

SPECULA VALUATION REPORT

Repsol S.A.

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Investment Thesis

Repsol is a diversified Iberian integrated energy company whose value is overwhelmingly determined by hydrocarbon commodity prices. The low-carbon business — renewables, hydrogen, and energy transition assets — is excluded from this valuation: it remains subscale relative to the consolidated balance sheet and its contribution to normalised free cash flow is not yet material enough to alter a per-share intrinsic value derived from FCFF/DCF. The entire enterprise is therefore modelled as a commodity producer with a blended price exposure of 92.9% Brent crude and 7.1% TTF natural gas, calibrated against Nota 5.1 of the FY2025 Annual Report.

The base-case intrinsic value of EUR 28.16 per share implies +22.4% upside against the market price of EUR 23.00. The upside case of EUR 35.69 adds a further +55.2%, while the downside case of EUR 19.07 implies –17.1% loss from current levels. On a risk-adjusted basis, Repsol offers an asymmetric entry point: the market appears to be discounting a demand-destruction or commodity price normalisation scenario already embedded in spot prices, while ignoring the mean-reversion premium embedded in the current Brent geopolitical floor.

- FY2025 reported revenue of EUR 54.9bn, down 3.9% from EUR 57.1bn in FY2024, reflecting Brent price softening and a voluntary reduction in E&P perimeter (Venezuela deconsolidation, asset exits contributing a EUR –2.2bn provisions swing).
- Reported EBIT of EUR 2.7bn carries a normalised EBIT margin of 4.9% — well below the modelled mid-cycle margin of 6.5%, owing to FY2024 impairments and refining margin compression; the 6.5% override is the analyst's informed mid-cycle estimate validated against CbCR tax data (EUR 1,348m tax on ~EUR 4.2bn adjusted pre-tax).
- ROIC of 4.7% (FY2025) sits below WACC, reflecting the low-oil-price and impairment year. The model projects ROIC converging above WACC once commodity prices normalise and the asset base stabilises post-divestment.
- Normalised FCFF of EUR 5.1bn (FY2025) is mechanically boosted by EUR 3.0bn of capital release (negative reinvestment) as the asset base contracts. The structural FCF yield at normalised pricing is approximately EUR 2.3bn per annum in the post-convergence steady state.
- Terminal value represents 54.4% of enterprise value in the base case — elevated relative to Novo Nordisk (38%) and reflecting the longer commodity cycle mean-reversion horizon and conservative 1.0% terminal growth assumption anchored to real organic production growth.
- The low-carbon segment (renewables, green hydrogen, electromobility) is not valued separately. Its contribution is treated as embedded in the organic volume growth rate of 1% per annum and does not attract a pipeline premium. Future iterations may apply an SOTP credit if segment cash flows become reportable and material.

Key Metrics — FY2025

Metric	Value	Metric	Value
Revenue (FY2025)	EUR 54.9bn	Shares Outstanding	1,105m
EBIT reported (FY2025)	EUR 2.7bn	WACC	5.69%
Op. Margin (reported)	4.9%	Cost of Equity	6.23%
ROIC (FY2025)	4.7%	Risk-free Rate	2.55%
FCFF (FY2025)	EUR 5.1bn	ERP	4.23%
Net Debt (FY2025)	EUR 4.5bn	Market Price	EUR 23.00

Valuation Snapshot

Scenario	Per Share	Equity Value	Notes
Downside	EUR 19.07	EUR 21.1bn	Brent collapses to 65 USD, normalises at 62 USD; TTF 25→22 EUR/MWh. EBIT margin 5.0%. Rapid 3yr convergence on demand destruction.
Base	EUR 28.16	EUR 31.1bn	Brent spot 95→70 USD linear 4yr; TTF 36→26 EUR/MWh 4yr. EBIT margin 6.5%. Sales/capital 1.70x→1.80x. Terminal growth 1.0%.
Upside	EUR 35.69	EUR 39.4bn	Hormuz disruption: Brent 110→78 USD 5yr; TTF 48→32 EUR/MWh 5yr. EBIT margin 7.5%. Venezuela exit removes margin drag.
Market Price	EUR 23.00	—	As of 9 April 2026 (Bolsa de Madrid close). Market cap EUR 25.4bn.

The base case is EUR 5.16 (+22.4%) above the current market price. The downside case implies EUR 3.93 (-17.1%) loss from entry. The market is effectively pricing Repsol at approximately two-thirds of the base scenario's normalised commodity path — consistent with a forward Brent curve anchored below USD 75/bbl. The bull case of EUR 35.69 (+55.2%) requires a sustained geopolitical premium above the 4-year convergence horizon, which the Hormuz risk scenario supports but does not guarantee.

WACC Construction

Input	Value	Note
Risk-free rate	2.55%	German Bund 10Y, March 2026. Used in place of Spanish sovereign to eliminate country-specific default premium from the discount rate baseline.
Beta (unlevered)	0.45	Damodaran Oil/Gas Integrated sector estimate, January 2026. Blended 50% integrated / 50% E&P weighting to reflect Repsol's upstream-heavy earnings mix.
Beta (levered)	0.500	Re-levered at 14% target debt ratio (D/E ≈ 16.3%).
Equity Risk Premium	4.23%	Damodaran implied ERP, global mature market, January 2026.
Country Risk Premium	1.57%	Revenue-weighted blended CRP: Spain, USA, Trinidad, Libya, and other operating geographies weighted by approximate revenue contribution.
Cost of Equity	6.23%	$Ke = 2.55\% + 0.500 \times 4.23\% + 1.57\% = 6.234\%$
Cost of Debt (pre-tax)	3.45%	Rf + 90bps BBB+ investment-grade spread. Repsol carries a BBB+ / Baa1 credit profile.
Tax Rate (marginal)	32%	Blended effective rate from Country-by-Country Reporting data: EUR 1,348m tax on ~EUR 4,226m adjusted pre-tax income.
Equity Weight	86%	Target capital structure. Market cap EUR 25.4bn at EUR 23.00.
Debt Weight	14%	Financial debt + lease liabilities: EUR 7.7bn proxy.
WACC	5.69%	$WACC = 0.86 \times 6.23\% + 0.14 \times 3.45\% \times (1 - 32\%) = 5.689\%$

Business Context & Valuation Mechanism

Commodity Architecture and Revenue Decomposition

Repsol reported EUR 54.9bn in consolidated net revenue for FY2025, decomposed by Nota 5.1 into crude oil and upstream products (EUR 5.5bn), refined petroleum products (EUR 39.5bn), petrochemicals (EUR 2.0bn), electricity (EUR 2.2bn), and services and other (EUR 1.8bn). For valuation purposes, these segments are collapsed into a two-commodity price exposure: Brent crude representing 92.9% of consolidated revenue sensitivity, and TTF natural gas representing 7.1%. The electricity segment is assigned to Brent rather than TTF on the grounds that Repsol's power generation business (~60% renewables installed capacity) has revenue primarily set by zero-marginal-cost renewable dispatch rather than gas-linked pool prices — assigning it to TTF would overstate the gas price sensitivity of consolidated revenue.

This valuation explicitly excludes the low-carbon business segment. Repsol's energy transition assets — solar and wind capacity, green hydrogen projects, and the Repsol Renovables vehicle — are in an early commercial stage and their combined EBITDA contribution to the consolidated group is not separable from the ESEF filing with sufficient precision to underpin a standalone SOTP credit. The organic growth rate of 1% per annum partially proxies for the incremental cash flows attributable to renewable generation reaching commercial operation, but no pipeline optionality premium is applied. Future analyses may transition to an SOTP structure once Repsol Renovables' contribution becomes reportable at the segment level with audited financials.

Commodity Price Paths

Base scenario Brent is set at USD 95/bbl spot, converging linearly to USD 70/bbl normalised price over four years. The USD 95/bbl spot reflects the active US-Iran conflict risk premium embedded in Brent as of early April 2026, which has elevated prices above the structural equilibrium. The USD 70/bbl normalised price is derived from the ten-year nominal average 2015–2024 of approximately USD 66/bbl, inflated to 2025 real terms. The four-year linear convergence is consistent with the Damodaran integrated oil standard, reflecting the typical supply-side adjustment lag when geopolitical premia unwind.

Base TTF is set at EUR 36/MWh spot, converging to EUR 26/MWh over four years. The EUR 36/MWh spot reflects residual geopolitical tension maintaining a floor following the effective exit of Russian pipeline gas from Europe. The EUR 26/MWh normalised price is calibrated against the pre-crisis 2015–2020 average of approximately EUR 17/MWh, adjusted upward for the structurally higher LNG import costs, mandatory EU storage fill obligations, and residual demand-pull from industrial gas consumption recovering post-2023. The ten-year raw average (~EUR 36/MWh) is contaminated by the 2022 crisis spike (EUR 130/MWh peak) and is not a valid normalisation anchor.

Revenue price sensitivity is set at 0.75 (not 1.0) to reflect the integrated model's natural hedge: when crude rises, Repsol's refining input costs rise in proportion to product prices, compressing refining margins and dampening the revenue uplift relative to a pure upstream producer. A sensitivity of 0.75 implies that a 10% increase in the blended commodity index translates to a 7.5% increase in consolidated revenue.

Margin Architecture and Mid-Cycle Override

No R&D capitalisation is applied — Repsol does not report material R&D expenditure separately under ESEF, and the commodity motor does not use an R&D adjustment. The EBIT margin is set by analyst override at 6.5% base / 7.0% terminal, bypassing the mid-cycle historical average computation. This override is justified by the distortive effect of FY2020 COVID impairments and FY2024 asset write-downs on the five-period historical average (which would otherwise compute at approximately 4.8%, clearly below any reasonable estimate of mid-cycle earning power). The 6.5% figure is validated against the CbCR effective tax data: EUR 1,348m tax on approximately EUR 4,226m adjusted pre-tax income corresponds to a pre-tax margin of approximately 7.7% and an EBIT-equivalent margin in the 6.0–7.0% range once financing costs are excluded.

The terminal margin of 7.0% (specified in overrides) is not applied to the explicit projection period in the current engine version — the motor uses the 6.5% override throughout all ten projection years. The terminal margin is reserved for a future engine enhancement where margins transition from an override level toward a structural equilibrium in years 8–10. The current treatment marginally understates the terminal FCFF relative to the analyst's intent, but the effect is small: a 50bp margin difference on EUR 48.6bn terminal-year revenue equals approximately EUR 243m additional NOPAT, equivalent to approximately EUR 0.44 per share in present value terms.

Capital Structure and Reinvestment

The sales-to-capital ratio is staged at 1.70× in years 1–5 and 1.80× in years 6–10, consistent with the empirical FY2025 ratio of 1.71× (EUR 54.9bn revenue / EUR 45.9bn invested capital). The staging reflects an expectation that capital efficiency improves marginally as the post-divestment asset base reaches steady state. The reinvestment formula (delta revenue / sales-to-capital) generates negative reinvestment in years 1–4, as revenue declines from the EUR 54.9bn base during Brent convergence. This capital release of approximately EUR 1.3bn per annum mechanically inflates near-term FCFF and is economically defensible for an integrated oil company undergoing E&P perimeter rationalisation: decommissioning proceeds, asset sales, and inventory liquidation all release capital during contraction phases. A FCFF discontinuity of approximately 48%

between year 4 and year 5 is a structural artefact of the transition from capital release to capital investment as revenue stabilises and organic growth resumes.

EV-to-Equity Bridge and Loose Ends

Financial debt of EUR 4.877bn is sourced from the FY2025 management report net debt bridge (EUR 4,487m net debt + EUR 3,261m cash – EUR 2,871m leases = EUR 4,877m). The cross-check passes: financial debt + leases – cash = EUR 4,877 + EUR 2,871 – EUR 3,261 = EUR 4,487m, reconciling to the reported net debt figure. Decommissioning provisions of EUR 1,712m are sourced from Nota 20 of the Annual Report and treated as debt-like in the equity bridge, consistent with the Damodaran treatment of environmental and abandonment obligations. Minority interest of EUR 2,478m is deducted. Hybrid subordinated perpetual instruments (“subordinados perpetuos”) of EUR 3,046m are classified as preferred stock and subtracted from equity value rather than treated as debt: these instruments have no mandatory redemption, rank above common equity, and are economically non-common equity per IFRS.

Scenario Assumptions

Driver	Downside	Base	Upside
Brent Spot	USD 65/bbl	USD 95/bbl	USD 110/bbl
Brent Normalised	USD 62/bbl	USD 70/bbl	USD 78/bbl
Brent Convergence	3 years	4 years	5 years
TTF Spot	EUR 25/MWh	EUR 36/MWh	EUR 48/MWh
TTF Normalised	EUR 22/MWh	EUR 26/MWh	EUR 32/MWh
TTF Convergence	3 years	4 years	5 years
EBIT Margin (override)	5.0%	6.5%	7.5%
Terminal Margin	5.0%	7.0%	7.5%
Sales-to-Capital	1.70× / 1.80×	1.70× / 1.80×	1.70× / 1.80×
Terminal Growth Rate	1.0%	1.0%	1.0%
Terminal Value % of EV	~54%	~54%	~50%
VPS	EUR 19.07	EUR 28.16	EUR 35.69

Material Risks

Commodity Price and Geopolitical Risk

Repsol’s intrinsic value is highly sensitive to the Brent mean-reversion path. A USD 10/bbl permanent reduction in the normalised price assumption reduces intrinsic value by approximately EUR 3–4 per share. The current base case embeds a four-year convergence from USD 95 to USD 70 — if the Iran conflict resolves faster or OPEC+ discipline breaks, the price correction could arrive in 12–18 months, temporarily compressing realised cash flows and pushing reported results toward the downside scenario.

IRA / Refining Margin Compression

US refining margins are under structural pressure from biofuel blending mandates, demand destruction from EV penetration, and potential trade tariff shifts that alter product flow economics. Repsol’s refining segment (EUR 39.5bn, ~72% of revenue) is the primary driver of consolidated EBIT; a 1pp compression in refining margin translates directly into approximately EUR 400m of EBIT and EUR 0.25–0.30 of per-share intrinsic value loss.

Venezuela / E&P Perimeter Risk

The FY2025 perimeter reduction includes Venezuela deconsolidation (EUR –2.2bn provisions variation from asset exits). If residual Venezuelan assets require additional write-downs or generate unexpected liabilities, the financial debt figure used in the equity bridge — already subject to low extraction confidence — could be understated. Future filings should be monitored for any re-emergence of Venezuelan exposure.

Low-Carbon Transition Drag

The explicit exclusion of the low-carbon segment from this valuation means that capital allocated to renewables and hydrogen (~EUR 4–6bn over the investment cycle) is treated as reducing the invested capital available for hydrocarbon ROIC rather than generating incremental value. If the energy transition business reaches a scale at which its DCF value can be credibly estimated, a segment-by-segment SOTP would be warranted. Until then, heavy investment in low-return early-stage transition assets represents a value transfer from existing shareholders to future transition-segment participants.

Hybrid Instrument Classification

The EUR 3.046bn of perpetual subordinated hybrids are classified as preferred stock and subtracted from equity value. If markets begin pricing these instruments closer to senior debt (e.g., in a credit stress scenario), the incremental risk would shift from equity to credit holders, potentially triggering covenants or requiring early redemption at premium. A reclassification to financial debt would reduce the per-share value by approximately EUR 2.76 all else equal.

Decommissioning Liability Uncertainty

The EUR 1.712bn decommissioning provision from Nota 20 is treated as a point estimate. Actual decommissioning costs for offshore and mature onshore fields are notoriously difficult to estimate and subject to regulatory cost inflation; a 50% upside surprise on this figure (EUR 856m incremental) would reduce the per-share value by approximately EUR 0.77.

Data Integrity & Methodology Notes

All financial figures are reported in EUR. No FX translation is applied; per-share values are in EUR and comparable to Repsol REP prices on the Bolsa de Madrid.

Financial debt (EUR 4,877m) and lease liabilities (EUR 2,871m) carry low extraction confidence from the ESEF filing and were patched from the management report net debt bridge (Informe de Gestión FY2025). The reconciliation check passes: $4,877 + 2,871 - 3,261 = \text{EUR } 4,487\text{m}$ = reported net debt. FY2022 is absent from the historical period set due to a gap in the Specula ESEF archive; this does not affect the valuation (FY2025 is the revenue base), but a six-period historical average would have been preferred for the mid-cycle margin computation had the override method not been selected.

A $\times 1000$ scale correction was applied to all ESEF-extracted monetary values before pipeline ingestion, reflecting a unit attribute mismatch in Repsol's ESEF filing (values tagged in thousands of EUR rather than full EUR units). This is a known parser limitation for ESEF filers using the es-GAAP/IFRS taxonomy with non-standard unit attributes and should be investigated for generalisation.

The EBIT margin override of 6.5% is the analyst's mid-cycle estimate, not a mechanical historical average. The override is grounded in CbCR data and is preferred over the five-period mean given the distortive FY2020 and FY2024 impairments. The terminal margin of 7.0% specified in overrides is reserved and does not affect the current-engine projection.

No R&D capitalisation is applied. No SBC adjustment is required (Repsol's share-based compensation is immaterial and embedded in personnel costs). The low-carbon segment is excluded from valuation and does not attract a pipeline or growth premium. This valuation is a pure commodity FCFF exercise; any SOTP credit for the transition business would be additive to the values presented here.

This report is produced by Specula using a proprietary FCFF/DCF methodology grounded in Damodaran-style fundamental analysis. All figures are in EUR unless stated otherwise. This document is for analytical and internal use only and does not constitute investment advice. Repsol S.A. FY2025 Annual Report, ESEF filings, and Informe de Gestión FY2025 are the primary sources for all financial data. Prepared: April 2026.