

November 16, 2016

CONPET

Net profit helped by cost cuts

* For 9M'16, COTE's net profit reached RON 57m, 9% higher Y/Y and in line with our estimate. For Q3'16, net profit increased by 17% Y/Y to RON 20m (vs. our estimate of RON 18m).

* Revenues from the transport activity remained flat Y/Y to RON 281m (in line with our estimate). Revenues from the domestic sub-system declined by 4% to RON 224m on decreased volumes (-5% Y/Y to 2.8mt and in line with our estimate) and flat Y/Y tariff. However, revenues from the import sub-system added 13% Y/Y to RON 58m on increased volumes (+4% Y/Y to 2.5mt and 2% above our estimate) and avg. tariffs (+8% Y/Y). Revenues from modernisation quota lost 6% Y/Y to RON 20m. As such, operating revenues remained almost flat Y/Y to RON 305m.

* On the cost side, OPEX lost 4% Y/Y to RON 240m (vs. our estimate of RON 242m) mainly on decreased D&A (-14% Y/Y to RON 31m) and outside services expenses (-4% Y/Y to RON 78m). Thus, 9M'16 EBIT added 12% Y/Y to RON 65m (vs. our estimate of RON 64m).

* COTE's financial result plunged 40% Y/Y to RON 3m on reduced interest income.

* **OUTLOOK.** For Q4'16, we see the net profit almost halved Q/Q on provisions the company usually books in this quarter. With transported volumes within COTE's budget and downwardly adjusted provisions, FY'16 net profit could land at RON 66m, 4% higher Y/Y and 4% above our latest estimate. Regarding the share capital increase, the company is still waiting the Court of Accounts decision. Also, the management believes 2017 tariffs would be kept unchanged. Given that we modeled in an increase in tariffs in line with inflation (1.8%), FY'17 net profit could be 6% below our latest estimate of RON 60m. **NEUTRAL**

Romania
Pipeline Transportation

9M'16 First Look

BQ: COTE RO

Last close **RON 80.00**

52 - Week range **RON 64.8 | RON 90.0**

Market cap (m) **RON 692.6** € 153.2

	Q3'15A	Q3'16A	9M'15A	9M'16A
P&L summary (RONm)*				
Sales revenues	97.2	95.4	285.7	282.8
Domestic revenues	75.7	74.5	232.6	223.8
Import revenues	20.7	20.4	51.2	57.7
Modernisation quota	7.4	6.8	21.5	20.2
Operating revenues	105.2	103.2	308.5	305.4
Personnel expenses	26.0	27.3	79.0	83.3
D&A	12.1	10.7	36.3	31.0
Outside service expenses	27.4	26.2	81.2	77.9
Other operating expenses	17.9	14.2	49.3	46.7
Provision adjustments	(1.0)	(1.1)	(7.8)	(10.1)
Operating expenses	85.8	80.8	250.5	240.2
EBITDA	31.6	33.1	94.3	96.2
<i>EBITDA margin</i>	32%	35%	33%	34%
EBIT	19.4	22.4	58.0	65.2
<i>EBIT margin</i>	20%	23%	20%	23%
Financial result	1.2	0.9	4.5	2.7
EBT	20.7	23.3	62.5	67.9
<i>EBT margin</i>	21%	24%	22%	24%
Net profit	16.8	19.7	52.0	56.7
<i>Net profit margin</i>	17%	21%	18%	20%

* IFRS



Price performance	1m	3m	12m	YTD
	2.3%	15.9%	10.5%	3.9%

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Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
Conpet	COTE	-	80.00	11/15/2016	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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