

Sahara International Petrochemical Co. (HOLD, TP: SAR 19.1, 2310.SE) 1Q26 Results Review

Sipchem's profitability under pressure due to lower volumes, supply-chain pressure and weak associate performance

Sahara International Petrochemical Company (SIPCHEM AB) reported a net loss of SAR 215mn in 1Q26, compared to a loss of SAR 418mn in 4Q25 and profit of SAR 195mn in 1Q25. The Y/Y decline was mainly driven by lower sales volumes, ongoing supply-chain challenges, weaker average selling prices and lower contribution from JVs and associates. Revenue declined 22% Q/Q and 38% Y/Y to SAR 1.23bn, as lower volumes more than offset the sequential improvement in average selling prices.

- Revenue declined 38% Y/Y and 22% Q/Q to SAR 1.23bn in 1Q26. On a Y/Y basis, the decline was mainly driven by lower sales volumes amid ongoing supply-chain challenges, along with lower average selling prices. Sequentially, revenue declined despite a slight improvement in average selling prices, indicating that lower sales volumes remained the key drag during the quarter.
- Gross profit declined 51% Y/Y to SAR 78mn in 1Q26 from SAR 160mn in 1Q25, but improved from SAR 16mn in 4Q25. Gross margin stood at 6.4% compared to 8.1% in 1Q25 and 1.0% in 4Q25. The Y/Y decline was mainly driven by lower selling prices and weaker operating leverage from reduced volumes, partially offset by lower feedstock prices of butane, ethylene and propane. Sequentially, margin improved as average selling prices increased, although the benefit was partly limited by higher feedstock prices and lower sales volumes. Segment-wise, Basic Chemicals remained profitable, while Intermediate Chemicals was the main drag, recording a gross loss of SAR 94mn during the quarter.
- Sipchem reported an operating loss of SAR 69mn in 1Q26 compared to operating loss of SAR 56mn in 1Q25, mainly due to lower gross profit. Sequentially, operating loss narrowed from SAR 157mn in 4Q25, supported by improved gross profit and lower operating expenses.
- EBITDA stood at SAR 166mn in 1Q26, broadly flat Y/Y but up 46% Q/Q. EBITDA margin stood at 13.5% compared to 8.4% in 1Q25 and 7.2% in 4Q25. The sequential improvement reflected better pricing and lower operating losses, while Y/Y performance remained pressured by weaker volumes and losses in Intermediate Chemicals.
- Share of losses from equity-accounted investees stood at SAR 88mn in 1Q26 compared to share of profit of SAR 387mn in 1Q25. The Y/Y swing was mainly due to a high base in 1Q25, which included Sipchem's SAR 429mn share of a debt restructuring gain at an associate. Sequentially, share of losses narrowed as 4Q25 included impairment and business combination impact at an associate, along with a provision related to a capital project in a joint venture.
- Sipchem's 1Q26 reflected continued pressure on earnings, with revenue declining 38% Y/Y and 22% Q/Q to SAR 1.23bn, mainly due to lower sales volumes, supply-chain challenges and weaker average selling prices Y/Y. Although average selling prices improved sequentially and net loss narrowed to SAR 215mn from SAR 418mn in 4Q25, revenue remained under pressure and Intermediate Chemicals continued to weigh on margins, recording a gross loss of SAR 94mn and negative EBITDA of SAR 45mn. Near-term earnings will likely remain soft, as SEPC's scheduled shutdown extended beyond 1Q26 and continued through most of 2Q26, delaying the benefit from the ethylene cracker expansion and limiting recovery in associate income. However, with SEPC restarting in June and the cracker expansion expected to increase olefins output by around 18%, contribution from JVs and associates could improve from 2H26, provided product spreads stabilize. Separately, Sipchem received Ministry of Energy approval for feedstock allocation for a new 1.8mn tons per annum methanol plant in Jubail Industrial City, which will be wholly owned by the company. The project is positive for Sipchem's long-term growth pipeline, as management expects it to increase total production capacity by around 45% once completed and strengthen integration with existing Jubail assets. However, we do not expect any near-term earnings impact, as capex, timeline, technology licensor, EPC award date and expected start-up date have not yet been disclosed. We therefore maintain our Hold rating on SIPCHEM with a 12-month target price of SAR 19.1/share.

Rating and Risks

We maintain our Hold rating on SIPCHEM with a 12-month target price of SAR 19.1/share. Upside risks include stronger-than-expected recovery in product spreads, improved sales volumes and better contribution from JVs and associates, whereas downside risks include continued pressure on margins owing to weak product prices, higher feedstock prices, longer-than-expected delay in plants maintenance and expansion, supply-chain disruptions and weaker contribution from JVs and associates.

SAR bn	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Revenues	1227	1568	1970	-22%	-38%
Cost of Goods	1149	1552	1810	-26%	-37%
Gross Profit	78	16	160	397%	-51%
Operating Expenses	147	172	215	-15%	-32%
Operating Profit	-69	-157	-56	-56%	24%
EBITDA	166	114	166	46%	0%
Net Income	-215	-418	195	-48%	N/A
EPS	-0.29	-0.57	0.27	-48%	N/A

Margins (%)

Gross Margin	6.4	1.0	8.1	536 bps	-174 bps
Operating Margin	-5.6	-10.0	-2.8	438 bps	-278 bps
Net Margin	-17.5	-26.6	9.9	910 bps	-2746 bps

Rating Summary and Forecasts

Rating Summary

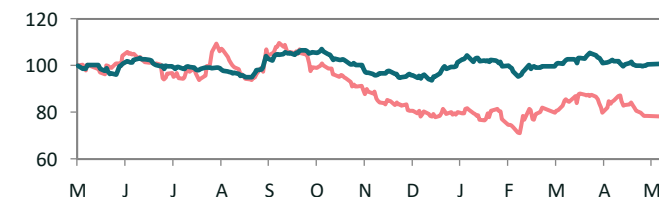
Rating	Hold
Market Price	14.4
12-month Target Price	19.1
Upside / Downside	32%
Mkt Cap (SAR bn)	10,560
52 week High/Low	20.7/13.42

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR bn)	-860	367	455	646
PER (x)	N/A	28.8	23.2	16.3
PBV (x)	1.0	0.8	0.8	0.8
EPS (SAR)	-1.2	0.5	0.6	0.9
DPS (SAR)	1.0	1.0	1.0	1.3
RoE (%)	-5.7	2.6	3.3	4.9
Dividend Yield (%)	5.1	6.9	6.9	8.7

Price Chart

● Sipchem ● TASI



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.

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