

Saudi Basic Industries Corporation (SABIC)

Losses from discontinued operations weighed on the bottom line

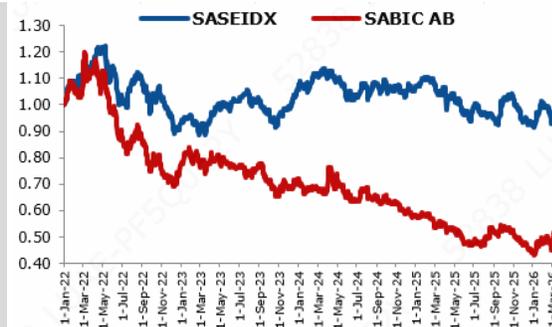
Current Price
SAR 57.10

Target Price
SAR 65.00

Upside/Downside (%)
+13.8%

Rating
ACCUMULATE

- Bottom line was negatively impacted by divestments and one-off items during 4Q25.
- The Company's Petrochemicals sales volume recorded an increase of 4% YOY to 36.2 MMT during 2025.
- SABIC Fujian petrochemical complex reached 95.3% completion, reinforcing SABIC's long-term commitment to growth in Asia and scheduled for start-up in 2H26.
- Fair-value remeasurement losses of SAR 15.2 Bn for the European Petrochemicals (EP) and Engineering Thermoplastics (ETP) segments.
- Approved an interim cash dividend of SAR 1.50 per share for 2H25.



Stock Information

Market Cap (SAR, mn)	171,300.00
Paid Up Capital (mn)	30,000.00
52 Week High	65.80
52 Week Low	48.20
3M Avg. daily value (SAR)	104,952,500

4Q25 Result Review (SAR, Bn)

Revenue	27.95
EBITDA	3.04
Net Profit	-20.94
Shareholder's Equity	128.72

Financial Ratios

Dividend Yield (12m)	5.25
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	1.33
Book Value (SAR)	42.91
Return-on Equity (%)	-18.09

Stock Performance

5 Days	-3.06%
1 Months	0.09%
3 Months	8.97%
6 Months	-4.03%
1 Year	-11.75%
Month to Date (MTD%)	5.35%
Quarter to Date (QTD%)	11.31%
Year to Date (YTD%)	11.31%

4Q25 Net Loss higher than our estimates

Saudi Basic Industries Corporation ("SABIC", "The Company") net loss increased from SAR 1.9 Bn in 4Q24 to SAR 20.9 Bn in 4Q25, higher than our estimated net loss of SAR 1.2 Bn. The reported net loss was primarily driven by losses from discontinued operations coupled with other lower revenue driven by decline in average selling prices of certain products, partially offset by growth in sales volume. However, the Company's adjusted net loss for 4Q25 was SAR 1.4 Bn, excluding the effects of non-operational anomalies and one-off items.

P&L Highlights

SABIC's revenue decreased 5.7% YOY to SAR 28.0 Bn in 4Q25, mainly driven by lower average selling prices, partially offset by higher sales volumes. Petrochemicals revenue declined 5.9% YOY and 2.5% QOQ to SAR 25.0 Bn in 4Q25. Methyl tert-butyl ether (MTBE) prices stayed weak in 4Q25 owing to the decline in gasoline prices. Similarly, methanol prices also remained low in 4Q25, due to reflecting subdued demand and oversupply concerns. Moreover, Polyethylene (PE) prices remained subdued due to persistent oversupply and soft global demand. Moreover, revenue from Agri-Nutrients declined 3.6% YOY and 14.4% QOQ to SAR 2.9 Bn in 4Q25, due to lower sales volume, partially offset by increase in average selling prices. The Company recorded an operating loss of SAR 0.9 Bn in 4Q25 compared to operating profit of SAR 1.3 Bn in 4Q24. Additionally, the SABIC's adjusted operating profit decreased from SAR 1.2 Bn in 4Q24 to SAR 0.5 Bn in 4Q25. The Company's EBITDA decreased from SAR 4.3 Bn in 4Q24 to SAR 3.0 Bn in 4Q25. EBITDA margins declined from 14.4% in 4Q24 to 10.9% in 4Q25. In addition, SABIC's adjusted EBITDA declined from SAR 4.1 Bn in 4Q24 to SAR 3.3 Bn in 4Q25.

Balance Sheet Highlights

SABIC's cash and cash equivalents including short-term investments stood at SAR 40.7 Bn in 4Q25 compared to SAR 39.0 Bn in 3Q25. The Company's cash flow from operating activities declined from SAR 6.8 Bn in 3Q25 to SAR 5.8 Bn in 4Q25. In addition, free cash flow decreased from SAR 4.34 Bn in 3Q25 to SAR 3.33 Bn in 4Q25. The Company's gross debt declined to SAR 37.1 Bn in 4Q25 compared to SAR 38.4 Bn in 3Q25. Additionally, the Company's net debt to EBITDA stood at negative 0.27x in 4Q25, compared to negative 0.03x in 3Q25.

Target Price and Rating

We maintain our ACCUMULATE rating on SABIC with a target price of SAR 65.00. SABIC reported a net loss in 4Q25 and 2025, primarily driven by weak petrochemical pricing amid persistent global overcapacity, despite higher sales volumes. The reported bottom line was further weighed down by significant losses from discontinued operations and one-off items, primarily related to the fair-value remeasurement of assets associated with the planned divestment of the Company's European petrochemicals business and its engineering thermoplastics operations in the Americas and Europe. This included fair-value remeasurement losses of SAR 15.2 Bn for the European Petrochemicals (EP) and Engineering Thermoplastics (ETP) segments. The Company's petrochemicals segment continued to face pricing headwinds, with mono ethylene glycol (MEG) prices remaining low during 4Q25 amid oversupply from new capacity, while methanol prices declined due to weak demand. Methyl tert-butyl ether (MTBE) prices declined for another consecutive quarter as easing gasoline prices reduced blending margins, weakening demand for MTBE. Polymers such as polyethylene (PE), polypropylene (PP), and polycarbonate (PC), all saw price declines during 4Q25, driven by sluggish global demand. Despite this, the Company's sales volume recorded an increase of 4% YOY to 36.2 MMT during 2025. Moreover, the Agri-nutrients segment delivered a positive growth driven by an increase in average selling prices across key regions, coupled with an increase in sales volume in 2025. SABIC's transformation program delivered tangible progress, generating c. USD 623 Mn for 2025 in recurring annual EBITDA improvements and keeping the Company on track to achieve its 2030 target of USD 3 Bn in recurring EBITDA impact, including USD 1.4 Bn from cost efficiencies and USD 1.6 Bn from value creation initiatives. SABIC is also pursuing selective growth through disciplined investments, including an ethylene oxide catalyst plant in Saudi Arabia and an engineering thermoplastic compounding facility in China, which are expected to improve supply security, enhance cost efficiency, and expand its presence in key growth markets. Additionally, the planned expansion of polyphenylene-ether specialty polymer capacity positions the Company to benefit from rising demand for high-performance printed circuit boards used in AI and 5G data centers, supporting higher-margin growth. Operationally, the SABIC Fujian petrochemical complex reached 95.3% completion, reinforcing SABIC's long-term commitment to growth in Asia and scheduled for start-up in 2H26. SABIC also commissioned a new 1 Mn tons MTBE plant in Saudi Arabia, strengthening downstream integration and value capture, while introducing 148 new products in 2025 to support innovation-driven growth and expand its presence in higher-value markets. Moreover, the Company approved an interim cash dividend of SAR 1.50 per share for 2H25, equivalent to total of SAR 4.5 Bn, with an annual dividend yield of 5.3% for 2025. Thus, considering the above factors, we assign an ACCUMULATE rating on the stock.

SABIC - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	7.43	10.36	-61.79	111.34	-6.64	58.44
PB	0.95	0.92	1.02	1.10	1.33	1.40
EV/EBITDA	4.05	5.17	9.96	8.49	11.02	11.11
BVPS	60.047	62.015	55.810	52.119	42.906	40.682
EPS	7.689	5.510	NM	0.513	NM	0.977
DPS	4.000	4.250	3.400	3.400	3.000	3.200
Dividend yield	7.0%	7.4%	6.0%	6.0%	5.3%	5.6%

FABS Estimates & Co Data

SABIC – P&L

SAR Bn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Sales	29.65	29.08	27.95	19.20	45.6%	-5.7%	-3.9%	117.74	116.53	-1.0%
EBIT	1.29	2.28	-0.88	-4.08	NM	NM	NM	9.43	4.37	-53.7%
Adjusted EBIT	1.18	2.34	0.45	-	NM	-61.9%	-80.8%	9.79	6.92	-29.3%
EBITDA	4.26	5.04	3.04	0.10	NM	-28.6%	-39.7%	21.00	16.43	-21.8%
Adjusted EBITDA	4.14	5.09	3.32	-	NM	-19.8%	-34.8%	20.98	17.88	-14.8%
Profit attributable	-1.89	0.44	-20.94	-1.22	NM	NM	NM	1.54	-25.78	NM

FABS estimate & Co Data

SABIC - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
EBITDA	14.4%	17.3%	10.9%	-349	-645	17.8%	14.1%	-374
Operating Profit	4.4%	7.8%	-3.1%	-750	NM	8.0%	3.8%	-426
Net Profit	-6.4%	1.5%	-74.9%	NM	NM	1.3%	-22.1%	NM

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Saudi Basic Industries Corporation. We have assigned 70% weight to DCF and 15% to RV and DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	64.15	70.0%	44.90
DDM Method	50.82	15.0%	7.62
Relative Valuation (RV)	83.18	15.0%	12.48
Weighted Average Valuation (SAR)			65.00
Current market price (SAR)			57.10
Upside/Downside (%)			+13.8%

1) DCF Method:

Saudi Basic Industries Corporation is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.5%. It is arrived after using the cost of equity of 9.1% and after-tax cost of debt of 5.7%. Cost of equity is calculated by using a 10-year government bond yield of 5.5%, a beta of 0.9 and an equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	40,467
Terminal value (SAR, Mn)	124,643
Investments as of 4Q25	33,963
Net debt & NCI as of 4Q25	-6,633
FV to Common shareholders (SAR, Mn)	192,440
No. of shares (Mn)	3,000
Current Market Price (SAR)	57.10
Fair Value per share (SAR)	64.15

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	4,484	5,525	6,772	7,901	8,975
Depreciation & Amortization	11,284	10,878	10,512	10,195	9,921
Capex	-8,400	-8,242	-8,210	-8,273	-8,244
Change in Working Capital	4,991	-276	536	-93	147
Free Cash Flow to Firm (FCFF)	12,359	7,884	9,610	9,730	10,799
Discounting Factor	0.94	0.86	0.80	0.73	0.68
Discounted FCFF	11,578	6,807	7,647	7,136	7,299

Source: FAB Securities

2) DDM Method:

Saudi Basic Industries Corporation regularly pays semi-annual dividends and is expected to continue paying dividends in the forthcoming period. The dividend is discounted at the cost of equity of 9.1%.

Sum of PV (SAR, Mn)	41,060
Terminal value (SAR, Mn)	111,387
FV to Common shareholders (SAR, Mn)	152,447
No. of share (Mn)	3,000
Current Market Price (SAR)	57.10
Fair Value per share (SAR)	50.82

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
H1	4,802	5,102	5,402	5,402	5,402
H2	4,802	5,102	5,402	5,402	5,402
Total Dividend	9,603	10,203	10,804	10,804	10,804
Discounting Factor	0.93	0.86	0.78	0.72	0.66
Present Value of Dividend	8,960	8,729	8,475	7,771	7,126

Source: FAB Securities

3) Relative Valuation:

We have used local as well as international peers to value Saudi Basic Industries Corporation and valued using the EV/EBITDA multiple of 12.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Saudi Kayan Petrochemical Company	1,979	10.56	7.75	NM	NM
Sahara International Petrochemical Company	2,807	10.54	8.27	48.43	19.89
Saudi Arabian Mining Company	71,677	16.49	16.68	28.09	26.86
LyondellBasell Industries	21,705	11.15	9.61	22.41	16.56
Yanbu National Petrochemical Company	4,785	14.26	9.96	56.73	28.59
Advanced Petrochemical Company	1,535	13.12	10.19	262.15	13.36
Average		12.7x	10.4x	83.6x	21.1x
Median		12.1x	9.8x	48.4x	19.9x
Max (Quartile 3)		14.0x	10.1x	56.7x	26.9x
Min (Quartile 1)		10.7x	8.6x	28.1x	16.6x

Source: FAB Securities

