ENERGY | JULY 2026

LUBEREF

COMPANY UPDATE

SNB Capital

Q3 26

A year of outstanding performance

After a strong rally ytd, we downgrade Luberef to Neutral with a PT of SAR140.1 as we believe the current price is fully reflecting the positives of the extraordinary crack margins and the expansion. Having said that, we believe the stock is offering a unique hedge against market volatility related to the regional conflict. We expect earnings of SAR2.59bn in 2026f (+203% yoy) supported by base oil crack margins of USD682/mt (+33.8% yoy) and to decline to SAR1.24bn in 2028f as the crack margins normalize. The stock trades at 2026f P/E and EV/ EBITDA of 8.9x and 7.7x vs its peer average of 8.7x and 7.0x respectively.

- **Record crack margins in 2026**
  Following the issues surrounding the Strait of Hormuz, Luberef emerged as one of the few winners from the global supply shortage and providing a hedge against market volatility. Since the beginning of the conflict, crack margins increased substantially to exceed USD1,000 in Q2 26 driven by 1) high oil prices and 2) limited supply as refineries prioritize strategic products (like diesel). Overall, we expect crack margins to average at USD682 in 2026f (+33.8% yoy), and to stabilize at USD500 by 2028f with the impact of market normalization mitigated by the introduction of GIII. Simultaneously, Luberef's by-product spreads improved to USD70/mt in Q1 26, and we expect it to average at USD48/mt in 2026f (vs a loss of USD11/mt in 2025), leading to a strong contribution to profitability in 2026f. Going forward we expect by-product margins to normalize to a range of USD+-5/mt. Although we expect crack margins to normalize, the ongoing uncertainty regarding the Strait provides a major upside risk.
- **Yanbu Growth II, completion very soon**
  Luberef is focussing on the completion of the Yanbu Growth II in Q4 26 (completion level: 71% in Q1 26), which will 1) introduce high value GIII products, and 2) increase total capacity by c6% to 1.54mn mt (GI, II, III capacities of 0.545, 0.815, and 0.175 mn mt respectively with flexibility between grades). Once completed, Luberef will be the region's first producer capable of supplying a full range of base oils. We note that its GIII production will replace volumes currently sourced from alliance partners. Other projects include the potential of establishing a facility for GIII+ production in Jazan which we believe will be a growth driver in the long-term. Geographically, Luberef plans to expand in Africa making it its 3rd largest market by selling c200K mt/yr by 2030f.
- **Earnings to reach record highs of SAR2.59bn in 2026f**
  We expect base oil volumes of 1.15,1.39 and 1.28mn mt in 2026f, 2027f and 2028f respectively, as we account for turnarounds in 2026f (30 days for Yanbu in H2 26) and 2028f. We expect revenues to be SAR10.69bn in 2026f (+32.0% yoy) supported by higher prices and to reach SAR7.92bn in 2028f. We expect gross profits to grow to SAR2.95bn in 2026f (vs SAR1.18bn in 2025) on higher crack margins and to normalize to SAR1.56bn by 2028f. Accordingly, we expect net income to reach SAR2.59bn in 2026f (+203% yoy) and then to decline to SAR1.24bn in 2028f. We estimate a cumulative capex of cSAR1.27bn in 2026f-28f including Yanbu Growth II (SAR470mn in 2026-27f) and turnarounds. Supported by strong FCF, we expect a DPS of SAR9.3 in 2026f, reflecting a dividend yield of 6.8%.
- **Downgrade to Neutral with a revised PT of SAR140.1**
  Luberef has been one of our top picks since the beginning of the year, it enjoyed a strong rally of +40% ytd. However, we downgrade the stock to Neutral with a PT of SAR140.1 as we believe the current price is fully reflecting the positives of the extraordinary crack margins and the expansion. Having said that, we believe the stock is offering a unique hedge against the market volatility related to the regional conflict. The stock trades at 2026f P/E and EV/ EBITDA of 8.9x and 7.7x vs its peer average of 8.7x and 7.0x respectively.

Summary Financials

SAR mn	2025	2026f	2027f	2028f	CAGR
Revenues	8,103	10,694	9,210	7,918	(0.8)%
Gross Income	1,179	2,948	2,262	1,560	9.8%
EBIT	890	2,614	1,939	1,224	11.2%
Net income	855	2,592	1,936	1,237	13.1%
Net margin (%)	*10.6%*	*24.2%*	*21.0%*	*15.6%*	
EPS (SAR)	5.1	15.4	11.5	7.3	13.1%

Source: The company, SNB Capital Research

NEUTRAL

Price target (SAR)	**140.1**
Current price (SAR)	137
Upside (%)	2.3%

VALUATION MULTIPLES

	25	26f	27f
P/E (x)	27.0	8.9	11.9
P/B (x)	5.0	4.0	3.7
EV/EBITDA (x)	19.6	7.7	10.0
Div Yield (%)	3.3	6.8	5.7

Source: SNB Capital Research estimates

MAJOR SHAREHOLDERS

Investor	% Ownership
Saudi Aramco	70.0%
Foreign Investors	7.2%

Source: Saudi Exchange, SNB Capital. As of 14 July 2026.

STOCK DETAILS

M52-week range H/L (SAR)	137/81
Market cap (USD mn)	6,147
Shares outstanding (mn)	168
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	16.9	23.2	29.4
Rel. to market	20.3	30.7	32.8

Avg daily turnover (mn)	SAR	USD
3m	58.5	15.6
12m	34.8	9.3

Reuters code	2223.SE
Bloomberg code	LUBEREF:AB
	www.luberef.com

Iyad Ghulam, CFA +966 11 874 7811
i.ghulam@alahlicapital.com

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OVERWEIGHT: Target price represents an increase in the share price in excess of 15% in the next 12 months

NEUTRAL: Target price represents a change in the share price between -10% and +15% in the next 12 months

UNDERWEIGHT: Target price represents a fall in share price exceeding 10% in the next 12 months

PRICE TARGET: Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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