

January 23, 2017

CONPET

FY'16 DIVY could stand at 9%

* Conpet will post Q4'16 results on the 26th of January.

* For Q4'16, we see COTE's bottom line at RON 10m, 12% lower Y/Y mainly on decreased revenues from domestic sub-system. For FY'16, the net could rise 6% Y/Y to RON 67m triggered by decreased D&A (-16% Y/Y to RON 43m) and crude oil transported expenses (-5% Y/Y to RON 58m).

* For the quarter, we see total volumes declining by 1.6% Y/Y to 1.7mt, thus total revenues from the transport activity could reach RON 94m (-1.6% Y/Y). For the domestic sub-system, we believe revenues could lose 5% Y/Y to RON 73m on decreased volumes (-6% Y/Y to 0.9mt) due to OMV Petrom's hydrocarbon production decline and flat tariff. However, for the import sub-system, we expect related revenues to add 13% Y/Y to RON 21m on increased volumes (+4% Y/Y to 0.8mt) and avg. tariffs (+9% Y/Y). As a reminder, in Q4'15 Petromidia and Petrotel refineries were temporarily closed for planned general overhauls (40 days and 15 days, respectively).

* On the cost side, OPEX could reach RON 93m, flat Y/Y as the increase in personnel expenses (+5% Y/Y to RON 28m) and provision adjustments (+24% Y/Y to RON 8m) could be offset by a decrease in D&A (-18% Y/Y to RON 12m) and other operating expenses (-5% Y/Y to RON 15m). As such, Q4'16 EBIT could lose 11% Y/Y to RON 11m.

* COTE's Q4'16 financial result could stand at RON 0.8m, 31% lower Y/Y on decreased interest income.

* Based on a payout ratio of 100%, we expect FY'16 DPS at RON 7.7 (+6% Y/Y), implying a DIVY of 9% if last price considered.

Romania
Pipeline Transportation

Q4'16 Earnings Preview

BQ: COTE RO

Last close RON 83.60

52 - Week range RON 64.8 | RON 90.0

Market cap (m) RON 723.8 € 161.0

	Q4'15A	Q4'16E	FY'15A	FY'16E
P&L summary (RONm)*				
Sales revenues	95.7	94.1	381.4	377.0
Domestic revenues	76.7	72.8	309.3	296.5
Import revenues	18.4	20.9	69.7	78.6
Modernisation quota	9.1	8.6	30.6	28.8
Operating revenues	105.3	103.5	413.8	408.9
Personnel expenses	26.5	28.0	105.6	111.2
D&A	14.7	12.0	51.0	43.1
Outside service expenses	26.4	26.1	107.6	104.0
Other operating expenses	15.5	14.8	64.9	61.5
Provision adjustments	6.2	7.8	(1.6)	(2.4)
Operating expenses	93.2	92.6	344.2	332.9
EBITDA	26.8	22.9	120.6	119.1
<i>EBITDA margin</i>	<i>28%</i>	<i>24%</i>	<i>32%</i>	<i>32%</i>
EBIT	12.1	10.8	69.5	76.0
<i>EBIT margin</i>	<i>13%</i>	<i>12%</i>	<i>18%</i>	<i>20%</i>
Financial result	1.2	0.8	5.8	3.5
EBT	13.3	11.7	75.3	79.6
<i>EBT margin</i>	<i>14%</i>	<i>12%</i>	<i>20%</i>	<i>21%</i>
Net profit	11.8	10.3	63.2	67.0
<i>Net profit margin</i>	<i>12%</i>	<i>11%</i>	<i>17%</i>	<i>18%</i>

* IFRS



Price performance	1m	3m	12m	YTD
	5.8%	4.5%	10.0%	6.1%

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Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
Conpet	COTE	-	83.60	20/01/2017	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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