

Globaltruck

1Q2020 results review

- ▶ **Globaltruck (MOEX: GTRK) releases operating and financial results for 1Q2020.** The company's performance in 1Q20 was above expectations given the deteriorating economic environment. The average fleet in operation amounted to 1,321 units as of the end of 1Q20 compared to 1,366 units a year ago. There were 1,318 units in operation as of 31 March 2020. The average age of the fleet in operation in the quarter was 2.7 years. The semitrailer fleet in operation amounted to 1,457 units as of end-March 2020 compared with 1,471 units a year ago. Globaltruck increased the total distance covered by its trucks by 1.1% YoY to 61.2mn km and the average distance per truck by 4.4% YoY to 15.4 thousand km per month over January-March 2020. The loaded run ratio was 91.8%, down 0.2%. The average freight rate per loaded km increased 2.4% YoY to RUB35.22, above our expectation of RUB34.4 per km. The average monthly distance on the 'Cargo Pipeline' amounted to 22.14 thousand km per truck in 1Q20 and the loaded ratio was 94.3%. The number of semitrailers servicing the 'Cargo Pipeline' expedited delivery service reached 199 units as of March 2020, up from 69 units a year ago. Globaltruck reported revenue of RUB2,287.2mn in 1Q20 while the cost of sales totalled RUB2,026.8mn and EBITDA came in at RUB180mn. The company's net income reached RUB5.1mn in 1Q20 compared to a net loss in 1Q19. Net debt fell by 5.4% over the quarter to RUB3,281.9mn as of 31 March 2020.
- ▶ **Cargo transportation in Russia down 0.9% YoY to 1.74bn tons in 1Q20, mostly driven by fall in rail and sea transportation.** Road transportation rose by 0.8% YoY in 1Q20. Cargo turnover fell 4% YoY to 1,359.6bn t*km in 1Q20. There was a significant correction in road transportation to Russia's main export/import destinations such as China and the EU (mainly Germany) due to coronavirus outbreak. The lockdown in Russia prompted commercial road cargo transportation to fall 12% YoY in April 2020 and 15% MoM. This fall in commercial transportation was largely due to reduced trading in the metallurgical sector and industrials.
- ▶ **Globaltruck implements cost-cutting measures to maintain performance during pandemic.** Globaltruck's clients within the FMCG and pharma sectors saw their volumes and inventories return to normal in May after the 'panic buying' that took place earlier this year at the onset of the coronavirus outbreak. Lower metallurgical deliveries in May will likely result in the company's revenue coming in 5% below the initial plan; however, we have seen transportation volumes start to recover in the second half of May and in June so far. The market operates with flat YoY freight rates and price competition. Globaltruck has cut some administrative costs, including reducing wages and optimizing operating costs. Fuel costs will likely show some minor decline as well. The lowest activity point was in mid-May yet, there has been a steady recovery since then. The company tested contrailer shipments, which may generate additional margin in the future, and is continuing to expand its fast 'Cargo Pipeline' services, which are still operating at a high loaded run ratio (94.3% in 1Q20). Globaltruck has also announced the creation of an IT company, Global Truck Information Technology, to enhance the digitalization of its business processes via partnerships and in-house solutions to build a versatile platform for truck fleet operations. The company plans to make only modest changes to its fleet in 2020, including purchasing 10 to 40 trucks in 2H20. It completed a buyback program in May with a total of 933,437 shares or 1.6% of shares outstanding purchased from the market. Globaltruck's management team is revising its 2020 figures and we expect an operating update to be released in August or September 2020 when there is likely to be less uncertainty related to the coronavirus outbreak. We maintain our forecasts for 2020 until further operating performance details are made available.

Report date:	18 June 2020
Ticker	GTRK
Main exchange	MOEX
Current Price, RUB	42.0
Number of shares issued	58,462,120
Number of shares outstanding	57,528,683
Current MCap, RUB mn	2,455
Free float, %	18.0%
Treasury shares, %	1.6%

Globaltruck is a road cargo transportation company with primary operations in Russia and Europe. Globaltruck operated the fleet of 1,318 trucks as of 31/03/2020. The average fleet age is 2.7 years. Globaltruck is one of the largest FTL companies in Russia.

Globaltruck Management is a research client of Hypothesis Research Limited.

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Figure 1. Globaltruck key operating figures in 1Q20

	1Q19	1H19	9M19	2019	1Q20	1Q20, YoY
Average number of trucks,	1366	1360	1356	1346	1321	-3.3%
Number of trucks, eop	1353	1360	1310	1318	1318	-2.6%
Average age of trucks, years eop	2.91	2.74	2.8	2.93	2.7	-7.2%
Number of trailers, eop	1471	1503	1481	1369	1457	-1.0%
Loaded run ratio	92.0%	92.3%	92.6%	92.6%	91.8%	-0.2%
Total distance, mn km	60.5	128.8	198.6	266.4	61.2	1.1%
Covered distance per truck/month, ths km	14.8	15.8	16.3	16.5	15.43	4.3%
Freight rates, RUB/km	34.4	33.9	33.9	34.1	35.2	2.3%

Source: company data, Hypothesis Research estimates

Figure 2. Globaltruck key financial figures in 1Q20, RUB mn

	1H19	9M19	2019	1Q20
Revenue	4459	6921	9540	2287
Cost of sales	-3787	-5784	-7875	-2027
Gross profit	672	1137	1665	260
Gross margin	15%	16%	17%	11%
Profit for the year attributable to the company's owners	-2	118	260	5
EBITDA	567	994	1392	180
EBITDA margin	13%	14%	15%	8%

Source: company data, Hypothesis Research estimates

Figure 3. Globaltruck consolidated statement of Profit and Loss, RUB mn

RUB mn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4319	5079	6205	6637	8196	9540	9573	10898	12328	13639	14610
Cost of sales	-3345	-3982	-4842	-5286	-6449	-7875	-7947	-8796	-9830	-	-
Gross profit	974	1097	1363	1351	1747	1665	1626	2102	2498	2709	2988
General and administrative expenses	-345	-405	-448	-564	-745	-860	-871	-905	-937	-970	-1000
Other operating income and expenses, net	1	-86	66	-47	-110	13	-4	-4	-5	-5	-6
Gain arising from the business combination		118									
Operating profit	630	724	981	741	892	818	751	1193	1556	1733	1982
Finance income	91	22	222	22	46	14	14	14	14	14	14
Finance costs	-669	-534	-545	-398	-396	-437	-414	-373	-356	-364	-371
Profit before tax	51	212	658	364	543	395	352	834	1214	1384	1626
Income tax expense	5	-25	-150	-85	-112	-134	-120	-284	-413	-471	-553
Profit for the year attributable to the company's owners	56	187	508	280	431	260	232	550	801	913	1073

Source: company data, Hypothesis Research estimates

Figure 4. Globaltruck condensed balance sheet, RUB mn

RUB mn	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total non-current assets	4178	4318	5124	7734	7485	7586	7842	8092	8334	8566
Total current assets, excluding non-current assets held for sale	1278	1254	2925	2122	2239	2898	3047	3543	4096	4693
Total current assets	1524	1270	2959	2354	2464	3123	3272	3768	4321	4918
Total assets	5703	5587	8083	10088	9949	10708	11114	11859	12655	13484
Total Equity attributable to the company's owners	1143	1442	4350	4771	4910	5047	5322	5723	6179	6716
Total non-current liabilities	2651	1725	2012	3747	2892	4538	4591	4847	5095	5328
Total current liabilities	1908	2421	1721	1569	2147	1123	1200	1289	1380	1440
Total liabilities	4560	4146	3733	5317	5039	5661	5791	6136	6475	6768
Total liabilities and equity	5703	5587	8083	10088	9949	10708	11114	11859	12655	13484

Source: company data, Hypothesis Research estimates

Figure 5. Globaltruck buyback program progress

	Number of purchased shares	% of capital
Nov-19	194,250	0.33%
Dec-19	197,670	0.34%
Jan-20	78910	0.13%
Feb-20	273177	0.47%
Mar-20	137660	0.24%
Apr-20	0	0.00%
May-20	51770	0.09%
Total	933,437	1.60%

Source: company data, Moscow exchange, Hypothesis Research estimates

Figure 6. Transportation sector peer comparison

Company name	Market Cap., \$mn	EV, \$mn	P/E Fwd 1Y	P/E Fwd 2Y	P/E Fwd 3Y	EV/ EBITDA 1Y fwd	EV/ EBITDA 2Y fwd	EV/ EBITDA 3 fwd	EV/ Revenues 1y fwd	EV/ Revenues 2y fwd	EV/ Revenues 3y fwd
Globaltruck	35	74	5.8	3.4	2.6	3.3	2.7	2.3	0.6	0.5	0.5
<i>Discount to Russian peers</i>			-15%	-39%	-45%	-32%	-39%	-44%	-78%	-79%	-80%
<i>Discount to European peers</i>			-65%	-71%	-74%	-58%	-55%	-57%	-24%	-29%	-34%
Russian peers											
Globaltrans	1044	1485	5.4	5.4	4.8	3.6	3.5	3.4	1.7	1.7	1.6
Globalports	523	1269	8.3	6.0	4.7	6.0	5.4	5.0	3.8	3.4	3.1
Russian peers average			6.8	5.7	4.7	4.8	4.4	4.2	2.7	2.5	2.4
Peers - Europe											
Compania de Distribucion Integral Logista Holdings	2555	746	12.8	11.6	11.3	2.1	2.0	2.0	0.6	0.6	0.6
PostNL NV	811	1333	9.4	6.6	5.8	3.9	3.6	3.4	0.4	0.4	0.4
Id Logistics SAS	1055	1556	32.4	24.6	21.7	7.7	6.8	5.2	0.9	0.8	0.8
Wincanton PLC	290	465	13.1	6.2	6.5	6.9	4.8	4.1	0.3	0.3	0.3
Clasquin SA	74	109	NaN	18.7	13.6	12.9	7.4	6.7	0.3	0.3	0.3
CTT Correios de Portugal	380	1739	18.4	9.6	5.6	14.1	11.3	10.8	2.2	2.1	2.0
Jetpak Top Holding AB	81	103	15.2	9.3	8.3	9.1	6.6	6.1	1.0	0.9	0.9
Stef SA	1076	1997	14.9	10.0	9.1	6.2	5.4	5.1	0.5	0.5	0.5
Peers - Asia											
Tiong Nam Logistics Holdings Bhd	44	281	22.8	24.7	24.4	13.6	13.0	11.9	1.9	2.0	1.8
Synergetic Auto Performance PCL	40	378	NaN	57.0	15.5	9.5	8.3	7.7	4.1	3.7	3.2
Perak Transit Bhd	58	118	17.8	11.8	6.1	9.4	7.5	7.2	4.3	3.8	3.7
Beijing Changjiu Logistics	775	876	51.6	26.5	NaN	24.3	16.3	NaN	1.4	1.3	NaN
Tiong Nam Logistics Holdings Bhd	44	281	22.8	24.7	24.4	13.6	13.0	11.9	1.9	2.0	1.8
Synergetic Auto Performance PCL	40	378	NaN	57.0	15.5	9.5	8.3	7.7	4.1	3.7	3.2
Blue Bird Tbk PT	224	281	128.4	11.6	8.2	103.4	6.5	4.3	2.2	1.3	1.0
VRL Logistics Ltd	180	223	13.5	17.3	13.3	5.4	6.0	5.4	0.8	0.8	0.7
United International Transportation	531	554	19.5	10.6	10.2	3.7	3.2	3.0	2.1	2.0	1.8
Global peers average			28.0	19.9	12.5	15.0	7.7	6.4	1.7	1.6	1.4
European peers' average			16.6	12.1	10.2	7.9	6.0	5.4	0.8	0.7	0.7
Asian peers average			39.5	26.8	14.7	21.3	9.1	7.4	2.5	2.3	2.1

Source: Thomson Reuters, Hypothesis Research estimates

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