

Final Report



Project Title: Fundamental Valuation of Saudi Aramco

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This final report and financial models were built with support from ChatGPT (OpenAI), used as a co-pilot for idea structuring, Excel logic validation, and formatting refinement. The project reflects my own financial judgment, assumptions, and execution, but benefited from AI-based structuring and iterative feedback throughout.

1. Executive Summary

This report provides a fundamental valuation of Saudi Aramco (TADAWUL: 2222) as of 21 June 2025, utilizing both the Discounted Cash Flow (DCF) method and Comparable Companies Analysis (Comps). The goal is to estimate Aramco's intrinsic equity value per share based on forward-looking financials, scenario-adjusted assumptions, and market-based multiples.

Valuation Methods Used

- **3-Statement Forecast Model** (2025-2029), built using actual financial data from 2022-2024
- **DCF Valuation** based on Unlevered Free Cash Flow (UFCF) and perpetuity growth method
- **Comps Analysis** using global integrated oil majors (e.g., ExxonMobil, Shell, BP, CNPC, and others)

Key Assumptions

Table 1: Key Assumptions for Saudi Aramco Valuation

Source: Saudi_Aramco_Valuation.xlsx – “DCF Valuation” sheet

Metric	Assumptions
WACC	9.05%
Terminal Growth Rate (g)	0,5-1,5%
SAR/USD Exchange Rate	3.75%
Forecast Horizon	2025-2029

Implied Valuation Range

Table 2: Valuation Range across methods

Source: Saudi_Aramco_Valuation.xlsx – “Comps Model” sheet

Method	Implied Equity Value (USD Bn)	Implied Price per Share (USD)
DCF (Optimistic Case)	1,596.5	6.67
Comps P/E Median	1,541.7	6.45
Comps EV/EBITDA Median	1,461.6	6.11

The valuation indicates that Saudi Aramco’s intrinsic equity value lies in the range of USD 6.11-6.67 per share, implying a modest upside from the current market price of USD 6.62, depending on scenario sensitivity and market conditions.

This report serves as a foundational model for further strategic, financial, or investment decision-making.

2. Company Overview

Saudi Arabian Oil Company (Saudi Aramco) is a publicly listed, majority-state-owned (as of 2025, more than 81%; another 16% are owned by Public Investment Fund, the kingdom’s sovereign wealth fund) global integrated energy and chemicals firm headquartered in Dhahran, Saudi Arabia. Company was founded in 1933 as California Arabian Standard Oil Company (CASOC), was fully nationalized in 1980 and became Aramco in 1988. In December 2019 Saudi Aramco was listed on the Tadawul (TADAWUL: 2222), raising more than \$25 billion during its IPO, making it the largest in history and reaching valuation of \$1.7 trillion. As of 2024, Saudi Aramco is recognized as one of the world’s largest integrated oil & gas companies by revenue.^{1 2}

Scale and Operations³

- Company holds over 250 billion barrels of oil equivalent in proven reserves – the largest known globally.

¹ Britannica (2024). *Saudi Aramco*. [online] Available at: <https://www.britannica.com/money/Saudi-Aramco>

² Aramco (2023). *About Us*. [online] [www.aramco.com](https://www.aramco.com/en/about-us). Available at: <https://www.aramco.com/en/about-us>

³ Aramco.com. (2025). *Full-year 2024 results*. [online] Available at: <https://www.aramco.com/investors>

- Pumps approximately 12.3 million barrels of oil equivalent per day (mmboed) across more than 100 fields including the massive Ghawar onshore and Safaniya offshore reservoirs.

Business Segments⁴

- **Upstream** – Exploration, production, and development of crude oil and gas; manages a global upstream system.
- **Downstream & Chemicals** – Refining, petrochemical production, trading, and distribution. Includes major operations like Sadara JV with Dow and the refining boom supporting Vision 2030.

Financial and Workforce Highlights⁵

- Saudi Aramco employs ~75,000 people globally.
- In Q1 2025, reported \$26bn Net Income and \$19.2bn Free Cash Flow.

Strategic Importance

- Central to Saudi Vision 2030, aiming to evolve from oil-dependence toward diversified global investment.⁶
- Transitioning into a broader “energy” company – including LNG trading, refinery upgrades, chemical integration, and renewable ventures.⁷

Sustainability and Innovation

- Commits to achieving net-zero Scope 1&2 emissions by 2050, with growth in carbon capture and low-carbon R&D via Aramco Ventures⁸
- Participates in industrial megaprojects such as the King Salman Energy Park (SPARK) to drive both economic and operational growth.⁹

⁴ International Trade Administration (2024). *Saudi Arabia - Oil Gas & Petrochemicals*. [online] www.trade.gov. Available at: <https://www.trade.gov/country-commercial-guides/saudi-arabia-oil-gas-petrochemicals>

⁵ Aramco.com. (2025). *Full-year 2024 results*. [online] Available at: <https://www.aramco.com/investors>

⁶ Wikipedia Contributors (2019). *Saudi Vision 2030*. [online] Wikipedia. Available at: https://en.wikipedia.org/wiki/Saudi_Vision_2030

⁷ Saini, M. (2025). Aramco says has US tie-ups worth up to \$90 billion amid Trump Gulf tour. *Reuters*. [online] 14 May. Available at: <https://www.reuters.com/business/energy/saudi-aramco-signs-deals-worth-up-90-billion-with-us-companies-2025-05-14/>

⁸ Aramco Ventures. (2025). *Home - Aramco Ventures*. [online] Available at: <https://aramcoventures.com>

⁹ Wikipedia Contributors (2025). *King Salman Energy Park*. Wikipedia. Available at: https://en.wikipedia.org/wiki/King_Salman_Energy_Park

3. Macroeconomic and Sector Context

This section situates Saudi Aramco within the broader global oil sector context – highlighting demand, supply, price trends, and geopolitical risks that feed into your valuation forecasts.

Global Oil Demand and Supply Outlook

- **Demand growth is flattening:**
 - The International Energy Agency (IEA) projects modest growth of around 0.7-0.8 million barrels per day (mb/d) in 2025, slowing to ~0.74 mb/d in 2026, and expects demand to peak by the end of the 2020s (~105.5 mb/d) before plateauing.¹⁰
 - Slower growth reflects economic headwinds and energy transition trends – especially significant in China due to rising EV (electric vehicles) adoption.¹¹
- **Supply is outpacing demand in the near term:**
 - IEA forecasts global oil supply will exceed demand by approximately 1 mb/d in 2025, driven by OPEC+ and non-OPEC increases – including a projected 1.8 mb/d supply increase versus ~0.72 mb/d demand growth.¹²

OPEC+ and Saudi Supply Strategy

OPEC production adjustments accelerating:

- OPEC+ is phasing in monthly output increases of ~400 kb/d between June-October 2025, with Saudi Arabia personally expanding production ~2.9% above prior quotas.¹³
- The alliance's strategy aims to balance sufficient supply amid persistent demand while retaining cushion to support oil price stability.¹⁴

¹⁰ Geman, B. (2025). *Key agency sticks to its guns on peak oil demand*. [online] Axios. Available at: <https://www.axios.com/2025/06/17/iea-peak-oil-demand>

¹¹ Harvey, R. and Enes Tunagur (2025). Global oil supply to rise faster than expected after OPEC+ hike, IEA says. *Reuters*. [online] 15 May. Available at: <https://www.reuters.com/business/energy/iea-forecasts-global-oil-demand-growth-slow-650000-bpd-remainder-2025-2025-05-15/>

¹² Lawler, A. and Enes Tunagur (2025). World oil demand to keep growing this decade despite 2027 China peak, IEA says. *Reuters*. [online] 17 Jun. Available at: <https://www.reuters.com/business/energy/world-oil-demand-keep-growing-this-decade-despite-2027-china-peak-iea-says-2025-06-17/>

¹³ Oil 2025 – Analysis - IEA (2025). *Oil 2025 – Analysis - IEA*. [online] IEA. Available at: <https://www.iea.org/reports/oil-2025>

¹⁴ Opec.org. (2025). *Organization of the Petroleum Exporting Countries*. [online] Available at: <https://www.opec.org/brief-history.html>

Price and Geopolitical Risk Factors

- WTI and Brent crude are trading at ~\$73–77/bbl amid Middle East tensions. On 22 June Brent Oil Crude Price is \$77.20.¹⁵
- Heightened geopolitical risk stemming from tensions in the Gulf region (Israeli and U.S. attacks on Iran) could spur brief price spikes, although global inventories and spare production capacity are mitigating immediate supply shock risks.

Implications for Saudi Aramco

- **Valuation impact:**
 - Near-term global supply surplus and subdued demand growth cap upside for oil prices-supporting the conservative terminal growth assumptions (0.5-1.5%).
 - Price volatility tied to geopolitical risks could offer short-term upside but doesn't alter long-term supply-demand trends.
- **Resilience narrative:**
 - As a low-cost, high-margin, and sovereign-supported producer, Aramco is well-positioned to thrive under both current market fundamentals and longer-term structural shifts.

4. Methodology Summary

This valuation of Saudi Aramco (TADAWUL: 2222) applies a triangulated approach based on (1) a fully integrated 3-statement financial model, (2) a Discounted Cash Flow (DCF) model, and (3) a Comparable Companies Analysis (Comps). The objective is to arrive at a balanced and scenario-sensitive estimate of intrinsic equity value.

3-Statement Model

A fully linked financial model was constructed from audited 2022-2024 financials using Aramco's public disclosures. Forecasts for 2025-2029 were based on:

- Key operational drivers (revenue growth, margin evolution, and CapEx)
- Scenario-based assumptions (Optimistic, Base, and Conservative)

¹⁵ Seher Dareen (2025). Oil to open higher as US strikes on Iran boost supply risk premium. *Reuters*. [online] 22 Jun. Available at: <https://www.reuters.com/business/energy/oil-open-higher-us-strikes-iran-boost-supply-risk-premium-2025-06-22/>

- Line-by-line forecasting for the income statement, balance sheet, and cash flow statement

Historical items were consolidated where appropriate (e.g., R&D, SG&A, Exploration grouped into “Operating Overhead”) to maintain analytical efficiency.

Discounted Cash Flow (DCF) Analysis

The core intrinsic valuation was derived via a Free Cash Flow to Firm (FCFF) model using the perpetuity growth method for the terminal value.

Key DCF mechanics:

- $\text{Forecasted UFCF} = \text{EBIT}(1-T) + \text{D\&A} - \text{CapEx} - \Delta\text{NWC}$
- WACC was calculated explicitly based on current capital structure and market inputs
- Terminal Value estimated using long-term growth rates of 0.5%-1.5% across cases

DCF output was sensitivity-tested along two axes: WACC and terminal growth (g).

Comparable Companies (Multiples) Analysis

A peer set of integrated oil & gas majors (e.g., ExxonMobil, Shell, BP, CNPC) was selected for benchmarking. Multiples applied include:

- EV/EBITDA
- EV/Revenue
- P/E

Saudi Aramco’s implied equity value was back-solved using median and average peer multiples applied to FY2024 actual financials (in USD). Net debt was subtracted to arrive at implied market value.

Scenario Integration

Each methodology was stress-tested under three macro-strategic scenarios:

- **Optimistic Case:** Reflects higher oil prices, increased production, and margin expansion
- **Base Case:** Assumes stable oil demand and continued state support
- **Conservative Case:** Models downside from global decarbonization and OPEC quota reductions

This approach provides a range of valuation outcomes grounded in both fundamentals and market context.

Optimistic case is assumed for the next sections of the report, due to its' valuation result being close to the current market capitalization of Saudi Aramco.

5. 3-Statement Model Overview

The 3-statement model forms the core of the Saudi Aramco valuation and lays the groundwork for DCF projections. Below is a brief but complete walkthrough of each statement's key insights and how they support the valuation exercise.

Income Statement (P&L) Overview

Figure 1: P&L of Saudi Aramco for FY2022-FY2029

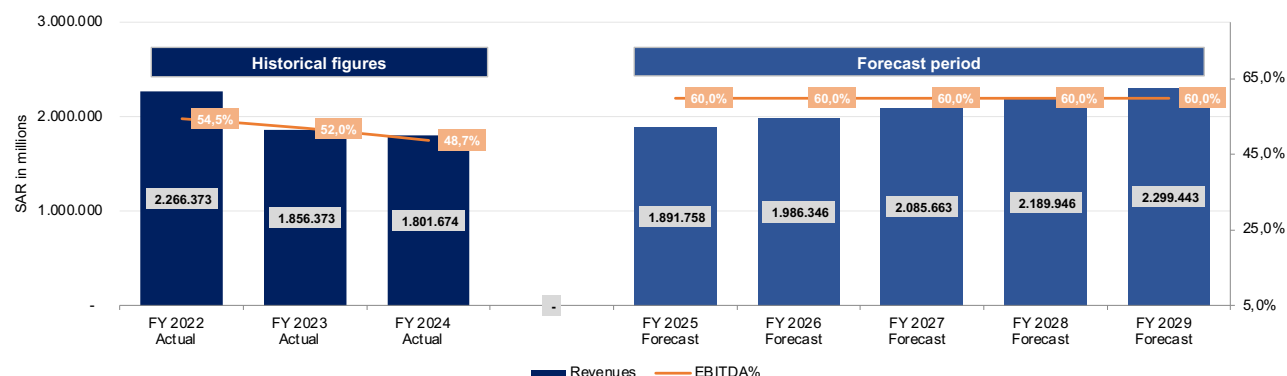
Source: Saudi_Aramco_Valuation.xlsx – “P&L and BS” sheet

P&L									
*US \$1.00 = SAR 3.75									
SAR in millions*	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	
Revenue and other income related to sales	2,266.373	1,856.373	1,801.674	1,891.758	1,986.346	2,085.663	2,189.946	2,299.443	
Operating Costs	(934.112)	(799.543)	(820.237)	(652.656)	(685.289)	(719.554)	(755.531)	(793.308)	
Gross margin	1,332.261	1,056.830	981.437	1,239.101	1,301.056	1,366.109	1,434.415	1,506.135	
Operating overhead	(96.566)	(91.503)	(103.603)	(104.047)	(109.249)	(114.711)	(120.447)	(126.469)	
EBITDA	1,235.695	965.327	877.834	1,135.055	1,191.807	1,251.398	1,313.968	1,379.666	
D&A	(91.618)	(97.040)	(103.209)	(108.786)	(117.489)	(126.888)	(137.039)	(148.003)	
EBIT	1,144.077	868.287	774.625	1,026.268	1,074.318	1,124.509	1,176.928	1,231.663	
Finance Income	17.767	27.966	17.925	41.051	42.973	44.980	47.077	49.267	
Finance Costs	(8.882)	(8.186)	(10.540)	(9.962)	(10.759)	(11.619)	(12.549)	(13.553)	
EBT	1,152.962	888.067	782.010	1,057.357	1,106.532	1,157.870	1,211.456	1,267.377	
Tax rate	48%	49%	49%	48%	48%	48%	48%	48%	
Income taxes and zakat	(548.957)	(433.303)	(383.588)	(507.531)	(531.135)	(555.778)	(581.499)	(608.341)	
Net income	604.005	454.764	398.422	549.826	575.397	602.093	629.957	659.036	

- **Revenue trends:** Revenues declined from SAR 2.266 trillion in FY2022 to SAR 1.8 trillion in FY2024, reflecting lower global demand and price volatility. From FY2025 onward, revenue grows steadily to SAR 2.3 trillion in FY2029, driven by moderate oil price recovery and volume stability.
- **EBITDA** margin shows a dip from 54.5% in FY2022 to 48.7% in FY2024 but improves to a flat 60% margin in projections – a strong assumption reflecting significant operating leverage.
- **EBIT** follows a similar path, rising from SAR 774.6 billion (2024) to SAR 1.23 trillion (2029), directly impacting UFCF.
- **Tax rate** remains flat at ~48-49%, reflecting consistency in Saudi tax and royalty framework.

Figure 2: Revenues & EBITDA Chart

Source: Saudi_Aramco_Valuation.xlsx – “Revenues&Ebitda” sheet



Revenues & Ebitda chart illustrates the historical and projected trajectory of Saudi Aramco’s revenue and EBITDA figures from FY2022 through FY2029. Revenue slightly declined from FY2022 to FY2024, followed by a forecasted recovery beginning FY2025. Notably, EBITDA margin is assumed to rise to a stable 60% in the forecast period, up from a declining margin observed in actual historical (54.5% in FY2022 to 48.7% in FY2024). This reflects expectations of operating leverage and improved cost efficiency during the forecast period.

Balance Sheet Overview

Figure 3: Balance Sheet of Saudi Aramco for FY2022-FY2029

Source: Saudi_Aramco_Valuation.xlsx – “P&L and BS” sheet

Balance Sheet									
*US \$1.00 = SAR 3.75									
SAR in millions*	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	
PP&E	1,303,266	1,384,717	1,494,318	1,613,863	1,742,973	1,882,410	2,033,003	2,195,643	
Intangibles & LT assets	299,409	313,223	317,072	329,755	342,945	356,663	370,929	385,767	
Inventories	100,528	85,951	83,728	44,702	46,938	49,284	51,749	54,336	
Trade Receivables	164,442	163,919	167,884	181,401	190,471	199,995	209,995	220,495	
Other assets	399,232	331,157	143,986	189,176	198,635	208,566	218,995	229,944	
Cash and equivalents	226,047	198,973	216,642	885,375	1,526,401	2,177,274	2,837,211	3,505,235	
Total Assets	2,492,924	2,477,940	2,423,630	3,244,273	4,048,362	4,874,193	5,721,882	6,591,420	
Trade Payables	135,390	151,553	157,467	125,167	131,425	137,997	144,896	152,141	
Borrowings	393,144	290,147	319,290	344,833	372,420	402,213	434,391	469,142	
Royalties, income taxes and zakat	121,232	96,646	84,239	74,130	65,235	57,407	50,518	44,456	
Other liabilities	177,011	202,502	211,279	170,258	178,771	187,710	197,095	206,950	
Shareholders' equity	1,666,147	1,737,092	1,651,355	2,529,885	3,300,511	4,088,867	4,894,982	5,718,732	
Total Liabilities & Equities	2,492,924	2,477,940	2,423,630	3,244,273	4,048,362	4,874,193	5,721,882	6,591,420	

Check

- **Asset growth:** Total assets expand from SAR 2.49 trillion in FY2022 to SAR 6.59 trillion in FY2029, largely driven by growth in PP&E (CapEx-heavy investment).
- **Cash and equivalents** increase sharply, with closing balances driven by strong internal cash generation.

- **Liabilities:** Borrowings increase modestly, and equity (plug) expands proportionately to preserve balance.
- **Note:** Cash balances are dynamically linked to the Cash Flow statement, while equity acts as a plug, ensuring model integrity.

Cash Flow Statement Overview

- **CFO** (Operating Cash Flow) grows steadily from SAR 509 billion in 2024 to SAR 1.43 trillion by 2029, supporting value creation.
- **CapEx** ramps from SAR 188.9 billion in 2024 to SAR 318.3 billion by 2029, underpinning asset expansion plans.
- **Unlevered Free Cash Flow (UFCF)** generation remains strong and stable over time, a key driver for the terminal value.
- **CFF** (Financing cash flows): Gradual decrease in dividends and increase in net borrowing indicate balanced capital allocation and long-term planning.

Figure 4: Cash Flow Statement of Saudi Aramco for FY2022-FY2029

Source: Saudi_Aramco_Valuation.xlsx – “Cash Flow” sheet

Cash Flow								
*US \$1.00 = SAR 3.75								
SAR in millions*	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	
Net Income	454,764,0	398,422,0	549,825,7	575,396,7	602,092,5	629,957,2	659,036,0	
(+) Income taxes and zakat	433,303,0	383,588,0	507,531,4	531,135,4	555,777,7	581,499,0	608,340,9	
Income before income taxes and zakat (EBT)	888,067,0	782,010,0	1,057,357,2	1,106,532,0	1,157,870,2	1,211,456,2	1,267,376,9	
Cash Flow from Operating Activities (CFO):								
D&A	97,040,0	103,209,0	108,786,4	117,489,3	126,888,4	137,039,5	148,002,6	
Change in Working Capital	21,293,0	13,829,0	51,981,7	14,505,6	15,230,9	15,992,5	16,792,1	
Other Adjustments (net)	(468,586,0)	(390,160,0)	-	-	-	-	-	
Net cash provided by operating activities (CFO)	537,814,0	508,888,0	1,218,125,2	1,238,526,9	1,299,989,5	1,364,488,1	1,432,171,6	
Cash Flow from Investing Activities (CFI):								
CapEx	(158,308,0)	(188,890,0)	(209,667,9)	(232,731,4)	(258,331,8)	(286,748,3)	(318,290,6)	
Other investing items	104,289,0	186,029,0	184,029,0	182,029,0	180,029,0	178,029,0	176,029,0	
Net cash used in investing activities (CFI)	(54,019,0)	(2,861,0)	(25,638,9)	(50,702,4)	(78,302,8)	(108,719,3)	(142,261,6)	
Cash Flow from Financing Activities (CFF):								
Borrowings (net)	(102,438,0)	22,916,0	25,543,2	27,586,7	29,793,6	32,177,1	34,751,2	
Dividends Paid	(381,102,0)	(477,853,0)	(522,334,4)	(546,626,8)	(571,987,9)	(598,459,4)	(626,084,2)	
Interest Paid	(13,690,0)	(18,077,0)	(9,961,8)	(10,758,8)	(11,619,5)	(12,549,1)	(13,553,0)	
Lease repayments	(13,639,0)	(15,344,0)	(17,000,0)	(17,000,0)	(17,000,0)	(17,000,0)	(17,000,0)	
Net cash used in financing activities (CFF)	(510,869,0)	(488,358,0)	(523,753,1)	(546,799,0)	(570,813,8)	(595,831,3)	(621,885,9)	
Net Cash Flow (CFO+CFI+CFF)	(27,074,0)	17,669,0	668,733,2	641,025,6	650,872,9	659,937,5	668,024,1	
Opening Cash	226,047,0	198,973,0	216,642,0	885,375,2	1,526,400,8	2,177,273,7	2,837,211,2	
Closing Cash	198,973,0	216,642,0	885,375,2	1,526,400,8	2,177,273,7	2,837,211,2	3,505,235,2	
Check	-	-	-	-	-	-	-	
Opening Cash_t+1 – Closing Cash_t	✓	✓	✓	✓	✓	✓	✓	

Figure 5: UFCF and PV UFCF for Saudi Aramco for forecasted FY2025-2029

Source: Saudi_Aramco_Valuation.xlsx – “Cash flows” sheet

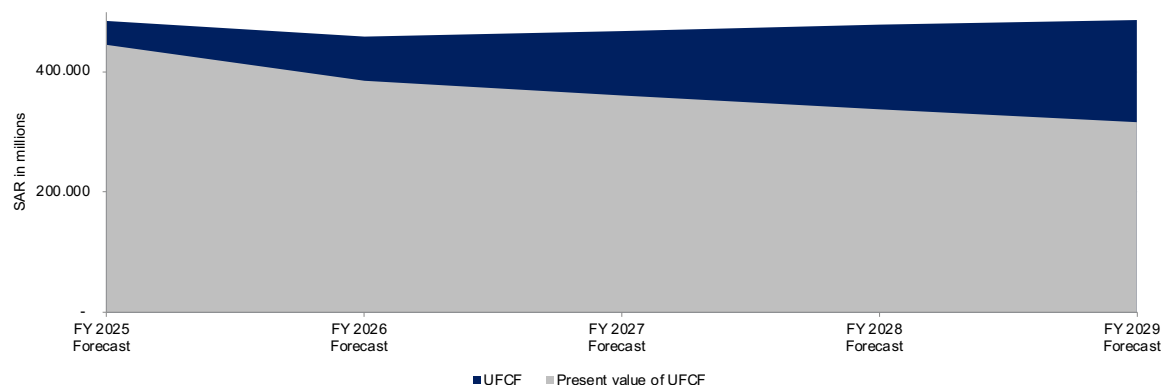
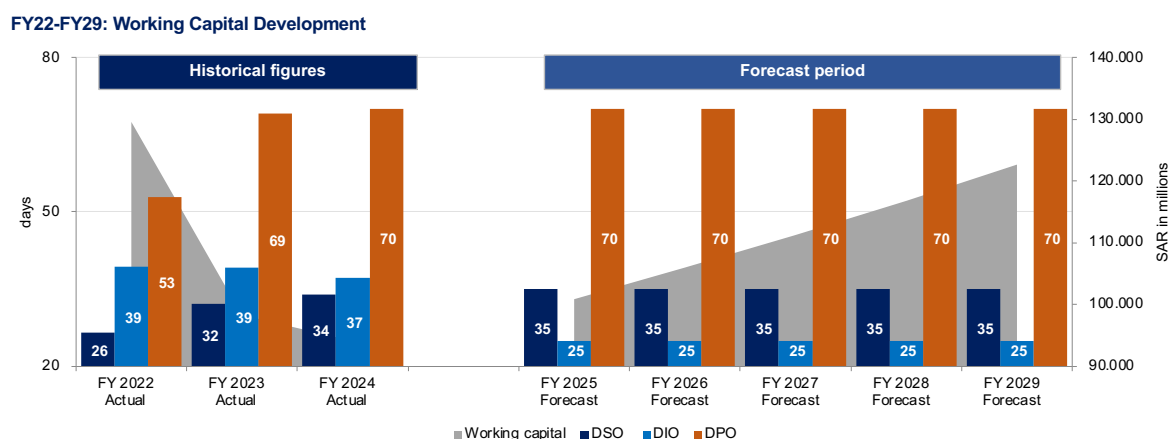


Figure 5 presents both the unlevered free cash flows (UFCF) and their present values for Saudi Aramco across the projection horizon. Although UFCF figures remain relatively stable, the present value of those cash flows declines over time due to the discounting effect, which is typical in DCF valuation. The chart underlines the importance of early-year cash flows in driving the firm’s enterprise value.

Working Capital and Operational Metrics

Figure 6: Working capital development for FY2022-FY2029

Source: Saudi_Aramco_Valuation.xlsx – “Working capital” sheet



- **DSO/DIO/DPO** stabilize at 35/25/70 respectively post-2025, reflecting an optimized working capital cycle.
- **Working capital** increases in absolute terms, but remains efficient relative to sales and balance sheet size.

Figure 6 tracks the development of three key working capital efficiency metrics: Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payables Outstanding

(DPO), along with the absolute level of working capital in SAR millions. While DSO and DIO are forecasted to hold steady post-2025 (at 35 and 25 days respectively), DPO stabilizes at 70 days. These assumptions imply steady operational efficiency and a neutral working capital cycle, aligning with Aramco's scale and industry stability.

6. DCF Valuation

The Discounted Cash Flow (DCF) valuation method was applied to estimate the intrinsic equity value of Saudi Aramco, based on the present value of projected Unlevered Free Cash Flows (UFCFs) from FY2025 to FY2029 and a terminal value calculated using the perpetuity growth method.

Forecasted UFCFs (FY2025-FY2029)

Figure 7: UFCF Calculation for Saudi Aramco for FY2023-FY2029

Source: Saudi_Aramco_Valuation.xlsx – “Cash Flow” sheet

SAR in millions*	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast
UFCF Calculation:							
EBIT	868,287,0	774,625,0	1,026,268,3	1,074,318,1	1,124,509,3	1,176,928,1	1,231,663,4
Tax Rate	48,79%	49,05%	48,00%	48,00%	48,00%	48,00%	48,00%
EBIT*(1-Tax Rate)	444.635,0	394.659,5	533.659,5	558.645,4	584.744,8	612.002,6	640.464,9
(+) D&A	97,040,0	103,209,0	108,786,4	117,489,3	126,888,4	137,039,5	148,002,6
(-) CapEx	(158,308,0)	(188,890,0)	(209,667,9)	(232,731,4)	(258,331,8)	(286,748,3)	(318,290,6)
(-) Change in WC	21,293,0	13,829,0	51,981,7	14,505,6	15,230,9	15,992,5	16,792,1
UFCF	404.660,0	322.807,5	484.759,7	457.908,9	468.532,3	478.286,2	486.969,0

The UFCFs were derived as follows:

- Start from **EBIT**
- Subtract **taxes** at a blended rate of 48%
- Add **non-cash D&A**
- Subtract **CapEx**
- Subtract **changes in working capital**

This produced an increasing UFCF from SAR 484.76bn in FY2025 to SAR 486.97bn in FY2029 (see Figure 7). Despite moderate CapEx growth, the stable working capital assumptions and strong operating profitability sustain cash flow generation.

Discount Rate (WACC)

The WACC was calculated at 9.05%, based on:

- **Cost of Equity** = 9.05%, using CAPM with:

- Risk-Free Rate = 4.38% (10Y US Treasury)
- Beta = 0.85 (Yahoo Finance)
- Market Risk Premium = 5.5%
- **Cost of Debt** = 4.00%, reflecting sovereign-grade bond spreads
- **Capital structure** = 99.98% equity / 0.02% debt
- **Tax Rate** = 49% from Aramco's actual filings

The almost zero-debt capital structure reinforces Aramco's sovereign risk profile and heavy reliance on equity funding. Given the oil sector's cyclical nature, the modest beta of 0.85 may suggest strong governmental support.

Terminal Value

Terminal value was calculated using the **Gordon Growth Model**:

$$TV = \frac{UFCF_{2029} * (1 + g)}{WACC - g}$$

An optimistic case perpetuity growth rate of 1.5% was assumed, reflecting higher oil prices, increased production, and margin expansion. Sensitivity testing was done across 0.5% to 2.0% g values.

Enterprise Value and Equity Value Calculation

Figure 8: Enterprise Value Calculation in Optimistic Case Scenario

Source: Saudi_Aramco_Valuation.xlsx – “DCF Valuation” sheet

PV of Cash flows	1.844.848,4	SAR	30%
Continuing value	6.546.365,4	SAR	
PV of Continuing value	4.244.875,0	SAR	70%
Enterprise value	6.089.723,4	SAR	
(-) Financial liabilities	(319.290,0)		
Cash	216.642,0		
Equity value	5.987.075,4	SAR	
	1.596.553,5	USD	
	6,67	per share	

- The PV of forecast UFCFs was SAR 1.84tn.
- The PV of terminal value was SAR 4.24tn.
- This yields a Total Enterprise Value of SAR 6.09tn under the optimistic scenario.

From EV, we subtract net debt (SAR 319.3bn) and add cash (SAR 216.6bn) from the balance sheet, yielding:

- Equity value = SAR 5.987tn, or

- USD 1.596tn at 3.75 exchange rate
- Implied share price = USD 6.67

This value is consistent with the Comps-based valuation and sensitivity cases, reinforcing confidence in the valuation output.

Sensitivity Analysis

A 4x4 sensitivity table shows the variation in enterprise value across WACC and g assumptions. For example:

- At WACC 8.0% / g 2.0% enterprise value is at SAR 7.53tn or ~2tn USD.
- At WACC 9.5% / g 0.5% enterprise value is at SAR 6.03tn or ~1.6tn USD.

Figure 9: Sensitivity table of Saudi Aramco

Source: Saudi_Aramco_Valuation.xlsx – “DCF Valuation” sheet (Optimistic Case)

		WACC			
		8,0%	8,5%	9,05%	9,50%
g	0,5%	6.337.416	5.939.997	5.556.337	5.277.737
	1,0%	6.678.308	6.232.817	5.806.466	5.499.125
	1,5%	7.071.645	6.567.469	6.089.723	5.748.186
	2,0%	7.530.538	6.953.606	6.413.157	6.030.456

The results show a 25% difference between two shown enterprise values in the table, underscoring the importance of precise WACC estimation.

Scenario Analysis

Three valuation scenarios were modeled:

Table 3: Enterprise Value of Saudi Aramco across different case scenarios

Source: Saudi_Aramco_Valuation.xlsx – “DCF results” sheet

Scenario	Enterprise Value (USD)	Forecast Share	Terminal Share
Optimistic	1.62 trillion	32%	68%
Base	1.22 trillion	34%	66%
Conservative	820.9 billion	38%	62%

Aramco’s terminal value dominates each scenario, reflecting its durable cash generation and longevity in a maturing global oil landscape.

7. Comparable Companies Analysis

This section presents a relative valuation of Saudi Aramco through comparison with a carefully curated group of global peers operating in the integrated Oil & Gas sector.

Peer Group Selection

The selected peer set comprises 8 major energy firms: ExxonMobil (US), Chevron (US), Shell (UK/NL), BP (UK), TotalEnergies (France), Petrobras (Brazil), CNPC/PetroChina (China), ENI (Italy). They were chosen using the following rationale:

Table 4. Criteria and their justification for the Peer Group Selection

Source: Saudi_Aramco_Valuation.xlsx – “Comps Model” sheet

Criteria	Justification
Industry	Integrated Oil & Gas (upstream & downstream ops)
Size	All peers are more than \$100B in market cap, considering Aramco is at more than \$1.5T
Geography	Global footprint (Americas, Europe, Asia) – ensures market pricing consistency and macro exposure comparability

Including both national oil companies (Petrobras, PetroChina) and supermajors (ExxonMobil, Shell) accounts for sovereign risk premium differences while retaining valuation relevance.

Valuation Multiples Used

The following FY2024 multiples were used for benchmarking:

- EV/Revenue
- EV/EBITDA
- P/E

These ratios reflect a mix of top-line, operational, and bottom-line performance. EV-based metrics normalize for capital structure differences and are particularly suitable for capital-intensive sectors like oil & gas.

Peer Valuation Summary

Table 5. Multiples comparison

Source: Saudi_Aramco_Valuation.xlsx – “Comps Model” sheet

Metric	Saudi Aramco	Peer Average	Peer Median
EV/Revenue	3.30x	0.9x	0.8x
EV/EBITDA	4.39x	4.3x	3.9x

P/E	15.07x	38.2x*	14.3x
*Note: Average P/E is distorted by BP's extreme outlier (215.7x); median is a more robust measure here			

Table 5 shows that Saudi Aramco's EV/EBITDA (4.39x) is slightly above peer average, suggesting comparable operating efficiency, despite strategic advantages. Its P/E (15.07x) aligns closely with the median, indicating fair equity market pricing.

Implied Valuation for Saudi Aramco

To estimate Saudi Aramco's fair value, peer median multiples were applied to its 2024 financials:

Table 6. Saudi Aramco Valuation across Metrics

Source: Saudi_Aramco_Valuation.xlsx – “Comps Model” sheet

Multiple	Median	Applied to	Implied Value
EV/Revenue	0.8x	Revenue = \$480.4B	EV = \$404.6B
EV/EBITDA	3.9x	EBITDA = \$360.5B	EV = \$1.412T
P/E	14.3x	Net Income = \$105B	Equity = \$1.497T

After deducting net debt of \$372m, equity value and implied share price are calculated:

- Implied Equity (Market) Value Range: \$1.412T - \$1.497T
- Implied Price per Share: \$5.90-\$6.26, compared to market price of \$6.62.

Results Interpretation

Aramco trades slightly richer than average multiples due to: strategic oil reserves, OPEC influence, government ownership, low-cost base, and stable dividend payouts.

This premium is justified by:

- Strategic nature of its reserves
- Government ownership dampening volatility
- Exceptional scale and integration, supporting margin sustainability

The Comps Model reinforces the DCF outcome, placing Aramco's equity valuation between \$1.412T-\$1.497T, supporting the notion that current market pricing is reasonable. Minor divergence between implied and actual share price is consistent with its illiquidity discount and limited public float.

8. Conclusion and Recommendation

This final section synthesizes the findings from both intrinsic (DCF) and relative (Comps) valuation models to assess whether Saudi Aramco is undervalued, overvalued, or fairly priced at the current market level. It also provides an investment recommendation supported by key strategic considerations.

Summary of Valuation Results

Table 7. Saudi Aramco Valuation across Metrics

Source: Saudi_Aramco_Valuation.xlsx – “DCF Results” and “Comps Model” sheets

Methodology	Implied Equity Value (USD)	Implied Price per Share (USD)	Current Price (USD)
DCF – Optimistic Case	\$1.596T	\$6.67	\$6.62
Comps Median (P/E)	\$1.497T	\$6.26	\$6.62

Both methods yield values very close to market price, with:

- DCF suggesting a slight upside of +0.8%
- Comps indicating a minor downside of -5.4%

Investment Outlook

Despite global uncertainties in energy pricing, Aramco exhibits:

- **Predictable cash flows:** Driven by long-term government contracts and OPEC coordination
- **Sovereign-grade debt access:** Resulting in a below-average WACC of 9.05%
- **Low-cost operations:** Highest margins among oil majors (EBITDA margin at ~60% in forecast years)
- **Strategic reserve strength:** Vast, low-lift-cost fields securing resilience
- **Consistent dividend policies:** Maintaining investor confidence in yield-sensitive markets

These traits justify its mild valuation premium over peers

Recommendation: Hold

Saudi Aramco is currently **fairly valued**, trading close to its intrinsic and relative worth.

While not presenting immediate upside, it remains a strategically valuable asset for long-term investors seeking stability and inflation-hedged returns.

Strategic Considerations Going Forward

- **Monitor geopolitical risk:** Middle East tensions could affect production & supply chains.
- **Track oil price policy:** OPEC+ agreements and US shale responsiveness remain key.
- **Watch capital expenditure trends:** As CapEx increases in later years, reinvestment efficiency should be monitored closely.

Final Verdict:

The analysis concludes that Saudi Aramco is **neither undervalued nor overvalued**. Its valuation reflects the market's recognition of its exceptional strategic positioning, balanced by exposure to oil price cyclicity and limited free float.