

Lukoil results for 1H2019

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Lukoil results for 6M2019 demonstrate revenue growth of 7.9% yoy to 3 977bn rubles. EBITDA increased by 22.5% yoy to 630.2bn rubles. The growth was driven by higher sales volumes of crude oil and natural gas due to higher production volumes. The increase was also supported by the ruble devaluation resulting in higher average international prices for hydrocarbons in ruble terms, which partially offset the increase in the price of purchased crude oil by 5.7% yoy to 2.2bn rubles.

Capital expenditures for 1H2019 decreased by 9.6% (to 205bn rubles) due to a reduction in investment in gas projects in Uzbekistan and the completion of major construction work at the Korchagin and Filanovsky fields.

Free cash flow amounted to 308.3bn rubles, an increase of 68.4%.

Fig. 1. Financial indicators

bn rub	1H2018	1H2019	yoy	HF estimates 2019FY
Revenue	3 687	3 976	8%	7 325
EBITDA, incl.	515	630	22%	925
Exploration and production segment	412	470	14%	690
Refinery and tradind segment	118	173	46%	231
Net profit	277	332	20%	487
Capital expenditures	227	205	-10%	415
Free cash flow	183	308	68%	422

Source: Company data

Our view

Estimating the results of Lukoil in 1H2019 as expectedly strong relative to 1H2018, we continue to note the growth potential for LKOH as high. In addition to short-term growth drivers, we are positive with regard to the stability of cash flows generated by a company with the same degree of stability even under adverse conditions for oil companies. We maintain our Buy recommendation on Lukoil with 12M TP of 6792rub/share.

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