Company Update

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OQ Base Industries (OQBI)

Stable operational performance in Q3 despite weaker prices; EPS still dipped by 27% q/q on below EBIT items (still beat ACe). Maintain Buy at a higher TP.

- **Q3 25 net income came in at OMR 9m, declining by 27% q/q (-8% y/y) but beat ACe by 58%. The beat to our estimates is driven by 12% higher-than-expected revenues (on strong volumes) and margins, despite higher-than-expected net finance costs.**
- **The 27% q/q EPS weakness came despite the 3% q/q growth in revenues and stable margins, mainly due to the absence of other finance income (unwinding of discount for rich NG) and other income recorded in Q2 25. Excl. these items, net income would be only 2% weaker q/q.**
- **Revenues are up by 3% q/q despite c.12% weaker LPG prices and lower methanol/ammonia volumes, as these were offset by higher LPG volumes and higher realized methanol/ammonia prices. Cash margins were slightly down q/q, but lower depreciation exp. kept EBITDA flat.**
- **We raise our TP to OMR 0.19 and maintain our Buy rating despite the recent share price rally as it still offers decent FY 26e FCFY/DY of 12%/6% on healthy FCF generation, and on upside potential from the unmodeled brownfield methanol project (+50% methanol capacity).**

Net income dipped by 27% q/q in Q3, despite marginal improvement in operational performance, due to below-EBIT items; still beat ACe significantly. Reported net income came in at OMR 9m in Q3, 27% lower q/q (-8% y/y) and 58% ahead of ACe. The beat to our estimates is driven by 12% higher-than-expected revenues (likely on robust volumes) and margins, despite higher-than-expected net finance costs. The 27% q/q EPS weakness came despite the 3% q/q growth in revenues and largely flat margins, mainly due to the absence of other finance income (unwinding of discount for rich NG) and other income recorded in Q2 25A. Excluding these items, net income would be only 2% weaker q/q in Q3 25A. On a y/y basis, net income took a 7% dip mainly on weaker margins and lower net finance costs, despite the 5% y/y revenue growth (likely on volumes as LPG/methanol prices are weaker y/y) and 9% lower G&A costs.

Revenues grew by 3% y/y despite weaker LPG prices, thanks to higher LPG volumes and improved realized methanol/ammonia prices. Revenues recorded OMR 58m in Q3 25A, up by 3% q/q (+5% y/y, +12% vs. ACe). The sequential revenue growth is driven by stronger volumes from LPG (+5% q/q as per ACe), and higher methanol and ammonia prices (likely on lower price discounts as benchmark prices were largely stable/lower q/q), which was offset by the drop in average selling prices of LPG (-12% q/q) and lower sold volumes of methanol/ammonia. GPM was largely stable q/q at 25.2% (vs. 25.4% in Q2 25A) with GP up 2% q/q at OMR 15m, while EBITDA remained flat q/q at OMR 21m largely due to lower depreciation expense.

Cashflow generation remained robust in 9M 25A, with an annualized FCFY of 13%; yet we expect the upcoming IGC payment to hit Q4 25 FCFs. OQBI generated FCFs of OMR 71m in 9M 25A, already >90% of our FY 25e FCF estimate of OMR 77m. Annualized, this implies an FCFY of c.13%. However, we note that OQBI did not pay IGC for its share of OQ LPG cashflows (80%), and it is expected that the next payment will be made during Q4 25e. Accordingly, we expect lower FCF generation in Q4 25e, with our FY 25e FCF forecast still implying a decent FCFY of 10%.

Methanol prices are expected to remain pressured in the S/MT and LPG prices continued to dip, while strengthening ammonia prices should provide some support into Q4 25e. In Q3 25A, methanol prices remained flat after taking a hit last quarter reflecting a balance between rising supply and steady/muted demand. In the short/medium-term, the outlook remains uncertain with China's weakness persisting amid ample inventory and expectations of weaker demand from downstream products due to tougher economic conditions. Expansion of capacities in China for products such as acetic acid, methyl tertiary butyl ether (MTBE) and methanol-to-olefins (MTO) is expected to raise methanol consumption in China. However, these new capacities have exerted further pressure on producers outside China, in both NEA and SEA, who face higher costs and thus squeezed margins. In terms of supply, there is little new capacity to be added in FY 26e outside of China and Iran. LPG prices continued to weaken into Q4 25e, with the QtD average down c.11% vs. Q3 25A average. On the flip side, ammonia prices have strengthened in Q4 25e on supply constraints, with the current spot price of USD 425/t up 30% from Q3 25A average.

We increase our TP by 17% and maintain Buy despite the recent rally, as FY 26e FCFY/DY remain decent at 12%/6%, and on upside from the brownfield methanol project. The increase in our TP is driven by our assumption of higher utilization rates in FY 25-30e following the sales volume beat in Q2/Q3 25A, despite the cut in our LPG price est. (now forecasting 5% lower LPG price of USD 544/t in FY 26e). Our EPS est. is now c.10% higher in FY 26-30e, with EPS growing at a 5-year CAGR of 5% (on deleveraging and methanol price recovery). OQBI's share price is up c.30% since July, and upside at our new TP is 10%, but we maintain our Buy rating as FCFY remains above sector average at c.12% in FY 25-27e (vs. <9% for local peers) and DY remains decent at 6% in FY 26e (with upside to dividends after the end of the IPO stated policy on robust FCF generation). There is also upside potential from the unmodelled brownfield methanol project (still under study), which should add 50% to methanol capacity with relatively low CapEx (c.USD 470m, c.40% less than greenfield options) leveraging current infrastructure and access to low-cost gas.

BUY **OMR 0.19**

Petrochemicals / Oman

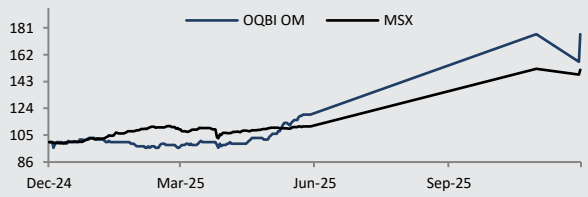
Bloomberg code	OQBI OM
Market index	MSX
Target Price	0.19
Upside (%)	10

Market data 11/11/2025

Last closing price	0.17
52 Week range	0.1-0.2
Market cap (OMR m)	612
Market cap (USD m)	1,591
Average Daily Traded Value (OMR m)	4.0
Average Daily Traded Value (USD m)	11.1
Free float (%)	49%

Year-end (local m)	2024	2025e	2026e	2027e
Revenues	235	226	225	245
EBITDA	93	85	83	92
Net income	40	42	40	52
EPS	0.01	0.01	0.01	0.01
EPS growth (%)	(14.9)	3.2	(3.0)	28.1
P/E (current price)	14.8	14.4	14.8	11.6
DPS	0.01	0.01	0.01	0.01
Div. yield (%)	5.5	5.7	6.0	6.3
FCF/share	-	-	-	-
FCF yield (%)	15.1	10.4	12.2	13.2
CAPEX	28	11	21	17
CAPEX/sales (%)	12.0	5.0	9.3	7.0
Net Debt/EBITDA (x)	1.9	1.6	1.1	0.4
EV/EBITDA (x)	7.9	8.7	8.9	8.1
RoAE (%)	13.9	12.6	11.9	14.8
RoIC (%)	11.2	10.6	10.9	14.0

Price Performance



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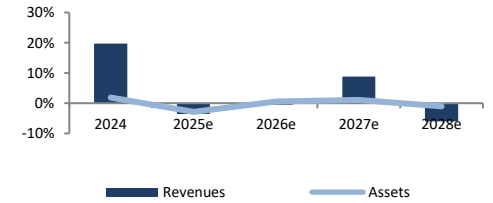
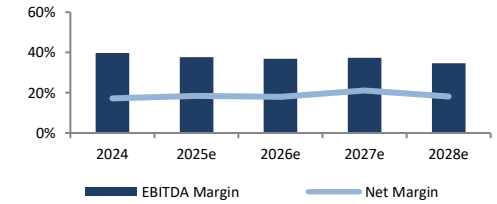
Arqaam Capital Fundamental Data

Profitability



Growth



OQ Base Industries

Year-end	2023	2024	2025e	2026e	2027e	2028e
Financial summary						
Reported EPS	0.01	0.01	0.01	0.01	0.01	0.01
Diluted EPS	0.01	0.01	0.01	0.01	0.01	0.01
DPS	-	0.01	0.01	0.01	0.01	0.01
BVPS	0.07	0.09	0.10	0.10	0.10	0.10
Weighted average shares	3,459.49	3,459.49	3,459.49	3,459.49	3,459.49	3,459.49
Average market cap	598.49	598.49	598.49	598.49	598.49	598.49

Year-end	2023	2024	2025e	2026e	2027e	2028e
Valuation metrics						
P/E (x) (current price)	12.6	14.8	14.4	14.8	11.6	14.3
P/E (x) (target price)	13.8	16.3	15.8	16.2	12.7	15.7
EV/EBITDA (x) (current price)	8.8	7.9	8.7	8.9	8.1	9.3
EV/EBITDA (x) (target price)	8.8	8.0	8.7	8.9	8.1	9.3
EV/FCF (x)	388.1	307.3	446.9	380.3	352.8	443.9
Free cash flow yield (%)	12.0	15.1	10.4	12.2	13.2	10.5
Dividend yield (%)	-	5.5	5.7	6.0	6.3	6.6

Year-end	2023	2024	2025e	2026e	2027e	2028e
Growth (%)						
Revenues	(9.0)	19.7	(3.6)	(0.5)	8.8	(6.0)
EBITDA	(5.1)	10.7	(8.3)	(2.7)	10.3	(13.1)
EBIT	(15.7)	7.7	(13.6)	(4.5)	17.3	(20.6)
Net income	(23.3)	(14.9)	3.2	(3.0)	28.1	(19.4)

Year-end	2023	2024	2025e	2026e	2027e	2028e
Margins (%)						
EBITDA	42.9	39.7	37.7	36.9	37.4	34.6
EBIT	28.5	25.6	23.0	22.0	23.8	20.1
Net	24.2	17.2	18.4	18.0	21.1	18.1

Year-end	2023	2024	2025e	2026e	2027e	2028e
Returns (%)						
RoAA	5.7	5.0	5.2	5.1	6.5	5.2
RoAE	18.1	13.9	12.6	11.9	14.8	11.6
RoIC	9.4	11.2	10.6	10.9	14.0	12.2
FCF margin	12.0	15.1	10.4	12.2	13.2	10.5

Year-end	2023	2024	2025e	2026e	2027e	2028e
Gearing (%)						
Net debt/Capital	46.9	25.9	21.5	14.8	6.1	0.4
Net debt/Equity	126.3	52.8	41.5	27.0	10.4	0.6
Interest cover (x)	6.7	3.9	4.7	5.4	9.0	10.3
Net debt/EBITDA (x)	3.8	1.9	1.6	1.1	0.4	-

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Abacus *Arqaam Capital Fundamental Data*

Company profile

OQBI is Oman's only integrated producer of methanol, ammonia, and LPG products, including propane, butane, condensate, and LPG (cooking gas) sold domestically. Established in 2006, the company 51% owned by OQ, Oman's leading energy company. In 2024, OQBI acquired OQ LPG, previously a separate subsidiary of OQ. It operates across the entire natural gas value chain, with three advanced plants producing methanol, ammonia and LPG that have a combined production capacity of 1,816 ktpa.

Investment case

OQBI's diversified product portfolio enables streamlined earnings, with revenues mainly driven by highly demanded chemicals, methanol, ammonia and LPG, positioning the company for sustained growth. It enjoys superior industry margins (EBITDA margin c.40%) thanks to cost-effective natural gas supply agreements, providing margin protection through the cycle. There is upside potential from brownfield methanol project, targeting methanol capacity growth of 50% with relatively low CapEx leveraging current infrastructure and access to low-cost gas. It also has the potential for exposure to clean/sustainable fuels (blue/green methanol/ammonia), capitalizing on the shift towards low-carbon energy solutions and accelerating decarbonization efforts.

OQBI offers strong free cashflow generation, with one of the highest FCFYs (c.10-13%) in the petchem space implying comfortable dividend capacity and ample headroom for growth. It has a clear dividend policy with an attractive dividend yield of >6% (sustainable and growing) enabled by strong FCF generation. Current market price implies a normalized P/E of 12x, below regional and global peers.

We have a Buy rating at a TP of OMR 0.19/share (10% upside).

Ownership structure

Shareholders	%
OQ	51%
Free Float	49%

OQ Base Industries

Year-end	2023	2024	2025e	2026e	2027e	2028e
Income statement (OMRmn)						
Sales revenue	196	235	226	225	245	231
Cost of sales	(131)	(166)	(164)	(165)	(176)	(173)
Gross profit	**65**	**69**	**62**	**60**	**69**	**57**
SG&A	(9)	(9)	(10)	(10)	(11)	(11)
EBITDA	**84**	**93**	**85**	**83**	**92**	**80**
Depreciation	(28)	(33)	(33)	(33)	(33)	(33)
EBIT	**56**	**60**	**52**	**50**	**58**	**46**
Interest expense	(8)	(15)	(11)	(9)	(6)	(5)
Share of results of associates & JV	-	-	-	-	-	-
Profit before tax	48	40	42	40	52	42
Taxes	-	-	-	-	-	-
Other post-tax income/(expense)	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (group)	48	40	42	40	52	42
Minorities	-	-	-	-	-	-
Net profit (parent)	**48**	**40**	**42**	**40**	**52**	**42**
Arqaam adjustments (including dilution)	-	-	-	-	-	-
Arqaam Net profit	**48**	**40**	**42**	**40**	**52**	**42**

Year-end	2023	2024	2025e	2026e	2027e	2028e
Balance sheet (OMRmn)						
Cash and equivalents	109	168	174	193	217	221
Receivables	76	40	32	31	30	25
Inventories	9	11	11	11	12	12
Tangible fixed assets	580	580	557	545	529	522
Other assets including goodwill	24	15	15	15	15	15
Total assets	**798**	**813**	**790**	**794**	**803**	**795**
Payables	49	27	26	23	23	21
Interest bearing debt	428	341	314	285	255	223
Other liabilities	68	117	112	142	165	187
Total liabilities	**545**	**484**	**452**	**450**	**443**	**431**
Shareholders equity	253	328	337	343	358	362
Minorities	-	-	-	-	-	-
Total liabilities & shareholders equity	**798**	**812**	**788**	**793**	**802**	**793**

Year-end	2023	2024	2025e	2026e	2027e	2028e
Cash flow (OMRmn)						
Cashflow from operations	**93**	**140**	**88**	**112**	**115**	**104**
Net capex	(4)	(28)	(11)	(21)	(17)	(26)
Free cash flow	**89**	**112**	**77**	**91**	**98**	**78**
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	-	-	(33)	(34)	(36)	(38)
Net inc/(dec) in borrowings	(121)	(37)	(27)	(29)	(30)	(31)
Other investing/financing cash flows	(26)	(28)	(11)	(9)	(6)	(5)
Net cash flow	**(90)**	**143**	**7**	**18**	**25**	**4**
Change in working capital	(19)	3	7	(1)	-	3

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OQBI Q3 25A results review

Exhibit 1: OQBI Q3 25A results review

OMR m	Q3 25A	ACe	Δ	Q3 24A	y/y	Q2 25A	q/q
Revenues	58	52	*12%*	56	*5%*	57	*3%*
Gross profit	15	10	*48%*	17	*(11%)*	14	*2%*
EBITDA	21	16	*28%*	22	*(7%)*	21	*0%*
Net income	9	6	*58%*	10	*(8%)*	12	*(27%)*
Gross margin	25.2%	19.1%	605	29.8%	(461)	25.4%	(24)
EBIT margin	35.4%	31.0%	437	39.9%	(450)	36.2%	(85)
Net margin	15.3%	10.9%	443	17.4%	(213)	21.4%	(609)

Source: Arqaam Capital Research, Company Data

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