First Look Note | 3Q26

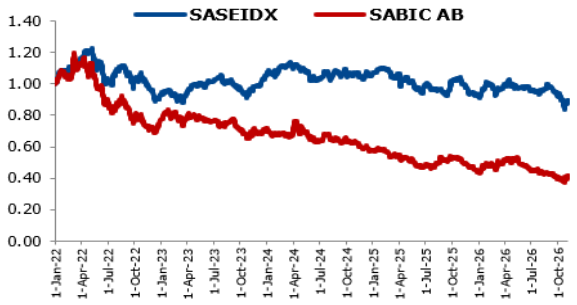
Saudi Equity Research | Sector: Basic Material | Market: Tadawul

Saudi Basic Industries Corporation (SABIC)

Sequential recovery in volumes and margin amid pricing pressure

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 47.44	SAR 65.00	+37.0%	BUY

- Petrochemicals sales volumes increased 24% QOQ, while average selling prices declined 10% QOQ in 3Q26.
- Agri-Nutrients sales volumes increased 68% QOQ, while average prices declined 20% QOQ in 3Q26.
- SABIC completed the divestment of Engineering Thermoplastics businesses in the Americas and Europe for an enterprise value of USD 450 Mn in 3Q26.
- Three core units at the SABIC Fujian petrochemical complex completed successful trial runs in 3Q26.
- SABIC Agri-Nutrients approved a new ammonia and urea complex in 3Q26, with production capacity expected to increase by 54%.



Stock Information	
Market Cap (SAR, Mn)	144,180.00
Paid Up Capital (Mn)	30,000.00
52 Week High	62.50
52 Week Low	42.64
3M Avg. daily value (SAR)	70,765,100

3Q26 Result Review (SAR, Bn)	
Revenue	28.17
EBITDA	4.74
Net Profit	0.50
Shareholder's Equity	122.76

Financial Ratios	
Dividend Yield (12m)	5.41
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	21.47
Price-to-Book Ratio (x)	1.17
Book Value (SAR)	40.92
Return-on Equity (%)	-15.62

Stock Performance	
5 Days	2.08%
1 Months	3.04%
3 Months	-4.93%
6 Months	-18.95%
1 Year	-17.14%
Month to Date (MTD%)	2.08%
Quarter to Date (QTD%)	4.34%
Year to Date (YTD%)	-6.32%

3Q26 Net Profit higher than our estimates

Saudi Basic Industries Corporation ("SABIC", "The Company") net profit increased 16.3% YOY to SAR 0.5 Bn in 3Q26, higher than our estimated net profit of SAR 0.3 Bn. The reported net profit is primarily driven by higher gross profit supported by increase in prices coupled with higher income from associates and non-integral joint ventures and lower D&A expenses. This was partially offset by higher total operating expenses alongside losses recorded from discontinued business. However, excluding non-operational anomalies and one-off items the Company's adjusted net profit stood at SAR 0.8 Bn in 3Q26, compared to net profit of SAR 1.4 Bn in 3Q25.

P&L Highlights

SABIC's revenue decreased 3.1% YOY to SAR 28.2 Bn in 3Q26, mainly driven by lower sales volumes, partially offset by higher average selling prices. However, on QOQ basis the revenue increased by 13.6%, driven by higher sales volumes across Petrochemical and Agri-nutrients segments, while the Specialties segment's sales volumes remain broadly stable. The increase in sequential revenue was partially offset by lower average selling prices. Petrochemicals revenue declined 3.9% YOY but increased 12.1% QOQ to SAR 23.0 Bn in 3Q26. The Petrochemicals volumes increased 24% QOQ to 6.71 million metric tons (MMT) in 3Q26, while the average selling prices declined 10% on sequential basis. On a QOQ basis, prices moderated from the elevated levels in 2Q26 with polyethylene, polypropylene and methanol witnessing declines amid higher supply, weak demand and lower upstream costs. In contrast, monoethylene glycol and Methyl tert-butyl ether (MTBE) prices increased supported by tight Asian inventories and strong gasoline demand. Moreover, revenue from Agri-Nutrients declined 5.3% YOY, however surged 34.2% QOQ to

SAR 3.2 Bn in 3Q26. On QOQ basis, the Agri-Nutrients sales volumes rose 68% to 1.62 MMT, while the average selling prices declined 20% QOQ in 3Q26. The decline in average selling prices was mainly driven by lower urea prices following increased supply from China and normalised flow of shipment from Strait of Hormuz. Furthermore, Specialties segment's revenue increased 11.7% YOY and 3.1% QOQ to SAR 2.0 Bn in 3Q26, largely due to increase in average selling prices. The segment recorded flat sales volumes at 65 KMT and 3% price hike in 3Q26 on sequential basis. Cost of sales decreased 6.4% YOY to SAR 21.7 Bn in 3Q26. Thus, gross profit increased 9.7% YOY to SAR 6.4 Bn in 3Q26. Gross margins increased from 20.2% in 3Q25 to 22.8% in 3Q26, driven by improved price realization. Total operating expenses increased 22.1% YOY to SAR 4.4 Bn in 3Q26, mainly due to an increase in selling and distribution expenses amid supply chain challenges. Consequently, the operating profit declined 9.6% YOY to SAR 2.1 Bn in 3Q26, with operating margin contracting 53 bps YOY to 7.3% in 3Q26. D&A expenses declined 2.9% YOY to SAR 2.7 Bn in 3Q26. Reported EBITDA declined 6.0% YOY to SAR 4.7 Bn in 3Q26, with EBITDA margin contracting 51 bps YOY to 16.8% in 3Q26.

Balance Sheet Highlights

SABIC's net debt increased from SAR 2.73 Bn in 2Q26 to SAR 3.03 Bn in 3Q26. SABIC maintained a relatively low leverage position in 3Q26, with net debt-to-adjusted EBITDA at 0.16x in 3Q26, compared with 0.20x in 2Q26. The Company generated positive free cash flow of SAR 5.61 Bn in 3Q26, compared to negative SAR 1.40 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on SABIC with a target price of SAR 65.00. SABIC reported a net profit of SAR 0.5 Bn in 3Q26, compared with a net profit of SAR 0.4 Bn in 3Q25, mainly due to decrease in revenue and higher operating expenses. Operating performance improved meaningfully on a sequential basis, with revenue increasing 14% QOQ to SAR 28.17 Bn, driven by a 30% QOQ increase in sales volumes as SABIC successfully navigated regional shipping disruptions through alternative export routes. The recovery in volumes was partly offset by a 13% QOQ decline in average selling prices, reflecting weaker realizations across several key products. However, adjusted EBITDA increased 40% QOQ to SAR 4.75 Bn, with the adjusted EBITDA margin expanding to 16.87% from 13.64% in 2Q26, supported by higher volumes and lower liquid feedstock costs. The Petrochemicals segment was the key contributor to the sequential improvement, with sales volumes rising 24% QOQ to 6.71 MMT in 3Q26. While pricing remained under pressure amid elevated global supply and subdued demand across several product markets, higher volumes supported a recovery in profitability. Adjusted EBITDA increased to USD 1.0 Bn in 3Q26 from USD 631 Mn in 2Q26, despite lower product prices and higher logistics costs. However, continued supply additions and uneven demand remain key constraints on a sustained margin recovery. Agri-Nutrients business also recorded a strong recovery in sales volumes, which increased 68% QOQ to 1.62 MMT in 3Q26, supported by improved shipment activity and better logistics flows. However, adjusted EBITDA declined to USD 160 Mn in 3Q26 from USD 181 Mn in 2Q26, as lower urea prices more than offset the benefit from higher volumes. Urea realizations remained under pressure amid improved availability following additional Chinese export quotas, while demand remained uneven. Accordingly, a sustained recovery in the segment will depend on an improvement in fertilizer pricing and a more balanced global supply-demand environment. Specialties segment remained relatively resilient, supported by firm average selling prices and stable sales volumes. Adjusted EBITDA rose to USD 124 Mn in 3Q26 from USD 101 Mn in 2Q26. SABIC continues to advance its selective growth strategy, with the Fujian petrochemical complex in China progressing toward start-up in 4Q26 following successful trial runs of three core units. In Agri-Nutrients, SABIC reached FID on a new Saudi ammonia and urea complex with annual capacity of 1.2 MMT of ammonia and 2.6 MMT of urea, which is expected to increase the Company's urea production capacity by 54%. In addition, feedstock has been allocated for a proposed 1.8 MMT methanol plant in Jubail, supporting SABIC's longer-term expansion in strategic product markets. SABIC has also strengthened its focus on capital discipline and portfolio optimization, lowering 2026 capital investment guidance to USD 3.0-3.3 Bn. The Company completed the divestment of its Engineering Thermoplastics businesses in the Americas and Europe for an enterprise value of USD 450 Mn, supporting its strategy of exiting structurally underperforming operations and improving capital efficiency. The Company's transformation programme remains a key earnings-supporting initiative, with SABIC targeting USD 3 Bn of recurring EBITDA improvement by 2030. SABIC has already realized USD 950 Mn of transformation value in 9M26, while G&A expenses declined 5% YOY, reflecting

continued cost discipline and efficiency gains. SABIC's balance sheet remains healthy, with net debt increasing modestly to SAR 3.03 Bn in 3Q26 from SAR 2.73 Bn in 2Q26, while net debt-to-adjusted EBITDA remained low at 0.16x in 3Q26. The Company also generated SAR 5.61 Bn of free cash flow in 3Q26, supported by improved operating performance and disciplined capital spending. Overall, 3Q26 marked a meaningful sequential improvement in SABIC's operating performance, driven primarily by the recovery in sales volumes, lower liquid feedstock costs and continued cost discipline. While near-term earnings remain exposed to product pricing, global supply-demand conditions and logistics disruptions, we see volume normalization, transformation savings, portfolio optimization and the selective growth pipeline as key drivers of medium-term earnings recovery. Accordingly, we maintain our BUY rating on the stock.

SABIC - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	6.11	8.53	-50.86	91.65	-5.47	378.64
PB	0.78	0.76	0.84	0.90	1.10	1.15
EV/EBITDA	3.42	4.20	8.05	7.58	9.84	9.37
EPS	7.689	5.510	NM	0.513	NM	0.124
BVPS	60.047	62.015	55.810	52.119	42.906	40.730
DPS	4.000	4.250	3.400	3.400	3.000	2.300
Dividend yield	8.4%	9.0%	7.2%	7.2%	6.3%	4.8%

FABS Estimates & Co Data

SABIC – P&L

SAR Bn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Sales	29.08	24.81	28.17	25.16	12.0%	-3.1%	13.6%	116.53	103.13	-11.5%
Cost of Sales	-23.22	-20.45	-21.74	-20.58	5.7%	-6.4%	6.3%	-95.53	-83.31	-12.8%
Gross profit	**5.86**	**4.35**	**6.43**	**4.58**	**40.4%**	**9.7%**	**47.7%**	**21.00**	**19.83**	**-5.6%**
Total Operating Exp.	-3.58	-3.64	-4.37	-3.87	12.8%	22.1%	20.1%	-16.63	-15.22	-8.5%
Operating Profit	**2.28**	**0.71**	**2.06**	**0.70**	**NM**	**-9.6%**	**NM**	**4.37**	**4.61**	**5.5%**
D&A Exp.	2.76	3.08	2.68	3.35	-20.0%	-2.9%	-12.9%	11.89	12.48	5.0%
Reported EBITDA	**5.04**	**3.79**	**4.74**	**4.06**	**16.9%**	**-6.0%**	**25.1%**	**16.43**	**17.09**	**4.0%**
Net Profit	**0.43**	**-0.83**	**0.50**	**0.32**	**NM**	**16.3%**	**NM**	**-25.78**	**0.37**	**NM**

FABS estimate & Co Data,

SABIC - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	20.2%	17.5%	22.8%	267	528	18.0%	19.2%	120
EBITDA	17.3%	15.3%	16.8%	-51	155	14.1%	16.6%	247
Operating Profit	7.8%	2.9%	7.3%	-53	444	3.7%	4.5%	72
Net margin	1.5%	-3.4%	1.8%	30	513	-22.1%	0.4%	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	67.60	70.0%	47.32
DDM Method	50.01	15.0%	7.50
Relative Valuation (RV)	67.85	15.0%	10.18
Weighted Average Valuation (SAR)			**65.00**
Current market price (SAR)			48.06
Upside/Downside (%)			+35%

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 8.0%. It arrived after using the cost of equity of 9.1% and after-tax cost of debt of 4.4%. Cost of equity is calculated by using a 10-year government bond yield of 5.8%, a beta of 0.9 and an equity risk premium of 3.7%. Government bond yield is calculated after adding KSA Government 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)	37,160
Terminal value (SAR, Mn)	133,234
Investments as of 2Q26	35,127
Net debt as of 2Q26	2,726
FV to Common shareholders (SAR, Mn)	**202,795**
No. of shares (Mn)	3,000
Current Market Price (SAR)	48.06
Fair Value per share (SAR)	**67.60**

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	2,073	4,695	6,414	7,465	9,146	10,042
Depreciation & Amortization	11,523	11,131	10,813	10,571	10,393	10,278
Capex	-7,836	-7,941	-8,371	-8,635	-9,034	-9,388
Change in Working Capital	1,249	205	-625	-520	-851	-377
Free Cash Flow to Firm (FCFF)	**7,010**	**8,090**	**8,231**	**8,882**	**9,655**	**10,555**
Discounting Factor	0.99	0.91	0.85	0.78	0.73	0.67
Discounted FCFF	**1,729[1]**	**7,392**	**6,966**	**6,963**	**7,011**	**7,099**

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 9.1%.

Sum of PV (SAR, Mn)	43,589
Terminal value (SAR, Mn)	106,445
FV to Common shareholders (SAR, Mn)	**150,034**
No. of share (Mn)	3,000
Current Market Price (SAR)	48.06
Fair Value per share (SAR)	**50.01**

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid						
H1	3,300	4,500	4,500	4,800	5,100	5,400
H2	3,600	4,500	4,500	4,800	5,100	5,400
Total Dividend	**6,900**	**9,000**	**9,000**	**9,600**	**10,200**	**10,800**
Discounting Factor	0.98	0.90	0.83	0.76	0.69	0.64
Present Value of Dividend	**6,794**	**8,121**	**7,442**	**7,275**	**7,084**	**6,874**

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 9.3x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Saudi Kayan Petrochemical Company	1,946	20.11	9.16	NA	NA
Sahara International Petrochemical Company	2,218	17.16	8.17	NA	25.20
Saudi Arabian Mining Company	57,919	15.12	12.53	25.63	20.17
LyondellBasell Industries	21,466	6.17	7.76	7.23	10.71
Yanbu National Petrochemical Company	4,511	9.63	9.36	32.23	29.76
Advanced Petrochemical Company	1,593	15.21	11.79	NA	25.03
Average		**13.9x**	**9.8x**	**21.7x**	**22.2x**
Median		**15.2x**	**9.3x**	**25.6x**	**25.0x**
Max (Quartile 3)		**16.7x**	**11.2x**	**28.9x**	**25.2x**
Min (Quartile 1)		**11.0x**	**8.4x**	**16.4x**	**20.2x**

Source: FAB Securities

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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