

SARAS

Sector: Energy

TENDER

Price: Eu1.76 - Target: Eu1.75

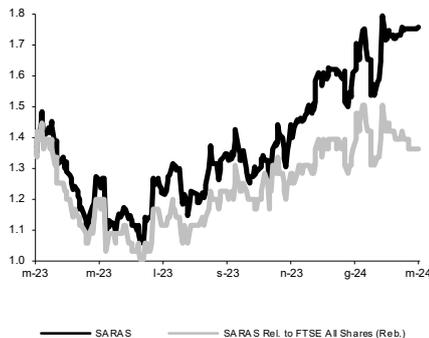
Solid 2024 Refinery Production Guidance

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	15.1%	9.4%	4.4%

SARAS - 12M Performance



Stock Data

Reuters code:	SRS.MI
Bloomberg code:	SRS IM

Performance	1M	3M	12M
Absolute	0.6%	9.3%	29.0%
Relative	-6.1%	-2.0%	-1.4%
12M (H/L)	1.79/1.06		
3M Average Volume (th):	9,584.48		

Shareholder Data

No. of Ord shares (mn):	951
Total no. of shares (mn):	951
Mkt Cap Ord (Eu mn):	1,673
Total Mkt Cap (Eu mn):	1,673
Mkt Float - Ord (Eu mn):	977
Mkt Float (in %):	58.4%
Main Shareholder:	
Moratti family	40.0%

Balance Sheet Data

Book Value (Eu mn):	1,356
BVPS (Eu):	1.43
P/BV:	1.2
Net Financial Position (Eu mn):	194
Enterprise Value (Eu mn):	1,479

■ **4Q23 results.** On the macro front, the quarter featured declining oil prices, while gas prices showed a partial seasonal recovery after falling in the previous two quarters. In the Downstream segment, refining margins halved after the peaks recorded in 3Q23 (the EMC Med benchmark averaged +US\$6.2/bl in the quarter, down from +US\$12.4/bl in 3Q23 and +US\$13.3/bl in 4Q22), while Chemical cracks remained in the red. Looking at Saras' operational performance, activity at the Sarroch refinery saw a further slight increase QoQ after the heavy planned maintenance activity carried out in 2Q23 (25.4mn bl runs in 4Q23, from 24.5mn bl in 3Q23 and 19.5mn bl in 2Q23). Moving to P&L results, Saras reported weaker-than-expected figures at operating level, with adj. EBITDA closing at Eu110mn (-66% YoY, -52% QoQ, vs. exp. Eu122mn), due to higher fixed costs. By contrast, the bottom line was stronger, with adj. net income closing at Eu65mn (-75% YoY, -47% QoQ, vs. exp. Eu24mn), benefitting from lower taxes. On the balance sheet, the net financial position (post-IFRS16) closed cash positive at Eu-167mn (vs. exp. Eu-162mn), broadly flat QoQ. The BoD proposed a DPS of Eu0.15 (vs. exp. Eu0.10) for a 44% payout ratio on adj. net income.

■ **Outlook.** The market scenario is expected to remain positive, albeit subject to volatility. Diesel cracks are forecast to gradually normalize over 2024, although remaining above the historical average. Gasoline cracks are expected to stabilize around historical averages in the short term, before potentially rebounding in the spring with the return of summer specifications and 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.** In terms of guidance, Saras expects 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 expected between 97-101mn bl (vs. 94.1mn bl in 2023), with very limited maintenance. OpEx in the Industrial & Marketing segment is expected at around Eu380-400mn (vs. Eu415mn in 2023), while CapEx is seen at Eu170-180mn to guarantee the efficiency and competitiveness of the refinery. CapEx in Renewables is seen at around Eu40mn, mainly related to the final phase of the Helianto PV farm. Regarding cash-flow generation, Saras expects the net financial position to remain positive at the end of 2024.

■ **Updated estimates and valuation.** Following 4Q23 results, we are increasing our projections for 2024-25, reflecting higher runs, only partly offset by slightly higher fixed costs. We note that our 2024 projections are based on an EMC assumption of US\$5.0/bl and a premium of US\$4.0/bl. In terms of the valuation, we confirm our target price of Eu1.75ps, in line with the mandatory tender offer price.

■ **Investment case.** We moved our recommendation from Neutral to TENDER a few weeks ago after the announcement of the deal between the Moratti family and Vitol. While the Sarroch refinery in Sardinia is a strategic asset for Italy, we expect the deal to get the green light, obtaining the required regulatory approvals (Golden Power framework).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	15,836	11,443	11,341	11,183	10,982
EBITDA Adj (Eu mn)	1,137	670	451	388	303
Net Profit Adj (Eu mn)	710	325	153	116	64
EPS New Adj (Eu)	0.747	0.342	0.161	0.122	0.068
EPS Old Adj (Eu)	0.747	0.300	0.140	0.112	0.065
DPS (Eu)	0.190	0.150	0.080	0.070	0.040
EV/EBITDA Adj	0.6	1.6	3.3	3.5	4.2
EV/EBIT Adj	0.8	2.3	6.1	7.5	13.2
P/E Adj	2.4	5.1	10.9	14.4	26.1
Div. Yield	10.8%	8.5%	4.5%	4.0%	2.3%
Net Debt/EBITDA Adj	-0.2	-0.2	-0.4	-0.8	-1.3

Share Price Performance and Multiples Comparison

Downstream Oils: Market Multiples Comparison

Company		Price	Mkt. cap (Eu mn)	Abs. Perf. (%)				P/E adj.			EV/EBITDA			Div. Yield (%)		
				-1m	-6m	-12m	YTD	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
EU Downstream																
Saras	It	1.75	1,668	2%	31%	31%	9%	5.1	10.9	14.3	2.6	3.7	4.0	8.6%	4.6%	4.0%
PKN	Po	63.7	16,910	-4%	14%	14%	-3%	2.7	4.8	4.5	1.7	2.6	2.9	6.6%	6.8%	7.1%
MOL	Hun	2,928	6,026	-1%	4%	22%	-1%	4.1	5.4	5.1	2.8	2.5	2.3	9.6%	7.7%	6.9%
Hellenic	Gr	8.10	2,476	6%	10%	5%	11%	5.2	6.0	8.9	3.2	4.3	5.4	10.2%	7.8%	6.9%
Motor Oil	Gr	27.62	2,891	-3%	13%	12%	10%	3.2	5.3	7.0	2.8	4.0	4.7	6.2%	6.2%	5.9%
Average			29,971					3.4	5.4	5.7	2.2	2.9	3.2	7.6%	6.9%	6.7%

Source: Intermonte SIM estimates for Saras, Factset Consensus for all the other stocks.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	SARAS		
Current Recomm:	TENDER	Previous Recomm:	TENDER
Current Target (Eu):	1.75	Previous Target (Eu):	1.75
Current Price (Eu):	1.76	Previous Price (Eu):	1.79
Date of report:	18/03/2024	Date of last report:	12/02/2024