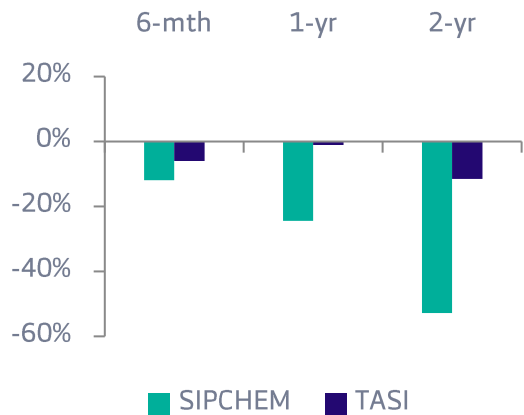


Market Data	
52-week high/low	SAR 21.2 / 13.1
Market Cap	SAR 9,797 mln
Shares Outstanding	733.3 mln
Free-float	88.95%
12-month ADTV	2,028,160
Bloomberg Code	SIPCHEM AB



Thesis Right, Dividend Out, The Profit Center Out; Sell for Now

July 29, 2026

Upside to Target Price	(17.0%)	Rating	Sell			
Expected Dividend Yield	0.0%	Last Price	SAR 13.36			
Expected Total Return	(17.0%)	12-mth target	SAR 11.09			
SIPCHEM	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	861	1,906	(55%)	1,227	(30%)	512
Gross Profit	(26)	293	-	78	-	(279)
Gross Margins	(3%)	15%		6%		(54%)
Operating Profit	(187)	87	-	(69)	(172%)	(438)
Net Profit	(592)	(169)	(250%)	(215)	(175%)	(581)

(All figures are in SAR mln)

- Sales of SAR 861 mln in 2Q26 (-55% Y/Y, -30% Q/Q) came in above our SAR 512 mln estimate, but the composition confirms our thesis on Sipchem’s segments. Basic chemicals – the group’s only consistently profitable segment, with SAR 448 mln of gross profit in 2025 – generated revenue of just SAR 67 mln in 2Q26 with external foreign sales effectively nil, and related-party methanol sales to JAMC at zero for the quarter (vs. 2Q25: SAR 94 mln). Management’s Middle East conflict disclosure (Note 1.2) cites “disruptions to transportation routes to customers, periods of plant underutilization, increased logistics and freight costs, fluctuations in feedstock availability.” The issue is unambiguous: Hormuz has switched off the one segment that was carrying the group, on top of an Intermediate business that was already running gross-losses throughout 2025. It is likely that Hormuz logistical disruption may continue through 3Q26, based on our ‘oscillation regime’ framework (formalized in our forthcoming sector update), driven by 30-day rolling average Hormuz transits.
- Net loss of SAR (592) mln widened from SAR (215) mln in 1Q26 in line with our estimate of a net loss of SAR (581) mln. SAR 328 mln reflects the full write-off of the Inochem stake (Note 8.1.1) – but even excluding it, the underlying loss of roughly SAR (264) mln deteriorated sequentially, and unrecognized SAMAPCO/LSIG losses of SAR 187 mln cumulative (Note 8.2.1) sit outside the P&L entirely. The quarter’s real story is cash: 2Q26 operating cash flow was negative at roughly SAR (207) mln as inventories built a further SAR 154 mln – reversing 2025’s deliberate destocking and returning stock to 2024 levels on nearly half the revenue. The Company borrowed an additional ~SAR 1.4 bln in 1H26 (total borrowings SAR 4.1 bln, +53% since year-end; Note 9) to hold ~SAR 2.5 bln of cash, and suspended the interim dividend it had maintained even through a loss-making 2025 (Note 18). The extra debt in 2Q26 is to stand still currently, which is not liquidity; it is the price of illiquidity elsewhere.
- In our previous report on Sipchem, we highlighted the balance sheet positioning reinforcing our cautious view, which is now confirmed, with Sipchem taking on an additional ~SAR 517 mln in debt Q/Q (debt levels do not include leases). With the shares having fallen through our prior target, we mark our valuation to the deteriorated fundamentals and lower our target price and rating on: higher debt, negative free cash flow, finance costs that will remain elevated regardless of logistical adaptation in 2026, Hormuz 30-day rolling transits falling to ~13 (July 28) from ~22 (July 12) – (RC Calculations, Bloomberg Data), and no interim dividend declared. We lower our target price to SAR 11.09 per share and our rating to Sell. We would revisit our rating on a sustained recovery in Hormuz transits toward the 2025 high-water mark, accompanied by normalizing freight and insurance – the same reassessment bar we apply across our coverage.

Brennan Eatough
brennan.eatough@riyadcapital.com
+966-11-203-6808

■ 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

Riyad Capital is a Saudi closed joint stock company with paid-up capital of SAR 500 million. Licensed by the Saudi Arabian Capital Market Authority (No. 07070-37). Commercial Registration No. 1010239234. Head Office: 3128 Financial Boulevard, 6671 Al Aqeeq Dist., Riyadh 13519, Kingdom of Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.