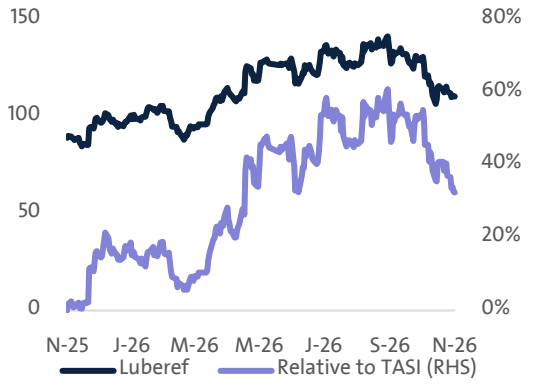
Shutdown plans changes, logistics challenges trigger estimate revisions

Recommendation	BUY
Market Price	110.3
Target Price	143.0
Upside/Downside	29%

Stock Data	
Market Cap Total/FF (SARmn)	18,613/5,581
Shares Total/FF (mn)	168.7/50.6
52 Week Hi-Low(SAR)	141/84.6
3/6/12 M Volume Traded (mnsh)	0.31/0.36/0.35
3/6/12 M Value Traded (USDmn)	7.8/10.0/10.9
3/6/12 M Relative Performance (%)	-8/-3/32

Luberef Stock Price Performance VS TASI



Source: AC

Lower volumes & freight cost limit the full benefit of strong crack margin

We have cut our earnings estimates for CY26/27 by 20/38% for Luberef in light of the 3Q26 results and the accompanying management feedback. We maintain our Buy with a TP of SAR143/sh. While the backdrop for base oil spreads remains strong, the renewed logistics challenges in 2H will continue to limit the benefits to the company's earnings. A 22% correction in stock price from its recent peak is due to expected normalization of base oil spreads from its multi-year peak (spreads down 33%) and the revision in investors' expectations of translation of strong spreads into company's earnings.

Key highlights of 3Q26 results

Luberef posted 3Q26 earnings of SAR536mn, down 27% QoQ but up 92% YoY. 3Q earnings are in line with consensus expectations (IR estimate). Key highlights include:

Robust crack spreads in 3Q of SAR3,395/ton down 6%. Given the latest update on base oil prices for Oct-26 and unfavorable movement in fuel oil prices vs benchmark oil prices, we expect further normalization of spreads in 4Q. Higher freight costs have knocked off some of the benefit of higher crack margin. That said, we highlight our expectation of higher-for-longer base oil spreads relative to levels seen in 2025.

Sales volumes have dropped 23% QoQ due to ongoing geopolitical issues. Management guidance for 2026 volumes of 1.04mnton suggests continued below-optimal sales for Luberef. Due to logistical challenges in 3Q, Luberef has increased its export sales to South Africa and the Netherlands, while at the same time delivering higher volumes to its traditional export market in India.

EBITDA came in at SAR623mn in 3Q26, down 26% QoQ (9m: SAR1.8bn, +63%). Working capital remained stable while capex jumped by 61% (mainly for turnaround and growth).

75% progress on completion of Growth II

Management has decided to merge the earlier planned shutdown for turnaround of the Yanbu facility in 4Q26 with the shutdown required for tie-in of the Growth II project in 1H27. The shutdown duration is yet to be decided. We have assumed a 30-day shutdown and have pushed back optimization of the facility for Group III products into late 4Q27. Notwithstanding the logistical challenges, we highlight spreads on base oil in Oct/Nov are materially higher than pre-crisis levels, which supports Luberef's decision to shuffle its plans to benefit from the current strong environment.

Luberef: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	10036	8103	10546	9875	10247	9265
Growth	5.8%	-19.3%	30.1%	-6.4%	3.8%	-9.6%
PAT	972	855	1912	1323	1792	1607
EPS (SAR)	5.8	5.1	11.4	7.9	10.7	9.6
Growth	-36%	-12%	124%	-31%	35%	-10%
DPS (SAR)	6.7	4.5	6.0	5.0	7.0	7.0
P/E (X)	19.2	21.8	9.7	14.1	10.4	11.6
D/Y (%)	6.0%	4.1%	5.4%	4.5%	6.3%	6.3%
EV/EBITDA (%)	14.7	16.2	8.4	11.8	8.9	9.8

Source: Luberef, AC Estimates

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Luberef: 3Q2026 Earnings Review

Luberef posted 3Q26 earnings of SAR536mn down 27% QoQ but up 92% YoY. 3Q earnings are in line with consensus expectations (IR estimate)

Luberef posted 3Q26 earnings of SAR536mn down 27% QoQ but up 92% YoY. 3Q earnings are in line with consensus expectations (IR estimate). While Luberef has delivered strong earnings in 9M26, the benefit of exceptionally strong crack margin environment is yet to fully reflect in the company earnings. Against this backdrop, we positively view the company's decision to delay the shutdown for the Growth II project. A 22% correction in stock price from its recent peak is due to expected normalization of base oil spreads from its multi-year peak (spreads down 33%) and the revision in investors' expectations of translation of strong spreads into the company's earnings.

Key highlights of 3Q26 results

Robust crack spreads in 3Q of SAR3,395/ton down 6%. Given the latest update on base oil prices for Oct-26 and unfavorable movement in fuel oil prices vs benchmark oil prices, we expect further normalization of spreads in 4Q. Higher freight cost has eroded some of the benefit of higher crack margin. That said, we highlight our expectation of higher-for-longer base oil spreads relative to levels seen in 2025.

Sales volumes have dropped 23% QoQ due to factors primarily driven by combination of; (i) longer voyage time and limited availability of vessels, and (ii) a change in feedstock in 3Q26 with an adverse impact on base oil output per unit of feedstock input. Management guidance for 2026 volumes of 1.04mnton suggests continued sub-optimal sales for Luberef and implies a 19% YoY drop in the company's base oil volumes.

Profile of export destination changed due to logistical challenges in 3Q. Luberef has increased its exports reliance on South Africa and the Netherlands for base oi exports, while at the same time delivering higher volumes to its traditional export destination in India.

EBITDA came in at SAR623mn in 3Q26, down 26% QoQ (9M: SAR1.8bn, +63%). Working capital remained stable while capex jumped by 61% (mainly for turnaround and growth).

Luberef's net surplus cash, excluding dividend payables announced with 1H26 results, has reached SAR1.4bn, up 2% from Dec-25 levels, suggesting net debt to asset ratio of -5%.

75% progress on completion of the Growth II

The strong margin environment and the lingering logistical challenges have prompted the decision, in our view

Management has decided to merge the earlier planned shutdown for turnaround in 4Q26 with the shutdown required for tie-in of the Growth II project in 1H27. The shutdown duration is yet to be decided. We have assumed a 30-day shutdown and have pushed back optimization of complex post implementation of Growth II project for Group III products into late 4Q27. The strong margin environment and the lingering logistical challenges have prompted the decision, in our view. Luberef has achieved 75% completion of Growth II project and spent ~50% of planned capex of SAR750mn. With successive delays in the project, the risk of cost-overrun remains, in our view.

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Luberef's 9M2026 earnings review

SARmn	1Q26	2Q26	3Q26	QoQ	9M25	9M26
Sales	**2158**	**3419**	**2776**	-19%	6534	8353
Gross Profit	329	857	581	-32%	972	1766
Operating Profit	263	748	535	-29%	902	1547
EBITDA	**331**	**847**	**623**	-26%	1105	1801
Profit Before Zakat/taxes	258	753	550	-27%	896	1561
Net Profit	**258**	**734**	**536**	-27%	746	1528
EPS	1.5	4.4	3.2	-27%	4.4	9.1
Gross Margin	15.2%	25.1%	20.9%	-4.2%	14.9%	20.4%
EBITDA Margin	**15.4%**	**24.8%**	**22.4%**	-2.3%	16.8%	20.9%
Net Margin	12.0%	21.5%	19.3%	-2.2%	11.4%	17.6%
Volumes	240	313	241	-23%	879	794
Crack Margin	1513	3625	3395	-6%	1881	2844

Source: Company Announcement

Investment Case & Risks

We retain our Buy rating on Luberef with a TP of SAR143, premised on:

- Expectation of above pre-crisis average margin in the medium term
- Strong FCF generation, which is further supported by current margin environment
- Progress on future valued added growth projects, particularly the Growth III project in Jazan,
- Benefit from synergies with its parent company, Saudi Arabian Oil Company (Aramco)

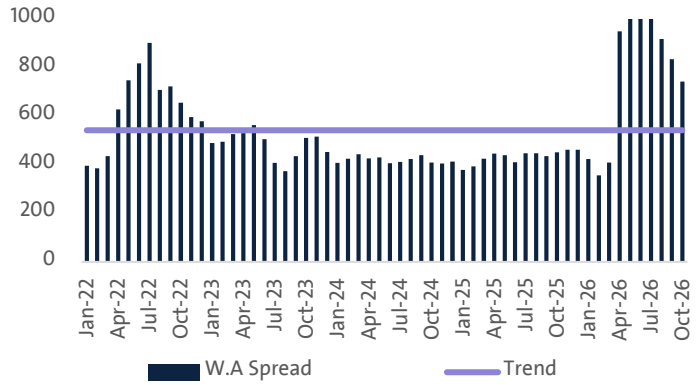
Key risks

- A faster-than-expected normalization of base oil margin (a steep normalization of margin from its 2Q26 multi-year high is already part of our estimates)
- Risk of another inventory-related adjustment stemming from an abrupt downside in feedstock prices
- Unplanned shutdown at existing facilities or lower feedstock supply
- Time and cost overruns on future projects

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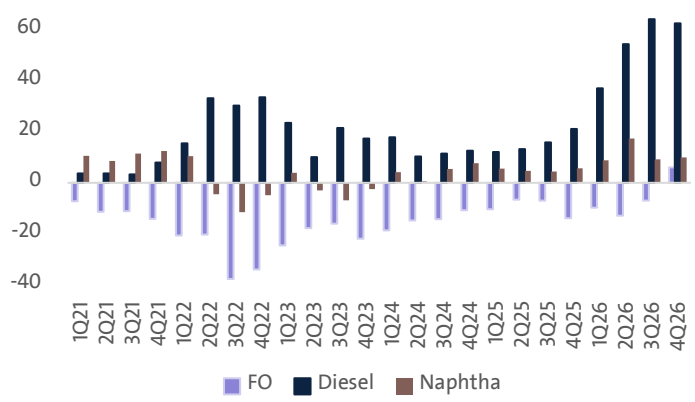
Luberef: Key Quarterly Trends

Luberef: Trend in spreads (USD/ton)



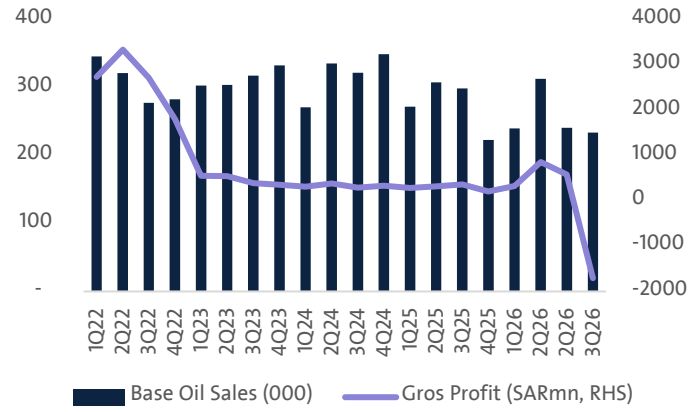
Weight=35% GI, 65% GII Source: Luberef, AC Estimates

Luberef: Trend in key byproduct spreads (USD/ton)



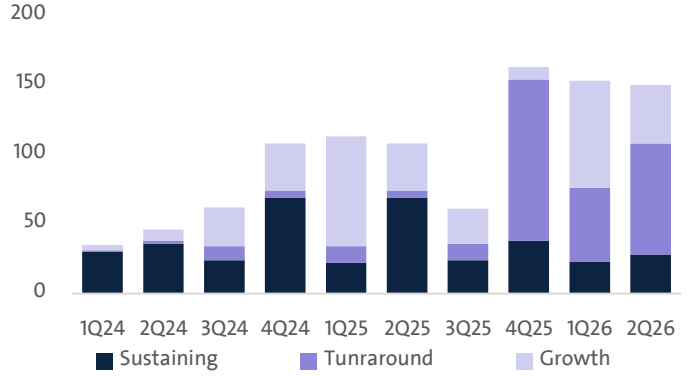
Source: Luberef, AC

Luberef: Base oil sales (000 ton) trend



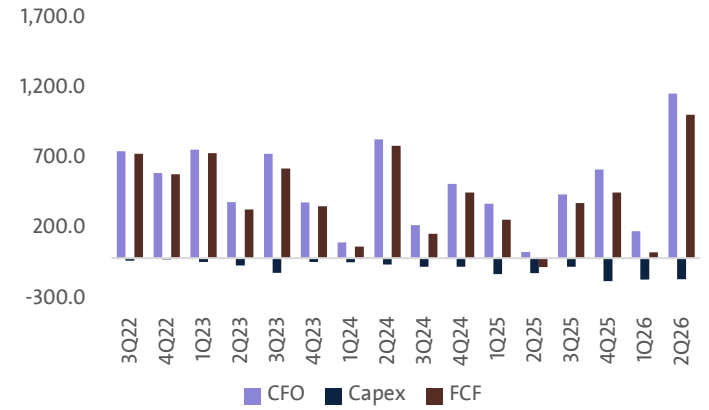
Source: Luberef, AC

Luberef: Capex trend (SARmn)



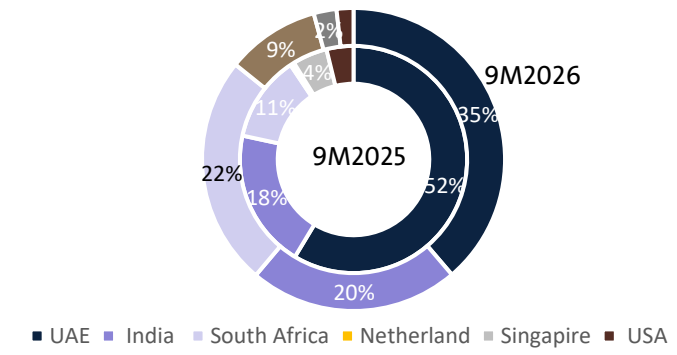
Source: Luberef, AC

Luberef's quarterly FCF trend (SARmn)



Source: Luberef, AC

Luberef: Export profile



Source: Luberef, AC

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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.

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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 11 Nov, 2026.

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