

# Company Update

## Conpet

May 16, 2022

Utilities/Romania

### Hold

Price 15.05.22*	77.6000
Price target	78.3000
Volatility risk	medium
Year high/low	92.6000/66.4000
Currency	RON
RON/EUR	4.94
GDR rate	n.a.
Shares outstanding eoy in mn	8.66
Market capitalisation (total shares) in EUR mn	135.9
Free float	19.7%
Free float in EUR mn	26.8
Avg. daily turnover (12 m) in EUR mn	0.04
Index	BETI
ISIN code	ROCOTEACNOR7
Bloomberg	COTE RO
Reuters	COTE.BX
www.conpet.ro	

### More resilient than it looks

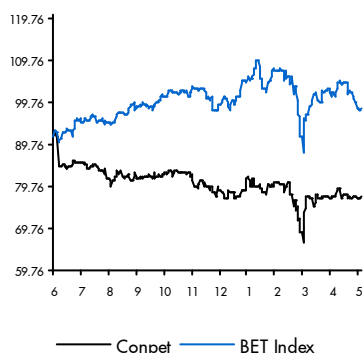
We reiterate our HOLD recommendation for Conpet revising downwards our DCF-derived 12-month cum-dividend target price to RON 78.3 (prev. RON 86) in the wake of: (i) expectations of lower economic growth, which should further reduce the consumption of petroleum products (following Russia's invasion of Ukraine, we have revised downwards our expectations for economic growth in 2022e and 2023e to 2.2% and 3.0%, respectively, from 4.7% and 4.5% in the previous model) and (ii) a strong increase in prices, which will likely continue to put pressure on the company's margins. In addition, a bump could be the ban on imports of oil and petroleum products from Russia, but we believe that the proposed implementation will facilitate a smooth transition and do not see significant implications for the moment. Even if these factors are negatively affecting our model, we believe that the robust capital position (no indebtedness and a strong cash position, 25% of assets, at the end of 2021) will help Conpet to navigate successfully in the times to come and maintain the high dividend yield we are used to.

**Higher tariffs needed:** According to Conpet, OMV Petrom will carry out maintenance work for approx. 45 days in 2023e, affecting the volumes transported and naturally leading to a decrease in revenues. We believe that this event and the strong inflation, that is more and more present, will prompt the regulator (ANRM) to implement significant increases for 2023e's transport tariffs (+11.5% yoy for the import tariff and +8.5% yoy for the domestic tariff), thus helping the company to maintain a reasonable profitability.

**Pressure on margins:** Even with our generous estimates for the transport tariffs, we believe that the coming years will bring historical lows in terms of profit margins, mainly due to rising wages. Thus, we see an EBIT margin of even 12% in 2022e and 2023e (14% in 2024e). At the same time, we estimate a net profit margin of 11% in 2022e and 2023e (12% in 2024e).

**Generous dividends:** The company's AGM approved a DPS of RON 7.28 that will have the ex-date on May 24. At the same time, considering the legislative framework (which involves the introduction of transport tariffs by ANRM) and what we have seen so far, we believe that Conpet will maintain a satisfactory profitability and will continue to distribute to its shareholders dividends with pay-out ratios of around 95% in the following years. Thus, we believe that Conpet is a good value stock with a high dividend yield and above-average protection against inflation.

**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 78.3 (composed of the value indicated by the DCF method, i.e. RON 71, and the 2021 dividend, RON 7.28).



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.

### Analyst: Cosmin Patruti

Tel.: +40 21 306 - 1229

e-mail: Adrian-Cosmin.PATRUTI@raiffeisen.ro

Published by: Raiffeisen Bank International AG,

A-1030 Vienna, Am Stadtpark 9

Bloomberg: RCBR <GO>

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 16.05.22, Source: Reuters/Bloomberg

### Key figures and ratios

RON	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Sales (mn)	407	413	451	463	505
EBITDA (mn)	114	111	118	116	127
EBIT (mn)	65	58	60	57	68
Net profit a.m. (mn)	61	52	53	50	60
Earnings per share (adj.)	7.028	5.998	6.132	5.829	6.931
EPS adjusted growth	3.3%	-14.7%	2.2%	-4.9%	18.9%
Adjusted PE ratio	10.8	13.2	12.7	13.3	11.2
DPS	6.90	7.28	5.83	5.54	6.58
Dividend yield	9.1%	9.2%	7.5%	7.1%	8.5%
EV/EBITDA	4.0	4.4	4.6	5.0	4.7
Price book value	1.0	1.0	1.0	1.0	1.0

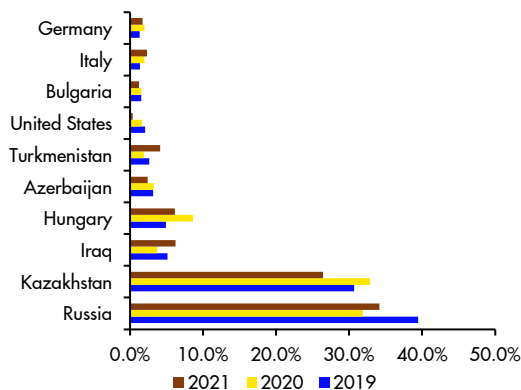
Source: Conpet, RBI/Raiffeisen Research estimates



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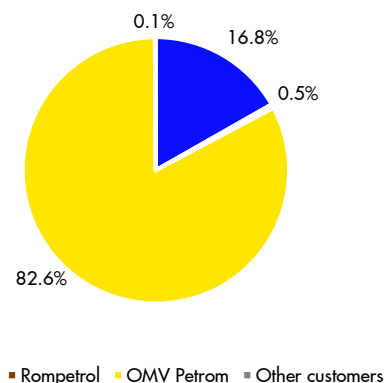
## Outlook

**Romania's imports of crude oil and petroleum products, by country (%)**



Source: Eurostat

**Conpet's customers, 2021 (% of turnover)**

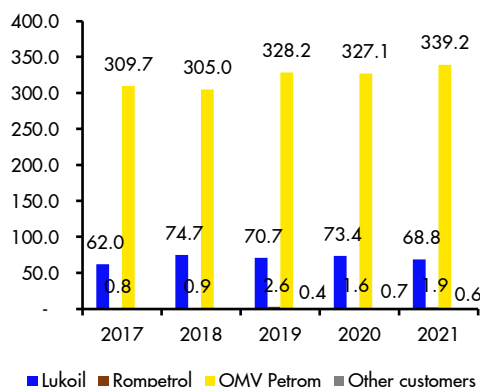


Source: Conpet

**Only Lukoil's Petrotel refinery uses crude oil imported from Russia**

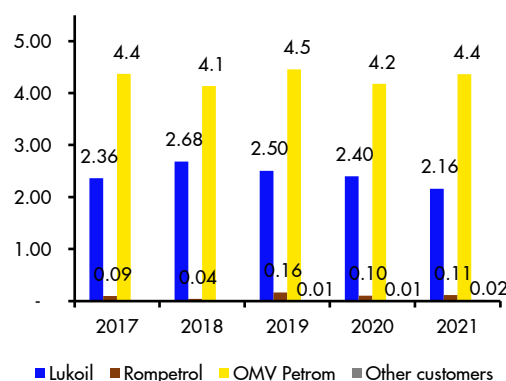
The European Commission proposed to phase out the supply of crude oil and refining products from Russia in an "orderly fashion". We believe that this ban should not significantly affect the company's contracts for FY 2022, and the fact that the import ban will be phased in should give Conpet's customers time to find other suppliers. 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. In respect of other important clients, the situation is as follows: (i) in the first part of April 2022, OMV Petrom (Conpet's largest customer) announced that had decided to stop buying Russian crude oil and would seek to replace imports of Russian crude with oil from other ex-Soviet republics (i.e. Kazakhstan) as well as from North or West African countries, (ii) Rompetrol brings crude oil from Kazakhstan to its Petromidia refinery. The crude oil is extracted from the oil fields of Kazakhstan, transported to the Russian port of Novorossisk (through the Caspian Pipeline) and from there to Midia (Romania) using mainly Kazakhstan's national shipping company (Kazmortransflot).

**Revenues from transport by customer, 2017-2021 (RON mn)**



Sources: Conpet

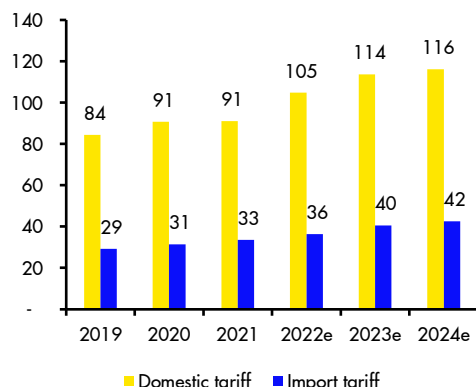
**Quantities transported by customer, 2017-2021 (mn tonnes)**



Sources: Conpet

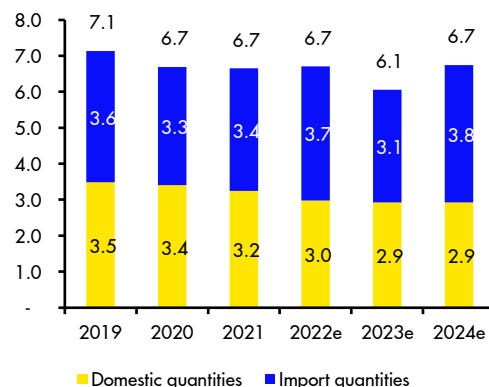
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### Average tariffs 2019-2024e (RON/t)



Sources: Conpet, RBI/Raiffeisen Research estimates

### Volumes transported 2019-2023e (mn t)



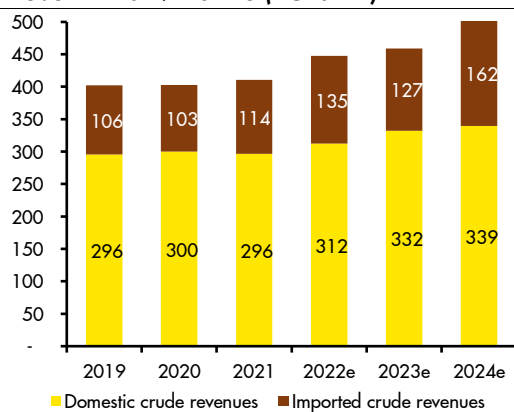
Sources: Conpet, RBI/Raiffeisen Research estimates

**We expect historical increases in turnover in the next period, but we believe that these will be done only to mitigate opex growth brought about by inflation and the decrease in transported quantities**

FY 2021 was the year when a shift in the volumes' structure occurred, thus the imported quantities exceeded domestic ones by 0.2 mn tonnes. We expect a continuation of this trend in the foreseeable future and estimate a transported volume of 6.7 mn tonnes (approx. 3.6% higher than the company's budget) in 2022e. At the same time, the worsening growth forecasts for the economy in 2023e and OMV Petrom's maintenance work have led us to pencil in only 6.1 mn tonnes transported in 2023e (6% higher than the company's estimates), down 11% vs. 2022e. On the other hand, we believe that the decrease in volumes combined with 2022e's high inflation (our forecast for 2022e's average inflation is 10%) will convince ANRM to apply a substantial increase for 2023e's transport tariffs (+11.5% yoy for the import tariff and +8.5% yoy for the domestic tariff). All in all, we see increases in turnover of 9.3% yoy in 2022e, 2.5% yoy in 2023e and an acceleration to 9.2% in 2024e, as a result of the return of domestic production of petroleum products.

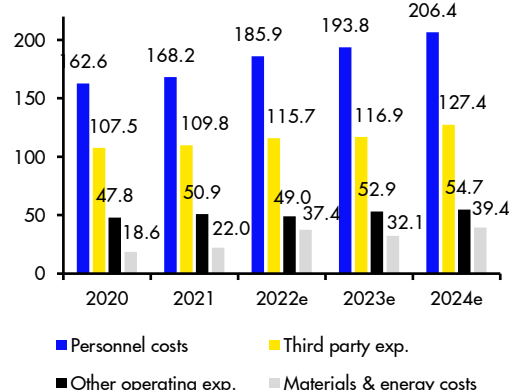
Even if the turnover increases seem large, we believe that they will not be seen in the company's profit, these increases being practically eaten by higher operating costs. Thus, for the period 2022e-2024e, we see an average annual increase of: 7.1% for salaries, 5.1% for expenses with third parties, 2.5% for other expenses and 6.9% overall.

### Turnover in 2019-2024e (RON mn)



Sources: Conpet, RBI/Raiffeisen Research estimates

### Operating costs breakdown (RON mn)



Sources: Conpet, RBI/Raiffeisen Research estimates

## Generous dividend ahead

**Conpet will pay a DPS of RON 7.28 in June**

Conpet's AGM approved a distribution to its shareholders of RON 63 mn (RON 50.4 mn from the 2021 profit and RON 12.6 mn from other reserves and retained earnings), implying a pay-

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out ratio of 121%, as a dividend for 2021. The dividend per share of RON 7.28 will be paid on June 16, the ex-date was set for May 24.

## Changes to forecasts

### Insignificant changes to forecasts

We forecast slightly higher (+1.5%) turnover for 2022e compared to our previous report as a result of the increase by 0.1 mn tonnes in our estimated domestic volumes. Beside this, inflation and OMV Petrom's maintenance work from 2023e will most probably push the net profit for next year to a historical low. However, we expect that by 2024e things will return to normal and net profit to reach RON 60 mn.

### Changes to our forecasts

in RON mn	Previous		New		
	2022e	2023e	2022e	2023e	2024e
Turnover, o/w:	444	463	451	463	505
Domestic crude	303	310	312	332	339
Imported crude	136	147	135	127	162
Rent and others	5	5	4	4	4
Other operating revenues	41	43	51	46	46
Total operating revenues	486	505	502	508	551
Total operating expenses	369	381	385	392	424
EBITDA	116	124	118	116	127
EBIT	64	69	60	57	68
Net profit	56	61	53	50	60
EPS	6	7	6	6	7

Sources: Conpet, RBI/Raiffeisen Research estimates

## Q1 22 results

### Strong Q1 22 results

Conpet reported Q1 results on Thursday, after the market closed. Revenues from transport reached RON 117.2 mn, slightly above our estimates (3%) and 15% yoy after increases in both components (13% yoy for domestic and 22% yoy for import). These increases were driven mainly by 2022's higher transport tariffs. At the same time, other operating revenues increased by RON 5.9 mn (+58% yoy and +5% above our estimates) on the back of the sale of petroleum products.

Opex reached RON 112 mn up by 12% yoy and by 2% compared to our expectations mainly due to the 90% yoy (i.e. RON 4.6 mn) increase in raw materials and energy and 36% yoy (i.e. RON 3.6 mn) increase in modernization quota. Thus, Q1 22 EBITDA increased by 36% yoy to RON 34.3 mn, 3% above our estimates.

The bottom line was up by 97% yoy to RON 18.8 mn and also 11% above our estimates mainly due to higher than expected revenues. Net profit margin reached 16% in Q1 22 from 10% last quarter and above our estimated 15%.

### Conpet – Q1 22 results

in RON mn	Q1 22	Q1 21	+/-	RBl e	+/-	Q4 21	+/-
Turnover, o/w:	117.2	101.8	15%	114.0	3%	99.5	18%
Domestic crude	82.0	72.8	13%	78.1	5%	73.6	11%
Imported crude	34.5	28.4	22%	35.1	-2%	25.3	37%
EBITDA	34.5	25.4	36%	33.5	3%	24.4	41%
EBIT	21.0	12.0	75%	18.8	11%	10.7	95%
Net profit	18.8	9.6	97%	16.9	11%	9.9	89%
EPS	2.2	1.1	97%	2.0	11%	1.1	89%
EBITDA margin	29%	25%		29%		25%	
EBIT margin	18%	12%		16%		11%	
Net profit margin	16%	9%		15%		10%	

Source: Conpet, RBI/Raiffeisen Research estimates

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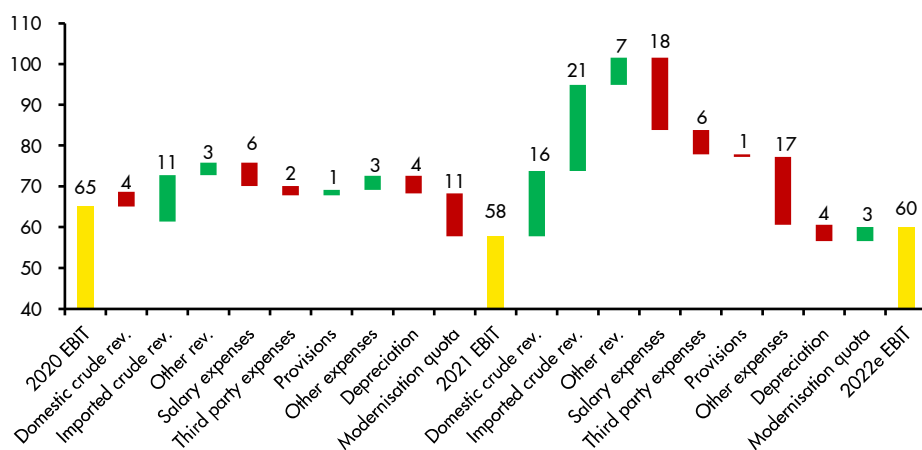
**12m cum-dividend TP RON 78.3 per share**

## Valuation

The recent evolution of the political and macroeconomic climate (we expect lower economic growth as a result of the war in Ukraine and also a tougher monetary policy tightening due to the high inflation) has led us to make significant changes in the discount rate. Thus, we have increased the equity risk premium by 50 bps to 7% and the risk-free rate by approx. 300 bps. Consequently, the WACC ranges between 13.5% and 14.1% in the explicit period and 11.5% in perpetuity. At the same time, due to the inflationary environment (and thanks to the company's pricing power) we decided to change the perpetual growth rate from -1 to 0.

We continue to value Conpet using Discounted Cash Flows. Based on this method we obtain a cum-dividend 12m TP of RON 78.3 per share.

## EBIT evolution 2020-2022e (RON mn)



Sources: Conpet, RBI/Raiffeisen Research estimates

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## DCF Valuation

<i>FCF projection (RON mn)</i>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>	<b>TV CF</b>
<b>Consolidated sales</b>	<b>451.1</b>	<b>462.6</b>	<b>505.1</b>	<b>520.2</b>	<b>533.2</b>	<b>545.5</b>	<b>556.4</b>
EBITDA	117.7	116.1	126.9	143.1	146.6	149.5	151.9
EBITA	60.0	57.1	68.5	83.0	85.1	86.6	90.4
Taxes paid on EBITDA	-10.1	-9.6	-11.0	-13.3	-13.6	-13.9	-14.5
<b>NOPLAT</b>	<b>50.4</b>	<b>48.0</b>	<b>57.5</b>	<b>69.7</b>	<b>71.5</b>	<b>72.8</b>	<b>75.9</b>
Adj. NOPLAT	50.4	48.0	57.5	69.7	71.5	72.8	75.9
Depreciation of PPE & intangibles	57.6	59.0	58.4	60.1	61.5	62.8	61.5
Gross investment in PPE & intangibles	-105.4	-99.8	-94.6	-87.6	-79.8	-71.4	-61.6
Change in working capital	-1.1	-3.7	-2.5	5.9	6.0	6.2	0.0
NWC/Sales	-5.8%	-4.9%	-4.0%	-5.0%	-6.0%	-7.0%	-8.0%
Change in LT provisions other than tax	3.3	0.7	1.2	0.7	0.7	0.7	0.7
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow to firm	4.9	4.2	20.1	48.7	59.9	71.2	76.5
<b>Adj. free cash flow to firm</b>	<b>4.9</b>	<b>4.2</b>	<b>20.1</b>	<b>48.7</b>	<b>59.9</b>	<b>71.2</b>	<b>76.5</b>
<b>EV DCF, mid-year assumption</b>	<b>480.1</b>	<b>541.0</b>					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	-134.7	-96.2					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	0.0	0.0					
<b>Fair value of equity</b>	<b>614.8</b>	<b>637.2</b>					
Shares outstanding (mn)	8.7	8.7					
<b>Fair value per share (in RON)</b>	<b>71.0170</b>	<b>73.6054</b>					

<i>Value drivers</i>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>	<b>TV CF</b>
Consolidated sales yoy	9.3%	2.5%	9.2%	3.0%	2.5%	2.3%	0.0%
EBITDA margin	26.1%	25.1%	25.1%	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	-5.8%	-4.9%	-4.0%	-5.0%	-6.0%	-7.0%	-8.0%
Capex/depreciation	182.9%	169.1%	162.0%	145.9%	129.8%	113.6%	100.3%
Free cash flow margin	1.1%	0.9%	4.0%	9.4%	11.2%	13.0%	13.7%

<i>WACC</i>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>	<b>TV CF</b>
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)	8.0%	8.1%	8.2%	8.3%	8.5%	8.6%	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	13.5%	13.6%	13.7%	13.8%	14.0%	14.1%	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%
<b>WACC</b>	<b>13.5%</b>	<b>13.6%</b>	<b>13.7%</b>	<b>13.8%</b>	<b>14.0%</b>	<b>14.1%</b>	<b>11.5%</b>

## Sensitivity analysis

<i>Growth sensitivity (RON)</i>	<i>Terminal growth rate</i>						
<b>WACC</b>	<b>-1.5%</b>	<b>-1.0%</b>	<b>-0.5%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>1.5%</b>
10.0%	73.901	76.089	78.485	81.123	84.039	87.281	90.906
10.5%	70.949	72.919	75.068	77.423	80.014	82.880	86.065
11.0%	68.242	70.022	71.958	74.070	76.383	78.929	81.745
11.5%	65.752	67.366	69.115	71.017	73.092	75.366	77.868
12.0%	63.454	64.922	66.509	68.227	70.096	72.136	74.370
12.5%	61.327	62.667	64.110	65.669	67.358	69.195	71.199
13.0%	59.354	60.580	61.897	63.315	64.847	66.508	68.313

<i>Margin sensitivity (RON)</i>	<i>FCF margin TV</i>						
<b>WACC</b>	<b>12.2%</b>	<b>12.7%</b>	<b>13.2%</b>	<b>13.7%</b>	<b>14.2%</b>	<b>14.7%</b>	<b>15.2%</b>
10.0%	75.647	77.472	79.298	81.123	82.948	84.774	86.599
10.5%	72.323	74.023	75.723	77.423	79.123	80.823	82.523
11.0%	69.309	70.896	72.483	74.070	75.656	77.243	78.830
11.5%	66.563	68.048	69.532	71.017	72.502	73.986	75.471
12.0%	64.052	65.444	66.836	68.227	69.619	71.011	72.403
12.5%	61.748	63.055	64.362	65.669	66.976	68.283	69.590
13.0%	59.626	60.856	62.085	63.315	64.545	65.774	67.004

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
<b>Consolidated sales</b>	<b>407.8</b>	<b>406.9</b>	<b>412.8</b>	<b>451.1</b>	<b>462.6</b>	<b>505.1</b>
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	51.0	45.6	45.8
<b>Total revenues</b>	<b>443.0</b>	<b>447.6</b>	<b>458.4</b>	<b>502.2</b>	<b>508.2</b>	<b>550.9</b>
Material costs	-20.7	-18.6	-22.0	-37.4	-32.1	-39.4
Personnel expenses	-159.9	-162.6	-168.2	-185.9	-193.8	-206.4
Other operating expenses	-152.0	-152.2	-156.8	-161.2	-166.2	-178.2
<b>EBITDA</b>	<b>110.4</b>	<b>114.3</b>	<b>111.4</b>	<b>117.7</b>	<b>116.1</b>	<b>126.9</b>
Adjusted EBITDA	110.4	114.3	111.4	117.7	116.1	126.9
Depreciation of PPE and intangibles	-48.3	-49.3	-53.6	-57.6	-59.0	-58.4
<b>EBITA</b>	<b>62.1</b>	<b>65.0</b>	<b>57.7</b>	<b>60.0</b>	<b>57.1</b>	<b>68.5</b>
Amortisation, impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>62.1</b>	<b>65.0</b>	<b>57.7</b>	<b>60.0</b>	<b>57.1</b>	<b>68.5</b>
Adjusted EBIT	62.1	65.0	57.7	60.0	57.1	68.5
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income	7.9	6.1	3.4	3.7	3.6	3.5
Other financial result	-0.3	-0.7	-0.3	-0.5	-0.6	-0.6
<b>Financial result</b>	<b>7.6</b>	<b>5.4</b>	<b>3.1</b>	<b>3.2</b>	<b>3.0</b>	<b>2.9</b>
<b>Earnings before taxes</b>	<b>69.7</b>	<b>70.5</b>	<b>60.8</b>	<b>63.2</b>	<b>60.1</b>	<b>71.4</b>
Taxes on income	-10.8	-9.6	-8.9	-10.1	-9.6	-11.4
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit before minorities</b>	<b>58.9</b>	<b>60.8</b>	<b>51.9</b>	<b>53.1</b>	<b>50.5</b>	<b>60.0</b>
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit after minorities</b>	<b>58.9</b>	<b>60.8</b>	<b>51.9</b>	<b>53.1</b>	<b>50.5</b>	<b>60.0</b>
Adjusted Net profit	58.9	60.8	51.9	53.1	50.5	60.0
<b>Changes yoy</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
Consolidated sales yoy	5.9%	-0.2%	1.4%	9.3%	2.5%	9.2%
EBITDA yoy	-0.3%	3.5%	-2.6%	5.7%	-1.3%	9.3%
EBITA yoy	-6.2%	4.6%	-11.2%	4.0%	-4.9%	19.9%
EBIT yoy	-6.2%	4.6%	-11.2%	4.0%	-4.9%	19.9%
EBT yoy	-2.8%	1.1%	-13.6%	3.9%	-4.9%	18.9%
Net profit after minorities yoy	-3.0%	3.3%	-14.7%	2.2%	-4.9%	18.9%
<b>Margins</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
Material costs margin	-5.1%	-4.6%	-5.3%	-8.3%	-6.9%	-7.8%
EBITDA margin	27.1%	28.1%	27.0%	26.1%	25.1%	25.1%
EBITA margin	15.2%	16.0%	14.0%	13.3%	12.3%	13.6%
EBIT margin	15.2%	16.0%	14.0%	13.3%	12.3%	13.6%
EBT margin	17.1%	17.3%	14.7%	14.0%	13.0%	14.1%
Net margin	14.4%	15.0%	12.6%	11.8%	10.9%	11.9%
<b>Profitability</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
Return on assets	7.8%	8.0%	6.8%	6.9%	6.5%	7.6%
Return on equity	9.0%	9.3%	7.8%	8.0%	7.6%	8.9%
Return on capital employed	9.0%	9.3%	7.8%	8.0%	7.6%	8.9%
<b>Cash flow statement (RON mn)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
<b>Earnings before taxes</b>	<b>69.7</b>	<b>70.5</b>	<b>60.8</b>	<b>63.2</b>	<b>60.1</b>	<b>71.4</b>
Taxes paid	-10.8	-9.6	-8.9	-10.1	-9.6	-11.4
Amortisation and depreciation	48.3	49.3	53.6	57.6	59.0	58.4
Other non-cash items	-34.5	-15.5	-30.5	-42.9	-45.3	-44.6
<b>Cash flow from result</b>	<b>72.6</b>	<b>94.6</b>	<b>75.0</b>	<b>67.8</b>	<b>64.2</b>	<b>73.8</b>
Change in working capital	21.4	-7.3	-5.5	-1.1	-3.7	-2.5
<b>Operating cash flow</b>	<b>94.0</b>	<b>87.3</b>	<b>69.4</b>	<b>66.7</b>	<b>60.5</b>	<b>71.3</b>
Capex PPE and intangible assets	-84.1	-102.0	-63.4	-105.4	-99.8	-94.6
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	46.0	51.3	52.1
<b>Investing cash flow</b>	<b>-53.0</b>	<b>-65.6</b>	<b>-15.6</b>	<b>-59.4</b>	<b>-48.5</b>	<b>-42.5</b>
Dividend payments	-60.1	-59.1	-57.7	-63.1	-50.4	-47.9
Other changes in equity	0.0	0.0	0.0	1.5	5.5	6.9
Change in financial liabilities	-2.0	-3.0	-2.6	0.0	0.0	0.0
Other items	0.0	0.0	0.0	-2.8	-5.5	-6.9
<b>Financing cash flow</b>	<b>-62.1</b>	<b>-62.1</b>	<b>-60.3</b>	<b>-64.3</b>	<b>-50.4</b>	<b>-47.9</b>

Source: Conpet, RBI/Raiffeisen Research estimates

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<b>Balance sheet (RON mn)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
<b>Current assets</b>	<b>290.9</b>	<b>245.0</b>	<b>246.6</b>	<b>195.8</b>	<b>158.8</b>	<b>145.3</b>
Liquid funds	238.6	198.3	191.8	134.7	96.2	77.1
Receivables	42.2	40.3	48.9	53.5	54.8	59.9
Inventories	8.2	5.9	5.3	5.8	6.0	6.5
Other assets	1.9	0.6	0.6	1.8	1.8	1.8
<b>Fixed assets</b>	<b>476.2</b>	<b>514.9</b>	<b>524.8</b>	<b>574.3</b>	<b>615.3</b>	<b>652.1</b>
Property, plant & equipment	467.0	504.5	512.8	562.7	603.8	640.2
Intangible assets	3.0	4.3	6.9	4.9	4.5	4.4
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	6.2	6.1	5.0	6.8	6.9	7.6
<b>Deferred tax assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total assets</b>	<b>767.1</b>	<b>759.9</b>	<b>771.4</b>	<b>770.1</b>	<b>774.1</b>	<b>797.4</b>
<b>Current liabilities</b>	<b>92.4</b>	<b>79.6</b>	<b>82.1</b>	<b>87.3</b>	<b>85.1</b>	<b>88.2</b>
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	35.1	36.0	39.3
Other current liabilities	65.3	56.0	50.0	52.2	49.1	48.9
<b>Long-term liabilities</b>	<b>20.8</b>	<b>23.3</b>	<b>21.4</b>	<b>23.4</b>	<b>24.1</b>	<b>25.3</b>
Long-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Long-term provisions	20.8	23.3	20.1	23.4	24.1	25.3
Other long-term liabilities	0.0	0.0	1.3	0.0	0.0	0.0
<b>Hybrid &amp; other mezzanine capital</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Shareholders' equity</b>	<b>653.8</b>	<b>657.0</b>	<b>667.9</b>	<b>659.4</b>	<b>664.9</b>	<b>683.9</b>
<b>Minority interests</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Deferred tax liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total liabilities</b>	<b>767.1</b>	<b>759.9</b>	<b>771.4</b>	<b>770.1</b>	<b>774.1</b>	<b>797.4</b>
<b>Balance sheet (RON mn)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
Net working capital	-40.2	-32.8	-27.3	-26.2	-22.5	-20.0
Net interest-bearing debt	-238.6	-198.3	-191.8	-134.7	-96.2	-77.1
Capital employed	653.8	657.0	667.9	659.4	664.9	683.9
Market capitalisation	689.1	659.7	683.9	671.8	671.8	671.8
Enterprise value	450.6	461.4	492.2	537.1	575.6	594.8
<b>Financing (x)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
Interest cover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Internal financing ratio	1.1	0.9	1.1	0.6	0.6	0.8
Net gearing	-36.5%	-30.2%	-28.7%	-20.4%	-14.5%	-11.3%
Quick ratio	3.1	3.0	2.9	2.2	1.8	1.6
Fixed assets cover	1.4	1.3	1.3	1.2	1.1	1.1
Capex / depreciation	1.7	2.1	1.2	1.8	1.7	1.6
Equity ratio	85.2%	86.5%	86.6%	85.6%	85.9%	85.8%
<b>Per share data (RON)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
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	6.1316	5.8291	6.9308
Earnings per share (adj.)	6.8007	7.0281	5.9983	6.1316	5.8291	6.9308
Operating cash flow per share	10.8587	10.0854	8.0215	7.7062	6.9833	8.2360
Book value per share	75.5193	75.8889	77.1477	76.1673	76.8019	78.9911
DPS	7.1795	6.8966	7.2836	5.8254	5.5376	6.5846
Payout ratio	105.6%	98.1%	121.4%	95.0%	95.0%	95.0%
<b>Valuation (x)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
PE reported	11.7	10.8	13.2	12.7	13.3	11.2
Adjusted PE ratio	11.7	10.8	13.2	12.7	13.3	11.2
Price cash flow	7.3	7.6	9.8	10.1	11.1	9.4
Price book value	1.1	1.0	1.0	1.0	1.0	1.0
Dividend yield	9.0%	9.1%	9.2%	7.5%	7.1%	8.5%
Free cash flow yield	1.4%	-2.2%	0.9%	-5.8%	-5.9%	-3.5%
EV/sales	1.1	1.1	1.2	1.2	1.2	1.2
EV/EBITDA	4.1	4.0	4.4	4.6	5.0	4.7
EV/EBIT	7.2	7.1	8.5	8.9	10.1	8.7
EV/operating cash flow	4.8	5.3	7.1	8.1	9.5	8.3
Adjusted EV/CE	1.1	1.0	1.0	1.0	1.0	1.0
Adjusted EV/CE vs. ROCE/WACC				1.7	1.8	1.5

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

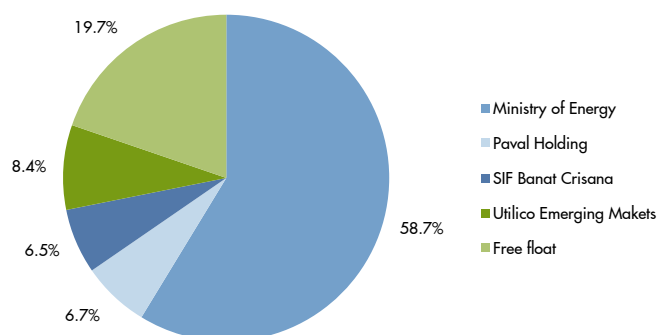
## Fact Sheet

### 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)	12/2021	12/2022e	12/2023e	12/2024e
Consolidated sales	412.8	451.1	462.6	505.1
EBITDA	111.4	117.7	116.1	126.9
EBIT	57.7	60.0	57.1	68.5
EBT	60.8	63.2	60.1	71.4
Net profit bef. min.	51.9	53.1	50.5	60.0
Net profit after min.	51.9	53.1	50.5	60.0

### Balance sheet

Total assets	771.4	770.1	774.1	797.4
Shareholders' equity	667.9	659.4	664.9	683.9
Goodwill	0.0	0.0	0.0	0.0
NIBD	-191.8	-134.7	-96.2	-77.1

### Cash flow statement

Operating cash flow	69.4	66.7	60.5	71.3
Investing cash flow	-15.6	-59.4	-48.5	-42.5
Change NIBD	-6.5	-57.1	-38.5	-19.2

Source: Conpet, RBI/Raiffeisen Research estimates

Per share data (RON)	12/2021	12/2022e	12/2023e	12/2024e
EPS pre-goodwill	5.998	6.132	5.829	6.931
Adj. EPS diluted	5.998	6.132	5.829	6.931
Operating cash flow	8.021	7.706	6.983	8.236
Book value	77.148	76.167	76.802	78.991
Dividend	7.284	5.825	5.538	6.585
Payout ratio	121.4%	95.0%	95.0%	95.0%

### Valuation (x)

PE pre-goodwill	13.2	12.7	13.3	11.2
Adj. PE diluted	13.2	12.7	13.3	11.2
Price cash flow	9.8	10.1	11.1	9.4
Price book value	1.0	1.0	1.0	1.0
Dividend yield	9.2%	7.5%	7.1%	8.5%
FCF yield	0.9%	-5.8%	-5.9%	-3.5%
EV/EBITDA	4.4	4.6	5.0	4.7
EV/EBIT	8.5	8.9	10.1	8.7
EV/operating CF	7.1	8.1	9.5	8.3

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## Publication schedule

Date	Publication
18.08.2022	Q2 Earnings release
15.11.2022	Q3 Earnings release

## Recommendation history

15.03.2016 (Initiation date)	Rating	Target Price	Prev. day's close	Upside	Analyst
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	57.9%	54.7%
Hold recommendations	23.5%	24.8%
Sell recommendations	18.6%	20.4%

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Date of completion of this report:  
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Raiffeisen Bank International AG

Registered Office: Am Stadtpark 9, 1030 Vienna

Postal address: 1010 Vienna, POB 50

Phone: +43-1-71707-0; Fax: + 43-1-71707-1848

Company Register Number: FN 122119m at the Commercial Court of Vienna

VAT Identification Number: UID ATU 57531200

Austrian Data Processing Register: Data processing register number (DVR): 4002771

S.W.I.F.T.-Code: RZBA AT WW

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**Raiffeisen Bank International AG - Your contacts**  
**A-1030 Vienna, Am Stadtpark 9, Internet: <https://www.rbinternational.com>**

## Equity Sales

Tel.: +43/1717 07-0

**Klaus della Torre (Head)**

ext. 3636 klaus.della-torre@rbinternational.com

Reinhard Haushofer  
 reinhard.haushofer@rbinternational.com ext. 3899

Simon Huber  
 simon.huber@rbinternational.com ext. 3664

Sebastien Leon  
 christian-sebastien.leon@rbinternational.com ext. 3531

Tomislav Pasalic  
 tomislav.pasalic@rbinternational.com ext. 3178

Anita Thurnberger  
 anita.thurnberger@rbinternational.com ext. 3638

## US Equity Sales

Tel.: +1/212-600-2588

**Stefan Gabriele (Head)**

stefan.gabriele@rbimusa.com

Stefan Niton  
 stefan.niton@rbimusa.com

## Electronic Sales Trading

**Günter Englhart (Head)** ext. 3524

guenter.englhart@rbinternational.com

Tanja Braunsberger  
 tanja1.braunsberger@rbinternational.com ext. 3770

Adrian Ene  
 adrian.ene@rbinternational.com ext. 3235

Wojciech Kolacz  
 wojciech.kolacz@rbinternational.com ext. 3262

Oliver Schuster  
 oliver.schuster@rbinternational.com ext. 3630

Theodor Till  
 theodor.till@rbinternational.com ext. 3641

Christof Wallner  
 christof.wallner@rbinternational.com ext. 3791

## Institutional Equity Research

Austria

**Bernd Maurer (Head)**

bernd.maurer@rbinternational.com ext. 3524

Oleg Galbur  
 oleg.galbur@rbinternational.com ext. 5610

Jakub Krawczyk  
 jakub.krawczyk@rbinternational.com ext. 5617

Markus Remis  
 markus.remis@rbinternational.com ext. 8577

Teresa Schinwald  
 teresa.schinwald@rbinternational.com ext. 3820

Jovan Sikimic  
 jovan.sikimic@rbinternational.com ext. 5601

Oliver Simkovic  
 oliver.simkovic@rbinternational.com ext. 3858

Tel.: +43/1717 07-0

ext. 3863

Croatia

Silvija Kranjec  
 silvija.kranjec@rba.hr

Ana Turudic  
 ana.turudic@rba.hr ext. 401

Romania

Tiberiu Nicolae  
 tiberiu.nicolae@raiffeisen.ro

Adrian Cosmin Patruti  
 adrian-cosmin.patruti@raiffeisen.ro ext. 1229

Russia

Sergey Garamita  
 sergey.garamita@raiffeisen.ru

Sergey Libin  
 sergey.libin@raiffeisen.ru ext. 9838

Egor Makeev  
 egor.makeev@raiffeisen.ru ext. 9851

Andrey Polischuk  
 andrey.polischuk@raiffeisen.ru ext. 9849

Mikhail Solodov  
 mikhail.solodov@raiffeisen.ru ext. 9852

Andrey Zakharov +7/4957219900.5520  
 andrey.a.zakharov@raiffeisen.ru

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