OMV Petrom Q1 2025 Conference Call – Q&A Transcript

OMV Petrom published its results for January – March 2025 on April 30, 2025. The investor and analyst conference call was broadcast as a live audio-webcast at 3:00 pm local time. **Below is the transcript of the question-and-answer session, with edits for readability and clarifications/additions included in brackets.**

Question from Ioana Andrei (Alpha Bank, Romania): Good afternoon and thank you for the presentation and for taking my questions. I have a couple of questions. First, regarding gas regulation. Can you disclose the volumes required to be sold at regulated prices for the full year and the first quarter of 2026? Second, regarding the oil prices and obviously the current difficult context, if you could please share with us your view regarding the potential evolution of prices. What are your main scenarios and what would trigger an impairment given the lowered current guidance of $70 per barrel versus around $80 per barrel last year? And third, you mentioned for this year two outages in the second quarter, one for the refinery and one for Brazi power plant. Can you share with us an estimated negative impact in the second quarter? And last maybe a clarification regarding the windfall tax on the power side. This taxation will end in the second quarter, right? From my understanding, it should end in the second quarter. Is there any reason to suggest otherwise?

Answer from Christina Verchere (CEO): Maybe with regards to gas regulations and volumes on the regulated market, Alina will cover that. I'll cover oil prices, Alina will {cover the factors that may} trigger impairments. And then the outages as well. Just onyour last question, if I'm correct, was that, yes, you're correct that the windfall {power} tax is due to end at the end of the second quarter. That is our understanding as well, and will be much welcome when it comes. So with that, Alina, maybe you take the first question.

Answer from Alina Popa (CFO): And I'll start with the first question on the regulated volumes. So, with regards to the regulated volumes to households and district heating companies, we have had for Q1 2025 3.3 terawatt-hour, for Q2 2025 2.5 terawatt-hour, and for full year, we estimate somewhere around 10 terawatt-hour. We cannot provide any figure for Q1 2026.

Answer from Christina Verchere: On oil prices, obviously, you can see that we have lowered our outlook for the full year by $5/bbl. We're anticipating, obviously, a lower price in the second, third and fourth quarter overall. So, I mean, these are our thoughts for 2025. Anything for 2026 and beyond, we would come forward later at the end of the year and beginning of next year with regards to that. My one comment is, having been in the oil and gas industry for many years, ups and downs is something that we are used to. We know that we need to respond to them. We are responding to them. As I mentioned, we have a lot of cost focus going on in the company because we do have declining commodity prices. Well, we have increasing costs because of the inflation for the past few years, and we have many initiatives underway to look to address that, to continue to make the company resilient at lower prices. And obviously, we have strong financial strength going forward. Alina, on triggers for impairments?

Answer from Alina Popa: Yes. So when it comes to impairment, I mean, generally, first thing we do, of course, we work very hard on the cost side. And we have a lot of programs going on to address this in all business segments. And, of course, the E&P is even a front runner from this perspective. So first we work on the cost side because this has a very important effect. Now, when we look a bit at the breakeven price, the operating cash flow breakeven for our E&P traditional portfolio, it's somewhere at $30 per barrel.

Now, at this stage, we don't see a {trigger for} impairment, based on what we see today. We will continue to monitor very closely what's happening every quarter. And, of course, if there is any update with regards to that, we will come back with any additional information. Now, if you want to have a reference of what is the basis for our mid-term planning assumptions and impairment test right now, we disclosed in the notes to our financial statements the exact oil price assumptions. And this goes in real terms somewhere from 73 to below 70 {USD/bbl} by 2030. So we were not at 80 anyway in our planning so far. But we'll continue monitoring this and if there is anything, of course we will come back.

I'll continue with the shutdowns. So when it comes to the shutdowns, indeed we have Petrobrazi shutdown that is planned in May for 20 days. From today's perspective, we do not see a significant impact. We talk about CAPEX somewhere below €15 million, and similarly an EBIT {impact} below €15 million, mostly from margin loss for these 20 days of shutdown, which is a normal intervention every two years, decoking and catalyst replacement generally. When it comes to Brazi power plant shutdown, we talk about CAPEX below €10 million.

Question from Oleg Galbur (Oddo BHF): Thank you for taking my questions. I have several. I will start with the follow up on the upstream segment. I assume that due to a strong vertical integration, Petrom is less exposed to the oil price volatility, but still, could you maybe share with us under which oil price scenario would you consider slowing down drilling activities, and how much flexibility do you have in cutting upstream CAPEX without triggering a much sharper decline of production? And then on the OPEX per boe. With the euro now strengthening against dollar and the EURO-RON exchange rate being rather stable, do you expect a reversal of the upward trend seen in the OPEX per boe in the previous quarters, or should we expect something else? Maybe you can comment on this. And lastly, on the cost-cutting program, which you mentioned earlier, OMV was today talking about its efficiency improvement programme, which is expected to contribute some half a billion euro to the operating cash flows by 2027. And I would assume that Petrom is part of this programme. So I was hoping that you might be able also to provide some numbers to quantify the expected impact on the operating cash flow on Petrom side.

Answer from Christina Verchere: Thank you for your questions, Oleg. I will take part of your first question with regards to just the overall robustness of the drilling programme as well as CapEx flexibility. And then, Alina, if you have anything to add to that, of course, please do. And then maybe, Alina, if you can take {the question on the} exposure to foreign exchange and the overall cost programmes that we are doing.

So overall two points I would make, Oleg, is that our drilling programme and our workover programmes are some of our strongest investment projects that we have. And in part, that is driven really by the ability to get production fast and tie it in fast into a very established existing infrastructure that we have. So they do really stay robust both on the oil side as well as on the gas side. So I don't think you would necessarily see a desire to cut there. And obviously given the financial situation of the firm, you would want to think a lot about that because it does impact your decline rates if you stop that activity. Now, other factors have come into play {like the fact that} it is some of the most flexible CapEx with regards to that, but it's also the most attractive CapEx. So I think when {we} start to look at CapEx, {we take into consideration the} attractiveness overall and the robustness of economics. So and as Alina said, our longer term forecast is not sitting at 80 and 85, more at 70 and lower than that. So that's always taken into account in our economics.

Answer from Alina Popa: I'll continue with the second and third questions, which are connected somehow, because, yes, of course, the exchange rate has an impact on our production cost per barrel, we could see some potential effects from that. However that's really not in our control. So what we are focusing on is really the cost programmes. And yes, we have massive cost programmes everywhere in E&P and in R&M, in corporate functions and so on. These cost programmes are focusing on really reducing costs. So, referring to the cost programmes, I mentioned that we have significant cost programmes everywhere in all business segments. And overall, if we want to give a number, although we are really working on it day by day and we hope to improve further, we are talking about approximately €150 million if we compare 2027 with 2024; that would be the number we are working on. And yes, we are -- as I said, we hope to, we might go even further than that.

Question from Oleg Galbur: I would have one more question on the gas and power segment. Could you help us understand to which extent the power business results in the first quarter was impacted by the ongoing regulation? In other words, what impact could we expect from the cancellation of this regulation as of the end of June? And also, maybe you can say a few words about the power market environment in April now that we saw significantly lower gas prices. Is it helping? To which extent? And whatever you can say, it would be very helpful.

Answer from Alina Popa: Let me try to give some insight. So in Q1 as you could see, we had a negative result in gas and power. That is primarily driven by power, in the context of having regulated fixed power prices, while gas prices increased significantly. And this is driven indeed by the regulation, in addition to that, having quite a significant taxation level, this contribution to the energy transition fund for power. So, this was quite challenging. We expect this to continue in Q2, but to a lower extent. But still Q2 will be very challenging. And we see after end of Q2, when this regulation will disappear and will be back to a free {power} market, we see our power plant and overall Gas and Power segment coming into positive territories. Now, always when we look at gas and power, we should think about the integrated business model that we have, because the power plant is run based on an optimisation model, and we always do the calculation and see what is better: to put the gas into the power plant or to sell it as such. And overall, because of exemption from over-taxation, we had overall a positive impact from running the power plant, otherwise we wouldn't have run it, because we are out of this MACEE mechanism. So we are {no longer} obliged to sell quantities on that market. We sold them because at overall company level we were positive.

Question from Oleg Galbur: Understood. And anything {you can tell us} on the power market environment in April {would be useful, as it was a bit different}.

Answer from Alina Popa: Yes, maybe a bit specific to us, you should consider that we had in April this shutdown of the Brazi {power plant}, for {almost} 20 days, we had full shutdown and then for another eight days, we had half of the capacity being shut down. So that is to be taken into consideration, otherwise it's nothing specific to April.

Question from Daniela Mandru (Swiss Capital): Thank you for the presentation and for taking my questions. I have only one more question. Regarding the refined product sales, I've seen your explanation that they decreased by 7% year on year in this quarter because of lower exports. I think this is the first time in many quarters that I'm seeing this decrease. So, I believe something happened there. And more important, what will going to happen in the future with these sales.

Answer from Christina Verchere: So yes, there was a decline in sales. I mean we've always actually been an exporter, but actually more recently we {were} exporting actually to the Ukraine. And just as others have been entering that market at the same time more recently, whereas we had come in, I think, quite quickly into the market after {the conflict started}. Partly I think just pure proximity gave us the competitive advantage into that market.

Answer from Alina Popa: We see a softening of demand generally speaking. So this we see also on the retail. We are not lower than in the previous year. We are still on {an upward trend}, but {the increase is} lower than we have seen in the past. This we see in the commercial business as well overall, because the economy is slowing down versus what we used to see in the past. So there is an effect coming from that, I would say as well.

Question from Daniela Mandru: And as outlook for the full year, I think your budget assumes a slight increase year on year for the full year for these sales. I think now it should be changed, the outlook on this segment.

Answer from Alina Popa: If we look into the outlook that we published this morning, we say the refined product sales are forecasted to be slightly lower year on year, previously stable. So we moved from previously stable to slightly lower. Always our budget is done some few months {before the AGM and announced before the meeting}. So there is a timing difference and there is quite high volatility that we see.

Question from Daniela Mandru: I know you already discussed about OpEx, but it's pretty high for now. Should we expect to remain around 17 for the full year?

Answer from Alina Popa: Our expectations, we keep the around $16 per barrel for full year {guidance for now}. And this is on the basis of cost programmes that are ongoing. And yes, maybe we have some additional production as well. We will see. We are working hard to keep it at around $16 per barrel right now.

Question from Daniela Mandru: And now, regarding the impact of these shutdowns in the second quarter, you mentioned CapEx of €50 million for Petrobrazi and of €10 million for Brazi.

Answer from Alina Popa: Petrobrazi 15 million. One Five. €15 million.

Question from Daniela Mandru: Not 50. Okay. And Brazi would be shut down for how much?

Answer from Alina Popa: Brazi was already {in shutdown}. So it ended at the end of April, almost 20 days full capacity and eight days for half capacity.

Question from Daniela Mandru: And regarding the outlook, now that the oil price is down, what are your expectations for the gas price? Let's say at the international level, CEGH price.

Answer from Alina Popa: On the gas price, you know, we have a lot of restrictions. We don't give much transparency around that. What we continue to see and to expect is a lot of volatility going on the gas prices, depending a lot on supply sources. And that's where it is. We see some changes. For example, in Q1 2025, we saw basically BRM {price} had a premium around €3 per megawatt{-hour} versus CEGH, which was quite different than we have seen and experienced in 2024. So quite a lot of volatility. It depends significantly on supply sources. But we cannot provide any exact figures when it comes to gas price.

Question from Laura Simon (BRD Groupe SG): I have just one additional question regarding the special dividend. And if you could detail on what would drive a positive or a negative decision for this year? What are you expecting to see in the next three months to make a decision?

Answer from Alina Popa: So for taking a decision, if we give special dividends, we will consider three elements. First one is related to the changes to the fiscal and regulatory regime in Romania. I mean, we see the situation of the state budget. We are looking at it. We see potential changes post-elections. So we need to understand very clearly what are these changes and to what extent they affect us. That's the first element. The second is definitely the progress of our investments, significant investment plans. We will assess. We will see where we are with all the projects ongoing. And the third dimension of course is around evolution of the market environment and our financial performance in the first part of the year. Clearly, we are a very strong company. You know, we are on a net cash basis, and being competitive on the dividends {side} is important to us. But we will assess all these three dimensions, deciding if we give special dividend somewhere mid of the year.

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