

OMV Petrom

3Q23 Results Review

OMV Petrom operating earnings in-line with expectations. The miss on the bottom line, 8% to market consensus and 10% to Ipopema's estimates was driven by weaker, than expected, net financial result.

***Opinion:** In our view, OMV Petrom delivered neutral earnings. Company's operating earnings were in-line with expectations, both market and Ipopema's. The miss on the bottom line, 8% to market consensus and 10% to Ipopema's estimates, was driven by weaker, than expected, net financial result. We note strong cash position and decent FCF generation. Tightening tax regime (0.5% turnover tax and additional conditional 1% revenue-based taxation) may impact OMV Petrom's earnings going forward.*

OMV Petrom's 3Q23 post-results conference call is scheduled for today at 14:00 CET – [CLICK HERE](#).

3Q23 Results' highlights

- Adj. EBIT CCS RON 2,530m (-40% y/y) was in-line with Ipopema's estimates and 2% below the market estimates.
- Adj. Net Profit CCS RON 2,057m (-44% y/y) was 10% below Ipopema's estimates and 8% below the consensus. The miss on the bottom-line results from negative net financial result. Reported earnings, were hit by solidarity tax contribution stood at RON 372m (vs RON 374m expected by Ipopema).
- OMV Petrom earnings include negative RON 207m of special items mainly related to the net temporary losses from forward power contracts in the G&P segment (vs IPOP's estimate RON 150m). Inventory holding losses stood at RON 94m (vs Ipopema's estimate of RON 70m).
- Quarterly Op. CF stood at RON 3,011m (-6% y/y), CAPEX increased 57% y/y to RON 1,263m. Consequently, net cash (including leases) increased to RON 14.5bn from RON 13.2bn at the end of June 2023.

Segmental split

- **E&P** - RON 1,131m, in-line with market and 2% ahead Ipopema's estimates. Earnings were driven by lower hydrocarbon prices and volumes (-4% y/y). Besides, higher production costs y/y also had an impact on earnings delivery. OPEX/boe hiked to USD 16.2/boe from USD 14.1/boe in 3Q22.
- **R&M** – RON 993m, 2% miss vs market and 3% ahead Ipopema's estimates. Lower refining, retail and commercial margins drag segment's earnings down y/y. Utilization rate was at 95% (vs 98% a year ago), refining volumes decreased by 3% y/y. Retail sales volumes increased 2% y/y. Indicator refining margin was down by USD 0.3/bbl y/y, at USD 16.8/bbl.
- **G&P** – RON 437m, 2% below the market and 6% below Ipopema's estimates. Here earnings were driven by strong volume increase (+24% y/y). However, higher gas and power taxation had a negative impact on earnings delivery on a y/y basis. Results were partially supported by strong margins on power sales outside Romania. Domestic demand for power dropped 4% y/y.

Oil&Gas

OMV Petrom

HOLD

FV RON 0.60

9% upside

Price as of 30 October 2023 RON 0.55

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Figure 1. OMV Petrom: 3Q23 Results summary

RON m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	YoY	QoQ	IPOP	vs IPOP	Cons.	vs Cons.
RONUSD	4.41	4.64	4.88	4.83	4.59	4.55	4.55	-7%	0%	4.55	0%	-	-
Realized oil price (USD/b)	80.3	101.6	89.1	77.8	70.3	67.6	75.9	-15%	12%	75.9	0%	-	-
Upstream OPEX (USD/b)	14.2	10.9	14.1	13.4	14.5	15.4	16.2	15%	5%	16.0	1%	-	-
Indicator ref. margin (USD/b)	18.3	24.4	17.1	18.8	16.6	11.2	16.8	-2%	50%	16.8	0%	-	-
Total hydrocarbon sales (kb/d)	116.5	115.5	112.0	113.2	111.4	108.7	107.9	-4%	-1%	107.9	0%	-	-
Total refinery products sales (mt)	1.21	1.32	1.51	1.49	1.24	1.19	1.51	0%	27%	1.52	0%	-	-
Revenue	11,898	13,683	18,667	17,096	9,473	8,391	10,662	-43%	27%	12,229	-13%	-	-
Adj. EBITDA CCS	2,990	4,525	5,025	2,966	2,827	2,363	3,397	-32%	44%	3,221	5%	-	-
Adj. EBIT CCS	2,242	3,659	4,231	2,067	2,095	1,615	2,530	-40%	57%	2,528	0%	2,576	-2%
- E&P	1,106	1,889	1,362	1,076	985	1,152	1,131	-17%	-2%	1,112	2%	1,131	0%
- R&M	626	1,197	1,334	861	616	142	993	-26%	599%	963	3%	1,013	-2%
- G&P	727	816	1,267	132	723	471	437	-66%	-7%	463	-6%	448	-2%
- corporate & other	-22	-15	-26	-32	-24	-11	-27	4%	145%	-20	35%	-	-
- consolidation	-195	-228	294	30	-205	-139	-4	-	-97%	10	-	-	-
Adj. net income CCS	1,788	2,980	3,649	1,855	1,881	1,471	2,057	-44%	40%	2,286	-10%	2,248	-8%
Op. Cash Flow	2,640	3,746	3,189	1,762	4,660	412	3,011	-6%	631%	-	-	-	-
CAPEX	-737	-687	-804	-981	-1,121	-1,024	-1,263	57%	23%	-	-	-	-
FCF	1,903	3,059	2,385	781	3,539	-612	1,748	-27%	-	-	-	-	-
Net debt (incl. leases)	-11,257	-12,337	-12,261	-13,463	-16,727	-13,231	-14,525	18%	10%	-	-	-	-
ND / EBITDA	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Company, IPOPEMA Research

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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	Number	%
Buy	7	87.5%
Hold	1	12.5%
Sell	0	0.0%
Total	8	100%

Rating History – OMV Petrom

Date	Recommendation	Fair Value	Price at recommendation	Author
27/04/2023	BUY	RON 0.58*	RON 0.50	Tomasz Kasowicz, Marcin Nowak
13/10/2023	HOLD	RON 0.60	RON 0.55	Tomasz Kasowicz

*adjusted by RON 0.0375 dividend to RON 0.5425 on 12/05/2023 and then adjusted by RON 0.0450 dividend to RON 0.4975 on 27/09/2023