

Saudi Basic Industries Corporation (HOLD, TP: SAR 62.6, 2020.SE) 1Q26 Results Review

SABIC returns to profit on price recovery and cost control, but volume disruption remains the overhang

Saudi Basic Industries Corp. (SABIC AB) reported net income attributable to shareholders of SAR 13mn in 1Q26, compared to a loss of SAR 20.9bn in 4Q25 and a loss of SAR 1.2bn in 1Q25. Adjusted net income stood at SAR 816mn, compared to an adjusted loss of SAR 1.4bn in 4Q25 and adjusted net income of SAR 900mn in 1Q25. The sequential recovery was mainly driven by higher average selling prices and improved margins, while revenue declined 6% Q/Q and 11% Y/Y to SAR 26.2bn due to lower sales volumes.

- Revenue declined 11% Y/Y and 6% Q/Q to SAR 26.2bn, primarily due to lower sales volumes, partially offset by higher average selling prices across key products. Management highlighted that prices increased by 7% Q/Q, while sales volumes declined by 13% Q/Q. Petrochemical revenue declined to SAR 21.8bn (-12% Y/Y, -7% Q/Q), reflecting lower volumes despite improved pricing, whereas agri-nutrients revenue stood at SAR 2.7bn (-12% Y/Y, -7% Q/Q). Specialty revenue increased to SAR 1.7bn (+6% Y/Y, +1% Q/Q), supported by better performance in high-performance materials.
- Gross profit increased 2% Y/Y / 33% Q/Q to SAR 5.1bn, despite lower revenue, supported by lower cost of sales and better pricing. Resultantly, gross margin improved by 238bps Y/Y to 19.6%. Sequentially, gross profit increased by 33% Q/Q, with gross margin improving by 576bps Q/Q, mainly due to the pricing benefit.
- On the cost side, general and administrative expenses declined by 16% Y/Y to SAR 1.63bn, while R&D expenses declined by 15% Y/Y to SAR 394mn, reflecting continued cost discipline. However, selling and distribution expenses increased by 16% Y/Y to SAR 1.85bn, likely reflecting higher logistics and distribution-related costs. Other operating expenses also normalized sharply to SAR 30mn compared to SAR 1.08bn in 1Q25, supporting the improvement in operating profit.
- EBITDA of SAR 4.15bn was reported in 1Q26, increasing 37% Q/Q and Y/Y. On an adjusted basis, EBITDA increased 25% Q/Q but remained broadly flat Y/Y. Petrochemical EBITDA clocked in at SAR 2.36bn (+49% Q/Q, +33% Y/Y), supported by better product prices and improved margins, whereas agri-nutrients EBITDA stood at SAR 1.37bn (+19% Q/Q, +27% Y/Y), driven by stronger urea prices. Specialty EBITDA improved to SAR 0.44bn (+42% Q/Q, +120% Y/Y). Overall, adjusted EBITDA margin improved to 15.9% in 1Q26 from 11.9% in 4Q25, supported by higher product prices and transformation benefits.
- 1Q26 was only the early stage of SABIC's price-led recovery, while 2Q26 could be one of the stronger quarters in CY26 due to simultaneous price strength across its key products. SABIC's product mix is highly exposed to products that rallied sharply, with MEG/methanol/DAP/urea/ammonia/MTBE contributing ~17.0%/~15.8%/~16.2%/~12.9%/~3.8%/~6.0% of product exposure, while HDPE/PP/LLDPE/LDPE together contribute another ~17.5%. This matters because 2Q26-to-date prices have moved materially above 1Q26 averages, with urea/ammonia up ~58%/~42%, while HDPE/LDPE/LLDPE/MEG are up ~36%/~40%/~40%/~27%, respectively. Given that SABIC already delivered 15.9% adjusted EBITDA margin in 1Q26 despite a 13% Q/Q decline in volumes, a broader price rally across fertilizers, methanol, MEG and polymers should support a meaningful earnings recovery in 2Q26. However, we do not view this as a structural turnaround. The rally appears largely supply-led, driven by Middle East disruptions, tighter cargo availability and logistics constraints, while demand recovery remains uneven and petrochemical oversupply has not been resolved. At the same time, feedstock costs have also moved higher, with propane, butane and naphtha rising sharply, which can limit spread expansion once product prices normalize. Therefore, while 2Q26 earnings could surprise positively, we expect the benefit to fade in 2H26 as supply disruptions ease and product prices move back from current elevated levels. Keeping this in check, we maintain our Hold rating on SABIC with a target price of SAR 62.6/sh.

Rating and Risks

We have assigned a "Hold" rating to SABIC with a 12-month target price of SAR 62.6 per share. Potential upside risks include stronger-than-expected recovery in global petrochemical and fertilizer prices, better demand recovery in China and Asia, and faster-than-expected benefits from portfolio optimization and transformation initiatives. Downside risks include continued pressure on product margins owing to persistent oversupply conditions, higher feedstock prices, uncertainty around China demand, higher transportation and insurance costs, and potential disruptions to shipment flows.

SAR mn	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Revenues	26152	27950	29267	-6%	-11%
Cost of Goods	21024	22284	24223	-6%	-13%
Gross Profit	5128	3870	5044	33%	2%
Operating Expenses	3682	4750	4744	-22%	-22%
Operating Profit	1446	-880	299	N/A	383%
EBITDA	4150	3040	3020	37%	37%
Net Income	13	-20940	-1211	N/A	N/A
EPS	0.00	-6.98	-0.40	N/A	N/A

Margins (%)

Gross Margin	19.6	13.8	17.2	576 bps	238 bps
Operating Margin	5.5	-3.1	1.0	868 bps	451 bps
Net Margin	0.1	-74.9	-4.1	7497 bps	419 bps

Rating Summary and Forecasts

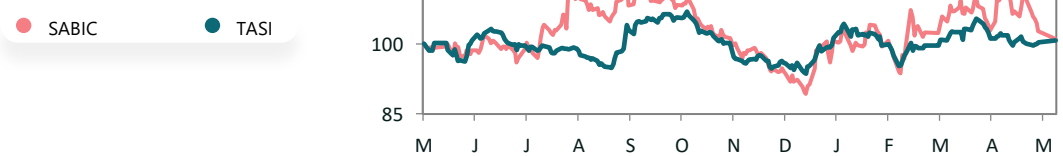
Rating Summary

Rating	Hold
Market Price	54.2
12-month Target Price	62.6
Upside / Downside	15%
Mkt Cap (SAR bn)	162,600
52 week High/Low	62.8/49.74

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	-25779	4263	2602	3443
PER (x)	NA	41.7	68.3	51.6
PBV (x)	1.2	1.2	1.2	1.2
EPS (SAR)	-8.6	1.4	0.9	1.1
DPS (SAR)	3.0	2.0	2.0	2.0
RoE (%)	-15.2	2.8	1.7	2.3
Dividend Yield (%)	5.0	3.4	3.4	3.4

Price Chart



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

Saudi Fransi Capital

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