

MARKETS

Saudi Aramco Shares Take Hit From Mideast Conflict

The shares have lost 10% from their peak in mid-December



An employee looks on at a Saudi Aramco oil facility in Abqaiq, Saudi Arabia, in October. PHOTO: MAXIM SHEMETOV/REUTERS

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Investors who bought Aramco shares after the Saudi oil giant's highly anticipated initial public offering last month haven't benefited from the outbreak of conflict in the company's Mideast backyard.

Shares of the company—officially called Saudi Arabian Oil Co. —have fallen 10% from their peak on Dec. 16, a few days after they began trading on Saudi Arabia's Tadawul exchange.

Over the same period, BP PLC has gained 5.6%, U.K.-listed Class B shares of Royal Dutch Shell PLC have climbed 6% and Exxon Mobil Corp. shares have fallen 1.1%.

Aramco shares have dropped every day since the U.S. airstrike in Iraq last week that killed a top Iranian commander, Maj. Gen. Qassem Soleimani, setting off threats of retaliation from Tehran that have roiled the region. On Wednesday—after Iran launched missiles at U.S. military bases in Iraq—Aramco fell 0.4% to close at 34.20 Saudi riyals, or about \$9.12, a share.

At that level, Aramco shares are down 2.8% from where they closed on their first day of trading on Dec. 11, but still 6.9% above their IPO price of 32 riyals.

Flare-ups of tension in the Middle East tend to benefit energy stocks because they boost the price of oil. But Aramco is more exposed to the U.S.-Iran conflict than its peers around the world because of the concentration of infrastructure within reach of Tehran's military.

In September, attacks on key Aramco facilities in Saudi Arabia—which the U.S. blamed on Iran—temporarily took a large chunk of its production offline, underscoring the company's vulnerability. As the key money-maker and corporate crown jewel of Saudi Arabia, an important U.S. ally in the region, Aramco could be a potential target for further Iranian retaliation.

Aramco boasts the biggest oil reserves of any company in the world. It raised \$25.6 billion when it went public in December in the biggest IPO in history. Opening the company to public investors was a key part of the modernization agenda of Saudi Arabia's de facto ruler, Crown Prince Mohammed bin Salman.

Based on Wednesday's closing price, Aramco is worth \$1.8 trillion. The company briefly had a valuation of \$2 trillion in December, a key target of Prince Mohammed and his officials.

Despite its recent drop, Aramco remains the world's most valuable listed company. The second-most valuable, Apple Inc., is worth about \$1.3 trillion.

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