

Report Date: 16-Apr-25

JORDAN PETROLEUM REFINERY

ASE: JOPT

Annual Earnings: 31/12/2024

RATING:



Initiated Coverage 16/04/2025

We project that JOPT will perform in line with the market over the next 6-12 months. This projection is based on our analysis of four key factors that influence common stock performance: **(1)** relative valuation, **(2)** earnings strength, **(3)** financial stability, and **(4)** price movement.

Target Price

JD 5.40

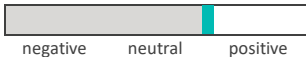
Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Dividend/Share	
1	2	3	4	5	03/03/2025	JD 4.60 - JD 5.69	JD 521 M	9.60%	JD 0.50
Founded: 1956					Shares Outstanding: 100 M	Employees: 2,384	Sector: Energy	Industry: Utilities and Energy	

Jordan Petroleum Refinery (hereinafter referred to as “**JOPT**” or the “**Company**”) is a public shareholding company specialized in refining, producing, distributing, and transporting petroleum products in Jordan. The Company produces **(1)** asphalt, **(2)** petroleum products, **(3)** LPG, **(4)** lube oil, and **(5)** other special products. As of December 2023, JOPT owns 100% of Jordan Petroleum Products Marketing Company and has direct control over Hydron Energy Company LLC, in addition to 11 other subsidiaries. Under agreements, JOPT operates 391 fuel/gas stations, and maintains three liquefied petrol filling stations and a maintenance center aimed at cost-effective cylinder repair. Furthermore, JOPT is the only producer of petroleum derivatives from imported crude oil components in Jordan. It is worth noting that the Company exports the 3.5% surplus of its fuel oil products as well as some finished oil goods. **On March 25,2025, JOPT’s Board of Directors announced the distribution of 50% cash dividends to its shareholders.**

Recommendation Summary

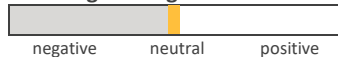
UFICO’s **HOLD** recommendation of JOPT is the result of our systematic analysis of four basic characteristics mentioned above. JOPT appears undervalued based on its P/E and P/BV ratios and offers a dividend yield above the market average, supported by consistent profitability over the past three years. However, a decline in earnings due to high interest payments from significant debt reliance raises concerns about financial sustainability. While the stock shows long-term strength with a Buy rating at its 200-day moving average, its overbought RSI suggests short-term caution, justifying a Hold recommendation.

Relative Valuation



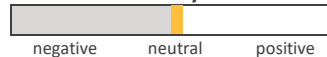
The stock is **undervalued** based on its P/E and P/BV ratios. Dividend yield is **above** the average of dividend payers in the market.

Earnings Strength



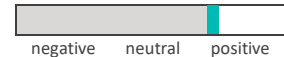
JOPT has shown resilience, maintaining decent margins and returns even as top-line growth declined in 2024.

Financial Stability



The financial position has strengthened over time, but leverage is still relatively high, which could expose JOPT to interest rate risk or credit tightening

Price Movement



Low volatility with minimal price fluctuation over time. The stock is **Overbought based on its** current 14-Day RSI and rated a **Buy** at its 200MA.

Major Risks & Rewards

- **Earnings Decline:** JOPT's earnings decreased 11.2% during 2024. This decline is due to the increased interest payments incurred during the year.
- **Commodity Price Risk:** JOPT is highly exposed to fluctuations in crude oil and petroleum product prices. Sudden changes in oil prices can significantly impact profit margins, as refining margins depend on the price differential between crude oil and refined products.
- **Market Risk:** The Company is vulnerable to shifts in market dynamics, including changes in demand patterns, geopolitical tensions, trade policies, and competition from alternative energy sources. Market disruptions can affect product demand, pricing, and market share.
- **Financial Risk:** JOPT is heavily reliant on debt financing to fund its operations, making it susceptible to interest rate fluctuations, credit risks, and liquidity constraints. Additionally, volatile oil prices and economic uncertainties can impact JOPT’s financial performance and creditworthiness.
- **Supply Chain Risks:** JOPT depends on a reliable supply of crude oil, natural gas, and other raw materials. Disruptions in the supply chain, such as transportation bottlenecks, geopolitical conflicts, or natural disasters, can disrupt operations and affect production levels.
- **Currency Risk:** refers to exchange rate changes that affect payments made in foreign currencies. The Jordanian Dinar is pegged to the US dollar; therefore, the Company's management sees foreign currency risk as insignificant.
- **Regulatory and Compliance Risks:** JOPT must comply with numerous environmental, health, and safety regulations imposed by local, national, and international authorities. Non-compliance can result in penalties, legal disputes, reputational damage, and operational restrictions.
- **Dividend Yield:** A dividend yield of 9.60%, along with the distribution of 50% cash dividends, provides stockholders with income opportunities.

Report Date: 16-Apr-25

JORDAN PETROLEUM REFINERY

ASE: JOPT
Price as of 15-Apr-25
JD 5.46/Share

- **Profit Margins:** When crude oil prices are low and demand for refined petroleum products is high, JOPT can achieve favorable profit margins. This is particularly true during periods of strong economic growth when demand for gasoline, diesel, jet fuel, and other refined products is strong.
- **Diversified Product Portfolio:** JOPT produces a range of refined petroleum products. Diversification across multiple product lines helps mitigate risks associated with fluctuations in demand or pricing for any single product.
- **Relative Valuation:** JOPT's undervalued position in comparison to industry peers provides an opportunity for potential capital gains as market conditions improve and the Company's valuation matches with its fundamentals.

Peers Group Comparison

Ticker	Peer Name	Country	Price	Mkt Cap*	EPS	P/E	P/BV**	NPM
			15/4/2025	15/4/2025	(2024)	(Current)	(2024)	(2024)
JOPT	Jordan Petroleum Refinery	Jordan	JD 5.21	521.0	JD 0.72	7.19x	0.79x	4.77%
MANE	Afaq For Energy Co. P.L.C	Jordan	JD 1.66	182.6	JD 0.16	10.28x	1.05x	1.74%
2223	Saudi Aramco Base Oil Co.	Saudi Arabia	JD 19.84	3,347.3	JD 1.09	18.12x	4.01x	9.69%
ADNOCDIST	National Oil	UAE	JD 0.62	7,718.8	JD 0.04	16.79x	13.58x	6.83%
Weighted Average (Peers)						17.08x	3.85x	
Emerging Market Averages (www.damodaran.com)						10.94x	1.62x	
Median						16.79x	2.53x	

* In JD Million, ** excluding ADNOCDIST from the P/BV average

Past Performance

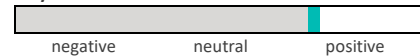
	2018	2019	2020	2021	2022	2023	2024
Net Profit Margin	2.13%	3.02%	(1.49%)	4.21%	6.16%	4.92%	4.77%
Earning/ Share (JD)	0.37	0.44	(0.14)	0.52	1.05	0.82	0.72
Debt to Equity	352.40%	198.16%	280.34%	216.84%	211.55%	184.35%	115.82%
Gross Profit Margin	6.19%	7.86%	3.78%	10.58%	13.17%	9.61%	10.60%
Dividend/ Share (JD)	0.25	0.17	0.05	0.30	0.50	0.45	0.50

Relative Valuation: POSITIVE

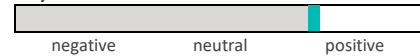
Last Price	Mkt Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
15/4/2025	15/4/2025	(2024)	(Current)	(2024)	(2024)	(2024)	(2024)
JD 5.21	JD 521.0 M	JD 0.72	7.19x	JD 3.65	1.43x	JD 0.45	8.64%

- **P/E vs. Industry** is lower than the emerging market and peer group averages, which indicates undervaluation.
- **P/BV vs. Industry** is lower than the emerging market and peer group averages, which indicates undervaluation.
- **Dividend Yield** is relatively high and exceeds the Jordanian market average.

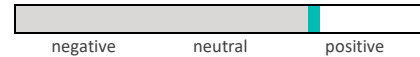
P/E



P/BV



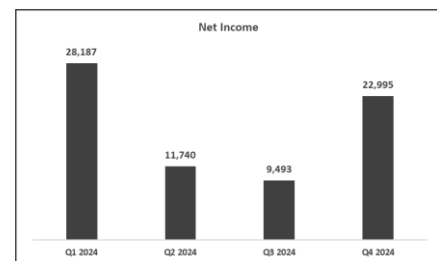
Dividend Yield



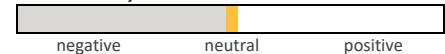
Earning Strength: NEUTRAL

FY24 Results	Revenues	Net Income	ROE	NPM
	JD 1,517 M (-8.6%)	JD 72.4 M (-11.2%)	14.18%	4.77%

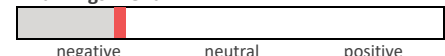
- **Earnings Trend:** Revenues in 2024 declined, which, combined with rising interest costs, contributed to the 11.2% drop in net income.
- **Return on Equity** is solid, reflecting efficient capital utilization despite the dip in earnings.
- **Net Profit Margin** has improved substantially reaching 4.77% in 2024, indicating stable profitability despite a revenue decline of 8.6%. While oil demand showed signs of recovery during 2021-2024 following the sharp declines experienced in 2020, uncertainties surrounding the pace and direction of demand growth persisted. Factors such as economic growth, energy policies, technological advancements, and shifts toward sustainability will continue to influence oil demand dynamics in the coming years.



Profitability



Earnings Trend



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JORDAN PETROLEUM REFINERY

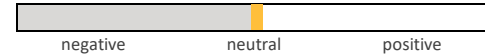
ASE: JOPT

Financial Stability: **NEUTRAL**

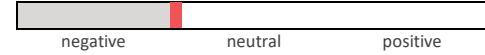
FY24 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
	JD 1.8 B	JD 668.2 M	4.47%	115.82%	1.15x

- **Return on Assets** is lower than 5.53% achieved at the end of 2023, but in line with the past 5 years, and the average industry ROAs.
- **Debt/ Equity**: has declined in 2024. Although this ratio is higher than sector averages it is not unusual for oil refineries, but indicates that the Company is heavily reliant on debt to finance its operations and expansions.
- **Current Ratio** of 1.15x indicates JOPT's borderline ability to meet short-term obligations with its current assets, exhibiting neutral liquidity.

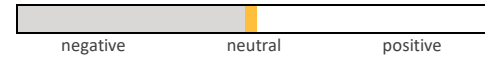
Return On Assets



Debt/ Equity



Current Ratio



Price Movement: **POSITIVE**

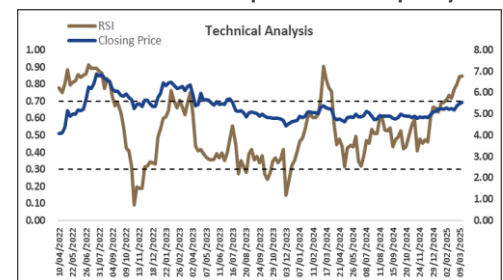
Annual Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3M):
+/- 12.3%	64.376	5.03	77,563 Shares

- **Price Volatility** indicates low levels of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** is 64.376, suggests strong bullish momentum but is approaching overbought territory. Traditionally, a stock is considered overbought or overvalued when RSI is above 70 and oversold or undervalued when it is below 30.
- **Moving Averages (MA)**: The stock currently trades above its 200-day moving average, which indicates a **Buy** signal. The MA for the 50-Day and 100-Day are 5.17 and 5.34, indicating a **Buy** signal.
- **Average Volume 3-Months** is 77,563 shares, which **indicates acceptable trade activity**. This is due to JOPT's free float of 69.207%, which increases daily trading opportunities.

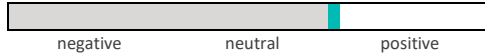
Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14 day and 1-year period. **JOPT has a positive price strength in the past 200-day period indicating a favourable signal of near-term price gains which is also supported by the past 14-day price changes.**

- JOPT is currently trading at JD 5.46, positioned above its 200-day MA, reflecting a bullish technical setup. The stock has shown strong support around JD 5.30 and is approaching a key resistance level at JD 5.60. If it breaks this resistance, the next target lies between JD 5.75 and JD 6.00, aligning with historical highs and psychological levels. However, it is expected that the stock will experience a short-term drop following the General Assembly meeting on April 27, 2025, before moving forward to move up in the second half of the year, supported by semiannual financial results.

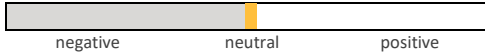
Stock Price is up 17.7% in the past year



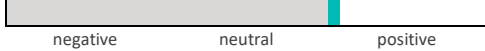
Price Volatility



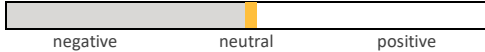
14-Day RSI



Moving Average (MA)



Average Volume (3-Months)



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UFICO Stock Ratings: UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5	Strong Buy	Significantly Satisfactory
1	2	3	4	5	Buy	Satisfactory
1	2	3	4	5	Hold	Average
1	2	3	4	5	Sell	Unsatisfactory
1	2	3	4	5	Strong Sell	Significantly Unsatisfactory

Relative Valuation: Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

Earnings Strength: Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

Financial Stability: Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

Recent Price Movement: Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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