

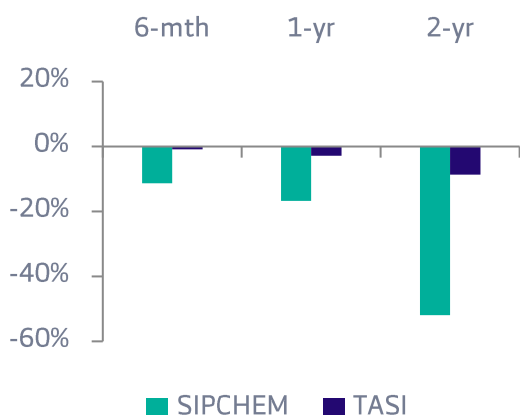
Liquids Limitations Real; Gross Profit Belies 2Q26 Challenges May 14, 2026

Upside to Target Price	(11.7%)	Rating	Neutral
Expected Dividend Yield	5.2%	Last Price	SAR 15.48
Expected Total Return	(6.5%)	12-mth target	SAR 13.67

Market Data	
52-week high/low	SAR 21.2 / 13.1
Market Cap	SAR 11,352 mln
Shares Outstanding	733.3 mln
Free-float	88.95%
12-month ADTV	2,046,354
Bloomberg Code	SIPCHEM AB

SIPCHEM	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	1,227	1,970	(38%)	1,568	(22%)	1,238
Gross Profit	78	360	(78%)	21	280%	(237)
Gross Margins	6%	18%		1%		(19%)
Operating Profit	(69)	144	-	(152)	55%	(440)
Net Profit	(215)	195	-	(418)	48%	(505)

(All figures are in SAR mln)



- Sales of SAR 1.23 bln in 1Q26 (-38% Y/Y, -22% Q/Q) were in line with our estimate of SAR 1.24 bln. This result confirms our previously highlighted concern over liquids (methanol) transport: any potential strength from January/February – increased downstream production (kmt) and propane-chain spreads – was overwhelmed by severe overhang in the basic chemicals segment. Management acknowledged the “disruptions to transportation routes to customers, periods of plant underutilization, and fluctuations in feedstock availability” in its Middle East conflict disclosure in the 1Q26 financials. Related-party sales to JAMC, a key methanol partner, are also down -48% Y/Y – providing a clean quantitative signature of the volume hit. As stated in our 1Q26 preview, the Q/Q price jumps in propane-chain products are themselves a symptom of Hormuz logistical shortages, not demand, and there is no guarantee any greater spreads will be captured at the same volume in 2Q26.
- Net loss of SAR (215) mln came in materially narrower than our SAR (505) mln estimate, but there is more nuance. Gross profit improved +280% Q/Q from SAR 21 mln in 4Q25 to SAR 78 mln in 1Q26 despite the -22% Q/Q revenue drop, and operating loss narrowed from SAR (152) mln to SAR (69) mln. The reported SAR (215) mln net loss is principally explained by Sipchem’s share of associate losses of SAR (88) mln (vs. +387 mln in 1Q25), driven largely by TSO, not a 1Q26-specific Hormuz event. One disclosure in particular vindicates the core thesis from our preview: Management identified impairment indicators on the IMC (methanol) and Acetyls CGUs – the very assets we singled out as the genuinely impaired exposure (Note 6c). We also note that Sipchem did not recognize an additional SAR 46.2 mln of losses on its SAMAPCO joint venture because the carrying value is already nil (Note 8.2.1), implying real economic damage is still occurring but not fully reflected in profits. With these structural constraints materializing as anticipated, we maintain our skeptical view on volume recovery in the basic chemicals segment going forward.
- With the 1Q26 Maaden earnings call confirming Hormuz shipping challenges remain (May 4, 2026), and with no material changes in the news cycle, this negative overhang has now lasted more than 40 days into 2Q26 – a duration window already longer than the ~30 days absorbed in 1Q26. Compounding this, 2Q25 was a structurally strong base quarter for Basic Chemicals (33% gross margin, SAR 174 mln gross profit), meaning Y/Y comparisons in the 2Q26 print will mechanically look much worse than 1Q26’s, even before any incremental operational damage. Recent increases in propane, butane, and ethylene feedstock costs could further erode the favorable spreads that supported the 1Q26 gross profit beat, removing the cushion that protected this print. Sipchem’s balance sheet positioning reinforces our cautious view: the Group drew ~SAR 925 mln of incremental debt and built a cash buffer of nearly SAR 1.0 bln in 1Q26 – a defensive posture consistent with management expecting prolonged uncertainty. We maintain our target price and 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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