Q3

2025

Earnings Call Transcript

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Transcript of

Luberef's Q3 2025 Earnings Call

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Participants

Samer Alhokail- CEO, Luberef
Saud Kamakhi - CFO, Luberef
Saleh AlGhamdi- Head of IR Engagement, Luberef

Presentation

Saleh AlGhamdi- Head of IR Engagement, Luberef

Hello everyone, I'm Saleh Alghamdi, from Investor Relations department at Luberef. It is my pleasure to welcome you in today's audio webcast, where we will be discussing our performance for the third quarter of 2025. I'm also pleased to be joined today by our Chief Executives Officer Mr. Samer Al-Hokail and our Chief Financial Officer, Mr. Saud Kamakhi. Our session will begin with a presentation highlighting Luberef's Q3 2025 performance, followed by a Q&A session. Please note that this webcast is being recorded for future reference.
Before we dive into the presentation, I would like draw your attention to our cautionary statement, during today's presentation we may make forward looking statements that refer to estimates, plans and expectations, actual results outcomes may differ materially due to factors stated in this slide. With that out of the way I will hand over the call to our CEO Mr. Samer Al-Hokail.

Samer Alhokail- CEO, Luberef

Thank you, Saleh, and good day everyone. Welcome to Luberef's Third Quarter 2025 Earnings Call. Thank you for joining us.
In Q3, our unwavering commitment to safety and operational excellence has led to exceptional performance results. We have achieved a total of 41.1 million safe man- hours without any lost-time injuries, maintained a zero Total Recordable Incident Rate (TRIR), reached a YTD Mechanical Availability of 98.9%, and we maintained a 0.93 Million Standard

Cubic Feet (MMSCF) of greenhouse gas emissions underscoring our focus on efficient performance.

During the quarter, we expanded our customer base through a new Ultra Low Sulfur Diesel sales agreement with Saudi Aramco. This initiative is aimed to enhance our by- product crack margin and to manage market volatility while maintaining operational resilience.

We strengthened our partnership with Bahri Chemicals Shipping Company through a new Contract of Affreightment, a step that will further optimize our logistics and deliver meaningful reductions in freight costs. This collaboration reinforces Luberef's competitive position in the industry, enhances cost stability and ensures our sustained operational excellence.

Building on the success achieved in HVGO this year, we are now working to extend this optimization approach further by scaling up and evaluating other intermediate streams.

Luberef has launched the Group III base oils slating program, marking another important step in expanding our range of products. The program is underway, aiming to secure commercial readiness for producing Group III. This initiative represents a key milestone in our ambition to diversify our portfolio, increase market presence and align with the evolving needs of customers.

The GIII+ technical study has entered a crucial stage, marking a step forward in our broader efforts to diversify our products. It is undergoing a pilot configuration to verify product quality. The results of these tests are expected in the fourth quarter. If the results align with our long-term growth strategy, we will carry the project to the next phase.

The Growth II expansion project continues to progress, with overall completion reaching 60%. Despite some procurement delays that extended into this quarter, our focused recovery plan measures have pushed the procurement phase to an advanced stage. During Q-4, both procurement and construction activities are planned to accelerate, pushing the project completion rate to approximately 70-75% by year-end. We continue to work to mitigate delays and add resources to complete the project as early as possible in 2026. Further details and confirmations will be shared in the 2025 annual call.

Our capital allocation continues to support the Growth II project, though spending was lower than planned due to ongoing procurement delays. As of September 2025, total Capex reached SAR 138 million. We expect spending to increase as procurement progresses and construction activities intensify in the upcoming quarters.

As we look ahead, we are fully prepared for the upcoming scheduled turnaround, which represents a pivotal step in upholding and strengthening our operational excellence. This turnaround will include a series of planned maintenance activities and strategic construction work under the Growth II Project, aimed at reinforcing our operational reliability and safety standards.

In the first nine months of this year, our base oil crack margins reached SAR 1,884 per ton, reflecting a significant increase of 9% compared to the same period in 2024 and exceeding the historical 10 years average by 5%.

Building on our strong operational foundation and a focus on efficiency, we continue to enhance our market position and deliver sustainable growth. Our commitment to strategic initiatives, asset optimization, and new opportunities is laying the groundwork for accelerated expansion and long-term value creation.

With that, I will handover to our CFO, Saud Kamakhi to walk you through the financial performance.

Saud Kamakhi - CFO, Luberef

Thank you, Mr. Samer. It's a pleasure to welcome everyone, and I'm pleased to walk you through our Q3 2025 financial results and share our outlook for the remainder of the fiscal year.

We sustained a strong financial performance, supported by higher crack margins despite a decline in base oil sales. Although our net income in the first half of 2025 was below last year's record levels, performance improved notably in the third quarter, with net income rising 14% quarter-on-quarter. Our continued operational improvements and disciplined execution have narrowed the gap significantly, reducing the year-over- year difference to just 2%.

During this period, our free cash flow declined by around 43% compared to the same period last year. This reduction was primarily driven by working capital changes as well as an increase in our growth capex. Additionally, spending across sustaining, turnaround, and Growth II project has risen relative to last year, reflecting our continued commitment to long-term operational excellence and expansion.

Although our cash conversion rate softened during the period, our financial resilience remains robust, supported by an EBITDA of SAR 968 million, free cash flow of SAR 604 million, and a healthy cash balance of SAR 1,170 million. Combined with our exceptionally low gearing ratio, this highlights our strong liquidity position and ability to fund growth while maintaining financial stability.

When we look at our performance over the first nine months of 2025, our net income recorded a 2% decrease compared to the corresponding period of 2024. This performance was primarily driven by lower by-product crack margins and a decrease in base oil sales volume despite the increase in base oil crack margins. OPEX decreased slightly during the period, reflecting continued cost discipline, while zakat expense rose marginally compared to last year.

Turning to our cash position, we began the year with a balance of 1,187 million Riyals. Over the first nine months, our operations generated 885 million Riyals in cash, highlighting the company's strong underlying ability to convert earnings into liquidity.

Our focus on sustainable growth remained solid, as we directed 282 million Riyals toward capital expenditures aimed at strengthening our assets and expanding our capabilities. At the same time, we reaffirm our commitment to shareholder value to continue distributing dividends, demonstrating our ability to invest for the future while delivering immediate returns.

We also recorded total cash outflows of 102 million Riyals, mainly related to loan repayments and financing costs. Taking all movements into account, our cash balance at the end of the first nine months of 2025 stood at 1,170 million Riyals — a modest decline of 17 million Riyals from the beginning of the year, fully consistent with our strategic spending plans and capital allocation priorities.

Moving on to the guidance: our production target remains the same for the rest of the year. However, the CAPEX assigned for Growth II has been revised to be from 200-250 Million Saudi Riyals for 2025. Reflecting the procurement delays that were previously highlighted by P&CEO.

Ultimately, in the third quarter of 2025, Luberef continued to demonstrate strong operational momentum, delivering consistent progress in line with our strategic priorities. Through disciplined execution and a clear focus on long-term value, we advanced several key initiatives that are building a solid foundation for sustainable growth and future success.

As we enter the last quarter of 2025, we look back to a year of achievements and we remain confident in our strategic direction that continues to drive our success. The focus is firmly set on positioning Luberef as a recognized leader in the global base oil and specialty lubricants market, guided by disciplined execution and a commitment to long term value creation.

We will now move on to the Q&A session, which will be moderated by Saleh.

Saleh AlGhamdi- Head of IR Engagement, Luberef

Thank you, Mr. Saud. As usual, please state your name, company and question. Thank you.

Mr. Ildar.

Mr. Ildar, do you hear us?

Ildar Zaitunovich Khaziev: Yeah, apologies. Thanks. Thanks very much and congratulations on the strong set of numbers. Can I just ask to provide some guidance on the potential impact of the new diesel supply?

what kind of impact are we talking about depending on the prevailing diesel cracks globally? And secondly the same on the new freight agreement with Bahri, what kind of impact are we talking about here and near potentially and when exactly that contract becomes operational and active? Thank you.

Samer Al-Hokail: So Ildar, it's Samer, the CEO. These are two major agreements we've signed.

One with the Aramco and the other with Bahri, and more to come with shipping on the latter, which is the Bahri is significant reduction in operating cost. So this should hit our operating.

Expenses in our operating costs OpEx significantly, I mean positively.

On that, you were talking about double digits on the freight itself, reduction percentages on the low, ultra low sulfur diesel. That's a big thing. It's a pretty much a 20 year agreement supplying around 6500 barrels per day and subject for availability.

This is going to be marketed over and above what we used to market the diesel up, this is pretty much low sulfur PPM diesel in the past that was just sent and sold in the normal diesel PPM. So we should get a premium on that. and I think guidance will be given further in the hopefully Q4.

Saud Kamakhi: So adding to that is important for us find different outlet the major reason to do that also is to support our by by-product margins positively in the future.

Ildar Zaitunovich Khaziev: Thank you. And do I understand correctly that so the amount of diesel volume, so the diesel volume under this agreement is basically is how much you roughly produce today with growth to project completed, you might have actually a higher diesel production volume. So would you expect you know that additional diesel volume to be also included in this deal or not or rather not at this point?

Saud Kamakhi: So up to 6500 barrel per day. This is the new agreement with Aramco. Even supplying all of that on a daily basis on that what they just said there are additional production of the current operation with the new operation if there is any new diesel additional we still have different sources to place that diesel later after the growth project.

Samer Al-Hokail: I think Ildar is spot on. I don't have a number of top of my head. With the new project, definitely asphalt will be increasing in the new project growth to diesel and NAFTA will be increasing because but because we're going Group III. So it's going to be cracked further. So the expectation the yield of diesel should be less.

I'm just putting my chemical engineering hat here on that so but we'll give guidance on that.

Ildar Zaitunovich Khaziev: Thank you. And maybe lastly, I think you talked about potential UCO supply contract to be potentially secured with the growth to project completion. Is there any change in, you know in your expectations for that deal? When should you expect this to happen if it happens? Thank you.

Samer Al-Hokail: Are you referring to the RCO supply agreement that coincides with the growth project itself to reach the 65? That should be coming very, very soon. We don't anticipate any issues honestly on that. It's just more of the having the process to work with Aramco, but we should be getting it hopefully by Q1 or even earlier.

Ildar Zaitunovich Khaziev: Thank you so much, Mr Samer.

Samer Al-Hokail: But back I just want a clarification to others, back to the sulfur diesel.

We used to sell that at a 500 PPM but we produce is almost 10 PPM or even less than 10 PPM.

Imagine the difference on that. So we were able to secure a sale agreement to sell it at 10 ppm pricing and then pretty much you could look at plats and see the difference between the 500 and the 10 PPM and figure out the math there.

Ildar Zaitunovich Khaziev: Thank you.

Saleh AlGhamdi: Thank you. And next Mr Fawad Khan?

Fawad Khan: I will just pick up from where we have left on the ultra low self diesel oil. One of the comments mentioned that the current argument, the new argument does not cover the production of the current plant or the current configuration. Is my understanding correct?

So that means under the current production management or set up the companies producing more than 6500 buyers per day of ultra low sulfur diesel oil.

Saleh AlGhamdi: Can you repeat again? Sorry, can you repeat the part about?

Fawad Khan: So apparently the comments mentioned that the new argument does not cover the even the current production of ultra low sulfur diesel oil from the two plants or from the hydrocracker only. So is my understanding correct that the potential to increase or the potential positive impact from this argument could be higher once we get into the go to project?

Samer Al-Hokail: So it's going to be by volume, so group II.

First of all, thanks for the question. I'm just trying to maybe better answer and give clarity on that .

Currently, what we used to sell we should be selling at a higher premium given the 6500 barrels, that's one part which is the current production on Luberef. Now when Growth II comes we'll have further guidance.. I don't have the exact number or predominant number, but however it should be more than 6500 and it's gonna be volume gain at a higher price.

I think this answers your question.

Fawad Khan: Partly the so I need to let me try to rephrase the question. So the agreement is for 6500 barrels per day. So the current production is higher than 6500 barrels per day or it is lower than the current ceiling under the agreement.

Samer Al-Hokail: If you're referring to the current production, it's a bit more. It's above 600. Sorry, it's above 6500 barrels per day. This is just the agreement that was established with Saudi Aramco.

The current contract will exist and any surplus will be sold to other customers with whom we have standing agreements.

Fawad Khan: The earlier guidance was for the turn around and the commissioning of the growth II project to coincide sometime in December and then we have the new turnaround which is starting from mid November. So my question is would the once they go to project is about to be commissioned so we should be expecting another shutdown of the whole group II train at the time of the commissioning of the project. Or would it not require any shutdown at that time?

Samer Al-Hokail: The. Firstly a good question as well and that's the clarity we want to give to the market soon hopefully by our guidance in the year end. Ultimately we don't want to shutdown but rather a slowdown to be able to hook up the growth to pots and pans and all the above.

That's the ultimate and that's what we're working hard during the TNI the turnaround to be able to install pretty much give some feasibility and flexibility whereby.

And the second whatever, when it ever happens, the shutdown or slow down becomes less impact follow from our production point of view.

So that's the thinking now times and guidance will be given as things are moving. It's a moving target we are took over some of the activity of the contractor. pretty much descoped some of the activities and we are pretty much becoming in the driver seat on that to hopefully get this project as soon as possible in 2026.

Fawad Khan: And in terms of the timing, I mean you're expecting progress of around 12 to 15% in one quarter. Would that be a good guidance for future progress or future quarters? That means perhaps by end of third quarter, early third quarter, perhaps we should expect the commissioning of the of this project? Or you are expecting acceleration in sometime in early 2026.

Samer Al-Hokail: I think by year to end will have a better clarity to give pretty much good guidance.

If it's going to be Q1, Q2, Q3?

So by end of December, I think that would be the right time for us to provide the right timelines.

Saud Kamakhi: I think the most important thing here is the actionable items action that the company is taking as mentioned by Mr. Samer that during the next TNI we will do our best to complete as much as we can and all the procurement acceleration efforts that we are making, all of that will help us inshaallah to accelerate the completion and this is where we want to focus on until the year end where we have better guidance and moving forward with the project.

Samer Al-Hokail: Just to answer a little bit, to be frank, I'm very optimistic about this Plan. We revised the plan in terms of schedule where we are in Procurement, activities, and material is incoming now in the field. People are very busy.

Prefabrication and what happening . so a lot is happening for the sake of this project since the last three months.

And big progress that took place, hopefully by year end we might reach to 70 to 75% completion.

Fawad Khan: All right. And I didn't understand, there's have been some comments regarding the upgrade in the CapEx for the project. So if you can please remind us what was the upgrade earlier? If I understand correctly, the total CapEx guidance was around 750,000,000 for this project. And what's the new guidance now?

Saud Kamakhi: So the total CapEx for the project amount has not been reached .it's still 750 million ryals.

The guidance that has been changed is the amount that expected to be spent in this year.

The guidance was 250 to 350. However, now we have reduced that guidance for till end of the year to 200 -250.

However, the cost expectation until completion has not been changed.

There's no changes as to the total cost CapEx for this project as yet.

Saud Kamakhi: We do not foreseen anything as of now.

Fawad Khan: Ok thank you. I will go back to the queue and come back.

Saleh AlGhamdi: OK, Next, Mr. Yasser Alnejaimi. And a reminder to the ladies and gentlemen attending the call to please state your name and company name.

Mr. Yasser.

Yasser Alnejaimi: I have three questions from my side. First of all, thank you management for the presentation.

What were the main factor that drove a strong expansion in base oil crack margins during the Q3 and how sustainable are these level going into Q4 giving the market volatility?

This is my first question.

Saleh AlGhamdi: OK. Mr. Yasser, thank you for the question.

This year especially from the end of Q2 as a results of OPEC+ decision to go back from the cuts that were previously agreed upon.

One year and one year and a half back, we observed the pressure on the crude prices in addition to the direct crude derivatives such as high sulphur fuel oil, which is the price or the index that our feedstock is indexed to.

At the same time, we observed that the prices of the base oil remained stable. This created an opportunity to us to benefit from a relatively healthy crack margin going forward. Looking at the forecast of the base oil prices for the next forecast period, which is approximately 9 months to one year, the prices are expected generally to remain the same around the Asia region.

There are reports of pressure on the Group I and the Group III, but Group II in Asia Pacific region expected to remain the same during the forecast period.

As for the high sulfur fuel oil again which is the index that our feedstock is indexed to, it is expected to receive even or to encounter more pressure for the coming period as a result of the OPEC +decisions.

Yasser Alnejaimi: OK. My second question is regarding the free cash flow. We see that the free cash flow in Q3 and the company drived a strong free cash flow in Q3. Does the management see scope for higher dividend or special payout in this year despite the upcoming maintenance in November and December?

Saud Kamakhi: Hi, thank you Yasser for this question. I think that goes into two parts. First of all to.

Talk about the free cash flow and the second item is we're talk about the for the dividends. For the dividends Let's start with that. So far we have the same policy that has been already approved by the board.

Where it's related to performance linked to our free cash flow of 60 to 80% of our free cash flow.

So this has not been changed yet and this is where we are committed back to our shareholders as of now.

For the free cash flow, we generated so far around 600 million Riyals during this nine months and hopefully that would continue to grow until the end of the year.

Yasser Alnejaimi: Okay. We see that profitability margin are expanding in Q3 especially in gross and EBITDA.

Both improving in a sequential basis, do you expect this trend to continue post Yanbu turnaround or it was a peak in this quarter?

Saud Kamakhi: So in general, we have noticed an improvement in the crack margin during this year and that was one of the main reason were we see the profitability in general have been improved quarter over quarter and even if we compare it to the comparable of the last year.

So that trend is there according to the reports that prices will be stabilized during the next period, especially after the completion, if we are talking about the short term of the up three months, six months, we have not seen any reports suggested otherwise so far,

So we don't give prediction in general, but we believe that trend is ongoing, especially in the short term after the turnaround.

Yasser Alnejaimi: Thank you management team.

Saleh AlGhamdi: A reminder to those using the typed questions Please state your name and company.

Other than that we will listen to any verbal questions. Mr. Fawad Khan, back to you again.

Fawad Khan: A question on the Jeddah facility. If I understand correctly, the agreement for operation and different arrangements would expire sometime in next year or June. So if there's any update regarding the renewal of the agreement to continue operating the plant, if not, when should we expect any clarity on that aspect?

Samer Al-Hokail: Fawad, thank you for the question.

This will have clarity by hopefully Q4 end of Q4.

There are some dialogues in negotiation as we speak. But we company will make an announcement soon in Inshallah.

Fawad Khan: Inshallah, one last question from my side regarding the working capital. There was some certain increase in working capital in the second quarter and apparently the third quarter there was no [unclear]letter as well. So during the fourth quarter, should we expect any change in the current burden of the working capital of the company or it will remain as it is as we have seen in third, second quarter and third quarter?

Saud Kamakhi: So this is a very good question, but as you know the working capital will be highly impacted with reduce in our inventory and account receivable since the sales will be hold and all inventory will be sold.

So especially a part of it. Especially we're talking about impact so we'll see a positive impact possibly at that site.

For this quarter, yes, we saw that there are huge improvements in the first nine months, especially when we're talking about operational activities that turnout inventory which impacted positively in our working capital and also the collection that happened during that period which also impacted positively. And as we mentioned last time, it has been impacted by settlement of also some invoices that happened while the prices at that time priced at the higher level of our feedstock.

So with that we are. We'll see how it goes, especially with the turnaround that would have an impact in our movement of the working capital.

Fawad Khan: OK, sure. Thanks a lot. Thanks a lot management for your feedback.

Saleh AlGhamdi: Thank you. Thank you, Mr. Fawad.

Please raise your hand and proceed if you have any questions.

OK, gentlemen, thank you for your attendance due to no additional questions we will conclude the call. Investor Relations department is present for any follow up calls following this earning call.

And thank you again.