

Target Price: SAR22.8/share
Market price: SAR18.66/share
Upside: +22.3% (+Div. Yield: 5.4%)
Rating: Overweight

Sahara International Petrochemical - SIPCHEM

Weak 3Q earnings; Remain Overweight on growth plan

- 3Q25 results came weaker than expected, mainly due to lower sales volume, one-off impairments & provisions, and higher-than-expected losses from JVs and associates.
- Near-term earnings likely to remain under pressure due to lower prices; however, we expect them to improve gradually over the medium term, driven by capacity expansion, the absence of any one-off, improvement in equity income, and operating efficiencies.
- Post weak 3Q25 earnings, we set our TP at SAR22.8/sh. based on blended valuation (EV/EBITDA and DCF) and remain Overweight to reflect its medium-term outlook.

Weak 3Q25 results: Sipchem continued to report weaker-than-expected results with both top-line and bottom-line missing our and consensus estimates by a wide margin. Top-line declined by ~28% q/q to SAR1.4bn, recording the lowest quarterly level in the past 21 quarters and missing our estimate by 22.5%, mainly due to i) lower product prices, and ii) weak sales volume impacted by the IMC plant shutdown, the Ethyl Acetate plant closure, and lower marketing revenues. Further, Sipchem recorded ~SAR100mn impairments related to the IDC plant and also recognized SAR91.4mn provisions against certain capital projects (details not disclosed). These, along with lower top-line and higher feedstock prices, mainly for Ethylene, resulted in a gross loss of SAR212mn, missing our estimate. If we were to adjust these one-off non-cash costs, Sipchem would have still incurred a gross loss of SAR20mn, despite only partial IMC shutdown impact (10 days impact in 3Q and 7 days in 4Q). This further flowed down to the operating level as well, with the company incurring operating losses of SAR403mn (SAR211mn adjusted operating losses). Overall, the company reported a record net loss of SAR469mn (SAR277mn adjusted loss), missing our (SAR40mn loss) and consensus (SAR4mn loss) estimates.

Potential slowdown at VAM/ AA plants; Al Waha maintenance possible: The weak 3Q results indicate that there could be possible operational challenges in some of the other plants as the 10-day IMC shutdown impact could not justify the 3Q25 top-line decline. According to ICIS, Sipchem's acetic acid and VAM plants could be operating at lower rates, starting from mid-July 2025 and mid-September 2025, respectively, owing to weak demand. Further, its Al Waha plant could have witnessed an unplanned shutdown (unconfirmed; source: ICIS) during Sep-2025, explaining the lower-than-expected top-line.

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e
Revenue	7,618	7,061	6,730	7,000
Revenue growth	-26%	-7%	-5%	4%
Gross Profit	2,168	1,439	364	1,349
Gross Profit margin	28%	20%	5%	19%
EBITDA	2,326	1,582	797	1,361
Op. income	1,419	683	(502)	474
Net profit	1,175	426	(636)	250
Net profit margin	15%	6%	-9%	4%
EPS	1.6	0.6	(0.9)	0.3
P/E	11.6x	32.1x	NM	54.8

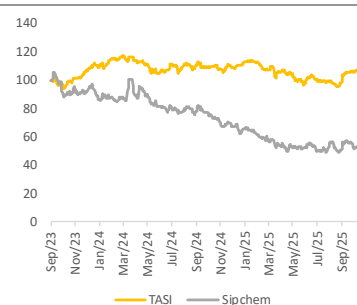
Source: Company data, GIB Capital

Stock data

TASI ticker	2310
Mcap (SARmn)	13,684
Avg. Trd. Val (SARmn)	42.6
Free Float	89.0%
QFI Holding	10.8%
TASI FF weight	0.55%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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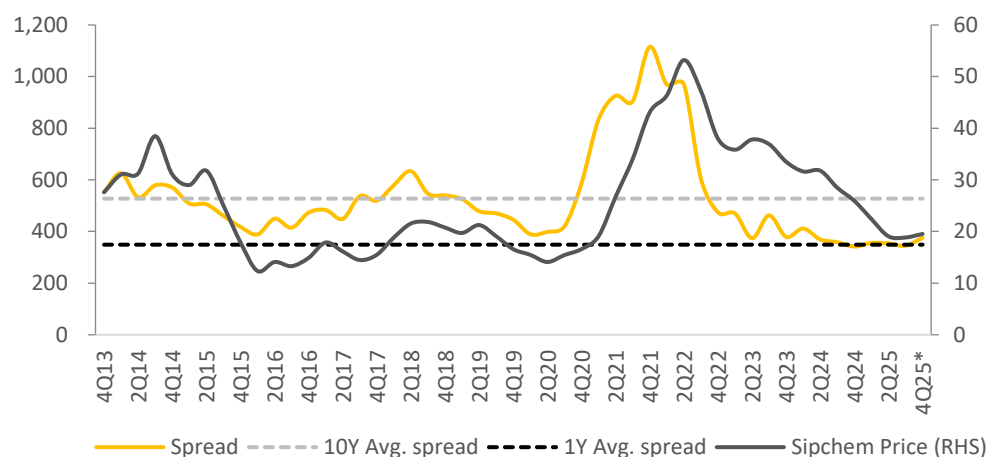
Product prices to remain soft in the near-term: Methanol prices continue to extend their downward trend, declining by ~4% q/q in QTD so far, following a 2% q/q drop in 3Q25 and ~9% decline in 2Q25, mainly due to weak demand and lower coal/gas prices. Going forward, we expect Methanol prices to remain slightly under pressure in the near-term, driven by i) lower oil prices, ii) weak demand amid ample supply, and iii) soft olefins prices due to the oversupplied markets. Accordingly, we expect the average Methanol price to decline ~5% y/y in 2025e and before starting to improve gradually next year, aided by better demand and a slower capacity expansion. Similarly, PP (-7% q/q drop so far in 4Q25) prices are also expected to remain under pressure in the near-term, aided by an oversupplied market and weak demand, while VAM prices are likely to remain under check, driven by persistent weak demand, mainly in India and China, and destocking activity ahead of year-end. However, the downside is limited given the incremental 1mtpa EVA capacity coming online by the year-end, thereby supporting VAM demand. On the other hand, we expect Acetic Acid prices (+9% rise in Oct over 3Q25) are expected to recover in 4Q25e, driven by lower plant operating rates (77% as of 31-Oct-25 vs 92% as of Sep 2025; source: ICIS) in China, mainly due to shutdowns.

Medium-term outlook remains positive: While Sipchem is expected to incur losses in 2025e, largely due to lower spreads and one-off costs, we expect its earnings to improve gradually over the medium term, driven by i) the capacity expansion at Al Waha plant (+150ktpa incremental capacity by 2026-27e) and at EVA plant (+70kta) by 2027-28e, ii) a gradual recovery in prices amid likely improvement in market dynamics, iii) better margin with improved operating efficiencies post mothballing EA plant, iv) the absence of any one-off costs/income, v) improvement in equity income driven by 18% rise in olefin production capacity at SEPC (likely in 2026), and a recovery in margins following fully-impaired investment in SAMAPCO that was largely dragging the performance. Consequently, we expect its earnings to grow at a CAGR of 14% over 2024-30e, despite expected losses in 2025e, which is mainly due to one-offs that we don't expect to continue going forward. Further, we expect the company to maintain DPS at SAR1.0 for 2025-26e, aided by robust cash positions (SAR1.3bn including short-term investments), healthy cash flows, and likely improvement in leverage position. This implies a healthy dividend yield of over 5% for 2025-26e.

In addition, Sipchem has secured the required feedstock volume to develop a petrochemical complex (60% owned) in Jubail to produce 1.5mtpa of Ethylene and 1.8mtpa of derivative products in addition to its blue ammonia plant in Jubail with a capacity of 1.2mtpa. Both these projects are likely to be EPS accretive in our view; however, we have not factored these into our estimates due to limited data availability.

Valuation: Post weak 3Q results and updating our latest commodity price deck, we revise our forward-looking estimates, leading to Dec-26 TP of SAR22.8/sh.. We value the company based on an equal blend of DCF and EV/EBITDA valuation. We use an EV/EBITDA of 10x (largely in line with its 5-year average 1Y forward EV/EBITDA) on our 2026e EBITDA to arrive at a Dec-26 TP of SAR22.3/share. For DCF, we use a WACC of 10.5% and cost of equity of 11.3% and arrive at a Dec-26 TP of SAR23.4/share. Given the ~22% upside, we assign an Overweight rating for the stock. The downside risks include weaker-than-expected recovery in prices, unexpected plant shutdowns, higher-than-expected rise in feedstock prices, and weaker-than-expected improvement in operating leverage.

Figure 2: Weighted average Sipchem's spreads (US\$/t) vs. average stock price (SAR)



Source: Company data, Bloomberg, GIB Capital. * QTD

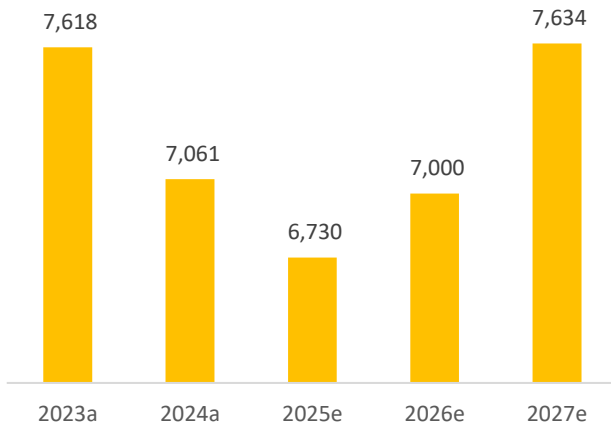
Figure 3: 3Q25 results summary

SARmn	3Q25	3Q24	y/y %	2Q25	q/q %	GIBC est.	Variance %
Revenues	1,366	1,627	-16.1%	1,906	-28.4%	1,761	-22.5%
Cost of sales	1,577	1,297	21.6%	1,613	-2.2%	1,580	-0.2%
Gross profit	(212)	330	NM	293	NM	181	NM
Opex	191	178	7.4%	207	-7.5%	195	-2.2%
Operating profit	(403)	152	NM	87	NM	(14)	NM
Net income	(469)	103	NM	(169)	-177.0%	(40)	NM
Adjusted net income*	(277)	103	NM	2	NM	(40)	NM
Gross margin	-15.5%	20.3%		15.4%		10.3%	
Operating margin	-29.5%	9.3%		4.5%		-0.8%	
Net margin	-34.3%	6.3%		-8.9%		-2.3%	

Source: Company data, GIB Capital. * Adjusted SAR100mn impairments related to the IDC plant and SAR91.4mn provisions against certain capital projects in 3Q25. Adjusted SAR171mn impairments in associates in 2Q25

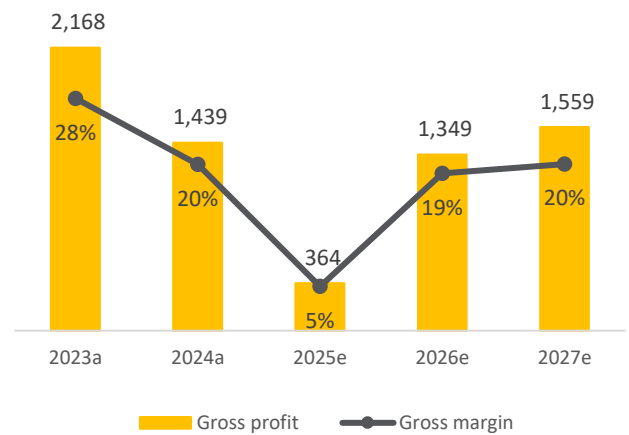
Financial analysis in charts

Figure 4: Revenue trend (SARmn)



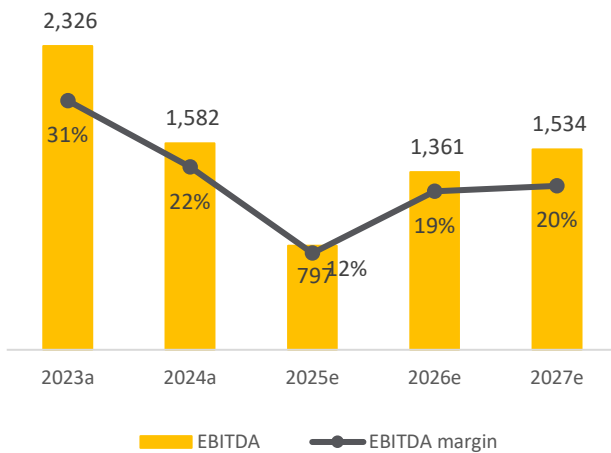
Source: Company data, GIB Capital

Figure 5: Gross profit (SARmn) and gross margin trend



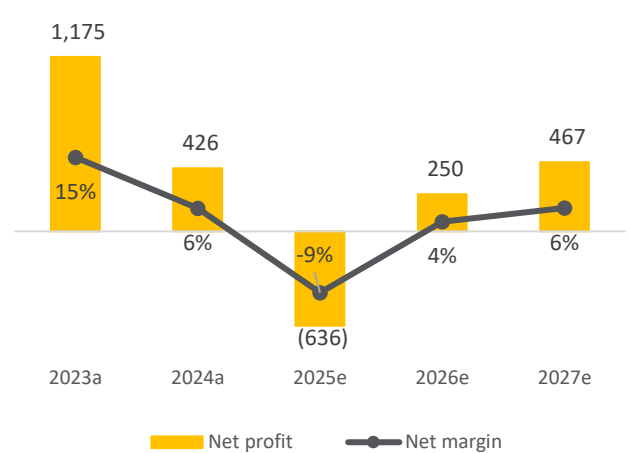
Source: Company data, GIB Capital

Figure 6: EBITDA (SARmn) and EBITDA margin trend



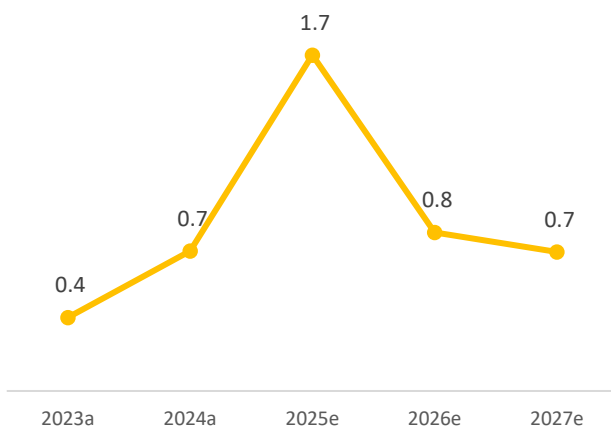
Source: Company data, GIB Capital

Figure 7: Net profit (SARmn) and net margin trend



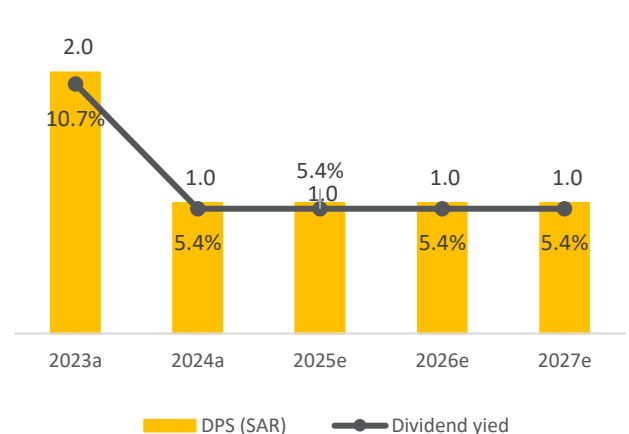
Source: Company data, GIB Capital

Figure 8: Net Debt* to EBITDA



Source: Company data, GIB Capital. * Including lease liabilities

Figure 9: DPS and yield trend



Source: Company data, GIB Capital

Financials

Figure 10: Summarized basic financial statements (SAR mn)

Income statement	2023a	2024a	2025e	2026e	2027e
Revenue	7,618	7,061	6,730	7,000	7,634
revenue growth y/y	-26%	-7%	-5%	4%	9%
COGS	5,449	5,621	6,366	5,651	6,075
Gross Profit	2,168	1,439	364	1,349	1,559
Gross Profit margin	28%	20%	5%	19%	20%
Operating expenses	749	757	866	875	912
Operating profit	1,419	683	(502)	474	647
Operating margin	19%	10%	-7%	7%	8%
Finance costs	211	151	137	154	136
Net income	1,175	426	(636)	250	467
Net margin	15%	6%	-9%	4%	6%
y/y	-67%	-64%	-249%	-139%	87%
EPS	1.6	0.6	(0.9)	0.3	0.6
DPS	2.0	1.0	1.0	1.0	1.0
Payout	125%	172%	-115%	294%	157%
EBITDA	2,326	1,582	797	1,361	1,534
Net debt	890	1,154	1,394	1,124	1,109

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Inventories	1,109	1,214	1,172	1,210	1,319
Trade Receivables	1,115	1,200	1,108	1,134	1,237
Prepayments and Other Current Assets	268	375	330	330	330
Cash and Equivalents	1,830	1,105	1,310	1,355	1,305
Total Current Assets	4,322	3,894	3,920	4,029	4,190
Intangible Assets	543	547	590	590	590
Property, Plant & Equipment	11,780	11,591	10,855	10,458	10,106
Total Non-Current Assets	17,702	17,188	16,684	16,265	15,961
Total Assets	22,024	21,082	20,603	20,294	20,152
Current Liabilities	2,554	2,330	2,812	2,703	2,485
Non-current Liabilities	3,048	2,781	2,817	2,819	3,079
Equity	16,422	15,970	14,974	14,772	14,588
Total Equity and Liabilities	22,024	21,082	20,603	20,294	20,152
BVPS	30.0	28.7	28.1	27.7	27.5

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	2,340	1,374	936	1,281	1,282
Cashflow from Investing	-580	-377	-588	-490	-534
Cashflow from Financing	-2,712	-1,544	-83	-746	-798
Total Cashflows	-952	-546	265	45	-51

Source: Company, GIB Capital

Figure 11: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
Profitability ratios					
RoA	5%	2%	-3%	1%	2%
RoE	7%	3%	-4%	2%	3%
RoIC	7%	4%	-4%	2%	3%
Sales/Assets	35%	33%	33%	34%	38%
Net margin	15%	6%	-9%	4%	6%
Liquidity ratios					
Current Assets/ Current Liabilities	1.7	1.7	1.4	1.5	1.7
Debt to Total Equity	17%	14%	18%	17%	17%
Receivable Days	53	62	60	59	59
Inventory Days	74	79	67	78	79
Payable days	20	16	19	24	25
Debt ratios					
Net Debt*/EBITDA	0.4	0.7	1.7	0.8	0.7
Debt/Assets	12%	11%	13%	12%	12%
Valuation ratios					
P/E**	11.6	32.1	NM	54.8	29.3
P/B**	0.6	0.6	0.7	0.7	0.7
EV/EBITDA	6.2	9.1	18.0	10.5	9.3
Div. yield	10.7%	5.4%	5.4%	5.4%	5.4%

Source: Company, GIB Capital. * Including lease liabilities. ** At the current price

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