

Gazprom Neft results: profit growth in line with our expectations

Altynay Ibraimova — May 22, 2019

Following the 1Q2019 results, Gazprom Neft is demonstrating an increase in its key financial indicators.

Gazprom Neft's revenue in 1Q2019 amounted to 586.4bn rubles, an increase of 12.6% due to an increase in oil sales by 9.3% yoy. The growth was mainly due to increased production at new fields - Novoportovskoy and Vostochno-Messoyakhskoye and an increase in the share of ownership in the Arcticgas.

The increase in operating expenses amounted to 8.3% yoy due to the increase in the cost of purchased crude oil by 18% yoy and production costs by 9% yoy.

Operating profit was 144.7bn rubles, which is 35% yoy higher than 1Q2018.

Adjusted EBITDA rose by 26.9% yoy to RUB 197.7bn.

Net income amounted to 107.9bn rubles, an increase of 54.9% yoy.

The company plans to increase dividend payments in the medium term and will continue the practice of interim dividends.

Our view

Quarterly results of Gazprom Neft does not bring surprises to our model. Profit figures fit into our annual benchmarks mainly due to, as we expected, progress in new projects. "Promises" regarding substantial dividend growth are also not a surprise and correspond to our expectations of high dividend

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