

Key Valuation Inputs		
Date of valuation	2-Jun-24	
Expected inflation rate	2.60%	from IMF Global Inflation rates @ <a href="https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation">https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation</a>
Number of years of production left	50	from 2.2.3 Reserves Life @ <a href="https://rpubs.com/rafael_nicolas/aramco">https://rpubs.com/rafael_nicolas/aramco</a>
Probability of regime change	20%	from <a href="https://aswathdamodaran.blogspot.com/2019/11/regime-change-and-value-follow-up-post.html">https://aswathdamodaran.blogspot.com/2019/11/regime-change-and-value-follow-up-post.html</a>
Weighted Valuation		
Price as % of Value	118%	At the right price, I would buy shares of Saudi Aramco in any setting or at any time. At the wrong price, there is no good time to buy.
Market Capitalization	\$1,836	as of May 31st 2024
Weighted Valuation	\$1,553	
Dividend Discount Value	\$1,671	
FCFE Value	\$1,513	
FCFF-based Value of Equity	\$1,473	
Dividend Discount Value		
Regime Change Adjusted Value	\$1,671	
Value of Equity with regime change (as % of status quo value)	50%	If you expect expropriate, this can be 0%
Probability of regime change	20%	from <a href="https://aswathdamodaran.blogspot.com/2019/11/regime-change-and-value-follow-up-post.html">https://aswathdamodaran.blogspot.com/2019/11/regime-change-and-value-follow-up-post.html</a>
Value of Equity	\$1,856	
Cost of Equity	7.31%	
Beta	0.5	Guaranteed by Saudi Government
ERP for Saudi Arabia	5.63%	ERP at the start of 2024 for Saudi Arabia: <a href="https://rpubs.com/rafael_nicolas/crp">https://rpubs.com/rafael_nicolas/crp</a>
Risk free Rate in US \$	4.50%	US T. Bond rate on May 31st 2024: <a href="https://www.cnbc.com/quotes/US10Y">https://www.cnbc.com/quotes/US10Y</a>
Number of years	50.00	from 2.2.3 Reserves Life @ <a href="https://rpubs.com/rafael_nicolas/aramco">https://rpubs.com/rafael_nicolas/aramco</a>
Expected Growth rate	2.60%	from IMF Global Inflation rates @ <a href="https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation">https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation</a>
Expected Dividends next year	\$98	from page 8 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
FCFE Value		
Regime Change Adjusted Value	\$1,513	
Value of Equity with regime change (as % of status quo value)	50.00%	If we expect expropriate, this can be 0%
Probability of regime change	20.00%	Our best judgment of cumulative probability over time
Value of Equity	\$1,682	
+ Cross Holdings	\$28	From page 164 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
+ Cash	\$102	From page 35 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Value of Equity	\$1,552	
Imputed Payout Ratio	91.23%	
Cost of Equity	9.45%	
Beta for integrated oil	0.88	Global beta for integrated oil companies, start of 2024 ( <a href="https://pages.stern.nyu.edu/~adamodar/pc/datasets/betaGlobal.xls">https://pages.stern.nyu.edu/~adamodar/pc/datasets/betaGlobal.xls</a> )
ERP for Saudi Arabia	5.63%	ERP at the start of 2024 for Saudi Arabia: <a href="https://rpubs.com/rafael_nicolas/crp">https://rpubs.com/rafael_nicolas/crp</a>
Risk free Rate in US \$	4.50%	US T. Bond rate on May 31st 2024: <a href="https://www.cnbc.com/quotes/US10Y">https://www.cnbc.com/quotes/US10Y</a>
Number of years	50	from 2.2.3 Reserves Life @ <a href="https://rpubs.com/rafael_nicolas/aramco">https://rpubs.com/rafael_nicolas/aramco</a>
Expected return on equity	29.64%	Based on book equity on Annual Report 2023
Expected growth in earnings	2.60%	from IMF Global Inflation rates @ <a href="https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation">https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation</a>
Net Income	\$121	From page 8 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
FCFF-based Value of Equity		
Regime Change Adjusted Value	\$1,473	
Value of Equity with regime change (as % of status quo value)	50.00%	If we expect expropriate, this can be 0%
Probability of regime change	20.00%	Our best judgment of cumulative probability over time
Value of Equity	\$1,637	
- Minority Interests	\$54	From page 164 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
- Debt	\$77	From page 164 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
+ Cross Holdings	\$28	From page 164 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
+ Cash	\$102	From page 35 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Value of Operating Assets	\$1,639	
Imputed Reinvestment Rate	4.43%	
Cost of Capital	9.41%	
Debt Ratio	6.30%	From page 35 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Cost of debt in USD	5.40%	Based on A1 rating assigned by Moody's to company
Beta for integrated oil	0.88	Global beta for integrated oil companies, start of 2024 ( <a href="https://pages.stern.nyu.edu/~adamodar/pc/datasets/betaGlobal.xls">https://pages.stern.nyu.edu/~adamodar/pc/datasets/betaGlobal.xls</a> )
ERP for Saudi Arabia	5.63%	ERP at the start of 2024 for Saudi Arabia: <a href="https://rpubs.com/rafael_nicolas/crp">https://rpubs.com/rafael_nicolas/crp</a>
Risk free Rate in US \$	4.50%	US T. Bond rate on May 31st 2024: <a href="https://www.cnbc.com/quotes/US10Y">https://www.cnbc.com/quotes/US10Y</a>
Number of years	50.00	from 2.2.3 Reserves Life @ <a href="https://rpubs.com/rafael_nicolas/aramco">https://rpubs.com/rafael_nicolas/aramco</a>
Return on invested capital (after-tax)	58.67%	Based on Invested Capital
Expected growth rate	2.60%	from IMF Global Inflation rates @ <a href="https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation">https://rpubs.com/rafael_nicolas/global_interest_rates_dynamics_inflation</a>
Tax rate	48.79%	From page 34 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Operating Income	\$232	From page 34 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Invested Capital	\$384	
Cash	\$102	From page 35 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Total Debt	\$77	From page 164 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>
Book Equity	\$409	From page 164 @ <a href="https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf">https://www.aramco.com/-/media/publications/corporate-reports/annual-reports/saudi-aramco-ara-2023-english.pdf</a>