

17 August 2020

## Conpet

## HOLD

### Conpet: 2Q20 results – net income above expectations

BBG Ticker	COTE RO
Market Cap (USD mil)	162
Price	76.4
Price target	86.8
Upside	13.6%

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Conpet reported its 2Q20 results on Friday (14 August), after the market closed. Net income of RON 15.5m for the quarter was marginally below the same quarter last year, but significantly above our expectations.

We read the results as marginally positive, particularly the resilience of the domestic quantities, and we expect to see a pick-up in import quantities in the coming quarters, in line with the rebound in transport, driving a recovery in oil products demand.

Volumes of 1.6mt, reported by the company, were in line with our expectations, -10% yoy. However, the mix changed significantly in the quarter, with the loss due fully to a 20% yoy fall in import volumes, while domestic quantities were resilient, increasing by 1% yoy. Revenues of RON 106.8m were 3% lower yoy, but 2% higher than our expectations, on the back of the changing mix.

On the costs side, the company reported opex of RON 78.5m, 3% lower yoy and 13% lower than our expectations. The difference was driven largely by lower materials and consumables, personnel and third-party costs. Conpet also reported a provision reversal, with a positive impact of RON 4.3m for the quarter, compared to our expectation of RON 2m of provisions, which drove a large part of the difference.

This resulted in EBITDA of RON 28.2m for the quarter, -3% yoy, but double the level we expected. Depreciation was in line with expectations, while financial gains were slightly below, resulting in net income of RON 15.5m, 7% lower yoy, but more than 3x our forecast.

The company is to hold a conference call to discuss its quarterly results on 19 August, at 09:30 RO / 07:30 UK time. Pre-registration, by emailing [infoinvestitori@conpet.ro](mailto:infoinvestitori@conpet.ro), is required.

#### Conpet: 2Q20 results review

(RON mil)	2Q19	1Q20	2Q20	yoy	qoq	2Q20E	vs. Wood
Transport turnover	101.8	105.7	98.3	-3%	-7%	95.3	3%
Domestic	73.2	76.9	76.6	5%	0%		
Import	27.3	28.1	21.2	-23%	-25%		
<b>Total operating revenues</b>	<b>110.4</b>	<b>113.7</b>	<b>106.8</b>	<b>-3%</b>	<b>-6%</b>	<b>104.3</b>	<b>2%</b>
transported volumes (mt)	1.77	1.84	1.60	-10%	-13%	1.60	0%
Domestic (mt)	0.86	0.87	0.87	1%	-1%		
Import (mt)	0.91	0.96	0.73	-20%	-24%		
OPEX	81.2	84.9	78.5	-3%	-7%	90.3	-13%
EBITDA	29.2	28.8	28.2	-3%	-2%	14.1	101%
Depreciation	11.5	11.7	12.0	4%	2%	11.8	1%
EBIT	17.7	17.1	16.3	-8%	-5%	2.3	618%
Financial profit	2.1	1.8	1.6	-24%	-12%	1.8	-10%
Pre-tax profit	19.8	18.9	17.9	-9%	-5%	4.1	340%
Profit tax	3.1	2.6	2.4	-20%	-8%	0.7	273%
<b>Net profit</b>	<b>16.7</b>	<b>16.3</b>	<b>15.5</b>	<b>-7%</b>	<b>-5%</b>	<b>3.4</b>	<b>353%</b>

Source: Conpet, WOOD Research

Year	Sales (RON m)	Adj. EBITDA* (RON m)	Net profit (RON m)	EPS (RON)	EPS growth	P/E (x)	EV/EBITDA* (x)	ROE (%)	DPS (RON)	Dividend yield
2018	419	124	60	6.9	-15.9%	11.1	3.4	9.0%	7.5	9.8%
2019	443	109	58	6.7	-3.0%	11.4	4.0	8.8%	7.1	9.3%
2020E	437	107	45	5.3	-21.4%	15.5	4.9	7.0%	5.0	6.1%
2021E	472	120	52	6.0	13.6%	13.7	5.0	8.0%	5.7	7.0%
2022E	499	133	54	6.3	5.2%	13.0	4.5	8.4%	6.0	7.3%

\*adjusted with the development quota

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This investment research was completed on 16/08/2020 at 21:30 CET and disseminated on 17/08/2020 at 07:30 CET.

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