ALANTRA Equities

SPANISH DAILY

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Market, Currency & Interest Rates Data

Index Performances	Last	Change
Ibex 35	8,226.3	-0.7%
S&P 500	4,128.7	-0.2%
Stoxx 50	3,652.5	-0.2%
Currency & Interest Rates		
EUR/USD	1.00	
EUR/GBP	0.85	
1Y Euribor (%)	1.34	+0 bp
10Y Bond Yield (%)	2.51	+3 bp
10Y Bond Spread (bp)	119	+1 bp

Best & Worst Performances

Best	Last	Change
Tecnicas Reunidas	6.39	+4.9%
Acerinox	9.40	+3.8%
Repsol	13.69	+3.6%
Prosegur Cash	0.70	+2.6%
Worst		
Cellnex	41.10	-3.6%
Almirall	9.46	-3.3%
Grifols	12.75	-3.2%
Rovi	50.55	-2.8%

Brief News

Repsol (€13.69, STRONG BUY, TP €18.85)
Peruvian court admits $4.5bn lawsuit against Repsol

Telefónica (€4.25, SELL, TP €4.35)
To pay €1.4bn tax debt in Peru?

Técnicas Reunidas (€6.34, SELL, TP €5.64)
Shortlisted for €2bn petrochemical project in Egypt

EiDF (€79.80, SPONSORED RESEARCH)
Exceeds 2022 revenue targets for self-consumption

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Repsol (€13.69, STRONG BUY, TP €18.85): Peruvian court admits $4.5bn lawsuit against Repsol

Yesterday, a Peruvian judge admitted a $4.5bn lawsuit against Repsol related to the c.10k barrel oil spill in the Pacific Ocean took place in its refinery (La Pampilla) during a shipping unloading eight months ago. Repsol reiterated the messages sent when the Peruvian government sued Repsol back in May, i.e., that the lawsuit is meritless, that the sum demanded is arbitrary, and that the spill was not the company's fault.

Our view. The news is not a major surprise and, as we said in May, we expect a long legal process to follow. We think that the amount claimed is disproportionate (>100X bigger on a cost per barrel spilled than the one faced by BP in the Gulf of Mexico) considering the amount of the oil spill and that the clean-up took "only" 3-4 months. Likewise, two important issues remain to be tackled: 1) how much of the final (if any) sanction will be covered by Repsol's insurance; and 2) whether Repsol or the shipping company (which is what Repsol is claiming) is found guilty. We maintain our positive view and Buy rating on the company.

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Telefónica (€4.25, SELL, TP €4.35): To pay €1.4bn tax debt in Peru?

According to Bloomberg, Peru's president Pedro Castillo would have stated at a rally that Telefonica Perú has agreed to pay pending tax debts in the country of up to c.€1.4bn (PEN5.5bn). Telefónica has made no comments on the news.

Our view. Telefónica has been in disputes with the Peruvian government for years and thus, the news is not a major surprise. That being said, it is not clear whether Telefonica will pay or not the "debt" at this point. If this materialises, the impact would be equivalent to c.6% of the group's market cap and to c.5% of our TP (this is not included in our estimates). On the other hand, it would be partially mitigated by the recent €1.2bn positive tax ruling in Spain, of which we were only including 50% in our TP. Consequently, the net negative impact from the above on our TP would be of 3-4%, whilst leverage would increase by 0.1X debt/EBITDA. We maintain our cautious view and Sell rating on the shares.

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Técnicas Reunidas (€6.34, SELL, TP €5.64): Shortlisted for €2bn petrochemical project in Egypt

According to Business Wire, Anchorage Investments (a developer and operator of industrial projects in the chemical sector) has shortlisted four EPC contractors for its $2bn (€2bn) Anchor Benitoite chemical complex project in the Suez Canal Economic Area (SCZONE) in Egypt. Técnicas Reunidas is one of the shortlisted companies along with Hyundai Engineering & construction, Samsung engineering and Technip. The selected contractor will develop a FEED followed by the EPC over the next three years. Following the news, Técnicas Reunidas shares are up 4% today.

Our view. The fact that Técnicas has shortlisted despite its very fragile financial position is already good news, in our view, as it shows a vote of confidence and goodwill from its clients. If the contract is eventually won, it would be very good news, being the first multi-billion award since January 2020, providing some working capital relief and increased activity levels (leading to lower idle costs and favourable operating leverage), whilst also helping mitigate the potential impact of a cancellation of the $2bn Hassi Messaoud project with Sonatrach in Algeria (which we would not rule out, although not in our estimates). In addition, order intake stands at €1.2bn today, and we estimate €3.2bn for the year, so this contract alone would cover our forecast. In any case, even if the contract is won (and the positive implications described above that it would have for TR), our negative fundamental view on the company would remain unchanged as the operating prospects remain poor and the business profitability under strong pressure, in a context in which the company's financial position remains very weak. We stick to our cautious stance and Sell rating on the shares.

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EiDF (€79.80, SPONSORED RESEARCH): Exceeds 2022 revenue targets for self-consumption

EiDF announced yesterday that its self-consumption division has reached revenues of €54m as of the end of August, exceeding the €51m revenue target set for this business for 2022 in the strategic plan published last June. The beat has been the consequence of the strong demand for self-consumption facilities from industrial/commercial clients, aiming at lowering the price (and volatility) of their electricity bills. According to the company's statement, the outlook of the business for the coming months remains very strong, whilst performance from the rest of the businesses (EPC, generation & supply) remains in line with the company's expectations.

Our view. We value positively the trading update, as it confirms our view that both performance and prospects for the self-consumption business remain very strong. Having exceeded the targets for the business is not totally unexpected following the strong Q2 results presented back in July: EBITDA reached €26m in H1, representing c.85% of the €30m EBITDA target for FY22 included in the June strategic plan and c.75% of our €36m estimate for 2022. On this basis, we see significant upside risk to our estimates for EiDF. We will publish an in-depth report with our updated estimates for the company in the coming weeks.

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