

SARAS

Sector: Energy

TENDER

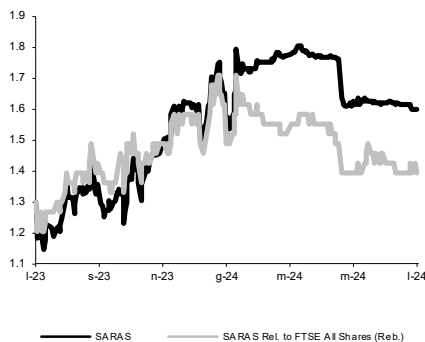
Price: Eu1.60 - Target: Eu1.60

More Cautious Outlook on Refining Margins

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-3.9%	-1.8%	0.2%

SARAS - 12M Performance



Stock Data			
Reuters code:	SRS.MI		
Bloomberg code:	SRS IM		
Performance	1M	3M	12M
Absolute	-1.2%	-9.6%	23.1%
Relative	-2.9%	-9.7%	9.6%
12M (H/L)	1.81/1.15		
3M Average Volume (th):	2,057.29		

Shareholder Data	
No. of Ord shares (mn):	951
Total no. of shares (mn):	951
Mkt Cap Ord (Eu mn):	1,522
Total Mkt Cap (Eu mn):	1,522
Mkt Float - Ord (Eu mn):	889
Mkt Float (in %):	58.4%
Main Shareholder:	
Moratti family	40.0%

Balance Sheet Data	
Book Value (Eu mn):	1,367
BVPS (Eu):	1.44
P/BV:	1.1
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	1,515

■ **2Q24 results.** On the macro front, 2Q24 featured oil prices that were sequentially slightly higher, with Brent at US\$85/bl (+4% QoQ, +9% YoY) and recovering gas prices, with the Italy PSV at Eu33/MWh (+14% QoQ, -11% YoY). In the Downstream segment, refining margins were down QoQ, suffering a reduction in diesel cracks (EMC Med benchmark at +US\$4.5/bl, -45% QoQ, +7% YoY), while chemical cracks remained in the red. Looking at Saras' operational performance, activity at the Sarroch refinery declined sequentially to 22.4mn bl from 25.2mn bl in 1Q24. Moving to P&L figures, Saras reported adj. EBITDA at Eu91mn (vs. exp. Eu87mn) and adj. net income at Eu30mn (vs. exp. Eu23mn). On the balance sheet, the net financial position (post-IFRS16) closed cash positive at Eu-11mn (vs. exp Eu-5mn), down from Eu-139mn recorded as at the end of March, reflecting the dividend payment for Eu143mn.

■ **More cautious macro-outlook.** Saras took a more cautious outlook for 2H24, expecting declining refining margins due to a lacklustre macroeconomic trend and the production start-up of some large extra-EU refineries. In July, gasoline cracks dropped to around US\$14-15/bl, as additional production from new refineries is starting to reach the market, and the American driving season is slow to materialize. Diesel cracks closed at around US\$18/bl, and expectations for 2H24 converge towards lower values than in 1H24. Nonetheless, the diesel crack spread should remain above historical averages due to the structural changes in supply flows towards Europe.

■ **2024 guidance confirmed.** Despite a more cautious market outlook on refining margins, Saras confirmed the expectation of achieving an average US\$3.5-4.5/bl premium above the new EMC reference margin in 2024 (vs. US\$4.0/bl in 2023). Sarroch's FY24 production was confirmed between 96.5-98.5mn bl (vs. 94.1mn bl in 2023), with very limited maintenance. OpEx in the Industrial & Marketing segment is confirmed at around Eu380-400mn (vs. Eu415mn in 2023), with CapEx confirmed at Eu170-180mn. Saras expects the net financial position to remain positive at the end of 2024 at a level close to the figure recorded at the end of June.

■ **Update on the tender offer.** A few days ago, in an interview for *Il Sole24Ore*, Vitol CEO Russell Hardy, commenting on the low take-up on the PTO so far, said that Vitol would feel at ease as a shareholder in a listed company, as in the case of two firms acquired from Shell: Vivo Energy, which remained on the London stock exchange for four years before Vitol took full control and delisted it, and Viva, still listed in Australia. Hardy added that at this stage it would be premature to plan the merger and absorption of Saras to enable the delisting.

■ **Updated estimates and valuation.** We have merely fine-tuned our P&L projections downward to reflect slightly lower runs in 2H24 and reduced the YE24 net cash position assuming higher working capital and higher tax cash-outs. Regarding the valuation, we confirm our target price of Eu1.60ps.

■ **Investment case.** The acceptance period for the PTO ends 9 August. Considering the declining trend recorded by the refining margin in the last weeks, we suggest tendering the shares.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	15,836	11,443	11,583	11,421	11,217
EBITDA Adj (Eu mn)	1,137	670	481	400	313
Net Profit Adj (Eu mn)	710	325	165	120	66
EPS New Adj (Eu)	0.747	0.342	0.174	0.127	0.069
EPS Old Adj (Eu)	0.747	0.342	0.181	0.129	0.069
DPS (Eu)	0.190	0.150	0.080	0.070	0.040
EV/EBITDA Adj	0.6	1.6	3.2	3.5	4.2
EV/EBIT Adj	0.8	2.3	5.5	7.2	12.2
P/E Adj	2.1	4.7	9.2	12.6	23.1
Div. Yield	11.9%	9.4%	5.0%	4.4%	2.5%
Net Debt/EBITDA Adj	-0.2	-0.2	0.0	-0.3	-0.7

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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