Daily Bulletin

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Luberef: 3Q26 net profit nearly doubles YoY on stronger crack margin, but misses consensus by 8.6%

Last Price: SAR 115.5 | Consensus Target Price: SAR 148.1 | YoY Performance: 20.9%

Saudi Aramco Base Oil Co. (Luberef) reported 3Q26 net profit of SAR 536.2 mn (+92.3% YoY), 8.6% below consensus of SAR 586.6 mn. Base oil crack margins rose 70.3% to SAR 3,395/MT, offsetting a 19.4% decline in volumes to 241k MT. Higher base oil and by-product prices lifted revenue 28.7% to SAR 2,776 mn. Gross profit rose 59.6% to SAR 580.6 mn, with margins expanding 4.1 ppts to 20.9%. Operating profit increased 82.8% to SAR 534.9 mn (19.3% margin), while EBITDA grew 73.5% to SAR 623 mn.

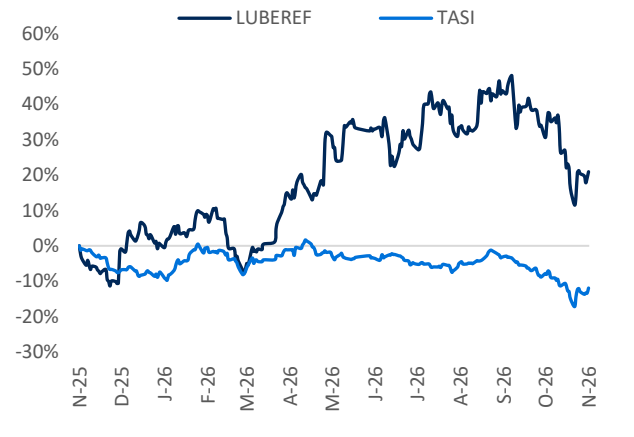
Sequentially, net profit fell 27.0% as volumes dropped 23.0% amid geopolitical disruptions and crack margins eased 6.3% from 2Q26's record. Revenue declined 18.8% and gross profit fell 32.3%, with gross margins contracting 4.2 ppts.

9M26 revenue rose 27.8% YoY to SAR 8,353 mn and net profit increased 105.0% to SAR 1,528 mn. Gross profit, operating profit and EBITDA grew 81.8%, 99.3% and 86.7% to SAR 1,766 mn, SAR 1,547 mn and SAR 1,807 mn, respectively. Crack margins widened 55.6% to SAR 2,931/MT despite volumes declining 9.8% to 793k MT. Free cash flow rose 132.3% to SAR 1,403 mn. However, 3Q26 FCF fell 7.4% YoY to SAR 338 mn as capex increased to SAR 151 mn from SAR 61 mn, including SAR 72 mn of growth capex, largely for Growth II.

Luberef deferred the Growth II shutdown at Yanbu from Oct-26 to 1H27 to benefit from strong margins, supporting 4Q26 operations. Meeting its 2026 base oil sales guidance of 1.15 mn MT, set before the deferral, would require 4Q26 sales of 357k MT (+48.1% QoQ; +14.1% versus 2Q26).

The stock gained 20.9% YoY versus TASI's 11.9% decline. At SAR 115.5/share, its 2027e P/E and dividend yield stand at 10.3x and 7.9%, respectively. The consensus target price of SAR 148.1/share implies 28.2% upside.

Relative price chart



Source: Bloomberg, anbc research

Key financials (SAR mn)

	3Q26	3Q25	*YoY (%)*	2Q26	*QoQ (%)*	Cons.	*Var (%)*
Revenue	2,776	2,157	28.7	3,419	(18.8)	2,859	(2.9)
COGS	2,195	1,794	22.4	2,562	(14.3)	-	-
Gross profit	**581**	**364**	**59.6**	**857**	**(32.3)**	**-**	**-**
GM %	*20.9*	*16.9*		*25.1*		-	
Operating exp.	46	71	(35.8)	109	(57.9)	-	-
Operating profit	**535**	**293**	**82.8**	**748**	**(28.5)**	**666**	**(19.7)**
OM %	*19.3*	*13.6*		*21.9*		*23.3*	
Net income	**536**	**279**	**92.3**	**734**	**(27.0)**	**587**	**(8.6)**
Net margin (%)	*19.3*	*12.9*		*21.5*		*20.5*	
EPS (SAR)	**3.19**	**1.66**		**4.36**		**3.48**	

Source: Company financials, anbc research

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