



ASSET MANAGEMENT

**Saudi Aramco's**  
**FY 2020 Results**

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**AMD | March 21, 2021**

# Aramco Continues Cautious CapEx Stance As Demand Improves

<i>In SAR Bn</i>	FY19	FY20	Y-o-Y%	Q4'19	Q3'20	Q4'20	Q-o-Q%	Y-o-Y%
Sales	1,106	768	<b>-31%</b>	284	200	219	<b>10%</b>	<b>-23%</b>
EBIT	675	383	<b>-43%</b>	162	96	104	<b>9%</b>	<b>-35%</b>
PAT	331	184	<b>-44%</b>	75	44	52	<b>19%</b>	<b>-30%</b>
EPS	1.65	0.93		0.37	0.22	0.26		
FCF	293	184	<b>-37%</b>	74	23	59	<b>156%</b>	<b>-20%</b>
<i>EBIT %</i>	<i>61.0%</i>	<i>49.9%</i>		<i>57.1%</i>	<i>48.0%</i>	<i>47.7%</i>		
<i>PAT Margin %</i>	<i>29.9%</i>	<i>23.9%</i>		<i>26.4%</i>	<i>22.1%</i>	<i>23.9%</i>		

## Financial Results Highlights

- Aramco's Q4 results were helped by a significant recovery in oil prices and also from improvement in earnings from SABIC
- Annual revenue fell by 31% reflecting the impact of lower crude oil prices and volumes sold, and weaker refining and chemicals margins
- Aramco's profits were almost halved at SAR 184 Mn vs 2019, as the pandemic led disturbed the global energy it markets
- Free cash flow for the year totalled US\$49 Bn against \$US78 Bn in 2019
- The company maintained its dividend commitment as it declared US\$75 Bn for FY20, backed by significant capex reduction from US\$33 Bn in 2019 to US\$27 Bn in 2020, while also seeing an increase in the company's gearing ratio.

## Production Highlights

- Aramco produced around 9.2 million barrels per day of crude oil over the course of FY20
- In April FY20, Aramco achieved highest single day crude oil production at 12.2 million barrels per day
- The company discovered two fields in Q3'20, both in the northern part of KSA. One field with both oil and gas reservoirs and other with a gas reservoir
- Aramco delivered the world's first blue ammonia shipment for zero-carbon power generation in Japan, a possible growth segment along with hydrogen production over the coming years.

## Oil Market

- Oil prices have bounced back from April FY20 when Brent crude price fell below \$20 / bbl
- OPEC+ remained resilient in moderating supply amid unfavorable demand conditions resulting from the pandemic. This has proved effective as prices have steadily increased through the last quarter of 2020, and continue to rise with further output moderation announced through the coming months

## Outlook

- Oil markets are expected to improve through 2021 with the rapid efforts towards vaccination across the globe and positive indicators across industrial and consumer segments. Oil prices are projected to average close to US\$ 56 / bbl in 2021 and a further improvement to US\$ 60 / bbl in 2022. As such, we can expect some moderation in oil prices from current levels over the coming months as output slowly increases with rising demand
- We see overall operations improving with expected improvements in the downstream segment and further progress in the clean energy space
- It is important to note that despite challenging market conditions, Aramco still outperforms peers across all performance metrics which keeps the company's position at the helm of the oil market
- Aramco expects to maintain moderation in capex to US\$35 Bn in FY21, against pre-pandemic estimates of US\$40 - US\$45 Bn
- Dividend maintenance may entail further gearing, albeit less significant given the expected improvement in cash flows from operations driven by higher sales volume and relatively better prices
- We do, however, reiterate that COVID-19 is still a dominant factor, where downside risks include limited output improvement and a sharp drop in oil prices due to rising uncertainty

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