

SARAS

Sector: Energy

NEUTRAL

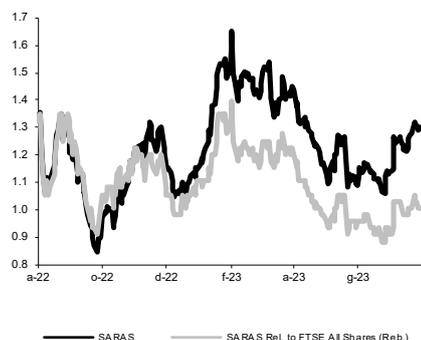
Price: Eu1.30 - Target: Eu1.30

Heavy Maintenance Quarter, Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	4.9%	2.0%	-0.6%

SARAS - 12M Performance



Stock Data			
Reuters code:	SRS.MI		
Bloomberg code:	SRS IM		
Performance	1M	3M	12M
Absolute	14.4%	10.7%	5.1%
Relative	9.9%	2.4%	-24.0%
12M (H/L)	1.66/0.84		
3M Average Volume (th):	9,534.76		

Shareholder Data	
No. of Ord shares (mn):	951
Total no. of shares (mn):	951
Mkt Cap Ord (Eu mn):	1,236
Total Mkt Cap (Eu mn):	1,236
Mkt Float - Ord (Eu mn):	722
Mkt Float (in %):	58.4%
Main Shareholder:	
Moratti family	40.0%

Balance Sheet Data	
Book Value (Eu mn):	1,307
BVPS (Eu):	1.37
P/BV:	0.9
Net Financial Position (Eu mn):	66
Enterprise Value (Eu mn):	1,170

■ **2Q23 results.** On the macro front, the quarter featured a further softening of oil prices, while refining margins returned to 'more normalised' levels after the unprecedented spikes recorded in previous quarters (EMC Med benchmark closing at +US\$4.2/bl, from +US\$10.1/bl in 1Q23 and +US\$13.3/bl in 4Q22). Diesel crack (ULSD) declined to US\$16.8/bl (vs. US\$44.8/bl in 2Q22 and US\$30.6/bl in 1Q23), due to ample supply driven by Asian exports, and faltering demand. Gasoline cracks, by contrast, were very robust, closing at US\$20.5/bl (vs. US\$31.9/bl in 2Q22 and US\$16.27/bl in 1Q23) up seasonally thanks to healthy demand in the Atlantic Basin and reduced availability of high-octane components. On the utilities side, electricity and gas prices showed a further reduction after the dramatic spikes recorded in August last year. Looking at Saras's operational performance, activity at the Sarroch refinery was penalised by heavy planned maintenance activity (IGCC 10-year turnaround), with runs closing at 19.5mn bl (vs. exp. 19.4mn bl), from 24.9mn bl in 1Q23 and 25.9mn bl in 2Q22. In this context, group adj. EBITDA closed at Eu27mn (vs. Eu459mn in 2Q22 and Eu285mn in 1Q23, vs. exp. Eu25mn), with the integrated Industrial & Marketing segment recording a US\$3.7/bl premium on the EMC benchmark (vs. US\$6.1/bl in 1Q23), penalised by heavy maintenance and a lower discount on sour crude oils. At bottom line, adj. net income closed negative for Eu-22mn (vs. Eu287mn in 2Q22 and Eu162mn in 1Q23, vs. exp. Eu-19mn). On the balance sheet, the net cash position (pre-IFRS16) closed at Eu-74mn (vs. exp. Eu-51mn) from Eu-354mn as at the end of March, following CapEx of Eu102mn, dividends of Eu181mn and taxes of Eu305mn (of which around Eu150mn in windfall taxes) largely offset by rebalanced working capital (Eu284mn reduction in the quarter).

■ **Outlook and guidance.** Saras confirmed a positive outlook, with refining margins expected to rebound in 2H23 thanks to improving demand and lower middle distillate inflows from Asia. On the supply side, OPEC+ cuts on heavy sour grades could put pressure on discounts. In terms of guidance, despite quite weak quarterly results, Saras confirmed its 2023 guidance, expecting to be able to achieve an average US\$5-6/bl premium above the EMC reference margin (US\$6.8/bl in 2022). At operational level, Sarroch's FY23 crude runs were confirmed at 93-97mn bl, after the maintenance managed in 2Q. CapEx is projected at Eu180mn in the Industrial & Marketing segment, and Eu50mn in Renewables. The YE23 net financial position continues to be projected cash positive.

■ **Estimates and valuation.** Following 2Q23 results, we are updating our 2023 projections (adj. EBITDA +3%) on the back of higher assumptions for the EMC benchmark (US\$6.0/bl from US\$4.8/bl previously), partly offset by a lower premium for the integrated Industrial & Marketing segment (US\$5.0/bl from US\$5.5/bl previously). In terms of the valuation, we confirm our target price of Eu1.30ps.

■ **Investment case.** We downgraded the stock to NEUTRAL in mid-March with 4Q22 results, after having been positive since April last year, following the outbreak of war in Ukraine. As we continue to see a highly volatile market in the downstream segment, we confirm our NEUTRAL recommendation on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	8,636	15,836	11,070	10,858	10,716
EBITDA Adj (Eu mn)	54	1,137	633	424	375
Net Profit Adj (Eu mn)	-136	710	276	138	111
EPS New Adj (Eu)	-0.143	0.747	0.290	0.145	0.117
EPS Old Adj (Eu)	-0.143	0.747	0.276	0.142	0.117
DPS (Eu)	0.000	0.190	0.120	0.080	0.070
EV/EBITDA Adj	20.7	0.6	1.8	2.5	2.3
EV/EBIT Adj	nm	0.8	2.8	5.0	5.3
P/E Adj	nm	1.7	4.5	9.0	11.2
Div. Yield	0.0%	14.6%	9.2%	6.2%	5.4%
Net Debt/EBITDA Adj	9.1	-0.2	-0.1	-0.5	-1.0