Target Price: SAR33.5/share
Market price: SAR28.0/share
Upside: +21% (+Div. Yield: 5.4%)
Rating: Overweight

Alujain Corp.

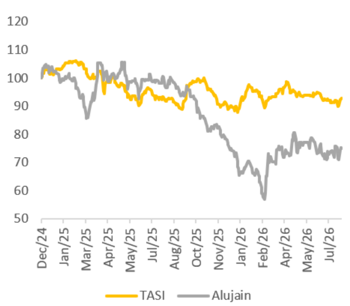
2Q26 earnings beat; Spreads likely to normalize ahead

- 1H26 momentum stays intact, aided by stronger volumes, higher spreads, and a resilient Yanbu footprint that helped offset regional disruptions and capture the PP price spike.
- PP prices have begun normalizing (-21% from the April peak), but 2026e topline and bottom-line are still set to rise notably before easing in 2027e on normalized spreads.
- We set our TP at SAR33.5/sh. based on an equal blend of DCF and EV/EBITDA valuation (9x on average of 2026-27e EBITDA), implying an upside of 21%.

Stock data	
TASI ticker	2170
Mcap (SARmn)	1,938
Avg. Trd. Val (SARmn)	12.9
Free Float	99.8%
QFI Holding	6.3%
TASI FF weight	0.08%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

2Q26 results: Alujain reported 2Q26 revenues of SAR542mn (~71% y/y), slightly above our estimate of SAR509mn, driven by a 68% surge in polypropylene sales (reaching SAR536.8mn) on higher sales volume and PP prices (+46% y/y) amid the ongoing geopolitical tensions. Further, the company witnessed a meaningful operational turnaround with gross profit swinging from a thin profit of SAR24mn in 2Q25 to SAR152mn profit in 2Q26 (gross margin: 28.0%), while operating profit recovered from a mere SAR4mn profit in 2Q25 to SAR128mn profit - both remained above our estimates due to above-expected top-line and better-than-expected cost efficiencies. Overall, stronger operating performance and higher equity income (SAR10mn vs. SAR4mn expected) pushed net profit to SAR92mn (vs. SAR12mn in 2Q25), beating our estimate of SAR68m.

Netback-driven growth with resilient volume, but not structural: Alujain continued to deliver a notable operational turnaround in 1H26, aided by improved sales volume and a meaningful improvement in product spreads since early March 2026. Despite regional supply-chain disruptions affecting Jubail producers, Alujain's Yanbu footprint positions it well to sustain largely uninterrupted sales volumes and capture the price rise, as reflected in its 2Q26 results. The uplift in netbacks was largely driven by heightened geopolitically related volatility in global petrochemical markets, which temporarily boosted PP prices from US$900/mt at Feb-end to a high of US$1,450/mt by early April, outpacing the rise in feedstock prices and freight costs.

Figure 1: Key financial metrics

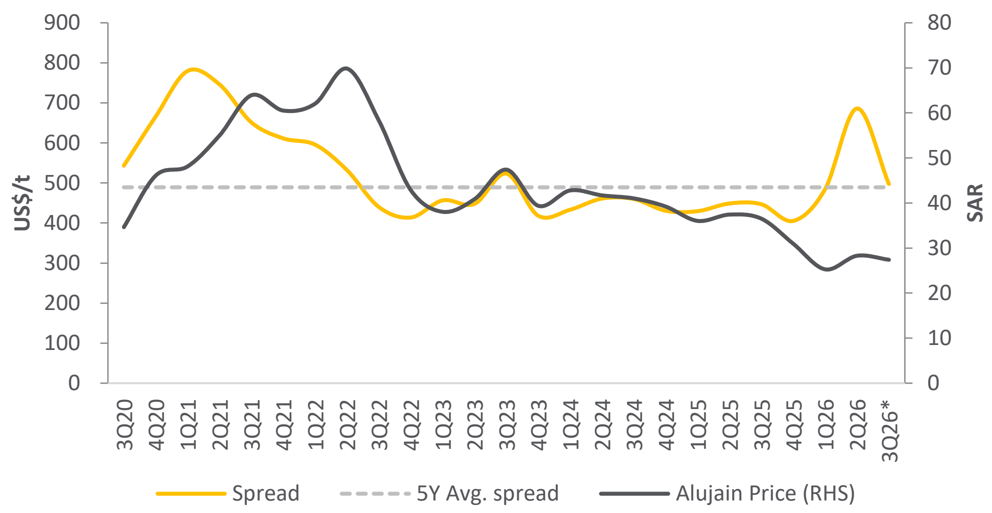
SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	**1,555**	**1,302**	**1,762**	**1,632**	**1,692**
Revenue growth	*11%*	*-16%*	*35%*	*-7%*	*4%*
Gross Profit	**229**	**(50)**	**305**	**253**	**276**
Gross Profit margin	*15%*	*-4%*	*17%*	*15%*	*16%*
EBITDA	**93**	**(1,152)**	**361**	**316**	**335**
Op. income	(103)	(1,343)	209	165	186
Net profit	**(51)**	**(834)**	**155**	**127**	**139**
Net profit growth	*38%*	*NM*	*NM*	*-18%*	*10%*
Net profit margin	*-3%*	*-64%*	*9%*	*8%*	*8%*
EPS (SAR)	(0.7)	(12.0)	2.2	1.8	2.0
P/E	NM	NM	12.5x	15.3x	14.0x
EV/EBITDA	30.9x	NM	8.0x	9.1x	8.6x

Source: Company data, GIB Capital.

Kunal Doshi
+966-11-834 8372
Kunal.doshi@gibcapital.com

However, PP prices have begun to ease (-21% correction from their high in early April), and we expect spreads to gradually normalize as the market reverts to its underlying fundamentals — shifting from the current supply-driven shock to a more oversupplied backdrop as supply chains stabilize. Going forward, we expect Alujain's operating rates to remain largely unaffected, with average PP prices normalizing gradually to US$1,040/mt by 4Q26 (largely in line with its 5Y average), implying an average PP price of ~US$1,120 for 2026e. Accordingly, we expect topline to grow by 35% y/y to SAR1,762mn in 2026e, before moderating to SAR1,632mn (-7% drop y/y) in 2027e, primarily reflecting our normalized pricing assumptions.

Figure 2: Weighted average Alujain's spreads (US$/t) vs. average stock price (SAR)



*Source: Company data, Bloomberg, GIB Capital. * QTD*

Strong earnings in 2026e before easing next year: The combination of elevated netbacks and resilient volumes pushed gross margin to a record level in 2Q26; however, we expect margins to normalize over the coming quarters as product prices ease, partially offset by higher relatively feedstock costs. Accordingly, we forecast gross margin of ~17% in 2026e, moderating to ~15% in 2027e as pricing reverts toward fundamentals. Beyond the margin story, higher contribution from its JV, Natpet Schulman, alongside continued operating efficiencies should provide additional support to profitability, with earnings reaching SAR155mn in 2026e from adjusted net income of SAR17mn (adjusted for impairment) in 2025. That said, we expect earnings to decline to SAR127mn in 2027e, primarily reflecting the normalization of product prices as the current supply-driven tailwinds fade.

BFI partnership expands the downstream fibres platform: Alujain is diversifying beyond commodity PP through its subsidiary, Infrastructure Reinforcement Industrial Company (IRIC). On 20 July 2026, it signed a JV agreement with Beaulieu Fibres International (BFI), under which BFI will inject SAR89mn in cash and machinery for a 50% stake in IRIC. The deal is set to lift IRIC's synthetic fibres and non-woven production capacity from the current 26kta to 88kta over the coming years, backed by a further SAR330mn in joint capex. As the deal cuts Alujain's stake to 50% and results in loss of control, IRIC operation was reported as a discontinued operation (no impairment), contributing SAR113.1mn to net assets held for sale and SAR5.5mn of net profit (vs. SAR2.9mn in 2Q25). Based on our calculations, IRIC historically contributed 8-10% of top-line at 25-28% gross margin and 10-13% operating margin. Going forward, it will be equity-accounted as a JV, with financial impact likely from 4Q26.

GiB | جي آي بي كابيتال CAPITAL

New PDH-PP project update: Alujain has invested ~SAR1.3bn in its new Yanbu PDH-PP project (600kta PP + 25kta hydrogen), completed technology selection, shortlisted EPCM contractors, and initiated early-works alongside long-lead equipment execution, with financing expected to close by 3Q26. Construction on the main units is now ramping up, but commercial operations are expected post-2029, leaving the project still several years from monetization and exposed to timeline drift and cost-overrun risk. Awarding the EPC contract remains a key catalyst, as it would materially improve project visibility and reduce timeline uncertainty.

Valuation and risks: Overall, we remain positive on the company, driven by i) resilient sales volumes from its well-positioned Yanbu operations, ii) healthy cash flow generation, iii) a robust debt-free balance sheet supporting its growth plan, and iv) a healthy dividend yield (5.4-5.6% for 2026-27e). Post revision in our estimates and rolling forward our valuation, we set our TP at SAR33.5/sh. based on an equal blend of DCF and EV/EBITDA (9x on average of 2026-27e EBITDA), implying an Overweight rating with 21% upside potential. The downside risks include weaker-than-expected sales volume/product prices, unexpected plant shutdowns, above-expected rise in feedstock prices, and weaker-than-expected improvement in operating leverage.

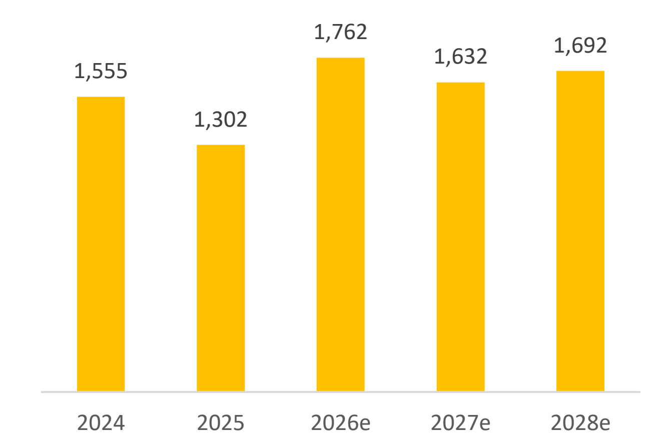
Figure 2: 2Q26 results summary

SARmn	3Q24	3Q23	y/y %	2Q24	q/q %	GIBC est.	Variance %
Revenues	**542**	**316**	**71.3%**	**330**	**64.0%**	**509**	**6.5%**
Cost of sales	390	292	33.3%	301	29.4%	391	-0.2%
Gross profit	**152**	**24**	**539.6%**	**29**	**424.2%**	**118**	**29.1%**
Opex	24	20	24.4%	21	15.0%	30	-17.6%
Operating profit	**128**	**4**	**NM**	**8**	**NM**	**88**	**44.7%**
Net income	**92**	**12**	**639.1%**	**12**	**654.9%**	**68**	**35.0%**
Gross margin	28.0%	7.5%		8.8%		23.2%	
Operating margin	23.6%	1.3%		2.4%		17.3%	
Net margin	17.0%	3.9%		3.7%		13.4%	

Source: Company data, GIB Capital

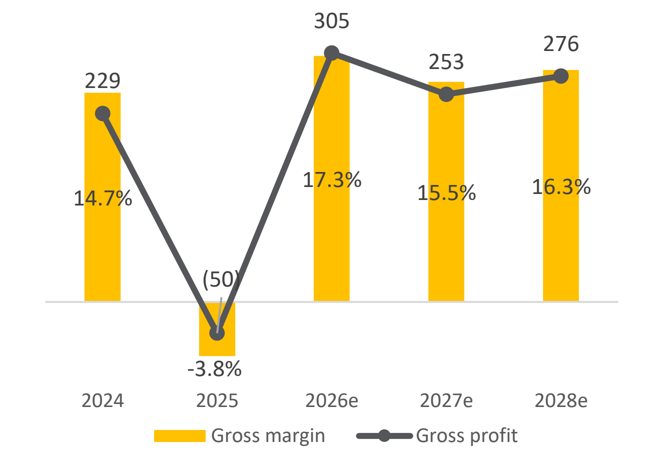
Financial analysis in chart

Figure 3: Revenue trend (SARmn)



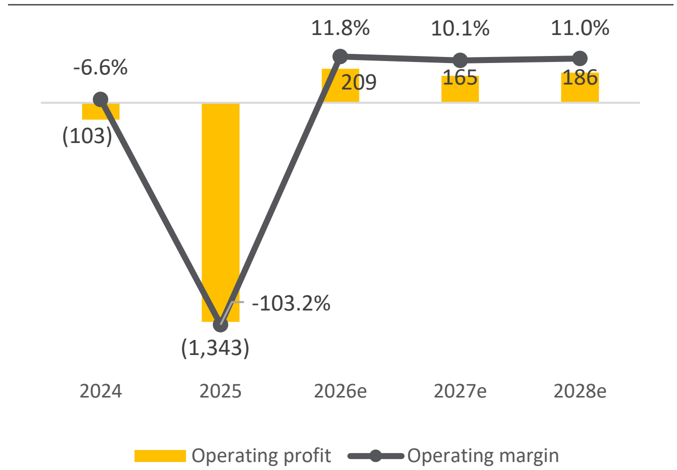
Source: Company data, GIB Capital

Figure 1: Gross profit and gross margin trend (SARmn)



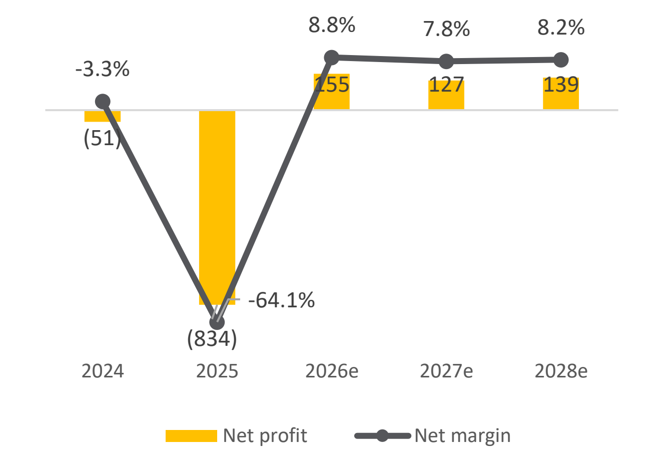
Source: Company data, GIB Capital

Figure 2: Operating profit and operating margin trend (SARmn)



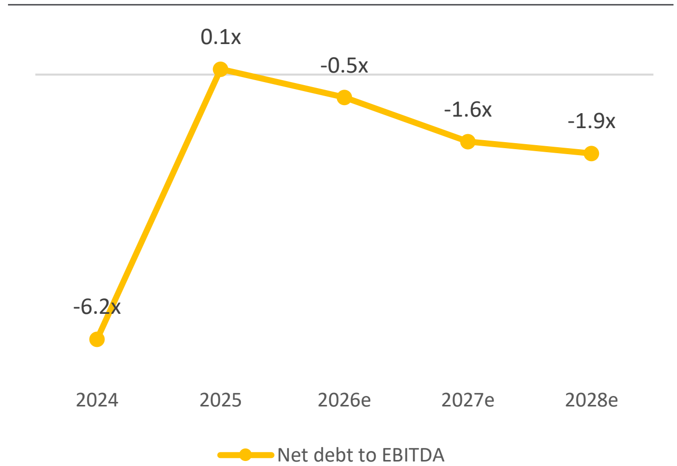
Source: Company data, GIB Capital

Figure 6: Net profit and net margin trend (SARmn)



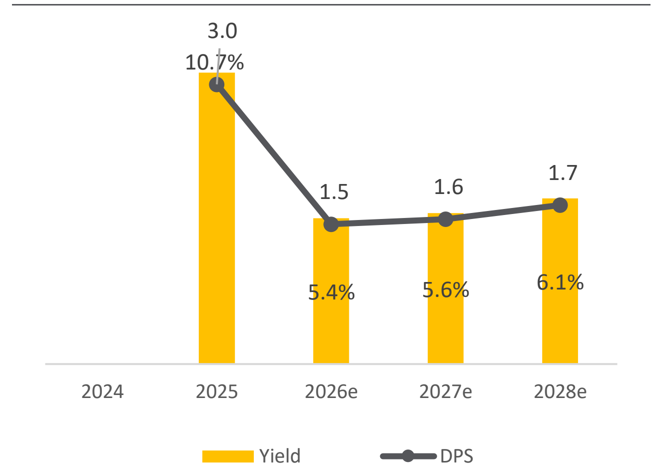
Source: Company data, GIB Capital

Figure 7: Net Debt to EBITDA



Source: Company data, GIB Capital

Figure 3: DPS and yield



Source: Company data, GIB Capital

GIB CAPITAL جي آي بي كابيتال

Financials

Figure 9: Financial statement

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**1,555**	**1,302**	**1,762**	**1,632**	**1,692**
revenue y/y	*11%*	*-16%*	*35%*	*-7%*	*4%*
COGS	(1,327)	(1,351)	(1,457)	(1,379)	(1,416)
Gross Profit	**229**	**(50)**	**305**	**253**	**276**
Gross Profit margin	*15%*	*-4%*	*17%*	*15%*	*16%*
Operating expenses	(360)	(104)	(100)	(91)	(94)
Other income / (expenses)	28	(1,190)	4	4	4
Operating profit	**(103)**	**(1,343)**	**209**	**165**	**186**
Operating margin	*-7%*	*-103%*	*12%*	*10%*	*11%*
Net finance costs	(10)	8	(2)	11	13
Share of result of a JV	18	21	26	24	24
Other income / (expenses)	(2)	20	16	17	17
PBT	**(96)**	**(1,295)**	**248**	**217**	**240**
Zakat/tax	(4)	(15)	(30)	(33)	(36)
Non-controlling interests	50	476	(68)	(58)	(65)
Discontinued operations	0	0	5	0	0
Net income	**(51)**	**(834)**	**155**	**127**	**139**
Net margin	*-3%*	*-64%*	*9%*	*8%*	*8%*
y/y	*38%*	*NM*	*NM*	*-18%*	*10%*
EPS	**(0.7)**	**(12.0)**	**2.2**	**1.8**	**2.0**
DPS	0.0	3.0	1.5	1.6	1.7
Payout	0%	NM	67%	85%	85%
EBITDA	**93**	**(1,152)**	**361**	**316**	**335**
Net debt	(578)	(149)	(194)	(497)	(620)

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	306	336	372	352	361
Trade Receivables	489	110	425	393	408
Cash and Equivalents	589	149	449	497	620
Other current assets	384	533	225	225	225
Total Current Assets	**1,768**	**1,129**	**1,470**	**1,467**	**1,614**
Intangible Assets	13	14	12	11	9
Property, Plant & Equipment	2,397	2,554	2,551	2,470	2,393
Other non-current assets	1,301	257	279	179	200
Total Non-Current Assets	**3,710**	**2,824**	**2,843**	**2,660**	**2,602**
Total Assets	**5,479**	**3,953**	**4,313**	**4,126**	**4,216**
Current Liabilities	381	309	600	337	340
Non-current Liabilities	109	114	116	116	116
Equity	4,988	3,529	3,597	3,674	3,760
Total Equity and Liabilities	**5,479**	**3,953**	**4,313**	**4,126**	**4,216**
BVPS	72.1	51.0	52.0	53.1	54.3

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	198	178	307	379	333
Cashflow from Investing	1,117	-422	-104	32	-92
Cashflow from Financing	-1,078	-196	97	-363	-118
Total Cashflows	**236**	**-440**	**300**	**48**	**123**

Source: Company, GIB Capital

Figure 10: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	-0.9%	-21.1%	3.6%	3.1%	3.3%
RoE	-1.0%	-23.6%	4.3%	3.4%	3.7%
RoIC	-2.1%	-38.5%	4.8%	3.8%	4.2%
Sales/Assets	28.4%	32.9%	40.9%	39.5%	40.1%
Net margin	-3.3%	-64.1%	8.8%	7.8%	8.2%
Liquidity ratios					
Current Assets/ Current Liabilities	4.6	3.6	2.4	4.4	4.7
Debt to Total Equity	0.2%	0.0%	7.1%	0.0%	0.0%
Receivable Days	115	31	88	88	88
Inventory Days	84	91	93	93	93
Payable days	102	83	86	89	87
Debt ratios					
Net Debt/EBITDA*	-6.2	0.1	-0.5	-1.6	-1.9
Debt/Assets*	0.2%	0.0%	5.9%	0.0%	0.0%
Valuation ratios					
P/E	NM	NM	12.5	15.3	14.0
P/B	0.4	0.5	0.5	0.5	0.5
EV/EBITDA	30.9	NM	8.0	9.1	8.6
Div. Yield	0.0%	10.7%	5.4%	5.6%	6.1%

Source: Company, GIB Capital

جي آي بي كابيتال
CAPITAL

Disclaimer

This research report has been prepared by GIB Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of GIB Capital's clients and may not be altered, redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of GIB Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by GIB Capital. The information contained was obtained from various public sources believed to be reliable, but we do not guarantee its accuracy. GIB Capital makes no representations or warranties (express or implied) regarding the data and information provided and GIB Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. GIB Capital or its officers (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. GIB Capital may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. GIB Capital and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document. Where the report contains or refers to a recommendation about a specific security or securities service, please note that it may not be suitable for all recipients. Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations. The subjectivity in future expectations is complex and may miss actual or reported numbers.

This research document and any recommendations contained are subject to change without prior notice. GIB Capital assumes no responsibility to update the information in this research document. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law, or which would subject GIB Capital to any registration or licensing requirement within such jurisdiction

The principal activities of GIB Capital are Dealing, Custody, Managing, Arranging and Advising pursuant to the Capital Market Authority ("CMA") License No. 07078-37.

We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/- 10%, we have a Neutral rating.

Contact us for queries:

Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
www.gibcapital.com