

# SARAS

Sector: Energy

## NEUTRAL

Price: Eu1.20 - Target: Eu1.30

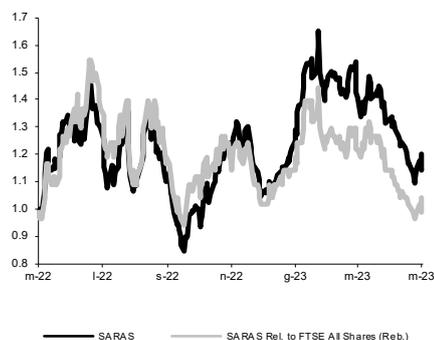
## Results Slightly Better, 2023 Guidance Confirmed

 Paolo Citi +39-02-77115.430  
 paolo.citi@intermonte.it

### Stock Rating

|                           |                   |              |              |
|---------------------------|-------------------|--------------|--------------|
| <b>Rating:</b>            | Unchanged         |              |              |
| <b>Target Price (Eu):</b> | from 1.50 to 1.30 |              |              |
|                           | <b>2023E</b>      | <b>2024E</b> | <b>2025E</b> |
| <b>Chg in Adj EPS</b>     | -8.0%             | -21.7%       | -5.5%        |

### SARAS - 12M Performance



### Stock Data

|                         |           |           |            |
|-------------------------|-----------|-----------|------------|
| Reuters code:           | SRS.MI    |           |            |
| Bloomberg code:         | SRS IM    |           |            |
| <b>Performance</b>      | <b>1M</b> | <b>3M</b> | <b>12M</b> |
| Absolute                | -8.6%     | -19.1%    | 21.3%      |
| Relative                | -8.6%     | -18.8%    | 4.5%       |
| 12M (H/L)               | 1.66/0.84 |           |            |
| 3M Average Volume (th): | 9,113.07  |           |            |

### Shareholder Data

|                           |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 951   |
| Total no. of shares (mn): | 951   |
| Mkt Cap Ord (Eu mn):      | 1,141 |
| Total Mkt Cap (Eu mn):    | 1,141 |
| Mkt Float - Ord (Eu mn):  | 666   |
| Mkt Float (in %):         | 58.4% |
| Main Shareholder:         |       |
| Moratti family            | 40.0% |

### Balance Sheet Data

|                                 |       |
|---------------------------------|-------|
| Book Value (Eu mn):             | 1,294 |
| BVPS (Eu):                      | 1.36  |
| P/BV:                           | 0.9   |
| Net Financial Position (Eu mn): | 53    |
| Enterprise Value (Eu mn):       | 1,088 |

■ **1Q23 results.** On the macro front, the quarter was characterised by softening oil prices, while refining margins were down 24% QoQ, with the EMC Med benchmark closing at +US\$10.1/bl, from the record-high +US\$13.3/bl reached in 4Q22. On the utilities side, electricity and gas prices showed a further reduction, after the dramatic spikes recorded in August last year, while on the ForEx, the dollar slightly weakened against the euro. In this context, Saras reported slightly better-than-expected results, primarily thanks to higher refinery runs and better margins in the Marketing segment. Group adj. EBITDA closed at Eu285mn (vs. exp. Eu273mn) and adj. net income at Eu162mn (vs. exp. Eu151mn). On the balance sheet, the net financial position (post-IFRS16) closed cash positive for Eu-316mn (vs. exp. Eu-269mn) from Eu-227mn at the end of December, following a Eu114mn working capital increase in the quarter.

■ **2023 guidance.** Saras confirmed the indications released two months ago, along with 4Q22 results, expecting to be able to achieve an average US\$5-6/bl premium above the new EMC reference margin in 2023 (vs. US\$6.8/bl in 2022). Sarroch's FY23 crude runs are now expected between 93/98mn bl, from previous 88-95mn bl, with the largest part of maintenance in 2Q where lower margins are expected. CapEx in the Industrial & Marketing segment is projected at Eu170-180mn, while in Renewables at Eu60-70mn. Regarding the expected trend in the group's net financial position, in the remainder of the year this will be affected by the payment of taxes (including those on extra-profits), dividends and investments. Taking this in mind, Saras projects a year-end Group Net Financial Position still in surplus although down from current levels.

■ **Medium-long term strategic guidelines: Focus on Energy transition and Renewables growth.** Saras' BoD approved the medium-term strategic guidelines, providing for the evolution of the Group from pure refiner to sustainable energy player. Saras' strategy aims at supporting and accelerating the convergence between the conventional and renewable energy businesses, with the following objectives: i) continue to improve the overall effectiveness and efficiency of the refining business; ii) 1GW renewable capacity installed by 2028; iii) Position the Company to seize the opportunities offered by new technologies (green hydrogen, CCS and biofuels).

■ **Updated estimates and valuation.** Following the sharp reduction in refining margins recorded in recent weeks and expectations of a less tight market, we have updated our macro scenario assumptions, projecting lower refining margins in 2023-24 (EMC US\$4.8/bl from US\$5.5/bl, US\$2.5/bl from US\$3.0/bl respectively), while leaving our US\$1.0/bl long-term assumption unchanged. On the P&L, we have cut our adj. EBITDA projections for 2023-24 by around 5-10% and net income by 8-22%. In terms of the valuation, we have cut our target price to Eu1.30ps from the previous Eu1.50ps.

■ **Investment case.** We downgraded the stock to NEUTRAL two months ago, after having been positive since April last year, after the outbreak of war in Ukraine. We see a potentially easing supply/demand balance in coming months, due to increasing recession risks. In addition the Opec+ production cut announced at the beginning of April could lead to a reduction of light-heavy crudes differential, adding further pressure on refining margins. We confirm our NEUTRAL recommendation.

| Key Figures & Ratios   | 2021A  | 2022A  | 2023E  | 2024E  | 2025E  |
|------------------------|--------|--------|--------|--------|--------|
| Sales (Eu mn)          | 8,636  | 15,836 | 16,260 | 16,714 | 17,184 |
| EBITDA Adj (Eu mn)     | 54     | 1,137  | 616    | 421    | 377    |
| Net Profit Adj (Eu mn) | -136   | 710    | 263    | 135    | 111    |
| EPS New Adj (Eu)       | -0.143 | 0.747  | 0.276  | 0.142  | 0.117  |
| EPS Old Adj (Eu)       | -0.143 | 0.747  | 0.300  | 0.182  | 0.124  |
| DPS (Eu)               | 0.000  | 0.190  | 0.120  | 0.080  | 0.070  |
| EV/EBITDA Adj          | 20.7   | 0.6    | 1.8    | 2.3    | 2.1    |
| EV/EBIT Adj            | nm     | 0.8    | 2.7    | 4.7    | 4.8    |
| P/E Adj                | nm     | 1.6    | 4.3    | 8.4    | 10.2   |
| Div. Yield             | 0.0%   | 15.8%  | 10.0%  | 6.7%   | 5.8%   |
| Net Debt/EBITDA Adj    | 9.1    | -0.2   | -0.1   | -0.4   | -0.9   |