



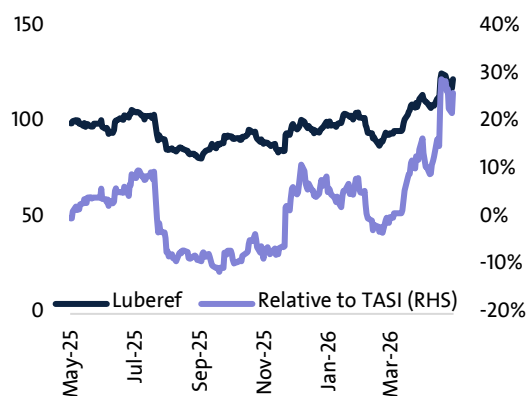
# Luberef: Firing on all cylinders (TP: SARI43)

Recommendation	BUY
Market Price	127.9
Target Price	143.0
.0Total Return	17%

## Stock Data

Market Cap Total/FF (USDmn)	5,628/1,597
Shares Total/FF (mn)	168.7/50.6
52 Week Hi-Low(SAR)	128.5/81.45
3/6/12 M Volume Traded (mnsh)	0.22/0.23/0.29
3/6/12 M Value Traded (USDmn)	5.4/5.7/7.7
3/6/12 M Relative Performance (%)	17/20/22

## Luberef Stock Price Performance VS TASI



Source: AC

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## Luberef: Earnings estimates revised; TP lifted

We have updated our earnings estimates for Luberef in light of 1Q2026 results, the latest updates on pricing and management guidance. We have lifted our estimate for 2026 by 69% but trimmed estimates by 2-3% for 2027-2029 (lower plant utilization post Growth II project). A strong margin environment, coupled with demonstrated operational resilience in the face of a challenging setting (new market development, use of strategic storage facilities and new logistics agreements), has further added to our liking for the stock. We reiterate our Buy rating on Luberef with a revised TP of SAR143/sh

## Margin update: Firing on all cylinders

Luberef's is set to benefit from emerging dynamics in both base-oil and key by-products (diesel and naphta). The supply constraints have lifted product spread for base oil by 131% MoM in April-26, while spreads for diesel and naphtha are up 29-171%. The latest weekly data suggest steep normalization of spreads for diesel and naphtha to levels not very far from what was seen before the start of the geopolitical crisis. We believe the monthly base oil crack will likely follow a similar trajectory. All in all, we expect spreads for diesel and base oil to remain meaningfully higher relative to 2025 for the rest of 2Q and beyond.

## 1Q2026 results-by-product spreads saved the day

Luberef's 1Q2026 earnings of SAR251m (+129% QoQ) came in at the upper end of consensus range (AC:SAR270mn) driven primarily by higher margins on by-products. Luberef managed to lift it revenues by 38% and gross profit by 58% QoQ despite lower base-oil crack margin.

**Three key positive updates are:** (i) 52-80% QoQ jump in key by-products' spreads, leading to significant contribution to profitability of the company; (ii) freight cost remained under control; and (iii) net cash balance on the balance sheet is up 2% QoQ (gearing down to -12% in 1Q26 from 11%)

**Three key negative updates are:** (i) **Guidance for volume for 2026 revised down** by ~8% to 1.15mn. Sales volumes for base oil came below our expectations due to below-expected capacity utilization on Yanbu plant following the plant turnaround in 4Q25; (ii) **Weak FCF conversion** (FCF of SAR41mn vs EBITDA of SAR337mn). We expect FCF to pick up significantly. (iii) **update on Growth II project** with the completion rate quoted at 71% in 1Q26 vs 68% in 4Q25 implying the possibility of further time overruns.

## Luberef: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	10036	8103	11157	9493	8899	8952
Growth	5.8%	-19.3%	37.7%	-14.9%	-6.3%	0.6%
PAT	972	855	1595	1639	1648	1596
EPS (SAR)	5.8	5.1	9.5	9.7	9.8	9.5
Growth	-36%	-12%	87%	3%	1%	-3%
DPS (SAR)	6.7	4.5	6.2	7.6	8.4	8.5
P/E (X)	22.1	25.1	13.5	13.1	13.1	13.5
D/Y (%)	5.2%	3.5%	4.9%	5.9%	6.6%	6.6%
EV/EBITDA (%)	17.1	18.8	11.6	11.1	11.1	11.43

Source: Luberef, AC Estimates

## Luberef: 1Q2026 results-by-product margin saved the day

Luberef's 1Q2026 earnings of SAR251m (+129% QoQ) came in at the upper end of consensus range (AC: SAR270mn) driven primarily by higher margins on by-products. Luberef managed to lift its revenues by 38% and gross profit by 58% in 1Q2026 QoQ. The improvement came despite lower base-oil crack margin (down 25% QoQ).

### Three key positive updates in 1Q

- 52-80% QoQ jump in spreads of key by-products, led to a significant contribution to the profitability of the company. We estimate the increase in margin in by-products contributed SAR150-160mn in 1Q26 profitability. Historically, by-products' contribution has been negligible to the company's profitability.
- Freight costs remained well under control with the benefit of new agreements for product exports kicking in. Luberef has recently signed three long-term agreements which are expected to provide a significant advantage to the company in supporting netback on exports.
- The net cash balance on the balance sheet is up 1.5% QoQ. We expect the cash balance to further grow.

### Three key negative updates

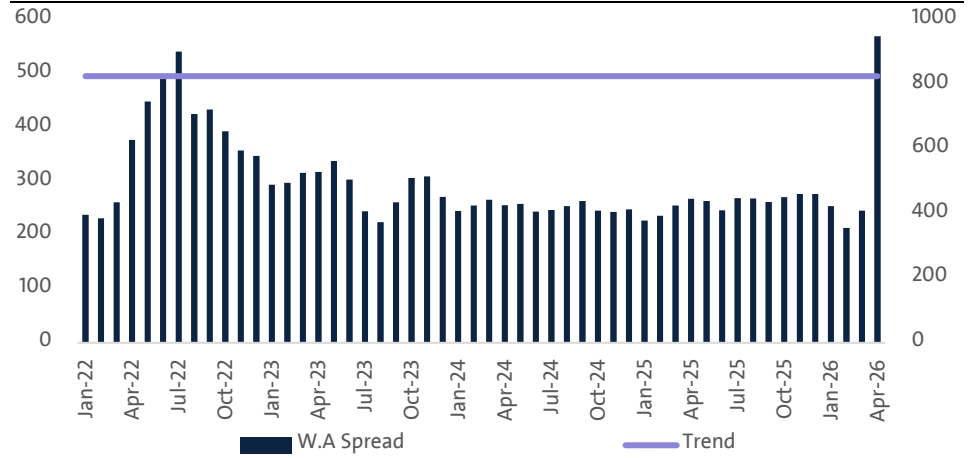
- Guidance for volume was revised down by 8% to 1.15mn despite 8% QoQ growth in volumes. Sales volumes for base oil came below our expectations due to below-expected capacity utilization on Yanbu plant following the plant turnaround in 4Q25
- Weak FCF conversion due to increased investment in working capital and capex (FCF of SAR41mn vs EBITDA of SAR337mn). We expect FCF to pick up significantly in future quarters on the back of higher profitability and lower intensity of working capital financing. Our estimates suggest the company can generate FCF of SAR450-500mn (or 73% of the total estimated capex of the Growth II project) in 2026.
- Update on Growth II project, with completion rate quoted at 71% in 1Q26 vs 68% in 4Q25, implying the possibility of further time-overruns. Given the current trajectory of crack -margin, we continue to see the possibility of the company pushing back the shut-down period required for tie-in of the project. However, such a scenario is not part of our base-case estimates.

<b>Luberef: 1Q2026 earnings review</b>					
	<b>1Q25</b>	<b>1Q26</b>	<b>YoY</b>	<b>4Q25</b>	<b>QoQ</b>
Sales	<b>2128</b>	<b>2158</b>	<b>1%</b>	<b>1569</b>	<b>38%</b>
Gross Profit	288	328	<b>14%</b>	207	58%
Operating Profit	226	263	<b>16%</b>	114	130%
<b>EBITDA</b>	<b>294</b>	<b>331</b>	<b>13%</b>	<b>180</b>	<b>84%</b>
Profit Before Zakat/taxes	231	258	<b>12%</b>	117	121%
<b>Net Profit</b>	<b>222</b>	<b>251</b>	<b>13%</b>	<b>110</b>	<b>129%</b>
EPS	1.3	1.5	<b>13%</b>	0.7	129%
Gross Margin	13.5%	15.2%	1.7%	13.2%	2.0%
EBITDA Margin	<b>13.8%</b>	<b>15.4%</b>	1.5%	<b>11.5%</b>	3.9%
Net Margin	10.4%	11.6%	1.2%	7.0%	4.6%
Volumes	272	240	-12%	223	0.08
Crack Margin	1755	1513	-14%	2022	-0.25

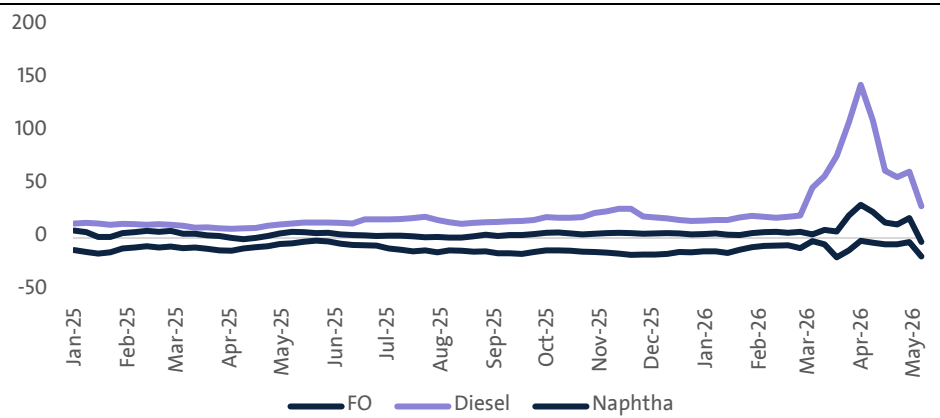
Source: Luberef, AC

## Luberef: Key Quarterly Trends

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

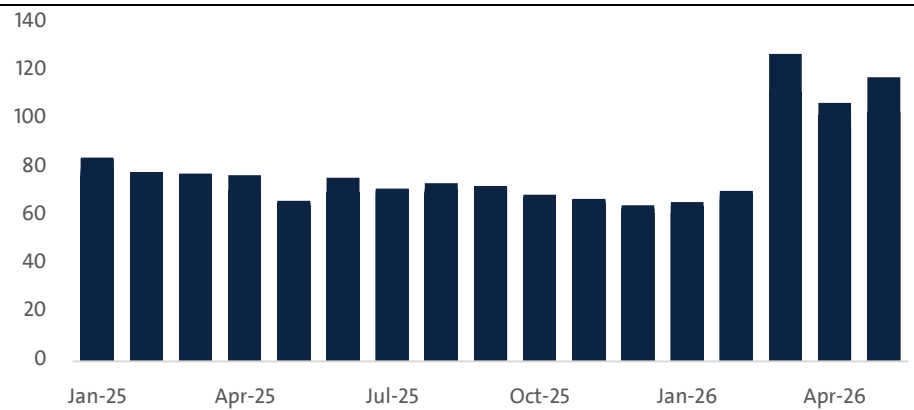


**Trends in product spreads of key by-products (USD/barrel)**



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 May 14, 2026.

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