

**Equity Research**

Oil &amp; Gas Integrated Company

# OMV PETROM

Quarterly results – advance of quarterly performance in Q3'12

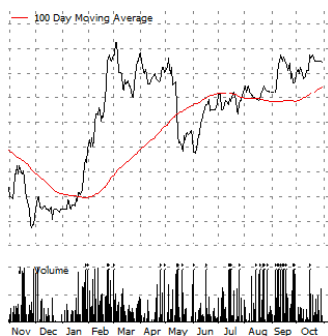
**Buy**
**Price 30/10/12**      **12m target**  
**RON 0.4091**      **0.4929**
**Sector**

 Weighting  
**Neutral**

Last recommendation

**Buy (TP:RON 0.47) on 21 Apr'11**
**Type of investment**

Re-launch SPO for 9.84% of Ministry's stake	✓
Efficiency increase programme	✓
Deregulation of gas market	✓
Hedged on oil price	✓

**1 year-Price, Volume, MA 100**


Source: FactSet, BRD-GSG

[OMV Petrom on www.petrom.com](http://www.petrom.com)
**Share data**

<b>RIC</b> RO SNP, Bloomberg SNP.RO			
52-week range	0.275–0.425		
EV'12 (RONm)-DCF	25,308		
Marketcap. (RONm)	23,721		
Free Float(%)	6.21		
<b>Performance(%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Ordinary shares	4.1	7.1	28
Rel. to BET	0.7	2.2	22.3

**Key figures**

	Q3'11	Q3'12e*	yoy %	Q2'12
Production (mn boe)	16.93	16.57	-2.1	16.57
Crude and NGL production (mn bbl)	8.20	8.14	-0.7	8.11
Natural gas production (bcm)	1.34	1.34	0.0	1.30
EBIT (RONm)	1,338	1,287	-3.8	909
EBIT E&P**	1,344	1,478.9#	10	1,315
EBIT G&P	12	45.2	nm	29
EBIT R&M	185	175.9	-4.9	(176)
EBIT Corp&other	(16)	(12.5)	na	(30)
EBIT Consolidation	(187)	(271.3)	na	(78)
Net profit (RONm)	1,176.4	885.1	-24.8	642.6

\*BRD-GSG estimations based on actual figures as presented in OMV Trading Statement Q3'12, \*\*excluding intersegmental profit elimination, #also, excluding net special charges as mentioned in OMV Trading Statement Q3'12; Source: OMV Petrom, OMV, BRD-GSG

**BRD-GSG sentiment**

	-/0/+
Visibility/Confidence	0/+
Publication vs consensus	nav
Market reaction	0/+
Company new guidance	0
Chg. in sector perception	0

▪ **Calendar** OMV Petrom and OMV will release Q3'12/9M'12 IFRS results on November 7, 2012 at 8.30am local time (7.30 CET) followed by a conference call discussing OMV's results at 11.30am (CET).

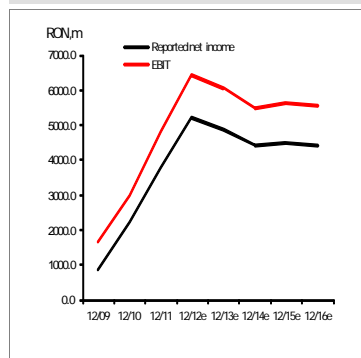
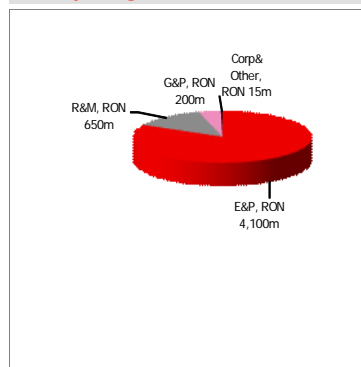
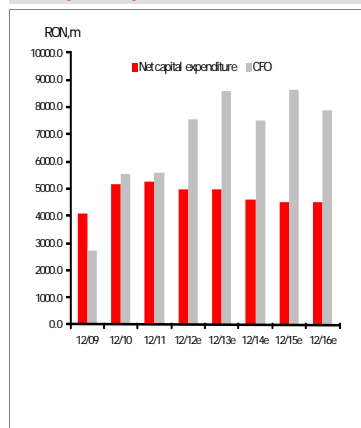
▪ **Watch out for** We anticipate Q3'12 results to be higher than previous quarter, as we expect: 1) improvement in E&P segment; 2) negative impact of planned six-week shutdown of Petrobrazi refinery to fade away; 3) marketing business slightly to expand due to driving season; 4) better qoq G&P evolution. **E&P** performance should reverse the Q2'12 quarterly decline, as Ural price increased by 2.4% qoq in Q3'12 (vs. -1.09% qoq in Q2'12) mainly driven by higher USD appreciation against RON (approx. +4.7% qoq, avg terms, vs. +3.9% qoq, avg terms, in Q2'12). Also, Q3'12 OMV Trading Statement stated that special charges worth EUR 38m primarily related to a legal case in Kazakhstan have been booked. The largest part is expected to be registered by OMV Petrom, with negative impact on E&P EBIT. Consequently, we estimate Q3'12 **E&P EBIT** (excluding intersegmental profit elimination, net special charges and including oil hedging instruments result) at approx. RON 1.48bn (+12.5% qoq), as negative result of hedging instruments is seen at RON 78.06m (vs. loss of RON 68m in Q2'12). Unrealized profits from E&P segment worth approx. EUR 60m (RON 271.3m) will be eliminated in the consolidation line, as announced by OMV Q3'12 Trading Statement.

**G&P EBIT** is seen at RON 45.2m in Q3'12, as power segment should continue to bring its positive contribution to segment's result, while gas margins remain favourable as stated in OMV Q3'12 Trading Statement, despite of 17.2% qoq fall of gas sales. On positive note, OMV Petrom is not obliged to use gas basket for internal consumption starting with Sep'12, following Government decision, with positive impact on costs. We estimate positive **R&M EBIT** of RON 175.9m compared with negative EBIT of RON 198m posted in Q2'12. Overall, we see **total Group's EBIT** at RON 1,287.3m (vs. Group EBIT of RON 909m in Q2'12), down 3.8% yoy. We assess negative financial result of RON 238.6m in Q3'12 (vs. loss of RON 116.08m in Q2'12), as we foresee: net interest expenses; FX losses related to company's EUR denominated loans due to end of period EUR appreciation against RON (approx. 1.9% end-Sep'12 vs. end-Jun'12); FX losses related to Petrom's loans granted to Kazakhstan subsidiary as USD depreciated against RON (approx. 0.9% end-Sep'12 vs. end-Jun'12). **Gross income** might reach RON 1,048m (+32.3% qoq), while **net income** is seen at RON 885.12m, up 37.7% qoq. Nevertheless, we see Q3'12 sales at RON 6.26bn (+0.95% qoq), but up +5.1% yoy.

▪ **Potential market reaction** We expect Q3'12/9M'12 IFRS results release to have a positive impact on market price, and SNP to remain one of the most preferred stock amongst investors. Consequently, we keep our "Buy" rating and 12mTP at RON 0.49 for the time being.

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 Commission (CNVM)

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**Reported net income and EBIT**

**CAPEX per segment in 2012e**

**Net capital expenditure and CFO**

**Major shareholders (%) as of 31 Dec'11**

OMV	51.01
Ministry of Economy	20.64
Property Fund	20.11
Private investors	6.21
EBRD	2.03

## Oil&amp;Gas

**OMV PETROM**

30/10/2012

12m target

**RON 0.4091**
**RON 0.4929**

Valuation*	12/09	12/10	12/11	12/12e	12/13e	12/14e	12/15e	12/16e
Average no of shares (bn,diluted)	56.64	56.64	56.64	56.64	56.64	56.64	56.64	56.64
Share price (average)	0.22	0.32	0.36	0.41	0.41	0.41	0.41	0.41
EV	15268.3	20624.5	22381.7	24351.9	23955.9	24135.3	24894.4	26591.3
P/E (x)	14.96	8.20	5.38	4.43	4.76	5.26	5.16	5.25
Adjusted P/E (x)	14.96	7.30	4.80	4.43	4.76	5.26	5.16	5.25
EV/EBIT (x)	9.42	6.91	4.53	3.79	3.97	4.41	4.42	4.78
EV/EBITDA (x)	4.36	4.03	3.15	2.60	2.62	2.73	2.71	2.87
Price/book value (x)	0.77	0.97	0.96	0.97	0.82	0.84	0.85	0.85
Price/CFO (x)	4.57	3.88	3.14	3.07	2.69	3.09	2.68	2.94
Dividend yield (%)	na	5%	7%	6%	9%	9%	10%	10%
<b>Per share data (RON)</b>								
EPS BRD** (adj.)	0.015	0.043	0.074	0.092	0.086	0.078	0.079	0.078
CFO	0.048	0.082	0.114	0.133	0.152	0.133	0.152	0.152
Book value	0.286	0.326	0.372	0.422	0.502	0.489	0.484	0.484
Gross Div	0.000	0.018	0.031	0.031	0.046	0.043	0.047	0.048
<b>Income statement (IFRS, RON,m)</b>								
Sales	16089.7	18615.7	22613.7	24644.1	24247.0	24218.5	24829.9	25066.0
EBITDA	3498.2	5116.2	7102.5	9362.4	9145.1	8842.7	9170.2	9272.4
Depreciation, depletion and amort.	-1877.7	-2130.2	-2327.8	-2942.3	-3109.1	-3366.5	-3541.6	-3704.7
EBIT	1620.5	2986.0	4935.76	6420.2	6036.1	5476.2	5628.6	5567.7
E&P EBIT	2467.7	3012.0	5236.3	5690.2	5144.7	4205.1	4466.8	4390.4
G&P EBIT	71.4	163.9	148.8	293.3	589.3	561.7	565.9	572.0
R&M EBIT	-618.3	106.3	-187.4	507.1	372.1	778.9	664.8	673.6
EBIT Corporate&Other	-139.7	-135.5	-79.0	-70.4	-70.0	-69.5	-69.0	-68.3
Financial result	-451.1	-380.2	-327.2	-160.8	-202.0	-196.4	-249.9	-282.9
EBT	1169.4	2605.3	4608.6	6259.4	5834.1	5279.8	5378.7	5284.8
Corporate tax	-336.1	-415.7	-850.0	-1032.8	-962.6	-871.2	-887.5	-872.0
Net income	833.3	2189.7	3758.6	5226.6	4871.5	4408.6	4491.2	4412.8
<b>Cash flow statement (IFRS, RON,m)</b>								
Net income	833.3	2189.7	3758.6	5226.6	4871.5	4408.6	4491.2	4412.8
Depreciation, depletion and amort.	1877.7	2130.2	2327.8	2942.3	3109.1	3366.5	3541.6	3704.7
Change in working capital	-583.9	890.3	-747.4	-765.8	463.3	-429.5	393.6	-460.9
Cash flow from operating activities	2726.2	5530.1	5593.3	7537.3	8612.5	7509.6	8635.0	7892.8
Net capital expenditure	4071.2	5144.8	5240.9	4965.0	4965.0	4615.0	4515.0	4515.0
Cash flow from investing activities	-4071.2	-4263.9	-5092.5	-4965.0	-4965.0	-4615.0	-4515.0	-4515.0
Cash flow from financing activities	1149.1	655.5	-2192.6	-2331.6	-4230.6	-2847.8	-3528.1	-4285.5
Net change in cash resulting from CF	-196.0	1921.7	-1691.7	240.7	-583.0	46.8	592.0	-907.7
<b>Balance sheet (IFRS, RON,m)</b>								
Total long-term assets	27684.7	31021.5	32196.1	34052.1	35300.6	36274.0	37084.3	37710.8
o/w tangible assets	21430.6	23777.2	26334.3	27865.7	29620.1	30800.3	31720.5	32486.5
Working capital	254.5	443.7	857.2	1796.5	1515.3	1636.0	1566.4	1754.2
Total debt	2997.5	3465.5	2173.3	2173.3	1194.3	1420.5	2771.5	3560.7
Shareholders' equity	16190.8	18459.0	21076.6	23885.5	28409.6	27715.4	27390.0	27280.3
Provisions	1714.6	1581.4	2171.5	2171.5	2171.5	2171.5	2171.5	2171.5
Net debt (+)/cash (-)	2807	2680	2173	1179	783	962	1721	3418
<b>Accounting ratios</b>								
ROIC	7.1%	11.4%	17.1%	20.6%	17.0%	15.7%	15.6%	15.1%
ROE	5.1%	11.9%	17.8%	21.9%	17.1%	15.9%	16.4%	16.2%
Sales growth (%)	-20.1%	15.7%	21.5%	9.0%	-1.6%	-0.1%	2.5%	1.0%
EBITDA margin	21.7%	27.5%	31.4%	38.0%	37.7%	36.5%	36.9%	37.0%
EBIT margin	10.1%	16.0%	21.1%	26.1%	24.9%	22.6%	22.7%	22.2%
Net income margin	5.2%	11.8%	16.6%	21.2%	20.1%	18.2%	18.1%	17.6%
Net debt/equity	17.3%	14.5%	10.3%	4.9%	2.8%	3.5%	6.3%	12.5%
Interest cover (x)	8.31	17.07	12.69	76.26	92.34	52.25	35.56	29.10
Payout ratio (%)	0%	46%	47%	47%	50%	50%	60%	60%

\*Valuation ratios for past years are based on average price; \*\* adj.for exceptional items (e.g.: provisions expenses)

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**BRD-GSG rating system  
(October 2012)****Premium List**

Selected from stocks expected to outperform the market by over 25%.

**Buy**

Expected to outperform the market by at least 10%.

**Hold**

Expected to perform in line with the market +/-10%.

**Sell**

Expected to underperform the market by at least 10%.

**Assumptions**

12 month time horizon and flat market over forecast period.

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