Results Review

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# OQ Base Industries

## HOLD OMR 0.18

Q4 25A EPS grew by 55% q/q on stronger margins and finance income. The IGC payment drove FCFs lower y/y, but FCFY is still decent at 9%

- **Q4 25 net income came in at OMR 14m, up 55% q/q (-48% y/y), despite weaker revenues and a surge in G&A costs, mainly on lower cash cost/ton and the booking of a discounting of accrual for rich gas costs (c.OMR 5m). Excl. the accrual discounting, net income would be 1% lower q/q.**
- **EPS beat ACe by 80% mainly due to a 3% beat to revenue estimates, higher-than-expected margins, and the c.OMR 5m in discounting of accrual for rich gas costs, which was partially offset by higher-than-expected SG&A costs. Excl. the accrual discounting, net income is 15% ahead of ACe.**
- **Revenues were down by 5% q/q despite a surge in ammonia prices, likely weighed down by weaker LPG/methanol prices and/or lower volumes. However, cash costs/ton were lower q/q driving GPM up by 276bps.**
- **FCFs weakened by 26% y/y at OMR 83m, mainly due to the IGC payment for LPG gas costs (commenced in FY 25A) amounting to OMR 34m, albeit 24% below our expectations (driving an 8% beat to our FCF estimate). FY 25A FCFY is at 9%.**
- **We maintain our TP at OMR 0.18 and our Hold rating as the share price rally (+66% since Jan'25) leaves no upside vs. our TP. OQBI continues to offer decent FY 26e FCFY/DY of 10%/4.8% on healthy FCF generation, and on upside potential from the unmodeled brownfield methanol project (+50% methanol capacity), but we think valuation is full on a normalized basis.**

**Net income surged 55% q/q in Q4 25, primarily driven by lower cash cost/ton and the booking of a discounting of accrual for rich gas costs, despite weaker revenues and a spike in G&A costs**. Reported net income came in at OMR 14m in Q4 25, up 55% q/q (-48% y/y). The sequential jump was largely underpinned by an improvement in cash cost/ton and the booking of a c.OMR 5m discounting of accrual for rich gas costs; excluding this one-off, net income would have been broadly flat q/q (-1%). NI beat ACe by 80% mainly on the beat in revenues and higher than expected margins, which were partially offset by higher-than-expected SG&A. On a y/y basis, the 48% decline reflects a more challenging operating environment, with weaker revenues and a surge in G&A costs weighing on bottom line.

**Revenues dropped by 5% q/q despite stronger ammonia prices, likely on weaker methanol/LPG prices.** Revenues recorded OMR 55m in Q4 25A, down by 5% q/q (-26% y/y, +3% vs. ACe). The sequential revenue drop is driven by softer LPG/methanol prices and/or weaker volumes, which was partially offset by stronger ammonia prices. GPM expanded q/q and reached 28% (vs. 25% in Q3 25A) with GP up 12% q/q at OMR 15m, while EBITDA weakened q/q at OMR 18m largely due to higher S,G&A expense.

**Cashflow generation remained solid in FY 25A, with FCFY of 9%, despite the IGC payment weighing on FCFs.** FCFs came in at OMR 83m (-26% y/y), implying an FCFY of c.9% and an 8% beat to ACe, primarily driven by the IGC payment coming in 24% below ACe. The full-year IGC cash drag totaled OMR 34m, almost entirely accounting for the y/y decline.

**OQBI should report weaker profitability in FY 26e on the expected decline in methanol/LPG prices and lower LPG volumes**. We expect methanol prices to decline by 4% y/y in FY 26e, after witnessing a 7% y/y dip in FY 25A, to average USD 265/t (spot at USD 269/t). We also forecast a 6% y/y drop in LPG prices. On the flipside, we expect ammonia prices to remain flat in FY 26e (USD 386/t) owing to strong demand. We also expect weaker LPG volumes in FY 26e as per the company's plan to carry out a maintenance shutdown in FY 26e. All in all, these factors are expected to drive a 5% y/y decline in EBITDA to OMR 81bn and a 7% y/y dip in net income to OMR 39m. We, however, expect earnings to recover in FY 27e onwards as methanol and LPG prices recover close to mid-cycle averages.

**We maintain TP of OMR 0.18/share and maintain Hold on limited upside post the share price rally.** OQBI's share price is up c.66% since July'25A, and upside at our TP is now limited, yet we highlight that near-term FCFY remains above sector average at c.11% in FY 25-27e (vs. <9% for local peers) and DY remains decent >5% in FY 26e (with upside to dividends after the end of the IPO stated policy on robust FCF generation). Also, we see upside to our FY 26e numbers as oil prices so far exceed our FY estimate of USD 60/bbl, (USD 71/bbl spot price) which could results in higher-than-expected LPG/methanol prices 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.

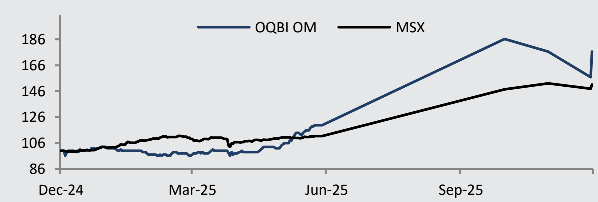
**Petrochemicals /** Oman

| | |
|---|---|
| Bloomberg code | OQBI OM |
| Market index | MSX |
| Target Price | 0.18 |
| Upside (%) | -18.6 |

| **Market data** | **2/16/2026** |
|---|---|
| Last closing price | 0.17 |
| 52 Week range | 0.1-0.2 |
| Market cap (OMR m) | 761 |
| Market cap (USD m) | 1,977 |
| Average Daily Traded Value (OMR m) | 5.0 |
| Average Daily Traded Value (USD m) | 13.5 |
| Free float (%) | 44% |

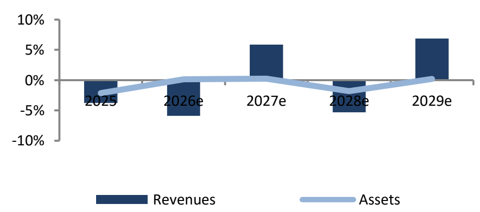
| Year-end (local m) | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| Revenues | 226 | 213 | 225 | 213 |
| EBITDA | 84 | 81 | 84 | 72 |
| Net income | 48 | 39 | 44 | 34 |
| EPS | 0.01 | 0.01 | 0.01 | 0.01 |
| EPS growth (%) | 18.0 | (18.7) | 13.8 | (22.4) |
| P/E (current price) | 15.8 | 19.4 | 17.1 | 22.0 |
| DPS | 0.01 | 0.01 | 0.01 | 0.01 |
| Div. yield (%) | 4.6 | 4.8 | 5.0 | 5.3 |
| FCF/share | - | - | - | - |
| FCF yield (%) | 9.3 | 10.1 | 10.3 | 8.1 |
| CAPEX | 11 | 20 | 16 | 24 |
| CAPEX/sales (%) | 5.0 | 9.2 | 7.0 | 11.5 |
| Net Debt/EBITDA (x) | 1.6 | 1.1 | 0.4 | 0.1 |
| EV/EBITDA (x) | 10.7 | 11.1 | 10.7 | 12.5 |
| RoAE (%) | 14.2 | 11.2 | 12.6 | 9.7 |
| RoIC (%) | 10.6 | 10.5 | 12.2 | 10.4 |

**Price Performance**

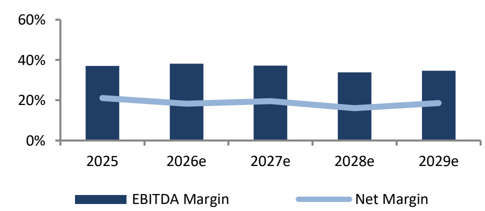


## Abacus *Arqaam Capital Fundamental Data*

**Profitability**




**Growth**




**OQ Base Industries**

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **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 | 0.01 |
| BVPS | 0.09 | 0.10 | 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 | 754.17 | 754.17 | 754.17 | 754.17 | 754.17 | 754.17 |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Valuation metrics** | | | | | | |
| P/E (x) (current price) | 18.7 | 15.8 | 19.4 | 17.1 | 22.0 | 17.7 |
| P/E (x) (target price) | 15.3 | 13.0 | 16.0 | 14.0 | 18.1 | 14.6 |
| EV/EBITDA (x) (current price) | 9.7 | 10.7 | 11.1 | 10.7 | 12.5 | 11.4 |
| EV/EBITDA (x) (target price) | 7.7 | 8.6 | 8.9 | 8.6 | 10.0 | 9.1 |
| EV/FCF (x) | 307.3 | 411.7 | 379.8 | 370.6 | 472.8 | 395.3 |
| Free cash flow yield (%) | 12.4 | 9.3 | 10.1 | 10.3 | 8.1 | 9.7 |
| Dividend yield (%) | 4.3 | 4.6 | 4.8 | 5.0 | 5.3 | 5.5 |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Growth (%)** | | | | | | |
| Revenues | 19.7 | (3.8) | (5.9) | 5.9 | (5.3) | 6.9 |
| EBITDA | 10.7 | (10.1) | (3.1) | 3.3 | (13.9) | 9.2 |
| EBIT | 7.7 | (14.3) | (7.5) | 5.6 | (23.1) | 17.1 |
| Net income | (14.9) | 18.0 | (18.7) | 13.8 | (22.4) | 24.2 |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Margins (%)** | | | | | | |
| EBITDA | 39.7 | 37.1 | 38.2 | 37.3 | 33.9 | 34.6 |
| EBIT | 25.6 | 22.8 | 22.4 | 22.4 | 18.2 | 19.9 |
| Net | 17.2 | 21.1 | 18.2 | 19.6 | 16.1 | 18.7 |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Returns (%)** | | | | | | |
| RoAA | 5.0 | 5.9 | 4.9 | 5.5 | 4.3 | 5.4 |
| RoAE | 13.9 | 14.2 | 11.2 | 12.6 | 9.7 | 12.1 |
| RoIC | 11.2 | 10.6 | 10.5 | 12.2 | 10.4 | 13.5 |
| FCF margin | 12.4 | 9.3 | 10.1 | 10.3 | 8.1 | 9.7 |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Gearing (%)** | | | | | | |
| Net debt/Capital | 25.9 | 20.4 | 13.6 | 5.8 | 0.9 | (7.3) |
| Net debt/Equity | 52.8 | 39.0 | 24.8 | 10.0 | 1.4 | (11.2) |
| Interest cover (x) | 3.9 | 9.9 | 5.3 | 8.0 | 8.6 | 15.9 |
| Net debt/EBITDA (x) | 1.9 | 1.6 | 1.1 | 0.4 | 0.1 | (0.5) |

**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 Hold rating at a TP of OMR 0.18/share.

## Ownership structure

| Shareholders | % |
|---|---|
| OQ | 51% |
| Free Float | 49% |

## OQ Base Industries

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Income statement (OMRmn)** | | | | | | |
| Sales revenue | 235 | 226 | 213 | 225 | 213 | 228 |
| Cost of sales | (166) | (162) | (155) | (164) | (164) | (171) |
| **Gross profit** | **69** | **64** | **58** | **61** | **49** | **56** |
| SG&A | (9) | (12) | (10) | (11) | (11) | (11) |
| **EBITDA** | **93** | **84** | **81** | **84** | **72** | **79** |
| Depreciation | (33) | (32) | (33) | (33) | (33) | (33) |
| **EBIT** | **60** | **52** | **48** | **50** | **39** | **45** |
| Interest expense | (15) | (5) | (9) | (6) | (5) | (3) |
| Share of results of associates & JV | - | - | - | - | - | - |
| Profit before tax | 40 | 48 | 39 | 44 | 34 | 43 |
| Taxes | - | - | - | - | - | - |
| **Other post-tax income/(expense)** | **-** | **-** | **-** | **-** | **-** | **-** |
| Net profit (group) | 40 | 48 | 39 | 44 | 34 | 43 |
| Minorities | - | - | - | - | - | - |
| **Net profit (parent)** | **40** | **48** | **39** | **44** | **34** | **43** |
| Arqaam adjustments (including dilution) | - | - | - | - | - | - |
| **Arqaam Net profit** | **40** | **48** | **39** | **44** | **34** | **43** |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Balance sheet (OMRmn)** | | | | | | |
| Cash and equivalents | 168 | 180 | 199 | 219 | 218 | 230 |
| Receivables | 40 | 32 | 29 | 28 | 23 | 25 |
| Inventories | 11 | 11 | 10 | 11 | 11 | 11 |
| Tangible fixed assets | 580 | 557 | 544 | 526 | 517 | 504 |
| Other assets including goodwill | 15 | 15 | 15 | 15 | 15 | 15 |
| **Total assets** | **813** | **796** | **797** | **799** | **784** | **786** |
| Payables | 27 | 26 | 22 | 21 | 20 | 17 |
| Interest bearing debt | 341 | 314 | 285 | 255 | 223 | 191 |
| Other liabilities | 117 | 112 | 142 | 166 | 189 | 223 |
| **Total liabilities** | **484** | **452** | **448** | **442** | **432** | **430** |
| Shareholders equity | 328 | 343 | 347 | 355 | 351 | 354 |
| Minorities | - | - | - | - | - | - |
| **Total liabilities & shareholders equity** | **812** | **794** | **795** | **797** | **783** | **785** |

| Year-end | 2024 | 2025 | 2026e | 2027e | 2028e | 2029e |
|---|---|---|---|---|---|---|
| **Cash flow (OMRmn)** | | | | | | |
| **Cashflow from operations** | **140** | **95** | **110** | **109** | **97** | **108** |
| Net capex | (28) | (11) | (20) | (16) | (24) | (21) |
| **Free cash flow** | **112** | **84** | **91** | **93** | **73** | **87** |
| Equity raised/(bought back) | - | - | - | - | - | - |
| Dividends paid | - | (33) | (34) | (36) | (38) | (40) |
| Net inc/(dec) in borrowings | (37) | (27) | (29) | (30) | (31) | (33) |
| Other investing/financing cash flows | (28) | (12) | (9) | (6) | (5) | (3) |
| **Net cash flow** | **143** | **13** | **19** | **20** | **(1)** | **12** |
| Change in working capital | 3 | 7 | (1) | - | 3 | (5) |

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## OQBI Q4 25A results review

**Exhibit 1: OQBI Q4 25A review**

| SAR m | Q4 25A | ACe | Δ | Q4 24A | y/y | Q3 25A | q/q |
|---|---|---|---|---|---|---|---|
| **Revenues** | 55 | 54 | 3% | 75 | *(26.2%)* | 58 | *(5.3%)* |
| **Gross profit** | 15 | 14 | 12% | 26 | *(39.9%)* | 15 | *5.1%* |
| **EBIT** | 11 | 11 | -2% | 24 | *(53.0%)* | 12 | *(9.6%)* |
| **Net income** | 14 | 8 | 80% | 27 | *(48.1%)* | 9 | *54.9%* |
| | | | | | | | |
| **Gross margin** | 28.0% | 25.7% | 228 | 34.3% | (636) | 25.2% | 276 |
| **EBIT margin** | 20.1% | 21.1% | (100) | 31.5% | (1,146) | 21.0% | (96) |
| **Net margin** | 25.0% | 14.3% | 1,076 | 35.5% | (1,052) | 15.3% | 972 |

*Source: Arqaam Capital Research, Company Data*

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| | |
|---|---|
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