

Company News

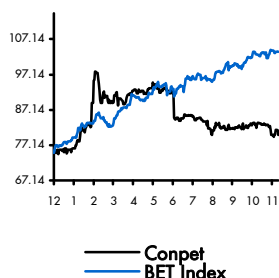
Conpet

November 17, 2021

Utilities/Romania

Hold

Price 16.11.21*	80.0000
Price target	93.0000
Volatility risk	medium
Year high/low	98.0000/74.6000
Currency	RON
RON/EUR	4.95
GDR rate	n.a.
Shares outstanding eoy in mn	8.66
Market capitalisation (total shares) in EUR mn	140.0
Free float	19.7%
Free float in EUR mn	27.6
Avg. daily turnover (12 m) in EUR mn	0.04
Index	BETI
ISIN code	ROCOTEACNOR7
Bloomberg	COTE.RO
Reuters	COTE.BX
www.conpet.ro	



Source: RBI/Raiffeisen Research

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Profitability weakens owing to higher opex

- Q3 21 net profit in line with RBlE and below the reference period of last year
- Opex pushed the bottom line lower on the back of higher modernization quota expenses
- Conpet left the FY 21 guidance unchanged
- We rate the Q3 results negatively due to lower profitability and weaker margins

Conpet reported the Q3 21 results on November 15, which were in line with our expectations. The bottom line declined by roughly 15% yoy (-17% qoq) to RON 14.7 mn, being in line with our ex-ante figure (RON 14.8 mn). The lower profitability could be explained by a higher rate of increase in opex (+7% yoy) than in the total operating revenues (+3% yoy).

Soft revenue growth: Revenues from transport increased by 7% yoy (+2% qoq), reaching RON 106.6 mn, slightly below our estimates (by 150 bps). The underlying factor that justifies the revenue growth is the import subsystem, recording an increase of 28% yoy in revenue (+11% yoy in transported quantities), compensating for a flat domestic subsystem revenue (+1% yoy). The overall quantities transported generated an increase of 4% yoy or 7% qoq in the wake of a continuous trend in performance of the import component, while the domestic volumes were down 3% yoy, amounting to 806k tonnes this quarter. The turnover and the volumes transported for the Q1-3 21 were roughly higher than the management's guidance (approx. +1%).

Opex rising in line with RBlE: Q3 opex matched our estimations (+7% yoy or +2% qoq), reaching RON 101 mn. The key driver that justifies this grow in opex is the rise in the modernization quota expenses due to higher investments made in developments on the public domain according to the conference call, up by 45% yoy (i.e. RON 4.11 mn). Also, the raw materials and energy-water expenses (+26% yoy, albeit from a lower base) contributed with RON 1 mn to the rise in opex, alongside the external third-party expenses, up by 6% yoy (i.e. RON 1.5 mn). Depreciation charges increased 7% yoy, remaining in line with our projections. The higher opex led to a decrease yoy in EBITDA by 6%, which matched our forecast for the quarter.

Shrinking margins: Q3 EBITDA margin dropped from 32% by 400 bps yoy to 28%, while the net profit margin was down 300 bps yoy to 14%. We expected these margin reductions, accounting for our ex-ante Q3 EBITDA margin at 28% and net profit margin at 14% based on the last quarter results and on the business seasonality.

Guidance and recommendation: Although the Q3 performance was lower compared to the reference period of last year, the FY 21 guidance remains unchanged, the management believing that the FY 21 results will be slightly higher than the guidance provided.

Conpet - Q3 21 results

in RON mn	Q3 21	Q3 20	+/-	RBlE	+/-	Q2 21	+/-
Turnover, o/w:	106.6	100.0	7%	108.2	-1%	104.9	2%
Domestic crude	73.9	73.0	1%	78.1	-5%	76.0	-3%
Imported crude	32.2	25.2	28%	28.7	12%	28.4	14%
EBITDA	29.7	31.7	-6%	30.0	-1%	31.9	-7%
EBIT	16.3	19.1	-15%	16.5	-1%	18.7	-13%
Net profit	14.7	17.2	-15%	14.8	-1%	17.8	-17%
EPS	1.7	2.0	-15%	1.7	-1%	2.1	-17%
EBITDA margin	28%	32%		28%		30%	
EBIT margin	15%	19%		15%		18%	
Net profit margin	14%	17%		14%		17%	

Source: Conpet, RBI/Raiffeisen Research estimates

Date of completion of this report:
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