alinma capital

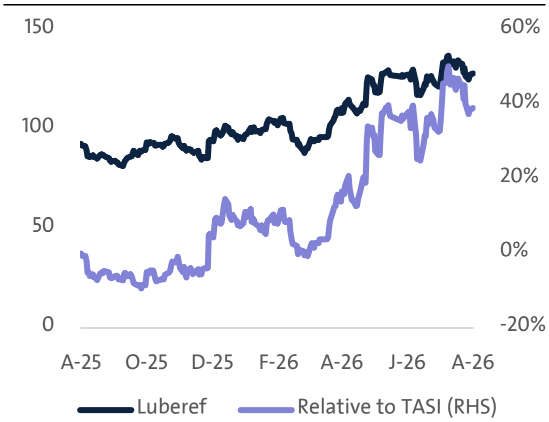
Revaluation losses take the shine off otherwise a strong earnings delivery

Recommendation	BUY
Market Price	127.9
Target Price	143.0
Upside/Downside	12%

Stock Data

Market Cap Total/FF (SARmn)	21,573/6,471
Shares Total/FF (mn)	168.7/29.9
52 Week Hi-Low(SAR)	137/81
3/6/12 M Volume Traded (mnsh)	0.25/0.28/0.34
3/6/12 M Value Traded (USDmn)	6.0/6.9/9.7
3/6/12 M Relative Performance (%)	4/39/39

Luberef Stock Price Performance VS TASI



Source: AC

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Luberef: Strong earnings delivery; estimated revised (Buy Reiterated)

Luberef's 2Q earnings of SAR734mn (1H26: SAR985mn, +11%) rose 5.9x QoQ on higher volumes and a favorable backdrop for crack margin. An inventory revaluation loss of SAR150-200mn in 2Q, however, resulted in below-consensus delivery of earnings in 2Q26. We remain positive on the near-term earnings profile. The management's decision to delay the project-related shutdown should allow the company to continue benefiting from the current windfall in margins in both base oil and by-products in the near term. Overall, we expect above-average margins to persist well beyond the expected resolution of ongoing geopolitical risk. Accordingly, we have lifted estimates and now expect 50/23/13% higher earnings for 2026/27/28, respectively. Reiterate Buy with TP of SAR143.

Key highlights of 2Q26 results and management briefing

Key positive updates are: (i) **41% jump in crack spreads**, leading to a significant contribution to profitability of the company; (ii) **30% QoQ increase in volumes** as a maintenance shutdown impacted operations in the previous quarter (1H: down 5%); (iii) **shift in the one-month project-related shutdown** to Oct-26 from earlier schedule of Aug-26 to allow the company to benefit from current strong margin environment, and **(iv) strong FCF generation** (SAR1.1bn in 1H26, +9x YoY), adding to the company's existing cash pile and allowing the company to make healthy payout.

Key negative updates are: **(i) additional shutdown required** in 2027 to complete the Growth II project. As a result, we have pushed back the expected optimization of the Growth II project for the production of Group III base oil into late 3Q26 in the light of new sequencing of completion of the project; **(ii) heavy revaluation losses booked** in 2Q due to heightened volatility in feedstock prices**, (iii) Freight cost remained elevated** due to re-routing of export routes and addition of new routes. The management has drawn plans to minimize the impact of the potential closure of the existing export route to markets in Asia; & **(iv) capex guidance for the Growth II project** remains unchanged (SAR750mn); however, we see the risk of cost overrun in light of delay/higher logistics cost.

Pre-FEED for Growth III project underway

The management expects to complete the pre-FEED study for the Growth III project at Jazan by year-end and obtain the board's approval for the FEED study by 1Q27. A ~USD400mn project envisages conversion of unconverted crude oil to Group III.

Luberef: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	10036	8103	11319	9467	9102	8976
Growth	5.8%	-19.3%	39.7%	-16.4%	-3.9%	-1.4%
PAT	972	855	2404	2003	1868	1639
EPS (SAR)	5.8	5.1	14.3	11.9	11.1	9.7
Growth	-36%	-12%	181%	-17%	-7%	-12%
DPS (SAR)	6.7	4.5	8.0	8.0	8.0	8.0
P/E (X)	22.1	25.1	8.9	10.7	11.5	13.1
D/Y (%)	5.2%	3.5%	6.3%	6.3%	6.3%	6.3%
EV/EBITDA (%)	17.1	18.7	8.0	9.4	10.1	11.26

Source: Luberef, AC Estimates

Luberef: 2Q2026 Earnings Review

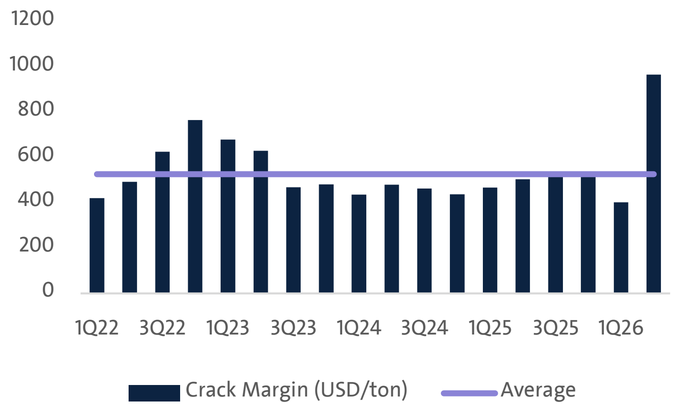
Luberef's 2Q2026 earnings review

SARmn	1Q25	1Q25	QoQ	1H24	1H25	YoY
Sales	**2158**	**3419**	58%	4377	5577	27%
Gross Profit	329	857	161%	608	1186	95%
Operating Profit	263	748	184%	610	1012	66%
EBITDA	**331**	**847**	156%	746	1178	58%
Profit Before Zakat/taxes	258	748	190%	608	1006	66%
Net Profit	**258**	**734**	185%	467	992	113%
EPS	1.5	4.4	185%	2.8	5.9	113%
Gross Margin	15.2%	25.1%	9.8%	13.9%	20.2%	6.3%
EBITDA Margin	**15.4%**	**24.8%**	9.4%	17.0%	20.1%	3.1%
Net Margin	12.0%	21.5%	9.5%	10.7%	16.7%	6.1%
Volumes (000'ton)	240	313	30%	580	553	-5%
Crack Margin (USD/ton)	1513	3625	140%	1824	2569	41%

Source: Company Announcement

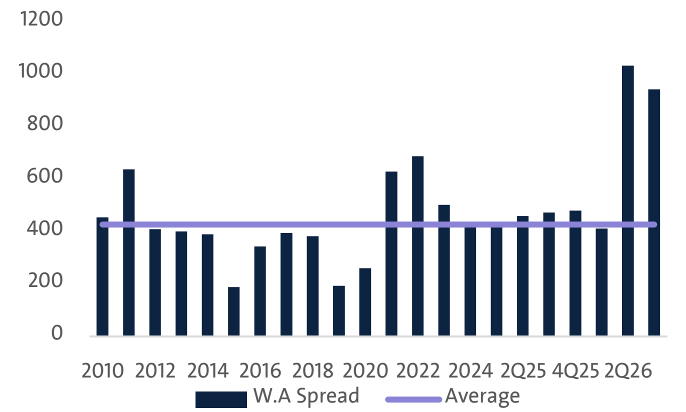
Luberef: Key Quarterly Trends

Luberef: Trend in Crack margin (USD/ton)



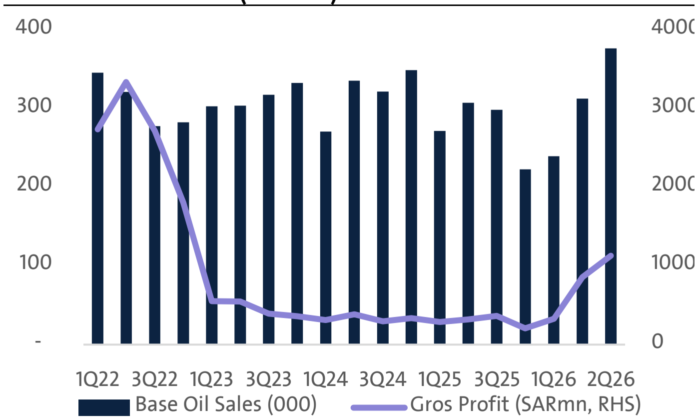
Source: Luberef, AC Estimates

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



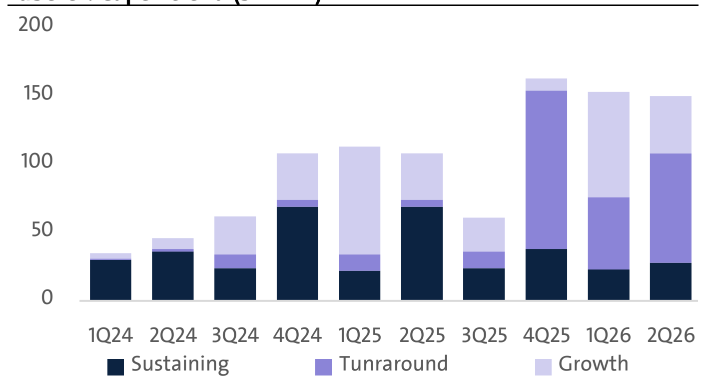
Weight=35% GI, 65% GII Source: Luberef, AC Estimates

Luberef: Base oil sales (000 ton) trend



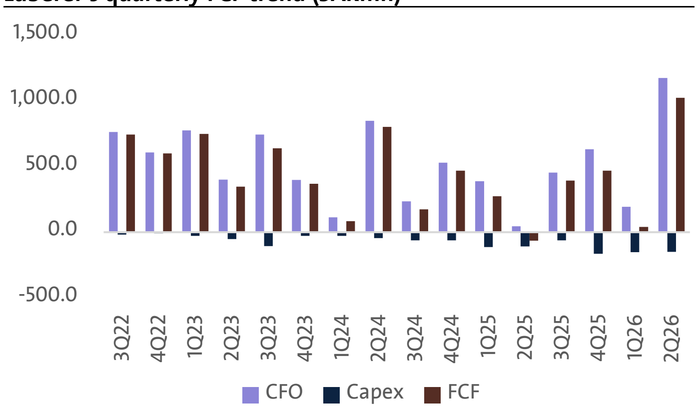
Source: Luberef, AC Estimates

Luberef: Capex trend (SARmn)



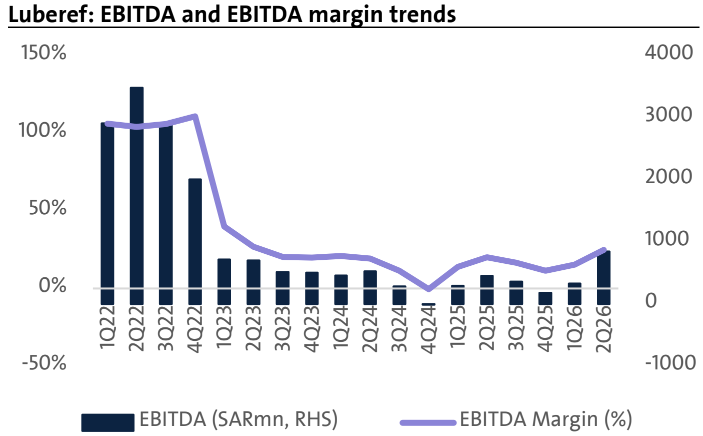
Source: Luberef, AC Estimates

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,** 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 06 Aug, 2026.

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