EQUITY RESEARCH

SAUDI ARABIA · CHEMICALS

INITIATION OF COVERAGE

Saudi Basic Industries Corporation

Cash generation and project execution support long-term value, but the base case does not yet compensate for cyclical pricing and terminal-value risk.

Tadawul 2010 | SAR | 21 July 2026

Hold	SAR 52.20	SAR 52.90	1.3%	SAR 3.00	7.1%
Indicative research view*	Reference price	DCF fair value	Price return	12-month dividend	Total return

*Indicative research view based on the stated assumptions; prepared for professional evaluation and not regulated investment advice. Cover image: SABIC Integrated Annual Report 2025, p. 4.

Research scorecard

Information date	Reference price	DCF fair value	12-month dividend	Total return	Indicative rating
21 July 2026	SAR 52.20	SAR 52.90	SAR 3.00	7.1%	Hold

The reference price is a point-in-time market-data cross-check; financial inputs reconcile to official filings. Q1 2026 report

Forecast snapshot

Metric	FY2025 base	FY2026E	FY2027E	FY2030E
Revenue	SAR 116.53bn	SAR 111.87bn	SAR 120.26bn	SAR 138.54bn
Adjusted EBITDA margin	15.3%	15.6%	16.8%	18.2%
Adjusted EPS	SAR 0.69	SAR 1.23	SAR 1.87	SAR 2.94

E denotes analyst model estimates. Reported EPS is not forecast because divestiture and exceptional-item accounting remain uncertain. FY2025 annual report

Scope of analysis

This initiation-style report assesses SABIC using public information available through 21 July 2026. Forecasts are analyst estimates and the valuation is derived from the stated FCFF, cost-of-capital and scenario assumptions. The indicative rating is provided for professional evaluation and is not regulated investment advice.

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Investment Summary and Recommendation

Central valuation, forecast direction and the evidence that would change the call.

Why the operating recovery does not yet justify a Buy

Our Hold view is not a call for flat earnings. The base case assumes that adjusted EBITDA margin recovers from 15.3% in FY2025 to 15.6% in FY2026 and 18.2% by FY2030, while adjusted EPS rises from SAR 0.69 to SAR 1.23 and then SAR 2.94. The issue is the price already paid for that recovery. Our FCFF DCF produces SAR 52.90 per share against a SAR 52.20 reference price. The next twelve-month dividend lifts modeled total return to 7.1%, but central-case price appreciation is only 1.3%.

The market therefore does not need a full earnings disappointment to challenge the valuation. It only needs recovery to arrive later or require more capital than assumed. A 100 bp increase in WACC reduces our value by about 17%, while a 150 bp margin shortfall reduces it by about 16%. This asymmetry matters because 79.8% of enterprise value is derived from cash flows beyond FY2030. Near-term execution evidence has less time to compound than a change in long-duration assumptions.

The constructive part of the thesis is operational. SABIC enters the investment cycle with low balance-sheet leverage, a broad manufacturing footprint, and disclosed projects that can expand saleable output. The Fujian complex is the largest identifiable growth mechanism, but our forecast does not treat construction completion as revenue. We assign only a 0.5% project-ramp contribution in FY2026 and 3.5% in FY2027, with later growth tapering as the asset approaches a more normal operating state.

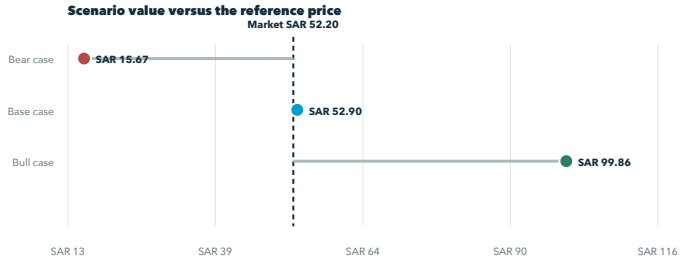
A Buy would require evidence that the earnings recovery is both faster and less capital intensive than our base case. The most credible route is a combination of better product price/mix, recurring transformation savings, timely Fujian commissioning and free-cash-flow coverage of the dividend. A Sell would become more likely if weak spreads persist while capex and working capital remain elevated, because that combination would erode both earnings and the balance-sheet support for distributions.

The recommendation is derived from the stated forecast and valuation assumptions; it is not management guidance. FY2025 annual report, Q1 2026 earnings release

Investment view

The base case points to **SAR 52.90** per share and **7.1%** total return including the next twelve-month dividend. The resulting **Hold** indication reflects limited central-case upside, while the wide scenario range shows that product pricing, utilization and project execution dominate valuation risk.

Scenario valuation range



SAR per share. Scenarios vary operating assumptions, WACC and terminal growth together.

What drives the call

Mechanism	Base-case view	Evidence to monitor	Financial effect
Petrochemical price and mix	Weak in FY2026, then gradual normalization	Quarterly management price/mix bridge and chemical proxies	Revenue and EBITDA margin
Fujian project	Initial H2 2026 contribution; larger FY2027 ramp	Mechanical completion, start-up and utilization disclosures	Volume, capex and working capital
Portfolio simplification	Continuing perimeter is forecast separately	Closing terms, retained liabilities and proceeds	Reported EPS, net debt and valuation adjustments
Transformation savings	Margin recovery remains conditional	Recurring savings and conversion-cost disclosure	EBITDA and cash conversion
Dividend	SAR 3.00/share in FY2026 base case	FCF coverage, liquidity and board recommendation	Equity return and liquidity

FY2025 annual report, Q1 2026 release

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Thesis and Variant View

The investment case is expressed as testable operating mechanisms rather than a narrative forecast.

Variant perception and proof points

A superficial recovery thesis would extrapolate lower rates, improving chemical prices and announced capacity into a conventional cyclical rebound. We take a narrower view. SABIC can report higher EBITDA without creating equivalent equity value if working capital, capex, non-controlling interests or divestiture leakage absorb the cash. Our variant question is therefore not simply whether EBITDA recovers; it is whether recurring cash returns improve after funding the asset base and protecting the balance sheet.

Three proof points matter. First, quarterly price/mix must improve without being offset by weaker operating rates. Second, project disclosures must progress from mechanical completion to commissioning, utilization and commercial qualification. Third, EBITDA must convert into cash after capex and working capital. The FY2026 base case deliberately keeps price/mix at negative 6.0%, assumes only 1.5% volume growth and allows a 0.5% project-ramp contribution. This is more conservative than treating the full project nameplate as immediately productive, but it still embeds a transition from a difficult FY2025 base.

The thesis can be wrong in two directions. We may be too cautious if constrained industry supply, stronger Asian demand and recurring cost savings raise spreads faster than assumed. We may be too optimistic if new global capacity prolongs weak utilization, or if the Fujian complex reaches mechanical completion but takes longer to achieve product qualification and steady-state output. Because both outcomes are plausible, the report uses explicit bear, base and bull paths instead of presenting a single forecast as certainty.

Our base case should be read as a set of falsifiable mechanisms. Price/mix, volume, project ramp, margin, capex and working capital are separately observable. When new evidence arrives, the relevant assumption should be revised and its effect traced consistently through Revenue, adjusted EPS, FCFF and valuation.

Probability judgments are analyst assessments. Operating proof points are anchored to official quarterly and project disclosures. SABIC strategic projects, Q1 2026 report

Central hypothesis

The analytical question is whether portfolio simplification, transformation savings and new capacity can restore recurring returns faster than weak global chemical pricing erodes them. The report does not assume that announced capacity becomes immediate production; construction, commissioning, ramp-up and steady-state operation remain separate forecast states.

FY2025 strategic projects

Operating mechanisms and financial transmission

Hypothesis	Financial transmission	Observable KPI	FY2026 treatment
Cycle trough stabilizes	Product balance -> realized price/mix -> segment revenue	Price/mix change and benchmark direction	-6.0% price/mix
Volumes improve	Utilization/project ramp -> sales volume -> revenue	Volume bridge and start-up milestones	+1.5% volume; +0.5% project ramp
Margins normalize	Price/spread + transformation -> EBITDA margin	Adjusted EBITDA margin	15.55%
Cash supports payout	EBITDA -> CFO -> capex -> FCF -> dividend	FCF and liquidity	SAR 3.97bn FCF

Falsification conditions

- Fujian start-up moves materially beyond H2 2026 or disclosed utilization ramps more slowly than assumed.
- Price/mix or segment EBITDA margins remain below the bear-case path despite improving market proxies.
- Working-capital consumption and project capex keep free cash flow below dividend requirements.
- Divestiture proceeds, retained liabilities or discontinued-operation charges materially differ from the current treatment.
- Transformation savings do not recur in reported segment economics.

3

Company, Ownership and Business Model

Portfolio breadth, ownership and end-market exposure define both resilience and cyclicality.

Figure 1. SABIC's strategic portfolio is increasingly tied to energy transition and lower-carbon applications. Research and product development remain central to portfolio differentiation. SABIC Integrated Annual Report 2025 (pp. 22, 36)

How the portfolio converts feedstock and capacity into earnings

SABIC is economically a portfolio of conversion spreads rather than a single-product manufacturer. Feedstock and intermediate inputs are converted through large, capital-intensive assets into commodity chemicals, polymers, fertilizers and differentiated materials. Revenue therefore responds to both physical volume and realized product mix, while EBITDA depends on the spread between selling prices and feedstock, energy, logistics and conversion costs. High utilization can support unit economics, but it can also amplify a weak market if additional output is sold into oversupply.

The Q1 2026 segment mix illustrates why consolidated Revenue alone is insufficient. Petrochemicals generated about 83% of segment Revenue but only a 10.9% EBITDA margin. Agri-Nutrients represented roughly 10% of Revenue and produced a 50.7% EBITDA margin, while Specialties represented about 6% of Revenue at a 26.4% margin. Small changes in the high-margin businesses can therefore affect group EBITDA disproportionately, although non-controlling ownership means not every unit of consolidated profit accrues to SABIC shareholders.

Saudi Aramco's 70% ownership is strategically important but should not be translated into assumed private economics. Parentage may support feedstock coordination, capital access and strategic alignment, yet public disclosures do not reveal every transfer-pricing term or contractual protection. Our model uses disclosed group financials and subtracts non-controlling interests from consolidated enterprise value. It does not assign an unverified parent-company premium.

The reporting perimeter is also moving. Announced European Petrochemicals and regional Engineering Thermoplastics divestitures are treated as discontinued or transaction-dependent rather than recurring operations. This distinction protects the operating forecast from one-off disposal accounting, but it creates a separate equity bridge for proceeds, taxes, stranded costs and retained liabilities. Until closing terms are fully disclosed, the report does not use expected proceeds to manufacture upside.

Segment margins are calculated from official Q1 2026 segment Revenue and EBITDA. Parent and transaction interpretations are analyst judgments. Q1 2026 report, FY2025 annual report

Ownership and reporting perimeter

Saudi Aramco holds 70% of SABIC. The model uses the FY2025 continuing-operations perimeter and keeps the announced European Petrochemicals and regional Engineering Thermoplastics divestitures outside recurring forecasts. Consolidated FCFF includes controlled operations, so non-controlling interests are deducted in the equity-value bridge.

The perimeter treatment is a modelling decision anchored to official discontinued-operation disclosures. Q1 2026 report, FY2025 annual report

Q1 2026 segment economics

Segment	Revenue	Share	EBITDA	EBITDA margin	EBIT
Petrochemicals	SAR 21.76bn	83.2%	SAR 2.36bn	10.9%	SAR 0.10bn
Agri-Nutrients	SAR 2.71bn	10.4%	SAR 1.37bn	50.7%	SAR 1.17bn
Specialties	SAR 1.68bn	6.4%	SAR 0.44bn	26.4%	SAR 0.25bn

Revenue and EBITDA by current reportable segment; corporate and eliminations are shown in the source statements but excluded from the revenue-share denominator. Q1 2026 report

Product and earnings map

Segment	Representative product families	Primary earnings variables	Public-data boundary
Petrochemicals	Polyethylene, polypropylene, glycols, methanol, MTBE and base chemicals	Volume, product price/mix, feedstock, utilization and freight	No complete product-level volume, realization or margin series
Agri-Nutrients	Ammonia and urea	Nitrogen prices, gas/feedstock economics and utilization	Consolidated segment is available; full customer-contract economics are private
Specialties	Polycarbonate and engineering thermoplastics	Mix, differentiated pricing and project ramp	Regional ETP divestiture changes perimeter comparability

FY2025 annual report, Q1 2026 report

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Segments, Capacity and Project Pipeline

Capacity only creates value when commissioning, utilization and product realization arrive together.

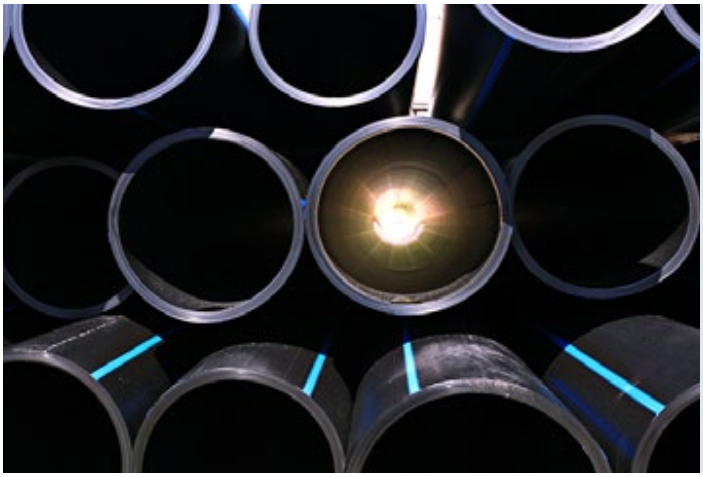


Figure 2. Polymer applications include pipes and large-scale infrastructure systems. Agri-nutrients exposure connects the portfolio to food security and farm economics. SABIC Integrated Annual Report 2025 (pp. 50, 54)

Segment outlook and the economics of announced capacity

Petrochemicals remains the dominant valuation driver because of its scale, even though current margins are below those of Agri-Nutrients and Specialties. Our FY2026 allocation assumes Petrochemicals grows one percentage point below the company rate, reflecting weak price/mix and the time required for new capacity to contribute. From FY2027 the segment receives a modest positive spread as Fujian ramps, but we do not assume that nameplate capacity translates directly into sales. Product qualification, operating rates, regional demand and realized spreads remain separate constraints.

Agri-Nutrients is the portfolio's principal earnings stabilizer at the Q1 2026 cut. The disclosed segment margin is materially above the group average, so nitrogen prices, gas economics and plant availability can influence consolidated EBITDA more than the segment's Revenue share suggests. The potential urea expansion from approximately 4.8 million tonnes to 7.4 million tonnes is not treated as committed base-case production. Feedstock allocation has been disclosed, but final investment, construction and commercial timing remain necessary gates.

Specialties offers differentiated applications and higher margins than commodity Petrochemicals, but the business is also affected by perimeter change. The Fujian Engineering Thermoplastics compounding plant is scheduled for mechanical completion by the end of Q3 2027, while regional ETP divestitures affect historical comparability. We therefore model Specialties as a bounded mix benefit rather than a source of unquantified premium growth.

The project ledger separates four states: construction, commissioning, ramp-up and steady state. The 1.8 million tonne Fujian ethylene complex is the largest disclosed capacity item and was reported as 98% complete, but our base forecast assigns only a small FY2026 contribution. The Petrokemya MTBE plant has started up and can support current output; the Ibn Zahr recovery system is already commissioned. Later projects, including the ethylene oxide catalyst plant, remain capex and execution items until operating evidence becomes available.

This discipline prevents a common sell-side error: adding announced capacity to Revenue while leaving capex, working capital, utilization and price pressure unchanged. In our model, capacity creates value only when saleable volume earns a return above the cost of capital after the cash required to bring it onstream.

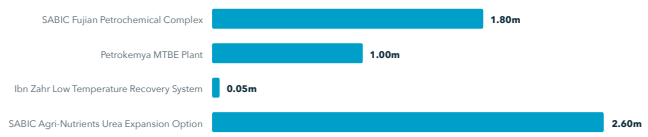
Capacity figures quantify disclosed nameplate or incremental potential only. They are not summed into a company production forecast. SABIC strategic projects, FY2025 annual report, Q1 2026 earnings release

Project and capacity ledger

Asset or project	Location	Products	Disclosed capacity	Status	Expected milestone	Evidence
SABIC Fujian Petrochemical Complex	Gulei Industrial Park, Fujian, China	ethylene, ethylene glycol, polyethylene, polypropylene, polycarbonate	1.8 million tonnes per year (ethylene)	Construction 98% complete	H2 2026	Official source
Petrokemya MTBE Plant	Saudi Arabia	MTBE	1.0 million tonnes per year (MTBE)	Started up	Oct 2025	Official source
Ibn Zahr Low Temperature Recovery System	Saudi Arabia	C3 recovery, C4 recovery, MTBE	50,000 tonnes per year (MTBE-equivalent)	Commissioned	H1 2025	Official source
Petrokemya Ethylene Oxide Catalyst Plant	Saudi Arabia	ethylene oxide catalyst	Not disclosed	In execution	Dec 2027	Official source
Fujian Engineering Thermoplastics Compounding Plant	Zhangzhou, Fujian, China	LEXAN polycarbonate, CYCOLOY PC/ABS blends	Not disclosed	In execution	Q3 2027	Official source
SABIC Agri-Nutrients Urea Expansion Option	Saudi Arabia	urea	2.6 million tonnes per year (incremental potential)	Feedstock allocation approved; final capacity not disclosed	Not disclosed	Official source

Only explicitly disclosed capacities are quantified. Status descriptions follow the latest cited public disclosure. FY2025 strategic projects

Disclosed incremental or project capacity



Tonnes per year are not additive across unlike products. The chart compares disclosed figures, not total company capacity. FY2025 strategic projects

How projects enter the forecast

Stage	Financial treatment	What would change the assumption
Construction	Capex only; no production revenue	Updated completion percentage or capex guidance
Commissioning	Working capital and start-up cost; minimal saleable output	Official start-up confirmation
Ramp-up	Bounded project-ramp Revenue contribution	Utilization or production disclosure
Steady state	Normal segment volume and margin assumptions	Sustained operating-rate evidence

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Industry Structure and Product Cycle

Prices, operating rates and product spreads transmit the global chemical cycle into earnings.

Figure 3. Technical selling and customer qualification support commercialization across end markets. SABIC Integrated Annual Report 2025 (pp. 56)

Where we are in the cycle and what would confirm a turn

Chemical earnings are governed by an interaction between demand, industry capacity and the marginal producer's cost. When demand grows faster than effective supply, operating rates rise and producers gain pricing power. When new capacity arrives into weak demand, producers compete on price to keep plants loaded, compressing spreads even if reported volumes remain resilient. This is why a volume increase is not automatically bullish for SABIC; the quality of volume depends on realized price/mix and the contribution margin earned on incremental tonnes.

The publicly available market series in this report are directional indicators, not estimates of SABIC's realized prices. US plastics and chemical producer-price indexes, energy benchmarks and fertilizer indexes help identify broad cycle direction, but they do not reproduce Middle East contract terms, product grades, freight or regional discounts. We use them to challenge management commentary and forecast direction, never as a direct replacement for company price/mix disclosure.

Our FY2026 base case assumes the cycle remains difficult. Revenue falls 4.0%, with positive volume and project ramp more than offset by negative price/mix. A genuine turn would require at least two forms of evidence: improving external price indicators and a company-reported price/mix bridge that is no longer deteriorating. Margin confirmation is equally important because a price increase can be consumed by feedstock, energy, freight or under-absorption.

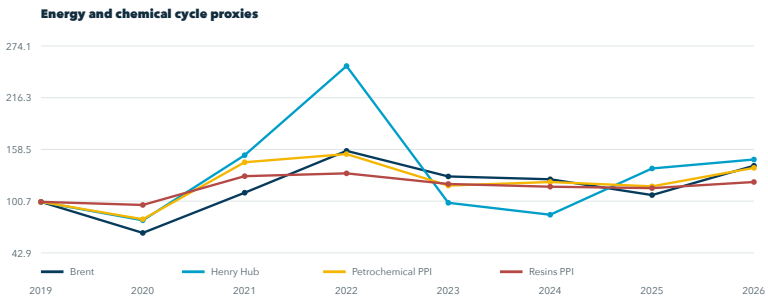
The bull case assumes faster stabilization and higher operating leverage, while the bear case assumes weak price/mix persists and project contributions arrive more slowly. We do not assign a probability-weighted target because the historical dataset is too small to estimate regime probabilities reliably. The scenario range is instead used to show how much of the valuation depends on a cyclical recovery that has not yet been fully observed.

Market proxies are cross-checks. They are not SABIC product realizations or licensed physical petrochemical assessments. FRED commodity and producer-price series, FY2025 annual report

Industry-cycle transmission

External driver	Transmission path	SABIC metric	Current use
Industrial demand	End-market demand -> product balance -> price and volume	Revenue and utilization	Scenario assumption
New global capacity	Supply growth -> operating rates -> spreads	Price/mix and EBITDA margin	Risk and sensitivity
Oil and naphtha	Marginal producer cost and liquid-feedstock economics	Petrochemical spread	Directional proxy
Natural gas	Gas-based producer cost	Feedstock and fertilizer margin	Directional proxy
China demand and supply	Regional balance, imports and project ramp	Asia revenue and realized mix	Qualitative risk

Cycle proxies, indexed to 100



Each series is rebased to 100 in the first common year. These are directional proxies, not SABIC realized prices. FRED

Selected public market proxies

Series	Latest annual period	Annual average	Evidence role
DCOILBRENTEU	2026	90.23	Cycle proxy; not company realization
DHHNGSP	2026	3.77	Cycle proxy; not company realization
PCU325110325110	2026	173.74	Cycle proxy; not company realization
PCU325211325211	2026	333.78	Cycle proxy; not company realization
PCU325311325311A	2026	156.11	Cycle proxy; not company realization

FRED

Limits of public price proxies

Brent, Henry Hub and broad producer-price indexes do not replace physical Middle East PE, PP, MEG, methanol, MTBE, ammonia or urea assessments. They omit grade, location, contract, freight and customer-mix effects. The report therefore uses them for cycle direction and scenario calibration, not as manufactured product realizations.

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Feedstock, Cost Curve and Competitive Position

The margin framework separates selling-price movement from feedstock, utilities and operating leverage.

Figure 4. Operating reliability, yield and plant utilization are core earnings variables. SABIC Integrated Annual Report 2025 (pp. 57)

Cost advantage is real, but not uniform across the portfolio

SABIC's Saudi production base can benefit from gas-based feedstock and integration, but a consolidated margin forecast cannot assume that every asset shares the same cost curve. Overseas crackers, specialty operations, joint ventures and product chains may be exposed to different feedstocks, utilities, freight and transfer-pricing arrangements. The public record does not provide a complete plant-by-plant cash-cost database, so we model cost advantage through observed segment margins and explicit margin scenarios rather than a fabricated global ranking.

Feedstock affects earnings through more than the purchase price of hydrocarbons. Yield, energy intensity, co-product credits, operating rate and logistics determine the cash conversion spread. A producer can have advantaged feedstock but still report weak EBITDA if product prices fall faster than input costs or if utilization is too low to absorb fixed conversion expense. Conversely, a tightening product market can expand margins before feedstock prices change materially.

Our base case moves adjusted EBITDA margin from 15.3% in FY2025 to 15.6% in FY2026, then gradually to 18.2% by FY2030. The progression reflects a mix of price normalization, project ramp and recurring transformation savings; it is not attributed entirely to feedstock. A 150 bp shortfall across the explicit forecast reduces DCF value by roughly 16%, making segment margin the most important quarterly validation metric after price/mix.

The mitigation case is therefore conditional. Domestic integration and transformation initiatives can cushion pressure, but they do not immunize the group from global oversupply or less advantaged overseas assets. We would raise normalized margins only after savings recur in segment results or operating disclosures show a durable improvement in conversion economics.

No private feedstock contract or plant-level cash-cost term is inferred. Margin sensitivities show the valuation consequence of this uncertainty. FY2025 annual report, Saudi Aramco investor disclosures

Feedstock and cost map

Input	Operational relevance	Observable proxy	Unobservable component
Methane and ethane	Saudi gas-based chemicals and derivatives	Gas policy and broad gas benchmarks	Plant contract and transfer price
Propane and butane	Olefin and derivative economics	LPG/oil direction	Exact conversion yield and plant slate
Light naphtha	Liquid-feedstock and marginal-cost exposure	Brent and naphtha-linked direction	Location differential and procurement terms
Utilities and freight	Conversion and delivered cost	Energy/freight indicators	Plant and customer route economics
Transformation savings	Fixed and variable conversion cost	Company-disclosed recurring savings	Unpublished site-level allocation

Official disclosures identify feedstock families; private contract economics remain unknown. Q1 2026 report, FY2025 annual report

Spread framework

```
Product spread = benchmark product price
               - feedstock conversion factor x
feedstock benchmark
               - variable conversion and logistics
cost

SABIC EBITDA = realized volume x realized spread
             - fixed cost + transformation savings
+/- mix
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The current model does not populate product-level spreads because consistent public benchmark coverage and SABIC realization data are incomplete. The formula remains the target architecture and the uncertainty is handled through price/mix and margin scenarios.

Cost-position interpretation

SABIC may retain a structural feedstock advantage in selected Saudi assets, but that statement cannot be converted into one universal margin assumption. Overseas assets, liquid feedstocks, freight, utilities and product mix produce different economics. The report therefore models consolidated margin ranges and requires segment evidence before making a stronger cost-curve claim.

7

Geographies and End Markets

Revenue is diversified by geography, while customer concentration and private contract terms remain bounded unknowns.

Figure 5. Specialty polymers serve electrical, electronics and power-transmission applications. Material demand is linked to vehicle electrification and lightweighting. SABIC Integrated Annual Report 2025 (pp. 51, 52)

Revenue diversification does not eliminate common-cycle exposure

Q1 2026 Revenue by customer location is geographically broad: Rest of Asia contributed 25.1%, China 18.9%, Saudi Arabia 16.1%, the Americas 13.3%, Europe 9.2%, Africa 8.5% and Other markets 8.9%. This reduces dependence on a single country, but it should not be mistaken for economic independence. Many end markets share exposure to global manufacturing, construction, packaging, automotive, electronics and agricultural cycles.

Asia is the most important demand region in the disclosed mix, and China is also central to the Fujian growth plan. This creates both strategic proximity and execution concentration. Local production can improve market access and logistics, yet the value of new output still depends on Chinese demand, regional capacity additions and product spreads. A weak regional balance can offset the advantages of being closer to customers.

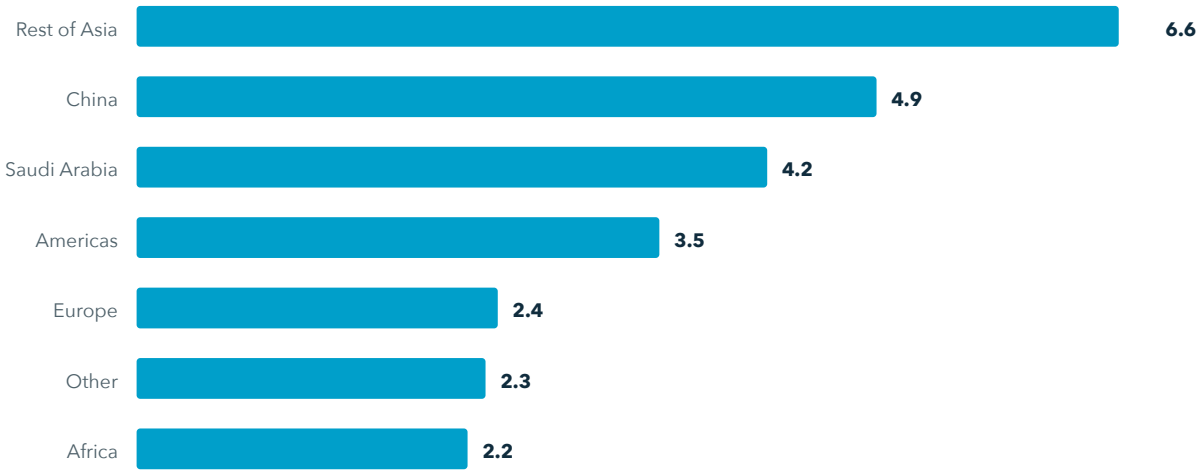
Currency exposure is similarly layered. The reporting currency is the Saudi riyal, but sales, feedstock, freight and overseas costs can reference different currencies or dollar-linked prices. Public geographic Revenue does not provide a complete transactional FX map. We therefore retain FX and freight in the scenario range instead of presenting a false hedge ratio.

For monitoring purposes, customer-location Revenue is more useful than legal-entity domicile because it indicates where demand is realized. It still cannot answer customer concentration, contract duration or product-level profitability. Those remain explicit data gaps rather than silently diversified assumptions.

Geographic shares use official Q1 2026 customer-location Revenue and sum to the reported total subject to rounding. Q1 2026 report

Q1 2026 revenue by customer location

Geography	Revenue	Share
Rest of Asia	SAR 6.56bn	25.1%
China	SAR 4.94bn	18.9%
Saudi Arabia	SAR 4.21bn	16.1%
Americas	SAR 3.49bn	13.3%
Europe	SAR 2.41bn	9.2%
Other	SAR 2.33bn	8.9%
Africa	SAR 2.21bn	8.5%



Geography is based on customer location, not plant location or legal-entity domicile. Q1 2026 report

Geographic concentration

Asia excluding China is the largest disclosed customer-location region at **25.1%** of Q1 Revenue. China and Saudi Arabia remain separately material. The mix links SABIC to Asian industrial demand, regional supply additions, trade flows and freight, but it does not reveal product profitability by country.

Customer-data boundary

Public reporting supports Revenue by customer location and, where disclosed, customer categories. It does not provide a complete named-customer roster, contract duration, customer-level pricing or product margin. Those remain explicit unknowns rather than inferred customer relationships.

8

Historical Financial and Normalization Review

Reported history is normalized for discontinued operations and exceptional items before it informs the forecast.

What the historical record says about earnings quality

FY2025 continuing Revenue was SAR 116.53bn, only about 1% below the restated FY2024 level, but adjusted EBITDA declined from SAR 20.98bn to SAR 17.88bn and EBIT fell from SAR 9.43bn to SAR 4.37bn. The divergence shows that the principal problem was not simply lost volume. Price/mix, spread compression, cost absorption and depreciation reduced the earnings generated from a broadly similar Revenue base.

Adjusted net income from continuing operations fell from SAR 5.88bn to SAR 2.07bn. Reported net income attributable to the parent was a SAR 25.78bn loss, dominated by discontinued operations and exceptional accounting rather than recurring earning power. For that reason, the forward model uses adjusted EPS for continuing operations and does not forecast reported EPS until disposal charges, retained liabilities and other special items can be bounded.

Cash generation was stronger than reported earnings in FY2025. Pro forma continuing operating cash flow was SAR 16.54bn and free cash flow was SAR 9.21bn, against reported capex of SAR 8.77bn. That evidence supports the view that the balance sheet can absorb a difficult operating year, but it does not establish a permanently covered dividend. FY2025 dividends per share were SAR 3.00 and the company page identifies payout above 100%.

Q1 2026 reinforces the need to separate earnings from cash. Revenue was SAR 26.15bn, adjusted EBITDA SAR 4.15bn and adjusted net income attributable to the parent SAR 0.82bn, while free cash flow was negative SAR 0.27bn and net debt was SAR 2.77bn. One quarter should not be annualized mechanically, but the cash result is an early warning that working capital and capex can delay conversion even when adjusted earnings remain positive.

Historical comparisons are perimeter-aware. FY2024 and FY2025 official continuing figures are retained together, while older third-party history remains a separate analytical series. We do not splice them into a smooth trend because doing so would create artificial growth and margin signals from accounting-perimeter changes.

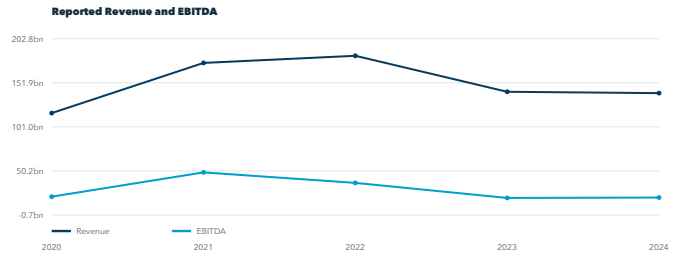
All cited FY2024-FY2025 values use the company's continuing-operation presentation. Q1 2026 cash flow is reported, not seasonally normalized. FY2025 annual report, Q1 2026 earnings release, SABIC dividends

Reported consolidated history

Year	Revenue	EBITDA	Margin	Reported net income	Operating cash flow	Capex	Free cash flow
2020	SAR 116.95bn	SAR 20.51bn	17.5%	SAR 0.07bn	SAR 22.15bn	SAR 13.26bn	SAR 8.89bn
2021	SAR 174.88bn	SAR 48.51bn	27.7%	SAR 23.07bn	SAR 39.49bn	SAR 10.97bn	SAR 28.52bn
2022	SAR 183.08bn	SAR 36.40bn	19.9%	SAR 16.53bn	SAR 35.81bn	SAR 10.22bn	SAR 25.59bn
2023	SAR 141.54bn	SAR 19.02bn	13.4%	SAR -2.77bn	SAR 24.45bn	SAR 10.49bn	SAR 13.96bn
2024	SAR 139.98bn	SAR 19.47bn	13.9%	SAR 1.54bn	SAR 16.36bn	SAR 10.20bn	SAR 6.16bn

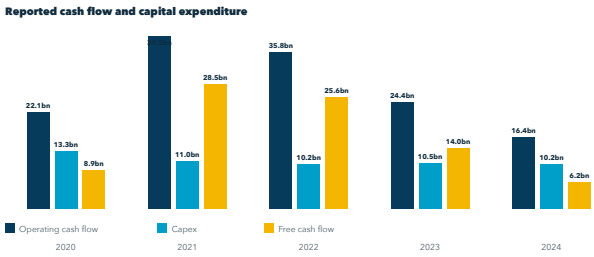
FY2020-FY2024 figures use the historical reported perimeter and are not spliced into the current continuing perimeter. FY2024 annual report

Revenue and EBITDA cycle



FY2024 annual report

Cash conversion and reinvestment



FY2024 annual report

Current continuing-perimeter bridge

Year	Revenue	Adjusted EBITDA	Adjusted net income	Reported net income	Adjusted EPS
2024	SAR 117.74bn	SAR 20.98bn	SAR 5.88bn	SAR 1.54bn	SAR 1.96
2025	SAR 116.53bn	SAR 17.88bn	SAR 2.07bn	SAR -25.78bn	SAR 0.69

Adjusted and reported earnings remain separate. FY2025 reported loss includes discontinued operations and other non-recurring effects. FY2025 annual report

Normalization policy

Normalized earnings remove specifically identified discontinued-operation, impairment, restructuring, remeasurement and disposal effects only when evidence supports the adjustment. The IFRS result is always retained. Reported EPS is not forecast by forcing an assumed exceptional-item reversal.

9

Forecast Framework and Assumptions

The selected forecast is a transparent driver bridge, cross-checked against simpler statistical benchmarks.

Figure 6. Materials-science capability supports higher-value product development. SABIC Integrated Annual Report 2025 (pp. 62)

From operating assumptions to Revenue and adjusted EPS

The house forecast is a driver bridge rather than a time-series extrapolation. Annual Revenue is built from separately visible assumptions for volume, product price/mix, project ramp and reporting perimeter. This matters for a cyclical producer because identical Revenue growth can have very different quality. Volume gained through new low-margin capacity is not equivalent to price-led growth from tighter product markets.

FY2026 Revenue declines 4.0% to SAR 111.87bn. Positive 1.5% volume growth and a 0.5% project contribution are more than offset by negative 6.0% price/mix. FY2027 Revenue then rises 7.5% to SAR 120.26bn as price/mix turns positive and the Fujian ramp contributes 3.5%. Growth moderates to 6.0%, 4.5% and 4.0% in FY2028-FY2030 as the explicit project contribution fades.

Adjusted EBITDA is calculated from Revenue and a normalized margin path. The base margin improves by only 20 bps in FY2026, then by 150 bps versus the FY2025 reference in FY2027 and 290 bps by FY2030. The progression captures operating leverage and recurring savings, but it remains below an assumption of immediate full-cycle normalization. Segment Revenue is allocated from the company total using Q1 2026 mix and bounded growth spreads, then reconciled back to the consolidated forecast.

The EPS bridge begins with adjusted EBITDA, subtracts depreciation and amortization to derive EBIT, then incorporates finance and associate income, tax and non-controlling interests. Dividing adjusted net income attributable to the parent by 3.0bn shares produces adjusted EPS. Reported EPS is intentionally excluded because discontinued-operation and exceptional-item accounting cannot be forecast defensibly from current public information.

FCFF is derived from after-tax EBIT plus depreciation and amortization, less capex and working capital. The integrated statement model separately tracks cash, debt, receivables, inventory, payables, PP&E, non-controlling interests and parent equity. A disclosed other-assets bucket balances the selected statements; it is shown explicitly because public data does not support a precise forecast of every asset line.

Model selection remains conservative. The post-Q1 seasonal benchmark has the lowest observed Revenue WAPE at 10.1%, but only five eligible periods. The structural driver model is used as the primary analyst case because it can represent disclosed projects and perimeter changes, not because it has proven statistical superiority. Prior-year and consensus benchmarks remain visible calibration anchors.

Forecast assumptions are house estimates. Equations and source-derived starting values are reconciled to the cited official filings. FY2025 annual report, Q1 2026 report

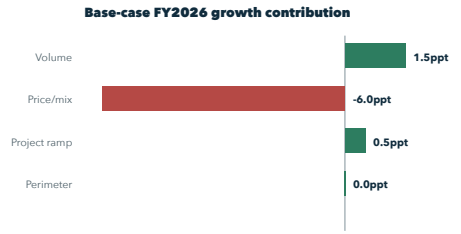
Revenue and earnings identities

```
Revenue[t] = Revenue[t-1] x (1 +
volume + price/mix + project ramp +
perimeter)

Adjusted EBITDA = Revenue x
normalized EBITDA margin
EBIT = Adjusted EBITDA -
depreciation and amortization
Adjusted net income = EBIT +
finance/associate bridge - tax - NCI
Adjusted EPS = adjusted net income /
3.0bn shares
FCFF = EBIT x (1-tax) + D&A - capex
- change in working capital
```

FY2026 Revenue driver bridge

Scenario	Volume	Price/mix	Project ramp	Perimeter	Total growth	Revenue
Bear	-1.0%	-9.0%	0.2%	0.0%	-9.8%	SAR 105.11bn
Base	1.5%	-6.0%	0.5%	0.0%	-4.0%	SAR 111.87bn
Bull	3.0%	-3.0%	1.0%	0.0%	1.0%	SAR 117.70bn



Q1 2026 release, FY2025 annual report

FY2026 Revenue model comparison

Model	Forecast	Role	Method	Decision
q1 simple annualized	SAR 104.61bn	mechanical control	Q1 actual multiplied by four	Not selected as the primary house forecast.
q1 seasonal share	SAR 104.13bn	statistical challenger	Q1 actual divided by historical median Q1/FY share	Not selected as the primary house forecast.
sell side driver model	SAR 111.87bn	selected primary	volume + price/mix + project ramp + perimeter bridge	Primary because it can represent disclosed project, mix and perimeter changes; controls remain visible for calibration.
current consensus	SAR 110.98bn	external cross check	current FMP consensus; not a historical archive	Not selected as the primary house forecast.

The structural model is selected because it represents disclosed changes. Q1 seasonality and consensus remain visible calibration anchors, not hidden inputs.

Forecast selection and calibration

Forecast approaches are compared only at like information horizons. The post-Q1 seasonal model has the lowest observed Revenue WAPE, but only five comparable periods. The structural driver model cannot be promoted solely from that evidence because its historical assumptions cannot be reconstructed consistently. We therefore use it as an explicit analyst forecast, with simpler statistical benchmarks retained as calibration checks.

10

Forecast Financial Statements

Segment estimates reconcile to consolidated income, cash flow and balance-sheet outputs.

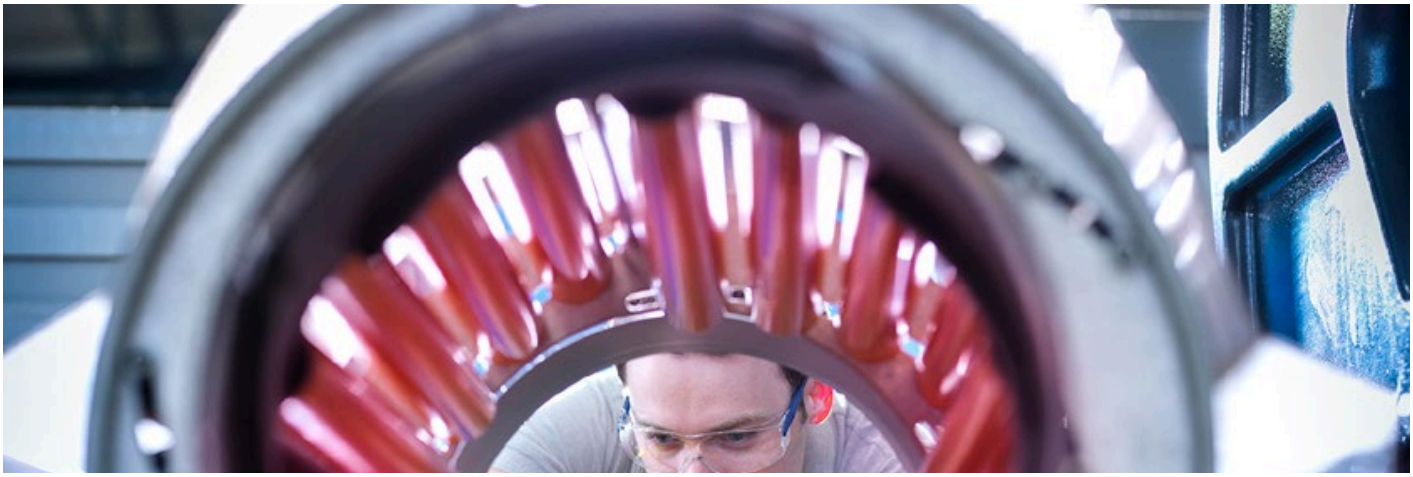


Figure 7. Process and application innovation can improve product mix and customer retention. SABIC Integrated Annual Report 2025 (pp. 59)

Earnings recover before dividend coverage fully normalizes

The base case produces a staged recovery rather than a straight-line rebound. Revenue remains below the FY2025 level in FY2026, while adjusted EBITDA holds near SAR 17.40bn because margin improves slightly. Adjusted EPS rises to SAR 1.23 as the continuing-operation bridge normalizes, but the modeled SAR 3.00 dividend remains substantially above earnings per share. This is a liquidity-supported distribution, not an earnings-covered payout.

FY2027 is the first year in which the operating thesis becomes visible across all three statements. Revenue reaches SAR 120.26bn, adjusted EBITDA SAR 20.26bn and adjusted EPS SAR 1.87. FCFF rises to SAR 7.78bn before financing and distributions, while the selected cash-flow statement shows levered free cash flow of SAR 5.78bn after cash interest. The difference between these measures is preserved because enterprise valuation uses FCFF, whereas dividend capacity depends on cash available to equity and balance-sheet liquidity.

By FY2030, Revenue reaches SAR 138.54bn, adjusted EBITDA margin 18.2%, adjusted EPS SAR 2.94 and FCFF SAR 12.58bn. The path requires margin recovery, project execution and controlled reinvestment. It does not require a return to an exceptional commodity peak, but it does assume that current weakness is not permanent.

The balance sheet absorbs the dividend shortfall in the early years. Under the selected statement path, cash and short-term investments decline as distributions exceed levered free cash flow and no new debt is assumed. This is not a forecast of distress; starting liquidity is material. It is nevertheless a reason not to value the dividend independently of capex and working-capital requirements.

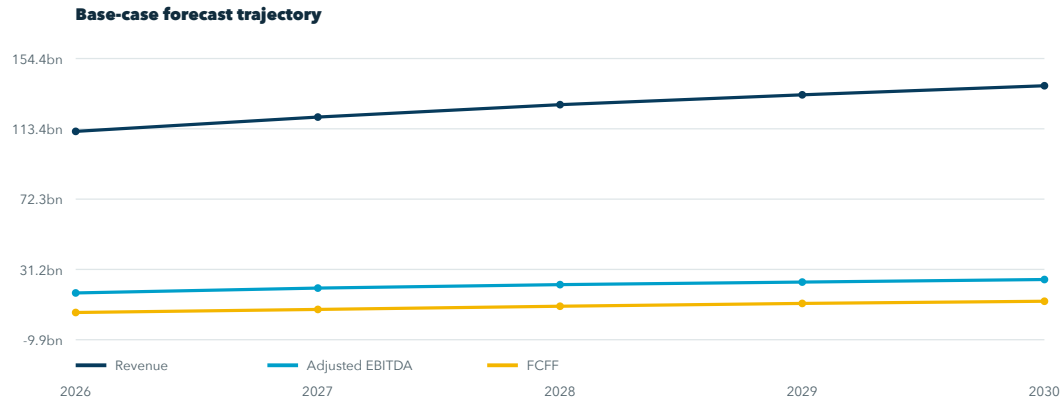
Forecast precision should be interpreted correctly. The displayed values are point estimates generated by a transparent set of assumptions, not statistical certainties. The scenario and risk sections show the range created by alternative operating paths, while the quarterly monitoring framework identifies which assumption should change when new evidence arrives.

FCFF and levered free cash flow serve different purposes and are not interchangeable. Forecasts are analyst estimates. FY2025 annual report

Base-case income and cash-flow forecast

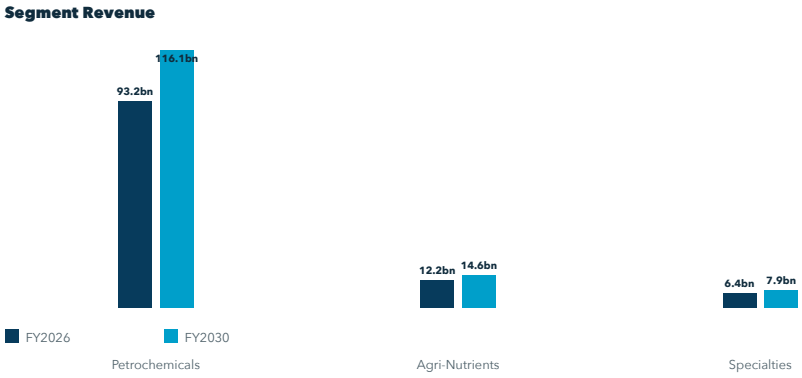
Year	Revenue	Adj. EBITDA	Margin	EBIT	Adj. net income	Adj. EPS	FCFF	DPS
2026	SAR 111.87bn	SAR 17.40bn	15.6%	SAR 7.10bn	SAR 3.68bn	SAR 1.23	SAR 5.97bn	SAR 3.00
2027	SAR 120.26bn	SAR 20.26bn	16.8%	SAR 9.44bn	SAR 5.61bn	SAR 1.87	SAR 7.78bn	SAR 3.00
2028	SAR 127.47bn	SAR 22.24bn	17.4%	SAR 11.03bn	SAR 6.86bn	SAR 2.29	SAR 9.64bn	SAR 3.20
2029	SAR 133.21bn	SAR 23.78bn	17.8%	SAR 12.32bn	SAR 7.88bn	SAR 2.63	SAR 11.31bn	SAR 3.40
2030	SAR 138.54bn	SAR 25.28bn	18.2%	SAR 13.51bn	SAR 8.81bn	SAR 2.94	SAR 12.58bn	SAR 3.60

Revenue, EBITDA and free-cash-flow trajectory



Segment forecast and reconciliation

Segment	FY2026 Revenue	FY2026 margin	FY2030 Revenue	FY2030 margin
Petrochemicals	SAR 93.24bn	10.5%	SAR 116.08bn	13.2%
Agri-Nutrients	SAR 12.20bn	50.4%	SAR 14.56bn	53.1%
Specialties	SAR 6.43bn	26.1%	SAR 7.89bn	28.8%



Segment values reconcile exactly to consolidated Revenue and EBITDA. They are allocated from disclosed mix and bounded growth spreads, not product-level realizations.

Integrated cash flow and balance sheet

Year	CFO	Capex	FCF	Liquidity	Debt	Net debt	Parent equity	Balance check
2026	SAR 13.47bn	SAR 9.50bn	SAR 3.97bn	SAR 34.14bn	SAR 37.06bn	SAR 2.92bn	SAR 123.40bn	SAR 0.00bn
2027	SAR 15.78bn	SAR 10.00bn	SAR 5.78bn	SAR 29.41bn	SAR 37.06bn	SAR 7.64bn	SAR 120.01bn	SAR 0.00bn
2028	SAR 17.44bn	SAR 9.80bn	SAR 7.64bn	SAR 25.95bn	SAR 37.06bn	SAR 11.10bn	SAR 117.28bn	SAR 0.00bn
2029	SAR 18.81bn	SAR 9.50bn	SAR 9.31bn	SAR 23.57bn	SAR 37.06bn	SAR 13.49bn	SAR 114.95bn	SAR 0.00bn
2030	SAR 20.08bn	SAR 9.50bn	SAR 10.58bn	SAR 21.85bn	SAR 37.06bn	SAR 15.21bn	SAR 112.96bn	SAR 0.00bn

The selected balance sheet discloses other assets as a balancing bucket; it does not claim unavailable line-item precision.

11

Valuation and Recommendation

FCFF DCF is the primary method; market-implied growth, dividends and reviewed peers are cross-checks.

Valuation: central value is close to market, but model risk is wide

FCFF DCF is the primary method because SABIC is capital intensive and the forecast explicitly models reinvestment. The base case discounts FY2026-FY2030 FCFF at an 8.5% WACC using mid-year convention and capitalizes FY2030 cash flow at 2.5% terminal growth. Consolidated enterprise value is adjusted for SAR 2.77bn net debt and SAR 25.13bn of non-controlling interests. The resulting equity value is SAR 52.90 per share.

The conclusion is deliberately less confident than the central number appears. Terminal value contributes 79.8% of enterprise value, meaning most of the DCF depends on cash flows outside the explicit forecast. A 100 bp increase in WACC reduces value to approximately SAR 43.78, while a 50 bp reduction in terminal growth lowers it to roughly SAR 48.86. These are model sensitivities, not probabilities, but they show that small long-term changes matter more than the 1.3% base-case price upside.

The dividend discount model produces SAR 47.94 and is used only as a cross-check. A dividend method can understate operating value during an investment phase or overstate equity support when distributions are funded from liquidity rather than recurring free cash flow. The reverse DCF indicates that the reference price embeds about 2.4% perpetual FCFF growth at the base WACC, close to our 2.5% assumption. The market and our central case are therefore expressing broadly similar long-run expectations.

Peer multiples are contextual rather than determinative. The reviewed companies differ by geography, feedstock, product mix, ownership and cycle position. Several peers are near trough earnings, making EV/EBITDA mechanically high and P/E not meaningful. Applying a median multiple without normalizing those differences would create false precision.

The bear value of SAR 15.67 and bull value of SAR 99.86 are intentionally wide because operating assumptions, WACC and terminal growth move together. We do not average them into a target price. The base value remains the reference, while the risk sensitivities show which individual assumptions create the largest downside.

Valuation outputs are deterministic results of disclosed assumptions. They are not confidence intervals or guarantees of investment performance. Q1 2026 earnings release, FMP key metrics methodology

FCFF DCF scenarios

Scenario	WACC	Terminal growth	PV explicit FCFF	PV terminal value	Terminal share	Value/share	Total return	Indication
Base	8.5%	2.5%	SAR 37.70bn	SAR 148.90bn	79.8%	SAR 52.90	7.1%	Hold
Bear	9.2%	2.0%	SAR 17.41bn	SAR 57.51bn	76.8%	SAR 15.67	-65.2%	Sell
Bull	7.8%	3.0%	SAR 52.12bn	SAR 275.35bn	84.1%	SAR 99.86	97.0%	Buy

Mid-year discounting. Consolidated enterprise value is adjusted for net debt and non-controlling interests.

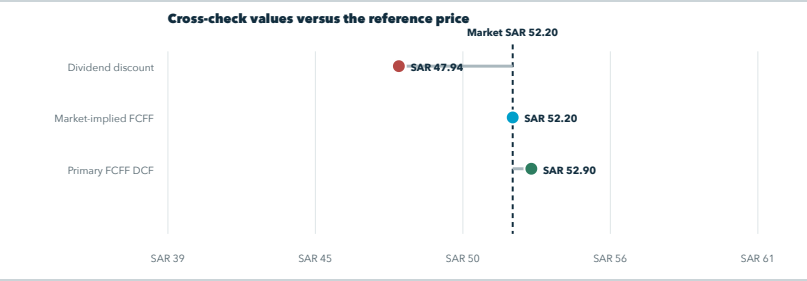
Cost of capital

Input	Value	Role
Risk-free rate	4.5%	Saudi-riyal long-duration reference assumption
Equity risk premium	5.5%	Mature-market equity risk
Levered beta	0.80	Cyclical equity sensitivity
Country adjustment	0.6%	Applicable country-risk allowance
Cost of equity	9.5%	Rf + beta x ERP + country adjustment

Valuation cross-checks

Method	Value/share	Difference to market	Key diagnostic	Use
two stage dividend discount cross check	SAR 47.94	-8.2%	cost of equity: 9.5%	cross check not primary
reverse fcff dcf market implied terminal growth	SAR 52.20	0.0%	market implied terminal growth: 2.4%	diagnostic
primary fcff dcf reference	SAR 52.90	1.3%	wacc: 8.5%	primary

Input	Value	Role
Pre-tax cost of debt	5.3%	Marginal borrowing assumption
After-tax cost of debt	4.2%	Debt cost x (1-tax)
Base WACC	8.5%	Rounded model discount rate



Market price implies 2.42% perpetual FCFF growth at the base WACC. DDM is a cross-check, not the target-price method.

DCF sensitivity to WACC and terminal growth

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
7.5%	SAR 54.82	SAR 59.76	SAR 65.68	SAR 72.91	SAR 81.96
8.0%	SAR 49.74	SAR 53.85	SAR 58.70	SAR 64.53	SAR 71.65
8.5%	SAR 45.39	SAR 48.86	SAR 52.90	SAR 57.67	SAR 63.40
9.0%	SAR 41.62	SAR 44.58	SAR 47.99	SAR 51.96	SAR 56.66
9.5%	SAR 38.33	SAR 40.87	SAR 43.78	SAR 47.13	SAR 51.05

SAR per share. The broad range is a model-risk signal, not a confidence interval.

Reviewed peer valuation context

Company	Role	EV/Sales	EV/EBITDA	P/E	EBITDA margin	Limitation
Dow Inc. (DOW)	commodity chemicals cross check	1.0x	44.9x	n/m	2.1%	Different geography, feedstock position, portfolio and accounting perimeter.
LyondellBasell Industries N.V. (LYB)	polyolefins and intermediates cross check	1.1x	23.9x	n/m	4.4%	Different regional asset base, refinery exposure and shareholder structure.
BASF SE (BAS.DE)	diversified chemicals cross check	1.0x	8.3x	24.5x	12.0%	Broader portfolio and European cost exposure reduce direct comparability.
Covestro AG (1COV.DE)	performance materials cross check	1.2x	20.4x	n/m	5.7%	Narrower product mix and different ownership and transaction context.
Nutrien Ltd. (NTR)	agri nutrients cross check	1.6x	7.2x	13.6x	22.7%	Potash, retail and North American exposure make it unsuitable as a consolidated SABIC peer.
Yara International ASA (YAR.OL)	nitrogen fertilizer cross check	0.9x	4.6x	8.3x	19.8%	Different gas sourcing, regional footprint and consolidated product mix.

Several chemical peers are near cyclical trough earnings, making EV/EBITDA unstable. No peer median is mechanically converted into a SABIC target price. FMP key metrics documentation

12

Scenarios, Sensitivities, Catalysts and Risks

The report states what can break the thesis, how it would transmit and where it appears in the model.

How to interpret probability, impact and mitigation

Probability labels are analyst judgments based on current industry and company evidence; they are not frequencies estimated from a large historical sample. Impact labels are tied to deterministic shocks applied to the base DCF: below 5% is Low, 5% to 15% is Moderate and above 15% is High. Each sensitivity changes one defined mechanism while holding other assumptions constant, so it measures exposure rather than a complete alternative scenario.

Mitigation is assessed separately from probability. A company action can reduce the financial consequence of a risk without making the event less likely. The evidence-to-monitor field identifies the disclosure that would confirm, weaken or invalidate our current treatment.

Risk sensitivities are deterministic outputs of the stated one-factor shocks applied to the base-case valuation.

Operating and valuation scenarios

Scenario	FY2026 Revenue	FY2026 margin	FY2026 EPS	FY2026 FCFF	DCF/share	Total return
Bear	SAR 105.11bn	14.5%	SAR 0.58	SAR 3.10bn	SAR 15.67	-65.2%
Base	SAR 111.87bn	15.6%	SAR 1.23	SAR 5.97bn	SAR 52.90	7.1%
Bull	SAR 117.70bn	16.4%	SAR 1.72	SAR 7.82bn	SAR 99.86	97.0%

Catalysts and confirming evidence

Catalyst	Expected window	Positive evidence	Model consequence
Fujian commissioning and ramp	H2 2026 onward	Official start-up and utilization progress	Higher volume/project-ramp contribution
Chemical pricing stabilization	Quarterly	Improving price/mix and proxy direction	Revenue and margin upside
Portfolio transaction completion	Transaction-dependent	Closing, proceeds and retained-liability disclosure	Net debt and reported-EPS bridge
Recurring transformation savings	Quarterly/FY	Savings repeat in segment margin and cash conversion	Higher normalized EBITDA
Dividend decision	Board/AGM cycle	Payout covered by FCF and liquidity	Equity return support

Q1 2026 release, FY2025 annual report

Principal forecast risks

Risk	Transmission	Affected output	Current mitigation
Global overcapacity and weak demand	Lower operating rates and spreads	Revenue, EBITDA, DCF	Bear price/mix and margin path
Project delay or slow ramp	Capex precedes saleable production	FCF, volume and valuation	Stage-gated project treatment
Feedstock or utility repricing	Higher variable cost	Segment margin	Margin sensitivity; no false contract precision
Portfolio accounting	Disposal, impairment and retained liability	Reported EPS and equity bridge	Reported EPS left unmodelled
FX, freight and regional trade	Realization and delivered cost	Revenue/mix and working capital	Scenario range
Terminal-value dependence	Long-duration assumptions dominate DCF	Target value	WACC/g matrix and DDM cross-check

Quantified principal risks and mitigation

MR1: Prolonged petrochemical price and demand weakness

High probability · Moderate impact

Mechanism. Lower product realization and operating rates reduce segment Revenue, EBITDA and FCFF.

Valuation impact. Revenue is 5% below the base case in every explicit forecast year, with base margins retained. The DCF declines from SAR 52.90 to SAR 47.73, a 9.8% downside.

Mitigation. Saudi feedstock positioning and portfolio breadth provide partial protection, but neither removes exposure to global spreads.

Evidence to monitor. Quarterly price/mix disclosure, segment EBITDA margins, operating-rate commentary and chemical price proxies.

OR1: Feedstock, utility or conversion-cost squeeze

Moderate probability · High impact

Mechanism. Higher variable cost or weaker spreads reduce EBITDA and post-tax operating cash flow without an offsetting Revenue change.

Valuation impact. Adjusted EBITDA margin is 150 bps below the base case in every explicit year. The DCF declines from SAR 52.90 to SAR 44.28, a 16.3% downside.

Mitigation. Transformation savings, advantaged domestic feedstock and differentiated products can absorb part of the pressure; overseas assets remain less protected.

Evidence to monitor. Segment EBITDA margins, transformation savings, gas and energy proxies, freight and turnaround commentary.

OR2: Fujian commissioning or commercial ramp delay

Moderate probability · Moderate impact

Mechanism. Capital is deployed before saleable output, lowering Revenue and FCFF while the fixed investment remains committed.

Valuation impact. The explicit Fujian project-ramp contribution is removed from FY2026 and FY2027; later base growth resumes from the lower Revenue base. The DCF declines from SAR 52.90 to SAR 49.16, a 7.1% downside.

Mitigation. Our project-ramp framework assigns no production during construction; only disclosed commissioning and ramp milestones unlock Revenue.

Evidence to monitor. Mechanical completion, start-up date, utilization, product qualification and customer-offtake disclosures.

FR1: Project capex inflation

Moderate probability · High impact

Mechanism. Higher reinvestment reduces FCFF and liquidity even if operating earnings are unchanged.

Valuation impact. Capital expenditure is 20% above the base case in every explicit forecast year. The DCF declines from SAR 52.90 to SAR 42.76, a 19.2% downside.

Mitigation. Portfolio sequencing and joint-venture structures can limit consolidated cash exposure, but public project disclosures do not provide complete contractual protection.

Evidence to monitor. Quarterly capex guidance, project completion percentages, committed expenditure and construction-cost updates.

FR2: Working-capital absorption

High probability · Moderate impact

Mechanism. Receivables, inventory or supplier-term pressure converts reported earnings into less cash.

Valuation impact. Annual change in working capital is SAR 1.0bn worse than the base case in every explicit forecast year. The DCF declines from SAR 52.90 to SAR 47.58, a 10.0% downside.

Mitigation. Diversified geographies and customer markets reduce single-counterparty dependence, but private payment terms are not publicly observable.

Evidence to monitor. Receivable days, inventory days, payable days and the quarterly EBITDA-to-CFO conversion bridge.

VR1: Higher discount rate

Moderate probability · High impact

Mechanism. A higher required return reduces the present value of both explicit FCFF and the terminal value.

Valuation impact. WACC increases by 100 bps to 9.5%, with base FCFF and 2.5% terminal growth unchanged. The DCF declines from SAR 52.90 to SAR 43.78, a 17.2% downside.

Mitigation. Low financial leverage helps the cost of capital, but it cannot eliminate duration risk in a DCF where terminal value dominates.

Evidence to monitor. Saudi long-duration rates, equity risk premium, beta, debt spreads and the terminal-value share of enterprise value.

VR2: Lower sustainable terminal growth

Moderate probability · Moderate impact

Mechanism. Lower normalized growth reduces the continuing value assigned beyond FY2030.

Valuation impact. Terminal growth falls 50 bps to 2.0%, with base FCFF and 8.5% WACC unchanged. The DCF declines from SAR 52.90 to SAR 48.86, a 7.6% downside.

Mitigation. We show the full WACC and terminal-growth sensitivity matrix and use DDM and market-implied growth as independent cross-checks.

Evidence to monitor. Long-run nominal GDP and inflation assumptions, reinvestment returns and post-FY2030 capacity economics.

TR1: Divestiture leakage or retained liabilities

Moderate probability · Low impact

Mechanism. Lower net proceeds or retained obligations reduce equity value without changing continuing FCFF.

Valuation impact. SAR 5.0bn of additional retained liabilities is deducted from equity value. The DCF declines from SAR 52.90 to SAR 51.23, a 3.2% downside.

Mitigation. The base forecast excludes transaction proceeds until closing terms are known and keeps reported EPS separate from adjusted EPS.

Evidence to monitor. Closing announcements, cash proceeds, taxes, stranded costs, indemnities and discontinued-operation reconciliation.

Probability is analyst judgment. Impact is the deterministic change to the base FCFF DCF from the stated one-factor shock. FY2025 annual report, Q1 2026 report, Q1 2026 earnings release

Material events and forecast treatment

Event	Date	Financial effect	Forecast treatment	Evidence
Teesside cracker closure included in discontinued operations	31 Dec 2025	discontinued operations and asset impairment	Excluded from the recurring earnings base; retained in reported EPS reconciliation.	Official source
European Petrochemicals and regional Engineering Thermoplastics divestments	8 Jan 2026	discontinued operations and capital allocation	Forecast the continuing-operations perimeter only; transaction proceeds remain scenario-dependent until closing.	Official source

Project evidence changes the model only at an operating milestone

Construction progress is not Revenue. The Fujian contribution changes when official evidence establishes commissioning, saleable output, utilization or customer qualification. A disclosed delay reduces project-ramp Revenue and FCFF; a generic progress update remains supporting evidence and does not create an automatic forecast revision.

Portfolio announcements remain outside recurring earnings until terms are executable

Divestiture evidence enters the continuing-operation perimeter, proceeds and net-debt bridge, and retained-liability reconciliation only when official terms support the treatment. An announced transaction without closing economics is retained as a scenario item rather than converted into base-case equity value.

Cycle headlines require financial corroboration

Commodity and industry news alters price/mix or margin assumptions only when it is corroborated by company disclosure or a relevant product-market proxy. Article count and sentiment alone are not forecast drivers. The quarterly bridge remains the controlling evidence for realized pricing and operating leverage.

Dividend evidence is tested against cash, not accounting profit alone

A board recommendation is compared with modeled free cash flow, liquidity and committed investment. A distribution funded from existing liquidity can support near-term total return, but it does not demonstrate recurring coverage and should not be capitalized as a permanent earnings stream.

Forecast treatment is analyst judgment applied only to accepted official events; it is not inferred from headline volume. FY2025 annual report, Q1 2026 release

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Capital Allocation, ESG and Governance

Cash generation is tested against committed investment, dividends, balance-sheet resilience and governance.

Figure 8. Governance and capital allocation remain important given SABIC's project scale and ownership structure. SABIC Integrated Annual Report 2025 (pp. 88)

The dividend is supported by liquidity before it is covered by free cash flow

Capital allocation is the point where the recovery thesis becomes an equity thesis. In FY2025 the company disclosed SAR 3.00 per share of dividends and a payout above 100%. Our FY2026 base case retains SAR 3.00, equivalent to SAR 9.0bn for the parent shares, while the integrated statement model produces about SAR 3.97bn of levered free cash flow before parent and non-controlling distributions. The shortfall is funded from liquidity in the model.

This treatment is not a prediction that the dividend must be cut. SABIC begins with substantial cash and low net debt, so a temporary gap can be absorbed. The risk is duration: repeated distributions above recurring cash generation would compete with project capex, reduce financial flexibility or eventually require more debt. Dividend safety therefore depends on the speed of margin recovery and the cash demands of the investment program, not only on accounting earnings.

Our capital hierarchy is maintenance and committed project spending first, balance-sheet resilience second, ordinary dividends third and discretionary growth or transaction deployment thereafter. This is an analytical ordering, not a statement of management policy. The model assumes no debt issuance in the selected path and makes declining liquidity visible rather than using an undisclosed financing plug.

Governance must also be read through the ownership structure. Saudi Aramco's 70% stake aligns SABIC with national industrial strategy and gives the parent decisive voting influence. Minority investors still require transparent related-party economics, disciplined project returns and clear treatment of non-controlling interests. We do not assign a governance premium or discount without transaction-specific evidence.

Sustainability initiatives can affect capex, operating cost, market access and long-run asset competitiveness. They are financially relevant when they change measurable energy intensity, carbon cost, product mix, customer qualification or regulatory exposure. The report does not convert broad sustainability statements into valuation uplift without a cash-flow bridge.

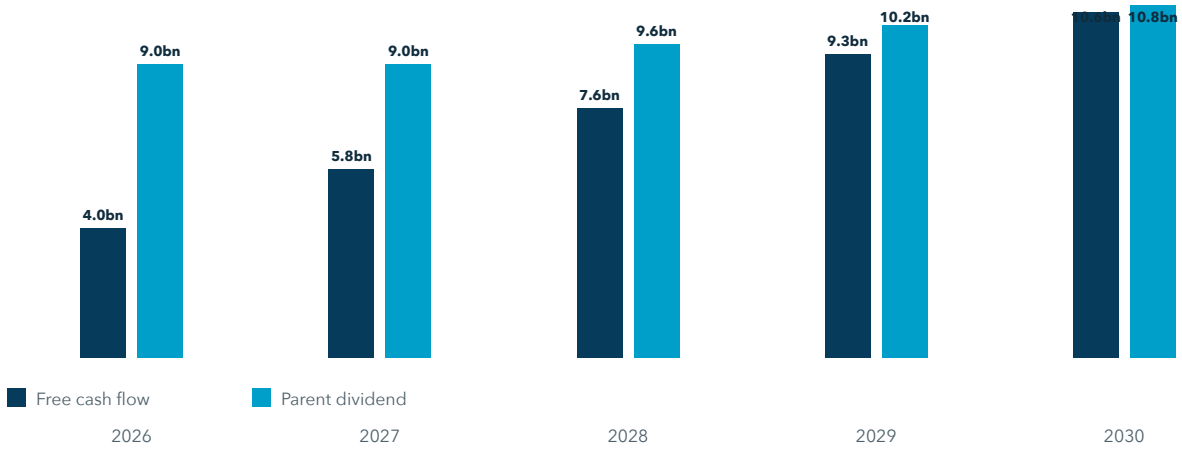
Dividend coverage uses the selected integrated statement model. Governance and capital priorities are analyst interpretations. SABIC dividends, SABIC governance, SABIC sustainability

Capital allocation and dividend capacity

Year	FCF	Parent dividend	Dividend coverage	Closing liquidity	Net debt
2026	SAR 3.97bn	SAR 9.00bn	0.44x	SAR 34.14bn	SAR 2.92bn
2027	SAR 5.78bn	SAR 9.00bn	0.64x	SAR 29.41bn	SAR 7.64bn
2028	SAR 7.64bn	SAR 9.60bn	0.80x	SAR 25.95bn	SAR 11.10bn

Year	FCF	Parent dividend	Dividend coverage	Closing liquidity	Net debt
2029	SAR 9.31bn	SAR 10.20bn	0.91x	SAR 23.57bn	SAR 13.49bn
2030	SAR 10.58bn	SAR 10.80bn	0.98x	SAR 21.85bn	SAR 15.21bn

Free cash flow and modeled dividend



The FY2026 base-case dividend exceeds modeled FCF and is funded from liquidity; this is visible rather than hidden in the balance sheet. SABIC dividends

Capital-allocation hierarchy

Priority	Model treatment	Evidence required
Safety and sustaining investment	Embedded in capex	Official capex and project disclosures
Committed growth projects	Scenario-specific capex and ramp	Milestones and updated guidance
Dividend	Explicit DPS and cash-coverage test	Board recommendation and liquidity
Portfolio transactions	Not assumed as recurring FCFF	Closing proceeds and retained obligations
Balance-sheet resilience	Minimum liquidity and net-debt roll-forward	Official cash and debt

Governance and sustainability evidence

The report uses company policies, the integrated annual report and official regulatory evidence to identify governance, climate, safety and stakeholder risks. It does not convert narrative disclosures into an unsupported proprietary ESG score. Material capex, liabilities, incidents or policy changes should enter the financial model through their affected cash-flow compartment.

FY2025 annual report, SABIC governance, SABIC sustainability

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Methodology, Diagnostics and Disclosures

Forecast diagnostics, research assumptions, evidence hierarchy and material limitations.

Where analyst judgment remains material

The strongest public evidence covers consolidated financial statements, current segment results, disclosed projects, geographic Revenue and selected operating metrics. Product-level realizations, plant utilization, customer contracts, private feedstock terms, transaction liabilities and historical point-in-time consensus are less transparent. Where evidence is unavailable, the report states the limitation rather than replacing it with an unsupported estimate.

Material analyst judgments include the pace of price/mix normalization, project-ramp timing, margin recovery, long-run capex, working capital, WACC and terminal growth. Each is disclosed through assumptions or sensitivities. Probability labels in the risk section are qualitative judgments; valuation impacts are deterministic calculations from the stated scenarios.

Forecast and valuation conclusions should be revised only when the underlying evidence or assumption changes. Any change to the target value, indicative rating or material risk classification should be accompanied by a consistent update to the affected financial statements, valuation bridge and disclosure.

Historical model diagnostics

The lowest observed Revenue WAPE is **10.1%** for the post-Q1 seasonal model across **5** periods. It is not directly comparable with prior-year-origin controls and is not treated as proof of future accuracy.

Metric	Approach	Scope	Obs.	MAE	RMSE	Bias	WAPE	Median APE	Direction
Reported EPS	Prior-year actual	Prior-year	11	SAR 2.61	SAR 3.61	SAR 0.72	57.9%	39.5%	0.0%
Reported EPS	Three-year median	Prior-year	11	SAR 3.40	SAR 4.07	SAR 1.44	75.4%	68.6%	45.5%
Revenue	Lagged-driver ridge	Prior-year	8	SAR 35.09bn	SAR 40.39bn	SAR 5.09bn	23.2%	20.4%	37.5%
Revenue	Prior-year actual	Prior-year	11	SAR 21.23bn	SAR 28.20bn	SAR 4.46bn	13.8%	11.4%	0.0%
Revenue	Q1 seasonal share	Post-Q1	5	SAR 15.33bn	SAR 18.85bn	SAR -0.45bn	10.1%	9.3%	100.0%
Revenue	Three-year mean growth	Prior-year	11	SAR 28.99bn	SAR 35.94bn	SAR 7.20bn	18.9%	14.9%	45.5%

WAPE is total absolute error divided by total actual value; MAE is mean absolute error. Third-party history is not fully restated to a constant reporting perimeter. EPS MAPE is unstable around zero or losses.

Known limitations

- The analysis relies on public company disclosures and third-party market data; it does not include management access, proprietary channel checks or private commercial contracts.
- Official FY2020-FY2024 history and the FY2024-FY2025 continuing perimeter are retained as separate comparability groups and should not be combined without an explicit perimeter bridge.
- Current consensus is a point-in-time cross-check rather than a complete historical archive of analyst-estimate revisions.
- Adjusted EPS is forecast; reported EPS remains unmodelled until divestiture and exceptional-item accounting can be bounded reliably.
- Public petrochemical price series are directional proxies and do not represent SABIC's realized prices or licensed institutional physical assessments.
- Segment forecasts allocate the consolidated forecast using disclosed Q1 mix and bounded analyst spreads; they are not full product-level price-volume models.
- The balance-sheet forecast includes an other-assets balancing line because public disclosures do not provide enough detail to forecast every asset category separately.
- The DCF and Hold view are indicative research outputs derived from the stated assumptions; they are not guarantees or regulated investment recommendations.

Methodology and disclosures

The analysis follows standard equity-research practice: explicit investment thesis, perimeter-aware historical normalization, driver-based estimates, integrated financial statements, valuation triangulation, catalysts, risks and disclosures. Reported facts, derived calculations, forecast assumptions and analyst judgments are distinguished throughout.

Evidence and estimate hierarchy

Audited company filings and official exchange disclosures control reported facts. Company earnings releases and presentations support current operating interpretation. Third-party market data and public price series are used as cross-checks or proxies and are labelled accordingly. Forecast assumptions are analyst estimates, while the target value is a deterministic output of the stated cash-flow and valuation assumptions.

Report parameter	Definition
Information date	21 July 2026
Valuation horizon	Twelve months from 21 July 2026
Indicative rating framework	Buy at total return >= 15%; Sell at <= -10%; Hold between. These thresholds are analytical conventions for this report, not formal house policy.
Status of view	Indicative research view prepared for professional evaluation; not a regulated recommendation.
Forecast EPS definition	Adjusted EPS attributable to the parent; reported EPS remains unmodelled
Scenario interpretation	Bear and bull cases are operating and valuation sensitivities, not statistical confidence intervals
Certification and conflicts	No analyst certification or conflicts assessment has been performed.
Intended use	Professional evaluation of the research methodology and output; not investment advice.

Material limitations

The report does not have management access, proprietary customer or feedstock contracts, licensed physical petrochemical assessments, a complete historical point-in-time consensus archive, or transaction terms that have not been publicly disclosed. These gaps limit precision and are not replaced with generated figures. External investment use requires the recipient's own suitability, conflicts and regulatory assessment.

CFA equity research report essentials, CFA company analysis and forecasting, CFA equity valuation