

## Extended Abstract

This project covers a comprehensive financial analysis of Galp Energia S.G.P.S., S.A. (GALP.LS). It was conducted following the ISEG's Master in Finance final work standards and written following the guidelines from the CFA Institute Research Challenge. GALP is a Portuguese Integrated Oil & Gas company, with a significant presence throughout the industry value chain. This company is present in some of the most profitable Upstream projects in the world and has been the market leader in Portugal in its Downstream segment with more than 40% of its market share. A Free Cash Flow to the Firm approach was used to reach a BUY recommendation with a 2020YE price target of €12.06/sh, implying a +26% upside potential from the March 9th, 2020 closing price of €9.58/sh.

The original research is complemented in the current work to address the increasing demand of the market for the integration of ESG criteria in the valuation of companies. By using a Value Driver Adjustment (VDA) approach, we manage to achieve the best of both worlds: the use of deep-rooted valuation practices (Value Drivers) and Socially Responsible practices integration in the valuation. When applying this method to GALP we concluded that the company's practices will have material impact in three value drivers: the lower Environmental Exposure in the Upstream leads to a decrease in costs (+ €0.76/sh); the lower Social Exposure in the Downstream leads to an increase in sales (+ €0.79/sh) and the higher Governance Exposure in both segments lead to an increase in cost of capital (- €0.82/sh). By the VDA Approach we manage to gather a bigger understanding around the company's ESG practices and further confirm our previous Buy recommendation, as the Price Target went from €12.06/sh to €12.79/sh (+ €0.73/sh).