

SARAS

Sector: Energy

TENDER

Price: Eu1.77 - Target: Eu1.75

Results In Line, Guidance Confirmed

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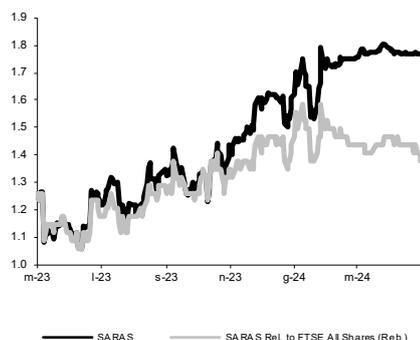
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	12.0%	5.5%	2.3%

Next Event

1H24 results on 31 July

SARAS - 12M Performance



Stock Data

Reuters code:	SRS.MI		
Bloomberg code:	SRS IM		
Performance	1M	3M	12M
Absolute	-1.1%	2.7%	39.1%
Relative	-5.2%	-9.0%	12.4%
12M (H/L)	1.81/1.06		
3M Average Volume (th):	3,265.31		

Shareholder Data

No. of Ord shares (mn):	951
Total no. of shares (mn):	951
Mkt Cap Ord (Eu mn):	1,683
Total Mkt Cap (Eu mn):	1,683
Mkt Float - Ord (Eu mn):	983
Mkt Float (in %):	58.4%
Main Shareholder:	
Moratti family	40.0%

Balance Sheet Data

Book Value (Eu mn):	1,374
BVPS (Eu):	1.45
P/BV:	1.2
Net Financial Position (Eu mn):	143
Enterprise Value (Eu mn):	1,540

■ **1Q24 results.** On the macro front, 1Q24 featured broadly stable oil prices, while gas prices fell further after the partial seasonal recovery recorded in 4Q23. In the Refining segment, margins improved, with distillate cracks supported by disruption in the Red Sea (EMC Med benchmark at +US\$8.2/bl, vs.+US\$6.2/bl in 4Q23, +32% QoQ and +US\$10.1/bl in 1Q23, -19%). Looking at Saras' operational performance, activity at the Sarroch refinery was substantially stable QoQ, closing at 25.2mn bl. Moving to P&L figures, Saras reported adj. EBITDA at Eu198mn (-30% YoY, +80% QoQ, vs. exp. Eu191mn) and adj. net income at Eu97mn (-40% YoY, +50% QoQ, vs. exp. Eu96mn). On the balance sheet, the net financial position (post-IFRS16) closed cash positive at Eu-105mn (in line), down from the Eu-167mn recorded as at the end of December, reflecting a Eu189mn working capital increase in the quarter.

■ **Constructive margin outlook confirmed.** Diesel crack is expected to recover above US\$20/bl, after the drop recorded in April (temporary oversupply from US and Middle East and slowdown of gasoil consumption for heating use). Higher freight rates (Red Sea disruptions) increase EU import costs and support the crack spread. Gasoline crack is confirmed as remaining strong thanks to the upcoming driving season, with the return of summer specifications and the persistent tightness in high-octane components. On these assumptions, Saras forecasts a higher EMC reference margin for 2024 than the historical average, albeit lower than the figure recorded in 2023.

■ **2024 guidance confirmed.** In terms of guidance, Saras confirmed the indications released two months ago alongside 4Q23 results, expecting to be able to achieve 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 is confirmed between 97-100mn 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. CapEx in Renewables is confirmed at around Eu40mn, mainly related to the final phase of the Helianto PV farm. Saras expects the net financial position to remain positive at the end of 2024.

■ **Updated estimates and valuation.** We have updated our projections to reflect slightly higher refining margins, partly offset by slightly lower figures in Marketing. On the P&L, we have increased our adj. EBITDA projections for 2024-25 by 8-3% and net income by 12-5%. By contrast, on the balance sheet, we have slightly reduced the YE24 net cash position, reflecting slightly higher working capital. In terms of the valuation, we confirm our target price of Eu1.75ps.

■ **Investment case.** On 26 April, Saras announced that the Italian Prime Minister's Office had issued a decree on the exercise of special powers (the so-called 'golden power') containing requirements that are no obstacle to completion of the Transaction. The entire authorization process is expected to be completed by end-May/ beginning of June. Taking into account an additional six weeks for the filing of the offer documents and a likely suspension period in August, we expect the tender offer by Vitol to be launched at the beginning of September. As of today, Vitol owns approx. 10.461% of Saras' share capital.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	15,836	11,443	11,581	11,421	11,217
EBITDA Adj (Eu mn)	1,137	670	486	400	313
Net Profit Adj (Eu mn)	710	325	172	123	66
EPS New Adj (Eu)	0.747	0.342	0.180	0.129	0.069
EPS Old Adj (Eu)	0.747	0.342	0.161	0.122	0.068
DPS (Eu)	0.190	0.150	0.080	0.070	0.040
EV/EBITDA Adj	0.6	1.6	3.2	3.5	4.3
EV/EBIT Adj	0.8	2.3	5.5	7.3	12.5
P/E Adj	2.4	5.2	9.8	13.7	25.6
Div. Yield	10.7%	8.5%	4.5%	4.0%	2.3%
Net Debt/EBITDA Adj	-0.2	-0.2	-0.3	-0.7	-1.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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

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Emitente	%	Long/Short

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