Daily Bulletin

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LUBEREF 2Q26 net profit up 3x YoY on record high crack margins, but comes below consensus estimate

Last Price: SAR 125.0 | Consensus Target Price: SAR 145.2 | YoY Performance: 19.7%

Saudi Aramco Base Oil Company (LUBEREF) reported 2Q26 net profit of SAR 734.1 mn, up 198.2% YoY from SAR 246.2 mn in 2Q25, but 25.6% below the consensus estimate of SAR 986.3 mn. The sharp earnings growth was mainly driven by higher base oil prices, supported by a 91.5% YoY increase in base oil crack margins to SAR 3,625/mt from SAR 1,893/mt a year earlier. Higher selling prices and modest volume growth also supported profitability.

Total revenue rose 52.0% YoY to SAR 3,418.6 mn, although it was 11.0% below the consensus estimate of SAR 3,842.0 mn. Revenue growth was driven by higher base oil and by-product prices, stronger crack margins, and favorable market conditions, while base oil sales volumes increased 2.0% YoY to 313 thousand metric tons.

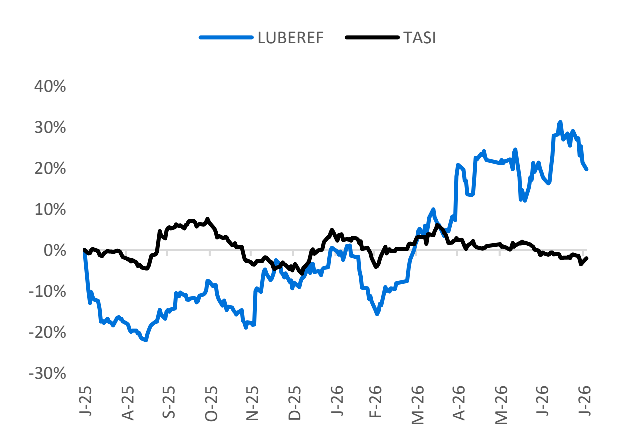
Gross profit surged to SAR 857.0 mn (+167.6% YoY), with the gross margin improving to 25.1% from 14.2% a year earlier. Operating profit rose 191.1% YoY to SAR 748.5 mn, but was 27.3% below the consensus estimate of SAR 1,030.0 mn. Operating margin expanded to 21.9% from 11.4% in 2Q25.

On a sequential basis, revenue increased 58.4% QoQ to SAR 3,418.6 mn, while operating profit rose 184.3% QoQ to SAR 748.5 mn. Net profit reached SAR 734.1 mn, up from SAR 258.0 mn in 1Q26, mainly driven by a 1.4x increase in base oil crack margins to SAR 3,625/mt.

Free cash flow improved to SAR 1,023.0 mn from negative SAR 53.0 mn in 2Q25, while capital expenditure increased 33.0% YoY to SAR 149.0 mn. The company also signed a supply agreement with APAR Industries for the LubeHub Value Park in Yanbu, supporting local transformer and specialty oil production.

LUBEREF shares have gained 19.7% YoY, outperforming the 2.0% decline in TASI. The stock trades at 9.3x 2026e P/E, with a consensus target price of SAR 145.2/sh, implying 16.1% upside from the last close.

Relative price chart



Source: Tadawul, anbc research

Key financials (SAR mn)

	2Q26	2Q25	*YoY (%)*	1Q26	*QoQ (%)*	Consensus	*Var. (%)*
Revenue	3,419	2,249	52.0	2,158	58.4	3,842	-11.0
COGS	2,562	1,929	32.8	1,830	40.0	-	
Gross profit	857	320	167.6	328	161.1	-	
GM (%)	25.1	14.2		15.2		-	
Opex.	109	63	71.9	65	67.0	-	
EBIT profit	748	257	191.1	263	184.3	1,030	-27.3
OM (%)	21.9	11.4		12.2		26.8	
Net income	734	246	198.2	258	184.6	986	-25.6
NM (%)	21.5	10.9		12.0		25.7	
EPS	***4.4***	***1.5***		***1.5***		***5.9***	
DPS	***4.0***	***1.0***		***0.0***		***0.0***	

Source: Company financials, anbc research

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