

Equity Watch Conpet: Weaker than expected performance in Q1 23

- Q1 23 net profit came in at RON 18 mn, 6% below RBle
- Transport on the import subsystem increased in Q1 and mitigated the decline of the domestic subsystem
- We rate the Q1 results negatively due to lower profitability and weaker margins

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Conpet Q1 23 results

in RON mn	Q1 23	Q1 22	+/- %	RBle	+/- %	Q4 22	+/- %
Turnover, o/w:	127.7	117.2	9.0%	127.8	-0.1%	120.8	5.7%
Domestic crude	87.7	82.0	7.0%	90.0	-2.5%	81.4	7.8%
Imported crude	39.5	34.5	14.3%	37.0	6.8%	38.9	1.5%
EBITDA	33.5	34.5	-2.7%	34.0	-1.3%	25.5	31.5%
EBIT	19.4	21.0	-7.4%	20.8	-6.7%	11.5	68.8%
Net profit	18.0	18.8	-4.2%	19.1	-5.7%	12.0	50.4%
EPS	2.1	2.2	-4.2%	2.2	-5.7%	1.4	50.4%
EBITDA margin	26.3%	29.4%		26.6%		21.1%	
EBIT margin	15.2%	17.9%		16.3%		9.5%	
Net profit margin	14.1%	16.1%		14.9%		9.9%	

Source: Conpet, RBI/Raiffeisen Research estimates

Conpet (BUY, TP RON 86.6) reported Q1 23 results on May 11 with net profit coming in below our expectations. The net profit was down by 4% yoy, to RON 18 mn, while the transported quantities reached 1.7 mn tons (+3% yoy), being 6% below RBle.

Lower domestically transported quantities: Turnover reached RON 128 mn (+9% yoy), being in line with RBle. The major contributor of revenue growth was the revenues from transportation of imported products, which increased by 14% yoy (7% above our expectations), driven by the rise of transported volumes (+9% yoy). The revenues from domestically transported products increased by 7% yoy (3% below our expectations) after a decrease of 4% yoy in transported quantities.

Opex slightly higher than RBle: Opex slightly surpassed our expectations of RON 118 mn and was up by 6% yoy to RON 119 mn. The main reasons were a 13% yoy rise in provisions adjustments related to employee benefits, an 8% yoy increase in labor expenses, and a 5% yoy increase in depreciation. Meanwhile, raw materials and energy-water expenses decreased by 4% yoy. Additionally, there was a 15% yoy increase in other operating expenses, primarily attributed to the rise in modernisation quota expenses (+13% yoy). These expenses were designated for investments in the public domain.

Shrinking margins: Margins were worse than in Q1 22, with the EBITDA margin reaching 26%, after 29% in the same period of the last year, slightly below our ex-ante figure of 27%, and EBIT margin reaching 15% (vs. 18% in Q1 22). The net profit margin reached 14%, down from 16% in the previous year, underperforming our estimate of 15%.

Guidance: Given the decrease in the bottom line and the pressure on margins, we rate the results as negative but maintain our previous estimates for FY 2023e for the moment.

The conference call is scheduled for Wednesday, May 17.

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.

Daniela POPOV

Analyst Editor

+40 21 306-1239

daniela.popov@raiffeisen.ro

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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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OLEG GALBUR

📍 Austria  ,
 ✉ oleg.galbur@rbinternational.com


JAKUB KRAWCZYK

📍 Austria  ,
 ✉ jakub.krawczyk@rbinternational.com


SEBASTIAN MATHE

📍 Austria  ,
 ✉ sebastian.mathe@rbinternational.com

MARKUS REMIS

📍 Austria  ,
 ✉ markus.remis@rbinternational.com

TERESA SCHINWALD

📍 Austria  ,
 ✉ teresa.schinwald@rbinternational.com


JOVAN SIKIMIC

📍 Austria  ,
 ✉ jovan.sikimic@rbinternational.com


ROK STIBRIC

📍 Austria  ,
 ✉ rok.stibric@rbinternational.com

ANA LESAR

📍 Croatia  ,
 ✉ ana.lesar@rba.hr

ANA TURUDIC

📍 Croatia  ,
 ✉ ana.turudic@rba.hr

ADRIAN-COSMIN PATRUTI

📍 Romania  ,
 ✉ adrian-cosmin.patruti@raiffeisen.ro

DANIELA POPOV

📍 Romania  ,
 ✉ daniela.popov@raiffeisen.ro

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