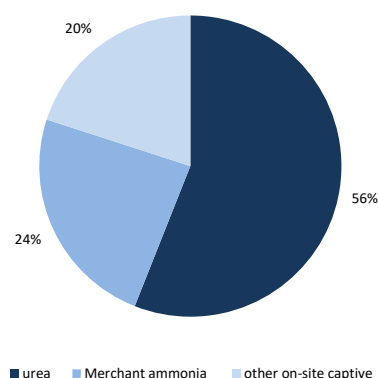


Source: Bloomberg, Arqaam Capital Research

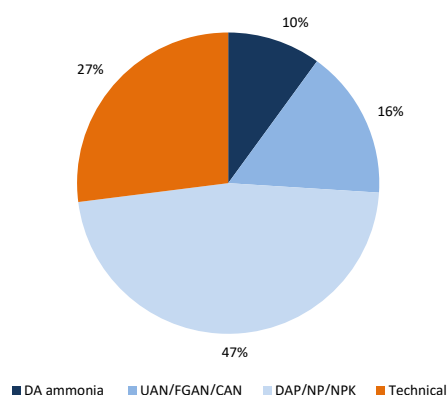
## Ammonia – the key building block for N-based fertilizers, with a well-balanced supply/demand outlook

Ammonia is produced from the synthesis of nitrogen from air and hydrogen. It is the key building block for N-based fertilizers, mainly urea, or multi-nutrient fertilizers. Ammonia also has other non-fertilizer uses such as explosives, ammonium nitrate, textiles, and plastics intermediates, and potential use in clean energy transition (blue/green ammonia). Global ammonia demand stood at 186m tons in FY 20 c. 80% of which was for fertilizer use, and c. 20% was for other (non-fertilizer) uses.

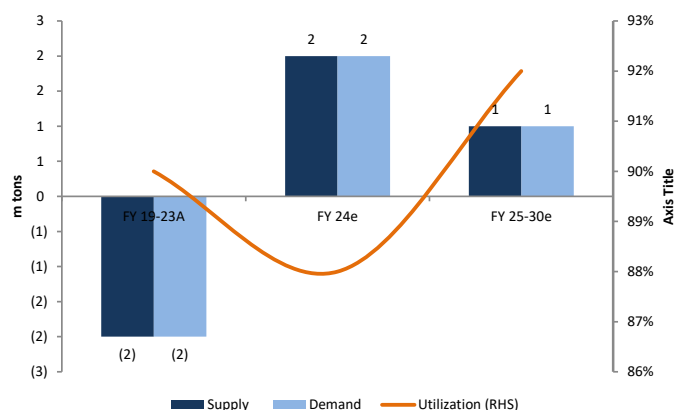
Global ammonia supply decreased at a 1.4% CAGR in FY 19A-23A, with much of the ammonia capacity developed over the past 20-30 years associated with a downstream investment in urea capacity, a trend that is expected to continue, with supply/demand dynamics expected to remain balanced in the medium term, with the commissioning of downstream ammonium phosphates capacity expected to tighten supply. Ammonia capacities are mainly located in countries with large populations and significant agricultural markets or close to cheap gas to serve the export markets.

**Exhibit 138: Ammonia demand in FY 20A**


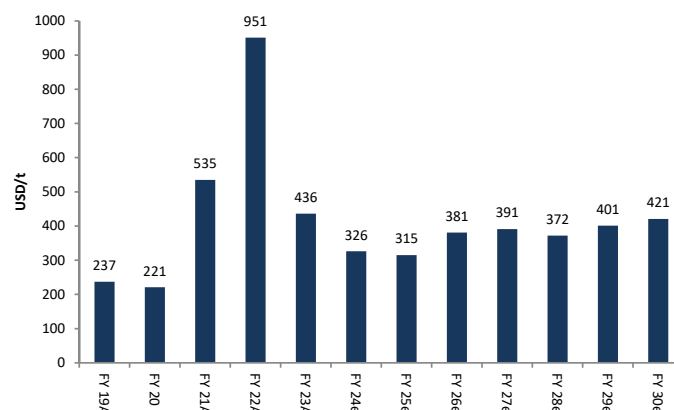
Source: Company Data, Arqaam Capital Research

**Exhibit 139: Ammonia trade by end-use**


Source: Company Data, Arqaam Capital Research

**Exhibit 140: Global ammonia supply/demand**


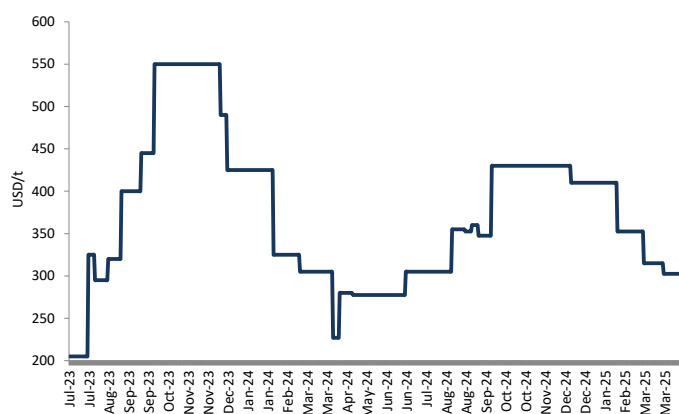
Source: Company Data, Argus Consulting, Arqaam Capital Research

**Exhibit 141: Ammonia Middle East FOB spot (FY 19A-30e)**


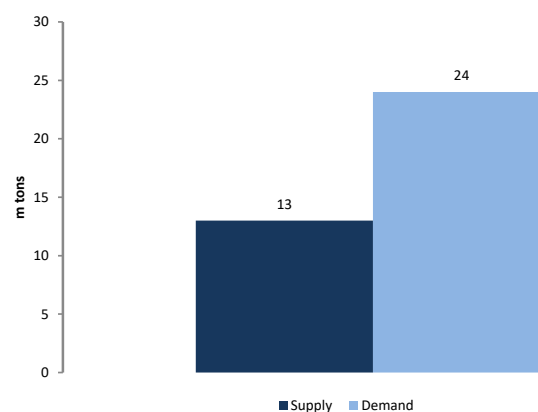
Source: Company Data, Argus Consulting, Arqaam Capital Research

**Ammonia spreads remain depressed due to market oversupply, and new applications are expected to drive demand in the medium/long-term.**

EU gas prices remain elevated and highly sensitive to supply/geopolitical issues, driving the ammonia cost curve to trend higher. TTF prices averaged USD 11/mmBtu, significantly higher than its mid-cycle average. In FY 24a, ME ammonia averaged USD 350/t c. USD 75/USD below cash costs, this is mainly due to market oversupply, as inventory levels remain sufficient to meet existing demand pushing producers to further reduce prices to manage surplus stock in the medium-term demand is expected to recover given the limited supply additions post 202, with the focus on blue/green ammonia. Longer term, we expect spreads to recover as developing regulations (CBAM implementation) and emerging uses for low-carbon ammonia potentially accelerate ammonia demand.

**Exhibit 142: Ammonia price movement**


Source: Bloomberg, Arqaam Capital Research

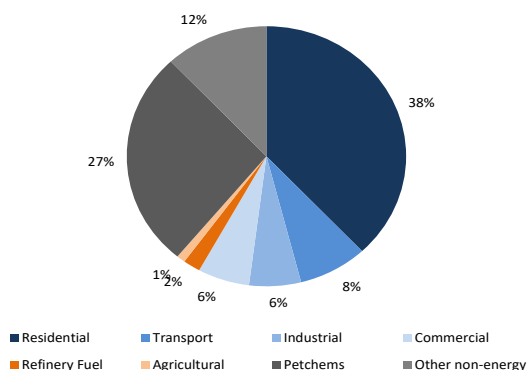
**Exhibit 143: New applications to drive demand for blue/green ammonia until 2032**


Source: Fertiglobe, Arqaam Capital Research

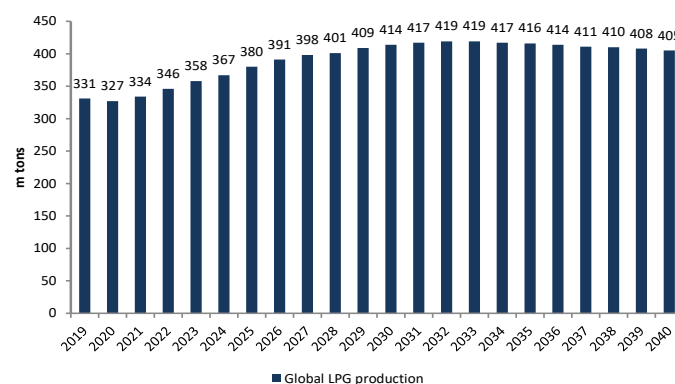
## LPG – highly correlated to oil market dynamics, with a challenging short-term outlook

LPG is a fuel gas that contains a mixture of hydrocarbon gases, in particular propane and butane. It is a byproduct of natural gas and oil extraction processes and crude oil refining. LPG's ease of storage and ability to be transported in liquid form under moderate pressure make it a valuable energy source, especially in areas without pipeline infrastructure. LPG is a cleaner source of energy compared to other fossil fuels, with its low sulfur content and lower carbon emissions. It is used for a wide range of industrial applications, namely fueling boilers and as a household cooking gas; it also serves as a vital feedstock in the chemical industry for synthesizing materials like synthetic rubber and plastics, and can be converted into transport fuel for trucks. LPG demand was 357m tons in FY 23, 61% of which was utilized in energy uses (residential, agricultural, industrial, commercial, transport, refinery fuel), and 39% was used in non-energy uses, primarily petchem feedstock.

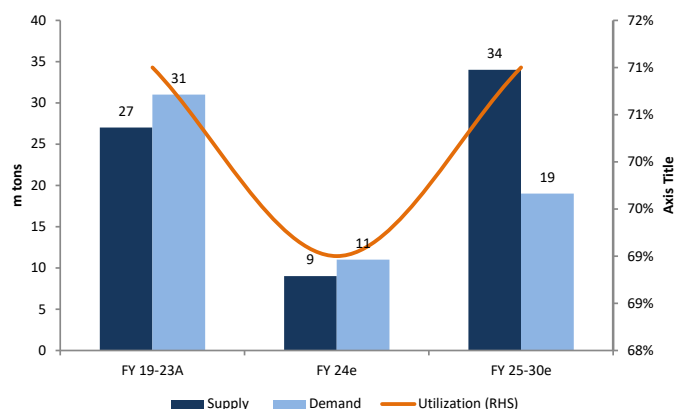
Energy Demand for LPG likely peaked in FY 23A, leading to a shift in LPG from energy consumption towards the use of LPG products in the petrochemical sector. However, energy uses remain in the lead with c.61% in FY 23A. Supply is expected to outpace incremental demand, but the growth in the petchem sector switching from naphtha is expected to provide the necessary demand support to keep prices elevated.

**Exhibit 144: Global LPG uses by sector**


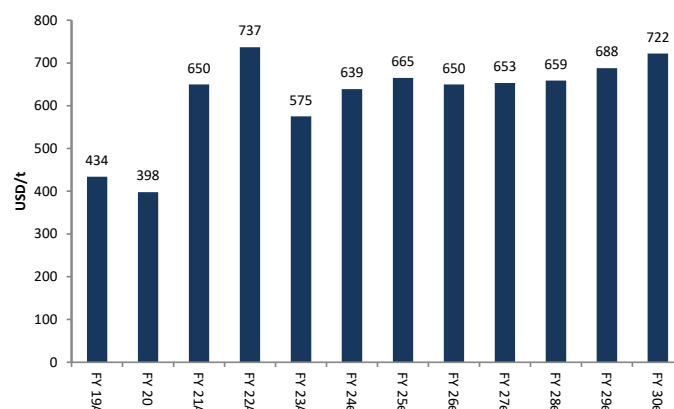
Source: Company Data, Arqaam Capital Research

**Exhibit 145: Global LPG production FY 19A-FY 40e**


Source: Argus Consulting, Company Data, Arqaam Capital Research

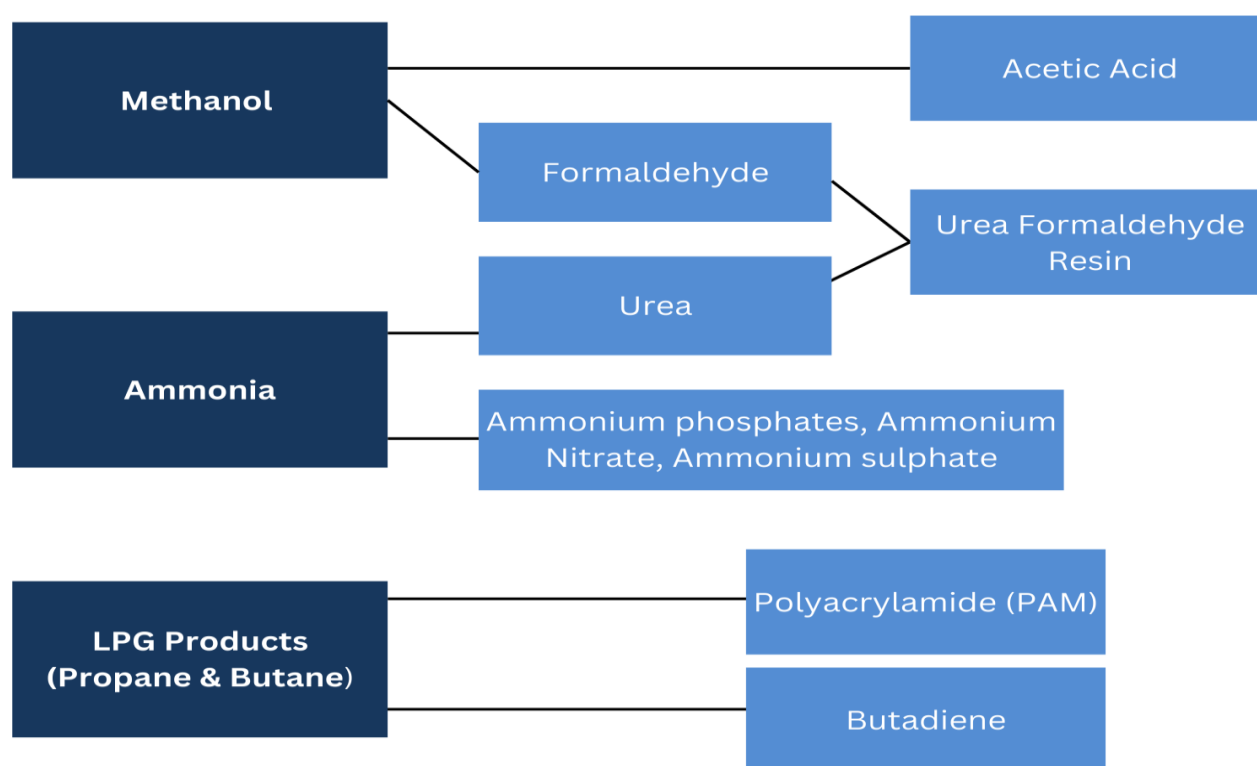
**Exhibit 146: Global LPG products supply/demand**


Source: Company Data, Argus Consulting, Arqaam Capital Research

**Exhibit 147: Propane Saudi CP spot prices FY 19A-30e**


Source: Company Data Argus Consulting, Arqaam Capital Research

### Downstream derivatives for OQBI

**Exhibit 148: Potential Downstream Derivatives for OQBI**


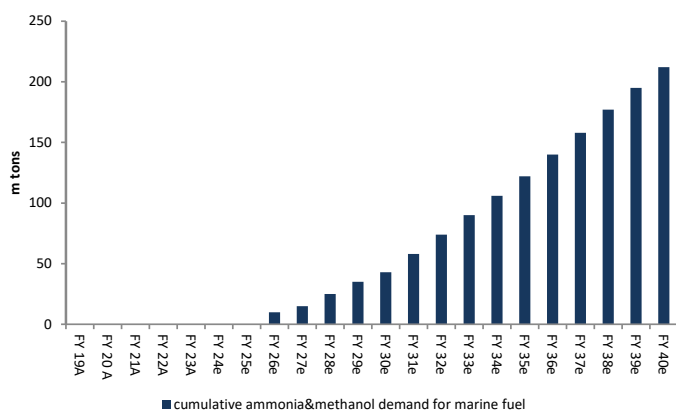
Source: Company Data, Arqaam Capital Research

### Alternative demand for methanol and ammonia as marine fuels

IMO targets, FuelEU Maritime, and EU ETS regulations are expected to cause a boost in demand, especially for ammonia as a marine fuel to reduce CHG emissions. The focus will be on lower carbon alternatives (e- and bio-methanol and green/blue ammonia), and should offer an

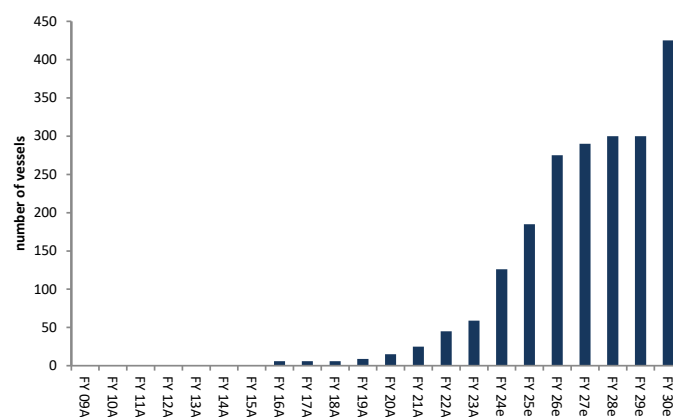
opportunity for traditional ammonia and methanol in the short term, as key logistics players are accelerating alternative fuel vessel orders, Maersk is estimating 6m tons of in-house demand as the company plans to fuel 25% of their 700-vessel fleet using methanol by FY 30e. Alternative fuels demand for methanol and ammonia is expected to reach 212m tons by FY 40e, up from 79k tons in FY 19A (FY 19-40e CAGR of 46%). Although demand for the products seems to be promising, current demand is weak, and economic feasibility is still uncertain.

**Exhibit 149: Cumulative Global marine fuel demand for methanol and ammonia**



Source: Company Data, Argus Consulting, Methanol Institute, Arqaam Capital Research

**Exhibit 150: Cumulative methanol and ammonia-fueled vessel projections**



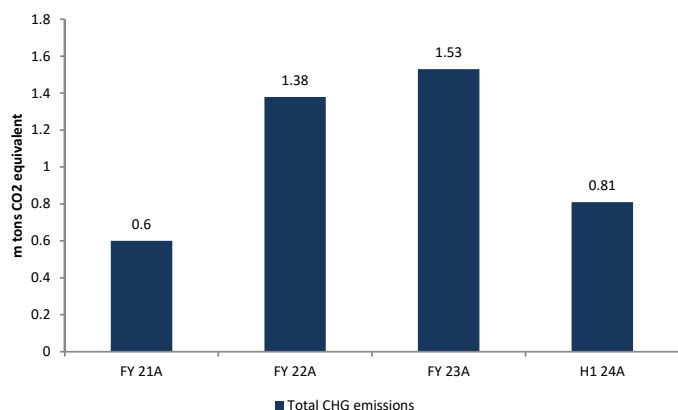
Source: Company Data, Argus Consulting, Methanol Institute, Arqaam Capital Research

## ESG and HSE strategy

OQBI intends to protect the environment and make a positive impact on the wider community and its various internal and external stakeholders. The company's sustainability team is tasked with overseeing and implementing sustainability initiatives and strategies. Sustainability performance is also subject to BoD and executive management oversight. The company is subject to oversight from the EA, which has controls that include the implementation and enforcement of environmental regulations, with jurisdiction over Oman's environmental policies. It also regulates environmental management, pollution prevention, and environmental conservation through the issuance of regulations and standards. The company is required to obtain, maintain, and renew environmental licenses and approvals.

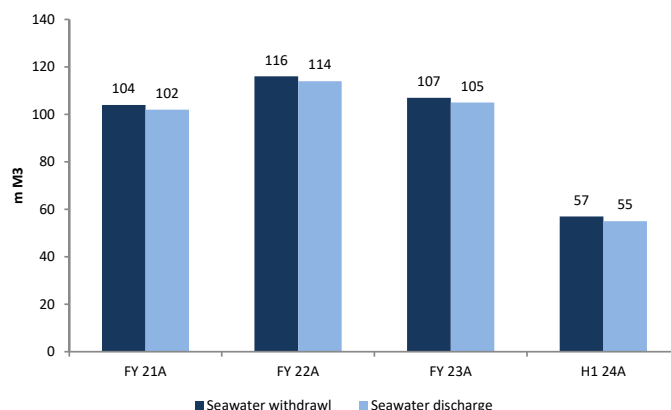
OQBI's environmental and sustainability strategy is focused on decarbonization, energy transition, and water management, which align with Oman's Vision 2040 and commitment to net-zero carbon emissions by 2050. The company has committed to reducing scope 1 and scope 2 CHG emissions by 5% by the end of FY 25e and by 25% by FY 30e compared to FY 23A, and to achieve net zero by FY 50e. It has already achieved an energy intensity of 0.3 mmBtu/kt as of 30 June 2024 and targets a 1.1 mmBtu/kt reduction by FY 25 compared to FY 23.

**Exhibit 151: OQBI's total CHG emissions**



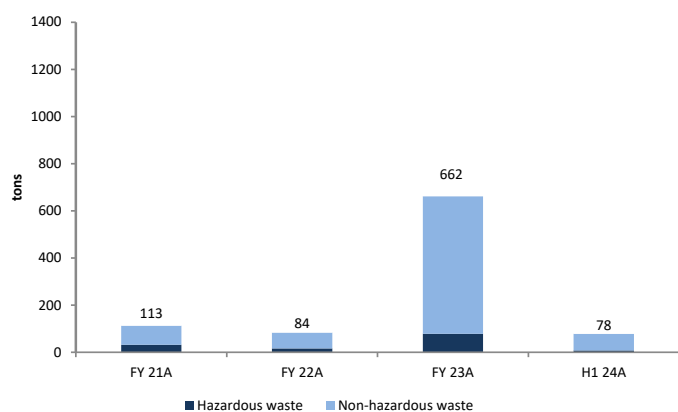
Source: Company Data, Arqaam Capital Research

**Exhibit 152: OQBI's seawater withdrawal/discharge**



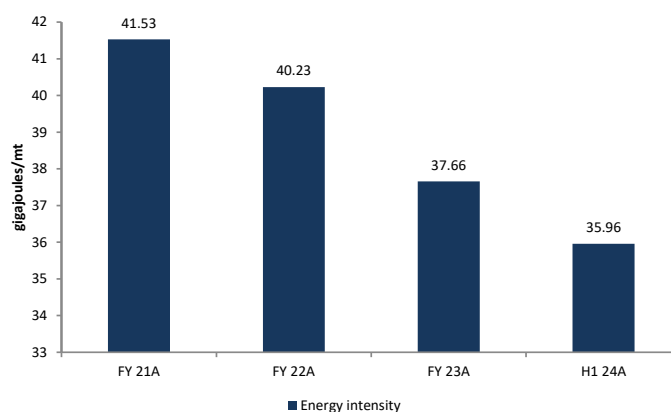
Source: Company Data, Arqaam Capital Research

**Exhibit 153: OQBI's waste generation**



Source: Company Data, Arqaam Capital Research

**Exhibit 154: OQBI's energy intensity**

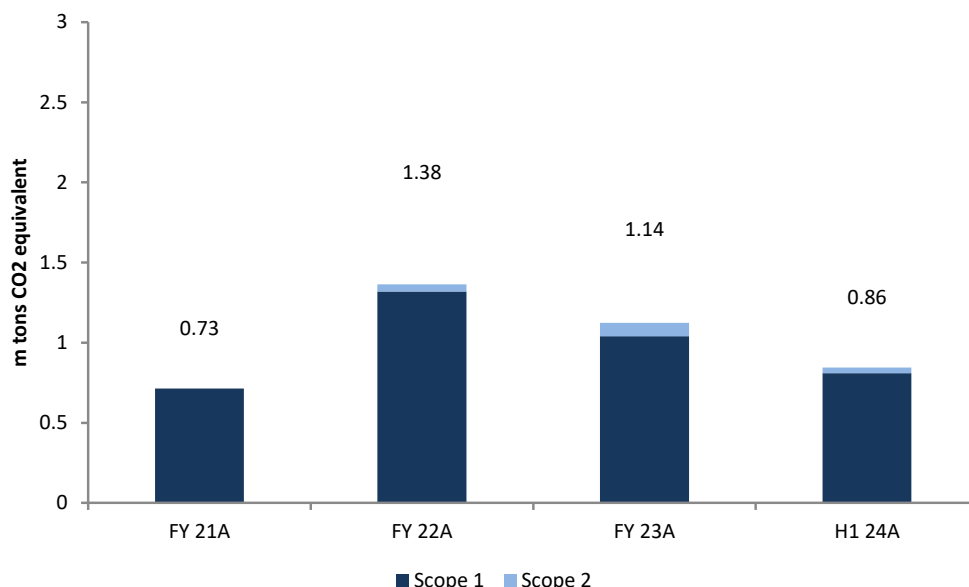


Source: Company Data, Arqaam Capital Research

## Greenhouse gas emissions

There are 3 categories of CHG emissions: Scope 1, Scope 2, and Scope 3. The majority of OQBI's emissions are scope 1, emissions that occur from sources that are controlled or owned by the company. Scope 2 are indirect emissions associated with the purchase of electricity, and scope 3 emissions are indirect emissions (not included in Scope 2) that occur in the value chain of a company. Starting January 2024, the company began reporting scope 1 and scope 2 emissions on a monthly basis. The company's CHG emissions increase in FY 22-23 was mainly on the back of higher fuel consumption for heat generation, increased fuel use in construction, and commissioning flaring for the ammonia plant which were all driven by the ramp-up of the LPG and ammonia plants, which were commissioned in 2021 and 2022 respectively.

**Exhibit 155: OQBI's Scope 1 and Scope 2 emissions**



Source: Company Data, Arqaam Capital Research

## HSE

The company is required to comply with laws and regulations relating to labor and occupational health and safety standards, including labor law. These laws and regulations impose a multitude of health and safety requirements and require the employer to take precautionary health and safety measures. OQBI's strong health and safety controls resulted in strong safety outcomes, including c. 4.7m man man-hours with no lost time due to injuries as of 30 June 2023.



**Exhibit 156: OQBI key safety data**

	FY 21	FY 22	FY 23
Work-related fatalities	0	0	0
<b>Injuries</b>			
Lost time injury (LTI)	0	0	1
Lost time injury frequency (LTIF)	0	0	0.3
Lost Time Injury Frequency Rate (LTIFR)	0	0	0.28
Total Recordable Injury (TRI)	1	1	2
Total Recordable Incident Frequency (TRIF)	0.45	0.50	0.55
<b>Process safety</b>			
Tier 1 incidents	0	0	0
Tier 2 incidents	0	0	0
Tier 3 incidents	73	46	47
Tier 4 incidents (process safety leading indicators)	85	78	90

Source: Company Data, Arqaam Capital Research

## Corporate and Social Responsibility

OQBI is a leading entity in corporate social responsibility (CSR) in the Dhofar region, aligning its initiatives with Oman Vision 2040 and the UN Sustainable Development Goals. Its impactful projects include the establishment of a chemical engineering R&D lab at the University of Technology and Applied Science - Salalah, support for the OQ Innovation Laboratory, and community-focused developments like the Salalah Autism Centre, a cultural centre in Dhalkout, and restoration of the Havour caves. The Company is also developing a social return on investment (SROI) framework to measure the impact of its initiatives. OQBI fosters a strong culture of volunteerism, with 312 employees contributing 914 hours in 2023 to CSR and community initiatives. Through its efforts, the Company supports environmental sustainability, promotes economic development in Oman, and strengthens community partnerships.

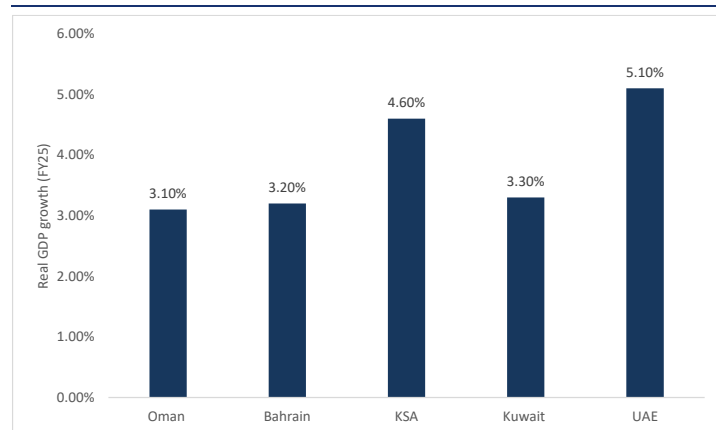
## Oman macroeconomic overview

### Favorable country outlook supports OQBI's solid fundamentals

We note that Oman's CDS spread remains stable around 95-110 bps, reflecting the strength of the country's domestic economy, fiscal constraint, and high oil prices, which translates into a more favourable risk profile.

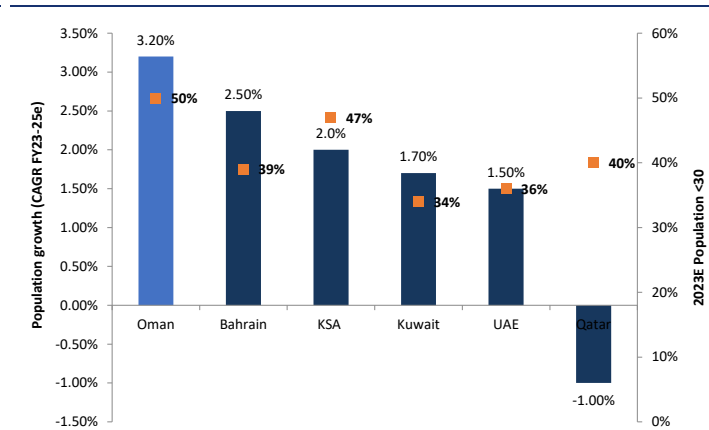
Oman has a stable GDP outlook supported by a young and growing population, with a positive outlook amid the launch of Oman Vision 2040, which is a national comprehensive 20-year plan to create a competitive developed economy, aims for the rationalization of government expenditures, ensuring Oman is on track to achieve sustainable fiscal surplus with an economic diversification strategy and the introduction of new sources of revenue. In efforts to transform Oman into an attractive investment destination, Oman has consolidated most national assets under the OIA and promoted privatization by announcing the accelerated privatization program and implementing favorable regulatory changes supporting FDI inflows (selling the government-owned gas transportation assets to OQGN was part of the program).

**Exhibit 157: Oman's expected real GDP growth remains consistent with most GCC countries**



Source: IMF, World Economic Outlook

**Exhibit 158: More than 50% of Oman's population is <30 years old.**



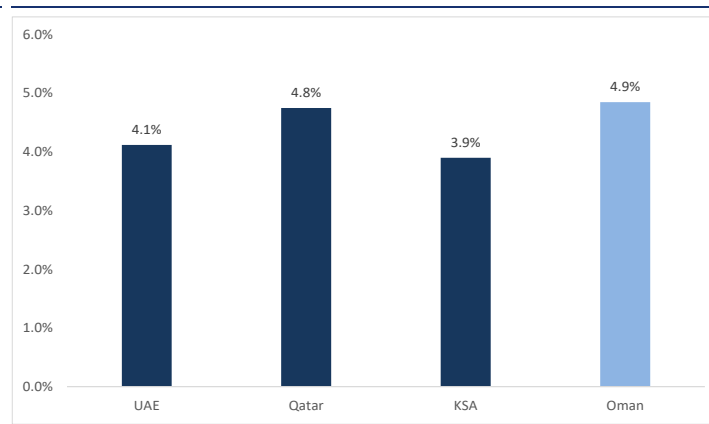
Source: IMF, World Economic Outlook

**Exhibit 159: Oman 5-year CDS remains stable around the 100-bps level**



Source: Bloomberg

**Exhibit 160: Oman Rf c75-95bps above regional peers (5 year)**



Source: Bloomberg

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<b>Hold</b>	0-15%
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