

Company Update

Conpet

November 18, 2022

Utilities/Romania

Hold

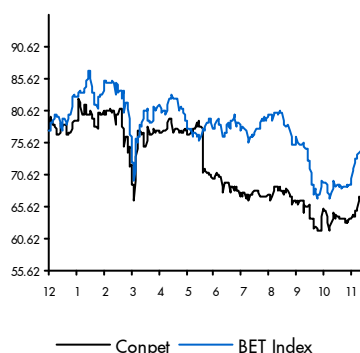
Price 17.11.22*	66.4000
Price target	76.1000
Volatility risk	medium
Year high/low	82.4000/61.8000
Currency	RON
RON/EUR	4.92
GDR rate	n.a.
Shares outstanding eoy in mn	8.66
Market capitalisation (total shares) in EUR mn	116.8
Free float	28.9%
Free float in EUR mn	33.8
Avg. daily turnover (12 m) in EUR mn	0.04
Index	BETI
ISIN code	ROCOTEACNOR7
Bloomberg	COTE RO
Reuters	COTE.BX
www.conpet.ro	

Pipes continue to preserve value

Since our last report in May, the oil market has undergone radical changes. The EU has imposed an embargo on Russian crude oil and refined products, which will come into effect on December 5 and February 5, respectively. This means that imports of crude oil will be prohibited for Romanian companies. However, we do not see other imminent risks for Conpet's future: first of all, regarding energy security of Romania, on October 7, 2022 Kazakh and Romanian authorities signed documents agreeing on cooperation in the field of energy, which implies that Romania will receive full support in securing supplies of crude oil and refined products. Secondly, the management has provided assurance that no blockage is foreseen in terms of transported quantities. Following the release of Q3 22 figures we updated our estimates. We raise our target price to RON 76.1 from RON 71.0 but confirm our HOLD recommendation, as we have increased our estimates for 2022e. At the same time, we implemented a higher discount rate in the DCF as a result of an increasing risk-free rate for Romania.

Outlook: Given the increase of regulated tariffs during 2019-2022, we anticipate this trend to continue in the following period, in order to mitigate inflation pressure and the declining trend of domestic volumes. We expect domestic tariffs for 2022-24e to increase by 13.2%, while tariffs for the import subsystem are anticipated to rise by 14.1%. Also, we expect revenues from transport to grow at a CAGR of 7.6% for the period 2022-24e. The main driver of the revenue growth being the import segment, which should increase at a CAGR of 13.6%, while the domestic segment is expected to increase at a CAGR of 5.0% yoy. We deem that on the back of declining production of crude oil and refined products in Romania, the turnover distribution structure will likely shift, with the domestic component sliding to 66.7% in 2024e (vs. 71.8% in 2021), while the share of imported volumes transported is expected to increase towards 32.6% of turnover in 2024e (vs. 27.7% in 2021). We project an average EBITDA of RON 127.2 mn in 2022-24e vs. RON 112.0 mn in 2019-2021. For the current year, we forecast the net income to amount to RON 67.8 mn, increasing at a CAGR of 10.6% in the period 2022-24e, and reaching RON 70.2 mn in 2024e.

Valuation: We continue to value Conpet using a Discounted Cash Flow model, based on which we have derived a 12-month target price of RON 76.1. Given that the current equity of Conpet trades at RON 66.4/share as of this report, our valuation methodology indicates an upside potential of 14.6% relative to the current market price.



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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Disclosures:

<https://equityresearch.rbinternational.com>

European Central Bank (ECB) within Single Supervisory Mechanism, Austrian Financial Market Authority and Austrian National Bank

* The indicated price is the last price as available at 6:30 AM on 18.11.22, Source: Reuters/Bloomberg

Key figures and ratios

RON	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Sales (mn)	407	413	470	476	514
EBITDA (mn)	114	111	128	122	132
EBIT (mn)	65	58	71	67	78
Net profit a.m. (mn)	61	52	68	63	70
Earnings per share (adj.)	7.028	5.998	7.830	7.280	8.109
EPS adjusted growth	3.3%	-14.7%	30.5%	-7.0%	11.4%
Adjusted PE ratio	10.8	13.2	8.5	9.1	8.2
DPS	6.90	7.28	7.44	6.92	7.70
Dividend yield	9.1%	9.2%	11.2%	10.4%	11.6%
EV/EBITDA	4.0	4.4	3.2	3.7	3.5
Price book value	1.0	1.0	0.8	0.8	0.8

Source: Conpet, RBI/Raiffeisen Research estimates



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Outlook

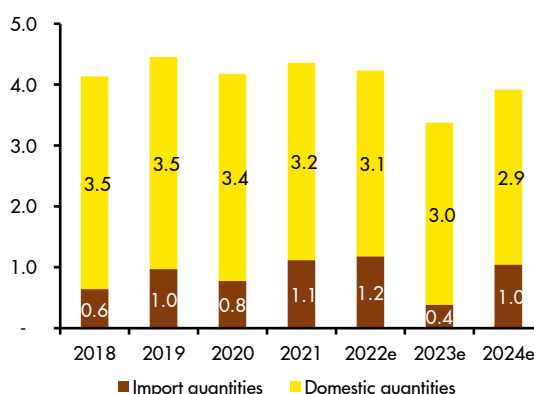
EU embargo on Russian crude oil and refined products

According to the EU's sixth package of sanctions, an embargo on imports of Russian crude oil and refined products will be applied starting from December 5 and February 5, respectively. We believe that this ban should not significantly affect the company's transportation contracts for FY 2023 for two reasons: on the one hand, speaking about energy security of Romania, on October 7, 2022 Kazakh and Romanian authorities signed documents agreeing on cooperation in the field of energy, which implies that Romania will receive full support in securing supplies of crude oil and refined products. On the other hand, the management has assured us that a blockage in terms of transported quantities is not foreseen.

High dependency on two large clients

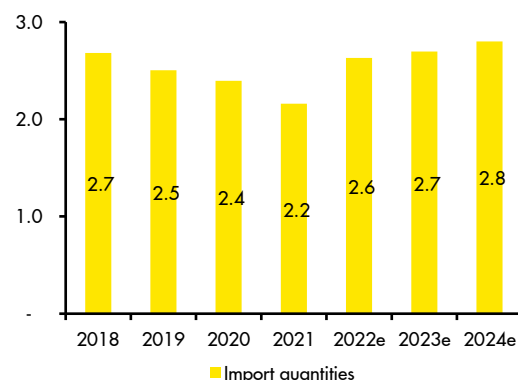
Among Conpet's customers, the most exposed to the new restrictions would be Lukoil, which brings its crude oil from Russia for the time being. But we do not see any possible operational disruption as Lukoil is willing to replace imports of Russian crude and, so far, the company confirms that it had found an alternative supplier of crude oil. Lukoil is the company's second largest client, with its transport revenues representing 16.8% of 2021 turnover. In this context, it should be highlighted that the company has a high dependency on two large clients: OMV Petrom and Lukoil. The transport revenues coming from OMV Petrom represented 82.6% of 2021 turnover. We see this dependency as a further risk for the company's future as Petrom's oil fields are maturing and production is on a downward trend (-4.3% in 2021 vs. 2020).

Volumes transported for OMV Petrom in 2018-2024e (mn t)



Sources: Conpet, RBI/Raiffeisen Research estimates

Volumes transported for Lukoil in 2018-2024e (mn t)



Sources: Conpet, RBI/Raiffeisen Research estimates

Summons filed by OMV Petrom against Conpet and ANRM regarding the tariffs set for domestic and import subsystems

Risk of dispute

On October 14, Conpet announced that the Bucharest Court of Appeal had communicated a summons filed by OMV Petrom against the National Agency for Mineral Resources (ANRM) and Conpet. OMV Petrom requires a change in tariffs set for domestic and import subsystems, charged for the transport services provided by Conpet and established by the regulator (ANRM). Furthermore, it implies the obligation of Conpet to pay compensation to OMV Petrom representing the difference between the amount of the tariffs adopted by ANRM and paid by OMV Petrom in the period 01.01.2022-31.08.2022 and the amount of tariffs that will be established in file no. 5971/2/2022, inflation-indexed, as well as the related legal interest. It also foresees the obligation of Conpet and ANRM to pay the court costs. According to the management, the tariffs set for transport services were fully in compliance with legislation and the company decided not to make any provision. Also, we noticed that Conpet had never been engaged in a similar trial with clients. At the moment, the economic impact of this statement is uncertain, as the file is in investigation, and it still has no court date. Taking all these into consideration, we assumed a favourable court decision for Conpet in the current report.

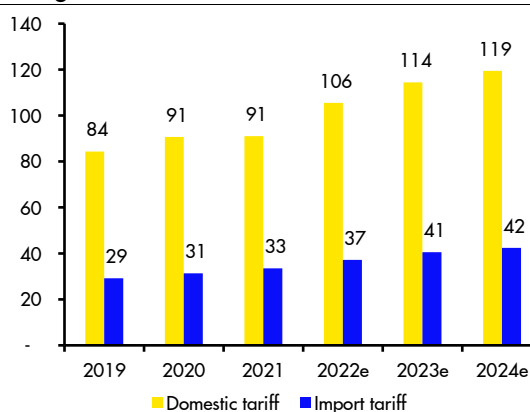
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Declining domestic transported volumes are offset by an increase in domestic tariffs

The tariffs for the supply of crude oil are regulated and approved by the ANRM and are distinguished for each transport subsystem. Starting from Jan 1, the tariffs from transport services on the domestic subsystem are set at 105.5 RON/t. Over the last few years, the domestic quantities transported marked a continuous decline pattern. Thus, we expect Conpet to transport even lower volumes of domestically produced crude oil in 2022-24e, which we estimate to reach 2.9 mn t in 2024e. We believe that in order to mitigate the negative effect of falling domestic crude volumes on total revenues, combined with inflation pressure, the transportation tariffs for the domestic subsystem will likely continue to increase, being up by 8.5% yoy in 2023e, to 114.5 RON/t and by 4.4% yoy in 2024e, to 119.4 RON/t.

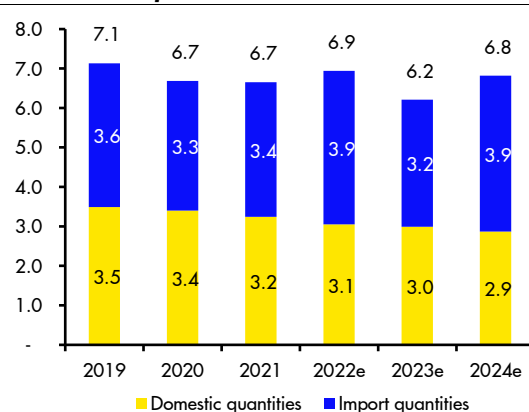
On the import side, we forecast a CAGR of 5.0% in transported quantities for the period 2022-24e, despite the fact that in 2023e we forecast a drop of import quantities (17.2% yoy), taking into consideration OMV Petrom's scheduled maintenance work, which is expected to last approx. 45 days. The tariffs for the import subsystem should also increase, being up by 9.1% yoy in 2023e, to 40.5 RON/t and by 4.6% yoy in 2024e, to 119.4 RON/t.

Average tariffs 2019-2024e (RON/t)



Sources: Conpet, RBI/Raiffeisen Research estimates

Volumes transported 2019-2024e (mn t)

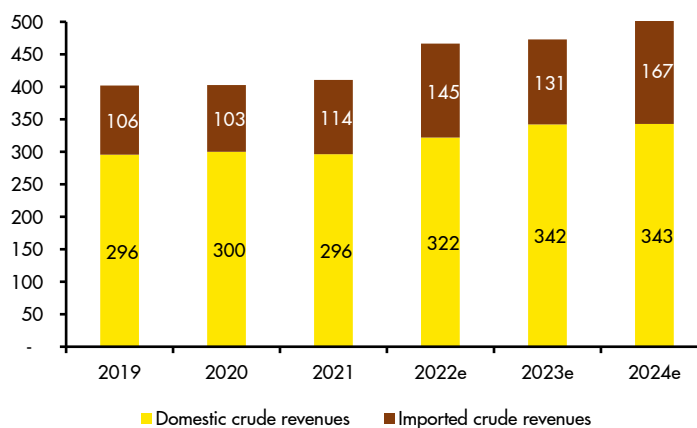


Sources: Conpet, RBI/Raiffeisen Research estimates

The share of imports in turnover is expanding

On the back of declining production of crude oil and refined products in Romania, we forecast a shift of the structure in the turnover distribution, with the domestic component sliding to 66.7% in 2024e (vs. 71.8% in 2021), while the share of imported volumes transported is expected to increase towards 32.6% of turnover in 2024e (vs. 27.7% in 2021). Therefore, the share of the import component in the top line is expected to increase for the projected period. Overall, we expect turnover to grow at a moderate CAGR of 7.6% over the period 2022-24e.

Turnover in 2019-2024e (RON mn)



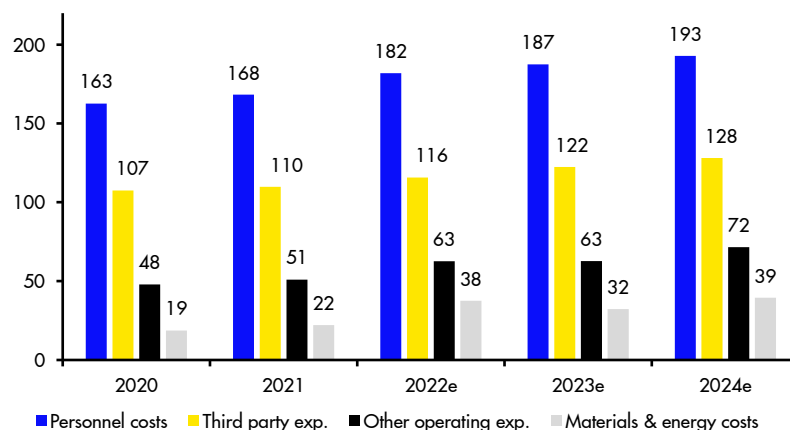
Sources: Conpet, RBI/Raiffeisen Research estimates

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Higher cost items such as personnel expenses and third-party expenses...

The cost structure of Conpet is expected to be dominated by personnel-related expenses, reaching RON 181.9 mn in 2022e, which could increase by 4.7% annually in 2022-24e, to RON 192.8 mn in 2024e (vs. RON 168.2 mn in 2021), considering the indexation to inflation and other outstanding employee debts. It could be followed by third-party expenses, which are expected to reach RON 115.7 mn in 2022e. In 2023e, these could increase by 5.8% yoy to RON 122.4 mn, as the current railway transportation contract expires in April 2023, and we assume the new transport tariff to be higher than the previous one.

Operating costs breakdown (RON mn)



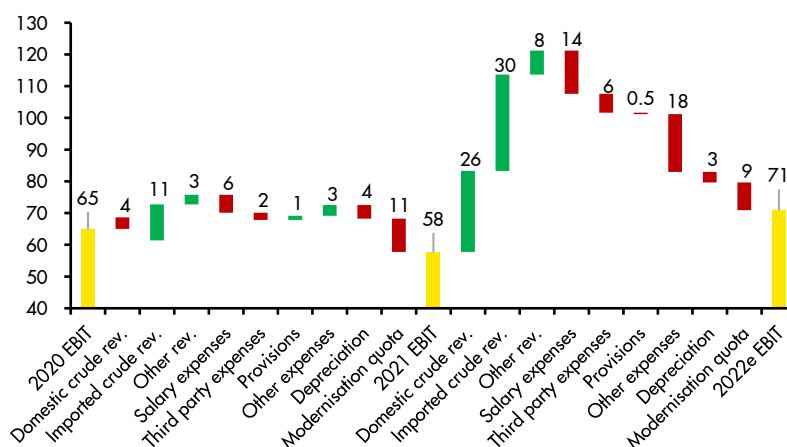
Sources: Conpet, RBI/Raiffeisen Research estimates

... remain the main culprits of shrinking margins

Taking into consideration opex pressure on margins, driven by stubbornly high inflation (our forecast for the average inflation in 2022 is 13.2%), we estimate that EBITDA should reach RON 127.8 mn) with a margin of 27.2% in 2022e. We project an average EBITDA of RON 127.2 mn in 2022-24e vs. RON 112.0 mn in 2019-2021. EBIT is expected to amount to RON 70.9 mn in 2022e, increasing at a CAGR of 10.4% in the period 2022-24e and reaching RON 77.6 mn in 2024e. We estimate that depreciation and amortisation expenses will represent an average of 43.6% of EBITDA in 2022-24e, with a slightly declining trend from 44.5% in 2022e to 41.3% in 2024e.

We assume that financial gains could reach RON 9.8 mn in 2022e, while the income tax expense should reach RON 12.9 mn. As a result, net income for 2022e should come in at RON 67.8 mn. We forecast net income to increase at a CAGR of 10.6% in the period 2022-24e, reaching RON 70.2 mn in 2024e.

EBIT evolution 2020-2022e (RON mn)



Sources: Conpet, RBI/Raiffeisen Research estimates

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Strong Q3 22 results

Q3 2022 results

Conpet reported Q3 22 results on November 14, which were significantly above our expectations in respect to net profit. The bottom line increased by 27.0% yoy (21.7% qoq) to RON 18.6 mn, being above our ex-ante figure (RON 15.1 mn). Revenues from transport reached RON 118.3 mn (+10.9% yoy), being 2.6% above our estimates. The main driver of revenue growth was the import segment, which increased by 18.1% yoy (10.8% above our expectations), while the domestic segment increased by 7.9% yoy (1.3% below our expectations).

At the same time, opex grew by 9.0% yoy (i.e. RON 9.1 mn), reaching RON 110.1 mn, on the back of higher raw materials & energy and water expenses, up by 84.6% yoy (i.e. RON 9.3 mn), labour expenses, up by 7.3% yoy (i.e. RON 43.1 mn). Other operating expenses also increased by 10.7% yoy, due to higher modernisation quota expenses (+11.4% yoy), which were allocated mainly to investments in the public domain.

Q3 22 EBITDA increased by 10.1% yoy, to RON 32.7 mn (13.5% above our estimate) with a margin of 27.7%. At the same time, the financial profit was up 382.5% yoy (i.e. RON 2.3 mn), benefitting from higher interest rates offered by banks for term deposits.

Conpet – Q3 22 results

in RON mn	Q3 22	Q3 21	+/-	RBIe	+/-	Q2 22	+/-
Turnover, o/w:	118.3	106.6	11%	115.2	3%	116.0	2%
Domestic crude	79.7	73.9	8%	80.8	-1%	81.7	-2%
Imported crude	38.0	32.2	18%	34.3	11%	33.7	13%
EBITDA	32.7	29.7	10%	28.8	14%	29.4	11%
EBIT	18.6	16.3	15%	15.3	22%	15.5	20%
Net profit	18.6	14.7	27%	15.1	23%	15.3	22%
EPS	2.2	1.7	27%	1.7	23%	1.8	22%
EBITDA margin	28%	28%		25%		25%	
EBIT margin	16%	15%		13%		13%	
Net profit margin	16%	14%		13%		13%	

Sources: Conpet, RBI/Raiffeisen Research estimates

Higher revenues in comparison with previous forecasts

Changes in forecasts

The latest guidance revision of revenues and the expenditure budget, associated with the release of Q3 22 results, prompted us to raise our FY 2022e revenues from transport on both segments. We forecast slightly higher (+3.0%) revenues from the domestic segment in comparison with our previous report. We assume that revenues from the import segment should be also higher, being 6.8% above our previous forecast.

Taking into consideration the fact that in the released preliminary data for Q1-3 2022 net profit reached RON 52.7 mn, we believe that it could reach RON 67.8 mn in 2022e, which 27.7% higher compared to our previous report. Looking further ahead, we assume that OMV Petrom's maintenance work from 2023e will most probably push the net profit for next year down to RON 63.0 mn. However, we assume that it should remain at this level just temporarily and recover from 2024e onwards, reaching RON 70.2 mn.

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Changes to our forecasts

in RON mn	Previous			new		
	2022e	2023e	2024e	2022e	2023e	2024e
Turnover, o/w:	451.1	462.6	505.1	470.0	476.5	513.7
Domestic crude	312.3	332.2	339.3	321.8	342.1	342.8
Imported crude	135.3	126.8	162.1	144.5	130.7	167.3
Rent and others	3.5	3.6	3.6	3.7	3.7	3.6
Other operating revenues	51.0	45.6	45.8	51.8	46.2	46.3
Total operating revenues	502.2	508.2	550.9	521.8	522.6	560.0
Total operating expenses	384.5	392.1	424.0	394.0	401.0	427.9
EBITDA	117.7	116.1	126.9	127.8	121.6	132.1
EBIT	60.0	57.1	68.5	70.9	67.0	77.6
Net profit	53.1	50.5	60.0	67.8	63.0	70.2
EPS	6.1	5.8	6.9	7.8	7.3	8.1

Sources: Conpet, RBI/Raiffeisen Research estimates

12m TP adjusted upwards

Valuation

We continue to value Conpet with a Discounted Cash Flows methodology. Therefore, we raise our target price to RON 76.1 from RON 71.0 but confirm our HOLD recommendation. The main arguments behind our price increase are strong Q1-3 2022 results, associated with higher transported volumes guided by the management, which make us raise our estimates for 2022e. The increase of earnings projections is compensated for by a higher discount rate (being around 8.5% for the explicit period). Thus, we have revised our risk-free rates for Romania upwards, to 8.25% for 2022e (25 bps higher than in the previous valuation) given the monetary policy ambitions to combat the climbing inflation by raising the reference rates. Consequently, the WACC ranges between 13.7% and 14.0% in the explicit period and amount to 11.5% in perpetuity. We maintain our TV growth rate of 0% given the general expectations of declining demand for crude oil over time.

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DCF Valuation

<i>FCF projection (RON mn)</i>	2022e	2023e	2024e	2025e	2026e	2027e	TV CF
Consolidated sales	470.0	476.5	513.7	529.1	542.3	554.8	565.9
EBITDA	127.8	121.6	132.1	145.5	149.1	152.0	154.5
EBITA	70.9	67.0	77.6	88.2	89.2	89.4	94.5
Taxes paid on EBITDA	-12.9	-12.0	-12.4	-14.1	-14.3	-14.3	-15.1
NOPLAT	59.6	56.3	65.2	74.1	74.9	75.1	79.4
Adj. NOPLAT	59.6	56.3	65.2	74.1	74.9	75.1	79.4
Depreciation of PPE & intangibles	56.9	54.6	54.5	57.3	60.0	62.6	60.0
Gross investment in PPE & intangibles	-103.7	-99.1	-97.5	-90.1	-81.8	-72.9	-60.1
Change in working capital	-0.4	-4.0	-2.8	6.0	6.2	6.4	0.0
NWC/Sales	-5.7%	-4.8%	-3.9%	-4.9%	-6.0%	-7.0%	-8.0%
Change in LT provisions other than tax	4.3	0.5	0.9	0.5	0.5	0.5	0.5
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow to firm	16.6	8.2	20.4	47.7	59.7	71.7	79.7
Adj. free cash flow to firm	16.6	8.2	20.4	47.7	59.7	71.7	79.7
EV DCF, mid-year assumption	494.9	555.7					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	-163.6	-127.5					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	0.0	0.0					
Fair value of equity	658.5	683.2					
Shares outstanding (mn)	8.7	8.7					
Fair value per share (in RON)	76.0576	78.9145					

<i>Value drivers</i>	2022e	2023e	2024e	2025e	2026e	2027e	TV CF
Consolidated sales yoy	13.9%	1.4%	7.8%	3.0%	2.5%	2.3%	0.0%
EBITDA margin	27.2%	25.5%	25.7%	27.5%	27.5%	27.4%	27.3%
Rate of taxes paid	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%
Working capital/sales	-5.7%	-4.8%	-3.9%	-4.9%	-6.0%	-7.0%	-8.0%
Capex/depreciation	182.2%	181.4%	178.9%	157.2%	136.5%	116.6%	100.3%
Free cash flow margin	3.5%	1.7%	4.0%	9.0%	11.0%	12.9%	14.1%

<i>WACC</i>	2022e	2023e	2024e	2025e	2026e	2027e	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)	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	6.0%
Equity market premium	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Levered beta	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Cost of equity	13.7%	14.0%	14.0%	14.0%	14.0%	14.0%	11.5%
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	13.7%	14.0%	14.0%	14.0%	14.0%	14.0%	11.5%

Sensitivity analysis

<i>Growth sensitivity (RON)</i>	<i>Terminal growth rate</i>						
WACC	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%
10.0%	79.010	81.274	83.755	86.485	89.503	92.859	96.611
10.5%	75.966	78.005	80.229	82.667	85.349	88.314	91.611
11.0%	73.175	75.017	77.021	79.207	81.602	84.237	87.151
11.5%	70.608	72.279	74.089	76.058	78.206	80.559	83.149
12.0%	68.239	69.759	71.401	73.180	75.115	77.226	79.539
12.5%	66.048	67.434	68.928	70.542	72.291	74.192	76.267
13.0%	64.015	65.283	66.647	68.115	69.701	71.420	73.288

<i>Margin sensitivity (RON)</i>	<i>FCF margin TV</i>						
WACC	12.6%	13.1%	13.6%	14.1%	14.6%	15.1%	15.6%
10.0%	80.955	82.798	84.641	86.485	88.328	90.172	92.015
10.5%	77.516	79.233	80.950	82.667	84.384	86.100	87.817
11.0%	74.398	76.001	77.604	79.207	80.809	82.412	84.015
11.5%	71.559	73.059	74.558	76.058	77.557	79.057	80.556
12.0%	68.963	70.369	71.775	73.180	74.586	75.992	77.397
12.5%	66.581	67.902	69.222	70.542	71.862	73.182	74.503
13.0%	64.389	65.631	66.873	68.115	69.357	70.599	71.841

Source: RBI/Raiffeisen Research estimates

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<i>Income statement (RON mn)</i>	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Consolidated sales	407.8	406.9	412.8	470.0	476.5	513.7
Changes in inventories & own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	35.2	40.7	45.6	51.8	46.2	46.3
Total revenues	443.0	447.6	458.4	521.8	522.6	560.0
Material costs	-20.7	-18.6	-22.0	-37.5	-32.2	-39.4
Personnel expenses	-159.9	-162.6	-168.2	-181.9	-187.4	-192.8
Other operating expenses	-152.0	-152.2	-156.8	-174.6	-181.4	-195.7
EBITDA	110.4	114.3	111.4	127.8	121.6	132.1
Adjusted EBITDA	110.4	114.3	111.4	127.8	121.6	132.1
Depreciation of PPE and intangibles	-48.3	-49.3	-53.6	-56.9	-54.6	-54.5
EBITA	62.1	65.0	57.7	70.9	67.0	77.6
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	62.1	65.0	57.7	70.9	67.0	77.6
Adjusted EBIT	62.1	65.0	57.7	70.9	67.0	77.6
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income	7.9	6.1	3.4	10.0	8.5	6.4
Other financial result	-0.3	-0.7	-0.3	-0.2	-0.4	-0.4
Financial result	7.6	5.4	3.1	9.8	8.0	6.0
Earnings before taxes	69.7	70.5	60.8	80.7	75.0	83.6
Taxes on income	-10.8	-9.6	-8.9	-12.9	-12.0	-13.4
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	58.9	60.8	51.9	67.8	63.0	70.2
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit after minorities	58.9	60.8	51.9	67.8	63.0	70.2
Adjusted Net profit	58.9	60.8	51.9	67.8	63.0	70.2
Changes yoy	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Consolidated sales yoy	5.9%	-0.2%	1.4%	13.9%	1.4%	7.8%
EBITDA yoy	-0.3%	3.5%	-2.6%	14.8%	-4.9%	8.6%
EBITA yoy	-6.2%	4.6%	-11.2%	22.8%	-5.5%	15.8%
EBIT yoy	-6.2%	4.6%	-11.2%	22.8%	-5.5%	15.8%
EBT yoy	-2.8%	1.1%	-13.6%	32.7%	-7.0%	11.4%
Net profit after minorities yoy	-3.0%	3.3%	-14.7%	30.5%	-7.0%	11.4%
Margins	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Material costs margin	-5.1%	-4.6%	-5.3%	-8.0%	-6.8%	-7.7%
EBITDA margin	27.1%	28.1%	27.0%	27.2%	25.5%	25.7%
EBITA margin	15.2%	16.0%	14.0%	15.1%	14.1%	15.1%
EBIT margin	15.2%	16.0%	14.0%	15.1%	14.1%	15.1%
EBT margin	17.1%	17.3%	14.7%	17.2%	15.7%	16.3%
Net margin	14.4%	15.0%	12.6%	14.4%	13.2%	13.7%
Profitability	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Return on assets	7.8%	8.0%	6.8%	8.6%	7.8%	8.5%
Return on equity	9.0%	9.3%	7.8%	10.0%	9.1%	9.8%
Return on capital employed	9.0%	9.3%	7.8%	10.0%	9.1%	9.8%
Cash flow statement (RON mn)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Earnings before taxes	69.7	70.5	60.8	80.7	75.0	83.6
Taxes paid	-10.8	-9.6	-8.9	-12.9	-12.0	-13.4
Amortisation and depreciation	48.3	49.3	53.6	56.9	54.6	54.5
Other non-cash items	-31.7	-4.0	-22.7	-48.7	-50.8	-48.2
Cash flow from result	75.4	106.2	82.9	76.0	66.8	76.5
Change in working capital	21.4	-7.3	-5.5	-0.4	-4.0	-2.8
Operating cash flow	96.8	98.8	77.3	75.6	62.8	73.8
Capex PPE and intangible assets	-84.1	-102.0	-63.4	-103.7	-99.1	-97.5
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposal of fixed assets (total)	0.0	0.1	0.3	0.0	0.0	0.0
Other items (investments)	31.1	36.4	47.5	64.2	64.7	70.6
Investing cash flow	-53.0	-65.6	-15.6	-39.5	-34.4	-26.9
Dividend payments	-60.1	-59.1	-57.7	-63.1	-64.4	-59.9
Other changes in equity	0.0	0.0	0.0	13.3	13.5	22.0
Change in financial liabilities	-2.0	-3.0	-2.6	0.0	0.0	0.0
Other items	0.0	0.0	0.0	-14.6	-13.5	-22.0
Financing cash flow	-62.1	-62.1	-60.3	-64.3	-64.4	-59.9

Source: Conpet, RBI/Raiffeisen Research estimates

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Balance sheet (RON mn)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Current assets	290.9	245.0	246.6	227.2	192.0	183.8
Liquid funds	238.6	198.3	191.8	163.6	127.5	114.5
Receivables	42.2	40.3	48.9	55.7	56.5	60.9
Inventories	8.2	5.9	5.3	6.0	6.1	6.6
Other assets	1.9	0.6	0.6	1.8	1.8	1.8
Fixed assets	476.2	514.9	524.8	573.6	618.2	661.7
Property, plant & equipment	467.0	504.5	512.8	561.3	606.3	649.6
Intangible assets	3.0	4.3	6.9	5.2	4.7	4.4
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	6.2	6.1	5.0	7.1	7.1	7.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	767.1	759.9	771.4	800.8	810.1	845.5
Current liabilities	92.4	79.6	82.1	90.5	87.3	89.4
Short-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Notes & trade payables, payments received	27.2	23.6	32.1	36.6	37.1	40.0
Other current liabilities	65.3	56.0	50.0	53.9	50.2	49.4
Long-term liabilities	20.8	23.3	21.4	24.4	24.8	25.8
Long-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Long-term provisions	20.8	23.3	20.1	24.4	24.8	25.8
Other long-term liabilities	0.0	0.0	1.3	0.0	0.0	0.0
Hybrid & other mezzanine capital	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	653.8	657.0	667.9	685.9	698.0	730.4
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	767.1	759.9	771.4	800.8	810.1	845.5
Balance sheet (RON mn)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net working capital	-40.2	-32.8	-27.3	-26.9	-22.8	-20.1
Net interest-bearing debt	-238.6	-198.3	-191.8	-163.6	-127.5	-114.5
Capital employed	653.8	657.0	667.9	685.9	698.0	730.4
Market capitalisation	689.1	659.7	683.9	574.9	574.9	574.9
Enterprise value	450.6	461.4	492.2	411.3	447.4	460.4
Financing (x)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Interest cover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Internal financing ratio	1.2	1.0	1.2	0.7	0.6	0.8
Net gearing	-36.5%	-30.2%	-28.7%	-23.8%	-18.3%	-15.7%
Quick ratio	3.1	3.0	2.9	2.4	2.1	2.0
Fixed assets cover	1.4	1.3	1.3	1.2	1.2	1.1
Capex / depreciation	1.7	2.1	1.2	1.8	1.8	1.8
Equity ratio	85.2%	86.5%	86.6%	85.7%	86.2%	86.4%
Per share data (RON)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Weighted avg. no. of shares (mn)	8.7	8.7	8.7	8.7	8.7	8.7
EPS reported	6.8007	7.0281	5.9983	7.8303	7.2803	8.1087
Earnings per share (adj.)	6.8007	7.0281	5.9983	7.8303	7.2803	8.1087
Operating cash flow per share	11.1868	11.4155	8.9303	8.7351	7.2516	8.5196
Book value per share	75.5193	75.8889	77.1477	79.2299	80.6274	84.3649
DPS	7.1795	6.8966	7.2836	7.4396	6.9155	7.7033
Payout ratio	105.6%	98.1%	121.4%	95.0%	95.0%	95.0%
Valuation (x)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
PE reported	11.7	10.8	13.2	8.5	9.1	8.2
Adjusted PE ratio	11.7	10.8	13.2	8.5	9.1	8.2
Price cash flow	7.1	6.7	8.8	7.6	9.2	7.8
Price book value	1.1	1.0	1.0	0.8	0.8	0.8
Dividend yield	9.0%	9.1%	9.2%	11.2%	10.4%	11.6%
Free cash flow yield	1.8%	-0.5%	2.1%	-4.9%	-6.3%	-4.1%
EV/sales	1.1	1.1	1.2	0.9	0.9	0.9
EV/EBITDA	4.1	4.0	4.4	3.2	3.7	3.5
EV/EBIT	7.2	7.1	8.5	5.8	6.7	5.9
EV/operating cash flow	4.7	4.7	6.4	5.4	7.1	6.2
Adjusted EV/CE	1.1	1.0	1.0	0.8	0.8	0.8
Adjusted EV/CE vs. ROCE/WACC				1.1	1.3	1.1

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 24.9% of 2021 total assets

Weaknesses/Threats

- High dependency on just two clients operating in a mature sector
- Regulatory risk on tariff setting
- Low capacity usage (36.8% in 2021) and mostly fixed operating expenses
- Low investment needs and the unused modernisation quota cause a build-up in cash

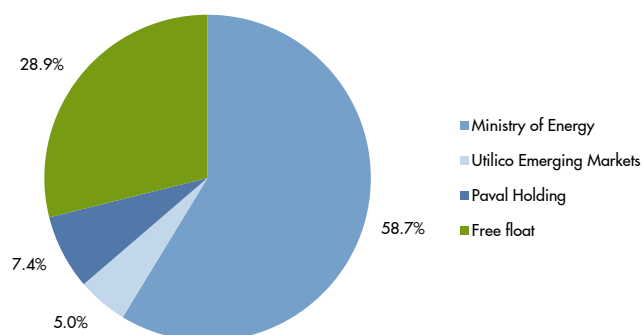
Fact Sheet

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 (64.6% of 2021 revenues), and (ii) transportation of imported crude oil from Oil Terminal in Constanta to three Romanian refineries (24.9% of 2021 revenues).

Shareholder structure



Income statement (RON mn)	12/2021	12/2022e	12/2023e	12/2024e
Consolidated sales	412.8	470.0	476.5	513.7
EBITDA	111.4	127.8	121.6	132.1
EBIT	57.7	70.9	67.0	77.6
EBT	60.8	80.7	75.0	83.6
Net profit bef. min.	51.9	67.8	63.0	70.2
Net profit after min.	51.9	67.8	63.0	70.2

Balance sheet

Total assets	771.4	800.8	810.1	845.5
Shareholders' equity	667.9	685.9	698.0	730.4
Goodwill	0.0	0.0	0.0	0.0
NIBD	-191.8	-163.6	-127.5	-114.5

Cash flow statement

Operating cash flow	77.3	75.6	62.8	73.8
Investing cash flow	-15.6	-39.5	-34.4	-26.9
Change NIBD	-6.5	-28.2	-36.0	-13.0

Source: Conpet, RBI/Raiffeisen Research estimates

Per share data (RON)	12/2021	12/2022e	12/2023e	12/2024e
EPS pre-goodwill	5.998	7.830	7.280	8.109
Adj. EPS diluted	5.998	7.830	7.280	8.109
Operating cash flow	8.930	8.735	7.252	8.520
Book value	77.148	79.230	80.627	84.365
Dividend	7.284	7.440	6.915	7.703
Payout ratio	121.4%	95.0%	95.0%	95.0%

Valuation (x)

PE pre-goodwill	13.2	8.5	9.1	8.2
Adj. PE diluted	13.2	8.5	9.1	8.2
Price cash flow	8.8	7.6	9.2	7.8
Price book value	1.0	0.8	0.8	0.8
Dividend yield	9.2%	11.2%	10.4%	11.6%
FCF yield	2.1%	-4.9%	-6.3%	-4.1%
EV/EBITDA	4.4	3.2	3.7	3.5
EV/EBIT	8.5	5.8	6.7	5.9
EV/operating CF	6.4	5.4	7.1	6.2

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Publication schedule

Recommendation history

15.03.2016 (Initiation date)	Rating	Target Price	Prev. day's close	Upside	Analyst
16.05.2022	Hold	78.30	77.60	0.9%	C. Patruți
17.12.2021	Hold	86.00	78.40	9.7%	T. Nicolae
01.04.2021	Hold	93.00	91.60	1.5%	C. Ciubotaru

Coverage universe recommendation overview

The distribution of all recommendations relating to the 12 months prior to the publications date (column A), as well as the distribution of recommendations in the context of which services of investment firms set out in Sections A (investment services and activities) and B (ancillary services) of Annex I of Directive 2014/65/EU of the European Parliament and of the Council ("special services") have been provided in the past 12 months (column B).

	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
Buy recommendations	56.8%	53.3%
Hold recommendations	23.4%	25.5%
Sell recommendations	19.8%	21.2%

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