

August 4, 2015

## Conpet

### Net to drop on lower transported domestic volumes

Conpet will post Q2'15 results on the 11th of August.

\* For Q2'15, we expect COTE's net profit to go down by 10% Y/Y to RON 14.6m on lower domestic crude oil transported volumes.

\* We estimate COTE's total oil transported volumes to remain flat at 1.5m tonnes (+0.4% Y/Y). However, related revenues are expected to drop by 2.9% Y/Y to RON 91m due to lower domestic transported volumes of approx. 1m tonnes (-1.5% Y/Y) partially offset by a 3.7% Y/Y hike in imported volumes. We see revenues from modernisation quota going up by 10% Y/Y to RON 6.8m. Hence, operating revenues could amount RON 99m (-2% Y/Y).

\* In terms of costs, we see Q2'15 OPEX at RON 83.3m (-1% Y/Y) on low crude oil rail transport expenses of RON 17.3m (-11% Y/Y) that more than offset salary and provisions expenses increase. For Q2'15, we expect a hike in salary expenses to RON 17.5m (+6% Y/Y) justified by the fact that in 2014 the salaries adjustments with inflation (2.5%) was realised starting with June. Also, compared with Q2'14, in Q2'15 we see additional provisions with employees' benefits and other of RON 3.2m. Thus, Q2'15 EBIT could reach RON 15.6m (-7% Y/Y).

\* As regarding the financial result, we see a decline of 20% Y/Y to RON 1.8m on lower interest income.

## Q2'15 Earnings Preview

BQ: COTE RO

Last close **RON 65.25**

52 - Week range **RON 48.0 | RON 75.9**

Market cap (m) **RON 564.9** **€ 128.3**

	Q2'14	Q2'15E	H1'14	H1'15E
<b>P&amp;L summary (RONm)*</b>				
Sales revenues	94.4	91.7	186.2	187.8
Domestic oil transp. rev.	80.3	77.5	159.2	154.6
Import oil transp. rev.	13.6	13.6	26.0	32.0
Modernisation quota	6.2	6.9	12.3	13.8
<b>Operating revenues</b>	<b>101.0</b>	<b>98.9</b>	<b>199.5</b>	<b>202.1</b>
Personnel expenses	26.1	25.3	47.9	49.1
D&A	11.8	11.9	23.9	24.0
Outside service expenses	29.5	27.0	58.8	54.1
Other operating expenses	16.5	15.5	30.9	30.9
Modernisation quota	14.8	14.1	28.8	28.3
<b>Operating expenses</b>	<b>84.1</b>	<b>83.3</b>	<b>166.8</b>	<b>166.7</b>
<b>EBITDA</b>	<b>28.6</b>	<b>27.5</b>	<b>56.7</b>	<b>59.5</b>
<i>EBITDA margin</i>	30%	30%	30%	32%
<b>EBIT</b>	<b>16.8</b>	<b>15.6</b>	<b>32.7</b>	<b>35.5</b>
<i>EBIT margin</i>	18%	17%	18%	19%
<b>Financial result</b>	<b>2.3</b>	<b>1.8</b>	<b>4.6</b>	<b>3.7</b>
<b>EBT</b>	<b>19.1</b>	<b>17.4</b>	<b>37.4</b>	<b>39.1</b>
<i>EBT margin</i>	20%	19%	20%	21%
<b>Net profit</b>	<b>16.2</b>	<b>14.6</b>	<b>30.9</b>	<b>32.3</b>
<i>Net profit margin</i>	17%	16%	17%	17%

\* IFRS



Price performance	1m	3m	12m	YTD
	0%	-2%	35%	19%

Swiss Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions.

For analysts certification and other disclosures refer to the Disclosure

## DISCLOSURE SECTION

### Analysts Certification

The research analyst(s) undersigned and responsible for the preparation of this report hereby certify (-ies) that i) the views expressed in this research report accurately reflect their personal views about any and all of the securities or issuers referred to in this research report, ii) no part of the analyst's compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report and iii) no part of their compensation is tied to any specific investment banking transactions performed by Swiss Capital SA.

### Stocks Ratings

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

A "**STRONG BUY**" recommendation indicates that upside is more than 30%.

A "**BUY**" recommendation indicates that upside is between 15% and 30%.

A "**NEUTRAL**" recommendation indicates that upside or downside is less than 15%.

A "**SELL**" recommendation indicates that downside is more than 15%.

### Company Specific Regulatory Disclosures

The following disclosures relate to relationships between Swiss Capital SA and companies covered by the Research Division of Swiss Capital and mentioned in this research.

#### Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
Conpet	COTE	-	65.25	8/3/2015	NONE

#### Rating history for Conpet

Date	Rating	Share Price (RON)	Target Price (RON)
7/15/2015	Initiation of coverage - BUY	66.95	83.60

**General disclaimer**

THIS REPORT IS: (i) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (ii) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY ; AND (iii) BASED UPON INFORMATION THAT WE CONSIDER RELIABLE.

SWISS CAPITAL DOES NOT WARRANT OR REPRESENT THAT THE REPORT IS ACCURATE, COMPLETE, RELIABLE, FIT FOR ANY PARTICULAR PURPOSE OR MERCHANTABLE AND DOES NOT ACCEPT LIABILITY FOR ANY ACT (OR DECISION NOT TO ACT) RESULTING FROM USE OF THIS REPORT AND RELATED DATA. TO THE MAXIMUM EXTENT PERMISSIBLE ALL WARRANTIES AND OTHER ASSURANCES BY SWISS CAPITAL ARE HEREBY EXCLUDED AND SWISS CAPITAL SHALL HAVE NO LIABILITY FOR THE USE, MISUSE, OR DISTRIBUTION OF THIS INFORMATION.

© 2015 SWISS CAPITAL. ALL RIGHTS RESERVED. THIS REPORT MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, WITHOUT THE WRITTEN CONSENT OF SWISS CAPITAL.