Saudi Aramco Base Oil Co. | LUBEREF (HOLD, TP: SAR 115, 2223.SE) 4Q25 Results Review

Net profit down on Yanbu turnaround-led volume weakness and weaker by-product margins, partly offset by stronger base oil cracks

Luberef's net profit fell 47% Y/Y and 61% Q/Q to SAR 110mn in 4Q25, as the 45-day planned turnaround at Yanbu, the largest in the company's history, sharply reduced base oil sales volumes and by-product output. The stronger crack environment and lower freight costs partly cushioned the impact, but not nearly enough to offset the loss of production days and weaker by-product economics. Luberef declared a 2H25 dividend of SAR 3.5/share, taking full-year 2025 dividends to SAR 4.5/share.

- Revenue fell 40% Y/Y and 27% Q/Q to SAR 1.57bn, reflecting a 37% Y/Y and 24% Q/Q decline in base oil revenues to SAR 886mn and an even sharper 44% Y/Y and 31% Q/Q drop in by-product revenues to SAR 683mn. This was mainly volume-led, with base oil sales volumes of 223kt in the quarter, down 39% Y/Y and 25% Q/Q, while the turnaround also reduced by-product volumes.
- Gross profit fell 39% Y/Y to SAR 207mn in 4Q25, while gross margin was broadly stable at 13.2% (+32bps). The weaker gross profit reflected volume loss from the Yanbu turnaround, though the margin impact was partly cushioned by stronger base oil cracks, which rose to USD 539/t from USD 438/t in 4Q24, and lower freight costs. That said, the quarter remained burdened by weak by-product economics, with management disclosing a 4Q25 by-product crack margin of around negative SAR 51/t (USD -13.6/t). Below gross profit, operating profit declined to SAR 114mn, with G&A broadly flat Y/Y at SAR 89mn and impairment losses increasing to SAR 10mn from SAR 3mn in 4Q24. Sequentially, gross profit fell 43% Q/Q and gross margin contracted 365bps from 17% in 3Q25, with the decline compounded by a 44% Q/Q rise in G&A and a swing to SAR 10mn of impairment losses versus a SAR 1mn reversal in 3Q25.
- EBITDA fell to SAR 180mn, down 37% Y/Y and 50% Q/Q. EBITDA margin stood at 11.5%, down from 10.8% in 4Q24 and 16.6% in 3Q25.
- Free cash flow declined 15% Y/Y to SAR 469mn. Capex rose to SAR 163mn, up 167% Y/Y, with the bulk of 4Q spend linked to turnaround activity and Growth II-related works. Working capital was supportive, helped by stronger collections and lower receivables during the shutdown period.
- *We expect 1Q26 to open on a softer margin footing, with crack margins weakening versus 4Q25 as the sharp rise in HSFO more than offsets the rebound in base oil prices, keeping pressure on realized profitability, particularly as by-product cracks also remain weak. Beyond the near-term margin backdrop, the bigger change to our model is timing: Growth II has clearly shifted ahead in future, with management flagging procurement delays, pending long-lead equipment deliveries, and remaining tie-ins as the main reasons the project is no longer a clean 1H26 story. We therefore revise our 2026 estimates downward to reflect a more back-end-loaded recovery, incorporating 12 days Jeddah inspection in January, the 30-day Yanbu shutdown in August to complete the Growth II scope, and a later startup/ramp-up assumption with meaningful contribution now pushed into 4Q26 rather than our earlier 1H26 view. While 2026 should still recover versus the operationally disrupted 2025 based on volumes, earnings, and cash generation, we now assume a slower normalization path, with elevated capex and a gradual post-startup ramp implying that the cleaner earnings benefit from Growth II is more likely to emerge in 2027. We raise our TP by removing the residual Jeddah-closure downside scenario, reflecting clearer management signaling that the plant is likely to continue operating. That said, following the recent share price move, which now captures much of the upside, we downgrade to HOLD.*

Rating and Risks

We are HOLD rated on LUBEREF with 12-month price target of SAR 115. Upside risk include higher than expected increase in crack margin and higher than expected production for any reason. Downside risks involve lower than expected crack margins, lower than expected production, any accident in plants leading to impairment, expansion plan hurdles, higher than expected freight cost due to red sea situation, any adverse change in feedstock pricing formula, and regulatory headwinds in export markets.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenue	1569	2157	2627	-27%	-40%
Cost of Goods	1362	1794	2288	-24%	-40%
Gross Profit	207	364	339	-43%	-39%
EBITDA	180	359	285	-50%	-37%
Net Income	**110**	**279**	**208**	**-61%**	**-47%**
EPS	0.65	1.65	1.23	-61%	-47%
Margins					
Crack Margin (USD/t)	539	532	438	1%	23%
Gross Margin (%)	13.2	16.9	12.9	-365 bps	32 bps
EBITDA Margin (%)	11.5	16.6	10.8	-518 bps	64 bps
Net Margin (%)	7.0	12.9	7.9	-594 bps	-94 bps

Rating Summary and Forecasts

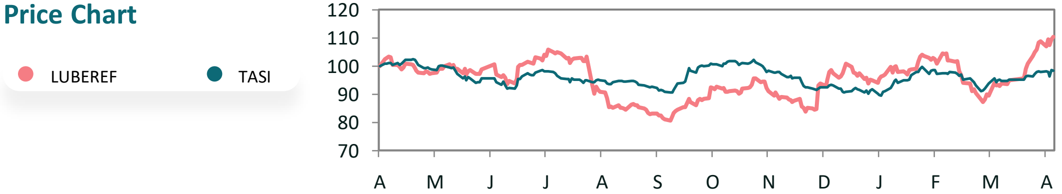
Rating Summary

Rating	HOLD
Market Price	113
12-month Target Price	115
Upside / Downside	2%
Mkt Cap (SAR mn)	19,018
52 week High/Low	111.4/81.45

Forecasts

Forecasts	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	855	1276	1644	1720
PER (x)	19.3	14.7	11.4	10.9
PBV (x)	3.6	3.7	3.4	3.3
EPS (SAR)	5.1	7.6	9.7	10.2
DPS (SAR)	4.5	6.0	8.4	9.0
RoE (%)	19.0	26.5	31.2	30.7
Dividend Yield (%)	4.6	5.4	7.6	8.1

Price Chart



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Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

Saudi Fransi Capital
(Closed Joint Stock Company Owned by Banque Saudi Fransi)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

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