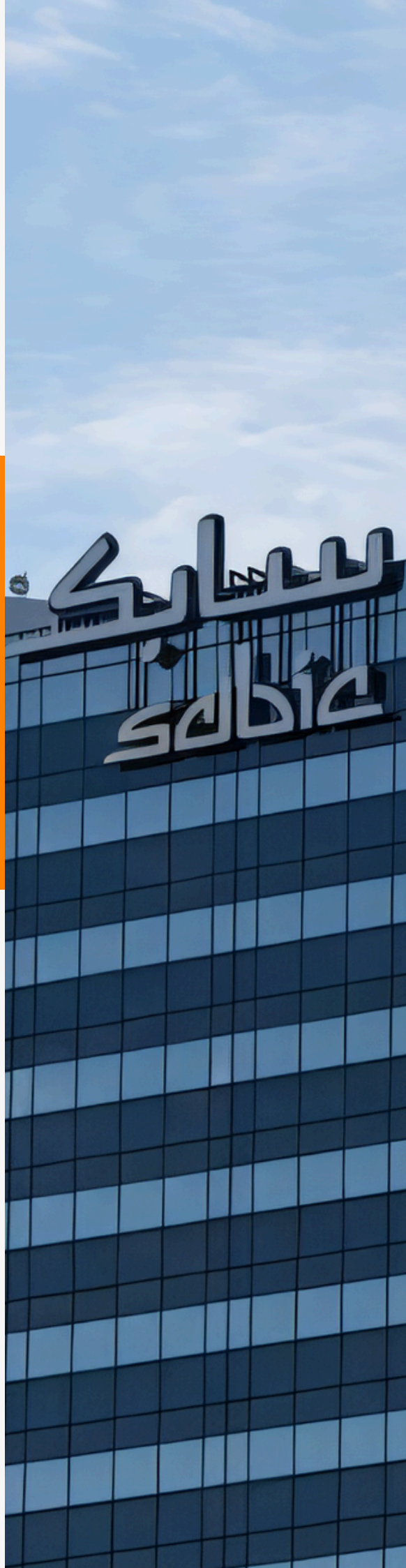
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H1 2026 Report

SABIC



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COMPANY REPORT | MATERIALS: PETROCHEMICALS & FERTILIZERS | TADAWUL: 2010

Saudi Basic Industries Corp. (SABIC)

1H26 results and sector outlook: Hormuz disruption cuts volumes as the portfolio reset stays on track

Prepared by Hamad Alsaeed, Financial & Economic Analyst | All figures in SAR bn unless stated otherwise

Revenue	EBITDA	EBITDA margin	Income from operations
50.96 SAR bn	**7.94** SAR bn	**15.6%**	**2.16** SAR bn
−14.3% y/y	**−4.8%** y/y	**+1.6** pp y/y	**−27.1%** y/y

Net income, continuing ops	Net loss to shareholders	Operating cash flow	Net debt
0.97 SAR bn	**(0.82)** SAR bn	**1.05** SAR bn	**2.73** SAR bn
+19.3% y/y	**(5.28)** in 1H25	**−68.6%** y/y	**(3.61)** net cash, Dec-25

Key takeaways

1. **Volumes, not margins, drove the decline.** Revenue fell 14.3% y/y. Management reports 2Q26 sales volumes down 33% q/q as Gulf-coast shipments were disrupted, while average selling prices rose 41%. We estimate c.90% of the 1H26 fall in gross profit came from lower revenue rather than margin compression.
2. **Reported earnings flatter the underlying trend.** Continuing net income rose 19.3%, but the 1H25 base carried restructuring and impairment charges, while 1H26 benefited from a SAR422mn insurance claim. Stripping these out, we estimate underlying continuing earnings fell c.79% y/y.
3. **Dividends outran free cash flow.** SABIC moved from net cash to net debt in six months, paying SAR5.69bn in dividends against negative free cash flow. Leverage remains low at c.0.2x EBITDA, but the direction has changed.
4. **A temporary supply shock on top of a structural surplus.** The Hormuz crisis lifted prices in 2026, but China-led capacity added since 2020 is not going away, and customers who switched to US and Chinese suppliers during the disruption may not fully return once shipping resumes.
5. **The opportunity is cost; the risk is duration.** In our view, converting the Transformation Program into durable, AI-enabled savings in operations and the supply chain matters more than any price upside. The key risk is a closure that extends into 2027, hitting volumes, logistics costs and liquidity at the same time.

Company snapshot

Ownership
Saudi Aramco 70% (via Aramco Refining, Chemicals & Marketing Co.); free float 30%

Operating segments
Petrochemicals, Agri-Nutrients, Specialties

Divestments
Engineering Thermoplastics, Americas & Europe: sale to Mutares completed on 3 August 2026. European Petrochemicals: sale to AEQUITA expected to close by end-2026

Key growth project
SABIC Fujian complex, China: up to 1.8mt/yr ethylene; start-up expected 4Q26

1H26 dividend
SAR1.10/share (SAR3.3bn) vs SAR1.50 in 1H25

Review
PwC, unmodified review conclusion dated 28 July 2026

Key financials (SAR bn)

Profitability	1H25	1H26	y/y
Revenue	59.49	**50.96**	−14.3%
EBITDA	8.34	**7.94**	−4.8%
EBITDA margin	14.0%	**15.6%**	+1.6pp
Income from operations	2.97	**2.16**	−27.1%
Net income, continuing ops	0.81	**0.97**	+19.3%
o/w attributable to shareholders	0.34	**0.74**	+116.3%

Cash flow & balance sheet	1H25	1H26	y/y
Operating cash flow	3.35	**1.05**	−68.6%
Capex	(3.84)	**(2.72)**	−29.0%
Free cash flow	(0.48)	**(1.67)**	n.m.
Declared DPS (SAR)	1.50	**1.10**	−26.7%
Net debt (cash)*	(3.61)	**2.73**	
Debt to equity*	0.24x	**0.31x**	

* Balance-sheet items as at 31 December 2025 and 30 June 2026. Free cash flow = operating cash flow less capex.

Executive summary: from today's numbers to the sector's future

We read SABIC's results through five sequential lenses: what the financial statements say, how the sector is changing, how customers are behaving, what technology and AI will do to the cost base, and where the main opportunities and risks lie. The premise is simple: a company can look stable in today's numbers while its business model is being reshaped by forces that have not yet reached the income statement.

1 **Company performance today** → 2 **Sector outlook** → 3 **Customer behaviour** → 4 **Technology & AI** → 5 **Opportunities & risks**

Axis	Our conclusion	What we monitor	Page
1 **Company performance today**	1H26 weakness was volume-driven. EBITDA margin held at 15.6% despite lower revenue, but earnings quality deteriorated and the balance sheet moved to net debt as dividends exceeded free cash flow.	Quarterly volumes; Petrochemicals adjusted EBITDA	3–7
2 **Sector outlook**	The supply shock lifted prices temporarily; the China-led surplus returns once shipping resumes. Wood Mackenzie sees the downcycle lasting until 2029, while Saudi feedstock pricing has narrowed the gap with US ethane crackers.	Global ethylene operating rates; daily Hormuz transits	8
3 **Customer behaviour**	Buyers now price geographic risk and qualify alternative suppliers. In Europe, regulation mandates recycled content; mobility customers want lighter, higher-performance materials; farmers facing high fertilizer prices may cut application.	Asia share of revenue; Specialties volumes	9
4 **Technology & AI**	In a commodity business where feedstock costs are converging, AI is a cost and supply-chain planning lever more than a growth engine. BCG estimates 3–5pp of EBITDA margin uplift for commodity producers.	Recurring savings delivered by the Transformation Program	10
5 **Opportunities & risks**	Upside from a cleaner portfolio post-divestment, Specialties growth, Fujian start-up and volume recovery once shipping normalises. Downside from a prolonged closure, a return of oversupply and dividends persistently above FCF.	Dividend cover by free cash flow	11

How to read this report. We separate three types of information. Disclosed figures published in the financial statements or company disclosures. Derived figures we calculate from disclosed data, such as 1Q numbers or adjusted earnings. View forward-looking judgements, flagged by phrases such as "in our view" or "we expect". Where we use numerical assumptions, we label them explicitly as illustrative.

What has changed since mid-2025

Portfolio

European Petrochemicals and Western Engineering Thermoplastics were reclassified as discontinued operations, and the Engineering Thermoplastics sale completed in August 2026. SABIC also announced the permanent closure of its Teesside cracker and sold its Hadeed stake to PIF.

Operating environment

Shipping through the Strait of Hormuz has been disrupted since 28 February 2026, apart from brief easings in April and June, and remained effectively closed at end-September, based on IMF PortWatch transit data.

Management & funding

Dr. Faisal Alfaqeer, previously an Aramco executive, became CEO in April 2026; SABIC shifted to long-dated Aramco-group funding and cut the 1H dividend by 26.7%.

Our view on the direction of impact for SABIC View

Axis	To end-2027	To 2030	Main reason
Sector outlook	Negative	Negative to neutral	Surplus persists until 2029 (Wood Mackenzie), partly offset by closures of high-cost capacity in Europe and China.
Customer behaviour	Negative	Mixed	Supplier diversification weighs on share; demand for mobility materials and recycled content supports Specialties.
Technology & AI	Modestly positive	Positive	Cost reduction is available to all; the edge lies in speed of execution.
Portfolio	Positive	Positive	Exit from loss-making assets, Fujian start-up and Specialties growth.

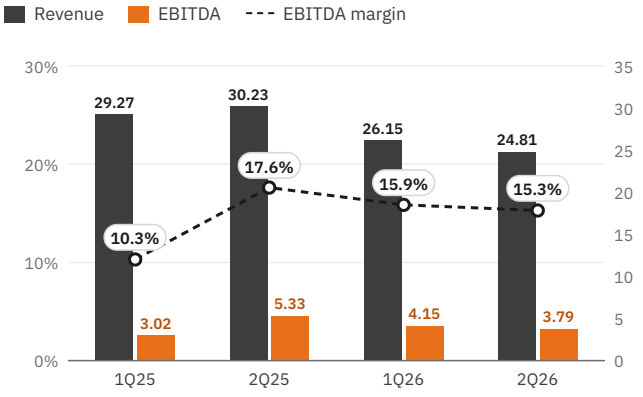
Source: SABIC interim condensed consolidated financial statements for the period ended 30 June 2026; Yamamah Insights analysis

Income statement: volumes weigh on revenue while EBITDA margin holds

SAR bn	2Q25	2Q26	y/y	1H25	1H26	y/y
Revenue	**30.23**	**24.81**	**–17.9%**	**59.49**	**50.96**	**–14.3%**
Gross profit	6.22	**4.35**	–30.1%	11.27	**9.48**	–15.9%
Gross margin	20.6%	**17.5%**	–3.0pp	18.9%	**18.6%**	–0.3pp
Opex (G&A, selling, R&D)	(3.98)	**(4.25)**	+6.7%	(7.99)	**(8.12)**	+1.7%
Integrated JV results	0.24	**0.40**		0.31	**0.46**	
Other operating items, net	0.18	**0.21**		(0.63)	**0.34**	
Income from operations	**2.67**	**0.71**	**–73.2%**	**2.97**	**2.16**	**–27.1%**
EBITDA	5.33	**3.79**	–28.8%	8.34	**7.94**	–4.8%
EBITDA margin	17.6%	**15.3%**	–2.3pp	14.0%	**15.6%**	+1.6pp
Net finance cost	(0.64)	**(0.32)**		(0.58)	**(0.50)**	
Non-integrated JVs & associates (incl. impairment)	(0.72)	**0.01**		(0.61)	**0.20**	
Profit before zakat & tax	1.31	**0.41**	–68.8%	1.77	**1.85**	+4.7%
Zakat & income tax	(0.40)	**(0.52)**		(0.96)	**(0.88)**	
Net income, continuing ops	**0.91**	**(0.12)**	**n.m.**	**0.81**	**0.97**	**+19.3%**
Loss from discontinued ops	(4.55)	**(0.76)**		(5.62)	**(1.56)**	
Net loss	(3.64)	**(0.87)**		(4.80)	**(0.59)**	
Attributable to shareholders	**(4.07)**	**(0.83)**		**(5.28)**	**(0.82)**	
EPS, continuing ops (SAR)	0.16	**(0.03)**		0.11	**0.25**	

Quarterly revenue, EBITDA and EBITDA margin

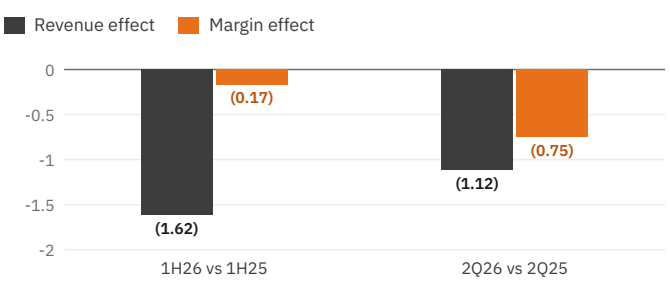
SAR bn (right axis); margin % (left axis)



1Q figures derived as 1H less 2Q. 1Q25 margin includes a SAR1.07bn restructuring charge.

Gross profit bridge: revenue vs. margin effect

SAR bn, y/y



Revenue effect = change in revenue × prior-period margin; margin effect = change in margin × current revenue. Yamamah Insights calculation.

1H26 revenue fell primarily on volume. Shipments from the east coast were disrupted once transit through the Strait of Hormuz stalled at the end of February. Management's 2Q presentation shows volumes down 33% q/q and average selling prices up 41%. SABIC rerouted part of its exports through west-coast ports and more than doubled east-to-west polymer transfers.

Margins held up better than revenue. 1H gross margin was broadly unchanged, and EBITDA margin improved as the 1H25 base carried restructuring costs. By our decomposition, c.90% of the 1H decline in gross profit reflects lower revenue. The margin effect was more visible in 2Q alone, explaining c.40% of the decline as energy and freight costs rose.

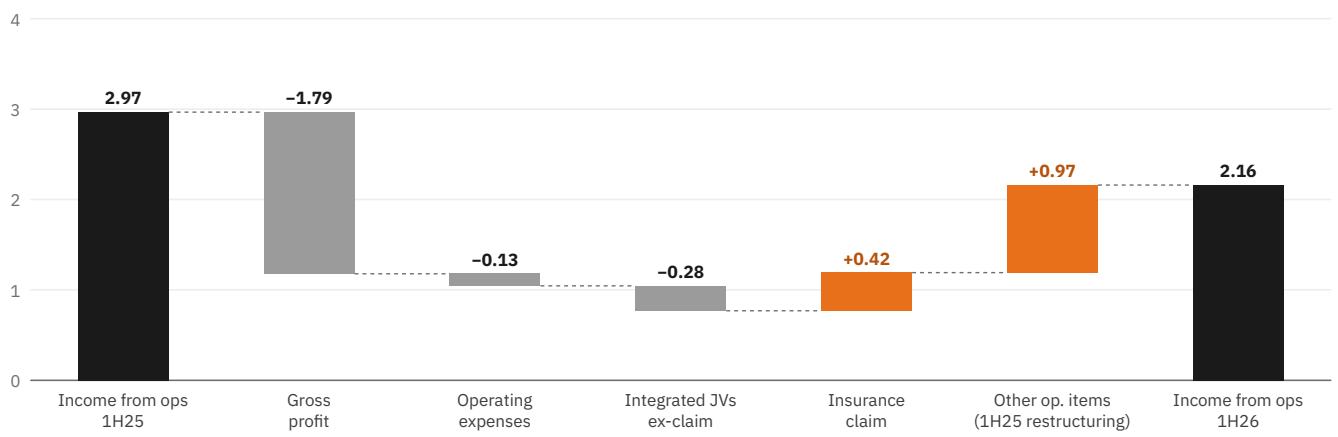
Selling and distribution expenses rose 10.1% despite lower sales, consistent with the cost of alternative routings. G&A fell 3.4% and R&D 7.5%.

Zakat deserves attention: the 2Q26 charge (SAR430mn) exceeded profit before zakat and tax (SAR407mn). Zakat is levied on the zakat base, which is driven by equity and assets rather than profit, so in periods of thin profitability it behaves as a quasi-fixed charge on net income.

Earnings quality: one-offs mask a sharp fall in underlying profitability

Income from operations bridge: 1H25 to 1H26

SAR bn



Integrated JVs shown excluding the SAR422mn insurance claim (note 6.4). Other operating items mainly reflect the non-recurrence of the SAR1.07bn 1Q25 restructuring charge. Totals may not add due to rounding.

Disclosed non-recurring items

Item	Period	Line item	SAR bn	Source
Strategic restructuring costs	1Q25	Other operating expenses	(1.07)	Riyad Capital
Impairment of non-integrated JVs & associates	2Q25	Separate income statement line	(0.72)	Income statement
Insurance claim	1H26	Integrated JV results	0.42	Note 6.4
Fair-value remeasurement of disposal groups	1H26	Discontinued operations	(0.78)	Note 5

From reported to underlying earnings

SAR bn	1H25	1H26	y/y
Net income, continuing ops (disclosed)	0.81	**0.97**	+19.3%
Non-recurring adjustments	+1.79	**(0.42)**	
Underlying earnings (derived, analyst estimate)	**2.61**	**0.55**	**−78.9%**

Discontinued operations

1H26, SAR bn	EU Petrochemicals	ETP (West)
Revenue	7.38	3.86
Loss after tax before remeasurement	(0.07)	(0.71)
Fair-value remeasurement loss	(0.23)	(0.55)
Net loss from the operation	**(0.30)**	**(1.26)**

Continuing net income rose 19.3%, but the comparison does not reveal underlying profitability. The 1H25 base included restructuring costs and investment impairments totalling c.SAR1.79bn, while 1H26 benefited from an insurance claim booked within integrated JV results.

Excluding these items, we estimate underlying continuing earnings fell c.79% y/y. This is consistent with the SAR0.38bn adjusted net loss management reported for 2Q26. Our adjustments are pre-tax and not zakat-effected, so the figures are indicative.

We believe the insurance claim sits in Petrochemicals. Management's 2Q adjusted EBITDA for the segment was US$631mn (c.SAR2.37bn) versus SAR2.77bn in the segment note, implying that the segment's 2Q income from operations of SAR79mn would have been a loss without it.

Discontinued operations illustrate the rationale for the exits. Engineering Thermoplastics in the Americas and Europe lost SAR0.71bn after tax before any remeasurement, c.18% of its revenue. SABIC completed the sale to Mutares on 3 August 2026, so these losses stop accruing after July.

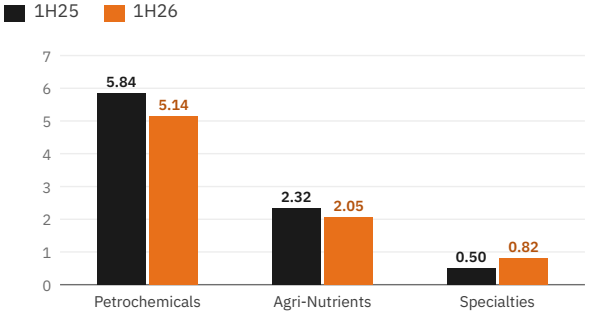
Source: SABIC interim condensed consolidated financial statements for the period ended 30 June 2026; Yamamah Insights analysis; Riyad Capital; SABIC 2Q26 presentation; Mutares

Segments: Specialties and Agri-Nutrients partly offset Petrochemicals

1H, SAR bn	Revenue 1H25	Revenue 1H26	y/y	EBITDA 1H25	EBITDA 1H26	y/y	Margin 1H25	Margin 1H26
Petrochemicals	49.89	**42.23**	−15.4%	5.84	**5.14**	−12.0%	11.7%	**12.2%**
Agri-Nutrients	6.24	**5.11**	−18.2%	2.32	**2.05**	−11.6%	37.2%	**40.2%**
Specialties	3.36	**3.62**	+7.7%	0.50	**0.82**	+65.1%	14.8%	**22.7%**
Corporate & eliminations	–	**–**		(0.32)	**(0.07)**			
Total	**59.49**	**50.96**	**−14.3%**	**8.34**	**7.94**	**−4.8%**	**14.0%**	**15.6%**

EBITDA by segment

SAR bn



Segment-note EBITDA, before corporate and eliminations.

Petrochemicals. The segment generated 83% of external revenue, but its share of group EBITDA fell to 65% from 70%. Margin stayed thin despite higher prices; we believe energy and freight costs absorbed most of the price gain. With D&A up 8.0%, segment income from operations was only SAR0.18bn in 1H26.

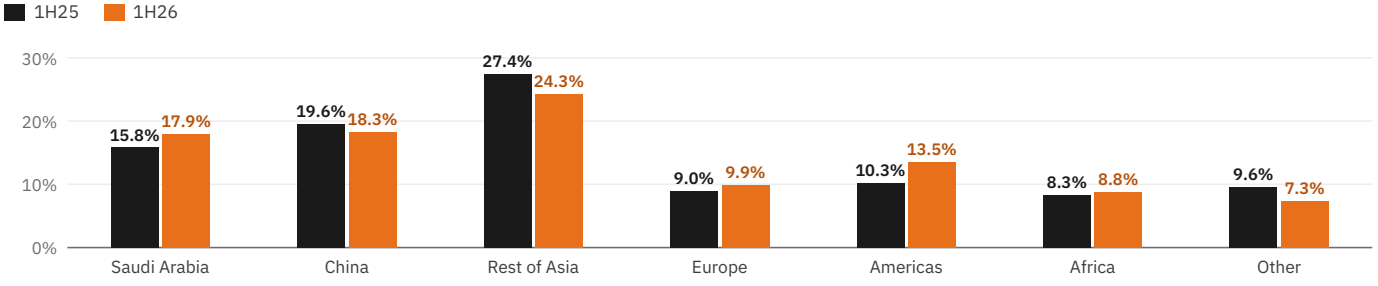
Agri-Nutrients. Still the highest-margin business, but 2Q exposed its dependence on shipping: quarterly EBITDA fell 45.2% y/y as volumes dropped 31% q/q despite a 27% price increase, per management. The Gulf supplies roughly a quarter of globally traded urea (World Bank), so prices rose just as access to customers narrowed.

Specialties. The standout: EBITDA grew 65.1% and margin expanded c.8pp. Volumes rose 14% q/q at the height of the closure, which suggests limited exposure to the Hormuz route.

Geography. Asia's share (China plus Rest of Asia) fell to 42.6% from 47.0%, while Americas revenue grew 12.6%. We read this as a shipping constraint on Asian deliveries rather than a demand shift.

Revenue by customer location

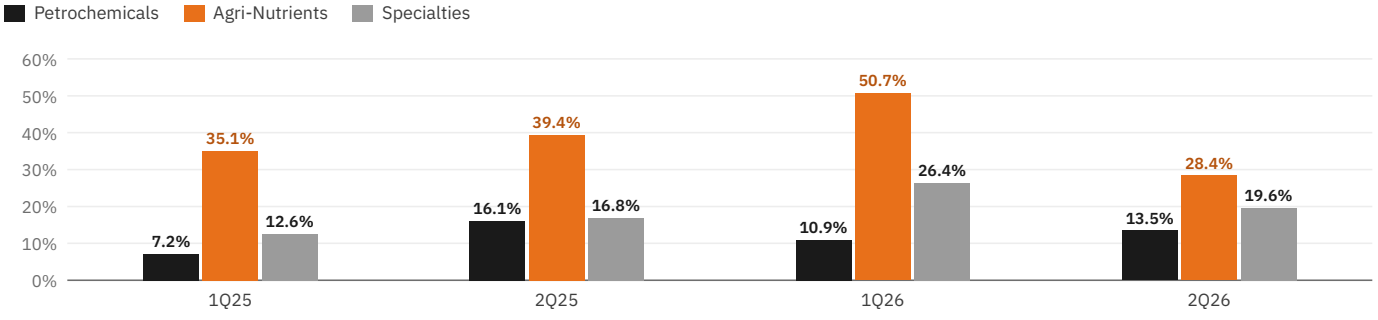
% of total



Geographic revenue is not disclosed by segment.

Quarterly EBITDA margin by segment

% of external revenue



Derived: 1Q = 1H less 2Q. Petrochemicals 1H26 includes a SAR422mn insurance claim (note 6.4); 1Q25 is affected by restructuring costs.

The quarterly path shows 1Q26 was the strongest quarter for Agri-Nutrients and Specialties before the closure fed through in 2Q. The Agri-Nutrients margin fell 22pp between the two quarters, the clearest evidence that higher prices did not offset lost volumes.

Balance sheet: a modest net debt position with longer-dated funding

SAR bn	31 Dec 2025	30 Jun 2026	Change
Property, plant & equipment	93.07	**90.28**	(2.79)
Investments in associates & JVs	33.33	**34.33**	1.01
Inventories	12.85	**14.83**	1.98
Trade receivables	16.68	**16.42**	(0.25)
Cash & short-term investments	40.66	**42.79**	2.13
Assets held for sale	8.96	**10.95**	1.99
Total assets	**244.29**	**245.23**	**0.94**
Debt & leases, current	12.72	**3.23**	(9.49)
Debt & leases, non-current	24.34	**42.29**	17.96
Liabilities held for sale	6.99	**6.84**	(0.15)
Equity attributable to shareholders	128.72	**123.53**	(5.19)
Total equity	**154.82**	**148.71**	**(6.11)**
Derived ratios			
Net debt (net cash)	(3.61)	**2.73**	6.33
Net debt / annualised EBITDA	–	**0.17x**	
Debt / equity	0.24x	**0.31x**	
Current ratio	1.80x	**2.43x**	
Short-term share of debt	34.3%	**7.1%**	

SABIC termed out its funding in 1H26. In May it signed a US$4.6bn (SAR17.25bn) long-term loan with an Aramco subsidiary, repayable in 5-, 10- and 15-year tranches at floating rates, partly used to repay a US$2.85bn revolving facility. It also drew a CNY2.09bn revolver from Bank of China at a fixed 2.11%. The short-term share of debt fell to 7.1% as a result.

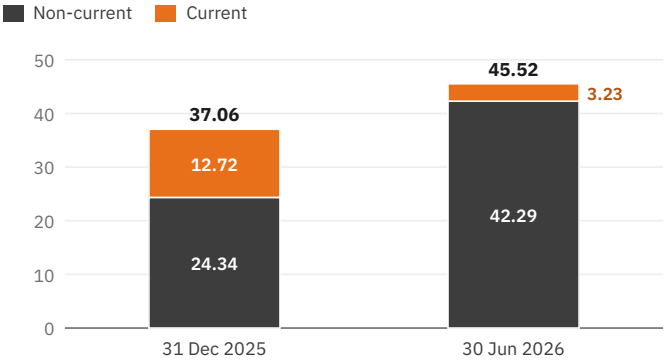
Gross debt rose SAR8.46bn and the balance sheet moved from net cash to net debt. Leverage remains low at c.0.2x annualised EBITDA. Reliance on Aramco-group funding has increased, however: loans from the Aramco subsidiary are 38% of gross debt, and their floating-rate pricing raises the sensitivity of finance costs to interest rates.

Equity fell SAR6.11bn in six months, mostly reflecting SAR5.69bn of dividends to shareholders and minorities. The statement of changes in equity shows the SAR110.9bn general reserve no longer present at the start of 2026, with retained earnings correspondingly higher, indicating a transfer during 2025 to absorb losses.

Inventories rose 15.4%; we estimate inventory days increased to c.65 from c.56 on 1H26 cost of sales. We attribute part of the build to product awaiting shipment or on longer routes. Net assets held for sale rose to SAR4.11bn, reflecting the two pending disposals.

Debt by maturity

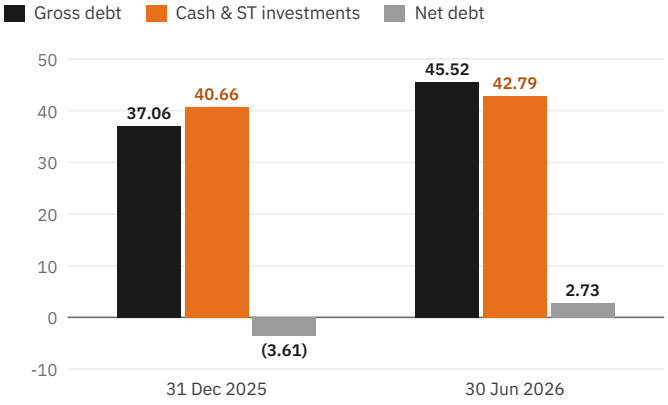
SAR bn



Debt includes lease liabilities. Loans from an Aramco subsidiary were SAR17.31bn at June 2026, or 38% of total debt.

Debt, liquidity and net debt

SAR bn



Debt includes lease liabilities. A negative net debt figure denotes net cash.

Loans from an Aramco subsidiary as a share of total debt

SAR bn and % of total debt

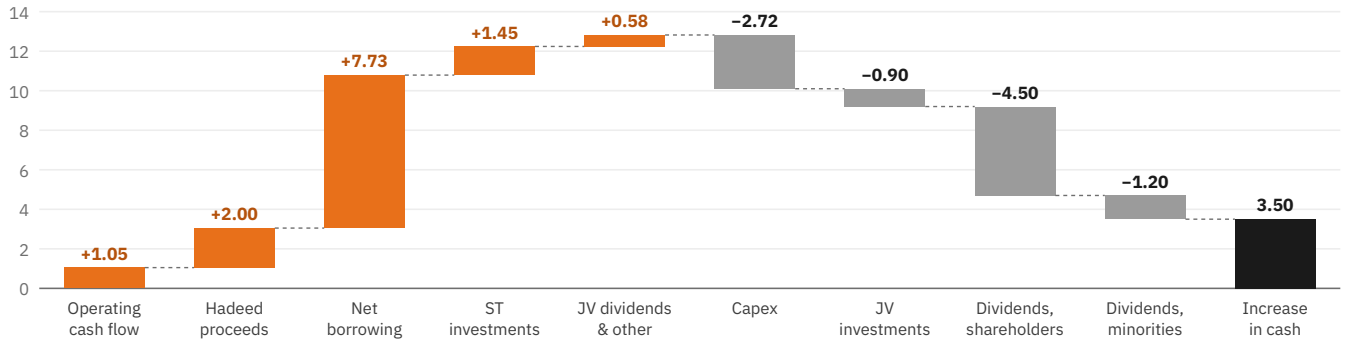


Related-party disclosure in the financial statements; Yamamah Insights analysis. The increase mainly reflects the US$4.6bn loan signed in May 2026.

Cash flow and dividends: distributions exceed free cash flow

Sources and uses of cash, 1H26

SAR bn



Sources in orange, uses in grey. Operating cash flow includes discontinued operations, as reported. Totals may not add due to rounding.

SAR bn	1H25	1H26
Operating cash flow before working capital	7.44	**7.07**
Working-capital movement	(2.64)	**(4.63)**
Net interest received (paid)	0.18	**(0.26)**
Zakat & income tax paid	(1.62)	**(1.13)**
Net cash from operating activities	**3.35**	**1.05**
Capital expenditure	(3.84)	**(2.72)**
Free cash flow (derived)	**(0.48)**	**(1.67)**
Dividends paid (shareholders & minorities)	(6.51)	**(5.69)**
Net borrowing (repayment)	2.95	**7.73**
Proceeds from disposal of discontinued ops	3.17	**2.00**
Selected ratios (derived)	**1H25**	**1H26**
Gross margin	18.9%	**18.6%**
EBITDA margin	14.0%	**15.6%**
Operating margin	5.0%	**4.2%**
ROE, continuing ops, annualised	0.9%	**1.3%**
Operating cash flow / EBITDA	40%	**13%**
Capex / D&A	0.60x	**0.47x**
Declared dividend / continuing NI to shareholders	13.1x	**4.5x**

Operating cash flow fell 68.6%. The driver was not cash profitability before working capital, which declined only 5%, but a SAR4.63bn working-capital outflow as inventories rose and payables and other liabilities fell. In our view, part of this should reverse once shipping normalises.

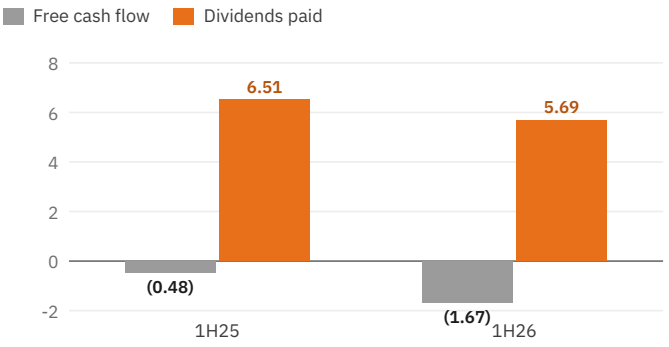
Free cash flow was negative, yet SABIC paid SAR5.69bn in dividends. The gap was funded by SAR7.73bn of net borrowing and SAR2.0bn received from PIF for the Hadeed sale, a non-recurring inflow.

The 1H26 dividend was cut to SAR1.10/share from SAR1.50. We see the cut as consistent with the cash position, but insufficient to restore FCF cover at current volumes: the declared payout equals 4.5x continuing net income to shareholders. Management cites average FCF dividend cover of 150% over 2021–25.

Capex fell 29% and is now below half of D&A. This supports near-term cash but, if sustained, could erode asset competitiveness. Management guides to US$3.5–4.0bn of capital investment in 2026, including capital injections into the growth project; 1H26 spend on fixed assets and JVs was c.US$0.97bn, implying a back-loaded 2H if the range holds.

Dividends paid vs. free cash flow

SAR bn

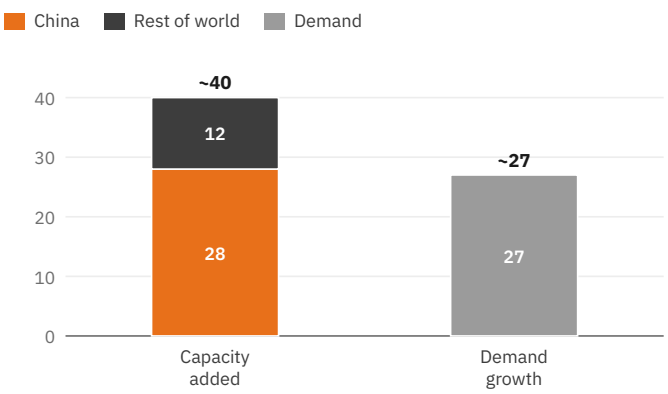


Dividends paid include non-controlling interests. FCF = operating cash flow less capex.

Source: SABIC interim condensed consolidated financial statements for the period ended 30 June 2026; Yamamah Insights analysis; SABIC 2Q26 presentation

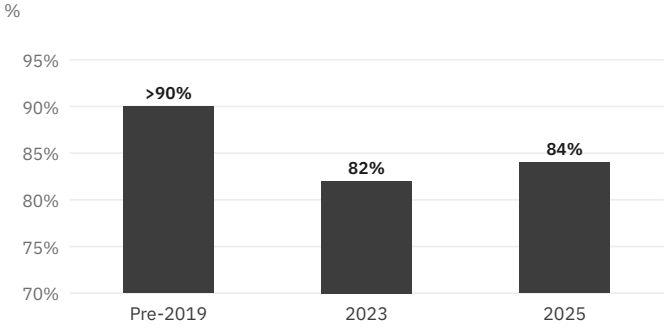
Sector outlook: a temporary supply shock on top of a structural surplus

Global ethylene: capacity added vs. demand growth, 2020–25



Wood Mackenzie. China share (c.70%) applied to the >40mt total.

Global steam cracker operating rates

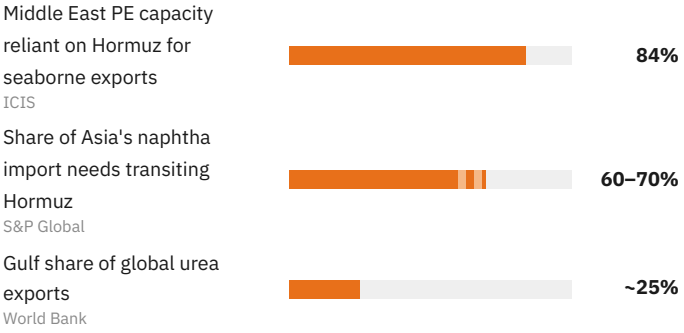


Wood Mackenzie (2024 and 2025 reports).

The sector entered 2026 mid-way through a long downcycle. Wood Mackenzie estimates that more than 40mt of ethylene capacity was added globally in 2020–25, c.70% of it in China, against demand growth of only c.27mt. Operating rates fell to 84% in 2025, and the consultancy expects the downturn to persist until 2029, with up to 5mt of European and 11mt of Chinese capacity at risk of closure over five years.

China's role has changed. Sinopec projected its ethylene capacity at c.66mt in 2025 (via Rim Intelligence), and a former net importer is becoming an exporter. The shift was visible in 2026: Chinese PE exports hit records in March and April, and Chinese material became the most accessible alternative for Southeast Asian buyers (ChemOrbis).

Regional supply-chain exposure to the Strait of Hormuz



The regional war reversed the 2026 outlook. S&P Global describes a projected surplus year turning into one of the industry's most severe supply crises, and the ICIS petrochemical price index posted its steepest monthly rise since its 2000 launch in March.

Prices began to retreat from mid-April on demand destruction and competition from Chinese offers (Platts). We draw two conclusions for SABIC. First, price gains accrue only to producers that can ship. Second, once shipping resumes, the structural surplus returns to the foreground; ICIS estimates Middle East exports could take 12–18 months to recover once the Strait reopens.

The cost advantage remains intact against naphtha-based producers in Asia and Europe, but has narrowed against US ethane crackers since domestic ethane was raised to US$3.00/MMBtu in 2025 (Aljazira Capital); JPMorgan sees no material remaining advantage over the US Gulf Coast. In our view, SABIC's position on the cost curve will depend increasingly on operating efficiency and value-chain integration.

Two sector scenarios to 2027 View

Dimension	Shipping resumes before end-2026	Closure persists through 2027
Polymer prices	Ease gradually as regional exports return and the surplus reasserts itself.	Stay elevated, but only producers able to ship benefit.
SABIC volumes	Recover over 12–18 months, in line with ICIS estimates for regional exports.	Stay depressed; exports rely on the west coast and Fujian output.
Competitors	US and Chinese producers retain part of the share they gained.	Their positions with Asian, European and African buyers become entrenched.
Fertilizers	Prices ease from the peak; the World Bank assumes shipping normalises by late 2026.	Prices stay high and fertilizer application declines.

Sources: Wood Mackenzie; Rim Intelligence; ChemOrbis; S&P Global and Platts; ICIS; World Bank; Aljazira Capital

Customer behaviour: supply security over price, and regulation reshaping demand

Petrochemical customers are shifting in four directions at once. Some shifts were forced by the 2026 crisis; others are structural and will outlast the reopening of shipping lanes. The common thread, in our view, is that customers no longer buy on price alone.

1 Security of supply ahead of price

Evidence

In March and early April the US became the primary supplier to Mexico, Latin America, the EU, Asia and Africa (Platts), while Southeast Asian buyers turned to Chinese material (ChemOrbis). ICIS reports many buyers are qualifying alternative sources.

Implication for SABIC

Market share may not return automatically when Hormuz reopens. West-coast exports and in-market production through Fujian mitigate the risk.

2 Farmers facing high input prices

Evidence

The World Bank expects urea prices to rise c.60% in 2026 and warns that prolonged disruption could reduce fertilizer application and yields. The EU CBAM definitive phase, which covers fertilizers, began in January 2026.

Implication for SABIC

Higher prices do not guarantee higher profits if demand softens or access to Europe becomes costlier.

3 Recycled content by regulation

Evidence

The EU Packaging and Packaging Waste Regulation applies from August 2026 and sets minimum recycled content for plastic packaging from 2030 (timeline below).

Implication for SABIC

Part of European demand for virgin polymers will shrink. As an exporter to Europe after exiting local production, SABIC will need circular offerings such as its TRUCIRCLE portfolio to compete.

4 Lighter, higher-performance mobility materials

Evidence

Specialties volumes rose 14% q/q in 2Q26; mobility is one of its end-markets alongside electronics and medical devices (SABIC presentation). SABIC signed an MoU with CEER, Saudi Arabia's first EV brand.

Implication for SABIC

Demand priced on performance rather than tonnage, where the segment earned a 22.7% EBITDA margin in 1H26.

EU PPWR minimum recycled content for plastic packaging

2026
Aug 2026: regulation applies; PFAS restrictions in food-contact packaging

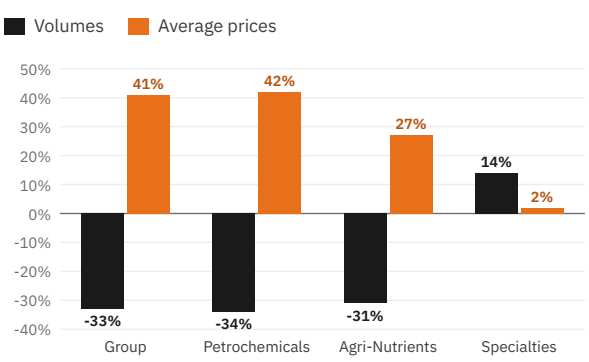
2030
Minimum recycled content: 30% contact-sensitive PET, 10% other contact-sensitive plastics, 30% beverage bottles, 35% other plastic packaging

2040
Thresholds rise to 50%, 25%, 65% and 65% respectively

Sources: Council of the EU via Food Packaging Forum; Latham & Watkins.

The deeper shift, in our view, is that customers now price geographic risk into purchasing decisions. Diversified shipping and production points have become part of the product's value, not just a logistics choice. That makes Fujian and the west-coast route commercial assets as much as operational ones. Conversely, winning back customers who have qualified alternative suppliers will take more than a return to normal pricing.

2Q26: change in volumes and prices vs. 1Q26



SABIC 2Q26 results presentation. Specialties price change includes FX and other factors.

What 2Q26 says about customers

Prices rose in the two segments that depend on Gulf shipping, while volumes fell by about a third. Specialties volumes grew 14%, with prices up 2%.

Our reading is that customers paid more to suppliers who could deliver and switched to other sources when shipments were not possible. The open question is how much demand returns to SABIC once the Strait reopens; 3Q and 4Q volumes will provide the first answer.

Sources: Platts; ChemOrbis; ICIS; World Bank; European Commission; SABIC 2Q26 presentation

Technology and AI: a tool for cost reduction and supply-chain control

We do not expect AI to change what SABIC produces over the medium term. Its nearer-term impact is on how the company operates, plans and sells. In a commodity industry where prices converge, cost and reliability become the main source of advantage.

Operations and maintenance

- Predictive maintenance and asset-health monitoring to cut unplanned downtime.
- Cracker optimisation to lower energy and feedstock use per tonne.
- BCG estimates about half of the uplift for commodity producers comes from operations.
- SABIC runs 490+ AI models in manufacturing to improve energy efficiency and planning, per its 2Q25 results statement.

Supply chain and planning

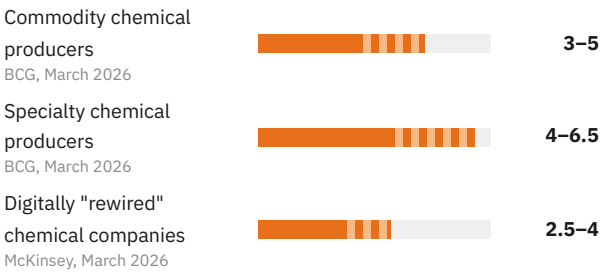
- Network-wide scheduling of production and inventory.
- Faster re-routing of shipments when routes are disrupted.
- 2026 showed the value of this capability: east-to-west polymer shuttling in the Kingdom more than doubled, per the company.
- Inventory is up 15.4% since December; better planning could release part of that working capital.

Commercial and R&D

- Dynamic pricing and demand forecasting by customer and product.
- Faster materials and formulation development in Specialties.
- SABIC launched 32 new products in 1H26.
- BCG sees a larger AI uplift for specialty producers than for commodity producers.

Estimated AI uplift to EBITDA margin

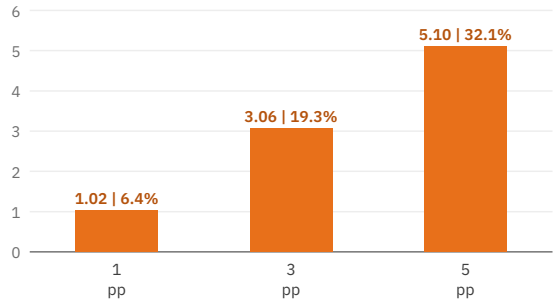
pp; solid segment marks the low end of the range



Industry-wide estimates by the two firms, not SABIC-specific forecasts.

Illustrative: SABIC EBITDA margin uplift

Annual impact, SAR bn | share of annualised EBITDA



Yamamah Insights analysis. Base: 1H26 revenue annualised (SAR101.92bn) and annualised EBITDA (SAR15.88bn); before implementation costs, zakat and tax.

What external estimates say

BCG estimates that AI could lift EBITDA margins by 3–5pp for commodity chemical producers and by 4–6.5pp for specialty producers. McKinsey finds that chemical companies that have digitally rewired their operations improved margins by 250–400bps. We treat these figures as the size of the opportunity, not as a forecast for SABIC.

An illustrative sensitivity for SABIC

Assuming a 1–5pp EBITDA margin uplift on annualised 1H26 revenue, the annual benefit would range from SAR1.02bn to SAR5.10bn, or 6.4% to 32.1% of EBITDA annualised on the same basis.

Limits to the upside

We see three constraints. First, competitors are deploying the same tools, and in a commodity market much of the saving may be passed to customers through prices. Second, part of the benefit overlaps with the existing Transformation Program, which delivered US$547mn of recurring EBITDA improvements in 1H26 against a US$3bn annual target by 2030. Third, the gains depend on harmonised operating data across plants, which is hard to verify from outside the company.

In our view, the advantage will come from speed of execution rather than access to the technology. We will track inventory days, the Petrochemicals EBITDA margin and any disclosure of technology-linked savings.

Metrics we track to measure the impact

Inventory days (est.)

65 days

vs. c.56 days at Dec-25

Petrochemicals EBITDA margin

12.2%

vs. 11.7% in 1H25

Transformation Program

547 US$ mn

of a US$3bn annual target by 2030

Sources: BCG (March 2026); McKinsey (March 2026); SABIC 2Q25 and 2Q26 results statements; Yamamah Insights analysis

Opportunities and risks

We rank opportunities by how measurable they are from the financial statements, and risks by our assessment of likelihood and impact. Matrix positions are analyst judgement, not a quantitative model.

Growth opportunities

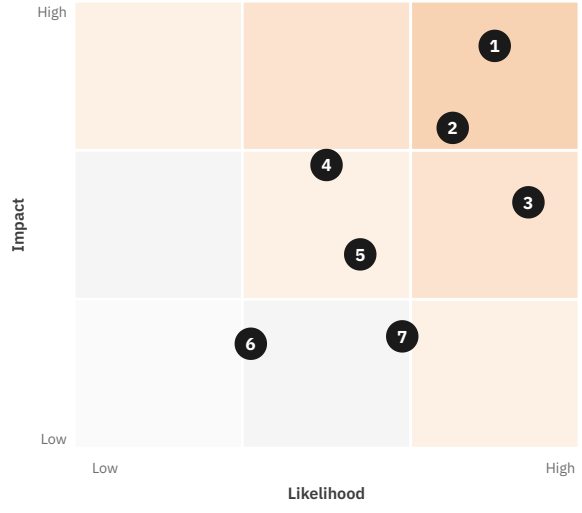
1. **Volume recovery once the Strait reopens.** Revenue fell by SAR8.54bn y/y in 1H26 despite higher prices. Management sees global ethylene operating rates bottoming. Reopening would restore part of this revenue on an existing fixed-cost base.
2. **Completing the western divestments.** Discontinued operations posted SAR0.78bn of after-tax operating losses before fair-value remeasurement. The Engineering Thermoplastics sale completed on 3 August 2026; the European petrochemicals sale is expected to close by end-2026.
3. **Specialties growth.** Segment EBITDA rose 65.1% to SAR0.82bn at a 22.7% margin. Volumes grew 14% in 2Q26 per the company; end-markets include mobility, electronics and medical devices.
4. **Fujian start-up.** Start-up is scheduled for 4Q26 with up to 1.8mtpa of ethylene; SABIC holds 51%. It provides production inside China without reliance on Gulf shipping.
5. **Transformation Program.** Delivered US$547mn of recurring improvements in 1H26 against a US$3bn annual target by 2030. For scale, 1H26 EBITDA was c.US$2.1bn. We do not assume the target is met.
6. **Balance-sheet capacity.** Net debt is 0.17x annualised EBITDA, and short-term debt has fallen to 7.1% of the total after refinancing. That leaves room to invest at the bottom of the cycle.

Key risks

1. **Prolonged closure of the Strait of Hormuz.** Disrupted since 28 February apart from brief easings; IMF PortWatch data, which track ships by AIS signal, recorded a single transit on 27 September vs. c.85 a day normally. Management states the financial impact cannot yet be reliably estimated.
2. **Surplus returns once shipping resumes.** Wood Mackenzie expects the downturn to last until 2029. Prices could fall faster than volumes recover.
3. **US and Chinese competition.** US ethane crackers and Chinese integrated complexes filled the gap left by Gulf producers, and some buyers are qualifying alternative suppliers.
4. **Feedstock cost convergence.** JPMorgan sees no material cost advantage left over the US Gulf Coast. A further ethane price increase would pressure the 12.2% Petrochemicals margin.
5. **Dividends ahead of cash flow.** Declared 1H26 dividends of SAR3.3bn equal 4.5x continuing net income attributable to shareholders.
6. **Divestment execution.** The European sale is settled through perpetual vendor notes repayable from the asset's future cash flows (Argaam).
7. **EU regulation.** PPWR and CBAM raise the entry bar for a market that generated 9.9% of revenue.

Risk matrix

Yamamah Insights assessment; numbers refer to the risk list



Source: Yamamah Insights analysis

Top opportunity. Turning the Transformation Program and AI into a permanent reduction in cost. In a sector heading for surplus until 2029, cost decides who keeps their margin.

Top risk. A prolonged closure followed by a return of surplus. The hardest scenario is losing volumes during the crisis and then returning to a low-price market.

Early-warning indicators

Risk	What we track
1 **Strait closure**	Daily transits in IMF PortWatch data
2 **Surplus returns**	Global ethylene operating rates; Asian PE margins
3 **Competition**	US and Chinese export share in Asian markets
4 **Feedstock**	Any change to domestic ethane and methane prices
5 **Dividends**	Dividends to FCF; net debt to EBITDA
6 **Divestments**	Closing of the European deal; any change to vendor-note value
7 **Regulation**	Europe share of revenue; circular product sales

Sources: SABIC financial statements and 2Q26 presentation; IMF PortWatch; Wood Mackenzie; JPMorgan; Argaam; Yamamah Insights analysis

Methodology, definitions and sources

Data basis

Financial figures are taken from SABIC's interim condensed consolidated financial statements for the period ended 30 June 2026, reviewed by PricewaterhouseCoopers on 28 July 2026. A review is substantially narrower in scope than an audit. Comparisons refer to continuing operations unless stated, using 2025 figures as re-presented by the company.

Information labels

Disclosed figures published in the financial statements or company disclosures. Derived figures we calculate from disclosed data. View forward-looking judgement. Hypothetical calculations are labelled as illustrative.

Definitions and calculations

EBITDA. Income before interest, tax, zakat, depreciation, amortisation and impairment, as reported in the segment note.

1Q figures. Derived by subtracting 2Q from 1H.

Underlying earnings. Continuing net income excluding restructuring costs (SAR1.07bn, 1Q25), impairment of joint ventures (SAR0.72bn, 2Q25) and the insurance claim (SAR0.42bn, 2026). Adjustments are not tax-effected.

Net debt. Current and non-current debt and lease liabilities less cash and short-term investments. Excludes cash classified within assets held for sale (SAR0.81bn).

Annualisation. 1H figures multiplied by two; a simplification that ignores seasonality.

Inventory days. Period-end inventory divided by annualised cost of sales, multiplied by 365.

Rounding and currency. SAR bn to two decimals; totals may not add due to rounding. US$ converted at SAR3.75.

Sources

1. SABIC: 1H26 interim condensed consolidated financial statements; 2Q26 press release and results presentation; 2Q25 results statement.
2. Wood Mackenzie: ethylene market reports, 2024 and 2025.
3. ICIS; S&P Global and Platts; ChemOrbis; Rim Intelligence; Argus.
4. World Bank: Commodity Markets Outlook (April 2026) and Data Blog (May 2026).
5. IMF: PortWatch transit data for the Strait of Hormuz.
6. BCG (March 2026) and McKinsey (March 2026): studies on AI in the chemical industry.
7. European Commission and Council of the EU: Packaging and Packaging Waste Regulation; Carbon Border Adjustment Mechanism.
8. Aljazira Capital; Riyad Capital; JPMorgan via S&P Global; Argaam; Zawya; Investing.com; Mutares.

Market information as of 30 September 2026.

About this report

This report applies the Yamamah Insights company framework, which links today's results to the outlook for the sector, customer behaviour and technology, and closes with the single most important opportunity and risk.

Prepared by Hamad Alsaeed, Financial & Economic Analyst.

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Reconciliation of key derived figures

Metric	Calculation (SAR bn)	Result
Net debt, June 2026	45.52 – 42.79	**2.73**
Annualised EBITDA	7.94 × 2	**15.88**
Net debt to EBITDA	2.73 ÷ 15.88	**0.17x**
Free cash flow	1.05 – 2.72	**(1.67)**
Operating cash flow to EBITDA	1.05 ÷ 7.94	**13%**
Inventory days	14.83 ÷ 82.95 × 365	**65**
Debt to equity	45.52 ÷ 148.71	**0.31x**
ROE (continuing, annualised)	(0.97 × 2) ÷ 151.76	**1.3%**
Declared dividend to shareholder income	3.30 ÷ 0.74	**4.5x**

Average total equity between December 2025 and June 2026 = SAR151.76bn. Annualised cost of sales = 41.48 × 2.