

Saudi Basic Industries Corporation (SABIC)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 47.68	AED 65.00	+36%	BUY

3Q26 Net Profit higher than our estimate

- Saudi Basic Industries Corporation ("SABIC", "The Company") revenue declined 3.1% YOY to SAR 28.2 Bn in 3Q26, while increasing 13.6% QOQ, supported by higher sales volumes across Petrochemicals and Agri-Nutrients, partially offset by lower average selling prices.
- Petrochemicals revenue fell 3.9% YOY but grew 12.1% QOQ to SAR 23.0 Bn in 3Q26. Sales volumes rose 24% QOQ to 6.71 million metric tons (MMT), while average selling prices declined 10% QOQ in 3Q26. The decline in prices is attributable to lower polyethylene, polypropylene and methanol prices partially offset by increase in monoethylene glycol and MTBE prices.
- Agri-Nutrients revenue declined 5.3% YOY but increased 34.2% QOQ to SAR 3.2 Bn in 3Q26, driven by a 68% QOQ rise in sales volumes to 1.62 MMT, partially offset by a 20% QOQ decline in average selling prices due to improved urea availability.
- Specialties revenue increased 11.7% YOY and 3.1% QOQ to SAR 2.0 Bn, supported by a 3% QOQ improvement in average selling prices, while sales volumes remained stable at 65 KMT in 3Q26.
- Cost of sales decreased 6.4% YOY to SAR 21.7 Bn in 3Q26.
- Gross profit increased 9.7% YOY to SAR 6.4 Bn, with gross margin expanding 267 bps YOY to 22.8% in 3Q26.
- Operating profit declined 9.6% YOY to SAR 2.1 Bn as operating expenses rose 22.1% YOY to SAR 4.4 Bn in 3Q26. Operating margin contracted 53 bps YOY to 7.3% in 3Q26.
- Reported EBITDA declined 6.0% YOY to SAR 4.7 Bn, with EBITDA margin contracting 51 bps YOY to 16.8% in 3Q26.
- The Company's net profit increased 16.3% YOY to SAR 0.5 Bn in 3Q26, primarily driven by higher gross profit supported by increase in average selling prices, coupled with higher income from associates and non-integral joint ventures and lower D&A expenses, partially offset by higher total operating expenses alongside losses recorded from discontinued business.
- SABIC's net debt position stood at SAR 3.03 Bn in 3Q26, compared to SAR 2.73 Bn in 2Q26.
- Free cash flow increased from SAR 4.34 Bn in 3Q26 to SAR 5.61 Bn in 3Q26.

Earnings Call Summary

- SABIC sales volumes recovered to c. 80% of pre-crisis levels in 3Q26, supported by improved operating rates.
- The Petrochemicals business delivered a strong volume recovery, with sales rising 24% QOQ to 6.71 MMT in 3Q26, supported by better supply-chain execution and improved market access.
- The increase in chemical price largely reflects Middle Eastern supply disruptions rather than stronger underlying demand, with c. 12% of global ethylene capacity, equivalent to 15 MMT disrupted.
- Petrochemicals profitability improved despite lower average selling prices, as the recovery in volumes helped adjusted EBITDA rise to USD 1.0 Bn from USD 631 Mn in the previous quarter.
- Agri-Nutrients recorded a sharp sequential improvement, with sales volumes increasing 68% QOQ to 1.62 MMT in 3Q26, aided by alternative logistics routes and greater utilization of available ports.
- SABIC expects current chemical pricing strength to moderate, with management viewing the recent improvement as temporary and linked to tighter supply conditions, while additional Middle East capacity is expected to normalize the cycle over time.

- The sequential recovery in EBITDA margins was driven by higher volumes, lower liquid feedstock costs and improved asset utilisation however, margin sustainability remains uncertain amid volatile demand and product prices.
- Propane and butane prices declined c. 35% and 38% QOQ, respectively, while higher freight costs could provide feedstock cost benefits.
- SABIC targets USD 3 Bn in recurring EBITDA improvements by 2030, comprising USD 1.4 Bn in cost reductions and USD 1.6 Bn in value creation and synergies.
- The Company continues to prioritize capital discipline, with management indicating that projects are being reassessed and phased based on strategic relevance, while future capital spending is expected to remain optimized.
- The Company's China growth project is progressing toward commercial operations, with three polyethylene/polypropylene units completing successful trial runs and start-up expected during 4Q26.
- SABIC realised USD 950 Mn in recurring transformation value during 9M26, excluding the European Petrochemicals and Engineering Thermoplastics businesses in the Americas and Europe, supporting structural cost and operational improvements.
- The Company remains open to further growth opportunities in Saudi Arabia, with future expansion dependent on feedstock availability, regulatory approvals, project economics and capital allocation.
- SABIC's logistics flexibility helped sustain exports during shipping disruptions, including its first Agri-Nutrients urea shipment through NEOM port, while polymer movements from Jubail to west-coast ports rose more than 230% versus pre-crisis levels.
- The Company revised capital investment guidance to USD 3.0-3.3 Bn from 3.5-4.0 Bn for 2026.

SABIC – P&L

SAR Bn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Sales	29.08	24.81	28.17	25.16	12.0%	-3.1%	13.6%
Cost of Sales	-23.22	-20.45	-21.74	-20.58	5.7%	-6.4%	6.3%
Gross profit	5.86	4.35	6.43	4.58	40.4%	9.7%	47.7%
Total Operating Exps	-3.58	-3.64	-4.37	-3.87	12.8%	22.1%	20.1%
Operating Profit	2.28	0.71	2.06	0.70	NM	-9.6%	NM
D&A Exps	2.76	3.08	2.68	3.36	-20.2%	-2.9%	-12.9%
Reported EBITDA	5.04	3.79	4.74	4.06	16.7%	-6.0%	25.1%
Net Profit	0.43	-0.83	0.50	0.32	NM	16.3%	NM

FABS estimate & Co Data

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%

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