

SARAS

Sector: Energy

NEUTRAL

Price: Eu1.33 - Target: Eu1.40

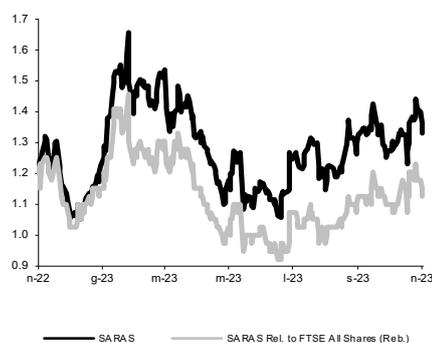
Results in Line, Guidance Trimmed

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

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.7%	-3.8%	-1.5%

SARAS - 12M Performance



Stock Data

Reuters code:	SRS.MI		
Bloomberg code:	SRS IM		
Performance	1M	3M	12M
Absolute	4.7%	16.0%	10.6%
Relative	2.4%	14.7%	-7.7%
12M (H/L)	1.66/1.05		
3M Average Volume (th):	7,741.96		

Shareholder Data

No. of Ord shares (mn):	951
Total no. of shares (mn):	951
Mkt Cap Ord (Eu mn):	1,265
Total Mkt Cap (Eu mn):	1,265
Mkt Float - Ord (Eu mn):	739
Mkt Float (in %):	58.4%
Main Shareholder:	
Moratti family	40.0%

Balance Sheet Data

Book Value (Eu mn):	1,351
BVPS (Eu):	1.42
P/BV:	0.9
Net Financial Position (Eu mn):	113
Enterprise Value (Eu mn):	1,152

■ **3Q23 results.** On the macro front, the quarter was characterised by a recovery in oil prices, supported by OPEC+ cuts. Refining margins spiked again, underpinned by very robust gasoline and diesel cracks, after having been on a rollercoaster ride in the previous quarter. The EMC Med benchmark averaged +US\$12.4/bl in the quarter, up from +US\$4.2/bl in 2Q23 and +US\$10.1/bl in 1Q23. On the utilities side, both electricity and gas prices were broadly flat sequentially. Looking at Saras's operational performance, activity at the Sarroch refinery recovered, after the heavy planned maintenance carried out in the previous quarter (24.5mn bl, vs. 19.5mn bl in 2Q23). Results were nevertheless penalised by a complete shutdown of the plants at the production site (due to a double power outage outside of Saras's responsibility) and subsequent critical issues that emerged during the plant start-up phases. Moving to P&L figures, group adj. EBITDA closed at Eu247mn (vs. exp. Eu241mn), while adj. net income closed at Eu121mn (vs. exp. Eu131mn). The Industrial & Marketing segment posted a US\$2.2/bl premium to the EMC benchmark (vs. US\$3.7/bl in 2Q23 and US\$6.7/bl in 3Q22), penalised by strong HSFO crack spread and lower discounts on sour crudes, after OPEC+ cuts. On the balance sheet, the net cash position pre-IFRS16 reached Eu-195mn (vs. exp. Eu-191mn) from Eu-74mn as at the end of June, hit by a Eu101mn working capital expansion in the quarter.

■ **Positive sector outlook confirmed, but guidance trimmed.** Saras confirmed a positive outlook for the sector, with refining margins expected at healthy levels in 4Q23 and 2024 (middle distillate cracks are expected to remain strongly supported by low inventories, resilient demand and constrained capacity; gasoline cracks are expected to rebound after 1Q24, with the beginning of the new driving season). In terms of guidance, Saras trimmed its 2023 premium target, expecting now to be able to achieve an average US\$4-5/bl spread (vs. prev. US\$5-6/bl) above the EMC reference margin. This new more conservative indication reflects both the operational inefficiencies that emerged in 3Q23 and macro scenario factors (strong HSFO crack spread and lower discounts on sour crudes). At operational level, Sarroch's FY23 crude runs were indicated at 94-95mn bl (vs. prev. 93-97mn bl), while total fixed costs in the Industrial & Marketing segment were confirmed at around Eu390mn. CapEx is confirmed at Eu180mn in the Industrial & Marketing segment, Eu50mn in Renewables. The YE23 net financial position continues to be projected at a 'comfortably' positive level, slightly lower than the figure recorded at the end of September.

■ **Estimates and valuation.** Following 3Q23 results, we are leaving our 2023 projections broadly unchanged. We remind that a few weeks ago, ahead of 3Q23 results, we updated our projections to reflect higher EMC benchmark assumptions, partly offset by a lower premium. In terms of the valuation, we are confirming our target price of Eu1.40ps, based on a mix of DCF, market multiples and SOP.

■ **Investment case.** We downgraded the stock to NEUTRAL in mid-March along with 4Q22 results, having previously been positive from April 2022, following the outbreak of war in Ukraine. Our cautious view reflects concerns over a potential easing of the supply/demand balance in the coming months due to recession risks.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	8,636	15,836	11,059	10,976	10,841
EBITDA Adj (Eu mn)	54	1,137	710	433	384
Net Profit Adj (Eu mn)	-136	710	320	135	110
EPS New Adj (Eu)	-0.143	0.747	0.336	0.142	0.115
EPS Old Adj (Eu)	-0.143	0.747	0.334	0.148	0.117
DPS (Eu)	0.000	0.190	0.100	0.080	0.070
EV/EBITDA Adj	20.7	0.6	1.6	2.5	2.5
EV/EBIT Adj	nm	0.8	2.3	4.9	5.5
P/E Adj	nm	1.8	4.0	9.3	11.5
Div. Yield	0.0%	14.3%	7.5%	6.0%	5.3%
Net Debt/EBITDA Adj	9.1	-0.2	-0.2	-0.4	-0.8