

Equity watch Conpet: Weaker than expected performance in Q4 22

- Q4 22 net profit came in at RON 12 mn, 28% below RBle
- Higher raw materials and energy-water expenses pushed the bottom line lower
- We rate the results as neutral due to a better yoy performance

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Conpet Q4 22 results

in RON mn (consolidated)	Q4 22	Q4 21	+/- %	RBle	+/- %	Q3 22	+/- %
Turnover, o/w:	120.8	99.5	21.4%	118.3	2.1%	118.3	2.2%
Domestic crude	81.4	73.6	10.6%	79.1	2.9%	79.7	2.1%
Imported crude	38.9	25.3	53.7%	38.4	1.3%	38.0	2.3%
EBITDA	25.5	24.4	4.4%	31.9	-20.1%	32.7	-22.0%
EBIT	11.5	10.7	7.0%	17.7	-35.1%	18.6	-38.3%
Net profit	12.0	9.9	20.4%	16.7	-28.4%	18.6	-35.7%
EPS	1.4	1.1	20.4%	1.9	-28.4%	2.2	-35.7%
EBITDA margin	21.1%	24.6%		27.0%		27.7%	
EBIT margin	9.5%	10.8%		15.0%		15.8%	
Net profit margin	9.9%	10.0%		14.1%		15.7%	

Source: Conpet, RBI/Raiffeisen Research estimates

Conpet reported Q4 22 results on February 28 with net profit coming in below our expectations. The net profit was up by 20% yoy, to RON 12 mn, while the transported quantities reached 1.9 mn tons (+22% yoy), being almost 9% above RBle.

Sharp uptick for the import component: Turnover reached RON 121 mn (+21% yoy), being slightly above RBle (RON 118 mn). The major contributor of revenue growth was the revenues from transportation of imported products, which increased by 54% yoy (broadly matching our expectations), driven by a substantial rise of transported volumes (+51% yoy). The revenues from domestically transported products increased by 11% yoy (3% above our expectations) after a decrease of 4% yoy in transported quantities.

Opex exceeding RBle: Opex surpassed our expectations (RON 112 mn) and was up by 21% yoy to RON 121 mn. The main reasons were rising of raw materials and energy-water expenses by 87% yoy, labor expenses up by 10% yoy. At the same time, in Q4 22 provisions adjustments related to employee benefits were higher with RON 5 mn, reaching RON 4 mn. In addition, there was a 21% yoy increase in other operating expenses, primarily attributed to the rise in modernisation quota expenses (+24% yoy). These expenses were designated for investments in the public domain.

Profitability fell below expectation: Margins were worse than in Q4 21, with the EBITDA margin reaching 21%, after 25% in the same period of the last year, below our ex-ante figure of 27%, and EBIT margin reaching 9.5% (vs. 10.8% in Q4 21). The net profit margin remained almost flat reaching 10%, underperforming our estimate of 14%.

Guidance and recommendation: Despite Q4 22 costs exceeding RBle, we rate the results as neutral considering yoy performance. For the FY 2023 we see the risks to the company represented by lower transported volumes' guidance, given high dependency on two large clients: OMV Petrom and Lukoil, which refineries have scheduled maintenance work. However, we maintain our previous 2023e and deem that the recently approved tariffs applicable for 2023 will offset the adverse effects of the cost increase and lower transported volumes.

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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Symbol	Date	Recommendation	Company
COTE.BX	05.01.2023	Buy	Conpet
COTE.BX	18.11.2022	Hold	Conpet
COTE.BX	16.05.2022	Hold	Conpet

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