

Company Update

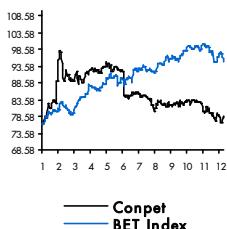
Conpet

December 16, 2021

Utilities/Romania

Hold

Price 15.12.21*	78.20
Price target	86.00
Volatility risk	Medium
Year high/low	98.00/76.20
Currency	RON
RON/EUR	4.95
GDR rate	n.a.
Shares outstanding eoy in mn	8.66
Market capitalisation (total shares) in EUR mn	136.8
Free float	19.7%
Free float in EUR mn	27.0
Avg. daily turnover (12 m) in EUR mn	0.05
Index	BETI
ISIN code	ROCOTEACNOR7
Bloomberg	COTE RO
Reuters	COTE.BX
www.conpet.ro	



Source: RBI/Raiffeisen Research

Co-Sponsored Research

RBI has entered into an agreement with the Bucharest Stock Exchange for producing financial research on Conpet S.A. in exchange for a financial remuneration.

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 * The indicated price is the last price as available at 6.30 AM on 16.12.21, Source: Reuters/Bloomberg

Piping amid an energy price spike

We maintain our HOLD recommendation for Conpet revising downwards our DCF-derived 12-month cum-dividend target price to RON 86 (vs. RON 93.0, the cum-dividend TP) in the wake of a surge in energy prices, while the top line is expected to exhibit an upward trend, but at a slower pace. We believe that Conpet remains an attractive dividend stock, returning capital to investors at a pay-out ratio above 90% of the net income, yet the potential of the current business model in terms of growth hinges on future oil demand, which is forecast to decrease over time due to decarbonisation ambitions of regulators.

Lower domestic volumes offset by higher tariffs: Given the decreasing trend in domestic volumes transported that started several years ago, we estimate a continuous downward trajectory for 2021e-23e and anticipate 2022e to be suffering the highest contraction (i.e. reaching 2.88 mn t). However, in line with the regulator's intentions and management guidance for 2021e-22e, we expect domestic tariffs for the projected period to increase at a CAGR of 7% in order to offset declining quantities transported of domestic crude oil. As 2019 was the year with the highest level of volumes transported (ca. 7.13 mn t), we do not believe that overall quantities could recover to pre-pandemic levels in 2021e-23e, but rather sliding to ca. 6.76 mn t in 2023e (-5% vs. 2019), therefore we conjecture only an increase in tariffs would ensure a steady turnover.

Decreasing margins: Despite the increase in tariffs for the domestic quantities, the surge in energy costs accompanied by the yearly increasing personnel expenses puts pressure on the EBIT margin, which we forecast to decrease by 200 bps (from 16% in 2020 to 14% in 2021e) and is estimated to reach 15% in 2023e. Moreover, 2021e also marks high levels of inflation in the Romanian market, which translates into a rise of raw materials and other operating expenses that contributes further to the margin erosion. We expect the bottom line to decline in the projected period, marking a recovery in 2023e vs. 2020, reaching a 13% margin (vs. 15% in 2020).

Hefty dividends in play: Based on historical dividend distributions, we believe that Conpet will maintain a pay-out ratio of around 95%. Irrespective of the additional burden that arises from the increasing operating expenses the dividend yield is hence forecast to remain around 8% during 2021e-23e. Therefore, Conpet remains attractive on the Romanian stock exchange regarded as a dividend stock given the consistent return of capital to the shareholders.

Valuation: The HOLD recommendation that sets the 12m cum-dividend TP at RON 86 for Conpet arises from a DCF valuation method. Given that the current equity of Conpet trades at RON 78.2/share as of this report, our valuation methodology indicates an upside potential of 10% relative to the current market price.

Key figures and ratios

RON	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Sales (mn)	408	407	420	444	463
EBITDA (mn)	110	114	112	116	124
EBIT (mn)	62	65	60	64	69
Net profit a.m. (mn)	59	61	53	56	61
Earnings per share (adj.)	6.801	7.028	6.145	6.476	7.013
EPS adjusted growth	-3.0%	3.3%	-12.6%	5.4%	8.3%
Adjusted PE ratio	11.7	10.8	12.7	12.1	11.2
DPS	7.18	6.90	5.84	6.15	6.66
Dividend yield	9.0%	9.1%	7.5%	7.9%	8.5%
EV/EBITDA	4.1	4.0	4.5	4.5	4.3
Price book value	1.1	1.0	1.0	1.0	1.0

Source: Conpet, RBI/Raiffeisen Research estimates

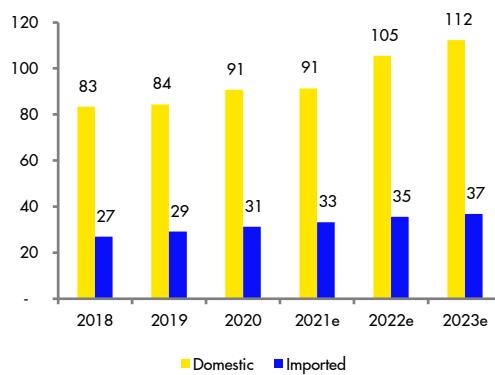
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NAMR to raise domestic tariffs

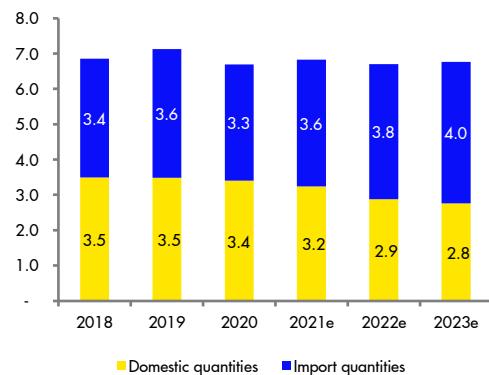
Outlook

Over the last five years, the domestic quantities transported marked a continuous decline pattern. Thus, we expect Conpet to transport even lower levels of domestically produced crude oil in 2021e-23e, estimated to reach 2.76 mn t in 2023e. Notwithstanding that, the National Agency for Mineral Resources ("NAMR") has increased the domestic tariffs to RON 91.03/t (vs. RON 87.53 in 2020) for 2021 in order for Conpet to maintain a stable domestic revenue despite the decline in quantities transported. Likewise, for 2022e, the management set forth a proposal to NAMR to increase the tariffs even further, which was taken into account by the authority; thus a new order will be enforced starting from Jan 1, 2022, raising the tariffs to RON 105.5/t (up by 16% yoy). On the import side, we forecast a positive CAGR of 7% in quantities transported for the period 2020-23e; therefore the share of the import component in the top line is expected to increase for the projected period.

Average tariffs 2018-2023e (RON/t)



Volumes transported 2018-2023e (mn t)



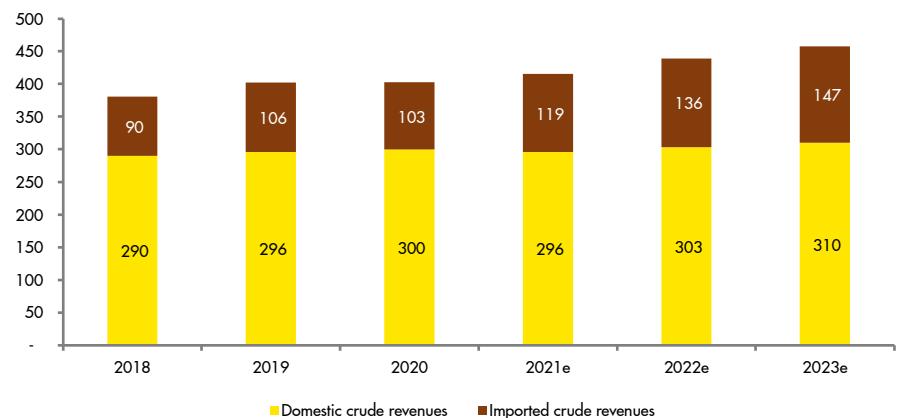
Sources: Conpet, RBI/Raiffeisen Research estimates

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Steady trajectory in revenues

In the wake of declining activity on the domestic levels transported in line with OMV Petrom's estimated crude oil output, we forecast a shift of structure in the turnover distribution, with the domestic component sliding to 68% in 2023e (vs. 74.5% in 2020), while the share of imported volumes transported is expected to increase towards 32% of turnover in 2023e (vs. 25.5% in 2020). However, the turnover generation from domestic quantities does not lose ground given the regulatory intentions to raise tariffs, thus maintaining a steady upward trend. Overall, we expect turnover to grow at a moderate CAGR of 4% over the period 2020-23e, which we consider stable taking into account the key value drivers.

Turnover in 2018-2023e (RON mn)



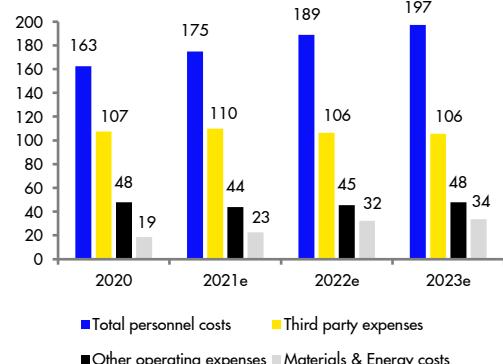
Sources: Conpet, RBI/Raiffeisen Research estimates

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Surge in inflation and energy prices

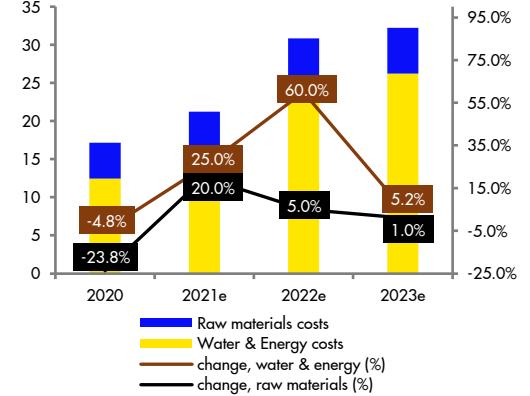
The Romanian market started to present an inflationary setting during the pandemic manifested by a surge in the prices for electricity and natural gas. We estimate the climb in energy prices to translate into significantly higher operating costs for Conpet, with electricity and gas expenses being forecast to increase twofold for the period 2020-22e, starting from Q4 21e. Additionally, the personnel-related expenses (the highest component of opex) are expected to increase by 7% annually for 2020-23e, reaching RON 197 mn in 2023e (vs. RON 163 mn in 2020), considering the indexation to inflation and other outstanding employees' debts.

Operating Costs Distribution (RON mn)



Sources: Conpet, RBI/Raiffeisen Research estimates

Raw Materials and Energy Costs (RON mn)



Sources: Conpet, RBI/Raiffeisen Research estimates

Q4 21e results preview

Shrinking margins

In Q4 21e, we forecast Conpet to register an increase in turnover by 4% yoy, estimated to reach RON 107 mn. On the other hand, the overall performance is estimated to decline, with the EBITDA margin shrinking by 100 bps yoy and 500 bps qoq to 23%, while the net profit margin is expected to decrease by 200 bps yoy and 400 bps qoq to 10%. The forecast decrease in profitability is based on the rationale that Conpet will register significantly higher energy and personnel-related expenses in Q4 21e.

Conpet - Q4 21e results

in RON mn	Q4 21	Q4 20	+/-	Q3 21	+/-
Turnover, o/w:	107.0	102.9	4%	106.6	0%
Domestic crude	73.4	73.5	0%	73.9	-1%
Imported crude	30.3	28.3	7%	32.2	-6%
EBITDA	25.1	24.7	2%	29.7	-15%
EBIT	13.2	12.5	6%	16.3	-19%
Net profit	11.2	11.9	-6%	14.7	-23%
EPS	1.3	1.4	-6%	1.7	-23%
EBITDA margin	23%	24%		28%	
EBIT margin	12%	12%		15%	
Net profit margin	10%	12%		14%	

Sources: Conpet, RBI/Raiffeisen Research estimates

Changes in forecasts

Higher opex and import revenues

We estimate our turnover slightly lower for 2021e relative to our previous forecast (i.e. -2%) on the back of a change in quantities transported assumptions that leads to lower profitability. Overall, for the projected period 2021e-23e, the assumptions are roughly altered, the main adjustments being a higher share of revenue coming from imported quantities and the incorporation of higher operating expenses in light of the energy price crisis amid inflation turmoil.

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Changes to our forecasts

in RON mn	previous			new		
	2021e	2022e	2023e	2021e	2022e	2023e
Turnover, o/w:	428	438	446	420	444	463
Domestic crude	312	318	323	296	303	310
Imported crude	111	115	118	119	136	147
Rent and others	5	5	5	5	5	5
Other operating revenues	40	41	42	40	41	43
Total operating revenues	468	479	489	460	486	505
Total operating expenses	348	356	361	348	369	381
EBITDA	120	124	128	112	116	124
EBIT	67	63	64	60	64	69
Net profit	58	56	57	53	56	61
EPS	7	6	7	6	6	7

Sources: Conpet, RBI/Raiffeisen Research estimates

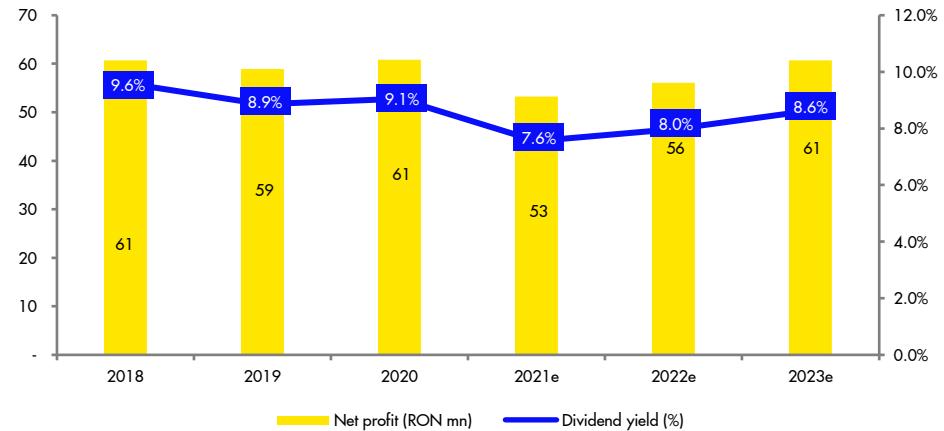
Valuation

12m TP slightly adjusted downwards

We continue to value Conpet with a Discounted Cash Flows methodology, which yields a cum-dividend 12m TP of RON 86, above the current market price (i.e. RON 78.2). Hence, we maintain our HOLD recommendation. We have revised our risk-free rates upwards (i.e. to 5% for 2021e) for Romania given the monetary policy ambitions to combat the climbing inflation by raising the reference rates, which has increased our WACC to ca. 10% in 2021e.

We maintain our TV growth rate of -1% given the general estimations of a declining demand for crude oil over time. However, Conpet remains a cash-generating business, with a dividend yield that we forecast to remain around 8% during 2021e-23e.

Net profit and dividend yield estimates (RON mn, %)



Sources: Conpet, RBI/Raiffeisen Research estimates

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DCF Valuation

FCF projection (RON mn)	2021e	2022e	2023e	2024e	2025e	2026e	TV CF
Consolidated sales	420.3	444.3	462.6	475.6	485.2	494.9	504.8
EBITDA	112.0	116.3	124.4	126.8	131.0	133.6	136.3
EBITA	60.2	63.7	69.3	69.4	73.3	75.6	78.0
Taxes paid on EBITDA	-10.1	-10.7	-11.1	-11.1	-11.7	-12.1	-12.5
NOPLAT	50.6	53.5	58.2	58.3	61.5	63.5	65.5
Adj. NOPLAT	50.6	53.5	58.2	58.3	61.5	63.5	65.5
Depreciation of PPE & intangibles	51.8	52.6	55.1	57.4	57.7	58.0	58.3
Gross investment in PPE & intangibles	-73.8	-82.3	-78.9	-76.7	-70.3	-63.7	-56.9
Change in working capital	-3.9	-1.8	-2.8	3.4	3.3	3.4	-0.4
NWC/Sales	-6.9%	-6.1%	-5.2%	-5.8%	-6.4%	-6.9%	-7.5%
Change in LT provisions other than tax	-1.9	1.8	1.5	1.5	1.5	1.5	1.5
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow to firm	22.7	23.7	33.1	43.9	53.7	62.7	68.0
Adj. free cash flow to firm	22.7	23.7	33.1	43.9	53.7	62.7	68.0
EV DCF, mid-year assumption	511.5	540.0					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	-170.5	-154.1					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	0.0	0.0					
Fair value of equity	682.0	694.2					
Shares outstanding (mn)	8.7	8.7					
Fair value per share (in RON)	78.7710	80.1804					

Value drivers	2021e	2022e	2023e	2024e	2025e	2026e	TV CF
Consolidated sales yoy	3.3%	5.7%	4.1%	2.8%	2.0%	2.0%	-1.0%
EBITDA margin	26.7%	26.2%	26.9%	26.7%	27.0%	27.0%	27.0%
Rate of taxes paid	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%
Working capital/sales	-6.9%	-6.1%	-5.2%	-5.8%	-6.4%	-6.9%	-7.5%
Capex/depreciation	142.5%	156.5%	143.3%	133.5%	121.8%	109.8%	97.5%
Free cash flow margin	5.4%	5.3%	7.1%	9.2%	11.1%	12.7%	13.5%

WACC	2021e	2022e	2023e	2024e	2025e	2026e	TV CF
Target capital structure (at MV)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Debt/equity ratio (at MV)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk free rate (local)	5.0%	5.2%	5.4%	5.6%	5.8%	5.9%	5.5%
Equity market premium	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Levered beta	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Cost of equity	10.1%	10.3%	10.5%	10.7%	10.8%	11.0%	10.6%
Cost of debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax rate	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%
WACC	10.1%	10.3%	10.5%	10.7%	10.8%	11.0%	10.6%

Sensitivity analysis	Growth sensitivity (RON)				Terminal growth rate			
	WACC	-2.5%	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%
9.1%	82.622	84.997	87.597	90.456	93.613	97.118	101.032	
9.6%	79.645	81.794	84.137	86.701	89.521	92.635	96.092	
10.1%	76.909	78.860	80.980	83.291	85.821	88.602	91.674	
10.6%	74.387	76.164	78.089	80.180	82.461	84.956	87.700	
11.1%	72.054	73.679	75.433	77.332	79.395	81.644	84.107	
11.6%	69.892	71.381	72.983	74.714	76.587	78.623	80.843	
12.1%	67.881	69.249	70.718	72.300	74.007	75.856	77.865	

	Margin sensitivity (RON)				FCF margin TV			
	WACC	12.0%	12.5%	13.0%	13.5%	14.0%	14.5%	15.0%
9.1%	84.353	86.387	88.421	90.456	92.490	94.524	96.558	
9.6%	80.993	82.896	84.798	86.701	88.604	90.507	92.410	
10.1%	77.938	79.723	81.507	83.291	85.075	86.860	88.644	
10.6%	75.151	76.827	78.504	80.180	81.857	83.533	85.210	
11.1%	72.597	74.175	75.753	77.332	78.910	80.488	82.067	
11.6%	70.248	71.736	73.225	74.714	76.202	77.691	79.180	
12.1%	68.081	69.487	70.894	72.300	73.706	75.113	76.519	

Source: RBI/Raiffeisen Research estimates

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Income statement (RON mn)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Consolidated sales	385.1	407.8	406.9	420.3	444.3	462.6
Changes in inventories & own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	33.6	35.2	40.7	39.9	41.3	42.6
Total revenues	418.7	443.0	447.6	460.3	485.6	505.2
Material costs	-18.2	-20.7	-18.6	-22.7	-32.3	-33.6
Personnel expenses	-140.3	-159.9	-162.6	-175.0	-188.8	-197.3
Other operating expenses	-149.5	-152.0	-152.2	-150.6	-148.2	-149.9
EBITDA	110.7	110.4	114.3	112.0	116.3	124.4
Adjusted EBITDA	110.7	110.4	114.3	112.0	116.3	124.4
Depreciation of PPE and intangibles	-44.5	-48.3	-49.3	-51.8	-52.6	-55.1
EBITA	66.2	62.1	65.0	60.2	63.7	69.3
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	66.2	62.1	65.0	60.2	63.7	69.3
Adjusted EBIT	66.2	62.1	65.0	60.2	63.7	69.3
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income	5.5	7.9	6.1	3.5	3.5	3.6
Other financial result	-0.0	-0.3	-0.7	-0.4	-0.5	-0.6
Financial result	5.5	7.6	5.4	3.1	3.0	3.0
Earnings before taxes	71.7	69.7	70.5	63.3	66.7	72.3
Taxes on income	-11.0	-10.8	-9.6	-10.1	-10.7	-11.6
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	60.7	58.9	60.8	53.2	56.1	60.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	60.7	58.9	60.8	53.2	56.1	60.7
Adjusted Net profit	60.7	58.9	60.8	53.2	56.1	60.7
Changes yoy	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Consolidated sales yoy	2.2%	5.9%	-0.2%	3.3%	5.7%	4.1%
EBITDA yoy	-13.2%	-0.3%	3.5%	-2.0%	3.8%	6.9%
EBITA yoy	-20.3%	-6.2%	4.6%	-7.4%	5.8%	8.7%
EBIT yoy	-20.3%	-6.2%	4.6%	-7.4%	5.8%	8.7%
EBT yoy	-17.3%	-2.8%	1.1%	-10.1%	5.4%	8.3%
Net profit after minorities yoy	-18.4%	-3.0%	3.3%	-12.6%	5.4%	8.3%
Margins	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Material costs margin	-4.7%	-5.1%	-4.6%	-5.4%	-7.3%	-7.3%
EBITDA margin	28.8%	27.1%	28.1%	26.7%	26.2%	26.9%
EBITA margin	17.2%	15.2%	16.0%	14.3%	14.3%	15.0%
EBIT margin	17.2%	15.2%	16.0%	14.3%	14.3%	15.0%
EBT margin	18.6%	17.1%	17.3%	15.1%	15.0%	15.6%
Net margin	15.8%	14.4%	15.0%	12.7%	12.6%	13.1%
Profitability	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Return on assets	8.1%	7.8%	8.0%	7.0%	7.3%	7.8%
Return on equity	9.2%	9.0%	9.3%	8.1%	8.4%	8.9%
Return on capital employed	9.2%	9.0%	9.3%	8.1%	8.4%	8.9%
Cash flow statement (RON mn)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Earnings before taxes	71.7	69.7	70.5	63.3	66.7	72.3
Taxes paid	-11.0	-10.8	-9.6	-10.1	-10.7	-11.6
Amortisation and depreciation	44.5	48.3	49.3	51.8	52.6	55.1
Other non-cash items	-20.0	-34.5	-15.5	-39.1	-35.4	-35.6
Cash flow from result	85.2	72.6	94.7	65.9	73.3	80.2
Change in working capital	-1.2	21.4	-7.3	-3.9	-1.8	-2.8
Operating cash flow	84.0	94.0	87.3	62.0	71.4	77.4
Capex PPE and intangible assets	-87.5	-84.1	-102.0	-73.8	-82.3	-78.9
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposal of fixed assets (total)	0.5	0.0	0.1	0.0	0.0	0.0
Other items (investments)	113.1	31.1	36.4	43.8	45.1	47.5
Investing cash flow	26.0	-53.0	-65.6	-30.1	-37.2	-31.4
Dividend payments	-60.2	-60.1	-59.1	-59.7	-50.5	-53.3
Other changes in equity	0.0	0.0	0.0	6.6	7.9	10.4
Change in financial liabilities	0.0	-2.0	-3.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	-6.6	-7.9	-10.4
Financing cash flow	-60.2	-62.1	-62.1	-59.7	-50.5	-53.3

Source: Conpet, RBI/Raiffeisen Research estimates

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Balance sheet (RON mn)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Current assets	313.8	290.9	245.0	220.0	206.4	201.2
Liquid funds	259.7	238.6	198.3	170.5	154.1	146.9
Receivables	43.2	42.2	40.3	41.6	44.0	45.8
Inventories	9.2	8.2	5.9	6.1	6.5	6.7
Other assets	1.8	1.9	0.6	1.8	1.8	1.8
Fixed assets	437.4	476.2	514.9	536.9	566.6	590.5
Property, plant & equipment	430.6	467.0	504.5	526.6	555.5	578.6
Intangible assets	2.8	3.0	4.3	4.2	5.1	5.8
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	3.9	6.2	6.1	6.1	6.1	6.1
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	751.1	767.1	759.9	756.9	773.0	791.7
Current liabilities	72.8	92.4	79.6	78.4	79.3	78.6
Short-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Notes & trade payables, payments received	19.2	27.2	23.6	24.4	25.8	26.8
Other current liabilities	53.7	65.3	56.0	54.1	53.5	51.8
Long-term liabilities	16.7	20.8	23.3	21.4	23.2	24.7
Long-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Long-term provisions	14.8	20.8	23.3	21.4	23.2	24.7
Other long-term liabilities	2.0	0.0	0.0	0.0	0.0	0.0
Hybrid & other mezzanine capital	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	661.6	653.8	657.0	657.1	670.6	688.4
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	751.1	767.1	759.9	756.9	773.0	791.7
Balance sheet (RON mn)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net working capital	-18.8	-40.2	-32.8	-28.9	-27.0	-24.3
Net interest-bearing debt	-259.7	-238.6	-198.3	-170.5	-154.1	-146.9
Capital employed	661.6	653.8	657.0	657.1	670.6	688.4
Market capitalisation	672.7	689.1	659.7	677.0	677.0	677.0
Enterprise value	413.0	450.6	461.4	506.5	522.9	530.1
Financing (x)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Interest cover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Internal financing ratio	1.0	1.1	0.9	0.8	0.9	1.0
Net gearing	-39.3%	-36.5%	-30.2%	-25.9%	-23.0%	-21.3%
Quick ratio	4.2	3.1	3.0	2.7	2.5	2.5
Fixed assets cover	1.6	1.4	1.3	1.3	1.2	1.2
Capex / depreciation	2.0	1.7	2.1	1.4	1.6	1.4
Equity ratio	88.1%	85.2%	86.5%	86.8%	86.7%	87.0%
Per share data (RON)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Weighted avg. no. of shares (mn)	8.7	8.7	8.7	8.7	8.7	8.7
EPS reported	7.0086	6.8007	7.0281	6.1453	6.4757	7.0125
Earnings per share (adj.)	7.0086	6.8007	7.0281	6.1453	6.4757	7.0125
Operating cash flow per share	9.7075	10.8587	10.0855	7.1600	8.2498	8.9429
Book value per share	76.4135	75.5193	75.8889	75.8989	77.4537	79.5167
DPS	7.4678	7.1795	6.8966	5.8381	6.1518	6.6624
Payout ratio	106.6%	105.6%	98.1%	95.0%	95.0%	95.0%
Valuation (x)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
PE reported	11.1	11.7	10.8	12.7	12.1	11.2
Adjusted PE ratio	11.1	11.7	10.8	12.7	12.1	11.2
Price cash flow	8.0	7.3	7.6	10.9	9.5	8.7
Price book value	1.0	1.1	1.0	1.0	1.0	1.0
Dividend yield	9.6%	9.0%	9.1%	7.5%	7.9%	8.5%
Free cash flow yield	-0.4%	1.4%	-2.2%	-1.7%	-1.6%	-0.2%
EV/sales	1.1	1.1	1.1	1.2	1.2	1.1
EV/EBITDA	3.7	4.1	4.0	4.5	4.5	4.3
EV/EBIT	6.2	7.2	7.1	8.4	8.2	7.7
EV/operating cash flow	4.9	4.8	5.3	8.2	7.3	6.8
Adjusted EV/CE	1.0	1.1	1.0	1.0	1.0	1.0
Adjusted EV/CE vs. ROCE/WACC				1.3	1.2	1.2

Source: Conpet, RBI/Raiffeisen Research estimates

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SWOT Analysis

Strengths/Opportunities

- Natural monopoly for crude transportation services
- Regulated business, with a guaranteed operating profit
- High pay-out ratio
- Strong net cash position representing 26% of 2020 total assets

Weaknesses/Threats

- High dependency on just two clients operating in a mature sector
- Regulatory risk on tariff setting
- Low capacity usage (37.5%) and mostly fixed operating expenses
- Low investment needs and the unused modernisation quota cause a build-up in cash

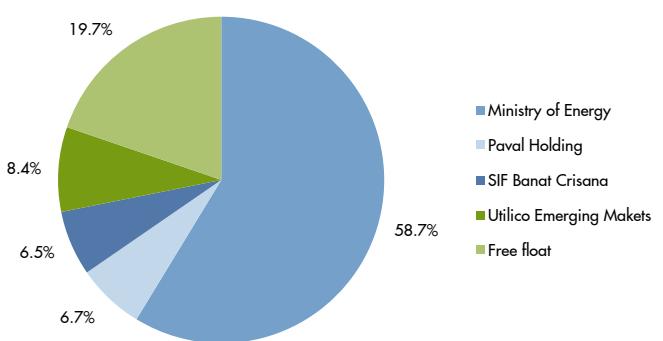
Fact Sheet

Company description

Conpet (COTE) operates the national crude oil, natural gasoline and condensate transportation grid. The company has a 30 years concession agreement to operate the grid granted in July 2002 by the National Agency for Mineral Resources (ANRM).

Core businesses include: (i) domestic transportation of crude oil, gasoline and condensate through pipelines and railway transportation (ca. 67% of 2020 revenues), and (ii) transportation of imported crude oil from Oil Terminal in Constanta to three Romanian refineries (ca. 23% of 2020 revenues).

Shareholder structure



Income statement (RON mn)	12/2020	12/2021e	12/2022e	12/2023e
Consolidated sales	406.9	420.3	444.3	462.6
EBITDA	114.3	112.0	116.3	124.4
EBIT	65.0	60.2	63.7	69.3
EBT	70.5	63.3	66.7	72.3
Net profit bef. min.	60.8	53.2	56.1	60.7
Net profit after min.	60.8	53.2	56.1	60.7

Per share data (RON)	12/2020	12/2021e	12/2022e	12/2023e
EPS pre-goodwill	7.028	6.145	6.476	7.013
Adj. EPS diluted	7.028	6.145	6.476	7.013
Operating cash flow	10.086	7.160	8.250	8.943
Book value	75.889	75.899	77.454	79.517
Dividend	6.897	5.838	6.152	6.662
Payout ratio	98.1%	95.0%	95.0%	95.0%

Balance sheet

Total assets	759.9	756.9	773.0	791.7
Shareholders' equity	657.0	657.1	670.6	688.4
Goodwill	0.0	0.0	0.0	0.0
NIBD	-198.3	-170.5	-154.1	-146.9

Cash flow statement

Operating cash flow	87.3	62.0	71.4	77.4
Investing cash flow	-65.6	-30.1	-37.2	-31.4
Change NIBD	-40.3	-27.8	-16.4	-7.3

Source: Conpet, RBI/Raiffeisen Research estimates

Valuation (x)

PE pre-goodwill	10.8	12.7	12.1	11.2
Adj. PE diluted	10.8	12.7	12.1	11.2
Price cash flow	7.6	10.9	9.5	8.7
Price book value	1.0	1.0	1.0	1.0
Dividend yield	9.1%	7.5%	7.9%	8.5%
FCF yield	-2.2%	-1.7%	-1.6%	-0.2%
EV/EBITDA	4.0	4.5	4.5	4.3
EV/EBIT	7.1	8.4	8.2	7.7
EV/operating CF	5.3	8.2	7.3	6.8

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Acknowledgements

Publication schedule

Recommendation history

15.03.2016 (Initiation date)	Rating	Target Price	Prev. day's close	Upside	Analyst
01.04.2021	Hold	93.00	91.60	1.5%	C. Ciubotaru

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	Column A	Column B
Investment recommendation	Basis: All recommendations for all financial instruments (last 12 months)	Basis: Recommendations for financial instruments of all issuers, for which special services were rendered in the last 12 months
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Hold recommendations	25.1%	23.0%
Sell recommendations	18.6%	17.7%

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