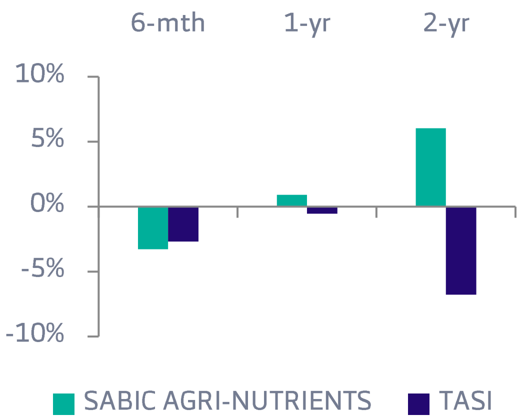
Margins Down, China Firing Up, Sales Volume Uncertain

August 6, 2026

Upside to Target Price	(1.9%)	Rating	Neutral
Expected Dividend Yield	5.7%	Last Price	SAR 121.30
Expected Total Return	3.8%	12-mth target	SAR 120.00

Market Data	
52-week high/low	SAR 159.3 / 108.3
Market Cap	SAR 58,219 mln
Shares Outstanding	476 mln
Free-float	49.89%
12-month ADTV	614,309
Bloomberg Code	SAFCO AB



SABIC Agri-Nutrients	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	2,411	3,287	(27%)	2,874	(16%)	1,909
Gross Profit	712	1,267	(44%)	1,369	(48%)	935
Gross Margins	30%	39%		48%		49%
Operating Profit	423	1,031	(59%)	1,166	(64%)	707
Net Profit	379	1,060	(64%)	1,227	(69%)	792

(All figures are in SAR mln)

- SABIC AN produced sales of SAR 2.4 bln vs. SAR 3.3 bln in 2Q25, a -27% Y/Y decrease, driven by lower sales volumes which were not offset by higher prices Y/Y. We also note that Q/Q results were driven by the same, as SABIC AN moved through a logistical adjustment window to the west coast; revenues were also down -16% Q/Q. According to management, prices peaked early in the quarter as importers competed to replace stranded Middle East supply, before easing demand and Chinese export quotas pushed urea back to pre-crisis levels by quarter-end.
- Gross margins of 30% were far lower than our estimate of 49%, driven by under-absorption of fixed costs on lower sales volumes, and significantly below 1Q26's gross margins of 48%. Management noted the US–Iran ceasefire allowed most stranded vessels in the Arabian Gulf to exit into global markets, and for 3Q26 expect improved availability and supplier competition to prevent a return to 2Q26 price levels, with importers rebuilding inventories into the winter planting season. We read this as management confirming the price peak is behind us, with phosphate the exception, holding elevated levels on raw-material costs. We note that liquids in particular, such as anhydrous ammonia, we understand from the 2025 board report, to be majority captive-sink production — consumed internally as urea feedstock — meaning the majority of SABIC AN's sales volumes are solids that can still route via the west coast.
- SABIC AN produced a net profit of SAR 379 mln in 2Q26 (-69% Q/Q, -64% Y/Y), well below our estimate of SAR 792 mln, though consistent with our estimate for a Q/Q drop in sales volumes, compounded by a loss of SAR (102) mln in JV/associate results. With logistics still normalizing and Chinese exports filling the market and pressuring urea pricing, we lower our target price to SAR 120.00 and maintain our Neutral rating.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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