



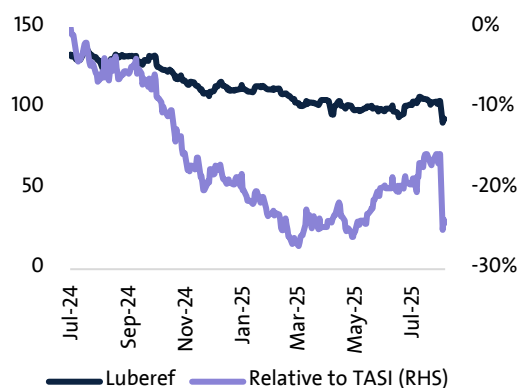
Unexpected shutdowns led to earnings miss; Reiterate Buy

Recommendation	BUY
Market Price	93.6
Target Price	129.0
Upside/Downside	38%

Stock Data

Market Cap Total/FF (USDmn)	4194/725
Shares Total/FF (mn)	168.7/29.9
52 Week Hi-Low(SAR)	137/90.9
3/6/12 M Volume Traded (mnsh)	0.2/0.16/0.24
3/6/12 M Value Traded (USDmn)	2.4/2.9/2.6
3/6/12 M Relative Performance (%)	-9/-29/-24

Luberef Stock Price Performance VS TASI



Source: AC

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Luberef: Unexpected shutdown led to earnings miss

Luberef's 2Q2025 earnings missed the consensus estimate by a big mark on lower-than-expected sales volumes driven by unexpected operational challenges at both plants. Based on revised management guidance on production (down 20%), we cut our estimates by 10% for CY25 and 1% for CY26. The significant recovery in crack margin and potential positive updates on future projects remain a major silver lining in the near-term. We retain our Buy rating with TP of SAR129/sh.

Key highlights of 2Q25 results

Crack margins sustained the strength seen in 1Q25 and were up 8% QoQ. The margins are expected to remain healthy in the near-term due to favourable movement in base oil (+3% YTD, expected to remain sticky, global demand for transportation) and feedstock prices (down 6% YTD)

A 7-day unplanned shutdown at Jeddah and Yanbu facilities capped the sequential volume recovery to 13%. Luberef's volumes were impacted by a planned shutdown in 1Q. Yanbu facility is unlikely to return to optimal levels before the planned turnaround in 4Q.

Significant jump in working capital financing (SAR330mn, WC) has constrained FCF (SAR-53m, vs. SAR279mn in 1Q) and also dragged 1H payout. Both payables (-SAR338mn QoQ, partially due to reduced run-rate) and receivables (+SAR118mn QoQ) moved in adverse directions. We expect normalization in 2H.

Project updates

Growth II Project: No change in guidance on project commissioning in early 2026 despite a completion rate of 49% in 1H running behind targeted levels of 67%. Management expects to speed up construction post-delivery of key items. We have pushed back the expected optimization of production into late 3Q.

No change in management's stance on extension in the operation of Jeddah facility or Growth III+ project. We remain optimistic of a positive outcome and see significant earnings and valuation upside from future progress on Growth III (Capex:USD300-400mn, 40% IRR) or an extension in operation at the Jeddah facility (20-25% earnings upside post 2026).

Luberef: Financial Highlights (SARmn)

Year to Dec	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Revenues	9489	10036	7963	8935	8224	8316
Growth	-10.6%	5.8%	-20.7%	12.2%	-8.0%	1.1%
PAT	1510	972	878	1120	1335	1335
EPS (SAR)	9.0	5.8	5.2	6.7	7.9	7.9
Growth	-24%	-36%	-10%	27%	19%	0%
DPS (SAR)	10.0	6.7	2.3	5.5	6.8	7.4
P/E (X)	10.4	16.2	17.9	14.1	11.8	11.8
D/Y (%)	10.7%	7.1%	2.5%	5.9%	7.3%	7.9%
EV/EBITDA (%)	8.0	12.4	13.4	10.9	9.3	9.3

Source: Luberef, ACC Estimates

Luberef: 2Q2025 Earnings Review

Luberef's 2Q2025 earnings missed the consensus estimate by a big mark on lower sales volumes driven by unexpected operational challenges at both plants. Based on revised management guidance on production (down 20%), we cut our estimates by 10% for CY25 and 1% for CY26. The significant recovery in crack margin and potential positive updates on future projects remain a major silver lining in the near-term. We retain our Buy rating with TP of SAR129/sh.

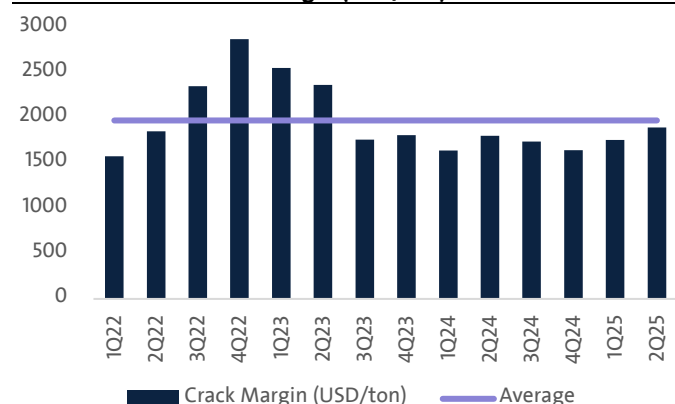
Luberef's 2Q2025 earnings review

SARmn	1Q25	1Q25	QoQ	1H24	1H25	YoY
Sales	2128	2249	25%	4913	4377	-11%
Gross Profit	288	320	23%	701	608	-13%
Operating Profit	226	257	28%	562	483	-14%
EBITDA	294	325	18%	708	619	-13%
Profit Before Zakat/taxes	231	250	27%	556	482	-13%
Net Profit	222	245	25%	538	467	-13%
EPS	1.3	1.5	25%	3.2	2.8	-13%
Gross Margin	13.5%	14.2%	73	14.3%	13.9%	-40
EBITDA Margin	13.8%	14.5%	62	14.5%	14.1%	-31
Net Margin	10.4%	10.9%	49	10.9%	10.7%	-29
Volumes (000'ton)	272	308	13%	607	580	-4%
Crack Margin (USD/ton)	1755	1893	8%	1721	1824	6%

Source: Company Announcement

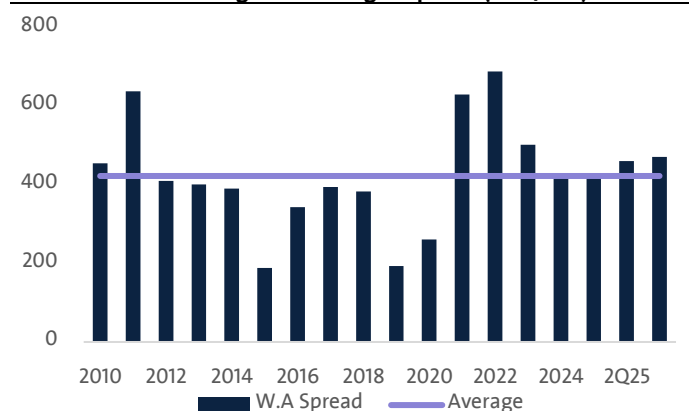
Luberef: Key Quarterly Trends

Luberef: Trend in Crack margin (USD/ton)



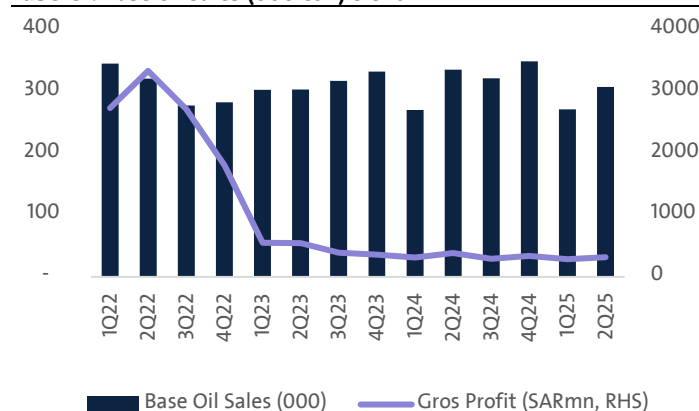
Source: Luberef, AC Estimates

Luberef: Trend in Weighted Average* Spread (USD/ton)



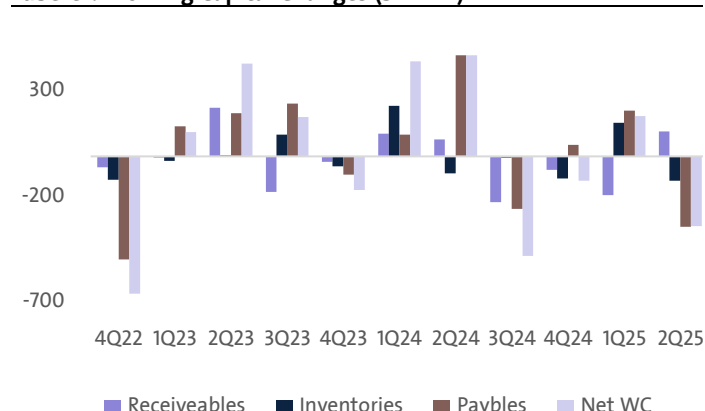
Weight=35% GI, 65% GII Source: Luberef, AC Estimates

Luberef: Base oil sales (000 ton) trend



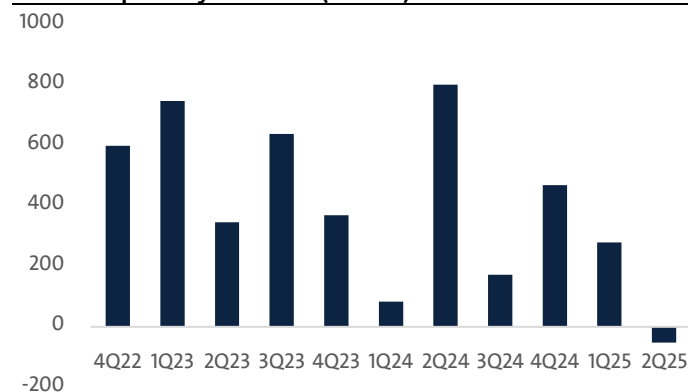
Source: Luberef, AC Estimates

Luberef: Working Capital Changes (SARmn)



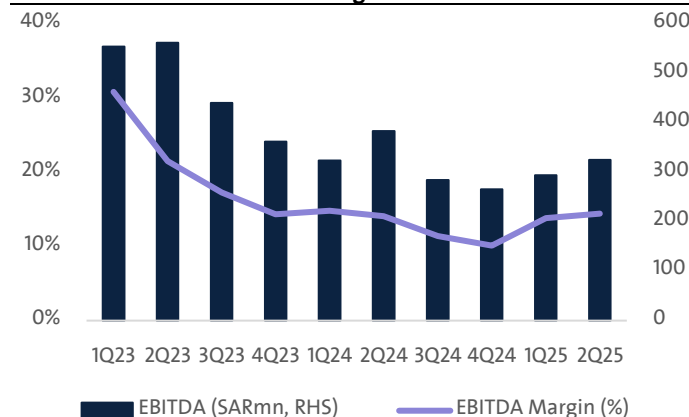
Source: Luberef, AC Estimates

Luberef's quarterly FCF trend (SARmn)



Source: Luberef, AC Estimates

Luberef: EBITDA and EBITDA margin trends



Source: Luberef, AC Estimates

Analyst Certification:

I/We, **Muhammad Fawad Khan, CFA, Abdulrahman Yusef Alnafia**, 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 four-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 05 Aug, 2025.

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