

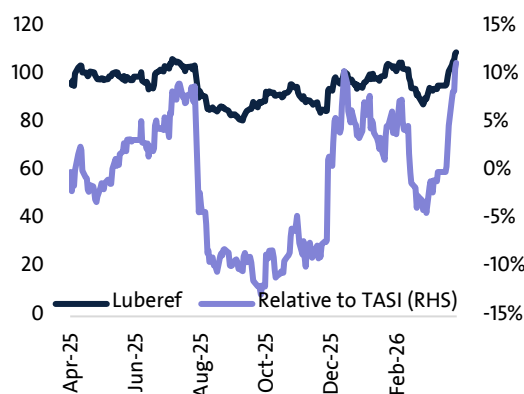
Luberef: By-product spreads pose material earnings upside

Recommendation	BUY
Market Price	108.1
Target Price	129.0
Upside/Downside	19%

Stock Data

Market Cap Total/FF (USDmn)	4,864/1,458
Shares Total/FF (mn)	168.7/50.6
52 Week Hi-Low(SAR)	109.8/81.45
3/6/12 M Volume Traded (mnsh)	0.22/0.24/0.26
3/6/12 M Value Traded (USDmn)	5.8/6.0/6.6
3/6/12 M Relative Performance (%)	7/20/11

Luberef Stock Price Performance VS TASI



Source: AC

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Luberef: By-product could emerge as key earnings driver

We believe Luberef can derive significant earnings upside from the relative movements of its key white oil by product prices vs feedstock price in response to ongoing geopolitical events in the region. Meanwhile, product spreads on base oil (down 14-16% QoQ) are yet to fully respond to emerging dynamics. All in all, we maintain our earnings estimates for now and reiterate Buy rating on the stock.

Base oil margin yet to reflect emerging dynamics

The latest monthly data on base oil prices suggests a 15% QoQ drop in weighted average product spreads in 1Q26. Month-wise trends highlight significant weakness in spreads in the first two months (down 24% cumulatively), followed by a sharp recovery of 15% in Mar-26. We see further recovery in base oil in coming months underpinned by (i) the emerging supply tightness, driven by disruption in refining operations, and (ii) economic incentives for integrated base-oil players to divert feedstock to white oil products given high gasoil spreads. Higher prices of transportation fuels will likely a key drag on base oil demand and prices; however, the impact of supply disruption likely to dominate, in our view. For Luberef, the net-back margin will likely be impacted by higher freight costs and rerouting of export volumes to alternative destinations.

Diesel spreads are hovering in an uncharted territory

Diesel prices are up 2.2x since Dec-25, outpacing the increase in oil prices of 70% (weekly average), suggesting record-high diesel spread of USD145/ton. Luberef produces 7000-8000bpd of high-quality diesel alongside other by-products. The average quarterly product spread of white oil products suggests modest SAR60-70mn upside in gross profit in 1Q26 (estimated 1Q26 earnings of SAR270mn for Luberef). Assuming USD140/ton average spread for gasoil, the upside in earnings is estimated at 260-270mn/quarter, or close to quarterly earnings under a scenario of normalized spread and feedstock supply.

Growth II project-product spreads may push back project commissioning

Luberef may encounter procurement delays for the remaining parts or the mobilization of key resources in order to deliver the Growth II project currently slated to come online in 2H26. That said, in a scenario of continuation of trends in the latest product spreads, we see strong economic reasons to delay the project commissioning in order to avoid a month-long shutdown required to complete Growth-II project.

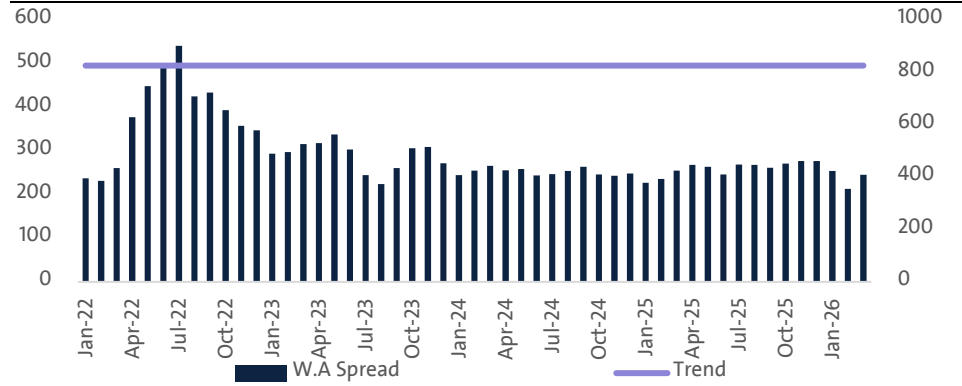
Luberef: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	10036	8103	7994	10468	10591	10714
Growth	5.8%	-19.3%	-1.3%	30.9%	1.2%	1.2%
PAT	972	855	942	1691	1693	1686
EPS (SAR)	5.8	5.1	5.6	10.1	10.1	10.0
Growth	-36%	-12%	10%	80%	0%	0%
DPS (SAR)	6.7	4.5	3.8	8.1	9.0	9.1
P/E (X)	16.3	18.6	16.9	9.4	9.4	9.4
D/Y (%)	7.1%	4.8%	4.1%	8.6%	9.5%	9.6%
EV/EBITDA (%)	12.5	13.4	13.0	7.7	7.7	7.7

Source: Luberef, AC Estimates

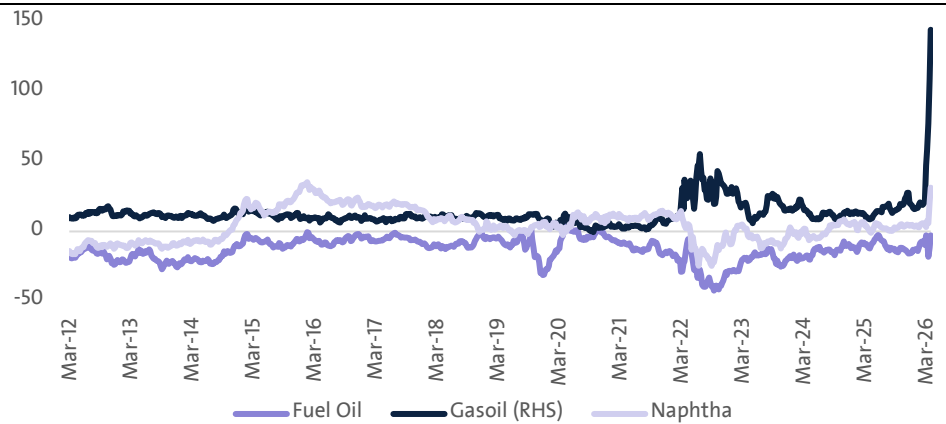
Luberef: Key Quarterly Trends

Trends in base-oil spreads (weighted average, USD/ton)



Group I and Group II spreads, Source: AC, Luberef

Trends in product spreads of key by-products (USD/barrel)



Source: AC, Bloomberg

Trend in Arab light oil prices (USD/barrel)



Source: AC, Bloomberg

Analyst Certification:

I/We, **Muhammad Fawad Khan, CFA**, the author/s of this report, hereby certify that that: (i) views expressed in this report reflect the Research Analyst's personal views about all of the securities and (ii) no part of any of compensation of the author/s was, is, or will be directly or indirectly related to the specific recommendations or views expressed by in this report.

Rating Methodology

Alinma Capital Company (ACC) follow a three-tier rating system based on total return methodology as per following details

>+15% Total Return: Stocks with +15% expected total return (including dividend yield) over the next 12-months are classified as Buy.

5-15%: Stocks with total return between 5-15% can be classified as Buy or Neutral.

>-5%<+5% total return: Stocks with total return between -5%+5% can be classified as Neutral or Underperform

Underperform-Stocks which are expected to have <-5% total return

Not Covered: AIC has not assigned any rating on the stock

Coverage Suspended: AIC has temporarily suspended the coverage of the stock either in compliance with local regulation or other considerations

Price data for the listed securities is based on April 05, 2026.

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