

## Gazprom Neft: Strong results for 1H2019

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Altynay Ibraimova — August 09, 2019

For 1H2019 Gazprom Neft's revenue increased by 7% y/y to RUB1215 bn. Revenue from the sale of petroleum products increased by 5% and amounted to 788 bn rubles or 65% of all revenue. Revenue from the sale of oil increased by 12%, providing 377 bn rubles or 31% of total revenue. A strong increase in sales was mainly in the export sector, both for petroleum products (+ 15% y/y) and for oil (+ 13% y/y).

Similarly, in physical volumes of oil products sold a growth was recorded only in export sales - 5.5 mn tons (+ 8% y/y), while the total volume of oil products sales decreased by 0.8% y/y to 21.9 mn tons.

In crude oil, there is an increase in sales volumes in all directions, mainly in export (+ 8% y/y), which ensured an increase of 6% y/y to 12.9 mn tons.

Despite the fact that the average world oil price in the reporting period weakened by 6.7% y/y to \$ 65.97/bbl (Brent), having an impact on the price of diesel fuel (-4% y/y), gasoline (-10% y/y), naphtha (-16% y/y) and other petroleum products, the selling price of both oil and petroleum products in rubles/ton showed an increase due to the weakening of the average ruble/dollar exchange rate from 59.35 to 65.32.

As a result, the main expenses of the company related to the purchase of finished raw materials increased by 17% y/y, mainly influencing the growth of operating expenses by 5% to 977bn.

Operating profit amounted to 238 bn rubles, which is 13% higher than in the previous year.

Other expenses increased 17 times due to the growth in revenue from the joint venture (11% y/y) and financial income 4 times.

Net profit increased by 27% y/y to 225 bn rubles.

### **Our opinion**

We rate Gazprom Neft's results for 1H2019 as strong, noting the achievement of a net profit of 225 bn rubles in six months, with the expected by us profit for 2019 in the amount of 309 bn.

Gazprom Neft's shares justified our February Buy recommendation, reaching our 12M TP at 416 RUB/share already in July. In connection with the achievement of the target level and stronger results for 1H2019, we put our recommendation on Gazprom Neft under review.

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