SARAS

NEUTRAL

Sector: Energy

Price: Eu1.22 - **Target: Eu1.30**

Margins Sharply Down in a Quarter of Heavy Maintenance

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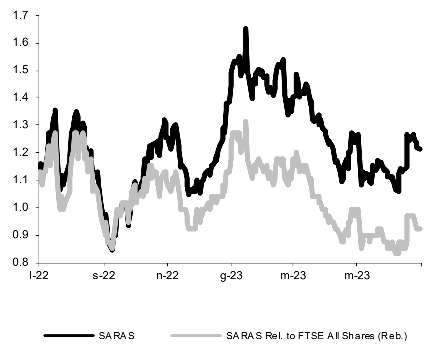
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

2Q23 Results Out 31 July

SARAS - 12M Performance



Stock Data			
Reuters code:			SRS.MI
Bloomberg code:			SRS IM
Performance	**1M**	**3M**	**12M**
Absolute	9.3%	-4.9%	13.1%
Relative	7.3%	-7.4%	-20.3%
12M (H/L)			1.66/0.84
3M Average Volume (th):			9,104.75

Shareholder Data	
No. of Ord shares (mn):	951
Total no. of shares (mn):	951
Mkt Cap Ord (Eu mn):	1,156
Total Mkt Cap (Eu mn):	1,156
Mkt Float - Ord (Eu mn):	675
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):	1,104

- **Saras will report 2Q23 results on 31 July**, with the press release to go out at lunchtime and the conference call scheduled for 16.30 CEST the same day.
- **2Q23 results preview.** On the macro front, the quarter was characterised by a further softening of oil prices, while refining margins undertook a rollercoaster ride, subject to extremely volatile diesel cracks. The EMC Med benchmark collapsed to zero in April from US$10/bl at the end of March, before gradually recovering over the following two months, reaching US$10/bl again at the end of June. The benchmark averaged +US$4.2/bl in 2Q23, down from +US$10.1/bl in 1Q23 and +US$13.3/bl 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 ForEx, the dollar weakened slightly further against the euro. Looking at Saras's operational performance, activity at the Sarroch refinery is expected to have been penalised by planned heavy maintenance activity, with runs projected at 19.4mn bl, vs. 24.9mn bl in 1Q23 and 26.0mn bl in 2Q22. In this context, we project group adj. EBITDA at Eu25mn (vs. Eu459mn in 2Q22 and Eu285mn in 1Q23), assuming for the Industrial & Marketing segment a US$3.5/bl premium on the EMC benchmark (vs. US$6.1/bl in 1Q23) and total fixed costs of Eu120mn (vs. Eu99mn in 1Q23). At bottom line, we project an adj. net loss of Eu-19mn (vs. Eu287mn in 2Q22 and Eu162mn in 1Q23). On the balance sheet, we expect a reduction in the net cash position (Eu-51mn from Eu-354mn as at the end of December, pre-IFRS16), following CapEx of Eu90mn, the payment of Eu180mn in dividends and windfall taxes of around Eu150mn, partly offset by an expected contraction in working capital.
- **2023 outlook and guidance.** With 1Q23 results Saras guided for an average premium of US$5-6/bl above the EMC reference margin in 2023 (vs. US$6.8/bl in 2022). We would not rule out the potential for new slightly more conservative guidance after 2Q23 results, following the heavy maintenance carried out in 2Q. At operational level, Sarroch's FY23 crude runs were expected at 93-98mn bl, with 50-52mn bl in 2H23. CapEx was seen at Eu170-180mn in the Industrial & Marketing segment, and at Eu60-70mn in Renewables. As for cash flow generation, Saras guided for a YE23 Net Financial Position still in surplus, although down from 1Q23 levels, reflecting the payment of dividends and taxes (including windfall taxes) in 2Q23.
- **Estimates and valuation.** Ahead of 2Q23 results, we are leaving our projections unchanged. We remind that our current FY23 adj. EBITDA estimate of Eu616mn is based on an assumption for an average EMC benchmark refining margin in 2023 of US$4.8/bl and a premium of US$5.4/bl. Target price confirmed at Eu1.30ps.
- **Investment case.** We downgraded the stock to NEUTRAL in mid-March along with 4Q22 results, after having been positive since April last year, following the outbreak of war in Ukraine. We foresee a potential easing of the supply/demand balance in the coming months, due to recession risks. In addition, the Opec+ production cuts announced in the last two months could lead to a reduction in the light-heavy crude differential, adding pressure on refining margins. We confirm our NEUTRAL recommendation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	8,636	15,836	11,070	10,761	10,625
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	0.276	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	2.3	2.1
EV/EBIT Adj	nm	0.8	2.7	4.7	4.9
P/E Adj	nm	1.6	4.4	8.6	10.4
Div. Yield	0.0%	15.6%	9.9%	6.6%	5.8%
Net Debt/EBITDA Adj	9.1	-0.2	-0.1	-0.4	-0.9