ALKHIZANAH CAPITAL · STRATEGY NOTE

50 YEARS · 1976–2026

SABIC at 50th Anniversary: A Strategic Roadmap for Restoring Profitability & Protecting the Dividend

ALKHIZANAH CAPITAL

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A three-phase turnaround roadmap for a strategic national asset — through the global petrochemical downcycle

Prepared August 2026 · Riyadh, Saudi Arabia
Based on Q2 2026 results (Saudi Exchange filings, August 2026) and FY2025 audited accounts

THE LEAD RECOMMENDATION

Double down on fertilizers — the crown jewel in plain sight

SR 4.3bn	SR 13.1bn	50.1%
SABIC AN 2025 net income, up 30% — more than double the group's adjusted net income	Revenue, up 18% on 16% higher selling prices in urea, ammonia and specialties	SABIC's stake in SABIC Agri-Nutrients — the platform to expand, not a number to buy up

Why fertilizers, why now

- Demand is driven by food security, not Chinese polymer capacity — a different, tighter cycle
- Saudi gas feedstock advantage remains fully intact in ammonia and urea economics
- Q2 2026 proof point: agri-nutrients adjusted EBITDA doubled to US$367m (from US$181m in Q1) even as the group posted a net loss — the segment is the earnings anchor

How to double down

- Expand urea and ammonia capacity via debottlenecking and new trains; capture Ibn Al-Baytar merger efficiencies
- Scale blue and green ammonia on the world-first shipment track record; grow specialty and coated fertilizers
- Build the SALIC partnership into food-security offtake, and grow AN organically — convert disadvantaged assets and build new nutrient capacity (see next slide)

HOW TO GROW THE ENGINE

Two routes to a bigger agri-nutrients business — built, not bought

Grow AN's earnings by creating capacity SABIC wholly owns — not by spending cash to buy out minorities. Two complementary routes, sequenced across the roadmap:

ROUTE A · PHASE 1
Convert disadvantaged assets → nutrients

Redeploy weak commodity lines, not greenfield

- Ammonia and urea share feedstock (gas, hydrogen) and engineering DNA with existing chemicals units — reuse sites, gas allocation, utilities, ports and permits
- Retire loss-making polymer/basic-chemical lines and redirect that feedstock into fertilizer, where the Saudi gas edge is fully intact
- Capital-light — shrinks the loss-making cost base and grows AN at the same time

ROUTE B · PHASE 2
Build a standalone next-gen AN platform

Low-carbon ammonia — Blue (CCS) and green (solar) ammonia — the one edge China can't replicate; fertilizer feedstock and clean-energy export carrier. Builds on AN's world-first blue-ammonia shipment

Specialty fertilizers — Coated, controlled-release, water-soluble and micronutrient products — higher margin, insulated from the commodity urea swing

Phosphate & full NPK — Add phosphate/potash (e.g. via Ma'aden) to nitrogen-heavy AN — a complete NPK national champion, not a single-nutrient producer

Illustrative earnings impact

Route A	Route B	Combined
+US$150–250m	**+US$400–700m**	**~US$1bn**
adj. EBITDA by 2028, capital-light conversions; minimal net capex	adj. EBITDA by 2030+ as low-carbon & specialty units ramp	of new AN EBITDA — wholly owned, flowing straight to group dividends

One accounting loss, one structural problem — only one matters

Lead recommendation: double down on agri-nutrients and fertilizers

SABIC Agri-Nutrients earned SR 4.3bn in 2025 (+30%) — more than double the group's entire adjusted net income — on an intact gas feedstock advantage. Grow the platform: convert disadvantaged commodity lines into nutrient production and build new low-carbon and specialty fertilizer capacity.

The FY2025 loss was surgical — but the pressure is continuing

The SR 25.8bn 2025 loss was driven by one-off divestment impairments, but Q2 2026 brought a further SR 0.83bn net loss as the downcycle persists. This is now a genuine turnaround, not a one-year accounting event.

Compressed earning power and an uncovered dividend

Adjusted EBITDA margin slipped to 14% in Q2 2026 on a 33% volume drop. The H1 dividend of SR 3.3bn again runs ahead of earnings — sustained by a near net-cash balance sheet, not by the P&L.

A three-phase turnaround with meaningful upside — fittingly, at the 50-year anniversary mark

Defend cash and reset dividend policy (2026–27); pivot capital to fertilizers, crude-to-chemicals and low-carbon products (2027–30); consolidate the Gulf (2030+). Illustrative scenarios point to SR 63–85/share vs ~SR 52 today if delivered.

The latest quarter in six numbers

SR 24.8bn

Q2 revenue (US$6.62bn), down 5% QoQ on lower sales volumes despite higher prices

SR –0.83bn

Net loss attributable to shareholders (US$222m); adjusted net loss of SR 0.38bn

14%

Adjusted EBITDA margin, down from 15.9% in Q1 2026 — the squeeze persists

–33%

Sales volumes QoQ, driven by geopolitical disruption; prices rose 41%, a partial offset

SR 0.73bn

Net debt at 30 June 2026 — balance sheet still near net-cash, a genuine strength

SR 3.3bn

H1 2026 dividend declared (SR 1.10/share) — the payout streak continues

Transformation program delivered US$547m of recurring EBITDA uplift in H1 2026, tracking toward the US$3bn-by-2030 target. FY2025 comparison: SR 25.8bn net loss, driven by one-off divestment impairments.

DIAGNOSIS

Separate the accounting event from the structural disease

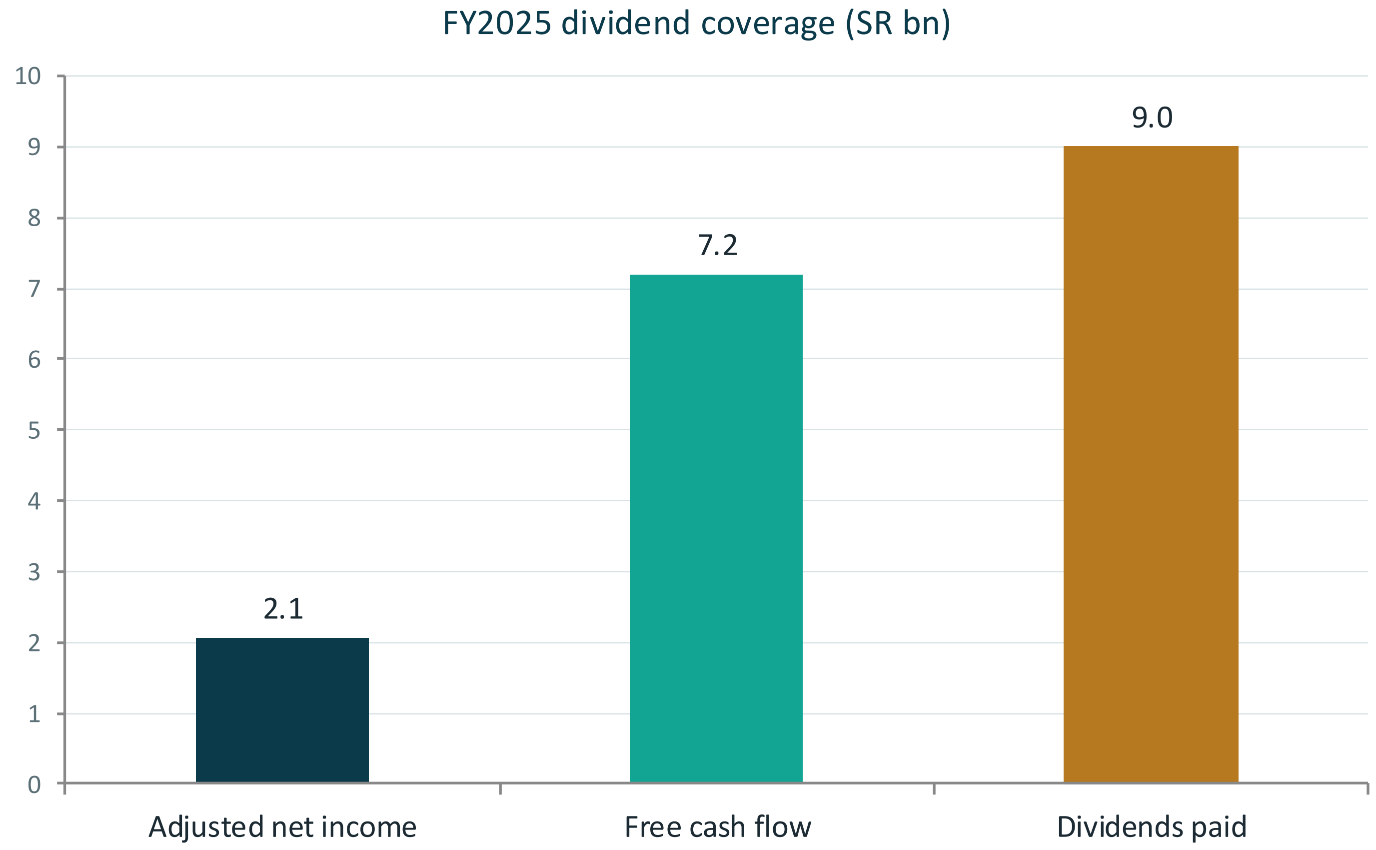
The accounting event — one-off, deliberate

- Discontinued-operations losses rose SR 21bn YoY, driven by divestment of Americas and European businesses
- Fair-value writedowns: SR 9.9bn on European petrochemicals, SR 5.3bn on Engineering Thermoplastics
- Permanent closure of the Olefins 6 cracker (Teesside, UK) triggered impairment provisions
- Largely non-cash: portfolio surgery to exit structurally disadvantaged geographies — the right call

The structural disease — persistent, global

- Chinese capacity additions have created durable overcapacity, depressing prices and utilization worldwide
- Saudi ethane advantage narrowed by domestic feedstock repricing and heavier feedstock slates
- Adjusted net income fell 65% YoY even with volumes up — a pure price/margin story
- Trough conditions likely persist through 2026–27; recovery requires global capacity rationalization

The dividend is being paid from the balance sheet, not the P&L



What this means

- Payout is ~4.3x adjusted earnings and ~1.25x free cash flow — the gap is funded from balance-sheet strength (net cash of SR 3.6bn at year-end).
- This is defensible for one or two trough years; it is not a policy. Continued at this level, it forces either debt-funded dividends or an abrupt cut.
- For dividend-reliant retail investors, an unsustainable flat payout is riskier than a credible, covered floor plus upside participation.

THE ROADMAP

Three phases: stabilize, reposition, consolidate

PHASE 1 · 2026–2027

Complete the surgery, defend cash

Finish divestitures · capex discipline · deepen Aramco synergies · reset dividend policy

PHASE 2 · 2027–2030

Reposition toward structural advantage

Crude-to-chemicals · specialties & agri-nutrients mix shift · low-carbon products on cheap Saudi solar

PHASE 3 · 2030 +

Consolidate the Gulf, buy the trough

Acquire specialty platforms at cyclical lows · lead GCC petrochemical consolidation · scale vs Chinese producers

PHASE 1 · 2026–2027

Complete the surgery, defend cash

Finish the divestiture program quickly

Close the European petrochemicals and Engineering Thermoplastics exits, crystallize proceeds, and redeploy — do not let strategic limbo linger over 2026.

Hold the capex line

Keep capital spending within the guided US$ 3.5–4.0bn envelope; no volume-chasing greenfield capacity into an oversupplied market. Fujian and Petrokemya MTBE proceed on budget.

Deepen Aramco integration — the largest near-term lever

Synergies with Aramco already delivered SR 12.3bn, plus SR 2.3bn from the transformation program. Extend into procurement, logistics, joint marketing, and feedstock optimization.

Reset dividend policy honestly

Move to a covered base dividend plus a variable top-up in strong years. A credible floor protects retail income holders better than a flat SR 9bn defended until it breaks.

PHASE 2 · 2027–2030

Reposition capital toward structural advantage

Crude-to-chemicals

Concentrate growth capital in COTC integration with Aramco and demand-proximate complexes such as Fujian — integrated economics beat standalone crackers through the cycle.

Mix shift to specialties

Rotate from commodity polymers, where China is the marginal producer, toward specialties, engineering materials and agri-nutrients with durable pricing power.

Low-carbon on cheap solar

Build low-carbon ammonia, methanol and circular polymers on Saudi solar power — the one cost advantage China cannot replicate, and a moat as carbon border regimes harden.

PHASE 3 · 2030 AND BEYOND

Become the Gulf consolidator — buy the trough

The global industry is entering a rationalization phase: weaker Western and Asian producers will close, exit, or sell. Downcycles transfer assets from stressed sellers to strong balance sheets.

A cash-generative, Aramco-backed SABIC is the natural acquirer of specialty chemicals platforms at cyclical-trough valuations — buying earning power at a discount rather than building capacity at a premium.

SABIC should also be the vehicle through which GCC petrochemical capacity consolidates, creating the scale needed to compete with Chinese state-backed producers on cost, logistics and R&D.

WHY THE TROUGH FAVORS SABIC

- Net cash position of SR 3.6bn at end-2025
- Sector-leading free cash flow of SR 7.2bn
- Aramco backing lowers cost of capital vs distressed peers
- Vision 2030 alignment supports domestic downstream expansion

From a defended number to a covered framework

Today — maintained but uncovered

- H1 2026 payout of SR 3.3bn again exceeds earnings; drawn from balance-sheet strength
- Signals stability, but concentrates risk in a single abrupt future cut
- Retail investors price it as a bond coupon — it is not one

Proposed — base + variable

- Base dividend set at a level covered by trough free cash flow — a credible floor
- Variable top-up distributes upside in recovery years, aligned with cash generation
- Communicated clearly to Tadawul retail holders as a cyclical framework, not a fixed promise

For income-dependent small shareholders, a credible covered floor is worth more than an impressive number that cannot survive the cycle.

SABIC is a strategic asset in ordinary Saudi portfolios

For nearly five decades, SABIC has been a cornerstone holding for average Saudi families — a blue-chip proxy for the national industrial economy, held for its regular, dependable dividend rather than traded.

With 30% of shares in public hands on Tadawul, hundreds of thousands of retail investors treat the payout as quasi-income — funding retirements, education and household budgets. A dividend cut is not an abstraction to them; it is a change in their standard of living.

That is why the turnaround is not merely a corporate-finance exercise. Restoring covered, sustainable profitability protects a form of household financial security — and doing so as SABIC turns 50 would honor the trust placed in it across a generation.

~50 yrs

of continuous dividends since 1976

30%

free float held by the public on Tadawul

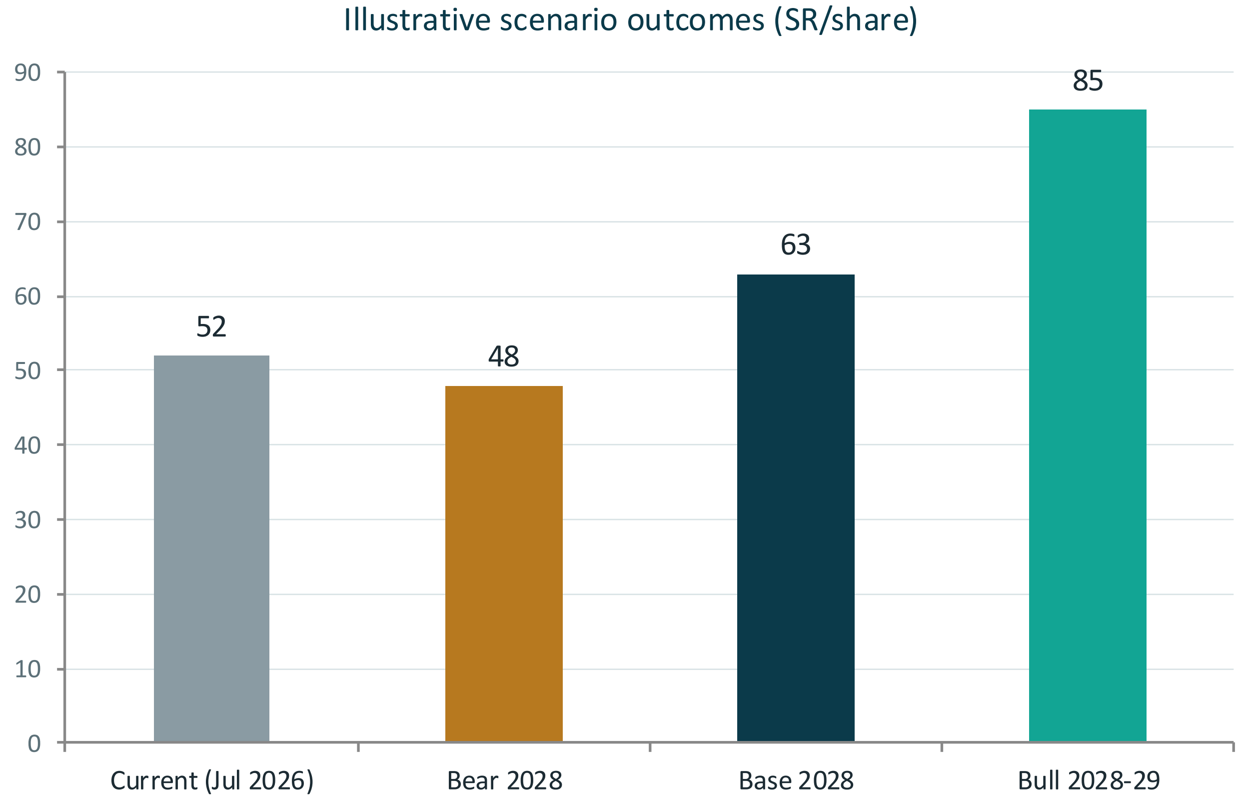
SR 3.3bn

distributed in H1 2026 alone

~5.6%

dividend yield at today's share price

If the roadmap delivers — illustrative share price scenarios



Illustrative scenario analysis based on public data - not a forecast, valuation opinion, or investment advice.

Scenario assumptions (2028-29 horizon)

- **Bear** (SR ~48, -8%): trough persists past 2028; dividend recalibrated; AN stake and net cash cushion the downside
- **Base** (SR ~63, +21%): mid-cycle recovery plus H1 transformation delivery (US$547m) lifts adjusted net income to ~SR 10bn as margins normalize and AN grows; ~17-18x earnings. In line with analyst consensus of ~SR 62 (range SR 56-68)
- **Bull** (SR ~85, +63%): full roadmap delivery - fertilizer expansion, capacity rationalization, dividend credibility re-rating - lifts adjusted net income toward SR 14bn at ~18x; consistent with DCF fair-value estimates near SR 87
- **Add ~5-6% annual dividend yield to each path for total shareholder return**

Our roadmap vs SABIC's stated strategy (Integrated Report 2025)

Dimension	SABIC's stated strategy	AlKhizanah roadmap
Portfolio	Divest non-profitable assets: European petrochemicals and Engineering Thermoplastics exits announced January 2026	Fully aligned — complete the exits quickly and redeploy proceeds (Phase 1)
Transformation	US$ 3bn recurring EBITDA impact targeted by 2030; US$ 547m already delivered in H1 2026 via cost excellence and capital discipline	A vital foundation — best amplified by a portfolio mix shift toward higher-margin, less cyclical products
Agri-nutrients	Product innovation (technical grade urea, enriched urea), ISCC certifications, smart farming and nutrient-efficiency programs	Step-change, not refinement: convert disadvantaged assets to nutrients, build new low-carbon ammonia and specialty/NPK capacity
Growth	Selective organic projects (Petrokemya MTBE, Fujian complex); enable Aramco's downstream strategy through partnerships	Add counter-cyclical M&A — acquire specialty platforms at trough valuations and lead GCC consolidation (Phase 3)
Dividends	Commitment to competitive dividends across the cycle — SR 3.3bn declared for H1 2026 despite the Q2 loss	Reset to a covered base-plus-variable framework with a credible floor, communicated as a cyclical policy

Source: SABIC Integrated Annual Report 2025 (strategy pillars: portfolio optimization, transformation, accretive growth). Alignment is strong on portfolio surgery and Aramco integration; the roadmap goes further on fertilizers, M&A, and dividend policy.

What could derail the roadmap

Prolonged Chinese overcapacity

If capacity additions continue past 2027, the margin trough extends and Phase 2 returns are delayed. **Watch**: Chinese cracker start-ups vs closures; global utilization rates.

Feedstock repricing at home

Further domestic gas and liquids price reform would compress the remaining Saudi cost advantage. **Watch**: energy pricing policy announcements and allocation terms.

Execution under new leadership

SABIC's new executive management must sustain divestiture momentum and capital discipline through the trough. **Watch**: closing timelines on European exits; capex vs the US$3.5-4bn guidance.

Regional security disruptions

Attacks on Gulf energy infrastructure can interrupt feedstock supply and logistics. **Watch**: insurance costs, shipping reroutes, plant utilization.

THE BOTTOM LINE

SABIC cannot dividend its way out of a global margin cycle — but it can out-position it.

A fitting turnaround for the company's 50th year — and for the Saudi families who have trusted its dividend for a generation.

- Double down on agri-nutrients — convert disadvantaged assets to nutrient production and build new low-carbon and specialty fertilizer capacity.
- Protect the balance sheet through the trough; reset the dividend to a covered base-plus-variable framework.
- Redirect growth capital to crude-to-chemicals, specialties and low-carbon products built on Saudi solar; emerge as the Gulf's consolidator.
- Delivered in full, illustrative scenarios point to SR 63–85 per share versus ~SR 52 today, plus a 5–6% annual dividend yield.

Thank you

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Appendix

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SABIC's three strategy pillars, as published

PILLAR 1

Portfolio Optimization

Stated aim: "enhancing core positions and focusing on profitable markets."

2025 actions cited in the report: divestment of European petrochemicals and the Engineering Thermoplastics business in the Americas and Europe; permanent closure of the Teesside Olefins 6 cracker.

PILLAR 2

Transformation

Stated aim (paraphrased): a program centered on cost excellence, value creation and capital discipline.

Quantified in the report: recurring EBITDA impact of US$ 3bn targeted by 2030; US$ 623m of recurring EBITDA impact delivered in 2025, exceeding the year-end target.

PILLAR 3

Accretive Growth

Stated aim (paraphrased): selective investment in high-return projects, funded by unlocked capital, to lift EBITDA.

2025 examples cited: start-up of the Petrokemya MTBE plant and the Fujian petrochemicals complex in China; enabling Saudi Aramco's downstream strategy through partnerships.

References — SABIC Integrated Annual Report 2025 (sabic.com/en/reports): strategy pillars in the Strategic Approach → Strategy section (business model p. 23, industry megatrends p. 24, pillars pp. 24–25); Business Segment Review from p. 47; financial data per the Financial Review section and the FY2025 Earnings Release. Pillar 1 wording quoted verbatim; Pillars 2–3 descriptions paraphrased.

Counter-cyclical M&A candidates — illustrative screen

Target	Indicative EV*	Multiple*	Strategic fit	Deal structure
Clariant (Switzerland)	~CHF 5–6bn	~9–10x EBITDA	SABIC already holds 31.5%, just below the 33.3% mandatory-offer threshold; care chemicals, catalysts, adsorbents; existing catalyst JV	Full takeover — cross the threshold, bid for remainder
Celanese — Engineered Materials (US)	~US$ 6–8bn	~7–8x EBITDA	Engineering polymers technology and customer base at a leverage-driven discount; restores ETP scale via profitable IP, not loss-making assets	Carve-out or structured minority stake
Trinseo — selective assets (US)	< US$ 1bn	Distressed	In debt-restructuring talks after a delayed interest payment; engineered materials and specialty latex assets available from the process	Asset carve-out from restructuring — no whole-co risk
Lanxess (Germany)	~€ 4.5–5bn	~7–8x EBITDA	Consumer protection, specialty additives, advanced intermediates at a fraction of replacement cost; energy-intensive steps relocatable to KSA	Full takeover or segment carve-out
European carve-outs (Evonik units, JM Catalyst Tech)	€ 1–3bn each	~8–10x EBITDA	Active portfolio pruning at both sellers; specialty additives and catalyst technologies fit SABIC's catalyst heritage	Negotiated carve-outs — discount, no control premium
OQ Chemicals (Oman)	~US$ 2–3bn	~6–7x EBITDA	Oxo alcohols and derivatives; orphaned Gulf asset after an aborted sale process; natural fit for a regional consolidator	Bilateral acquisition from OQ
Saudi mid-caps (Tasnee, Sipchem, Advanced; Kayan minorities)	SR 10–30bn	Trough Tadawul	Shared utilities, feedstock optimization and G&A elimination across Jubail and Yanbu; simplifies the domestic structure	Share-swap mergers; minority buy-in for Kayan (35% held)
Ma'aden phosphate × SABIC Agri-Nutrients (KSA)	Share-based	Strategic	Nitrogen + phosphate = full NPK national champion; extends the lead recommendation; the most Vision 2030-aligned deal on the list	Merger or JV via SABIC AN (2019 talks precedent)

** Indicative, order-of-magnitude figures based on public market data as of mid-2026; not valuations, offers, or investment advice. Screen criteria: IP/formulation moat, feedstock-light economics, balance-sheet (not franchise) distress, entry below mid-cycle multiples, Vision 2030 local-content fit.*