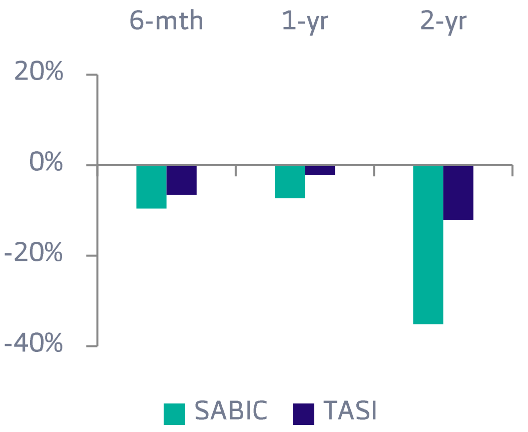
Saudi Basic Industries Corporation (SABIC)

2Q2026 First Look

Market Data	
52-week high/low	SAR 64.0 / 48.2
Market Cap	SAR 152,850 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	1,762,838
Bloomberg Code	SABIC AB



Resilient Operations Show Capability, Dividend Reduction Prudent

August 4, 2026

Upside to Target Price	(1.9%)	Rating	Neutral
Expected Dividend Yield	4.3%	Last Price	SAR 50.95
Expected Total Return	2.4%	12-mth target	SAR 50.00

SABIC	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	24.81	30.23	(18%)	26.15	(5%)	21.03
Gross Profit	4.35	6.22	(30%)	5.13	(15%)	4.23
Gross Margins	18%	21%		20%		20%
Operating Profit	0.71	2.67	(73%)	1.45	(51%)	0.43
Net Profit	(0.83)	(4.07)	80%	0.01	-	(0.31)

(All figures are in SAR bln)

- SABIC reported sales of SAR 24.81 bln (-18% Y/Y and -5% Q/Q), higher than our estimate of SAR 21.03 bln. The beat was partly volume, mostly realized pricing – which we attribute to mix rather than market: the tons that did not ship were likely lower-value, Hormuz-exposed liquids, so sales/ton rose as polymers and higher grades dominated what shipped. The Petrochemicals segment (83% of sales and 70% of adj. EBITDA) held adj. EBITDA flat Q/Q despite the price surge – the signature of idle-capacity costs expensed against lower throughput – with adj. EBIT at SAR (0.19) bln. AgriNutrients (10% of sales, 20% of adj. EBITDA) saw EBITDA halve to SAR 0.68 bln despite +27% pricing, on rerouting costs and volume timing, while Specialties (8% of sales, 11% of adj. EBITDA) grew sales +15% Q/Q, likely insulated by its non-Gulf footprint. We also highlight a recurring strategic theme beyond the Gulf, after SABIC signed a Project Development Agreement with Rongsheng Petrochemical for advanced chemical materials – following Fujian, SABIC's second direct commitment inside one of the world's largest chemicals markets; a structural trend we flagged in June 2024, urging Saudi firms to lean in to this new shuffling of the global gameboard.
- SABIC declared a dividend of SAR 1.10/share for 1H26, a -27% reduction from the SAR 1.50/share paid for 1H25, which we view as prudent rather than alarming: free cash flow was SAR (1.40) bln, on a working-capital build that should partially release in 3Q26. More consequential, in our view, is the agreement to combine the Sabtank and Chemtank equity stakes via share exchange to create a "national petrochemicals logistics champion." Our interpretation, not management-confirmed, is that this is Hormuz insurance: consolidating storage and terminal infrastructure so that liquids can load from either coast of The Kingdom, and exports are never again hostage to a single chokepoint. 2Q26's own evidence points the same direction: polymer volumes shuttled east-to-west more than doubled, the first polymer shipment departed Yanbu on the Red Sea Express service, and bagged urea moved off the west coast. We estimate the workarounds achieved to date are solids or polymers; terminals remain the missing piece for liquids.
- SABIC reported a net loss of SAR (0.83) bln, a swing from roughly breakeven in 1Q26, while we note the SAR 3.78 bln impairment from the Teesside cracker closure in the UK was the main culprit for the 2Q25 results, skewing the Y/Y comparison. Although we were directionally correct, the reported loss deviated from our more optimistic estimate via below-the-line items rather than operations: on an adjusted basis, the SAR (0.38) bln loss was broadly in line with our SAR (0.31) bln estimate, with the wider reported figure driven by a net ~SAR (0.45) bln of one-offs and other effects. We maintain our Neutral rating and lower our target price to SAR 50.00 on continued adjustment challenges. We believe 2Q26 marks the volume trough; the medium term includes a logistical adjustment phase (which we detail in our forthcoming sector update), while 3Q26 carries its own questions – realized prices could fade on mean-reversion as supply returns, even as feedstock costs and elevated shipping and insurance rates prove sticky, pressuring margins from both ends.

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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

For any feedback on our reports, please contact research@riyadcapital.com

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