VASRO

Initial Study | Materials

Saudi Aramco Base Oil Company - Luberef

WKN: A3D52Q | ISIN: SA15M1HH2NH5 | Bloomberg Symbol: LUBEREF:AB

Luberef: a specialty base oils platform with clear execution markers and resilient cash generation

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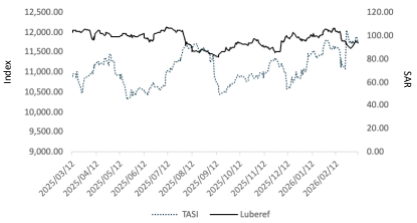
BUY

Before: -

Target price SAR 123.00 (11.2%)

Stock price* SAR 110.60

*last Saudi Exchange closing price



Source: Saudi Exchange

We initiate coverage of Saudi Aramco Base Oil Company - Luberef with a BUY recommendation and a target price of SAR 123.00 per share (11.2% upside). Our valuation is anchored in a base-case discounted cash flow and supported by mid-cycle and upside cross-checks. Near-term sentiment may still react to regional noise, but our central view is that Luberef's value will be driven by execution, realized margin quality, and cash generation.

What the company is:

Luberef is Saudi Arabia's only virgin base oils producer, operating specialized assets in Jeddah and Yanbu. The company should be viewed as a focused base oils platform, not as a generic broad-energy exposure, with base oils as the core earnings engine and by-products as an important secondary revenue stream.

The view and key conditions:

Luberef enters FY2026 with a visible operating calendar, a still-healthy balance sheet, and a business that remained profitable and cash generative through a softer FY2025. This remains a delivery-led year: downtime execution, incremental HVGO availability, mix, and project delivery still matter. But if management delivers cleanly, the market has room to re-rate it toward a higher-quality industrial cash-generation story rather than a simple short-cycle spread trade.

Why BUY (what we think the market is missing):

- Luberef is not just a volume story. Even in a softer 2025, the business stayed profitable and cash generative, which shows that earnings depend on margin quality and execution, not only on how much product is sold.
- 2026 gives the market clear checkpoints to watch. The company has already laid out the main items on the calendar, including the January inspection, the August Growth II-related shutdown activity, volume guidance, domestic mix targets, and Growth II spending, so progress can be judged against a visible plan.
- Luberef is entering that execution year from a position of financial strength. The company finished 2025 with strong cash, healthy free cash flow, and continued dividend capacity, which gives management more room to execute without putting pressure on the balance sheet.

What matters now:

Luberef now moves into a more visible execution phase, with planned maintenance, operating reliability, and Growth II progress shaping how the story develops from here. The key watchpoints are margin quality, cash discipline, and the company's ability to keep operations running smoothly through a busy 2026. Regional tension matters mainly where it affects freight, placement economics, or short-term sentiment, rather than **our longer-run valuation view**.

FY End: 31.12.; in SARm	CAGR (25A-28E)	2023A	2024A	2025A	2026E	2027E	2028E
Sales	3.3%	9,489.0	10,036.0	8,103.0	8,346.1	8,679.9	8,940.3
EBITDA		1,892.0	1,239.0	1,118.0	1,279.6	1,329.8	1,367.0
Margin		19.9%	12.3%	13.8%	15.3%	15.3%	15.3%
EBIT		1,590.0	989.6	889.5	1,041.7	1,083.5	1,116.0
Margin		16.8%	9.9%	11.0%	12.5%	12.5%	12.5%
Net result		1,510.0	972.0	855.3	1,011.2	1,041.3	1,080.9
EPS		8.98	5.78	5.08	5.99	6.17	6.41
Dividend per share		10.00	8.50	4.50	4.79	4.94	5.12
EV/Sales(x)		1.7x	1.6x	1.9x	1.9x	1.8x	1.7x
EV/EBITDA(x)		8.3x	12.7x	13.8x	12.3x	11.8x	11.3x
P/E(x)		10.4x	16.2x	18.4x	15.6x	15.2x	14.6x
Net debt/EBITDA(x)		-0.03x	-0.09x	-0.38x	-0.02x	-0.11x	-0.26x

Source: Luberef, VASRO

Stock Basic Data

SAR m

Initial	FY2025A	FY2026E	FY2027E
Sales	8,103.0	8,346.1	8,679.9
EBIT	889.5	1,041.7	1,083.5
Cash	987.4	667.7	694.4

Stock Basic Data

Number of Shares (in million)	168.75
Free Float (in %)	29.7%
Market Cap (in million SAR)	18,664
Trading Volume (Ø)	244,931
High (SAR, 52 weeks)	110.90
Low (SAR, 52 weeks)	81.30

Shareholder Structure

Saudi Aramco	70.0%
Free float	29.7%
Treasury shares	489,335 shares (0.29%)

Corporate Calendar

Ordinary General Assembly Meeting	04/13/2026

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Investment Thesis

Executive framing

Luberef is best viewed as a specialized base oils producer entering a decisive execution year, rather than as a generic commodity exposure. The investment case rests on more than supportive spreads. It now depends on whether the company can carry a visible 2026 operating calendar through planned maintenance and Growth II delivery while preserving margin quality, mix, and cash conversion. In that sense, the equity story is not simply about spreads. It is about how effectively those spreads are translated into durable earnings and cash generation.

What may be mispriced

The likely perception gap is that Luberef can be treated too easily as a generic energy or commodity stock. Company disclosures suggest a more specific earnings structure: realized base oil crack margin, premium capture, operating reliability, and product mix all matter. If the company reports these levers clearly and delivers Growth II within the planned downtime window, the market may increasingly view Luberef as a specialized base oils platform rather than only a short-cycle spread trade.

Management sets the plan; delivery will determine re-rating

For 2026, the operating calendar is already clear enough for investors to judge delivery against a defined plan rather than against broad expectations. Management has guided to a 12-day Jeddah inspection in January, a 30-day Yanbu shutdown in August, base oil sales volume of around 1.25 million metric tons, domestic placement of around 30% of base oil volumes, remaining Capex of SAR 120–140 million related to the December 2025 turnaround, Growth II capex of SAR 300–350 million, and Growth II progress of 68% with targeted completion in the second half of 2026.

The company also defines base oil crack margin as realized base oil sales price less freight and feedstock cost, which links spread performance more closely to actual commercial economics. Taken together, this makes 2026 a year of measurable delivery. The market does not need a new story from Luberef; it needs evidence that downtime is managed well, margin quality is preserved, and Growth II remains on schedule. If that is delivered, confidence in through-cycle earnings and cash generation should strengthen.

Luberef: 2025 Performance Snapshot and 2026 Execution at a Glance

Key operating, financial and execution markers | SAR unless noted

Revenue	Net Income	EBITDA	Base Oil Crack Margin	Base Oil Sales Volume	Cash & Cash Equivalents
8.10bn	**855.3m**	**1.118bn**	**1,911/MT**	**1.102m MT**	**987.4m**
SAR | FY2025 Audited	SAR | FY2025 Audited	SAR | FY2025 Audited	SAR | Base Oil	Sales Volume | FY2025	SAR | FY2025

2026 Execution Gates

Base Oil Volume Guidance	Domestic Mix Target	Jeddah Inspection	Yanbu Shutdown	Growth II Progress	Growth II Capex
~1.25m MT	~30%	12 days	30 days	68%	SAR 300–350m

Quick Thesis Strip

Spread support	Base Oil Crack Margin remains the core earnings driver
Reliability / downtime control	2026 execution timing matters for volumes and mix
Growth II delivery	Project progress and capex cadence remain key watch items
Cash conversion / dividend support	Strong cash profile continues to support payout visibility

FY2025 Dividend
SAR 4.5/share total
Board recommendation: SAR 3.5/share for H2 2025

Source: Luberef; VASRO analysis and compilation

Investment Rationale

Pillar 1: The core economics are spread-driven, not volume-led

Luberef should be assessed mainly through realized spread capture, not simple volume growth. The most useful disclosed operating measure is base oil crack margin, supported by base oil price and feedstock cost components. This matters because earnings quality depends not just on how much product is sold, but on how well the company converts benchmark-linked pricing and premium capture into cash while keeping feedstock costs and operations under control.

Why it matters: the market framework shifts from “refinery output” to “margin capture discipline.”
What to watch: base oil crack margin, benchmark-plus-premium realization, and feedstock linkage.
What would pressure the outlook: spread compression, weaker premium capture, or feedstock terms that turn the crack into an unreliable earnings proxy.

Pillar 2: 2026 is a delivery year with clear checkpoints

FY2026 is an important delivery year for Luberef, with a clear set of disclosed operating checkpoints. The January Jeddah inspection, the August Yanbu shutdown, key capital-spending milestones, and Growth II progress give investors practical markers against which reported performance can be assessed. The key question is not whether the company has provided guidance, but whether execution stays in line with the disclosed plan: whether downtime is contained, operations recover as expected, and project progress supports earnings and cash generation.

Why it matters: the narrative shifts from quality claims to observable execution.

What to watch: shutdown adherence, mechanical availability, utilization recovery, and Growth II progress.
What would pressure the outlook: extended downtime, delayed restart normalization, or capex drift without matching operating uplift.

Pillar 3: Revenue mix matters, but base oils remain the main profitability driver

Luberef's revenue mix still matters, but the analytical emphasis should remain on base oils as the main profitability driver. By-products represent about 67% of production mix and, as management has clarified, this has not shown significant deviation. Their main relevance is therefore to revenue composition, working-capital behavior, and cash timing rather than to downstream profitability itself. For investors, the practical conclusion is simple: mix still matters, but base-oil economics remain the main lens for judging earnings quality.

Why it matters: the story becomes one of revenue composition and margin quality, not just headline output.
What to watch: audited revenue split, base-oil margin quality, and working-capital behavior.
What would pressure the outlook: weaker base-oil realizations, inventory build, or a mix shift that dilutes premium capture.

Pillar 4: Growth II is an upgrade path, but it has to be earned operationally

Growth II should be described as an upgrade to the earnings mix rather than just a capacity addition. Company materials frame it as a Yanbu configuration upgrade that can improve slate flexibility and support higher-value output over time. That makes the project strategically important. At the same time, the benefit still needs to be delivered through the planned Growth II-related shutdown activity, remaining project spend, and a controlled ramp-up. The investment case improves if the company can convert this project into clearer mix, premium, and cash-flow quality.

Why it matters: the growth story becomes a phased capability build.
What to watch: progress milestones, shutdown execution, capex cadence, and post-completion operating disclosure.
What would pressure the outlook: timeline slippage, restart inefficiency, or inadequate disclosure on what exactly improves after completion.

Pillar 5: Capital allocation credibility depends on cash conversion, not dividend optics alone

Luberef's dividend story is strongest when it is presented through cash generation rather than payout optics alone. Company disclosures show solid operating cash flow, free cash flow, and a clear dividend policy. The key point for investors is that distributions look more credible when they are backed by cash generation through a year that also includes project spending and planned downtime.

Why it matters: payout becomes a confidence indicator rather than a stand-alone equity hook.

What to watch: operating cash flow, free cash flow, cash conversion, and board-confirmed dividend actions.
What would pressure the outlook: working-capital drag, capex overshoot, or a payout stance that outpaces internally generated cash.

2026: Turning Plans into Results

For Luberef, FY2026 is an important year for translating strategy into reported operating performance. The investment case does not depend on a new narrative. It depends on execution against disclosed operating markers: whether planned downtime is handled without excessive disruption, whether margin quality holds through a busy year, and whether Growth II progress supports a clearer path to stronger mix and cash generation.

A clean FY2026 would do more than protect earnings. It would strengthen confidence in the durability of Luberef's operating model and future cash generation. A weaker FY2026 would not remove the longer-term story, but it would delay confidence in it.

Luberef: 2026 Operations & Execution Timeline

Key milestones, capex gates and KPI watchpoints | SAR unless noted

2026 TIMELINE

◆ JANUARY 2026	◆ AUGUST 2026	◆ H2 2026
Jeddah Inspection	**Yanbu Shutdown**	**Growth II Completion**
Downtime / Event: 12 days	Downtime / Event: 30 days	Downtime / Event: Targeted completion H2 2026
Capex: Annual maintenance typically SAR 100–140m	Capex: Linked to Growth II project activities	Capex: SAR 300–350m (Growth II)
KPI to Monitor: Post-maintenance volume recovery / execution vs plan	KPI to Monitor: Shutdown execution / volume impact / export allocation flexibility	KPI to Monitor: Project delivery / mix uplift / ramp readiness

2026 Key Operating Targets

Base Oil Volume Target	Domestic Mix Target	HVGO Guidance
~1.25m MT	**~30%**	**~7,500 tons/month**

HVGO guidance remains subject to availability, while primary feedstock allocation is secured.

Execution Watchpoints
▸ Shutdown timing could pressure volume delivery
▸ HVGO availability may affect incremental volume support, while primary feedstock allocation remains secured
▸ Capex cadence could shift with execution timing
▸ Domestic sales remain prioritized for local premium capture; operational constraints would be more likely to affect export volumes

Source: Luberef; VASRO analysis and compilation.

Outlook Scenarios

Stronger Execution Scenario

The stronger case is straightforward: Luberef delivers the 2026 operating calendar with limited disruption, keeps utilization and reliability at healthy levels, protects premium capture, and exits Growth II with a clearer path to better mix and more durable cash generation. In that outcome, the market is more likely to value the business on platform quality and execution discipline, not only on short-term spread movement.

Core Execution Scenario

The base case is that 2026 remains busy but manageable. Planned downtime weighs on volumes as guided, Growth II stays broadly on track, spreads remain cyclical but supportive enough, and cash generation remains solid. In this outcome, investor confidence improves gradually, but the market still waits for full delivery before assigning a higher-quality multiple.

Weaker Execution Scenario

The softer case is mainly about execution pressure. Shutdowns take longer, restart performance is slower, incremental HVGO availability is lower than planned, and product mix is less supportive than expected. In that setup, the market would likely place less value on mix improvement and more weight on near-term delivery. The result would be a more cyclical equity profile until operating momentum improves.

2026 Execution Markers

What to track	What it tells us
Plant uptime	Whether the facilities are running consistently enough for Luberef to turn its margin opportunity into actual earnings.
HVGO availability and feedstock support	Whether incremental HVGO supply is available to support utilization and production efficiency, while the core feedstock base remains secured..
Base oil crack margin	Whether market conditions are supportive enough for the core base-oils business to keep generating healthy unit economics.
Base oil sales volume	Whether operating recovery is really showing up in sold volumes rather than only in management commentary.
Product mix and revenue composition	Whether the higher-value base-oils business continues to drive earnings quality, while the broader output mix remains stable.
Growth II progress and spending	Whether the expansion is advancing on schedule and in a financially controlled way.
Free cash flow and dividend cover	Whether reported earnings are turning into real cash that can support distributions without stretching the balance sheet.

Source: Luberef; VASRO analysis

Metrics judgment: if these KPIs are disclosed consistently and definitions remain stable, investors can value Luberef with less narrative drift. If disclosure weakens or definitions change, the stock will trade closer to undifferentiated commodity exposure regardless of underlying operations.

How Luberef Creates Value

Luberef is best understood as a specialty downstream base oils platform. It buys benchmark-linked feedstock, processes it through a reliability-sensitive refinery system, sells both base oils and by-products, and creates value when spread capture, utilization, and mix work together. That is the simplest and most accurate way to frame the business.

Position in the value chain

Company disclosures place Luberef in the downstream conversion part of the value chain. Feedstock matters at the start, refining reliability matters in the middle, and pricing plus premium capture matter at the end. This is important because value is created through several connected steps, not through one variable alone. Strong results require feedstock access, stable operations, the right product mix, and good market placement.

Value creation logic:

Feedstock → processing units / refinery reliability → base oils and by-products output slate → domestic and export channels → cash generation and distribution discipline.

Company disclosures indicate that feedstock expectations are referenced to 380 CST HSFO Singapore 3.5%, while product pricing follows a benchmark-plus-premium structure. Domestic pricing is linked to an Asian benchmark and export pricing depends on destination. Related-party disclosures also indicate formula-based arrangements within the wider Aramco system. For the reader, the key point is simple: Luberef's economics are structured, not arbitrary.

This is why Luberef cannot be framed as a simple "price taker." The platform has commercial levers, but those levers are only valuable when the operating system is stable enough to capture them. Reliability is not a support metric here. It is part of the revenue architecture.

What Luberef Sells

The portfolio is best understood by separating core earnings drivers from volatility modifiers.

2.1 Base oils: The Core Earnings Engine

Base oils remain the core earnings engine, but the portfolio description should be more precise. Luberef's commercial materials reference three branded base-oil families - aramcoDURA, aramcoPRIMA, and aramcoULTRA - while current operating capacity remains anchored in Group I and Group II production from Jeddah and Yanbu. The right conclusion for investors is that Luberef already operates a quality-focused base oils platform, while Growth II is the project that could expand mix flexibility further. That is a better and cleaner message than implying that every displayed grade already has a separately disclosed premium profile.

This distinction matters. Investors do not need a generic statement that Luberef sells base oils. They need to know that base oils are the part of the business where premium capture, destination

strategy, and later upgrade-path credibility reside. That is why the crack margin and pricing framework deserve central attention.

2.2 By-products: A Material Part of the Revenue Mix

By-products remain an important and stable part of Luberef's production and revenue mix and should be described as such. Management has clarified that they account for about 67% of production mix, without significant deviation, which means they are better understood as a structural element of the output slate than as a changing swing factor in the equity story. For analytical purposes, by-products should therefore be treated mainly as a revenue and mix component, while downstream profitability should still be judged primarily through base-oil economics.

2.3 Freight services: A Presentation Item to Watch

Freight services are better treated as an accounting presentation point than as a core earnings driver. The audited accounting policy states that freight revenue is recognized over time as shipping services are rendered.

That means the real analytical issue is not whether freight exists, but whether reported revenue should be interpreted on a gross or net basis in specific arrangements. For assessment purposes, freight should stay outside the core operating thesis and inside the revenue-quality and KPI-cleanliness discussion.

How Each Product Group Contributes

Product family	Role in the story
Base oils	Core value engine
Base oil grades shown in Yanbu schematic	Practical mix lever
By-products	Material revenue and mix component
Asphalt / diesel / naphtha / fuel-related outputs	Named components of by-products
Freight services	Revenue classification / quality-of-revenue watchpoint

Source: Luberef; VASRO

How Revenue Is Formed

The company's pricing disclosures are useful because they explain the revenue model clearly. For 2026, management describes base oil pricing as benchmark plus premium. Domestic pricing is linked to an Asian benchmark, export pricing varies by destination, and domestic premiums are disclosed in a range of SAR 375–750 per metric ton, while management also states an intention to maximize export premiums. In practical terms, revenue quality depends on three things: the benchmark, the premium, and the mix of products and destinations. That makes Luberef more than a volume story.

Luberef: Pricing, Margin Logic and Revenue Mix Dashboard

How pricing translates into crack margin and revenue mix | SAR unless noted

Pricing Formula	Margin Logic
Realized base oil sales price	▸ Domestic pricing references an Asian benchmark
Less: Freight	▸ Domestic premium range: SAR 375–750/MT
Less: Feedstock cost	▸ Export pricing varies by destination
= Crack Margin	*Long-term average crack margin reference discussed in research narrative*

FY2025 Crack Margin
SAR 1,911/MT

2025 Revenue Mix
Base Oils
SAR 4.34bn
By-products
SAR 3.76bn
Total Revenue: SAR 8.10bn
Sales Geography Anchor
Local sales: SAR 5.06bn | Export: UAE, India

What This Means

Pricing	Mix	Geography
Margin depends on realized selling price versus feedstock and freight	By-products remain a stable and meaningful part of reported revenue mix	Local market placement supports premium capture, while export allocation provides additional commercial flexibility

Source: Luberef; VASRO analysis and compilation.

What Drives Earnings

3.1 Base Oil Spread Capture

The first-order margin driver is realized base-oil spread capture, and the company now gives a clear enough formula to say that directly. In the Annual 2025 earnings-call material, Luberef defines base oil crack margin as realized base oil sales price per metric ton less freight per metric ton and feedstock cost per metric ton. That is important because it means the disclosed spread is closer to realized commercial economics than to a simple external benchmark spread. In other words, the key earnings lever is not just headline pricing; it is the company's ability to convert realized pricing, freight discipline, and feedstock cost control into repeatable per-ton margin.

3.2 Reliability and Utilization

The second-order driver is the ability to keep the system running at a credible utilization level with strong mechanical availability. In a business with fixed-cost absorption sensitivity, operating continuity is part of margin protection. This is especially true in 2026, when planned downtime already exists in the base plan.

3.3 Product and Market Mix

The third margin driver is mix, and for Luberef that means more than domestic versus export volumes. It includes the quality of the base-oil slate, the priority given to domestic placement for premium capture, and the commercial ability to direct export volumes into channels that support better realizations, and the broader revenue composition around a by-product stream that management describes as structurally stable.

The company discloses benchmark-plus-premium pricing, destination-based export pricing, and a visible Yanbu slate, but it does not yet provide a formal bridge from individual grades to realized premium tiers. Investors should therefore treat mix as a real earnings lever, but not assume that every product label shown in the project material already carries a separately disclosed margin profile.

3.4 Feedstock Cost and Availability

Feedstock linkage remains a direct cost driver, but the operational framing should be more precise. Luberef's primary feedstock base is secured, while the additional HVGO stream is the part that remains subject to availability. In practical terms, feedstock influences profitability mainly through cost of goods sold, while operational upside comes from whether incremental HVGO supply is available to support utilization and output efficiency.

3.5 Working Capital and Cash Timing

By-products, export lanes, and turnaround timing can all affect inventory and receivables behavior. That does not change the industrial economics of the plant, but it can materially change the timing and quality of cash realization. For a company that wants to be understood as a disciplined distributor of cash through the cycle, this is strategically important.

Sales Channels and Market Reach

Company disclosures evidence both domestic and export sales, with audited geographic disclosure across Saudi Arabia and multiple export destinations. The strategic implication is not simply geographic breadth. Luberef prioritizes domestic placement in order to capture local premium, while exports provide additional commercial reach and placement flexibility. *The channel question is therefore not simply whether the company exports, but how effectively it protects domestic premium capture while using export channels to optimize placement, cash conversion, and logistics discipline.*

At the same time, related-party disclosures show that the company operates within a commercially meaningful Aramco-linked ecosystem for both feedstock purchases and certain product sales. That can support operating stability, but it also concentrates analytical attention on pricing formulas, terms, and the balance between strategic support and structural dependency.

Why Execution Matters

Luberef is relatively easy to understand, but it can still be framed the wrong way. The company provides investors with clear markers on pricing, margins, reliability, downtime, project progress, and capital spending. That is a solid starting point. The right conclusion is that Luberef is neither a generic commodity equity nor a fully de-risked upgrade story. It is a specialized base oils platform with a visible improvement path, where value depends on consistent delivery and clear reporting.

Shareholder Structure and Ownership Context

This dashboard summarizes Luberef's current ownership structure and its transition into a listed-company form, helping frame control, free float and market structure in one view.

Current Ownership Snapshot

Issued Shares	Controlling shareholder	Foreign Ownership Limit	Actual foreign ownership
168,750,000	Saudi Aramco	49.0%	5.59%

Current Ownership Structure

Holder	Shares	Ownership %
Saudi Aramco	**118,125,000**	**70.0000%**
Public / free float	50,130,050	29.7067%
Treasury shares	494,950	0.2933%
Total	**168,750,000**	**100.0000%**

Ownership Transition Timeline

1976	→	JV founded: Petromin 70% / Mobil 30%
1996	→	Saudi Aramco became controlling shareholder
2007	→	Jadwa acquired the 30% historical stake
2022	→	IPO created the current listed-company structure

What This Means

- Strategic control remains anchored with Saudi Aramco
- Public float gives market access and trading relevance
- Treasury shares explain why free float is below a full 30.0%

Source: Luberef; VASRO analysis and compilation

Board of Directors and Key Senior Management

Governance matters because the Luberef investment case depends not only on margins and execution, but also on board oversight, financial discipline and credible delivery.

6 Board Members	2 Independent Directors	2 Key Executives

Board of Directors

Name	Position	Investor Relevance
Ibrahim Q. Al buainain	Chairman of the Board of Directors	Leads board oversight and sets the governance tone at the top.
Abdulatif Saleh A. Al Shami	Vice Chairperson	Relevant for governance credibility and deputy board leadership in a controlled-shareholder structure.
Andrew S. Katz	Non-Executive Director	Part of the oversight layer; relevant for board-level review rather than daily execution.
Khalid Dawood Y. Al faddagh	Independent Director	Important for independent oversight and minority-shareholder protection.
Nabelah Al Tunisi	Independent Director	Adds independent judgment and board balance.
Mohammed K. Al-Dhubaib	Non-Executive Director	Supports strategic oversight and major board decisions.

Key Senior Management

Name	Position	Investor Relevance
Samer A. Al-Hokail	President & CEO	The key execution owner; accountable for strategy, operations, and delivery.
Saud Kamakhi	CFO	The key finance owner; accountable for reporting quality, controls, capital discipline, and investor confidence.

Governance quality matters because Luberef's equity story depends not only on margins and execution, but also on board oversight, financial discipline and credible delivery.

Source: Luberef; VASRO analysis and compilation

Industry Overview

Luberef operates in a part of the downstream market where quality, mix, and end-market placement matter as much as volume. Its current industrial base spans Jeddah and Yanbu, and audited 2025 revenue shows material contributions from both base oils and by-products. The industry read-through is straightforward: Luberef is not a one-product refinery story. It is a quality-sensitive base oils business whose earnings depend on how much of the spread it can keep after feedstock, freight, downtime, and mix effects.

A market defined by quality, not just barrels

The base oils market is shaped by quality tiers as well as volume. Luberef's current product pages point to Group I and Group II production, while broader corporate materials also reference the aramcoDURA, aramcoPRIMA, and aramcoULTRA families. For investors, the implication is simple: quality matters because it affects end-market access, premium capture, and resilience when spreads normalize. The upside is not just higher output. It is better realized economics from a stronger product mix over time.

How the market clears: destination, premium, and freight

For Luberef, market clearing is a commercial question, not a theoretical one. Audited 2025 disclosures show a meaningful domestic sales base and exports to a wide set of markets. Management also describes a benchmark-plus-premium pricing structure, with domestic placement supporting local premium capture and export pricing shaped by destination. That means the real revenue question is

not only how much product is sold, but how effectively domestic premium is protected and how export volumes are allocated across markets and freight conditions.

Competitive Positioning

Luberef is best positioned as a specialized regional base oils producer with global export relevance. The company describes itself as the leading base oils producer in Saudi Arabia and one of the larger base oils producers globally. For equity readers, the important point is not scale alone. It is the combination of specialized production, domestic market access, and export reach into multiple end markets.

Why Luberef matters in its market

Luberef's commercial footprint shows why the asset matters in its market. The company sells into the Kingdom, the wider Middle East and North Africa region, India, and into Asia, the Americas, and Europe. Audited 2025 disclosures confirm that export sales were meaningful rather than incidental, while local sales still remained the largest single block. That geographic breadth matters because it gives management room to optimize export placement while keeping the domestic market as the priority channel for premium capture. It also leaves realized margins exposed to freight costs, destination competition, and the economics of export lanes.

The right peer set is economic, not cosmetic.

The correct peer framework for Luberef is an economics peer set, not a broad energy basket. The closest reference points are businesses exposed to the same core drivers: base-oil spreads, reliability, turnaround execution, mix upgrading, and free-cash-flow-backed distributions. That is why direct base-oils and lubricants names such as S-Oil, SK Enmove, and Motiva are the most relevant operating references, while integrated downstream groups such as Exxon Mobil, Shell, and TotalEnergies work better as cycle cross-checks, and specialty-fluid names such as Fuchs and Quaker Houghton function as mix and quality markers rather than true operating peers. This bucketed framework is cleaner for investors because it compares Luberef against the right earnings architecture, not just against companies that happen to sit somewhere in energy.

Peer comparison: Luberef (2223) | Multiples & Quality Snapshot

SAR / local currency as reported

Luberef	Tadawul: 2223, Company (base case)
EV/EBITDA (x)	**12.95x**
EBITDA Margin	13.8%
Net Cash / Debt	Net cash SAR 424m
Dividend Yield	4.98%
Takeaway	*Benchmark, highest-margin downstream pure play on Tadawul; net cash, strong payout*
Source: FY2025 audited FS; Saudi Exchange FY2025 results highlights; MarketScreener | As-of: 11 Mar 2026	

S-OIL Corporation	KRX: 010950 - Peer used for range

EV/EBITDA (x)	21.70x
EBITDA Margin	2.9%
Net Cash / Debt	Net debt KRW 3.76tn
Dividend Yield	0.25%
Takeaway	*Premium multiple reflects Korean refining scale; thin margins, high leverage vs. Luberef*

Source: 4Q/FY2025 results; Company IR; MarketScreener | As-of: 11 Mar 2026

HF Sinclair / DINO	NYSE: DINO - Peer used for range
EV/EBITDA (x)	9.42x
EBITDA Margin	5.0%
Net Cash / Debt	Net debt USD 1.95bn
Dividend Yield	3.42%
Takeaway	*US specialty refiner; lower multiple, moderate margins, meaningful dividend*

Source: FY2025 results; Company IR; MarketScreener | As-of: 11 Mar 2026

H&R GmbH & Co. KGaA	XETRA: 2HRA - Reference only
EV/EBITDA (x)	4.49x
EBITDA Margin	6.3%
Net Cash / Debt	Net debt EUR 166m
Dividend Yield	2.30%
Takeaway	*European specialty refiner; lowest multiple, smaller scale, secondary comparability*

Source: latest financial data; Company IR; MarketScreener | As-of: 11 Mar 2026

EV/EBITDA range used in MID_CYCLE (Core peers)

Peer	EV/EBITDA (x)	Included in range?
Luberef (2223)	12.95	Excluded
S-OIL (010950)	21.7	Included
HF Sinclair / DINO	9.42	Included
H&R GmbH	4.49	Excluded
Low	**9.42x**	
Mid	**15.56x**	
High	**21.70x**	

Source: Luberef; VASRO analysis and compilation

Execution Framework: Four Pillars for 2026–2027

Luberef's strategy becomes investable only when it is translated into operating levers that can be monitored quarter by quarter. That is the right lens because FY2025 already showed that the business could remain resilient despite lower sales volumes, with stronger crack margins helping to protect profitability and cash generation. The execution case for FY2026–FY2027 therefore rests on four pillars: operating stability, realized margin quality, disciplined Growth II delivery, and a measured approach to longer-dated optionality.

Pillar 1: Keep the operating base stable through an execution-heavy year

The first pillar is operating stability. Management reported 99.1% mechanical availability and 82.2% capacity utilization in FY2025, which confirms that the asset base remained fundamentally sound even in a turnaround-affected year. The next step is to carry that reliability through the 2026 inspection and shutdown calendar so that throughput, fixed-cost absorption, and spread conversion remain supportive rather than disruptive to the equity story.

Pillar 2: Preserve realized margin quality through mix and commercial discipline

The second pillar is realized margin quality. Luberef's economics are not driven by benchmark movement alone; they depend on how effectively the company converts feedstock and benchmark conditions into realized pricing across domestic sales and exports, while keeping the broader revenue mix supportive. FY2025 already showed that this model can stay constructive even when volumes soften, with base oil crack margin at SAR 1,911/MT and base-oil revenue of SAR 4.34 billion, while by-products remained a sizable part of reported revenue mix. That reinforces the importance of destination discipline, premium capture, and overall revenue composition.

Pillar 3: Deliver Growth II while preserving cash-generation quality

The third pillar is controlled execution. Growth II is strategically important because it supports higher-value output and greater slate flexibility, but the investment case benefits most if that project is delivered from a position of financial strength rather than balance-sheet stretch. With project progress at 68%, FY2025 Growth II capex of SAR 147 million, FY2026 Growth II capex guided at SAR 300–350 million, and FY2025 free cash flow of SAR 1.073 billion, the company enters this phase with visible capacity to invest while still preserving capital-allocation discipline.

Pillar 4: Recognize strategic optionality without over-capitalizing it

The fourth pillar is disciplined upside recognition. Luberef has visible strategic optionality through its premium-slating pathway, the Growth II upgrade, and the wider strategic initiatives around future base-oil capacity, but the right analytical stance is to recognize that optionality without bringing it too aggressively into the base case. That keeps the core valuation anchored to disclosed execution, while still allowing room for upside as project delivery, product mix, and operating evidence become more concrete.

2026 Execution Scorecard

The 2026 scorecard is already visible in management guidance: around 1.25 million metric tons of base-oil volume, around 30% domestic mix, around 7,500 tons per month of HVGO guidance, with primary feedstock allocation secured and only HVGO availability remaining subject to supply, SAR 120–140 million of remaining Capex related to the December 2025 turnaround, and SAR 300–350 million

of Growth II capex. These are constructive markers because they give investors a clear framework for judging delivery. If operational milestones stay close to plan and cash conversion remains solid, the market has a stronger basis to view Luberef as a more dependable industrial cash-generation story rather than only a short-cycle spread trade.

What Would Strengthen Confidence in 2026–2027

Confidence should build through a sequence of proof points: a clean post-maintenance run-rate, stable crack-margin and utilization disclosure, disciplined Growth II completion in the second half of 2026, and visible evidence that the product slate is becoming more valuable over time. If those signals come through, the market has a sound basis to move toward a higher-quality valuation lens. If delivery is noisier than planned, the base-case framework should remain the primary reference point until visibility improves.

Financial Overview

Luberef's FY2025 financial profile remained solid even though the year was softer than FY2024. Audited revenue was SAR 8.10 billion, net income was SAR 855.3 million, and year-end cash and cash equivalents were SAR 987.4 million. Management's FY2025 presentation adds the operating bridge around those results, including EBITDA of SAR 1.118 billion, base oil crack margin of SAR 1,911 per metric ton, and base oil sales volume of 1.102 million metric tons. The important conclusion is that earnings were lower year on year, but the business remained profitable and cash generative.

Earnings quality: still strong, but visibly volume-sensitive

The key point is not to argue that 2025 was as strong as 2024. It was not. The better point is that Luberef stayed profitable and cash generative through a lower-volume year. Management linked the softer outcome mainly to lower sales volumes. That supports a balanced conclusion: the year was softer, but the core earnings engine remained intact.

Cash conversion: the real proof point in a lower-volume year

Cash generation was one of the strongest features of FY2025. Audited operating cash flow and company-reported free cash flow show that Luberef still converted a softer operating year into meaningful cash. That matters because it supports the credibility of both the dividend framework and the funding capacity for 2026 execution priorities.

Working capital and balance-sheet behavior: cleaner than the headline suggests

Working capital also moved in a more supportive direction. Receivables and inventories ended the year at more manageable levels, which helped the cash outcome despite lower volumes. The key message is not that working-capital risk disappeared. It is that Luberef exited 2025 with a cleaner short-term cash profile than the headline profit trend alone would suggest.

Capital Allocation and Liquidity

Luberef enters 2026 from a position of financial flexibility rather than balance-sheet strain. The audited year-end position shows cash, short-term placements, and net cash headroom alongside manageable borrowings. That matters because 2026 includes both project spending and planned downtime. A stronger balance-sheet starting point gives the company more room to absorb execution noise while preserving strategic options.

Liquidity stack: enough headroom for an execution year

Liquidity looks sufficient for the disclosed 2026 agenda. In addition to cash and Murabaha balances, the financial statements show short-term deposits and unused working-capital facilities, and the company states that it remained compliant with borrowing covenants at year-end.

2026 Execution Capacity

Luberef appears to have the financial capacity to fund its main 2026 priorities, including annual maintenance spending, remaining Capex related to the December 2025 turnaround, Growth II capital expenditure, and ongoing distributions, while maintaining liquidity discipline. For context, annual maintenance Capex typically runs at SAR 100–140 million. The main question is therefore not balance-sheet capacity. It is whether cash generation remains strong as capital spending moves through its busier phase.

Luberef: Cash Generation, Liquidity and Dividend Capacity

FY2025 cash flow, balance-sheet flexibility and payout support | SAR unless noted

Cash Generation Bridge

Operating Cash Flow	**SAR 1.518bn**
Less: PP&E Capex	(SAR 429.3m)
Less: Intangibles	(SAR 15.1m)
Free Cash Flow	**SAR 1.073bn**

- *FCF conversion supports internal funding flexibility*

Liquidity & Net Cash Position

Cash & Cash Equivalents	SAR 987.4m
Short-term Deposits	SAR 385.8m
Borrowings	SAR 785.2m
Lease Liabilities	SAR 163.9m
Net Cash	**SAR 424.1m**

Net cash balance sheet (gearing: -10%)

Unused facilities: SAR 345 m

Balance sheet remains flexible with cash-like resources exceeding financial obligations

Dividend Policy & 2026 Funding Flexibility

- Performance-linked payout policy: ~60–80% of free cash flow
- FY2025 total dividend: SAR 4.5/share
- FY2025 payout equivalent: ~70% of free cash flow

- *2026 execution and capex can be supported without compromising liquidity discipline*

Source: Luberef; VASRO analysis and compilation

Valuation

We value Luberef using a base-case discounted cash flow as the primary anchor, supported by a best-case discounted cash flow and a mid-cycle earnings-power cross-check. That is the right structure because FY2026 remains an execution year rather than a clean steady-state year: the market still needs to see how planned downtime, Growth II delivery, feedstock support, and cash-conversion discipline translate into normalized earnings quality. In that context, the base case should carry the rating, while the best case and the mid-cycle framework should be used to test upside and normalization rather than define the central investment view.

In the model, enterprise value is built from explicit free cash flow forecasts and a terminal value, and then bridged to equity value using Luberef's net cash position. The base-case discounted cash flow remains the primary fair-value anchor, while the best-case discounted cash flow and the mid-cycle framework are used as upside and normalization cross-checks.

DCF VALUATION: BASE CASE

Luberef (Tadawul: 2223) | SAR millions | Mid-year convention

	Unit	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
EBIT	SAR mn	1,041.7	1,083.5	1,116.0	1,143.9	1,166.8	1,190.2	1,214.1	1,238.4	1,263.2	1,288.5
Less: Taxes on EBIT	SAR mn	(22.2)	(23.1)	(23.8)	(24.4)	(24.9)	(25.4)	(25.9)	(26.4)	(26.9)	(27.4)
NOPAT	SAR mn	1,019.5	1,060.4	1,092.2	1,119.6	1,142.0	1,164.9	1,188.2	1,212.0	1,236.3	1,261.0
Plus: D&A	SAR mn	237.9	246.3	251.0	251.8	252.9	254.2	255.7	257.4	259.3	261.4
Less: CapEx	SAR mn	(417.3)	(347.2)	(268.2)	(274.9)	(280.4)	(286.0)	(291.7)	(297.6)	(303.5)	(309.6)
Less: Change in WC	SAR mn	(430.1)	5.0	4.3	3.8	3.1	3.2	3.2	3.2	3.3	3.4
Unlevered Free Cash Flow	**SAR mn**	**410.0**	**964.5**	**1,079.3**	**1,100.3**	**1,117.7**	**1,136.3**	**1,155.4**	**1,175.1**	**1,195.3**	**1,216.2**
DISCOUNTED CASH FLOWS											
Total Cash Flow	SAR mn	410.0	964.5	1,079.3	1,100.3	1,117.7	1,136.3	1,155.4	1,175.1	1,195.3	25,805.2
Discount period (mid-year)	yr	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Discount factor	x	0.9665	0.9029	0.8435	0.7880	0.7361	0.6877	0.6424	0.6001	0.5606	0.5237
PV of Cash Flow	**SAR mn**	**396.3**	**870.9**	**910.4**	**867.0**	**822.7**	**781.4**	**742.3**	**705.2**	**670.2**	**13,515.4**

PV of FCFs (FY2026-FY2035)	SAR mn	7,403.3
PV of Terminal Value	SAR mn	12,878.5
Enterprise Value	**SAR mn**	**20,281.8**
TV as % of EV	%	63.50%
EV-TO-EQUITY BRIDGE		
Enterprise Value	SAR mn	20,281.8
Less: Total Borrowings (FY2025)	SAR mn	(785.2)
Less: Lease Liabilities (FY2025)	SAR mn	(163.9)
Plus: Cash & Equivalents (FY2025)	SAR mn	987.4
Plus: Short-Term Investments (FY2025)	SAR mn	385.8
Equity Value	**SAR mn**	**20,705.9**
Shares Outstanding	mn	168.75
Equity Value per Share	**SAR**	**122.7**

Source: VASRO

The base-case discounted cash flow is the most defensible fair-value anchor in the current report because it reflects a credible execution path rather than a perfect one. It assumes that Luberef can move beyond the FY2025 turnaround effect and continue normalizing earnings and cash generation from FY2026 onward, but without assuming that every operating variable resolves immediately or without friction. With the current model output at SAR 116.6 per share, this case best captures the value of the business under a disciplined but constructive operating trajectory.

DCF VALUATION: BEST CASE

Luberef (Tadawul: 2223) | SAR millions | Mid-year convention

	Unit	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
EBIT	SAR mn	1,136.1	1,204.4	1,252.6	1,290.2	1,322.5	1,355.6	1,389.6	1,424.3	1,460.0	1,496.5
Less: Taxes on EBIT	SAR mn	(22.7)	(24.1)	(25.1)	(25.8)	(26.5)	(27.1)	(27.8)	(28.5)	(29.2)	(29.9)
NOPAT	SAR mn	1,113.4	1,180.3	1,227.6	1,264.4	1,296.1	1,328.5	1,361.8	1,395.9	1,430.8	1,466.6
Plus: D&A	SAR mn	237.9	247.3	253.1	254.8	256.8	259.1	261.6	264.4	267.5	270.8
Less: CapEx	SAR mn	(437.6)	(371.1)	(289.4)	(298.1)	(305.6)	(313.2)	(321.0)	(329.1)	(337.3)	(345.7)
Less: Change in WC	SAR mn	(305.7)	15.2	11.0	8.7	7.5	7.7	7.8	8.0	8.2	8.4
Unlevered Free Cash Flow	**SAR mn**	**608.0**	**1,071.7**	**1,202.3**	**1,229.8**	**1,254.9**	**1,282.1**	**1,310.2**	**1,339.3**	**1,369.2**	**1,400.1**
DISCOUNTED CASH FLOWS											
Total Cash Flow	SAR mn	608.0	1,071.7	1,202.3	1,229.8	1,254.9	1,282.1	1,310.2	1,339.3	1,369.2	33,935.2
Discount period (mid-year)	yr	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Discount factor	x	0.9671	0.9046	0.8461	0.7915	0.7403	0.6924	0.6477	0.6058	0.5667	0.5300
PV of Cash Flow	SAR mn	588.0	969.5	1,017.3	973.4	929.0	887.8	848.6	811.3	775.9	17,986.4
PV of FCFs (FY2026-FY2035)	SAR mn	8,542.8									
PV of Terminal Value	SAR mn	17,244.3									
Enterprise Value	SAR mn	25,787.1									
TV as % of EV	%	66.87%									

EV-TO-EQUITY BRIDGE		
Enterprise Value	SAR mn	25,787.1
Less: Total Borrowings (FY2025)	SAR mn	-785.2
Less: Lease Liabilities (FY2025)	SAR mn	-163.9
Plus: Cash & Equivalents (FY2025)	SAR mn	987.4
Plus: Short-Term Investments (FY2025	SAR mn	385.8
Equity Value	**SAR mn**	**26,211.2**
Shares Outstanding	mn	168.8
Equity Value per Share	**SAR**	**155.3**

Source: VASRO

The best-case discounted cash flow captures the upside available if Luberef delivers a cleaner execution year, sustains stronger spread capture, and converts Growth II progress into greater confidence around medium-term earnings power. At SAR 151.2 per share, it illustrates how valuation can respond if operational reliability, commercial realization, and cash discipline all trend in the right direction together.

Sensitivity Analysis

The sensitivity matrix matters because Luberef is still being underwritten through execution rather than through a fully normalized earnings base. Small changes in discount-rate assumptions or long-run growth expectations can therefore move fair value meaningfully, especially when the market is still deciding how much of the company's current earnings and cash-generation profile should be treated as durable through the cycle.

BASE CASE — Equity Value per Share (SAR)

WACC ↓ \ g →	0.01	1.0%	0.02	2.0%	0.03	3.0%	0.04
5.8%	129.0	137.8	148.6	162.3	180.0	204.2	238.8
6.3%	117.8	124.8	133.2	143.6	156.7	173.8	197.0
6.8%	108.4	114.1	120.8	128.9	138.8	151.4	167.9
7.0%	104.3	109.5	115.5	**122.7**	131.5	142.5	156.6
7.8%	93.5	97.3	101.8	107.0	113.2	120.7	129.9
8.3%	87.5	90.7	94.4	98.6	103.7	109.6	116.8
8.8%	82.2	84.9	88.0	91.5	95.6	100.5	106.2

BEST CASE — Equity Value per Share (SAR)

WACC ↓ \ g →	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
0.06	168.6	183.2	202.0	227.0	262.1	314.8	402.5
6.0%	151.7	162.9	177.0	195.0	219.1	252.8	303.4
0.07	137.9	146.7	157.5	171.0	188.3	211.5	243.9
6.9%	128.3	135.6	144.5	**155.3**	169.0	186.6	210.3
0.08	116.6	122.4	129.2	137.4	147.3	159.8	175.8
8.0%	108.3	113.1	118.6	125.1	133.0	142.6	154.5
0.09	101.1	105.1	109.6	114.9	121.2	128.8	138.0

Source: VASRO

Mid-Cycle Earnings Power Valuation

Normalization-based valuation reference alongside the discounted cash flow valuation

NORMALIZED OPERATING SNAPSHOT	SAR m
Normalized Revenue	9,728.6
Normalized EBIT Margin	12.5%
Mid-Cycle FCFF	**1,152.9**

PERPETUITY FCFF VALUATION	SAR m
Enterprise Value	22,123.8
Net Debt / (Net Cash)[1]	-424.1
Equity Value	**22,547.9**
Equity Value / Share	**133.6**

EV/EBITDA Multiple Reference

Illustrative market-multiple reference based on selected peers

	Low	Mid	High
EV/EBITDA Multiple (x)	9.4x	15.6x	21.7x
Enterprise Value	13,852.9	22,882.3	31,911.7
Equity Value / Share	**84.6**	**138.1**	**191.6**

Valuation Reference Points	SAR/share
DCF Base Case	116.6
DCF Best Case	151.2
Mid-Cycle (Perpetuity)	133.6

[1] *Net debt includes borrowings and lease liabilities, less cash and short-term investments. Negative value indicates net cash.*

The mid-cycle framework is not a second target price. It is a normalization tool that tests what Luberef could be worth once spreads, utilization, and capital intensity move closer to a steadier operating profile. With a mid-cycle reference of SAR 133.6 per share, this cross-check supports the view that the current valuation debate should not be framed only through a shutdown-affected year, but through the company's broader through-cycle earnings and cash-generation capacity.

Target Price and Fair Value

Based on the current model configuration, the most defensible fair-value anchor is the base-case discounted cash flow at SAR 116.6 per share. We view that as the right published reference point because it is supported by visible operating recovery assumptions, a still-flexible balance sheet, positive free cash flow generation, and a project-execution path that is already defined in company guidance. The best-case discounted cash flow at SAR 151.2 per share and the mid-cycle reference at SAR 133.6 per share remain important valuation markers, but they are better used as upside and normalization cross-checks than as the primary published fair-value anchor.

Case Weighting and Interpretation

The valuation range should be read through an execution lens. If Luberef delivers a more stable operating cadence, keeps realized margin quality visible, and completes Growth II without compromising cash discipline, confidence can move toward the upper half of the valuation framework. If execution remains more uneven, the base case should continue to anchor the rating because it already captures recovery without overpaying for upside that has not yet been fully earned.

Dividend Posture: Backed by Capacity and Cash Generation

Dividend capacity is real, but it should be treated as a function of free cash flow rather than as a standing equity promise. Audited disclosures already show dividends paid in 2025 for FY2024 and for the first half of 2025, while the board also recommended a second-half 2025 cash dividend that would take total FY2025 dividends to SAR 4.5 per share, subject to shareholder approval and the standard eligibility process. Management's own presentation also frames distributions in the range of 60% to 80% of free cash flow across crack-margin environments. The financial conclusion is simple: the distribution story is credible, but only as long as cash conversion remains intact through 2026.

Rate Exposure: Manageable, but Not Irrelevant

Interest-rate risk is not the main equity debate here, but it is not zero either. Luberef's borrowings are mainly variable-rate Murabaha facilities linked to SIBOR for Saudi Riyal debt and Term SOFR for US dollar debt, and the company discloses that a 100 basis point move would change future interest on outstanding loans by about SAR 10.4 million. That is manageable in the context of 2025 cash generation, but it still matters because higher rates would directly trim free cash flow in a year when turnaround and Growth II spending already demand discipline.

Risk Framework

The Luberef case remains constructive, but it still depends on several operating variables holding together at the same time. The most relevant risks are therefore the same levers that drive the investment case in normal conditions: spreads, reliability, feedstock availability, working-capital behavior, and funding discipline. Framed this way, the risk section remains analytical and decision-useful rather than slipping into boilerplate.

Risk 1: Spread Compression and Weaker Realized Pricing

The first risk is weaker realized pricing rather than crude-price noise on its own. If base oil crack margin normalizes lower, or if premium capture weakens because destination economics or freight become

less favorable, earnings can soften quickly even without a major operational issue. The relevant early indicators are crack margin, base oil sales volume, and any change in management's premium or destination commentary.

Risk 2: Downtime or Growth II Execution Slippage

Execution remains the main near-term watch item. Management has already outlined the key 2026 milestones, including planned inspection, planned shutdown, Growth II progress, and remaining project spend. That makes the story easy to monitor. If downtime extends, ramp-up is slower than planned, or capex rises without clear operating benefit, investor confidence is likely to stay more cautious.

Risk 3: Feedstock Availability Becoming a Binding Constraint

Feedstock matters not only as a cost input, but also as a potential constraint on volumes and mix. Management's 2026 guidance makes that clear, especially around HVGO availability and incremental HVGO availability. This means the feedstock story can affect both margin and output at the same time. The early signs would be changes in guidance, weaker throughput, or shifts in management's language on compatible feedstock.

Risk 4: Counterparty Concentration, Working-Capital Swings, and Liquidity Drag

Luberef's related-party ecosystem is commercially useful, but it also concentrates risk. The financial statements show that the majority of receivables are concentrated in Saudi Arabia, the five largest customers represented a large share of outstanding trade receivables at year-end, and the company continues to operate with material netting arrangements and related-party payable balances linked to Saudi Aramco. This does not imply immediate credit stress. It does mean that cash realization, payment timing, and working-capital swings deserve continuous monitoring, especially when the business is moving through turnaround windows. The early warning indicators are receivables build, inventory build, payable compression, and any deterioration in related-party settlement timing.

Risk 5: Variable-Rate Funding and Disclosure Drift

The final risk is not dramatic, but it matters for valuation quality: funding is variable-rate and several of the company's most important indicators are management-defined rather than IFRS-defined. The borrowings are floating rate, non-IFRS measures in the deck are rounded, and key operating metrics such as capacity utilization and cash conversion depend on stable disclosure definitions to remain analytically useful. Even if operations hold up, a change in KPI definitions or weaker reconciliation discipline would raise the risk premium because investors would be forced to re-value the framework itself rather than simply monitor delivery. The early warning indicators are definition changes, reduced reconciliation detail, and higher finance-cost sensitivity.

Monitoring Framework

Luberef: Quarterly Control Panel

Key markers to track each quarter

Enough operating and financial anchors are disclosed to support disciplined monitoring.	Keep definitions stable - force every update back to the same small set of drivers.
A) OPERATIONS	
1. Mechanical Availability	
Why it matters	Leading indicator of asset stability through shutdown windows.
Next-quarter watchpoint	Post-maintenance availability recovery trajectory.
2. Capacity Utilization	
Why it matters	Cleanest proxy for throughput and fixed-cost absorption.
Next-quarter watchpoint	Utilization trend as Growth II ramp begins.
B) COMMERCIAL	
3. Base Oil Crack Margin	
Why it matters	Primary realized spread and clearest earnings sensitivity axis.
Next-quarter watchpoint	Spread compression or expansion vs feedstock moves.
4. Base Oil Sales Volume	
Why it matters	Converts spread into earnings; shows downtime or recovery impact.
Next-quarter watchpoint	Volume normalization after any maintenance drag.
5. Revenue Split: Base Oils vs By-Products	
Why it matters	Anchors the model to the actual two-engine revenue structure.
Next-quarter watchpoint	By-product revenue share drift quarter-on-quarter.
C) EXECUTION	
6. Growth II Progress & Capex Cadence	
Why it matters	Core execution scoreboard for the upgrade path.
Next-quarter watchpoint	Milestone delivery vs disclosed timeline and budget.
D) CASH / CAPITAL ALLOCATION	
7. OCF, FCF & Dividend Actions	
Why it matters	Tests whether capital allocation stays disciplined in a capex year.
Next-quarter watchpoint	Payout ratio and FCF coverage through capex peak.
8. Working-Capital Markers	
Why it matters	Inventories, receivables, payables decide if earnings convert to cash.
Next-quarter watchpoint	Days-outstanding trends and any unusual builds.
What Strengthens Confidence?	
Stable reliability through maintenance · Consistent spread capture and volume recovery	
Visible Growth II milestone delivery · Cash conversion supporting payout discipline	
Why This Matters	Stable KPI definitions and disclosure quality make the story easier to value. Drift weakens confidence before the P&L does.

Source: Luberef; VASRO analysis

Appendix

The following statements summarize Luberef's historical IFRS performance and our forecast bridge through FY2028E. Historical FY2023A–FY2025A figures are drawn from audited financial statements, while FY2026E–FY2028E are VASRO estimates. Together, they show how the operating assumptions discussed in the report translate into revenue, margins, cash generation, balance-sheet evolution, and valuation.

P&L - IFRS (SAR m)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Revenue	9,489.0	10,036.0	8,103.0	8,346.1	8,679.9	8,940.3
Cost of Revenue	7,630.0	8,700.0	6,925.0	7,027.4	7,308.5	7,527.8
Gross Profit	1,858.0	1,336.0	1,179.0	1,318.7	1,371.4	1,412.6
Selling, General & Admin	266.9	345.5	289.2	275.4	286.4	295.0
Other Operating Expenses	0.7	(1.0)	1.5	1.5	1.5	1.5
Operating Expenses	268.7	346.0	289.3	277.0	288.0	296.6
Operating Income (EBIT)	1,590.0	989.6	889.5	1,041.7	1,083.5	1,116.0
Interest Expense	(141.4)	(91.3)	(62.2)	(58.5)	(49.9)	(41.4)
Interest & Investment Income	130.7	79.9	46.7	50.0	30.4	29.8
Pretax Income	1,579.0	988.4	873.9	1,033.2	1,064.0	1,104.4
Income Tax Expense	69.4	16.4	18.6	22.0	22.7	23.5
Net Income	1,510.0	972.0	855.3	1,011.2	1,041.3	1,080.9
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	**1,510.0**	**972.0**	**855.3**	1,011.2	1,041.3	1,080.9
EPS Basic (SAR/share)	8.98	5.78	5.08	5.99	6.17	6.41
EPS Diluted (SAR/share)	8.98	5.78	5.08	5.99	6.17	6.41
Depreciation & amortisation	302.5	249.5	228.9	237.9	246.3	251.0
EBITDA	1,892.0	1,239.0	1,118.0	1,279.6	1,329.8	1,367.0

Source: Luberef; VASRO

SAR m unless noted; m = millions. FY2026 includes normalization + downtime/execution effects.

Balance sheet - IFRS (SAR m)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
ASSETS						
Cash & Equivalents	546.0	735.2	987.4	667.7	694.4	715.2
Short-Term Investments	1,635.0	452.3	385.8	168.3	124.3	177.1
Accounts Receivable	1,054.0	961.1	415.6	731.7	761.0	783.8
Other Receivables	1.5	0.7	55.1	56.8	59.0	60.8
Inventory	623.0	670.9	643.8	596.8	620.7	639.3
Prepaid Expenses	11.5	3.8	1.3	1.7	1.7	1.8
Other Current Assets	10.8	7.4	9.1	9.1	9.1	9.1
Total Current Assets	3,885.0	2,836.0	2,504.0	2,232.1	2,270.2	2,387.1
Property, Plant & Equipment (incl. ROU assets)	4,938.0	4,867.0	5,061.0	5,240.4	5,341.3	5,358.5
Other Intangible Assets	15.3	17.2	26.6	25.2	24.0	22.8
Other Long-Term Assets	0.5	18.8	14.4	21.5	21.5	21.5
Total Assets	8,856.0	7,739.0	7,606.0	7,519.2	7,657.0	7,789.9
LIABILITIES						
Accounts Payable	1,049.0	1,447.0	1,340.0	1,174.4	1,221.4	1,258.1
Accrued Expenses	254.1	268.0	265.5	273.8	284.7	293.2
Current Portion of Debt	198.4	116.5	133.9	138.6	138.6	138.6
Current Portion of Leases	22.4	19.5	30.1	30.1	30.1	30.1
Tax Payable	79.3	31.8	24.7	22.0	22.7	23.5
Unearned Revenue	11.0	18.4	15.7	15.9	16.5	17.0
Other Current Liabilities	86.8	109.4	31.6	32.5	33.9	34.9
Total Current Liabilities	1,701.0	2,011.0	1,842.0	1,687.3	1,747.8	1,795.4
Long-Term Debt	1,744.0	785.1	651.3	507.9	369.3	230.7
Long-Term Leases	163.8	149.9	133.8	133.8	133.8	133.8
Pension & Post-Retirement	329.2	345.3	349.6	356.6	363.7	371.0
Other Long-Term Liabilities	49.6	50.9	47.6	48.0	48.5	49.0
Deferred Tax Liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Total Liabilities	3,988.0	3,342.0	3,024.0	2,733.7	2,663.2	2,579.9
EQUITY						
Common Stock	1,688.0	1,688.0	1,688.0	1,688.0	1,688.0	1,688.0
Retained Earnings	3,231.0	2,759.0	2,944.0	3,146.2	3,354.5	3,570.7
Treasury Stock	(49.2)	(49.2)	(48.7)	(48.7)	(48.7)	(48.7)
Total Shareholders' Equity	4,869.0	4,397.0	4,582.0	4,785.6	4,993.8	5,210.0
Total Liabilities & Equity	8,856.0	7,739.0	7,606.0	7,519.2	7,657.0	7,789.9

Source: Luberef; VASRO

Cash flow statement (SAR m)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
OPERATING ACTIVITIES						
Net Income	1,510.0	972.0	855.3	1,011.2	1,041.3	1,080.9
Depreciation & Amortization	318.3	267.0	251.8	237.9	246.3	251.0
Other Amortization	3.0	4.3	5.8	1.3	1.3	1.2
Stock-Based Compensation	9.0	1.9	1.6	-	-	-
Other Operating Activities	88.9	64.4	73.4	65.9	57.5	49.1
Change in Accounts Receivable	(31.9)	89.7	547.0	(316.2)	(29.3)	(22.8)
Change in Inventory	(32.3)	(45.0)	26.5	46.9	(23.9)	(18.6)
Change in Accounts Payable	499.3	394.4	(154.3)	(165.6)	47.0	36.6
Change in Other Working Capital	(43.7)	56.6	(88.3)	4.7	11.2	9.1
Income Taxes Paid (disclosure)	(99.2)	(2.1)	-	*(22.0)*	*(22.7)*	*(23.5)*
Interest Received (disclosure)	130.7	79.9	46.7	*50.0*	*30.4*	*29.8*
Operating Cash Flow	2,322.0	1,808.0	1,518.0	886.3	1,351.4	1,386.6
INVESTING ACTIVITIES						
Capital Expenditures	(213.1)	(196.6)	(429.3)	(417.3)	(347.2)	(268.2)
Other Investing Activities	(1,477.0)	1,179.8	66.4	-	-	-
Investing Cash Flow	(1,691.0)	976.6	(378.0)	(417.3)	(347.2)	(268.2)
FINANCING ACTIVITIES						
Net Debt Issued / (Repaid)	(163.1)	(1,056.0)	(138.6)	(138.6)	(138.6)	(138.6)
Dividends Paid	(1,683.0)	(1,447.0)	(686.5)	(809.0)	(833.0)	(864.7)
Interest Paid (Financing)	(151.1)	(92.6)	(62.2)	(58.5)	(49.9)	(41.4)
Financing Cash Flow	(1,997.0)	(2,596.0)	(887.3)	(1,006.1)	(1,021.6)	(1,044.7)
Net Cash Flow	(1,366.0)	189.2	252.2	(537.1)	(17.3)	73.6
Beginning Liquid Funds (Cash + Short-Term Investments)	1,912.0	546.0	735.2	1,373.1	836.0	818.7
Ending Liquid Funds (Cash + Short-Term Investments)	546.0	735.2	987.4	836.0	818.7	892.3

Source: Luberef; VASRO

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