FAB SECURITIES أبوظبـي الأول للأوراق المالية

First Look Note | 2Q26

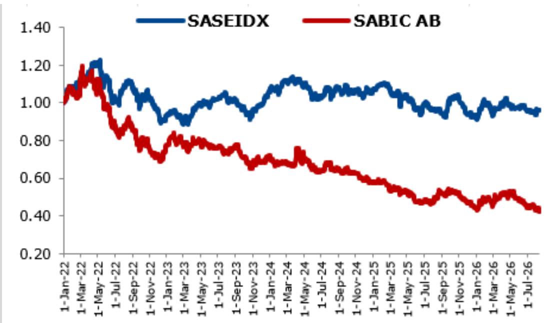
Saudi Equity Research | Sector: Basic Material | Market: Tadawul

Saudi Basic Industries Corporation (SABIC)

Higher pricing partly offsets volume pressure from supply disruptions

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 49.20	SAR 65.00	+32%	BUY

- Petrochemicals sales volume declined 34% QOQ, while average prices increased 42% QOQ in 2Q26.
- Agri-Nutrients sales volume declined 31% QOQ, while average prices increased 27% QOQ in 2Q26.
- SABIC signed an MoU with CEER, Saudi Arabia's first EV brand, to explore applications of advanced materials in next generation electric vehicles.
- The Company entered into an agreement with Rongsheng Petrochemical to evaluate the Jintang New Materials project in China
- Announced an interim cash dividend of SAR 1.10 per share for 1H26.



Stock Information	
Market Cap (SAR, Mn)	147,600.00
Paid Up Capital (Mn)	30,000.00
52 Week High	64.00
52 Week Low	48.20
3M Avg. daily value (SAR)	92,119,980

2Q26 Result Review (SAR, Bn)	
Revenue	24.81
EBITDA	3.79
Net Profit	-0.83
Shareholder's Equity	123.53

Financial Ratios	
Dividend Yield (12m)	5.28
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	31.96
Price-to-Book Ratio (x)	1.19
Book Value (SAR)	41.18
Return-on Equity (%)	-15.37

Stock Performance	
5 Days	-2.67%
1 Months	-6.02%
3 Months	-19.21%
6 Months	-15.17%
1 Year	-14.14%
Month to Date (MTD%)	-0.81%
Quarter to Date (QTD%)	-4.56%
Year to Date (YTD%)	-4.09%

2Q26 Net Loss higher than our estimates

Saudi Basic Industries Corporation ("SABIC", "The Company") net loss improved from SAR 4.1 Bn in 2Q25 to SAR 0.8 Bn in 2Q26, however, higher than our net loss of SAR 0.05 Bn. The reported net loss was primarily driven by lower revenue, higher S&M and G&A expenses, lower finance income and higher Zakat charges. These headwinds were partly offset by lower cost of sales, higher other operating income, lower finance costs and income tax charges, as well as lower losses arising from discontinued operations. However, the Company's adjusted net loss excluding non-operational anomalies and one-off items stood at SAR 0.38 Bn in 2Q26, compared to net profit of SAR 1.2 Bn in 2Q25.

P&L Highlights

SABIC's revenue declined 17.9% YOY to SAR 24.8 Bn in 2Q26, mainly driven by lower sales volumes amid supply chain disruptions, partially offset by higher average selling prices. Petrochemicals and Specialities revenue declined 17.2% YOY and 4.4% QOQ to SAR 22.4 Bn in 2Q26. The decline in revenue was mainly due to a 34% QOQ decline in volume partially offset by a 42% QOQ increase in average selling prices. Methyl tert-butyl ether (MTBE) prices increased over the quarter, supported by stronger crude oil and gasoline prices amid ongoing geopolitical uncertainties. However, Asian demand weakened, while seasonal gasoline blending supported demand in Europe amid constrained supply. Moreover, polypropylene prices remained elevated throughout the quarter, supported by higher feedstock costs and tight supply, while demand weakened as buyers delayed purchases due to high prices and limited availability. Furthermore, revenue from Agri-Nutrients declined 24.0% YOY and

11.5% QOQ to SAR 2.4 Bn in 2Q26, supported by higher urea prices, partially offset by decline in prices towards the end of the quarter amid additional supply from China and new production capacity. SABIC's cost of sales increased from SAR 24.0 Bn in 2Q25 to SAR 20.5 Bn in 2Q26. Thus, the Company's gross profit declined from SAR 6.2 Bn in 2Q25 to SAR 4.4 Bn in 2Q26, with gross margins also declining from 20.6% in 2Q25 to 17.5% in 2Q26. The Company's selling and distribution expenses increased 4.7% YOY to SAR 1.7 Bn in 2Q26. General and administrative expenses increased from SAR 1.9 Bn in 2Q25 to SAR 2.1 Bn in 2Q26. SABIC's R&D expenses increased 2.0% YOY to SAR 0.4 Bn in 2Q26. Other operating income grew significantly from SAR 0.4 Bn in 2Q25 to SAR 0.6 Bn in 2Q26. Resultantly, the Company's total operating expenses increased 2.3% YOY to SAR 3.6 Bn in 2Q26. SABIC's operating profit declined from SAR 2.7 Bn in 2Q25 to SAR 0.7 Bn in 2Q26. D&A expenses grew from SAR 2.7 Bn in 2Q25 to SAR 3.1 Bn in 2Q26. Thus, the Company's EBITDA decreased from SAR 5.3 Bn in 2Q25 to SAR 3.8 Bn in 2Q26. EBITDA margins declined from 17.6% in 2Q25 to 15.3% in 2Q26. In addition, SABIC's adjusted EBITDA declined from SAR 5.3 Bn in 2Q25 to SAR 3.4 Bn in 2Q26. Finance income declined from SAR 0.51 Bn in 2Q25 to SAR 0.46 Bn in 2Q26, whereas finance cost declined from SAR 1.2 Bn in 2Q25 to SAR 0.8 Bn in 2Q26. Zakat charges increased from SAR 0.3 Bn in 2Q25 to SAR 0.4 Bn in 2Q26. Income tax charges declined from SAR 0.12 Bn in 2Q25 to SAR 0.09 Bn in 2Q26. The loss from discontinued operations declined from SAR 4.5 Bn in 2Q25 to SAR 0.8 Bn in 2Q26. Additionally, the loss attributable to NCI holders stood at SAR 0.04 Bn in 2Q26, compared to profit of SAR 0.43 Bn in 2Q25.

Balance Sheet Highlights

SABIC's cash and cash equivalents including short-term investments grew from SAR 35.9 Bn in 1Q26 to SAR 42.8 Bn in 2Q26. The Company's gross debt increased from SAR 38.7 Bn in 1Q26 to SAR 45.5 Bn in 2Q26. The Company's cash flow from operating activities declined from SAR 0.9 Bn in 1Q26 to SAR 0.2 Bn in 2Q26. In addition, SABIC'S recorded a negative free cash flow of SAR 1.4 Bn in 2Q26, compared to negative SAR 0.3 Bn in 1Q26.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY on SABIC with an unchanged target price of SAR 65.00. The Company's share price declined 10.3% from our previous rating (March 2026). SABIC reported a 2Q26 net loss of SAR 0.8 Bn, with revenue declining 17.9% YOY to SAR 24.8 Bn, primarily reflecting a sharp reduction in sales volumes following disruptions to regional shipping routes. However, the impact on profitability was partly cushioned by a 41% QOQ increase in average selling prices, with the Company redirecting products through alternative routes and leveraging its diversified manufacturing and logistics footprint. Within Petrochemicals, pricing strengthened across major product categories during the quarter as supply-chain constraints tightened regional availability and increased feedstock and energy costs. Monoethylene glycol (MEG), Methanol and MTBE prices benefited from tighter regional supply and elevated energy and hydrocarbon prices, while Polyethylene (PE), Polypropylene (PP) and Polycarbonate (PC) also recorded stronger pricing amid constrained availability. However, demand remained subdued amid elevated price levels. Despite a 34% QOQ decline in sales volume, the Petrochemicals segment generated adjusted EBITDA of USD 631 Mn, broadly stable QOQ, supported by stronger polyethylene performance and cost discipline. SABIC also increased polymer shipments from the East Coast to the West Coast by more than 150% QOQ, while using alternative export channels to maintain customer deliveries. Furthermore, the Company's Agri-Nutrients segment was impacted by lower sales volumes, with total sales volume declining 31% QOQ to 0.96 MMT in 2Q26, while urea prices increased sharply at the beginning of the quarter before declining towards the end due to additional supply from China and new production capacity. Despite logistics constraints, Agri-Nutrients remained resilient, generating adjusted EBITDA of USD 181 Mn, supported by the initiation of urea exports through the West Coast, which enabled sales of approximately 0.96 MMT, however, the urea market softened during the quarter. Furthermore, SABIC is also progressing with its growth pipeline, with the SABIC Fujian complex expected to commence operations in 4Q26, while the newly commissioned 1.0 MMT MTBE facility has reached full nameplate capacity. The Company has additionally entered into an agreement with Rongsheng Petrochemical to evaluate the Jintang New Materials project in China, although no investment commitment has yet been made. The Company's Transformation Program further remains on track to deliver its USD 3 Bn recurring annual EBITDA impact target by 2030, supported by disciplined capital allocation and planned capital investments of USD 3.5-4.0 Bn focused on long-term value creation. SABIC maintains a strong balance sheet, supported by a low net debt/adjusted EBITDA ratio of 0.18x in 1H26. Moreover, the Company announced an interim cash dividend of SAR 1.10 per share for 1H26, equivalent to total of SAR 3.3 Bn. Overall, the Company's strong balance sheet, improved supply-chain flexibility, transformation initiatives, portfolio optimization and the upcoming Fujian ramp-up are expected to support earnings recovery as the current disruptions ease. Thus, considering the above factors, we assign a BUY rating on the stock.

SABIC - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	6.66	9.29	-55.41	99.83	-5.96	NM
PB	0.85	0.83	0.92	0.98	1.19	1.27
EV/EBITDA	3.68	4.68	9.03	7.70	10.00	11.24
EPS	7.689	5.510	NM	0.513	NM	NM
BVPS	60.047	62.015	55.810	52.119	42.906	40.387
DPS	4.000	4.250	3.400	3.400	3.000	2.400
Dividend yield	8.1%	8.6%	6.9%	6.9%	6.1%	4.9%

FABS Estimates & Co Data

SABIC – P&L

SAR Bn	2Q25	1Q26	2Q26A	2Q26F	VAR	YOY Ch	QOQ Ch	2025	2026F	Change
Sales	30.23	26.15	24.81	25.62	-3.2%	-17.9%	-5.1%	116.53	104.17	-10.6%
Cost of Sales	-24.00	-21.02	-20.45	-20.82	-1.8%	-14.8%	-2.7%	-95.53	-85.94	-10.0%
Gross profit	**6.22**	**5.13**	**4.35**	**4.80**	**-9.3%**	**-30.1%**	**-15.1%**	**21.00**	**18.23**	**-13.2%**
S&D expenses	-1.66	-1.85	-1.74	-1.96	-11.2%	4.7%	-5.7%	-6.68	-6.88	2.8%
G&A	-1.94	-1.63	-2.12	-1.93	9.7%	9.4%	29.5%	-7.82	-8.13	3.8%
R&D Expenses	-0.38	-0.39	-0.39	-0.41	-4.8%	2.0%	-0.9%	-1.63	-1.56	-4.1%
Other op inc./(exp.)	0.42	0.19	0.61	0.30	NM	43.8%	NM	-0.49	1.48	NM
Total Operating exp	**-3.56**	**-3.68**	**-3.64**	**-4.00**	**-9.1%**	2.3%	-1.2%	**-16.63**	**-15.09**	**-9.3%**
EBIT	**2.67**	**1.45**	**0.71**	**0.80**	**-10.3%**	**NM**	**-50.6%**	**4.37**	**3.14**	**-28.1%**
D&A Exp.	2.66	2.70	3.08	3.19	-3.6%	NM	13.9%	17.50[1]	12.20	-30.3%
Reported EBITDA	**5.33**	**4.15**	**3.79**	**3.99**	-5.0%	**NM**	**-0.1**	**16.43**	**15.34**	**-6.6%**
Finance Income	0.51	0.49	0.46	0.49	-6.9%	-11.4%	-7.5%	2.39	2.08	-13.0%
Finance Cost	-1.15	-0.68	-0.77	-0.73	5.8%	-33.0%	14.0%	-4.04	-3.00	-25.8%
Other inc./(exp.)	0.00	0.19	0.01	0.00	NA	NM	NM	0.03	0.22	NM
Impairment loss	-0.72	0.00	0.00	0.00	NA	NM	NM	-1.49	0.00	NM
Profit before zakat and tax	**1.31**	**1.45**	**0.41**	**0.56**	**-26.6%**	**NM**	**NM**	**1.26**	**2.44**	**NM**
Zakat	-0.28	-0.26	-0.43	-0.32	34.5%	NM	NM	-0.91	-0.85	NM
Income Tax	-0.12	-0.10	-0.09	-0.04	NM	-20.1%	-10.9%	-0.70	-0.49	-30.0%
Profit from cont. operations	**0.91**	**1.09**	**-0.12**	**0.20**	**NM**	**NM**	**NM**	**-0.35**	**1.10**	**NM**
Profit from discont. operations	-4.55	-0.80	-0.76	0.00	NA	NM	-5.7%	-24.38	-1.56	NM
Non-controlling interests	0.43	0.27	-0.04	0.25	NM	NM	NM	1.05	-0.11	NM
Profit attributable	**-4.07**	**0.01**	**-0.83**	**-0.05**	**NM**	**NM**	**NM**	**-25.78**	**-0.35**	**NM**

FABS estimate & Co Data, [1]D&A includes impairments of SAR 4.6 Bn in 2025

SABIC - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	20.6%	19.6%	17.5%	-304	-206	18.0%	17.5%	-52
Reported EBITDA	17.6%	15.9%	15.3%	-235	-59	14.1%	14.7%	62
Operating Profit	8.8%	5.5%	2.9%	-594	-265	3.7%	3.0%	-73
Net margin	-13.5%	0.1%	-3.4%	NM	-341	-22.1%	-0.3%	NM

FABS estimate & Co Data

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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	63.87	70.0%	44.71
DDM Method	49.00	15.0%	7.35
Relative Valuation (RV)	86.28	15.0%	12.94
Weighted Average Valuation (SAR)			**65.00**
Current market price (SAR)			49.20
Upside/Downside (%)			+32%

1) DCF Method:

SABIC is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.1%. It arrived after using the cost of equity of 9.3% and after-tax cost of debt of 4.1%. Cost of equity is calculated by using a 10-year government bond yield of 5.4%, a beta of 0.9 and an equity risk premium of 4.3%. 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)	31,431
Terminal value (SAR, Mn)	125,565
Investments as of 2Q26	35,127
Net debt as of 2Q26	-502
FV to Common shareholders (SAR, Mn)	**191,621**
No. of shares (Mn)	3,000
Current Market Price (SAR)	49.20
Fair Value per share (SAR)	**63.87**

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,412	4,815	5,381	6,410	7,699
Depreciation & Amortization	11,247	10,797	10,415	10,087	9,797
Capex	-7,835	-7,994	-8,021	-8,068	-7,975
Change in Working Capital	5,701	-738	458	-66	209
Free Cash Flow to Firm (FCFF)	**10,526**	**6,880**	**8,233**	**8,363**	**9,730**
Discounting Factor	0.97	0.90	0.83	0.77	0.71
Discounted FCFF	**5,106**[1]	**6,173**	**6,831**	**6,417**	**6,904**

Source: FAB Securities, [1]Adjusted for partial year

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 9.3%.

Sum of PV (SAR, Mn)	37,519
Terminal value (SAR, Mn)	109,478
FV to Common shareholders (SAR, Mn)	**146,997**
No. of share (Mn)	3,000
Current Market Price (SAR)	49.20
Fair Value per share (SAR)	**49.00**

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
H1	3,301	4,502	4,802	5,102	5,402
H2	3,901	4,502	4,802	5,102	5,402
Total Dividend	**7,202**	**9,003**	**9,603**	**10,203**	**10,804**
Discounting Factor	0.97	0.88	0.81	0.74	0.68
Present Value of Dividend	**6,958**	**7,955**	**7,761**	**7,542**	**7,303**

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 14.6x in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Saudi Kayan Petrochemical Company	2,077	15.53	8.63	NA	NA
Sahara International Petrochemical Company	2,578	14.46	7.79	NA	19.98
Saudi Arabian Mining Company	67,214	16.60	14.68	27.52	23.67
LyondellBasell Industries	20,238	5.85	7.27	6.75	9.49
Yanbu National Petrochemical Company	4,539	10.55	9.85	38.09	32.54
Advanced Petrochemical Company	1,681	14.64	11.82	113.00	22.28
Average		**12.9x**	**10.0x**	**46.3x**	**21.6x**
Median		**14.6x**	**9.2x**	**32.8x**	**22.3x**
Max (Quartile 3)		**15.3x**	**11.3x**	**56.8x**	**23.7x**
Min (Quartile 1)		**11.5x**	**8.0x**	**22.3x**	**20.0x**

Source: FAB Securities

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Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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