

Saudi Aramco prepares for \$11.2 bn boost on second public offering

Saudi Arabia's energy major is set for a boost of at least USD 11.2 billion on the back of its secondary public offering which kicked off on Sunday.

In a market statement on 7 June, Saudi Aramco noted the sale of nearly 1.55 billion shares for SAR 27.25 (USD 7.26), at the lower end of the offer price of between SAR 26.70 and SAR 29.00 per share.

The company said in March it expects a drop of ~USD 40 billion in capital investment between 2024 and 2028 following an order from the Saudi government earlier this year for Aramco to drop expansion plans for oil production, from 12 million barrels/day to 13 million barrels/day, mainly from deferral of projects not yet commissioned and reductions in infill drilling.

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The latest fundraise, lower than the target of around USD 12 billion, will nevertheless bolster the reserves of the government of Saudi Arabia which currently has high costs to grapple amid large developments ranging from sporting facilities to building out the Neom desert corridor, and tourism.

Aramco's plan to push hard into renewable energy, including gas, alongside being well positioned to purchase stock at discounted rates has attracted wide overseas interests in the share sale, according to Bloomberg. The news agency cited Western institutional investors as well as Asian interested parties who did not wish to be named due to the confidential nature of the information.

READ Saudi Aramco's second public offering underway as company targets \$12bn [2]

Aramco's initial public offering (IPO) came in 2019, in which it sold around 2% of its stock on the Riyadh exchange and raised almost USD 30 billion, making it the largest IPO in history.

The move was noted as a "multifaceted" and "strategic" in re-orientating the company to global-player status, according to Justin Dargin, CEO of energy consultancy firm Resolve36.

Additionally, by listing major state-owned companies like Aramco, Saudi Arabia aims to catalyse the growth and sophistication of its domestic financial sector, Dargin earlier told Gas Matters Today.

"This would have a ripple effect, stimulating other economic sectors and fostering a more robust and dynamic economy overall. In essence, the IPO is a strategic catalyst designed to accelerate the Kingdom's multi sectoral economic transformation," he said.

Dividend attraction

The company's projected dividend may also be attracting more attention on account of being among the largest in the world: Bloomberg Intelligence notes [3] investors could see yield out of a USD 124 billion annual dividend. By comparison among peers, Exxon is set for a USD 16.6 billion annual dividend while Chevron is set to pay out USD 12.1 billion, Bloomberg reported.

Aramco reported net income of USD 121.3 billion for the full year 2023, down from USD 161.1 billion in 2022. This was Aramco's second highest ever net income, the company said. Total dividends of USD 97.8 billion paid in 2023 was up 30% on 2022.

For Q1'24, the company reported USD 27.3 billion in net income, down from USD 31.9 billion in the same period the previous year.

The company said it continues to implement its capital program, with the growth in capital spending directed mainly towards upstream liquids and gas, downstream liquids to chemicals, and new energies such as renewables, lower-carbon fuels, and blue ammonia and hydrogen.

Capital expenditures in the first quarter of 2024 were USD 10.8 billion, up from USD 8.7 billion in the same quarter last year. -PS