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DATE:

EIU Paris City Campus
Address: 59 Rue Lamarck, 75018 Paris, France | Tel: +33 144 857 317 | Mobile/WhatsApp: +33607591197 | Email: paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter
Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | Tel: +66(2)256923 & +66(2)2569908 |
Mobile/WhatsApp: +33607591197 | Email: info@eiu.ac

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Introduction:

Saudi Aramco is the world's largest oil and natural gas company. It began in 1933 as a division of Standard Company of California. Was known as California Arabian Standard Oil Company. Its establishment came about due, to the discovery of oil, in the region of the Kingdom. This discovery flourished and evolved into a vertically integrated energy plant which include upstream operations, downstream refining and distribution of oil and natural gas.

Saudi Aramco, an enterprise fully owned by the state has emerged as a player, in the energy sector. Its significant contribution to the progress of Saudi Arabia has solidified the nations dominance in the energy market. Saudi Aramco is embracing innovation, sustainability, and operational efficiency to adapt to the changing energy landscape. Its success is deeply rooted, in its hydrocarbon reserves, which consist of 336.2 billion barrels of oil and 244.6 trillion cubic feet of natural gas reserves as of 2022. By embracing technology Saudi Aramco maintains its position as one of the producers of oil and natural gas globally.

The company upstream operations encompass exploration, drilling and production activities in the oil and gas fields across the Kingdom including the Ghawar field—the world's largest conventional onshore oil field. With a commitment to utilizing cutting edge technologies like enhanced oil recovery methods, advanced seismic imaging and digital twins Saudi Aramco has optimized resource extraction. Prolonged the lifespan of its reserves. This strategic focus, on technology has not enhanced efficiency but also positioned Saudi Aramco competitively within the industry. Saudi Aramco downstream operations complement its activities by engaging in refining, petrochemicals and the distribution of oil and natural gas. The company has established a network of refineries strategically positioned both domestically and globally transforming oil into a wide variety of refined products, which may include gasoline, diesel, and petrochemicals. This vertical integration helps them to be independent and capture wider.

market base by availing value across the entire chain of energy supply, from exploration to distribution, ensuring reliable and efficient supply of energy across the globe.

Saudi Aramco is focused on maintainability and ecological worries. They have areas of strength for attempted to lessen their carbon impressions, improve energy productivity and interest in sustainable wellsprings of energy through aggressive initiatives. The commitments are true can be understood through its participation in renewable energy projects such as Sakaka solar power plant.

Saudi Aramco has understood the ever-changing waves in the energy industry and thus their future plans and strategies are centered around four key pillars: To uphold its reputation as an energy supplier optimize the worth of its resources enhance effectiveness and support the economic development and diversification efforts of the Kingdom.

Saudi Aramco is dedicated to its role, as an energy source. Is undertaking ambitious initiatives such as the Marjan and Berri expansion projects to boost its capacity for crude oil production. At the time the company is actively seeking opportunities, in markets and establishing key partnerships to secure lasting energy agreements guaranteeing a steady worldwide energy provision.

Saudi Aramco's upcoming strategies are, in line with the Vision 2030 of the Kingdom focusing on expanding the economy supporting private sector expansion and decreasing reliance on oil and gas. The corporation is investing in energy, manufacturing, and employment opportunities, in Saudi Arabia to support sustained progress.

If we discuss company's competitive analysis, it has a gain a strong dominance in the global energy market. The competitors comprise of ExxonMobil, Shell and BP, with whom it has maintain significant advantage because of greater operational efficiency, vast oil and natural gas reserves and vertical integration of operational activities. However, similar to other competitors it also possesses challenge from emerging and disruptive technologies, changes in consumer preference towards renewable sources and changes in environmental regulations.

Saudi Aramco's management consists of experts from various fields and expertise. The board of directors is made up of professionals, from industries and fields who provide advice to support the Kingdoms goals and maintain efficient corporate governance. Amin H. Nasser, serving as both the CEO and President of Saudi Aramco leads the company with a focus on sustainability fostering creativity and achieving effectiveness. The senior management team has demonstrated dedication to establishing a talent development system and ensuring an inclusive work environment, for all employees. Heavy investment and great care have taken in training and development programs, so that their employees are equipped with necessary skills and knowledge to work within the complex energy industry.

Financial Statements and its Analysis:

Income Statement		2023	2022	2021	2020
Revenue	SAR billion	1,653	2,007	1,347	768
Operating costs	SAR billion	988	1,122	730	479
Net income	SAR billion	455	604	412	184

Balance sheet		2023	2022	2021	2020
Non-current assets	SAR billion	1,746	1,635	1,551	1,515
Current assets	SAR billion	732	858	611	399
Total assets	SAR billion	2,478	2,493	2,163	1,914
Total equity	SAR billion	1,737	1,666	1,281	1,101
Non-current liabilities	SAR billion	423	495	578	570
Current liabilities	SAR billion	318	331	304	243

Total liabilities	SAR billion	741	827	882	813
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Cash Flows Statement		2023	2022	2021	2020
Net cash provided by operating activities	SAR billion	538	698	523	285
Net cash used in investing activities	SAR billion	-54	-389	-136	-21
Net cash used in financing activities	SAR billion	-511	-383	-295	-235
Free cash flow	SAR billion	380	557	403	184
Cash and cash equivalents at end of the year	SAR billion	199	226	300	207
Capital Expenditures	SAR billion	158	141	120	101

Key Highlights		2023	2022	2021	2020
Earnings Before Interest and Taxes	SAR billion	865	1,149	780	380
Net income	SAR billion	455	604	412	184
Net cash provided by operating activities	SAR billion	538	698	523	285
Capital expenditures	SAR billion	158	141	120	101
Free cash flow	SAR billion	380	557	403	184
Dividends paid	SAR billion	367	281	281	261
Earnings per share	SAR	1.87	2.47	1.80	0.93
Dividends paid per share	SAR	1.55	1.31	1.40	1.30

Performance Evaluation

Profitability Analysis:

Profitability Analysis:

1. The analysis of the profit margin indicates a strength of, around 27% in 2023 showing a decrease from the previous year's 30.1%. The higher profits in 2022 were due to the Russia Ukraine war driving up oil prices leading to increased benefits for the company. However, the decline in oil prices in 2023 resulted in a decrease, in the profit margin.
2. Overall, it shows strong profitability and solid financial position with stable revenue figures.
3. Return on equity: Similar to net profit margin, return on equity fell in 2023 in comparison with 2022, it was 26.2% and 36.3% respectively. The primary reason can be the fall in revenue due price cut and thus resulted in low profits. It's not a threatening situation as it was industry wide problem. We can see stability in the coming period.

Solvency Analysis:

1. Current Ratio: We can find that current ratio is well above the required threshold of 1.5 or 2, it has actually improved over the years as in 2020 it was 1.63 but that's probably an outcome of COVID pandemic, but more or less company solvency is not questionable.
2. Debt – to – equity ratio: It can be understood that the company operates at very low debt levels of around 0.5 over the years. So this also ensures company's solvency as there's no such commitments that can result in bankruptcy. They also have sound credit rating, which can be capitalized for the purpose of expansion. However, the company seems self-sufficient with respect to expansion plans.

Efficiency Analysis:

1. Asset Turnover ratio: Saudi Aramco has shown a very stable and efficient utilisation of their assets. There are no major concerns regarding its ability to effectively utilise their assets.
2. Cash flow from operations: We can understand company's efficiency by its ability to generate cash from operating activities. Cash flow from operations is positive and abundance

shows glimpse of efficiency with respect to credit terms, debtor recovery and inventory turnover.

Market Based Ratios:

1. EPS: It has been consistently positive over the years. There are no drastic developments seen there which suggest stability. A slight decline in 2023 needs to look after for more understanding, however its due to lower level of revenues because of oil price cut.

2. Dividend Pay-out:

Dividend pay-out has been positive and even increased in 2023 which may suggest that company is confident in generating positive income in future and can afford paying out money to its shareholders, providing them their return, Saudi Aramco shows strong financials and ability to continue running their operations of indefinite period of time with good growth opportunity and value to the shareholders. There are no signs of instability or risk of insolvency which ensures various stakeholders to be confident and stay engaged with the organization.

Recommendations for improving the company business

Possible Improvements:

Saudi Aramco as discussed is above very well organized and operationally efficient, however there are technological developments that they can utilize in their daily practices to ensure its competitive advantage and be viable in long run. Saudi Aramco can implement targeted measures in order to improve and maintain its dominance as global leader.

Following are the few measures that can be undertaken.

1. Enhance Operational Efficiency and Cost Optimization:

Saudi Aramco is recognized for its operations. There is room, for improvement by adopting new technologies, like automation, digitalization, and artificial intelligence. These advancements can help enhance efficiency decrease downtime and reduce waste further.

2. Saudi Aramco has expressed a commitment, to expanding its investments, in energy sources as part of its sustainability and environmental efforts. To obtain a competitive edge in the industry, a company with such exceptional capabilities and resources ought to expand into the renewable energy sector. It is able to finance wind, solar, and other green energy projects. Due to its reduced reliance on fossil fuels for energy generation, diversification will also help Kingdom achieve its Vision for 2030 and sustainability over the long run.

3. Saudi Aramco can benefit from broadening its connections and establishing partnerships to uphold its position, as a reliable energy provider and leverage new market prospects. By teaming up with leading energy firms, tech companies and educational organizations Saudi Aramco can gain access, to technologies expand its range of resources and explore markets. Moreover, venturing into the arena through partnerships, acquisitions or new projects can assist the company in diversifying its income sources and reducing uncertainties.

4. Invest in Talent Development and Knowledge Transfer:

Saudi Aramco is heavily dependent on its human capital, and such a company should prioritize in the development of its talent and knowledge transfer should be taken place regarding the new technological advancements. They need to train their employees frequently, promote diversity within the organization and fostering culture of continuous learning.

5. Strengthen Environmental, Social, and Governance (ESG) Practices:

Everyone in the world is concern about environment and are taking decisions which also includes social responsibility. So, for the very purpose it needs to strengthen its ESG practices to maintain its reputation as a responsible corporate citizen. They can establish a team that can look after and keep a check on ESG practices. They can implement targets to reduce greenhouse gas emission, implementing robust human rights and promoting transparency and accountability in reporting.

6. Cultivate Innovation and Entrepreneurship:

To succeed Saudi Aramco should focus on fostering innovation through the adoption of technologies, concepts and approaches. Creating a workplace culture that supports creativity and entrepreneurial spirit is essential. This alignment of employee aspirations, with the company's objectives will cultivate an atmosphere to innovation and advancement. To incentivize teams like R&D, it is advisable to consider compensation structures based on profit sharing, such as share-based compensation options like Stock Bonus, ESOPs, and more. This approach can give Saudi Aramco a competitive advantage, attracting and retaining skilled individuals and strengthening its human capital.

7. Enhance Cybersecurity and Resilience:

Cybersecurity is a major concern not just for Saudi Aramco but also for other organizations as information are stored digitally. Saudi Armco should also maintain a strong on cyber security as sensitive and confidential information can be theft which will drastically affects company's operations. They should also train their employees regarding possible scenarios that can lead to cyber theft

New investment projects

In recent times everyone's focus is towards renewable sources of energy, so the recommendation for Saudi Aramco would be of Expansion into Renewable Energy and Green Hydrogen production.

Project Overview:

The few key components of the proposed projects are as follow:

1. Renewable Energy expansion:

- Leverage country's abundant renewable resources, it should develop large-scale solar and wind energy projects within the Kingdom.
- Build concentrated solar power plants, offshore/onshore wind farms and generate energy and capitalize on the same.
- Saudi Aramco can introduce such renewable energy sources into its own infrastructure to generate energy and also reduce its own carbon footprints.

2. Green Hydrogen Production:

- Setup a dedicated plant for the production of green hydrogen and use the renewable sources of energy from above for the production.
- Implement electrolysis technology by using renewable sources of energy in order to split water molecules into hydrogen and oxygen.
- Further develop well equipped, safe and advanced infrastructure for the storage, distribution and export of green hydrogen domestically and internationally.

Initial Costs & Financing:

The estimate based on research and personal judgement will require initial capital expenditure of \$15 billion, which consist of renewable energy infrastructure, hydrogen production facilities and also development of transportation and storage infrastructure.

The requirement of Saudi Aramco to capitalize only 40% through its own capital, will make the financing structure look like:

- Saudi Aramco's contribution (40%): \$6 billion.
- External Financing (60%): \$9 billion.

Saudi Aramco can finance the other 60% i.e., \$9 billion through debt financing or strategic partnership who are focused on sustainable energy projects.

Project Evaluation:

1. Net Present Value Approach (NPV):

For the purpose of project evaluation and understand the financial feasibility of the project NPV approach needs to be carried out. For the purpose of evaluation various estimates regarding the cash flows over the period of 25 years needs to be obtained.

- Capital expenditure at initiation: \$15 billion.
- Annual Operating Cost: \$1 billion
- Estimate of Annual Revenue: \$3.5 billion
- Discount rate (WACC): 14.05%

With the help of above assumptions, the NPV of project is positive at \$3.726 billion, indicating that the project is financially viable and will create value for the shareholders.

2. Weighted Average Cost of Capital (WACC):

Saud Aramco's WACC is 14.05% which suggests that if the project generates return more than 14.05% or equal to the projects is financially viable. We considered WACC itself as our discount rate earlier and found positive NPV which indicates projects capacity to generate return more than 14.05% proving its feasibility.

Sources of Financing the Project:

Saudi Aramco should use the mix of various available options in order to diversify the risk and ability to generate finance.

Following are the options it can utilize:

1. Retained Earnings: Saudi Aramco could finance on its own through the funds available in retained earnings. It can finance the 40% of its own contribution from retained earnings.
2. Raising Equity Capital: For the purpose of fulfilling its own 40% contribution it can raise further equity capital, however Saudi Aramco can easily fund through retained earnings, raising through this means may incur cost which would not be viable.

3. Green Bonds: It can issue bonds to the individual or institutional investors to fund the remaining capital requirement. It would be a type of debt financing, so Saudi Aramco needs to consider the annual interest commitment that will follow while evaluating a project and then choose this option.
4. Bank Loan: Instead of reaching out to investors, it can go to bank for debt financing. Saudi Aramco's good credit rating will help them obtain finance at a cheaper rate. Similar to green bonds annual interest payments needs to be considered in project evaluation.
5. Strategic Partnership: Saudi Aramco can partner with firms prominent in the field of renewable energy production or an established company looking to get into the industry. Saudi Aramco would be able to reduce their risk and also able to make strong alliance and partnership. The partnership will also be beneficial as not only funds but technological expertise, access to different markets can also be achieved depending upon the partner, such benefits were not available in the other options.

Benefits of the Project:

1. Diversification and Sustainable energy transition:

The project will help Saudi Aramco diversify from their core business, thereby reducing the dependence on fossil fuel. It will also align effectively with the nation's future goal. This will also reduce its own carbon footprint and also gain substantial market share into the new growing sector.

2. Market access and long-term competitiveness:

Demand for renewable energy and its sources will rise as the concerns related to environment and depleting reserves of fossil fuel. Saudi Aramco would be able to capitalise on the same and gain long term competitiveness and market access.

3. Revenue Diversification and export opportunities:

If the projects turn out to be a success, it will generate revenue from sources other than oil and natural gas. Production from the projects can also be exported which will further boost company's profitability but also nation's economy.

4. Environmental and Social Impact:

The project will contribute to Saudi Arabia's efforts to combat climate change and promote sustainable development. It will also create new job opportunities, support local communities, and enhance Saudi Aramco's reputation as a responsible corporate citizen.

5. Technological Leadership and Innovation:

The project will require the implementation of cutting-edge technologies in renewable energy generation, energy storage, and hydrogen production. This will foster innovation and position Saudi Aramco as a technological leader in sustainable energy solutions.

In conclusion, by leveraging its financial capabilities, technology and commitment towards sustainability, Saudi Aramco can successfully execute this project.

[Decide whether the company should pay return earnings or not.](#)

Dividend Distribution

Saudi Aramco has reported strong financials with year-on-year profits, robust revenue streams, high profitability and ample cash reserves is capable of paying dividends. In 2023, the company reported profits of \$121.3 billion with low debt levels and substantial cash and cash equivalents.

However, profits have reduced from 2022 to 2023, as there was Russia-Ukraine war during 2022 oil prices rose and resulted in good profits in 2022, while in 2023 there were price cuts in oil prices which reduced their profits.

Despite lower profits, company did pay dividends which shows sign of confidence that there's not such a situation where shareholders return should be hampered, and they are in the position of paying dividends. So for the purpose of showing confidence, they can pay out dividends in this difficult times, where many countries are facing economic downturn.

Contrary to above, they should hold on to the paying of dividends and instead invest the same in projects like renewable energy which will be the future of globe. Taking first mover advantage in the sector should be the plan and on this very basis they should not pay out dividends, as investing in such potential projects can help generate and create more wealth for the shareholders in the long run.

Conclusion:

Saudi Aramco's exhibits strong financial performance, with positive net profit margins and that too around 20% is commendable, along with profitability it has ability to generate substantial cash through its operations and its healthy balance sheet suggests great stability, resilience and strength in the global energy industry.

Saudi Aramco beside showing slight decline in revenue figures and profitability figures shows great fundamentals. Its commitments towards sustainability and diversification plans provides it a strong edge in the industry. The projects that have been undertaken will help the company to grow and showcase its dominance.

By actively embracing and investing in the new opportunity presented in the report, the company stands to secure a multitude of benefits for the nation. Additionally, it will realize significant advantages in line with the ambitious goals outlined in the Kingdom's Vision 2030. This strategic investment has the potential to yield various positive outcomes, such as increased revenue streams and the creation of numerous job opportunities, contributing to the overall development and prosperity of the nation. Furthermore, by seizing this investment opportunity, the company can effectively diversify its revenue sources, reducing its heavy dependence on non-renewable resources like crude oil and natural gas. This diversification will not only bolster the organization's financial resilience but also align with global efforts to shift towards sustainable and renewable energy sources. By exploring new sectors and industries, the company will position itself as an innovative and forward-thinking entity capable of adapting to changing market dynamics and technological advancements.

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