

OMV Petrom

4Q23 Results Review

OMV Petrom's operating earnings met market expectations and were slightly below Ipopema's estimates. The bottom line surpassed the market consensus by 5%, but fell 7% short of Ipopema's estimates. OMV Petrom also announced its intention to pay a special dividend from 2023 earnings, with the base dividend offering a 7.2% yield. However, the FCF outlook remains weak due to the assumed CAPEX pipeline.

Opinion: We assess reported earnings as Neutral. Our perspective remains cautious, with no identified fundamental upside potential for OMV Petrom's shares, primarily due to the anticipated weak FCF outlook over the mid-term. The proposed dividend appears to serve as a sweetener for investors.

4Q23 Results' highlights

- Adj. EBIT CCS RON 2,243m (+9% y/y) was in-line with market estimates and 7% below Ipopema's estimates. Adj. Net Profit CCS RON 2,055m (+11% y/y) was 5% ahead the consensus and 7% below Ipopema's estimates. The miss on the bottom-line results from weaker operating earnings and lower net financial income. Reported earnings, were hit by solidarity tax contribution of RON 375m.
- OMV Petrom earnings include negative RON 250m of special items mainly related to the net temporary losses from forward power contracts in the G&P segment (vs IPOP's estimate RON 110m). Inventory holding losses stood at RON 32m (vs Ipopema's estimate of RON 20m).
- Quarterly Op. CF stood at RON 2,031m (+15% y/y), CAPEX increased 24% y/y to RON 1,217m. The dividend payment stood at RON 2,782m. Consequently, net cash (incl. leases) dropped to RON 12.6bn from RON 14.5bn in 3Q23.

Segmental split

- **E&P** - RON 909m, 2% below the consensus and 16% below Ipopema's estimates. Earnings were driven by lower hydrocarbon prices (-6% y/y) and sales volumes (-7% y/y). Besides, higher production costs y/y and negative FX effects also had an impact on earnings delivery. OPEX/boe hiked to USD 17.9/boe from USD 13.4/boe in 4Q22.
- **R&M** - RON 729m, 2% ahead the market and in-line with Ipopema's estimates. Lower refining margins drag segment's earnings down y/y. Refined volumes increased by 1% y/y. Indicator refining margin was down by 43% y/y and stood at USD 10.8/b. Earnings were driven by higher commercial and retail margins, as well as improving non-fuel business.
- **G&P** - RON 514m, 1% ahead the market and 2% ahead Ipopema's estimates. Here earnings were driven by record power production +16% y/y and strong result from power transactions outside Romania.

Outlook, macro, operational assumptions

- Company's management proposed base dividend at RON 0.04/sh, which is in line with market consensus of RON 0.040 and Ipopema's estimates of RON 0.0394/sh. Management also highlighted that it plans to special dividend.

Oil&Gas

OMV Petrom

HOLD

FV RON 0.57

1% downside

Price as of 31 January 2024 RON 0.58

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- OMV Petrom sees its 2024 CAPEX at RON 8bn, of which RON 6.5bn is organic CAPEX, while the rest are planned M&As.
- OMV Petrom sees impact of new turnover tax in 2024 at RON 250m.
- 2024 targets: Brent oil price at ~USD 80/b; upstream output >106kb/d; refining margin ~USD 10/b; CAPEX RON 8bn; FCF before dvd – marginally positive.
- 2025-2026 targets: Brent oil price at ~USD 70-75/b; upstream output ~100kb/d; refining margin ~USD 10/b; CAPEX RON 8bn; FCF before dvd – marginally negative.

Figure 1. OMV Petrom: 4Q23 results summary

RON m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	YoY	QoQ	IPOP	vs IPOP	Cons.	vs Cons.
RONUSD	4.41	4.64	4.88	4.83	4.59	4.55	4.55	4.63	-4%	2%	4.63	0%	-	-
Realized oil price (USD/b)	80.3	101.6	89.1	77.8	70.3	67.6	75.9	73.5	-6%	-3%	73.5	0%	-	-
Upstream OPEX (USD/b)	14.2	10.9	14.1	13.4	14.5	15.4	16.2	17.9	33%	10%	18.0	-1%	-	-
Indicator ref. margin (USD/b)	18.3	24.4	17.1	18.8	16.6	11.2	16.8	10.8	-43%	-36%	10.8	0%	-	-
Total hydrocarbon sales (kb/d)	116.5	115.5	112.0	113.2	111.4	108.7	107.9	105.7	-7%	-2%	105.7	0%	-	-
Total refined products sales (mt)	1.21	1.32	1.51	1.49	1.24	1.19	1.51	1.51	1%	0%	1.51	0%	-	-
Revenue	11 898	13 683	18 667	17 096	9 473	8 391	10 662	10 282	-40%	-4%	10 275	0%	-	-
Adj. EBITDA CCS	2 990	4 525	5 025	2 966	2 827	2 363	3 397	3 154	6%	-7%	3 264	-3%	-	-
Adj. EBIT CCS	2 242	3 659	4 231	2 067	2 095	1 615	2 530	2 243	9%	-11%	2 413	-7%	2 228	1%
- E&P	1 106	1 889	1 362	1 076	985	1 152	1 131	909	-16%	-20%	1 080	-16%	929	-2%
- R&M	626	1 197	1 334	861	616	142	993	729	-15%	-27%	728	0%	714	2%
- G&P	727	816	1 267	132	723	471	437	514	289%	18%	505	2%	508	1%
- corporate & other	-22	-15	-26	-32	-24	-11	-27	-31	-3%	15%	-20	54%	-	-
- consolidation	-195	-228	294	30	-205	-139	-4	120	300%	-	120	0%	-	-
Adj. net income CCS	1 788	2 980	3 649	1 855	1 881	1 471	2 057	2 055	11%	0%	2 199	-7%	1 957	5%
Op. Cash Flow	2 640	3 746	3 189	1 762	4 660	412	3 011	2 031	15%	-33%	-	-	-	-
CAPEX	-737	-687	-804	-981	-1 121	-1 024	-1 263	-1 217	24%	-4%	-	-	-	-
FCF	1 903	3 059	2 385	781	3 539	-612	1 748	814	4%	-53%	-	-	-	-
Net debt (incl. leases)	-11 257	-12 337	-12 261	-13 463	-16 727	-13 231	-14 525	-12 551	-7%	-14%	-	-	-	-
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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Buy	Above 10%
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IPOPEMA Research - Distribution by rating category (1 October - 31 December 2023)

	Number	%
Buy	60	71%
Hold	18	21%
Sell	6	7%
Total	84	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
16/11/2023	HOLD	RON 0.57	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