

Equinor ASA

Guidance disappoints, but balance sheet to remain strongest vs. Big Oil peers

Reiterate Rating: BUY | PO: 350.00 NOK | Price: 284.60 NOK

\$7bn misses from market cap and cash return consensus

Equinor lost ~\$7bn of its market cap yesterday – about as much as its updated 2024-2026 shareholder distribution commitments missed VA consensus (up to \$28bn vs. ~\$34bn). But undershooting 2024 VA consensus with its updated CFFO guidance did not help either – even though we believe Equinor has a history of conservative guidance (see [Equinor](#)). And exceeding 2024-26 VA consensus with its updated capex budget did not help either – even if activity-led. And missing VA consensus with its 4Q23 results (albeit mainly on extraordinarily high taxation) did not help either. So why hang on in there?

We see value in absolute and relative terms

In order to make the case for Equinor offering attractive value here, we now use strip \$9/mbtu European gas prices (from ~\$15/mbtu previously) in addition to our base case of Brent fading from \$80/bbl in to \$70/bbl from 2026 onwards. This results in significant cuts to our near-term CFFO estimates – albeit staying >\$20bn in 2025 and only implying consensus downside for 2024. Correspondingly, we also cut our PO from NOK400 to NOK350 – still implying >20% share price upside. In relative terms, we continue to see Equinor well-placed when benchmarking its FCF, cash returns and balance sheet vs. peers into 2026 (see Exhibit 6): Reiterate Buy.

Equinor to remain well below 15-30% gearing target

On our updated estimates, Equinor will continue to eat into FCF and lean on its balance sheet – using up its near ~\$9bn net cash position but remaining near zero gearing into year-end 2026. All this, while returning ~35% of its market cap to shareholders in the meantime – still significantly more than peers. So when calculating Equinor's FCF yield based on its growing enterprise value, we also see relative value at 9% 2025 vs. Europe's Big Oil average near 7% (see Exhibit 9).

New 2035 outlook offers welcome visibility

While we believe Equinor's new outlook extends its \$10bn FCF Upstream annuity into 2035 (and beyond), we believe corresponding NPV upside requires line of sight to FCF inflection in Renewables post 2030. We reiterate our Big Oil top picks Shell and TTE.

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	7.17	3.43	2.93	3.37	3.44
EPS Change (YoY)	101.5%	-52.2%	-14.6%	15.1%	2.0%
Dividend / Share	1.88	3.40	2.47	1.49	1.56
ADR EPS (Adjusted Diluted - US\$)	7.17	3.43	2.93	3.37	3.44
ADR Dividend / Share (US\$)	1.88	3.40	2.47	1.49	1.56
Valuation (Dec)					
P/E	4.03x	8.17x	9.18x	7.98x	7.82x
Dividend Yield	6.99%	12.6%	9.17%	5.53%	5.81%
EV / EBITDA*	1.05x	1.93x	2.53x	2.30x	2.45x
Free Cash Flow Yield*	37.2%	11.8%	5.84%	11.3%	7.65%

* For full definitions of *IQmethod*SM measures, see page 10.

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Refer to important disclosures on page 11 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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Timestamp: 08 February 2024 12:30AM EST

08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-1-8
Price Obj.	NOK400.00	NOK350.00
2024E EPS	4.24	2.93
2025E EPS	4.55	3.37
2026E EPS	3.99	3.44
2024E DPS	3.60	2.47

Christopher Kuplent >>

Research Analyst
MLI (UK)
+44 20 7995 8222
christopher.kuplent@bofa.com

Matthew Smith >>

Research Analyst
MLI (UK)
+44 20 7996 7109
matt.smith1@bofa.com

Joseph Charuy >>

Research Analyst
MLI (UK)
+44 20 7996 6569
joseph.charuy@bofa.com

Stock Data

Price (Common / ADR)	284.60 NOK / 27.09 USD
Price Objective	350.00 NOK / 33.00 USD
Date Established	8-Feb-2024 / 8-Feb-2024
Investment Opinion	B-1-8 / B-1-8
52-Week Range	262.92 NOK-375.91 NOK
Market Value (mn)	854,684 NOK
Shares Outstanding (mn)	3,003.1 / 3,003.1
Average Daily Value (mn)	65.00 USD
Free Float	27.3%
BofA Ticker / Exchange	STOHF / OSL
BofA Ticker / Exchange	EQNR / NYS
Bloomberg / Reuters	EQNR NO / EQNR.OL
ROE (2024E)	16.8%
Net Dbt to Eqty (Dec-2023A)	-14.6%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

iQprofileSM Equinor ASA

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	88,549	49,454	39,105	42,857	39,970
EBITDA Adjusted	83,896	45,592	34,778	38,220	35,863
Depreciation & Amortization	(8,879)	(9,374)	(9,678)	(10,356)	(10,786)
EBIT Adjusted	75,017	36,218	25,100	27,864	25,078
Net Interest & Other Income	NA	NA	NA	NA	NA
Tax Expense / Benefit	(52,248)	(25,852)	(16,774)	(18,717)	(16,069)
Net Income (Adjusted)	22,769	10,366	8,222	9,147	9,008
Average Fully Diluted Shares Outstanding	3,174	3,021	2,806	2,712	2,618

Key Cash Flow Statement Data					
Net Income (Reported)	22,769	10,366	8,326	9,147	9,008
Depreciation & Amortization	8,879	9,374	9,678	10,356	10,786
Change in Working Capital	(4,951)	4,961	0	0	1,000
Deferred Taxation Charge	0	0	0	0	0
Other CFO	8,437	1,00	(594)	2,727	(410)
Cash Flow from Operations	35,134	24,702	17,409	22,229	20,384
Capital Expenditure	(8,324)	(10,193)	(13,000)	(14,000)	(14,000)
(Acquisition) / Disposal of Investments	0	(1,578)	0	0	0
Other CFI	680	272	200	200	200
Cash Flow from Investing	(7,644)	(11,499)	(12,800)	(13,800)	(13,800)
Share Issue / (Repurchase)	(3,316)	(5,589)	(6,000)	(6,000)	(1,200)
Cost of Dividends Paid	(5,379)	(10,905)	(7,091)	(4,016)	(4,091)
Increase (decrease) debt	(4,071)	(373)	8,482	1,587	(1,293)
Other CFF	4,071	373	(8,482)	(1,587)	1,293
Cash Flow from Financing	(8,695)	(16,494)	(13,091)	(10,016)	(5,291)
Total Cash Flow (CFO + CFI + CFF)	18,795	(3,291)	(8,482)	(1,587)	1,293
FX and other changes to cash	(8,712)	(3,299)	8,482	1,587	(1,293)
Change in Cash	10,083	(6,590)	0	0	0
Change in Net Debt	(14,154)	6,217	8,482	1,587	(1,293)
Net Debt	(13,287)	(7,070)	1,412	2,999	1,706

Key Balance Sheet Data					
Property, Plant & Equipment	56,498	58,822	61,944	65,389	68,403
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	5,158	5,709	5,709	5,709	5,709
Other Non-Current Assets	18,196	16,995	23,170	26,125	27,388
Trade Receivables	22,452	16,933	16,933	16,933	16,933
Cash & Equivalents	45,455	38,865	38,865	38,865	38,865
Other Current Assets	10,262	6,256	6,256	6,256	5,256
Total Assets	158,021	143,580	152,878	159,277	162,554
Long-Term Debt	26,551	24,520	24,520	24,520	24,520
Other Non-Current Liabilities	33,676	34,369	34,369	34,369	34,369
Short-Term Debt	5,617	7,275	15,757	17,344	16,051
Other Current Liabilities	38,189	28,915	28,915	28,915	28,915
Total Liabilities	104,033	95,079	103,561	105,148	103,855
Total Equity	53,989	48,500	49,317	54,129	58,699
Total Equity & Liabilities	158,022	143,579	152,878	159,277	162,554

Business Performance*					
Return On Capital Employed	32.0%	15.4%	10.5%	11.0%	9.50%
Return On Equity	49.0%	20.2%	16.8%	17.7%	16.0%
Operating Margin	84.7%	73.2%	64.2%	65.0%	62.7%
Free Cash Flow (MM)	31,761	9,548	4,409	8,229	5,384

Quality of Earnings*					
Cash Realization Ratio	1.54x	2.38x	2.12x	2.43x	2.26x
Asset Replacement Ratio	0.94x	1.09x	1.34x	1.35x	1.30x
Tax Rate	69.6%	71.4%	66.8%	67.2%	64.1%
Net Debt/Equity	-24.6%	-14.6%	2.86%	5.54%	2.91%
Interest Cover	NM	NM	47.9x	NM	43.4x

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Oils

Company Description

Equinor is the dominant oil and gas producer in offshore Norway and one of the leading suppliers of gas in the European market. Upstream activities outside of Norway account for around 40% of current production, a contribution that is expected to grow in coming years. The Norwegian Government is the company's majority shareholder.

Investment Rationale

We rate Equinor Buy. Equinor is among the most exposed to European spot gas price (36% of its hydrocarbon production). This year's gas price decrease has not made a significant dent in its net cash position. And with its earnings momentum stabilised, we see its cash returns still offering above average yields and a more attractive risk / reward into 2024.

Stock Data

Shares / ADR	1.00
Price to Book Value	1.5x

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-1-8
Price Obj.	37.00	33.00
2024E EPS	4.24	2.93
2025E EPS	4.55	3.37
2026E EPS	3.99	3.44
2024E DPS	3.60	2.47

Cash engine no more?

Updated distribution policy for 2024+

2024 cash returns in-line with VA consensus

\$14bn cash returns overall split into \$6bn buyback plus quarterly ordinary and special DPS of \$0.7 implying >15% of market cap – the overall distribution for 2024 is roughly in-line with VA consensus.

2025-26 cash returns below VA consensus

\$8-10bn cash returns in 2025 will be split into \$4-6bn buyback plus ~5% ordinary DPS growth from \$0.35 per quarter – this compares against VA consensus for \$11bn total cash returns. More importantly, Equinor's new policy for 2026 onwards is based on annual buybacks of \$1.2bn – hence overall distributions to total ~\$5bn and again below VA consensus for ~\$9bn.

Balance sheet capacity gone by 2025? Far from it:

CFFO guidance below VA consensus for 2024 / above for 2025 onwards

Equinor now sees CFFO at \$17.5bn in 2024 and >\$20bn p.a. across 2025-27 – using a commodity price reference case of \$75/bbl Brent / \$13/mbtu NBP (although our \$80/bbl Brent / \$9/mbtu NBP assumptions arrive at similar CFFO outcomes (see Exhibit 1). Compared to VA consensus at ~\$18bn p.a. into 2026, this only suggests downside in 2024.

Capex budget reflects more near-term Offshore Wind activity

Organic capex guidance now stands at \$13bn vs. Equinor's \$12-14bn prior guidance for 2024, but then steps up to \$14-15bn across 2025-27 (BofA and VA consensus model capex to grow from >\$12bn in 2024 toward \$14bn by 2026). The increase is largely a result of extra >\$1bn annual commitments should Equinor go ahead with its US Offshore Empire Wind project (FID expected this year).

FCF negative after distribution

Putting the three items above together means Equinor's shareholder distributions will eat into FCF (and its near \$9bn net cash position at year-end 2023). However, our analysis in Exhibit 1 shows Equinor's gearing will remain significantly below its 15-30% target range – and in our view leaving upside for future updates.

Exhibit 1: Updated BofA cash flow and net debt evolution from 2023 into 2026

Even our bullish interpretation of 2024-26 cash returns leaves gearing close to zero into 2026

	2023	2024	2025	2026
CFFO after working capital changes	24,974	17,609	22,429	20,584
Capex	(10,193)	(13,000)	(14,000)	(14,000)
FCF	14,781	4,609	8,429	6,584
Dividends	(10,905)	(7,091)	(4,016)	(4,091)
Share buybacks	(5,589)	(6,000)	(6,000)	(1,200)
Change in net cash	(1,713)	(8,482)	(1,587)	1,293
Net debt at year-end	(8,610)	(128)	1,459	166
Net debt ratio	(22%)	(0%)	3%	0%
Brent (\$/bbl)	82	80	80	70
NBP (\$/mbtu)	13	9	9	9

Source: BofA Global Research estimates, company report

Note: Net debt is before <\$3bn IFRS16 lease liabilities, which Equinor excludes from its target 15-30% gearing metric

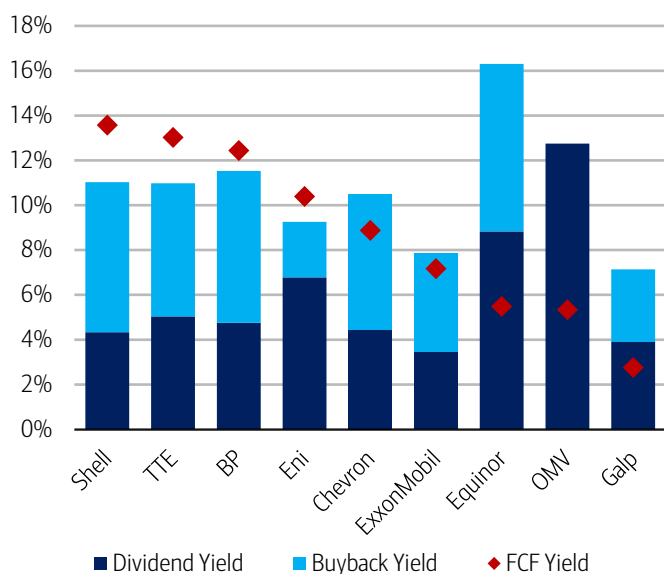
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Fortress balance sheet into 2026

Still top of the class in 2024 as well as into 2026

Exhibit 2: Big Oils cash return yields (dividends + buybacks) 2024

Equinor is set to return 16% of its market cap to shareholders in 2024; 5pp more than the Big Oil average

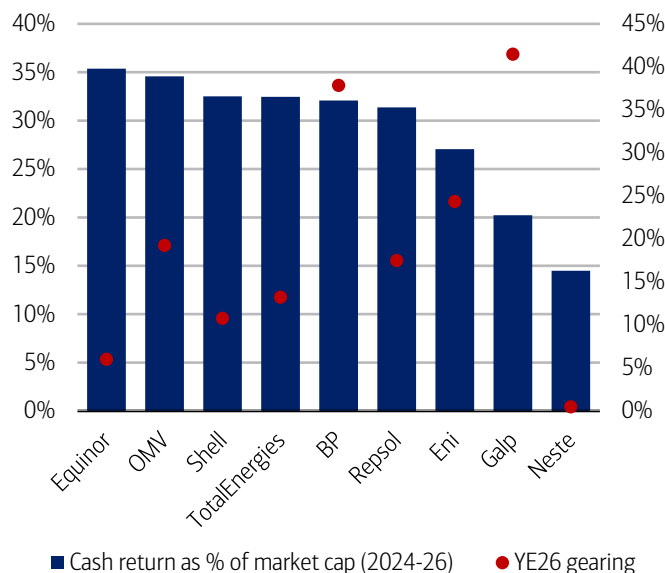


Source: BofA Global Research estimates

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Exhibit 3: Cumulative cash yields 2024-26 vs YE26 gearing

LHS: cash yields; RHS: YE26 gearing



Source: BofA Global Research estimates

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Total cash yield highest vs. peers in 2024

Exhibit 7 shows our like-for-like gearing calculations including IFRS16 liabilities as well as treating hybrid bonds as debt for all European Big Oils. We believe Equinor will re-gear its balance sheet, but end 2025 with the strongest balance sheet with <10% vs >20% peer average gearing. As a result, we believe its FCF yields still compare relatively well against most peers when calculated over enterprise value (2025 9% vs. 7% peer group average):

Exhibit 4: European Big Oil valuation matrix

We still see valuation dislocations across the European Big Oils – especially when considering greater leverage

	FCF Yield			FCF/Enterprise Value (EV)			Gearing			Dividend Yield			Total distribution yield		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
BP	11%	12%	12%	7%	8%	7%	35%	37%	37%	5%	5%	5%	12%	12%	11%
Shell	9%	14%	14%	7%	11%	12%	19%	17%	14%	4%	4%	4%	11%	11%	11%
TotalEnergies	12%	13%	13%	10%	11%	11%	20%	16%	14%	5%	5%	5%	10%	11%	11%
Equinor	12%	5%	10%	12%	5%	9%	-12%	7%	9%	14%	9%	5%	21%	16%	12%
Repsol	9%	7%	6%	7%	5%	4%	13%	15%	16%	5%	5%	5%	14%	10%	11%
OMV	6%	5%	5%	4%	4%	3%	15%	15%	17%	13%	13%	11%	13%	13%	11%
Galp	7%	3%	3%	6%	2%	2%	32%	36%	39%	4%	4%	4%	9%	7%	6%
Eni	12%	10%	10%	9%	7%	7%	24%	24%	24%	7%	7%	7%	11%	9%	10%
Average	10%	9%	9%	8%	7%	7%	18%	21%	21%	7%	6%	6%	13%	11%	10%

Source: BofA Global Research

NB: Gearing calculation uses net debt including IFRS16 leases and hybrid bonds

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4Q23 results digest

Earnings miss on tax

Adj. EBIT of \$8.7bn vs. \$8.5bn company-collected consensus / \$8.9bn VA consensus / \$8.3bn BofA (\$8.0bn 3Q23) – beating in Norway as well as International. Group tax rate of 78% vs. 66% company-collected consensus / 71% VA consensus / 72% BofA (3Q23 was 70%) is to blame for a post-tax miss: Adj. Earnings after tax of \$1.9bn vs. \$2.3bn company-collected consensus / \$2.6bn VA consensus / \$2.3bn BofA (\$2.7bn 3Q23).

Organic CFFO \$2.8bn (excluding \$0.1bn working capital outflows) vs. \$2.8bn VA consensus / \$3.1bn BofA (\$7.6bn in 3Q23). Organic capex \$3.0bn vs. ~\$2.8bn VA consensus / \$2.75bn BofA (\$2.6bn in 3Q23). Organic FCF therefore zero and not enough to cover >\$3bn shareholder distributions during the quarter. Gearing increased q/q, but Equinor remains in net cash territory at ~\$5bn (including IFRS16 lease liabilities) vs. \$3.8bn BofA (3Q23 was \$7.7bn).

Exhibit 5: 4Q23 results vs. history and vs. expectations

USDm

	4Q23A	4Q22A	YoY (%)	3Q23A	QoQ (%)	4Q23E	4Q23E	4Q23E	4Q23E	4Q23E	4Q23E
	Actuals					BofAe	vs BofAe	Company consensus	vs Company consensus	VA Consensus	vs VA consensus
Adj. Earnings bef. Tax											
D&P Norway	7,571	14,595	-48%	6,088	24%	7,022	8%	7,328	3%	7,408	2%
D&P International (incl. USA)	858	1,234	-30%	1,152	-26%	882	-3%	776	11%	849	1%
MMP	424	(543)	-178%	875	-52%	438	-3%	461	-8%	493	-14%
Other (incl. Renewables)	(172)	(145)		(90)	91%	(60)		(103)		(85)	
Group	8,681	15,141	-43%	8,025	8%	8,282	5%	8,462	3%	8,665	0%
Tax on Adjusted earnings											
Group Tax	(6,802)	(9,262)	-27%	(5,293)	29%	(5,933)	15%	(6,136)	11%	(6,218)	9%
Group tax rate	78%	72%	8%	70%	12%	72%	7%	66%	12%	72%	7%
Adjusted earnings aft. Tax											
D&P Norway	1,570	3,301	-52%	1,345	17%	1,580	-1%	1,671	-6%	1,677	-6%
D&P International (incl. USA)	333	902	-63%	907	-63%	573	-42%	7,066	-95%	574	-42%
MMP	143	1,904	-92%	542	-74%	241	-41%	233	-39%	245	-42%
Other (incl. Renewables)	(168)	(228)		(62)		(45)		(91)		(50)	
Group	1,879	5,879	-68%	2,732	-31%	2,349	-20%	2,326	-19%	2,446	-23%
Cashflow											
Cash From Operations	2,736	4,267	-36%	5,236	-48%	2,550	7%	na		2,684	2%
of which WC	(51)	(2,532)		(2,357)	-98%	(500)	-90%	na		180	-128%
Cash From Operations before WC	2,787	6,799	-59%	7,593	-63%	3,050	-9%	na		2,504	11%
Organic Capex	(3,031)	(2,376)	28%	(2,600)	17%	(2,750)	10%	na		(2,769)	9%
Organic FCF post WC	(295)	1,891	-116%	2,636	-111%	(200)	48%	na		(85)	247%
Organic FCF pre WC	(244)	4,423	-106%	4,993	-105%	300	-181%	na		(265)	-8%

Source: BofA Global Research estimates, company report, Visible Alpha

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Updated summary estimates

Our updated estimates into 2025 are now based on European gas prices near strip at \$9/mbtu (in addition to our unchanged expectation for a rangebound oil price environment at \$80/bbl Brent). Our new estimates also now reflect 4Q23 results and Equinor's updated guidance:

Exhibit 6: History + BofA estimates

Assuming a CFFO payout ratio close to 50% until 2027, we see Equinor exit FY27 in a net cash position

SUMMARY	2022	2023	2024e	2025e	2026e	2027e
Adj. Earnings bef. Tax						
D&P Norway	66,264	29,577	19,620	22,070	19,457	19,963
D&P International (inc. USA)	6,880	3,938	2,957	3,053	2,788	2,648
MMP	2,239	3,241	2,823	2,741	2,632	2,362
Other (inc. Renewables)	(366)	(538)	(300)	0	200	600
Group	75,017	36,218	25,100	27,864	25,078	25,572
Tax on Adjusted earnings	(52,248)	(25,852)	(16,774)	(18,717)	(16,069)	(16,429)
Tax rate	70%	71%	67%	67%	64%	64%
Adj. Earnings after Tax (NOPAT)	22,769	10,366	8,326	9,147	9,008	9,143
Adj. Financial (expenses) after Tax	(341)	(333)	(314)	(319)	(347)	(394)
Adj. Net income	22,428	10,033	8,011	8,828	8,661	8,749
Adj. EPS	7.07	3.32	2.86	3.25	3.31	3.38
Dividend per share (paid)	1.88	3.40	2.47	1.49	1.56	1.64
CFFO						
Organic Capex	(8,324)	(10,193)	(13,000)	(14,000)	(14,000)	(14,500)
Dividend	(5,379)	(10,905)	(7,091)	(4,016)	(4,091)	(4,247)
Share buy back	(3,316)	(5,589)	(6,000)	(6,000)	(1,200)	(1,200)
Working capital	(4,951)	4,961	0	0	1,000	0
Net Free Cash Flow	15,847	(2,073)	(8,682)	(1,787)	1,093	83
Net Debt (Net Cash)	(10,417)	(8,610)	(128)	1,459	166	(116)
Net Debt / (Net Debt + Equity)	-24%	-22%	0%	3%	0%	0%

Source: BofA Global Research estimates

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What has changed?

Exhibit 7: New vs. old vs. consensus

We revise-down our estimates across 2023-25, but remain above cash flow consensus in 2025

	2021	2022	2023	2024	2025
CFFO (old)	33,362	40,085	20,003	23,415	23,551
CFFO (new)	33,362	40,085	19,741	17,409	22,229
Change			(1.3%)	(25.6%)	(5.6%)
vs. VA consensus			(18.5%)	(4.7%)	23.0%
FCF (old)	25,322	31,761	10,060	11,415	10,551
FCF (new)	25,322	31,761	9,460	4,409	8,229
Change			(6.0%)	(61.4%)	(22.0%)
vs. VA consensus			(27.4%)	(27.0%)	61.7%
Adj. net income (old)	11,413	22,769	10,838	11,527	11,593
Adj. net income (new)	11,413	22,769	10,033	8,011	8,828
Change			(7.4%)	(30.5%)	(23.9%)
vs. VA consensus			(11.3%)	(17.7%)	(5.9%)
Ord. DPS (old) (\$)	0.56	1.68	3.60	3.60	3.60
Ord. DPS (new) (\$)	0.56	1.68	3.40	2.47	1.49
Change			(5.6%)	(31.5%)	(58.7%)

Source: BofA Global Research, Visible Alpha

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Exhibit 8: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
STOHF	EQNR NO	Equinor ASA	NOK 284.6	B-1-7
EQNR	EQNR US	Equinor ASA	US\$ 27.09	B-1-7
RYDAF	SHEL LN	Shell Plc	2471p	B-1-7

Exhibit 8: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
SHEL	SHEL US	Shell plc	US\$ 63.56	B-1-7
TTE	TTE US	TotalEnergies	US\$ 63.05	B-1-7
TTFNF	TTE FP	TotalEnergies	EUR 58.39	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

Equinor ASA (STOHF / EQNR)

Our price objective is defined by DCF-based valuation using our base case \$70/bbl for long-term Brent oil prices. We also include our bottom-up Renewables valuation at a 0% discount. We use in both cases a WACC of 8%, and a terminal growth rate of zero to arrive at our PO of NOK350 (USD33).

Downside risks to our price objective are a significant change in the price of oil or natural gas prices, currency, government regulatory or fiscal intervention, unforeseen circumstances with operation. Upside risks are: lower capex than expectations, further cost efficiency gains and exploration success.

Shell Plc (RYDAF / SHEL)

Our price objective of 3300p/share (US\$83/ADR) is based on our sum-of-the-parts valuation breaking Shell up into its constituents (upstream, downstream and others). We value these separately from our bottom-up cash flow model via a DCF valuation based on differentiated discount rates (8.7% for Upstream, 9.7% for Downstream, 5.4% for Renewables, 8.7% Group and others). Our divisional DCF valuations are usually based on zero-growth perpetuity assumptions beyond 2030 - except for Shell's and legacy BG E&P assets: Here we run a "depletion DCF" and disregard both the income and capex attributable to future prospects while using our long-term Brent oil price assumptions of \$70/bbl.

Risks are: Changes in oil & gas prices, political / regulatory risks as well as significant exploration success or lack thereof. Other risks are exposure to swings in the global economy that could impact oil and gas prices as well as refining margins, currency moves for the US dollar, general risks of changes in taxes and tariffs and rising capex costs.

TotalEnergies (TTFNF / TTE)

Our PO of EUR74/share (ADR US\$81) is based on our bottom-up cash flow model and resultant sum-of-the-parts valuation. Our sum-if-the-parts (SOTP) valuation uses discounted cash flow (DCF) valuation for TotalEnergies's sub-divisions based on differentiated discount rates: 9.1% for Refining and Marketing & Services, 5.2% for Renewables as well as 8.8% for Corporate (assuming a zero perpetuity growth rate for all). Our divisional DCF valuations are usually based on perpetuity assumptions beyond 2030 - except for TotalEnergies's E&P assets: Here we run a "depletion DCF" (at a 8.5% discount rate) and disregard both the income and capex attributable to future prospects (effectively assuming these are value neutral) while using our long-term Brent oil price assumption of \$70/bbl.

Risks (upward and downward) to our PO are sharp moves in refining margins, oil and gas prices as well as the USD. Other risks are unanticipated government intervention and regulation, expropriation risk, project execution/oil spill/environmental risk, bankruptcy risk, litigation risk, M&A risk and the general risk of increased taxes and tariffs. In addition, our PO is subject to significant exploration success or lack thereof, general risks of changes in taxes and tariffs as well as fluctuating capex costs.

Analyst Certification

I, Christopher Kuplent, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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EMEA - Oil & Gas Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Capricorn Energy	CRNZD	CNE LN	Matthew Smith
	Energean	EERGF	ENOG LN	Matthew Smith
	Energean	XMQFF	ENOG IT	Matthew Smith
	Equinor ASA	STOHF	EQNR NO	Christopher Kuplent
	Equinor ASA	EQNR	EQNR US	Christopher Kuplent
	Harbour Energy	PMOIF	HBR LN	Matthew Smith
	Kosmos Energy	KOS	KOS US	Matthew Smith
	Kosmos Energy	XKELF	KOS LN	Matthew Smith
	Neste	NTOIY	NTOIY US	Christopher Kuplent
	Neste	NTOIF	NESTE FH	Christopher Kuplent
	Saipem	SAPMF	SPM IM	Christopher Kuplent
	Shell plc	SHEL	SHEL US	Christopher Kuplent
	Shell Plc	RYDAF	SHEL LN	Christopher Kuplent
	TotalEnergies	TTFNF	TTE FP	Christopher Kuplent
	TotalEnergies	TTE	TTE US	Christopher Kuplent
	Vallourec	VLOUF	VK FP	Joseph Charuy
NEUTRAL				
	Aker Solutions	AKRTF	AKSO NO	Christopher Kuplent
	BP plc	BP	BP US	Christopher Kuplent
	BP plc	BPAQF	BP/ LN	Christopher Kuplent
	Eni	E	E US	Matthew Smith
	Eni	EIPAF	ENI IM	Matthew Smith
	EnQuest	ENQUF	ENQ LN	Matthew Smith
	Ithaca Energy plc	XMFYF	ITH LN	Matthew Smith
	Tenaris	TNRSF	TEN IM	Joseph Charuy
	Tenaris	TS	TS US	Joseph Charuy
	Var Energi	XGZNF	VAR NO	Matthew Smith
UNDERPERFORM				
	Aker BP	DETNF	AKRBP NO	Matthew Smith
	Galp Energia	GLPEF	GALP PL	Matthew Smith
	OMV	OMVJF	OMV AV	Matthew Smith
	OMV	OMVKY	OMVKY US	Matthew Smith
	Repsol	REPY	REPY US	Matthew Smith
	Repsol	REPYF	REP SQ	Matthew Smith
	Subsea 7 SA	ACGYF	SUBC NO	Christopher Kuplent
	Technip Energies	THNPF	TE FP	Christopher Kuplent
	Technip Energies	THNPY	THNPY US	Christopher Kuplent
	Tullow Oil	TUWLF	TLW LN	Matthew Smith



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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