



Picture: Jotun FPSO used for Balder Future. Source: Vår Energi

E&P

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Vår (Buy, tp NOK 55) – An attractive combination of growth, dividend and P/E of below 4x

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SpareBank1 Markets acted as financial advisor to Eni and HitecVision in relation to the Vår secondary sale in June 2022 and as Joint Global Bookrunner for the Vår IPO

Vår (Buy, tp NOK 55) – An attractive combination of growth, dividend and P/E of below 4x

Vår reported Q2 22 EBITDA and recurring EPS roughly as we expected, but 6% and 5% below company compiled consensus. While we leave our earnings estimates virtually unchanged, we increase our 2022 dividend forecasts by 7% following the Q2 report. We see further upside if oil and gas prices stay at the current level for several months. We estimate 2023 P/E of below 4x at current gas forward curve, which we find highly attractive. Our NOK 55/share target price is based on a blend of valuation approaches and corresponds to 2022-23 P/E of 11-13x and dividend yields of 6-7%. We repeat our Buy recommendation.

- **Q2 earnings as expected, a tad below consensus:** Vår reported Q2 22 EBITDA and recurring EPS 3% and 1% below our forecast, but 6% and 5% below company compiled consensus. IFRS numbers included USD 426m FX loss, which we regard as non-recurring. Overall, Q2 earnings were roughly in line with our forecasts, but a tad below consensus expectations. Q2 FCF of USD 0.94bn corresponded NOK 3.7/share (NOK 14.7 annualized) and 32% annualized FCF yield on EV, which is impressive. However, due to USD ~140m working capital investments, FCF was still a few percentage points below our forecasts. We expect Q2 working capital investments to reverse over the next few quarters, which also was confirmed by the CFO during the Q2 conference call.
- **Minor change to guidance wording (production negative, dividend positive):** Vår made no material change to its guidance, but there were a few several marginal changes that we worth highlighting: Firstly, 2022 production is now indicated in the lower end of the 230-245 kboe/d range (“lower end” added vs previous guidance). We model 234 kboe/d for 2022. Secondly, for dividend outlook the company said minimum USD 1bn for 2022 (“minimum” added) and also increased Q3 dividend guidance from USD 260m to USD 290m. Although full-year guidance remained unchanged, the probability for increased 2022 guidance has increased, in our view. We think the company with this guidance increases its flexibility for dividend: No formal increase for 2022 guidance, but upped Q3 dividend. Annualized Q3 dividend corresponds to USD 1.16bn, vs. current 2022 guidance of USD 1bn. Finally, we note the company indicated payment to Exxon of USD 350m, which previously was guided “USD 300-350m”. We have previously modelled USD 340m. Overall, we think the minor negatives on production and Exxon payments are mainly offset by the upped Q3 dividend.
- **P/E of below 4x at current gas forward curve:** During Q2, 40% of Vår’s sales volumes were gas. Over the past few months, the TTF gas forward curve has been lifted significantly partially due to reduced Russian gas supplies and other supply side issues. Around 80% of the company’s gas sales are sold at, or around, TTF gas prices. Although the current TTF forward curve is strongly backreacted, the average 2023 forward price is around USD 40/mmbtu, or USD 260/boe. At these prices, we forecast 2023 EPS of around USD 1, corresponding to P/E below 4x. That assessment assumes oil price at the current level.

Q2 earnings as expected, a tad below consensus

Highlights

Key figures (USDm)	4Q21	1Q22	2Q22	2Q22e SB 1M	2Q22 cons.	vs. SB 1	vs. cons.
Total revenue	2 274	2 491	2 437	2 420	2 503	1%	-3 %
Production expenses	-342	-341	-378	-322			
Other opex	-37	-33	-29	-21			
EBITDAX	1 895	2 117	2 029	2 077	2 129	-2 %	na
Exploration expenses	-11	-12	-26	-21			
EBITDA	1 883	2 105	2 003	2 056	2 129	-3 %	-6 %
D&A	-470	-441	-329	-361			
Impairment	-179	11	0	0			
EBIT	1 235	1 674	1 674	1 695	1 800	-1 %	-7 %
Net interest	-111	-23	-460	-10			
PTP	1 124	1 651	1 214	1 685	1 734	-28 %	-30 %
Tax	-915	-1237	-1158	-1286			
Net income	209	414	56	400	417	-86 %	-86 %
Recurring net income	209	412	397	400	417	-1 %	-5 %
Recurring EPS	0.08	0.17	0.16	0.16	0.17	-1%	-5 %
Net cash (debt), excl lease	-4 602	-3 115	-2 428	-2 280	-2 387	6 %	2 %
Free cash flow	201	1532	939	1093	1090	-14 %	-14 %
Cash flow from operations	923	2 182	1535	1707	1737	-10 %	-12 %
Cash flow from investments	-722	-650	-596	-614	-647	-3 %	-8 %
Key assumptions							
Production, boe/d	■ #REF!	■ #REF!	■ #REF!	209 800	209 800	■ #REF!	■ #REF!
Brent oil price	80.4	99.6	116.0	116.0	na	0 %	na
Prod cost, USD/boe	15.5	16.5	19.4	16.5	na	18 %	na
D&A per boe (USD)	212	213	16.9	18.5	na	-9 %	na

Comments

- Vår reported Q2 22 EBITDA and recurring EPS 3% and 1% below our forecast, but 6% and 5% below company compiled consensus. IFRS numbers included USD 426m FX loss, which we regard as non-recurring. Overall, Q2 earnings were roughly in line with our forecasts, but a tad below consensus expectations.
- Q2 FCF of USD 0.94bn corresponded NOK 3.7/share (NOK 14.7 annualized) and 32% annualized FCF yield on EV, which is impressive. However, due to USD ~140m working capital investments, FCF was still a few percentage points below our forecasts. We expect Q2 working capital investments to reverse over the next few quarters, which also was confirmed by the CFO during the Q2 conference call.

Minor change to guidance wording (production negative, dividend positive)

Guidance

Parameter	..in Q2 22 report	..in Q1 22 report	Our comments after Q2 report
2022 production	Lower end of 230-245 kboe/d	230-245 kboe/d	No change to range, but "lower end" added to guidance
2022 prod cost	USD 12.5-13.5/boe	USD 12.5-13.5/boe	No change
2022 capex	USD 2.3-2.6bn, USD 0.2bn exploration and decomm	USD 2.3-2.6bn, USD 0.2bn exploration and decomm	No change
Dividends	2022: Min USD 1000m 2023--> 20-30% of opcf	2022: USD 1000m 2023--> 20-30% of opcf	No change FY 2022, but added "minimum" USD 1bn + increased Q3 divi to USD 290m (from 260m)
Leverage	1.3x net debt / EBITDAX through cycle	1.3x net debt / EBITDAX through cycle	No change (end Q2 of 0.4x)
Other	USD 350m	USD 300-350m Exxon payment due in Q4 2022	Changed to high-end of previous guidance

- Vår made no material change to its guidance, but there were a few several marginal changes that we worth highlighting:
- Firstly, 2022 production is now indicated in the lower end of the 230-245 kboe/d range ("lower end" added vs previous guidance). We model 234 kboe/d for 2022.
- Secondly, for dividend outlook the company said minimum USD 1bn for 2022 ("minimum" added) and also increased Q3 dividend guidance from USD 260m to USD 290m. Although full-year guidance remained unchanged, the probability for increased 2022 guidance has increased, in or view. We think the company with this guidance increases its flexibility for dividend: No formal increase for 2022 guidance, but upped Q3 dividend. Annualized Q3 dividend corresponds to USD 1.16bn, vs. current 2022 guidance of USD 1bn.
- Finally, we not the company indicated payment to Exxon of USD 350m, which previously was guided "USD 300-350m". We have previously modelled USD 340m. Overall, we the minor negatives on production and Exxon payments are mainly offset by the upped Q3 dividend.

Earnings estimates left unchanged, dividend upped

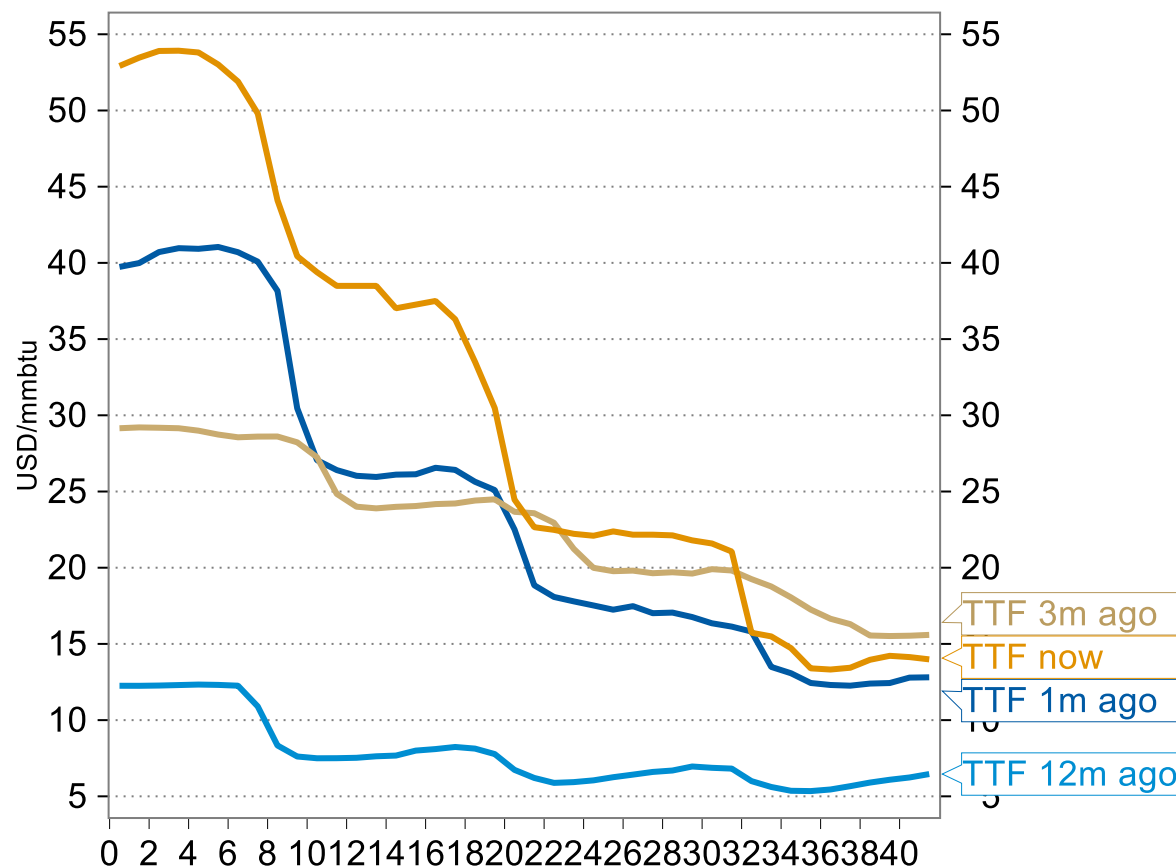
Estimate changes

USDm	New			Old			Changes		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Total revenues	10 627	8 622	7 720	10 610	8 622	7 720	0 %	0 %	0 %
EBITDA	9 052	7 258	6 631	9 105	7 258	6 631	-1 %	0 %	0 %
<i>EBITDA margin</i>	<i>85 %</i>	<i>84 %</i>	<i>86 %</i>	<i>86 %</i>	<i>84 %</i>	<i>86 %</i>			
EBIT	7 467	5 650	4 831	7 488	5 650	4 831	0 %	0 %	0 %
Pretax profit	6 972	5 634	4 818	7 439	5 624	4 808	-6 %	0 %	0 %
Net income	1 451	1 345	1 151	1 790	1 338	1 144			
EPS	0.58	0.54	0.46	0.72	0.54	0.46	-19 %	1 %	1 %
Rec. EPS	0.72	0.54	0.46	0.72	0.54	0.46	0 %	1 %	1 %
DPS	0.43	0.40	0.38	0.40	0.39	0.38	7 %	0 %	0 %
Key assumptions	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Brent oil price, USD/boe	105	81	75	105	81	75	0 %	0 %	0 %
Production, boe/day	234 251	238 132	265 782	234 251	238 132	265 782	0 %	0 %	0 %
Opex/boe, USD	16	14	9	16	14	9	5 %	0 %	0 %
D&A/boe, USD	19	19	19	19	19	19	-1 %	0 %	0 %
Op cf	6 860	3 428	3 139	6 748	3 421	3 132	2 %	0 %	0 %
FCF	4 393	1 109	1 063	4 263	1 102	1 056	3 %	1 %	1 %

- Following Vår's Q2 22 report, we make only marginal changes to our earnings estimates, mainly related to inclusion of the Q2 22 figures. While we reduced 2022e IFRS EPS by 19% due to the Q2 FX loss (non-recurring and irrelevant for share price), we keep our full-year recurring EPS forecasts unchanged. We also marginally trim H2 cash tax payment on the basis of updated guidance and weaker NOK vs USD.
- More importantly, we lift Q3 2022 dividend assumption to USD 290m (from USD 260) and do the same for Q4. In total, we lift 2022 dividend forecast by 7%. We do not rule out that our forecast may be lifted more if oil and gas prices stay at the current level over the next few months.

P/E of below 4x at current gas forward curve

TTF gas forward curve



SB1 Markets/Macrobond

- During Q2, 40% of Vår's sales volumes were gas. Over the past few months, the TTF gas forward curve has been lifted significantly partially due to reduced Russian gas supplies and other supply side issues. Around 80% of the company's gas sales are sold at, or around, TTF gas prices.
- Although the current TTF forward curve is strongly backreacted, the average 2023 forward price is around USD 40/mmbtu, or USD 260/boe. At these prices, we forecast 2023 EPS of around USD 1, corresponding to P/E below 4x. That assessment assumes oil price at the current level.

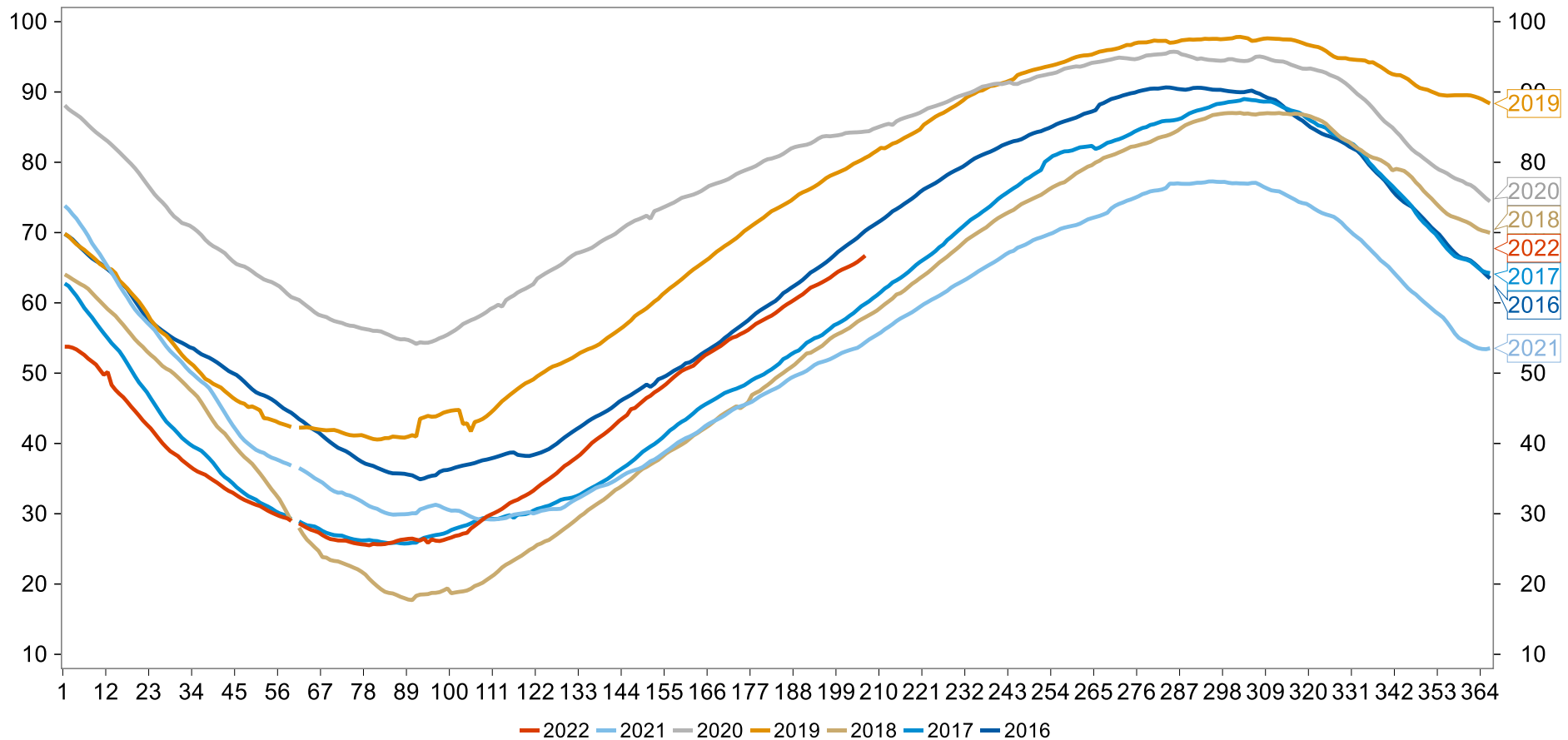
2023 EPS around USD 1/share at current forward curve (=P/E of ~4x)

2023e EPS

		Gas price, USD/mmbtu										
		5.0	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0	50.0	55.0
Oil price USD/bbl	40	0.01	0.10	0.19	0.28	0.37	0.47	0.56	0.65	0.74	0.83	0.92
	45	0.03	0.13	0.22	0.31	0.40	0.49	0.58	0.68	0.77	0.86	0.95
	50	0.06	0.15	0.24	0.34	0.43	0.52	0.61	0.70	0.79	0.89	0.98
	55	0.09	0.18	0.27	0.36	0.45	0.55	0.64	0.73	0.82	0.91	1.01
	60	0.11	0.21	0.30	0.39	0.48	0.57	0.66	0.76	0.85	0.94	1.03
	65	0.14	0.23	0.32	0.42	0.51	0.60	0.69	0.78	0.88	0.97	1.06
	70	0.17	0.26	0.35	0.44	0.54	0.63	0.72	0.81	0.90	0.99	1.09
	75	0.20	0.29	0.38	0.47	0.56	0.65	0.75	0.84	0.93	1.02	1.11
	80	0.22	0.31	0.41	0.50	0.59	0.68	0.77	0.86	0.96	1.05	1.14
	85	0.25	0.34	0.43	0.52	0.62	0.71	0.80	0.89	0.98	1.08	1.17
	90	0.28	0.37	0.46	0.55	0.64	0.73	0.83	0.92	1.01	1.10	1.19
	95	0.30	0.39	0.49	0.58	0.67	0.76	0.85	0.95	1.04	1.13	1.22
	100	0.33	0.42	0.51	0.61	0.70	0.79	0.88	0.97	1.06	1.16	1.25
	105	0.36	0.45	0.54	0.63	0.72	0.82	0.91	1.00	1.09	1.18	1.27
	110	0.38	0.48	0.57	0.66	0.75	0.84	0.93	1.03	1.12	1.21	1.30
	115	0.41	0.50	0.59	0.69	0.78	0.87	0.96	1.05	1.14	1.24	1.33
	120	0.44	0.53	0.62	0.71	0.80	0.90	0.99	1.08	1.17	1.26	1.36
	125	0.46	0.56	0.65	0.74	0.83	0.92	1.02	1.11	1.20	1.29	1.38
	130	0.49	0.58	0.67	0.77	0.86	0.95	1.04	1.13	1.23	1.32	1.41
	135	0.52	0.61	0.70	0.79	0.89	0.98	1.07	1.16	1.25	1.34	1.44
	140	0.55	0.64	0.73	0.82	0.91	1.00	1.10	1.19	1.28	1.37	1.46

European gas storage up from all-time-low levels, but supply highly uncertain

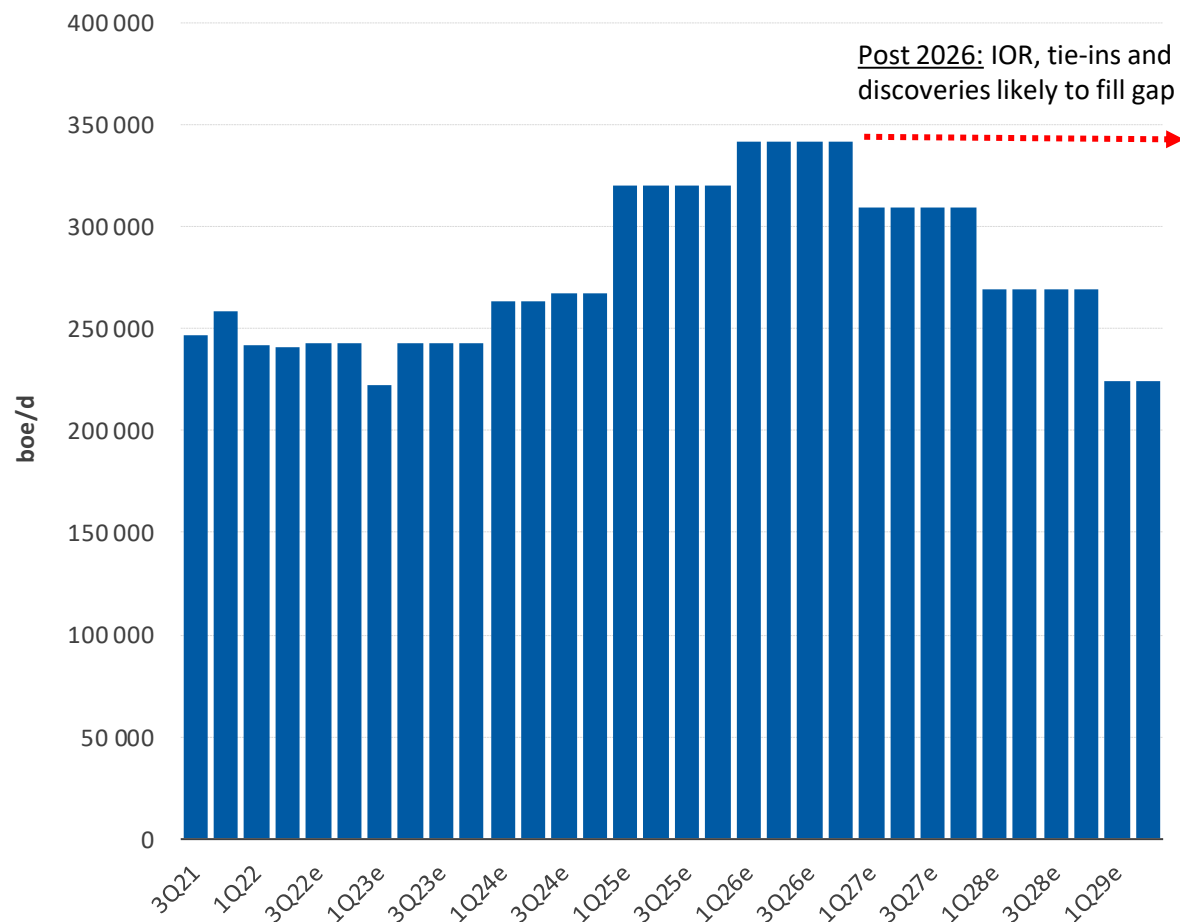
European gas storage, fill level



SB1 Markets/Macrobond

Production increase next few years

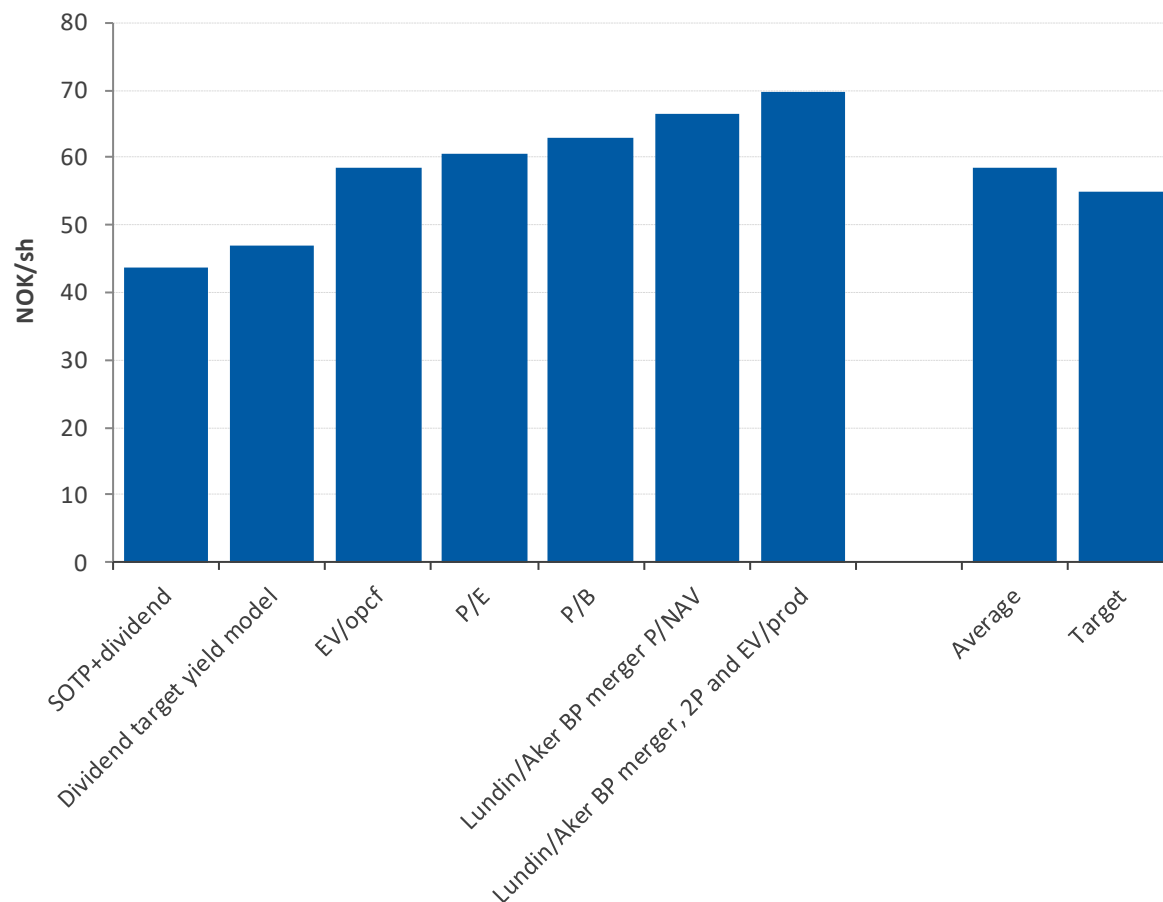
Production profile (2P profile)*



- While Vår's production is expected to decline marginally in 2022 vs. 2021 due to a natural decline, the current project portfolio suggests material production growth in the period up to 2025. The production guidance for 2022 is 230-245 kboe/d. By 2025, the production is expected to be above 350 kboe/d according to the company. The growth will primarily be driven by first oil from Bauge, Fenja, Frosk, Kristin South, Balder X, Breidablikk and Johan Castberg.
- After 2025, we expect increased oil recovery, ties ins and discoveries to arrest decline and fill the gap vs. our base case 2P profile.
- All else equal, production growth supports higher earnings multiples, improves outlook for dividend growth and reduces the unit costs.

Valuation summary: Various approaches suggest fair value of NOK 40-70/share

Valuation summary



- For Vår, we use several valuation approaches: Sum of the parts, dividend model, fair EV/opcf, fair P/E and fair P/B. In addition to these approaches, we also benchmark vs. the recently announced Aker BP and Lundin merger. That transaction is a very good datapoint for how an industrial investor values NCS assets. It should, however, be mentioned that the Aker BP/Lundin merger holds a significant portion of 2C resource vs 2P reserves compared to Vår. That implies that a pure EV/2P approach may lead to somewhat elevated values for Vår when comparing to the Aker BP/Lundin deal.
- The average of our approaches is NOK ~60/share and NOK 55/share if we exclude the Aker BP/Lundin deal multiples.
- Our target price corresponds to 2022-23 P/E of 11x and 13x, respectively.
- Key risk factors to our valuation assessment are oil and gas prices, operational performance and the general macro environment.

Vår SOTP

Asset	Licence	Area/Hub	Operator	Stake	Net mboe	USD/boe	Unrisked USDm	Prob.	Risked NOKm	Risked NOK/share
Production										
Ekofisk area	PL018	Other/Ekofisk	Conoco	12.4%	78	5.8	456	100 %	4 016	1.6
Fram	PL090	Other	Equinor	25.0%	30	15.9	478	100 %	4 202	1.7
Goliat	PL229, PL229B	Barents Sea	Vår Energi	65.0%	55	11.3	617	100 %	5 429	2.2
Grane	PL001CS, PL169, PL169B1	Balder/Grane	Equinor	28.3%	29	8.3	239	100 %	2 101	0.8
Heidrun	PL095	Other	Equinor	5.2%	23	14.7	339	100 %	2 983	1.2
Hyme	PL348	Other	Equinor	17.5%	2	15.9	32	100 %	280	0.1
Mikkjel	PL092, PL121	Åsgard	Equinor	48.4%	24	14.7	354	100 %	3 113	1.2
Ormen Lange	PL209, PL208, PL250	Other	Shell	6.3%	39	12.1	476	100 %	4 187	1.7
Balder X and Ringhorne	PL001, PL027, PL028, PL169E	Balder/Grane	Vår Energi	90.0%	222	9.2	2 047	90 %	16 216	6.5
Snorre	PL057, PL089	Tampen	Equinor	18.6%	82	9.4	771	100 %	6 786	2.7
Statfjord unit	PL037	Tampen	Equinor	21.4%	25	8.7	214	100 %	1 884	0.8
Trestakk	PL091	Åsgard	Equinor	40.9%	14	14.7	206	100 %	1 816	0.7
Tyrihans	PL073, PL073B, PL091	Åsgard	Equinor	18.0%	29	12.7	365	100 %	3 209	1.3
Vigdis	PL089	Tampen	Equinor	16.1%	9	14.7	133	100 %	1 167	0.5
Åsgard	PL062, PL074, PL094, PL134	Åsgard	Equinor	22.1%	24	14.7	354	100 %	3 113	1.2
Sum production					685	10.3	7 080	97 %	60 504	24.2
Discoveries										
Johan Castberg	PL532	Barents Sea	Equinor	30.0%	164	9.6	1 572	85 %	11 757	4.7
Breidablikk	PL001CS, PL001DS, PL027FS	Balder/Grane	Equinor	34.4%	71	8.4	597	85 %	4 466	1.8
King/Prince	PL027	Balder/Grane	Vår Energi	90.0%	66	9.2	609	75 %	4 016	1.6
Bauge	PL348	Other	Equinor	17.5%	10	9.2	92	90 %	730	0.3
Blasto	PL090	Other	Equinor	25.0%	24	8.9	213	70 %	1 312	0.5
Brasse	PL740	Other	n.a.	50.0%	15	9.2	138	70 %	852	0.3
Fenja	PL586	Other	Neptune	45.0%	24	10.1	238	85 %	1 783	0.7
Snøfonn	PL532	Batents	Equinor	30.0%	12	10.0	120	70 %	741	0.3
Skavf Stø	PL532	Batents	Equinor	30.0%	2	10.0	24	70 %	148	0.1
Other 2P/2C	nm	nm	nm	Various	498	6.3	3 123	70 %	19 239	7.7
Increased recovery rate	nm	nm	nm	Various	114	6.3	713	70 %	4 395	1.8
Sum discoveries					1 000	7.4	7 440	74 %	49 440	19.8
Sum exploration					1 027	2.0	2 054	21 %	3 856	1.5
Overhead							-300	100 %	-2 640	-1.1
Other							132	100 %	1 159	0.5
Gross asset value									112 318	45.0
Net cash (debt)							-1 437	100 %	-12 641	-5.1
Net asset value									99 677	39.9

- Our estimates for Vår's production and capex do not include any further M&A activity. I.e., our SOTP valuation is a purely organic valuation that include only known opportunities in the current portfolio. Generally, we include production at its full value vs. our DCF valuation using 100% probability, discoveries at 20%-90% of our DCF valuation, while we assign 1-40% probability for exploration prospects.
- For our SOTP valuation, the three most likely de-risking triggers over the next years will be progress of developments (mainly Balder, Castberg and Breidablikk) and announcement of first oil for these. In addition, any exploration success will increase our SOTP valuation.

Key assumptions: Brent price USD 106, 81, 75/bbl for 2022-24e, NBP gas price USD 29, 21, 15/mmbtu for 2022-24e, USD 8% WACC

Other discoveries include: Alpha Horst, Bøyla, Brage, Embla, Fenja, Frosk, Gungne, Halten, East, Heidrun, Hyme, Lavrans, Marulk, Midgard, Mikkjel, Morvin, Norne, Ringhorne, Sigyn, Skuld, SleipnerE&W, Smørbukk, Smørbukk, North, Smørbukk, South, Svalin, Sygna, Tommeliten, Tor, Tordis, Trestakk, Urd

Exploration: Guided portfolio of 3bn boe unrisked resources, net to Vår. 2022 prospect guided at 48 mmboc risked net to Vår.

Free cash flow and EPS sensitivities

Free cash flow

2023e FCF

		NBP gas price, USD/mmbtu										
		5.0	9.0	13.0	17.0	21.0	25.0	29.0	33.0	37.0	41.0	45.0
Long-term USD/bbl	40	-420	100	310	520	730	940	1 150	1 360	1 570	1 780	1 991
	45	-202	162	372	582	792	1 002	1 212	1 422	1 632	1 842	2 052
	50	13	223	434	644	854	1 064	1 274	1 484	1 694	1 904	2 114
	55	75	285	495	705	915	1 125	1 335	1 545	1 755	1 965	2 175
	60	137	347	557	767	977	1 187	1 397	1 607	1 817	2 027	2 237
	65	198	408	618	828	1 038	1 249	1 459	1 669	1 879	2 089	2 299
	70	260	470	680	890	1 100	1 310	1 520	1 730	1 940	2 150	2 360
	75	322	532	742	952	1 162	1 372	1 582	1 792	2 002	2 212	2 422
	80	383	593	803	1 013	1 223	1 433	1 643	1 853	2 064	2 274	2 484
	85	445	655	865	1 075	1 285	1 495	1 705	1 915	2 125	2 335	2 545
	90	506	717	927	1 137	1 347	1 557	1 767	1 977	2 187	2 397	2 607
	95	568	778	988	1 198	1 408	1 618	1 828	2 038	2 248	2 458	2 668
	100	630	840	1 050	1 260	1 470	1 680	1 890	2 100	2 310	2 520	2 730
	105	691	901	1 111	1 321	1 532	1 742	1 952	2 162	2 372	2 582	2 792
	110	753	963	1 173	1 383	1 593	1 803	2 013	2 223	2 433	2 643	2 853
	115	815	1 025	1 235	1 445	1 655	1 865	2 075	2 285	2 495	2 705	2 915
	120	876	1 086	1 296	1 506	1 716	1 926	2 136	2 347	2 557	2 767	2 977
	125	938	1 148	1 358	1 568	1 778	1 988	2 198	2 408	2 618	2 828	3 038
	130	1 000	1 210	1 420	1 630	1 840	2 050	2 260	2 470	2 680	2 890	3 100
	135	1 061	1 271	1 481	1 691	1 901	2 111	2 321	2 531	2 741	2 951	3 162
	140	1 123	1 333	1 543	1 753	1 963	2 173	2 383	2 593	2 803	3 013	3 223

EPS

2023e EPS

		Gas price, USD/mmbtu										
		5.0	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0	50.0	55.0
Oil price USD/bbl	40	0.01	0.10	0.19	0.28	0.37	0.47	0.56	0.65	0.74	0.83	0.92
	45	0.03	0.13	0.22	0.31	0.40	0.49	0.58	0.68	0.77	0.86	0.95
	50	0.06	0.15	0.24	0.34	0.43	0.52	0.61	0.70	0.79	0.89	0.98
	55	0.09	0.18	0.27	0.36	0.45	0.55	0.64	0.73	0.82	0.91	1.01
	60	0.11	0.21	0.30	0.39	0.48	0.57	0.66	0.76	0.85	0.94	1.03
	65	0.14	0.23	0.32	0.42	0.51	0.60	0.69	0.78	0.88	0.97	1.06
	70	0.17	0.26	0.35	0.44	0.54	0.63	0.72	0.81	0.90	0.99	1.09
	75	0.20	0.29	0.38	0.47	0.56	0.65	0.75	0.84	0.93	1.02	1.11
	80	0.22	0.31	0.41	0.50	0.59	0.68	0.77	0.86	0.96	1.05	1.14
	85	0.25	0.34	0.43	0.52	0.62	0.71	0.80	0.89	0.98	1.08	1.17
	90	0.28	0.37	0.46	0.55	0.64	0.73	0.83	0.92	1.01	1.10	1.19
	95	0.30	0.39	0.49	0.58	0.67	0.76	0.85	0.95	1.04	1.13	1.22
	100	0.33	0.42	0.51	0.61	0.70	0.79	0.88	0.97	1.06	1.16	1.25
	105	0.36	0.45	0.54	0.63	0.72	0.82	0.91	1.00	1.09	1.18	1.27
	110	0.38	0.48	0.57	0.66	0.75	0.84	0.93	1.03	1.12	1.21	1.30
	115	0.41	0.50	0.59	0.69	0.78	0.87	0.96	1.05	1.14	1.24	1.33
	120	0.44	0.53	0.62	0.71	0.80	0.90	0.99	1.08	1.17	1.26	1.36
	125	0.46	0.56	0.65	0.74	0.83	0.92	1.02	1.11	1.20	1.29	1.38
	130	0.49	0.58	0.67	0.77	0.86	0.95	1.04	1.13	1.23	1.32	1.41
	135	0.52	0.61	0.70	0.79	0.89	0.98	1.07	1.16	1.25	1.34	1.44
	140	0.55	0.64	0.73	0.82	0.91	1.00	1.10	1.19	1.28	1.37	1.46

Financial summary

Annual financials

P&L, USDm	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Total revenues	2 865	2 894	5 934	10 627	8 622	7 720	9 375	10 251	9 522
EBITDA	1 781	1 632	4 696	9 052	7 258	6 631	8 159	9 049	8 387
<i>EBITDA margin</i>	62 %	56 %	79 %	85 %	84 %	86 %	87 %	88 %	88 %
EBIT	457	-2 252	3 187	7 467	5 650	4 831	5 996	6 740	6 294
Pretax profit	451	-2 203	3 076	6 972	5 634	4 818	5 984	6 735	6 293
Net income	78	-1 627	777	1 451	1 345	1 151	1 432	1 615	1 512
EPS				0.58	0.54	0.46	0.57	0.65	0.61
Rec. EPS				0.72	0.54	0.46	0.57	0.65	0.61
DPS				0.43	0.40	0.38	0.36	0.33	0.29

Balance sheet, USDm	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Total fixed assets	19 824	18 773	18 326	17 061	17 771	18 047	17 319	15 806	14 258
Cash and equivalents	204	272	224	1 884	1 286	1 108	1 786	2 616	3 258
Other current assets	1 493	1 215	1 328	1 063	1 063	1 063	1 063	1 063	1 063
Total Assets	21 521	20 260	19 878	20 008	20 121	20 218	20 168	19 485	18 579
Total equity	4 054	1 855	1 472	1 959	2 317	2 526	3 053	3 843	4 632
Total non current liabilities	14 774	17 467	15 908	14 669	14 423	14 312	13 735	12 262	10 567
Total current liabilities	2 693	938	2 498	3 380	3 380	3 380	3 380	3 380	3 380
Total equity and liabilities	21 521	20 260	19 878	20 008	20 121	20 218	20 168	19 485	18 579

Net cash (debt)	-4 599	-5 311	-4 602	-1 437	-1 314	-1 192	-514	616	1 758
Gross interest bearing debt (long+st)	4 803	5 584	4 826	3 320	2 600	2 300	2 300	2 000	1 500

Condensed cash flow, USDm	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Cash flow from operations	1 500	1 744	4 439	6 860	3 428	3 139	3 018	2 750	2 411
Cash flow from investments	-4 463	-1 947	-2 633	-2 467	-2 319	-2 076	-1 434	-796	-546
Cash flow from financing (incl FX)	2 155	273	-1 832	-2 752	-1 707	-1 242	-905	-1 125	-1 223
...of which equity	-1 700	-450	-952	-805	-987	-942	-905	-825	-723
...of which debt	3 855	723	0	-350	-720	-300	0	-300	-500
Change in cash	-808	70	-26	1640	-598	-178	679	830	642
Cash opening balance	1 010	204	272	224	1 884	1 286	1 108	1 786	2 616
Cash closing balance	204	272	224	1 884	1 286	1 108	1 786	2 616	3 258

Key assumptions	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Brent oil price, USD/boe	64	43	71	105	81	75	76	78	80
Gas price, USD/mmbtu	4.8	3.3	16.2	27.8	21.8	15.0	15.2	15.6	16.0
Average realied price, USD/boe				124.8	99.5	79.4	80.2	82.1	84.1
Production, boe/day			64 650	234 251	238 132	265 782	320 269	341 887	310 051
Opex/boe, USD			13	16	14	9	9	8	8
D&A/boe, USD			15	19	19	19	19	19	19
Dividend USD/share				0.43	0.40	0.38	0.36	0.33	0.29
Share price				37	37	37	37	37	37
EV/opfc				1.7x	3.5x	3.8x	3.7x	3.6x	3.7x
P/E				5.8x	7.9x	9.2x	7.4x	6.6x	7.0x
FCF yield on EV				37.2 %	9.3 %	9.0 %	14.2 %	19.5 %	21.1 %

Quarterly financials

P&L, USDm	4Q21	1Q22	2Q22	3Q22e	4Q22e	1Q23e	2Q23e	3Q23e	4Q23e
Total revenues	2 274	2 491	2 437	2 957	2 743	2 181	2 350	2 129	1 961
EBITDA	1 883	2 105	2 003	2 576	2 369	1 847	1 991	1 773	1 646
<i>EBITDA margin</i>	83 %	85 %	82 %	87 %	86 %	85 %	85 %	83 %	84 %
EBIT	1 235	1 674	1 674	2 163	1 956	1 478	1 581	1 359	1 231
Pretax profit	1 124	1 651	1 214	2 156	1 950	1 472	1 578	1 355	1 228
Net income	209	414	56	514	466	351	378	324	293
EPS	0.08	0.17	0.02	0.21	0.19	0.14	0.15	0.13	0.12
Rec. EPS	0.08	0.17	0.16	0.21	0.19	0.14	0.15	0.13	0.12
DPS	0.10	0.09	0.10	0.12	0.12	0.09	0.12	0.10	0.08

Balance sheet, USDm	4Q21	1Q22	2Q22	3Q22e	4Q22e	1Q23e	2Q23e	3Q23e	4Q23e
Total fixed assets	18 326	18 939	16 666	16 864	17 061	17 271	17 441	17 606	17 771
Cash and equivalents	224	539	892	2 031	1 884	1 968	1 392	1 384	1 286
Other current assets	1 328	1 189	1 063	1 063	1 063	1 063	1 063	1 063	1 063
Total Assets	19 878	20 667	18 621	19 957	20 008	20 302	19 896	20 053	20 121
Total equity	1 472	1 900	1 559	1 783	1 959	2 085	2 152	2 231	2 317
Total non current liabilities	15 908	15 158	13 682	14 794	14 669	14 837	14 364	14 442	14 423
Total current liabilities	2 498	3 610	3 380	3 380	3 380	3 380	3 380	3 380	3 380
Total equity and liabilities	19 878	20 667	18 621	19 957	20 008	20 302	19 896	20 053	20 121

Net cash (debt)	-4 602	-3 115	-2 428	-1 289	-1 437	-1 353	-1 208	-1 216	-1 314
Gross interest bearing debt (long+st)	4 826	3 654	3 320	3 320	3 320	3 320	2 600	2 600	2 600

Condensed cash flow, USDm	4Q21	1Q22	2Q22	3Q22e	4Q22e	1Q23e	2Q23e	3Q23e	4Q23e
Cash flow from operations	923	2 182	1 535	2 039	1 103	889	1 035	816	689
Cash flow from investments	-722	-650	-596	-611	-611	-580	-580	-580	-580
Cash flow from financing (incl FX)	-218	-1 215	-607	-290	-640	-225	-1 030	-245	-207
...of which equity	-262	0	-225	-290	-290	-225	-310	-245	-207
...of which debt	44	-1 215	-382	0	-350	0	-720	0	0
Change in cash	-18	317	332	1139	-147	84	-576	-8	-98
Cash opening balance	264	224	539	892	2031	1884	1968	1392	1384
Cash closing balance	224	539	892	2031	1884	1968	1392	1384	1286

Key assumptions	4Q21	1Q22	2Q22	3Q22e	4Q22e	1Q23e	2Q23e	3Q23e	4Q23e
Brent oil price, USD/boe	80	97	112	110	100	85	80	80	80
Gas price, USD/mmbtu	32.8	32.2	22.2	30.0	27.0	25.0	25.0	20.0	17.0
Total production, boe/day	258 600	241 900	209 800	242 652	242 652	222 034	243 498	243 498	243 498
Average realied price, USD/boe	103.4	119.8	124.1	132.5	122.9	109.2	106.1	95.0	87.6
Opex/boe, USD	15.5	16.5	19.4	15.0	14.7	14.4	14.1	13.8	12.0
D&A/boe, USD	21.2	21.3	16.9	18.5	18.5	18.5	18.5	18.5	18.5
Dividend USD/share	0.10	0.09	0.10	0.12	0.12	0.09	0.12	0.10	0.08
FCF per share	0.08	0.61	0.38	0.57	0.20	0.12	0.18	0.09	0.04

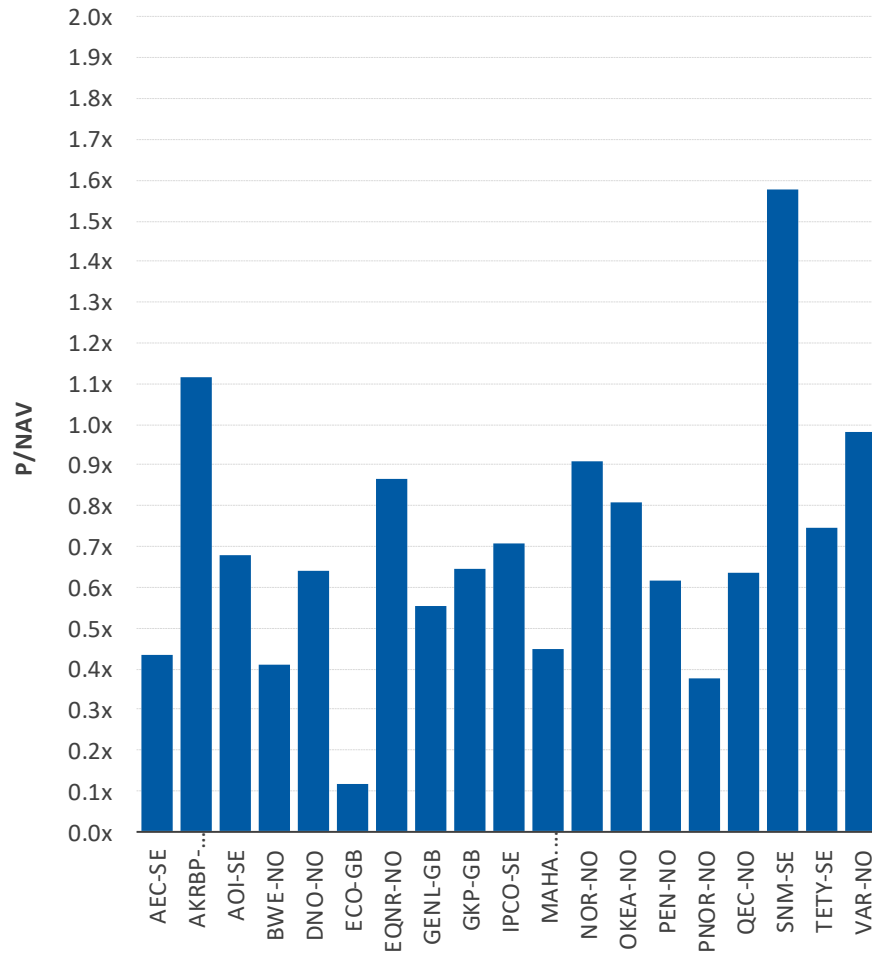
Appendix

E&P valuation summary and key figures (coverage universe)

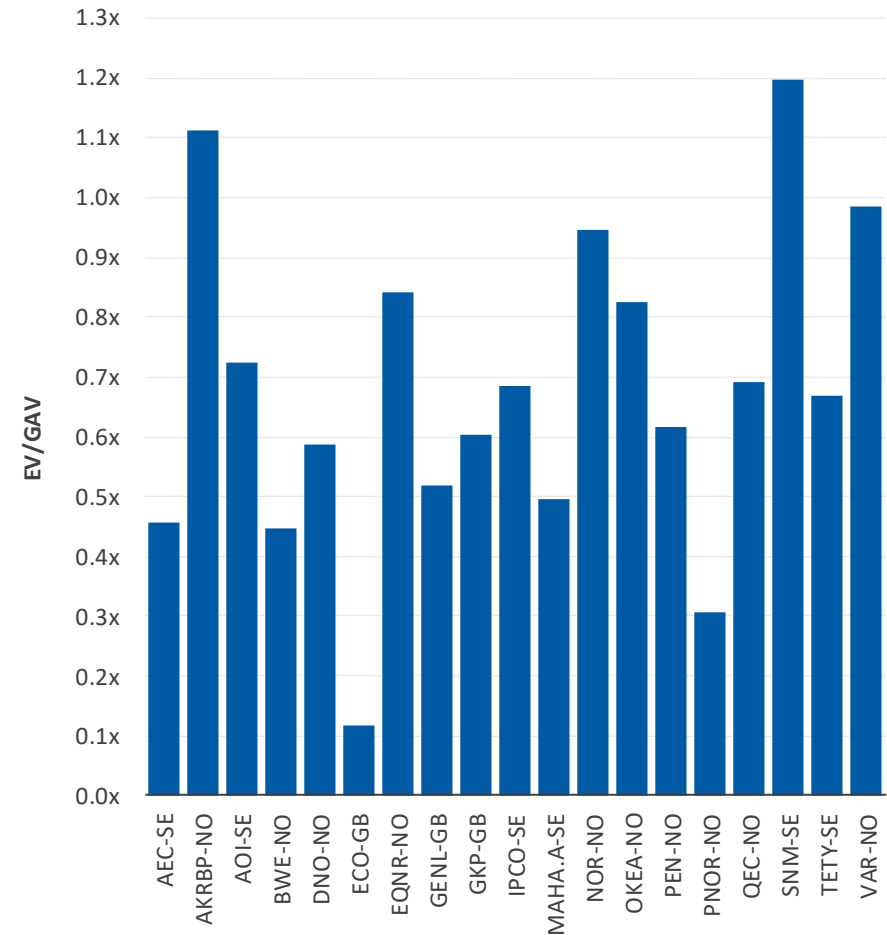
Company	Ticker	Mcap, USDm	Share Price (local fx)	Target (local fx)	Rec.	Valuation			Value per share, local FX				
						EV/GAV	P/NAV	P/CORE NAV	NAV	Prod.	Discov.	Explor.	Net cash (debt) & other
Africa Energy	AEC-SE	375	2.7	4.2	Buy	0.46x	0.43x	0.95x	6.2	0.0	3.1	3.4	-0.3
Aker BP	AKRBP-NO	20 652	322.1	440	Buy	1.11x	1.12x	1.13x	288.3	229.2	70.6	2.7	-14.3
Africa Oil	AOI-SE	844	18.3	28	Buy	0.72x	0.68x	0.70x	26.9	19.0	2.2	1.0	4.8
BW Energy	BWE-NO	671	25.6	44	Buy	0.45x	0.41x	0.43x	62.3	20.5	42.3	3.3	-3.9
DNO	DNO-NO	1 303	13.2	14	Neutral	0.59x	0.64x	0.66x	20.5	13.9	3.4	0.6	2.7
Eco-Atlantic	ECO-GB	117	26.5	80	Buy	0.12x	0.12x	3.04x	225.1	0.0	8.7	216.4	0.0
Equinor	EQNR-NO	110 428	342.8	360	Neutral	0.84x	0.87x	0.87x	395.8	262.6	30.4	3.3	78.0
Genel	GENL-GB	460	137.2	220	Buy	0.52x	0.55x	0.57x	248.0	201.9	22.2	5.8	18.0
Gulf Keystone	GKP-GB	581	223.0	315	Buy	0.60x	0.65x	0.65x	344.5	277.5	27.8	0.0	39.2
International Petroleum Co	IPCO-SE	1 702	114.3	105	Neutral	0.69x	0.71x	0.71x	161.1	110.2	36.5	0.0	14.4
Maha	MAHA.A-SE	168	14.3	28	Buy	0.50x	0.45x	0.46x	32.0	32.8	1.5	0.8	-3.1
Noreco	NOR-NO	1 117	429.5	390	Buy	0.95x	0.91x	0.91x	472.1	376.9	411.8	0.0	-314.8
OKEA	OKEA-NO	408	38.8	45	Neutral	0.83x	0.81x	0.82x	48.0	39.1	13.1	0.8	-5.0
Panoro	PEN-NO	332	28.8	42	Buy	0.62x	0.62x	0.65x	46.8	29.7	14.9	2.4	-0.3
PetroNor	PNOR-NO	132	1.0	1.6	Neutral	0.31x	0.38x	0.50x	2.6	1.4	0.3	0.6	0.3
Questaerre	QEC-NO	68	1.7	2	Neutral	0.69x	0.64x	0.65x	2.6	2.0	1.0	0.0	-0.5
ShaMaran	SNM-SE	152	0.6	1	Neutral	1.20x	1.57x	1.57x	0.4	0.8	0.4	0.0	-0.8
Tethys	TETY-SE	212	65.2	90	Neutral	0.67x	0.75x	0.79x	87.4	49.6	12.6	4.6	20.5
Vår	VAR-NO	9 403	38.4	55	Buy	0.99x	0.98x	1.02x	39.0	17.7	26.3	1.5	-6.6

Sector valuation

P/NAV

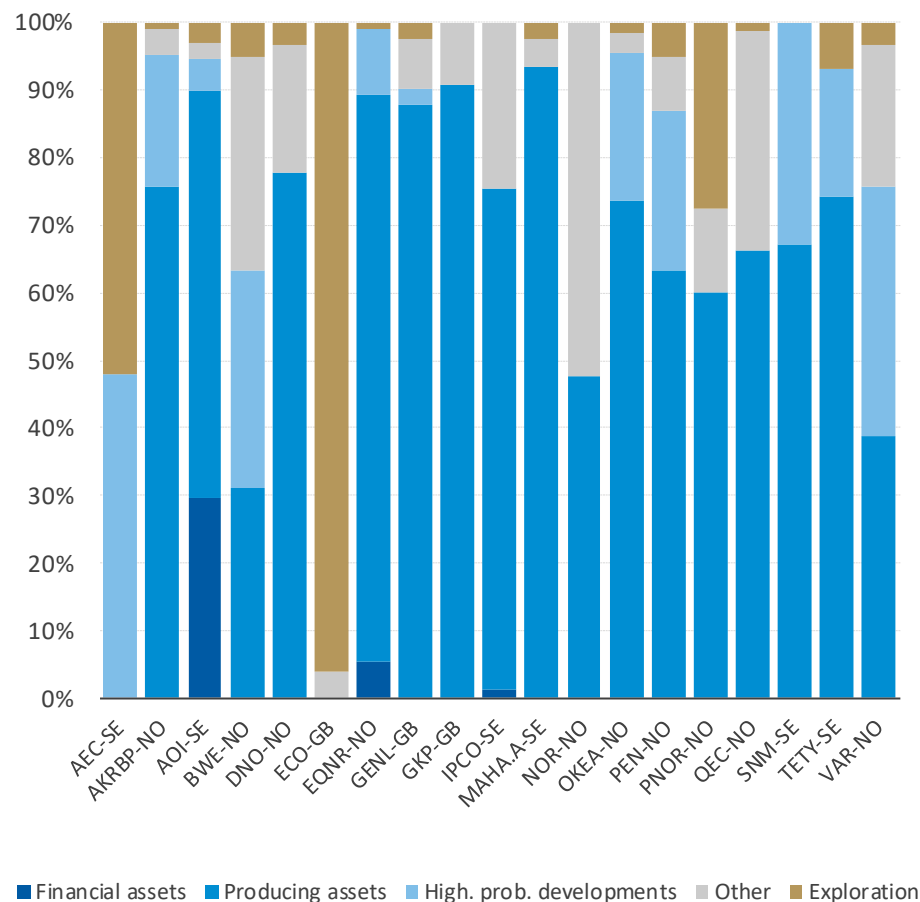


EV/GAV

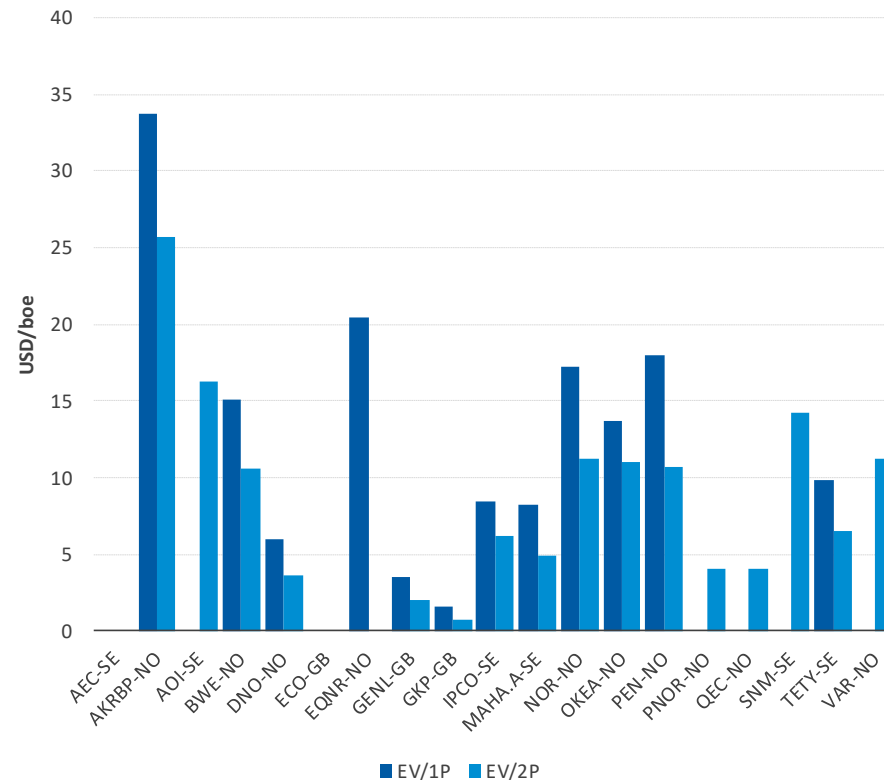


Asset composition and EV/reserves

Asset composition (SB1 valuation)



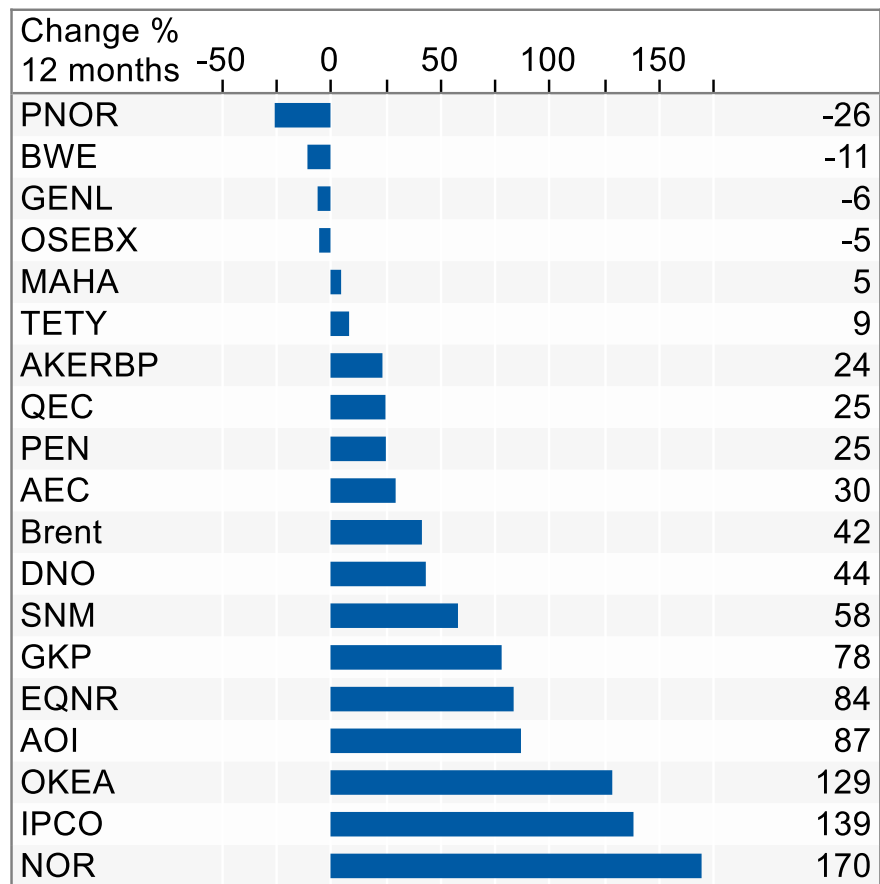
EV/reserves*



* Not all companies have booked reserves. Source: SB1 Markets

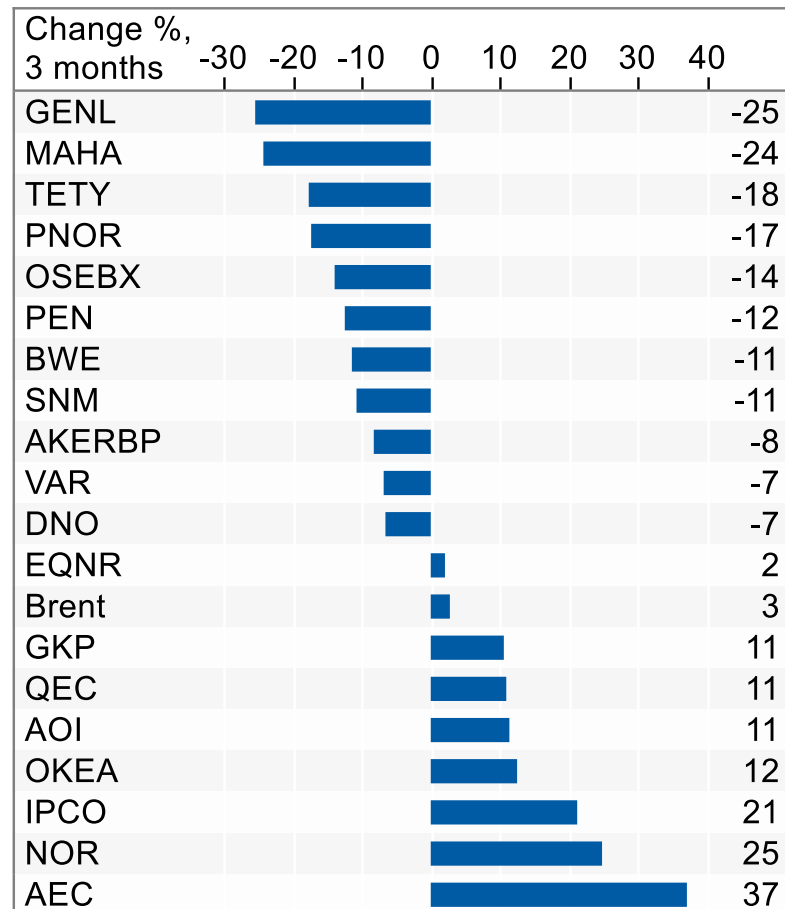
Share price performance coverage universe, ranked

12 months



SB1 Markets/Macrobond

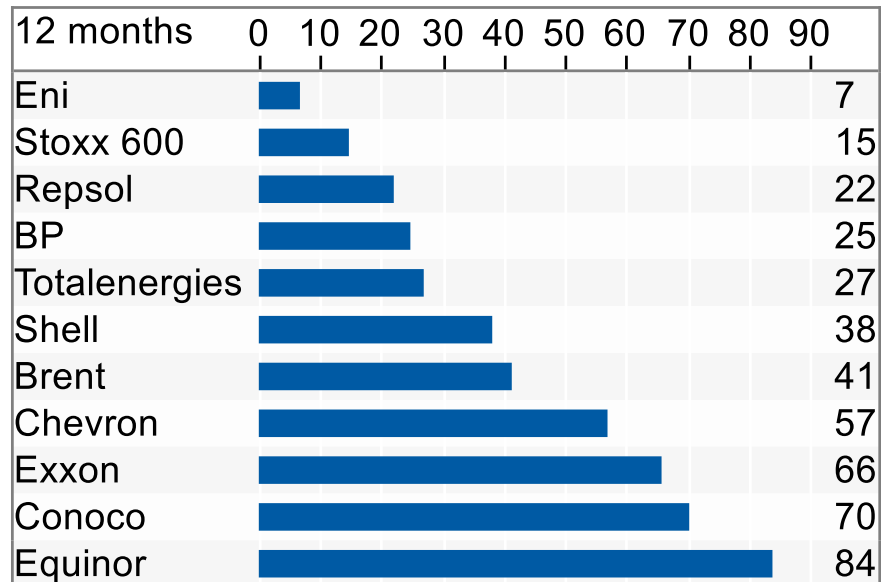
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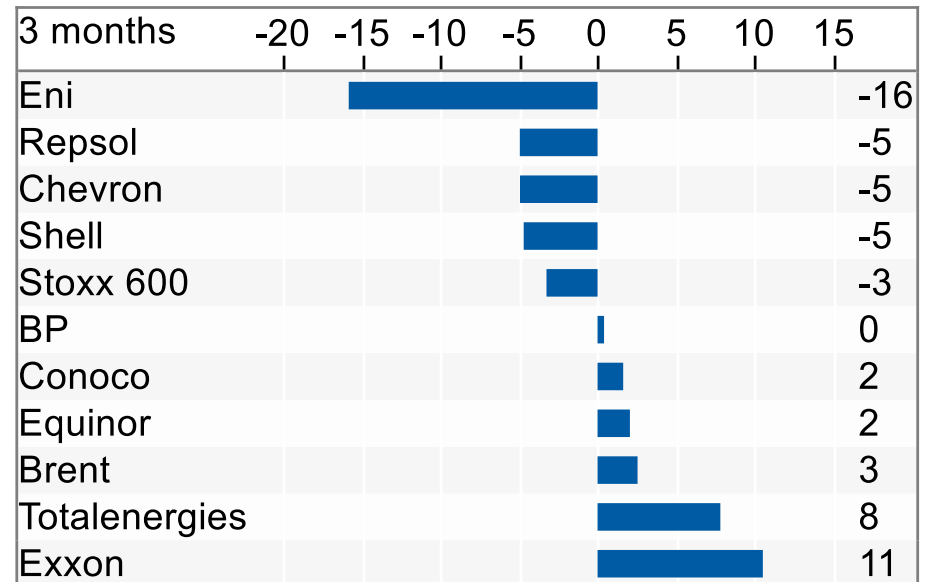
Share price performance E&P majors, ranked

12 months



SB1 Markets/Macrobond

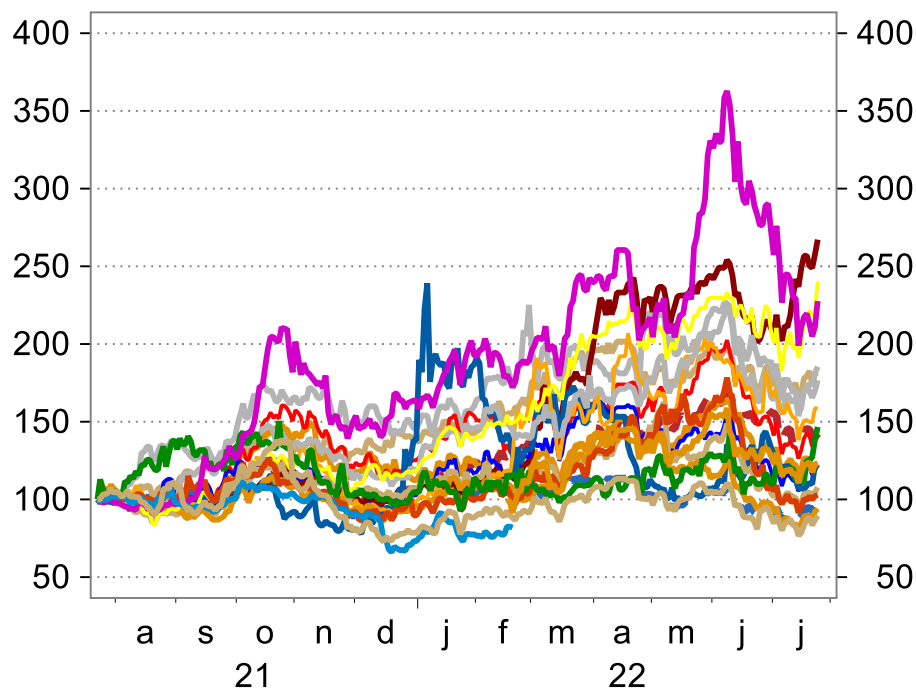
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SB1 Markets/Macrobond

Share price performance coverage universe vs. Brent and OSEBX

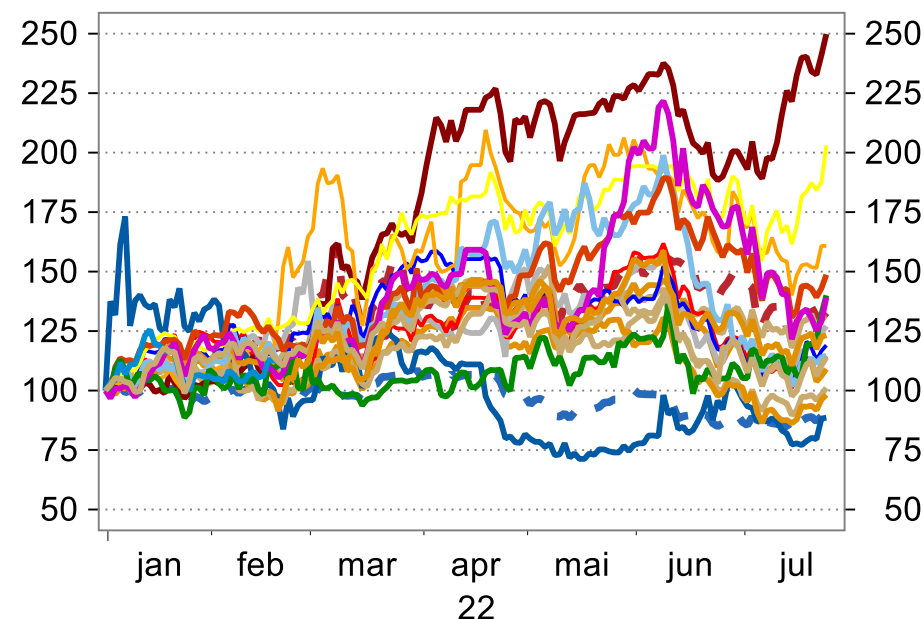
12 months



VAR AEC GENL PEN AKERBP
BWE MAHA TETY NOR EQNR
PNOR IPCO SNM DNO OSEBX
OKEA GKP QEC AOI Brent

SB1 Markets/Macrobond

YTD



VAR AEC GENL PEN AKERBP
BWE GKP TETY NOR EQNR
PNOR MAHA SNM DNO OSEBX
OKEA IPCO QEC AOI Brent

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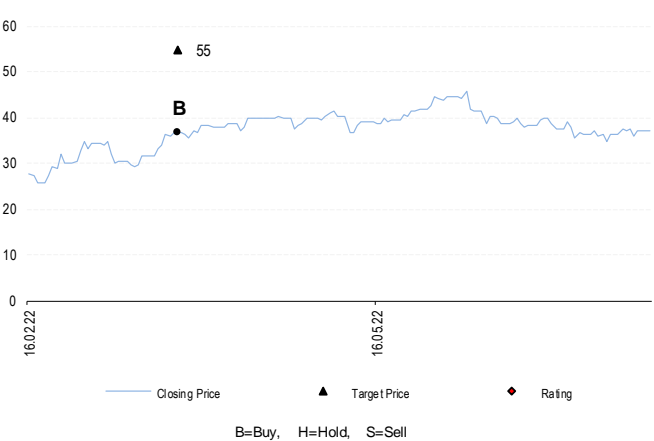
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3-Year Price, Target Price and Rating Change History Chart for VAR NO

VAR NO	Closing	Target	
Date	Price	Price	Rating
26.03.2022	36.8	55	BUY



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Neutral	30.5%	22.9%
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Total	100%	

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