

August 31, 2016

CONPET

Pending dilution and revaluation losses risks

We update our view on COTE with a NEUTRAL recommendation. We revised down our target price from RON 87.21 per share previously to RON 83.83 as we reduced the profitability from 2017 onwards on higher-than-expected railway cost and weaker financial result. We did not price in any potential P&L negative impact that could come from the revaluation related to the inflated value of land transferred from the State that makes the object of the pending in kind capital increase. Conpet is obliged through the privatisation contract to increase its share capital with the value of land transferred from the State, but the increase was not approved in May and July shareholders meetings as the number of votes for passing it was below the 75% threshold stipulated by COTE's by-laws. The management dedared the Court of Accounts was notified of the latest EGSM outcome. Thus, further actions will be considered based on the decision of the Court that we do not know when and how it will react.

*** Potential losses of RON 32m from the revaluation of land transferred from the State and dilution risks are pending as the Court of Accounts still has to decide on the issue of the in kind share capital increase.** For most privatisations, the in kind share capital increases have been delayed as there are divergences on the land valuation methods. The Companies Law provides that the share capital increase should be made at the market value of the land calculated at the moment of capital increase. This is the preferred method of the minority shareholders as it results in a lower value of the land. On the other side, Law 137/2002 stipulates that the land value should be calculated at the time of the land transferred in the company's accounts and indexed with inflation. Through this method, the land would worth about fourth times more. Several lawyers believe that Law 137 prevails: "The companies Law sets a general rule for all companies, but law 137/2002 regulates specifically the in-kind contribution to the capital of privatised companies." Please note that in the case of Nuclearelectrica the value of land contributed in kind by the State was established in 2015 based on the method stipulated by Law 137/2002 that inflates it. The method generates numbers that are several times higher compared with the market value. After the share capital increase, the company is forced to revise the value of the land down to the market level and to register accounting losses. In the case of Conpet, these losses would amount RON 32m.

*** For FY'16, we revised up our net profit estimate from RON 60m previously to RON 63m** mainly on better-than-expected revenues from domestic sub-system that could offset the higher-than-initially estimated railway costs.

Romania
Pipeline Transportation

NEUTRAL

BQ: COTE RO	BUY
Last close	RON 73.60
Target price	RON 83.83
Upside/downside	14%
Market cap (m)	RON 637 € 143

	2015A	2016F	2017F	2018F
Trading multiples				
P/E	10.1	10.1	10.6	10.9
P/B	0.8	0.8	0.8	0.7
EV/EBITDA	2.1	1.9	1.8	1.5
DIVY	10%	10%	9%	9%
Per share data (RON)				
EPS	7.3	7.3	7.0	6.7
BVPS	88.3	91.8	95.0	98.2
DPS	7.3	7.3	7.0	6.7
P&L summary (RONm)*				
Sales revenues	381.4	378.0	376.8	376.1
Operating expenses	344.2	335.8	337.6	339.9
EBITDA	120.6	115.6	114.5	113.8
EBIT	69.5	72.5	69.6	67.0
EBT	75.3	75.6	71.9	69.4
Net profit	63.2	62.9	60.4	58.3
Balance Sheet summary (RONm)*				
Cash&cash equivalents	380.3	417.5	429.3	467.3
Total assets	835.8	866.3	890.2	916.9
Total debt	0.0	0.0	0.0	0.0
Total liabilities	48.2	50.0	47.2	46.4
Shareholder's equity	764.5	794.6	822.3	849.8
Margins & ratios				
EBITDA margin	32%	31%	30%	30%
EBIT margin	18%	19%	18%	18%
Net profit margin	17%	17%	16%	16%

*IFRS



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Investment case

We update our view on Conpet (COTE) with a NEUTRAL recommendation and a target price of RON 83.83 per share revealing an upside potential of 14% against last close. We revised down our target price from RON 87.21 per share previously as we reduced the profitability from 2017 onwards on higher-than-expected railway cost and weaker financial result. We did not price in any potential P&L negative impact that could come from the revaluation related to the inflated value of land transferred from the State that makes the object of the pending in kind capital increase. Conpet is obliged through the privatisation contract to increase its share capital with the value of land transferred from the State, but the increase was not approved in May and July shareholders meetings as the number of votes for passing it was below the 75% threshold stipulated by COTE's by-laws. The management declared the Court of Accounts was notified of the latest EGSM outcome. Thus, further actions will be considered based on the decision of the Court that we do not know when and how it will react.

Potential losses of RON 32m from the revaluation of land transferred from the State and dilution risks are pending as the Court of Accounts still has to decide on the issue of the in kind share capital increase. The share capital increase could stand at a maximum value of RON 92m, representing contribution in kind with the value of land transferred from the State in amount of RON 54m and cash of RON 38m representing minority preemption rights. The in kind value of the land in amount of RON 54m, for which an inflation index was applied, could generate an accounting loss of RON 42m coming from the revised value of land down to the market level. Out of this, RON 33m will be record as an expense in P&L, while RON 10m will be covered from revaluations reserves in the balance sheet.

For FY'16, we revised up our net profit estimate from RON 60m previously to RON 63m on better-than-expected revenues from domestic sub-system that could offset the higher-than-initially estimated railway costs. For FY'16, we upwardly revised our net profit estimate from RON 60m previously to RON 63m mainly on better-than-estimated revenues from the domestic sub-system partially offset by higher-than-estimated railway costs. We adjusted our transported quantities to incorporate the trend witness at H1'16, thus we increased our domestic volumes by 6% to 3.7mt, with related revenues reaching RON 299m (-3% Y/Y and 3% above our initial estimate). Also, for the import sub-system, we revised up transported volumes for Lukoil by 8% to 2.6mt (+17% Y/Y and in line with COTE's budget) partially offset by lower-than-estimated volumes for Petromidia and Petrobrazi to 0.08mt and 0.3mt, respectively. Thus, total revenues from the import sub-system could land at RON 77m (+11% Y/Y and 2% above our initial estimate). On the cost side, we increased our railway costs to RON 59m (vs. our initial estimate of RON 47m) and personnel expenses to RON 110m (vs. our initial estimate of RON 108m) that could be partially offset by lower-than-estimated D&A to RON 43m (vs. RON 46m previously) and material expenses to RON 15m (vs. RON 17m previously). Thus, FY'16 EBIT could stand at RON 72m (+4% Y/Y and 4% above our initial estimate).

H1'16 Results

Net profit helped by reduced D&A and railway costs

P&L (IFRS)

(RONm)	Q2'15	Q2'16A	Y/Y	H1'15	H1'16A	Y/Y
Sales revenues, o/w	92.4	93.7	1%	188.5	187.5	-1%
Domestic transport revenues	79.7	75.1	-6%	156.9	149.3	-5%
Import transport revenues	12.2	18.2	49%	30.5	37.3	22%
Revenues from modernisation quota	7.2	6.6	-9%	14.2	13.5	-5%
Operating revenues	100.0	101.4	1%	203.2	202.3	0%
Personnel expenses	29.3	31.5	8%	53.0	55.9	5%
D&A	12.1	9.4	-22%	24.2	20.3	-16%
External services expenses, o/w	26.7	26.0	-3%	53.8	51.7	-4%
Crude oil rail transportation expenses	16.7	14.5	-13%	34.3	29.5	-14%
Other third party expenses	1.9	3.2	62%	3.6	6.4	75%
Other expenses, o/w	16.1	17.2	7%	31.4	32.5	3%
Modernisation quota expense	14.8	13.1	-12%	29.0	27.4	-6%
Other OPEX	1.2	4.1	235%	2.4	5.1	112%
Provisions adjustments	(6.4)	(8.4)	33%	(6.8)	(9.1)	33%
Operating expenses	81.8	79.7	-3%	165.3	159.5	-4%
EBITDA	30.3	31.1	3%	62.1	63.1	2%
<i>EBITDA margin</i>	<i>33%</i>	<i>33%</i>		<i>33%</i>	<i>34%</i>	
EBIT	18.2	21.7	19%	38.0	42.8	13%
<i>EBIT margin</i>	<i>20%</i>	<i>23%</i>		<i>20%</i>	<i>23%</i>	
Financial result	1.4	0.7	-52%	3.3	1.8	-45%
EBT	19.6	22.4	14%	41.3	44.6	8%
<i>EBT margin</i>	<i>21%</i>	<i>24%</i>		<i>22%</i>	<i>24%</i>	
Net profit	16.9	18.6	10%	34.7	37.0	7%
<i>Net profit margin</i>	<i>18%</i>	<i>20%</i>		<i>18%</i>	<i>20%</i>	

Source: Conpet

Net profit helped by reduced D&A and railway costs. For H1'16, COTE's net profit reached RON 37m, 7% higher Y/Y triggered mainly by reduced D&A and railway costs. For Q2'16, the net increased by 10% Y/Y to RON 18.6m.

Total transported revenues remained almost flat Y/Y to RON 188m. Revenues from the domestic sub-system declined by 5% Y/Y to RON 149m on decreased volumes (-6% Y/Y to 1.9mt) and flat Y/Y tariff. On the other hand, revenues from the import sub-system added 22% Y/Y to RON 37m on increased volumes (+12% Y/Y to 1.6mt) and average tariffs (+10% Y/Y). At H1'16, total crude oil transported volumes reached 3.5mt (+1.2% Y/Y).

OPEX declined on reduced D&A and railway costs. On the cost side, OPEX lost 4% Y/Y to RON 159m on reduced D&A (-16% Y/Y to RON 20m) and railway costs (-14% Y/Y to RON 29m) partially offset by increased salaries (+5% Y/Y to RON 56m) and other third party expenses (+75% Y/Y to RON 6m). As well, H1'16 operating expenses were positively impacted by provision reversals of RON 9m (+33% Y/Y) mainly related to employees benefits. Thus, H1'16 EBIT came in at RON 159m, 13% higher Y/Y.

Financial result impacted by reduced interest rates. COTE's financial result plunged 45% Y/Y to RON 1.8m on low interest rates environment.

DCF assumptions revision

Our revised assumptions took into consideration COTE's budget, with slight adjustments to incorporate H1'16 results. As a reminder, at the beginning of the year ANRM published the tariffs for the crude oil transportation for Conpet that are to be applied over Feb'16 – Dec'16 period. Thus, domestic average tariff was increased by 1.4% Y/Y to RON 79.75/tonne, whereas import average tariff was raised by 3% Y/Y for Petrotel and Petrobrazil refineries and by 17% Y/Y for Petromidia refinery.

Conpet: Estimated transport revenues and volumes

		2014	2015	2016F	2017F	2018F	2019F	2020F
Transport revenues, o/w								
	RONm	367.93	378.96	375.81	372.54	371.79	370.28	369.14
	m tonnes	6.63	6.99	6.77	6.63	6.52	6.40	6.32
Domestic crude oil transport								
	RONm	311.32	309.28	298.50	291.61	288.44	284.75	280.82
	m tonnes	3.96	3.91	3.73	3.60	3.47	3.35	3.23
Import crude oil transport								
	RONm	56.61	69.68	77.31	80.93	83.35	85.53	88.31
	m tonnes	2.67	3.08	3.04	3.03	3.05	3.06	3.09

Source: Conpet, Swiss Capital estimates

FY'16 total revenues from the transport activity could remain almost flat Y/Y

COTE's FY'16 total revenues from the transport activity could reach RON 376m, almost flat Y/Y and 3% above our initial estimate on better-than-estimated domestic revenues. Total transported volumes could stand at 6.8mt (vs. 6.5mt initially).

For the domestic sub-system, we see related revenues at RON 299m (vs. our initial estimate of RON 286m) on better-than-estimated transported quantities to 3.7mt from 3.6mt previously.

For the import sub-system, revenues could stand at RON 77m (vs. our initial estimate of RON 76m) mainly on increased volumes to Lukoil's Petrotel refinery to 2.6mt (up from 2.3mt previously) partially offset by reduced volumes for Petromidia (0.08mt vs. 0.2mt initially) and Petrobrazil (0.3mt vs. 0.4mt initially).

Looking forward we see a drop of 3% Y/Y in domestic volumes to 3.4mt on average as OMV Petrom hydrocarbon production could decrease by up to 4% Y/Y on CAPEX reduction

Given OMV Petrom reduced hydrocarbon production, Conpet's domestic revenues could average RON 288m per year over 2017-2020 period.

For the same period, we expect import volumes to increase at an average of 0.4% per year. As such, import revenues could average RON 85m per year down from RON 87m initially mainly on decreased volumes to Petrobrazil refinery.

OPEX to decline on reduced D&A and railway costs

On the cost side, FY'16 OPEX could stand at RON 336m, 2% lower Y/Y and 3% above our initial estimate on higher-than-expected railway costs to RON 59m (vs. RON 47m previously) and personnel expenses to RON 110m (vs. RON 108m previously) partially offset by lower-than-estimated D&A to RON 43m (vs. RON 46m previously) and provision reversals to RON 1m (vs. provision expenses of RON 0.2m). Thus, FY'16 EBIT could add 4% Y/Y to RON 72m (vs. our initial estimate of RON 71m).

Going forward, we see OPEX increasing at an average of 0.6% per year.

COTE's FY'16 CAPEX is seen below the budgeted investment plan

For H1'16, the realised CAPEX stood at RON 20m, 52% higher Y/Y and almost in line with the budgeted figure. Although the management expects FY'16 CAPEX to reach

the budgeted level, given that Conpet has a history of overestimating its execution capacity, we see CAPEX at RON 45m, 18% higher Y/Y and 21% below the budgeted investment plan.

We revised down our CAPEX assumptions for the rest of the explicitly forecasted period to RON 56m on average per year from RON 58m previously.

No further developments related to Pitesti-Pancevo or storage capacity projects

At the last conference call, COTE's management declared that no further developments have been made related to the Pitesti-Pancevo or storage capacity projects.

Dilution risk

Negative P&L impact of RON 32m from revaluation of land transferred from the State in the year the capital increase will take place...

According to the notes presented by Conpet in the materials for May's GSM, the company could proceed to the share capital increase with a maximum value of RON 92m, representing contribution in kind with the value of land transferred from the State in amount of RON 54m and cash of RON 38m representing minority preemption rights. Also, according to the same notes, the share capital increase with the in kind value of the land in amount of RON 54m, for which an inflation index was applied, will generate an accounting loss of RON 42.3m coming from the revised value of land down to the market level (RON 11.8m). Out of this, RON 33m will be record as an expense in P&L, while RON 10m will be covered from revaluations reserves in the balance sheet.

...however, the company could propose supplementing the distributable profits with reserves and continue to pay attractive dividends

However, when approved, we expect COTE's management to place under discussion the policy of supplementing the distributable profits with reserves and to keep its legacy of attractive dividend play on BSE. At H1'16, COTE reported a cash position of RON 427m (+13% Y/Y), 67% of current market capitalization. Approx. 42% (RON 181m) of this cash is related to the modernisation quota.

Conpet: Shareholding structure

Shareholders	Current Ownership	Diluted Ownership
Ministry of Economy	59%	86%
KJK Fund II, SICAV-SIF	7%	2%
Utilico Emerging Markets	7%	2%
Fondul Proprietatea	6%	2%
Others	21%	7%
Total	100%	100%

Source: Swiss Capital estimate

The in kind share capital increase was not approved in May and July shareholders meetings as the number of votes for passing it was below the 75% threshold stipulated by COTE's by-laws

Please be informed that for the approval of the in kind share capital increases, COTE's by-laws stipulates that the EGSM decisions to be taken by the vote of shareholders representing at least three-fourths (3/4) of the share capital of the company.

The in kind share capital increase was not approved in May and July shareholders meetings as the number of votes for passing it was below the 75% threshold stipulated by COTE's by-laws. The management declared the Court of Accounts was notified of the outcome. However, Conpet is obliged through the privatisation contract to increase its share capital with the value of land transferred from the State. For most privatisations, the in kind share capital increases have been delayed as there

are divergences on the land valuation methods. The Companies Law provides that the share capital increase should be made at the market value of the land calculated at the moment of capital increase. This is the preferred method of the minority shareholders as it results in a lower value of the land. On the other side, Law 137/2002 stipulates that the land value should be calculated at the time of the land transferred in the company's accounts and indexed with inflation.

Valuation

We update our view on Conpet with a NEUTRAL recommendation and a target price of RON 83.83 per share revealing an upside potential of 14% against last close. We used a DCF model with a 5-year explicitly forecasted period after which a terminal free cash flow with a perpetual growth of 1% is employed. We assumed no cash flows stemming from Pitesti – Pancevo and storage capacity projects. We did not price in any potential P&L negative impact that could come from the revaluation related to the inflated value of land transferred from the State that makes the object of the pending in kind capital increase.

Conpet: DCF Valuation

(RON'000)	2016F	2017F	2018F	2019F	2020F
EBIT	72,465	69,616	67,012	64,465	61,163
Plus: Depreciation	43,110	44,877	46,796	47,573	48,680
Minus: Tax on EBIT	(11,594)	(11,139)	(10,722)	(10,314)	(9,786)
Capital expenditures	(45,333)	(52,985)	(54,221)	(55,855)	(59,765)
(Increase)/decrease in working capital	9,207	(3,960)	18,660	4,190	(22,726)
Free cash flow	67,854	46,409	67,525	50,058	17,566
WACC	7.8%	7.8%	8.0%	8.5%	9.5%
Present value	62,974	39,973	53,853	36,794	11,791
Cumulative net present value	62,974	102,947	156,800	193,595	205,386
Growth Rate	1.0%				
Terminal value	208,722				
Net present value of terminal value	140,109				
Enterprise value	345,495				
Minus: Net debt (net cash)	(380,270)				
Value of equity	725,765				
Shares outstanding	8,658				
Equity value per share (target price)	83.83				
Upside /(downside) potential	14%				
WACC assumptions					
Risk free rate	1.75%	1.75%	2.00%	2.50%	3.50%
Market premium	6.0%	6.0%	6.0%	6.0%	6.0%
Beta leveraged	1.00	1.00	1.00	1.00	1.00
Cost of debt	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of equity	7.8%	7.8%	8.0%	8.5%	9.5%
Beta unleveraged	1.0	1.0	1.0	1.0	1.0
Debt/(Debt+Equity mv)	0%	0%	0%	0%	0%

Source: Conpet, Swiss Capital estimates, Thomson One

Peers comparison

Company	EV/EBITDA			P/E			P/B		
	2015A	2016F	2017F	2015A	2016F	2017F	2015A	2016F	2017F
KazTransOil	1.8x	3.0x	2.9x	6.4x	5.3x	6.2x	0.6x	n/a	n/a
Terna	11.7x	11.6x	11.0x	16.3x	15.7x	14.8x	2.9x	2.5x	2.4x
Enagas	11.6x	11.7x	11.3x	15.0x	15.1x	14.7x	2.6x	2.5x	2.4x
National Grid	11.0x	11.1x	11.0x	14.4x	16.3x	16.2x	2.7x	3.0x	2.9x
Elia	15.1x	16.0x	14.7x	12.4x	15.7x	13.8x	1.1x	1.1x	1.1x
DCP Midstream	15.2x	10.6x	10.4x	27.2x	18.0x	13.6x	1.0x	1.5x	1.5x
Tesoro Logistics	13.6x	9.9x	7.9x	21.4x	17.2x	13.3x	2.8x	2.3x	2.2x
Red Electrica	10.4x	10.2x	10.0x	17.2x	16.0x	15.4x	3.8x	3.4x	3.2x
Rubis	10.3x	9.2x	8.9x	17.3x	17.1x	16.2x	1.9x	1.9x	1.8x
Transelectrica	2.6x	3.1x	3.0x	6.0x	8.0x	8.0x	0.7x	0.7x	0.7x
Transgaz	3.3x	3.7x	3.7x	7.3x	8.2x	8.2x	1.0x	1.0x	0.9x
Median of peers	11.0x	10.2x	10.0x	15.0x	15.7x	13.8x	1.9x	2.1x	2.0x
Conpet (@ market price)	2.1x	1.9x	1.8x	10.1x	10.1x	10.6x	0.8x	0.8x	0.8x
<i>Premium (Discount)</i>	-81%	-81%	-82%	-33%	-36%	-24%	-57%	-62%	-61%
Conpet (@ target price)	2.9x	2.7x	2.6x	11.5x	11.5x	12.0x	0.9x	0.9x	0.9x
<i>Premium (Discount)</i>	-74%	-74%	-74%	-24%	-27%	-13%	-51%	-56%	-56%

Source: Thomson One, Swiss Capital estimates

COTE is currently trading at 1.9x FY'16f EBITDA and 10.1x FY'16f P/E, implying a discount to the median of peers of 81% and 36%, respectively.

At target price, COTE would trade at 2.7x FY'16f EBITDA and 11.5x FY'16f P/E, implying a discount to the median of peers of 74% and 27%, respectively.

Conpet: P&L (IFRS individual)

(RON'000)	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Sales revenues, o/w	334,318	348,854	375,033	381,353	378,019	376,817	376,070	374,558	373,421
Domestic crude oil transport rev.	296,480	304,695	311,317	309,279	298,501	291,610	288,439	284,745	280,825
Import crude oil transport rev.	36,007	42,684	56,608	69,679	77,313	80,925	83,349	85,531	88,314
Revenues from modernisation quota	33,703	50,157	25,466	30,637	27,748	27,938	28,374	28,624	28,707
D&A	56,136	36,663	46,430	51,027	43,110	44,877	46,796	47,573	48,680
Personnel costs	101,078	97,885	98,022	105,564	109,853	112,586	114,998	117,359	119,556
Crude oil rail transportation expenses	74,409	77,774	79,067	61,309	59,311	57,340	55,333	54,571	53,714
Modernisation quota expense	51,927	53,293	58,036	59,970	56,729	58,065	57,949	57,715	57,538
EBITDA	86,059	66,613	101,257	120,555	115,575	114,493	113,808	112,037	109,843
<i>EBITDA margin</i>	25.7%	19.1%	27.0%	31.6%	30.6%	30.4%	30.3%	29.9%	29.4%
EBIT	29,923	29,950	54,827	69,528	72,465	69,616	67,012	64,465	61,163
<i>EBIT margin</i>	9.0%	8.6%	14.6%	18.2%	19.2%	18.5%	17.8%	17.2%	16.4%
Net financial result	10,842	11,350	9,634	5,757	3,182	2,246	2,429	2,986	3,328
EBT	40,765	41,300	64,461	75,285	75,646	71,862	69,442	67,451	64,491
<i>EBT margin</i>	12.2%	11.8%	17.2%	19.7%	20.0%	19.1%	18.5%	18.0%	17.3%
Net profit	30,808	31,298	51,428	63,199	62,865	60,364	58,331	56,659	54,172

Source: Conpet, Swiss Capital estimates; *EBITDA adjusted by revenues and costs resulting from the modernisation quota accounting

Conpet: Balance Sheet (IFRS individual)

(RON'000)	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Long term assets	400,872	421,044	419,183	401,856	404,078	412,186	419,611	427,894	438,979
Inventories	9,316	7,404	7,709	11,220	12,195	16,264	8,142	8,157	13,920
Receivables	37,320	42,016	35,026	42,435	32,552	32,448	21,937	21,849	32,674
Cash	205,530	256,575	343,037	380,270	417,471	429,294	467,251	489,964	481,602
Total assets	653,037	727,040	804,956	835,781	866,296	890,192	916,942	947,864	967,176
Short term debt	32	-	-	-	-	-	-	-	-
Long term liabilities	3,470	4,104	1,892	810	810	810	810	810	810
Current liabilities	40,313	49,469	55,013	47,391	49,187	46,426	45,619	49,048	41,891
Shareholders funds	595,182	650,754	723,425	764,522	794,647	822,273	849,816	877,234	903,579
Equity & liabilities	653,037	727,040	804,956	835,781	866,296	890,192	916,942	947,864	967,176

Source: Conpet, Swiss Capital estimates

Conpet: Cash Flow (IFRS individual)

(RON'000)	2016F	2017F	2018F	2019F	2020F
Profit before taxes	75,646	71,862	69,442	67,451	64,491
(-) Income tax	(11,283)	(14,264)	(11,945)	(11,479)	(11,339)
(+) Depreciation	43,110	44,877	46,796	47,573	48,680
(-) (Increase) / Decrease in working capital	9,207	(3,960)	18,660	4,190	(22,726)
Cash flow from operations	115,274	97,545	122,966	107,809	79,230
Capital expenditures/long term investments	(45,333)	(52,985)	(54,221)	(55,855)	(59,765)
Cash flow from investing	(45,333)	(52,985)	(54,221)	(55,855)	(59,765)
Cash surplus (deficit) generated before financing	69,941	44,561	68,746	51,954	19,465
Other revenues, modernisation quota	30,460	30,127	29,575	29,090	28,831
Dividends paid	(63,199)	(62,865)	(60,364)	(58,331)	(56,659)
Cash flow from financing	(32,739)	(32,738)	(30,788)	(29,241)	(27,827)
Total change in cash	37,201	11,823	37,957	22,713	(8,362)
Cash Balance - Beginning of Period	380,270	417,471	429,294	467,251	489,964
Cash Balance - End of Period	417,471	429,294	467,251	489,964	481,602

Source: Conpet, Swiss Capital estimates

Conpet: Key Ratios

	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Profitability									
Net profit margin	9.2%	9.0%	13.7%	16.6%	16.6%	16.0%	15.5%	15.1%	14.5%
RoavgA	7.5%	7.6%	12.2%	15.4%	15.6%	14.8%	14.0%	13.4%	12.5%
RoavgE	5.3%	5.0%	7.5%	8.5%	8.1%	7.5%	7.0%	6.6%	6.1%
Asset management									
Inventory turnover (Days)	11.32	8.87	9.01	11.62	14.40	17.50	14.99	9.99	12.00
Days sales outstanding	36.1	40.7	36.8	36.4	35.1	30.0	25.0	20.0	25.0
Payables days	25.6	22.8	32.9	30.7	30.7	30.7	30.7	30.7	30.7
Leverage and liquidity									
Leverage (total liab/equity)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Gearing (Net debt/equity)	-0.3	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.6	-0.5
Net debt/EBITDA	-2.3	-3.8	-3.4	-3.1	-3.6	-3.7	-4.1	-4.4	-4.4
Debt/Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio	6.3	6.2	7.0	9.2	9.4	10.3	10.9	10.6	12.6
Quick ratio	6.0	6.0	6.9	8.9	9.1	9.9	10.7	10.4	12.3
Payout ratio	92%	94%	100%	100%	100%	100%	100%	100%	100%

Source: Conpet, Swiss Capital estimates

Conpet: Per Share Data and Trading Multiples

	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Per Share Data (RON)									
EPS	3.56	3.62	5.94	7.30	7.26	6.97	6.74	6.54	6.26
EPS growth	8%	2%	64%	23%	-1%	-4%	-3%	-3%	-4%
BVPS	68.75	75.17	83.56	88.31	91.79	94.98	98.16	101.33	104.37
DPS	3.27	3.41	5.94	7.30	7.26	6.97	6.74	6.54	6.26
DPS growth	27%	4%	74%	23%	-1%	-4%	-3%	-3%	-4%
Valuation multiples at market price									
P/E	20.7	20.4	12.4	10.1	10.1	10.6	10.9	11.2	11.8
P/BV	1.1	1.0	0.9	0.8	0.8	0.8	0.7	0.7	0.7
P/Sales	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
EV/Sales	1.3	1.1	0.8	0.7	0.6	0.6	0.5	0.4	0.4
EV/EBITDA	5.1	5.8	2.9	2.1	1.9	1.8	1.5	1.3	1.4
Dividend yield	4.4%	4.6%	8.1%	9.9%	9.9%	9.5%	9.2%	8.9%	8.5%
Valuation multiples at target price									
P/E	23.6	23.2	14.1	11.5	11.5	12.0	12.4	12.8	13.4
P/BV	1.2	1.1	1.0	0.9	0.9	0.9	0.9	0.8	0.8
P/Sales	2.2	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9
EV/Sales	1.6	1.4	1.0	0.9	0.8	0.8	0.7	0.6	0.7
EV/EBITDA	6.1	7.1	3.8	2.9	2.7	2.6	2.3	2.1	2.2
Dividend yield	3.9%	4.1%	7.1%	8.7%	8.7%	8.3%	8.0%	7.8%	7.5%

Source: Conpet, Swiss Capital estimates

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Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
Conpet	COTE	BUY	73.60	8/30/2016	NONE

Rating history for Conpet

Date	Rating	Share Price (RON)	Target Price (RON)
7/15/2015	Initiation of coverage - BUY	66.95	83.60
1/20/2016	Update - BUY	78.00	94.51
8/31/2016	Update - NEUTRAL	73.60	83.83

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