

Globaltruck

FY2019 results review

- ▶ **Globaltruck (MOEX: GTRK) reports FY2019 results.** The company increased its revenue by 16% YoY to RUB9,540 mn in FY19. By segment, revenue from transportation services rose 15% YoY to RUB8,514mn, while expedition services or freight forwarding revenue was up 30% YoY to RUB1,010mn. Some 90.3% of the revenue was received domestically, generating revenue growth of 17% YoY in the year. The company's cost of sales rose 22% YoY to RUB7,875mn, reflecting 15% growth in fuel costs, a 19% increase in salaries due to drivers' wages being indexed, and a 31% increase in expedition services expenses. The average number of vehicles increased by 3.3% YoY to 1,346 in FY2019. Revenue per truck increased by 6.5% YoY to RUB6.33mn in FY2019, on our estimates. At the same time, fuel cost per truck per covered distance per month was 2.9% above its 2018 level in 2019, showing that the company continued to deliver healthy operating efficiency in 2019. The gross margin in expedition services reduced from 8.3% in 2018 to 7.1% in 2019, while the company's gross margin was 17% in FY19, down from 21% in FY18. The company's general and administrative expenses increased 5.5% YoY to RUB860mn, driven by a 21% increase in salaries and IT expenses. The group's adjusted EBITDA reached RUB1,406mn, down 5% YoY in 2019. The company decreased its net debt from RUB3,911 mn at the end of 2018 to RUB3,469mn at the end 2019. Net debt/adjusted EBITDA was 2.47x compared to 2.64x a year ago. Overall, the company was under pressure from high fuel prices and the rather competitive environment in 2019, while freight tariffs rose only 0.9% YoY to RUB 34.4/km in 2019, leaving little economic flexibility. We believe that freight forwarding as well as cargo pipeline operations will contribute to further operational efficiency in 2020. The company is not planning any essential investment in new fleet in 2020. It bought back 881,667 of its own shares from the market over Nov'19-Mar'20.
- ▶ **Road transportation in Russia grow 0.8% YoY in 1Q20.** The road transportation sector is among those less affected by COVID-19 so far. Total cargo transportation in Russia fell 0.9% YoY to 1,744mt in 1Q20, while road transportation was up 0.8% YoY to 1,132mt in 1Q20. Commercial transportation fell 2% YoY to 953mt in 1Q20. Transportation cargo turnover in Russia decreased 4% YoY to 1,360bn t*km and road cargo turnover fell only 0.2% YoY to 60bn t*km. The retail and online sectors within road transportation services performed relatively well compared to industrial goods deliveries. The 'stay-at-home' policies implemented across Europe and Russia resulted in a decline in exports and imports operations, while domestic retail and online deliveries have remained resilient. 'Panic' retail purchases in March 2020 saw retail and wholesale inventories decline, providing a positive environment for road transportation and online deliveries in 2Q20.
- ▶ **We have updated our model based on the company's FY19 financial results and modest outlook for FY2020.** The manufacturing, industry and bulk segment represented up to 19% of Globaltruck's revenue in 1H2019, while consumer, retail, e-commerce and parcel took the rest. The company's consumer sector-focused business model will likely play a defensive role in 2020. The company previously commented that some of the decline in its industrial volumes had been offset by growth in consumer and retail deliveries as well as a pick-up in the pharmaceutical sector. We expect the company's average truck number to fall to 1,313, the loaded run ratio to fall by 4ppt, and a flat freight tariff in FY20. On the positive side, we expect to see some growth in the high-margin cargo pipeline service and a further ramp-up in freight forwarding services. Lower fuel costs are also expected to boost the company's EBITDA. We have a 12-month fair market capitalization for Globaltruck of RUB4.4-7.3bn, which translates into RUB77.1-127.5 per share.

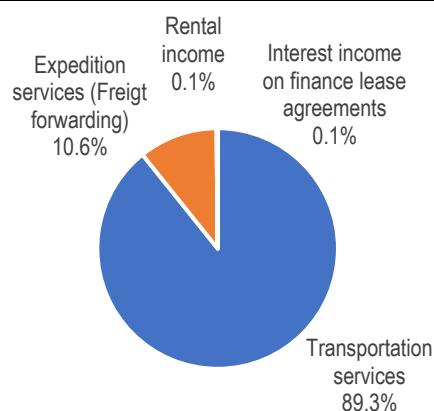
Report date:	30 April 2020
Ticker	GTRK
Main exchange	MOEX
Current Price, RUB	43.6
Number of shares issued	58,462,120
Number of shares outstanding	57,580,453
Current MCap, RUB mn	2,511
Free float, %	18.1%
Treasury shares, %	1.5%

Globaltruck is a road cargo transportation company with primary operations in Russia and Europe. Globaltruck operated the fleet of 1,346 trucks as of the end of 2019. The average fleet age is 2.7 years. Globaltruck is one of the largest FTL companies in Russia.

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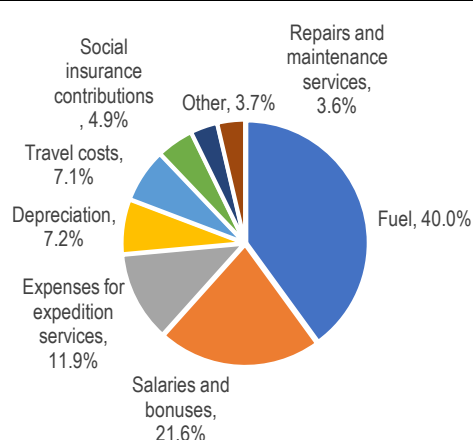
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Figure 1. Globaltruck revenue structure in 2019, %



Source: company data

Figure 2. Globaltruck cost of sales structure in 2019, %



Source: company data

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	-10931	-11622
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 Cash flow statement, RUB mn

RUB mn	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Profit before income tax	212	658	364	543	395	352	834	1214	1384	1626
Operating cash flows before working capital changes	919	1234	1129	1130	1248	1509	1939	2326	2527	2798
Cash from operating activities	463	812	601	439	792	1004	998	1238	1387	1664
Net cash used in investing activities	-840	458	-44	-601	-37	-912	-831	-812	-815	-908
Net cash (used in)/ from financing activities	237	-1159	896	-926	-764	542	-276	-203	-262	-343
Effect of exchange rate changes on cash and cash equivalents	1	-8	-4	12	-43					
Cash and cash equivalents at the beginning of the year	221	83	185	1634	558	506	1140	1032	1255	1565
Cash and cash equivalents at the end of the year	83	185	1634	558	506	1140	1032	1255	1565	1978

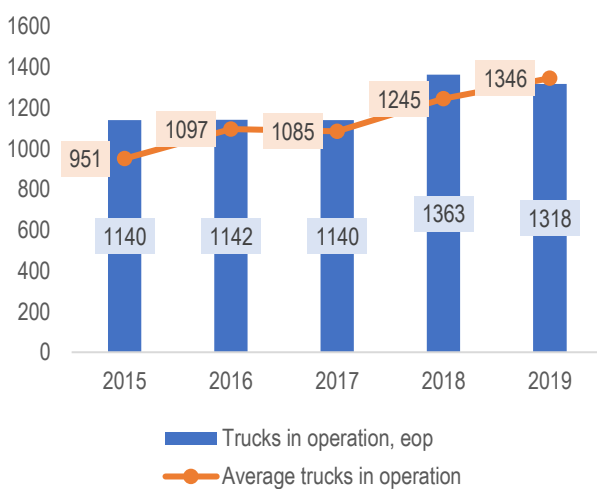
Source: company data, Hypothesis Research estimates

Figure 6. Globaltruck 12-month fair market capitalization sensitivity, \$mn

GROWTH RATE, %	WACC				
	10.8%	11.8%	12.8%	13.8%	14.8%
0.0%	6233	5394	4688	4086	3566
1.0%	6895	5924	5119	4441	3862
2.0%	7708	6561	5628	4855	4204
3.0%	8728	7343	6242	5346	4604
4.0%	10048	8325	6995	5938	5077
5.0%	11823	9595	7940	6663	5647

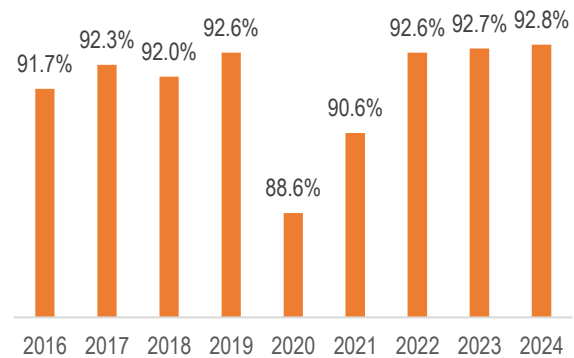
Source: Hypothesis Research estimates

Figure 7. Globaltruck number of trucks in operation, units



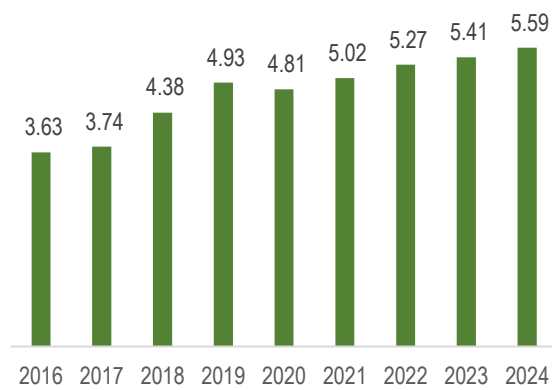
Source: company data

Figure 8. Globaltruck loaded run ratio



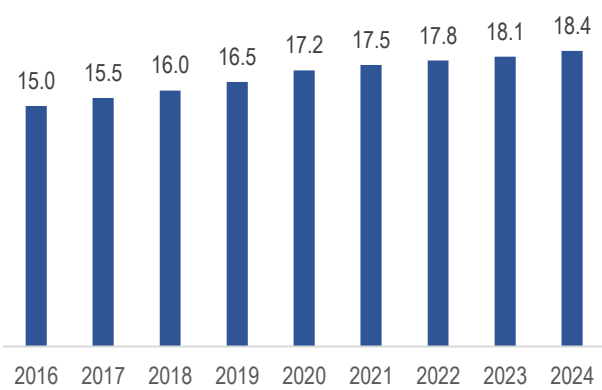
Source: company data, Hypothesis Research estimates

Figure 9. Globaltruck cargo turnover, bn t*km



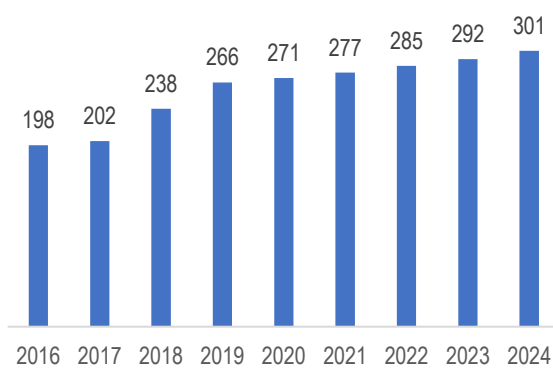
Source: company data, Hypothesis Research estimates

Figure 10. Globaltruck covered distance per average truck/month, ths km



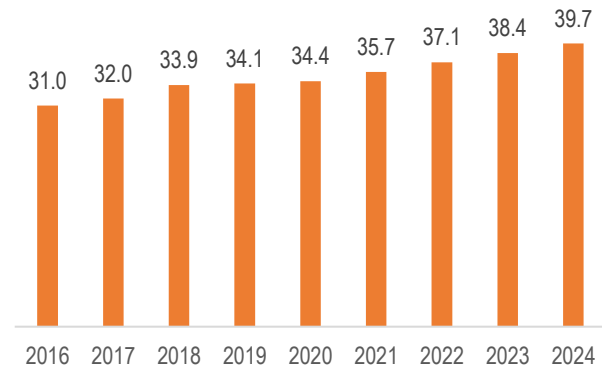
Source: company data, Hypothesis Research estimates

Figure 11. Globaltruck total distance, mn km



Source: company data, Hypothesis Research estimates

Figure 12. Globaltruck freight rates, RUB/km



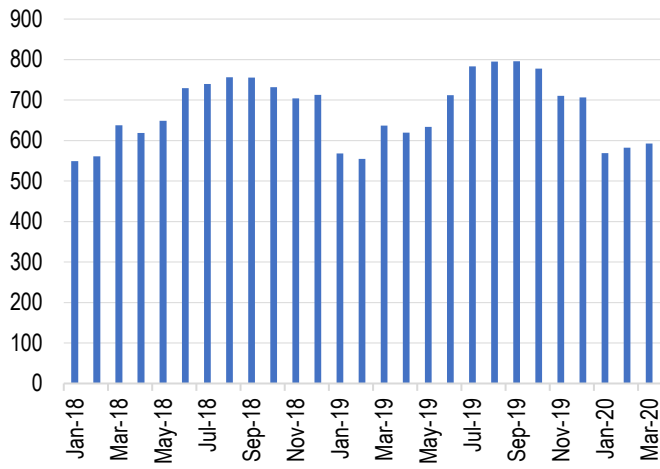
Source: company data, Hypothesis Research estimates

Figure 13. 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%
Total	881,667	1.51%

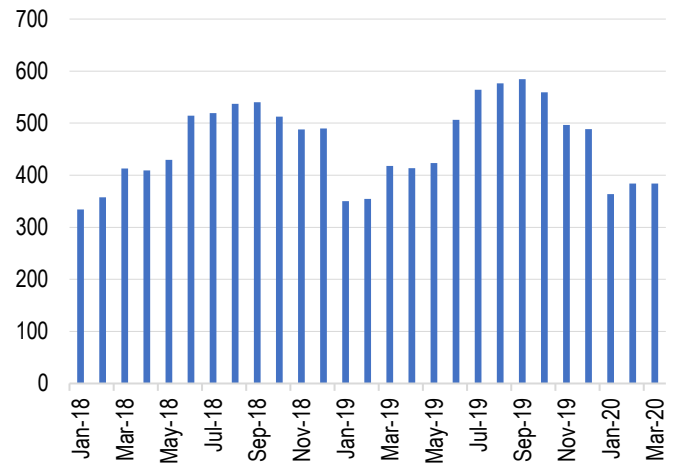
Source: company data, Moscow exchange, Hypothesis Research estimates

Figure 14. Russian cargo transportation, mt



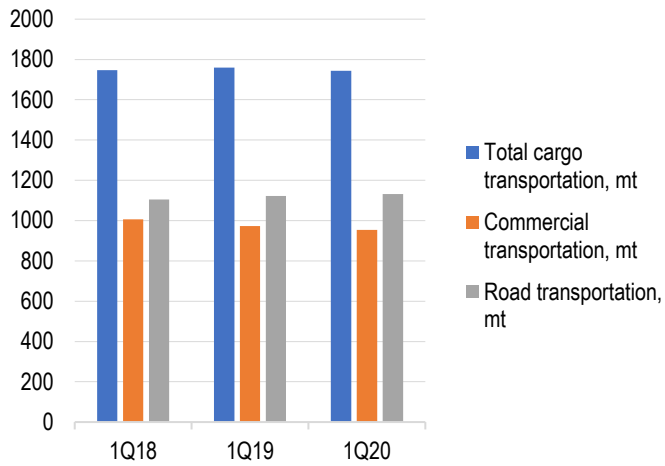
Source: gks.ru

Figure 15. Russian road transportation, mt



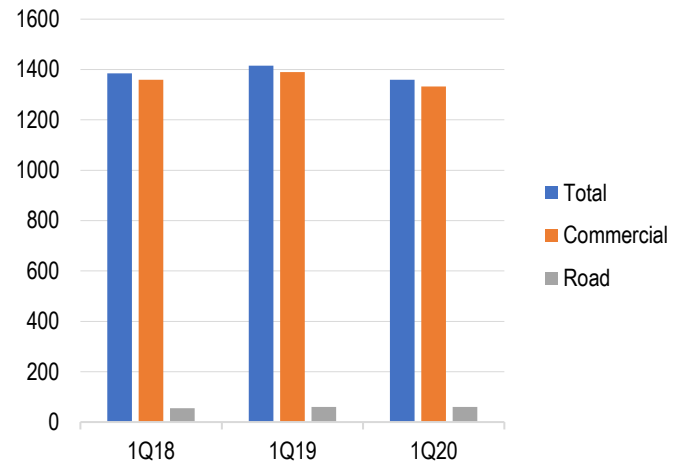
Source: gks.ru

Figure 16. Russian transportation in 1Q20, mt



Source: gks.ru

Figure 17. Russian cargo turnover in 1Q20, bn t*km



Source: gks.ru

Figure 18. 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	34	79	10.8	4.6	3.1	3.9	3.1	2.6	0.6	0.5	0.5
<i>Discount to Russian peers</i>			60%	-19%	-38%	-19%	-32%	-40%	-78%	-79%	-80%
<i>Discount to European peers</i>			-66%	-59%	-70%	-45%	-46%	-52%	-5%	-19%	-30%
Russian peers											
Globaltrans	1045	1483	5.4	5.4	5.2	3.8	3.7	3.5	1.8	1.7	1.6
Globalports	512	1258	8.1	5.8	4.8	5.9	5.3	5.0	3.8	3.4	3.2
Russian peers average			6.8	5.6	5.0	4.9	4.5	4.2	2.8	2.6	2.4
Peers - Europe											
Compania de Distribucion Integral Logista Holdings	2335	727	11.5	10.7	11.0	2.1	2.0	2.0	0.6	0.6	0.6
PostNL	804	1333	8.5	6.3	5.6	4.2	3.8	3.5	0.4	0.4	0.4
Id Logistics	1046	1489	34.7	27.0	22.3	7.6	5.6	5.3	0.9	0.8	0.8
Clasquin	62	103	138.2	13.5	12.1	13.8	7.7	6.3	0.3	0.3	0.2
CTT Correios de Portugal	349	1385	8.8	7.7	6.3	10.1	9.9	9.9	1.7	1.7	1.7
Jetpak Top Holding	72	86	9.6	7.8	7.0	6.4	5.5	5.1	0.9	0.8	0.7
Stef SA	973	1867	10.9	8.9	8.3	5.8	5.2	4.9	0.5	0.5	0.5
Peers - Asia											
Tiong Nam Logistics Holdings	41	275	21.5	23.7	15.6	13.5	13.4	11.9	1.9	2.0	1.7
Synergetic Auto Performance	28	359	31.5	8.4	6.3	8.2	7.1	6.3	3.6	3.3	3.0
Perak Transit	60	113	16.1	6.5	5.4	10.1	7.4	7.0	4.2	3.7	3.6
Beijing Changjiu Logistics Corp	717	773	47.7	24.5	NaN	21.4	14.3	NaN	1.2	1.2	NaN
Tiong Nam Logistics Holdings	41	275	21.5	23.7	15.6	13.5	13.4	11.9	1.9	2.0	1.7
Synergetic Auto Performance	28	359	31.5	8.4	6.3	8.2	7.1	6.3	3.6	3.3	3.0
Blue Bird Tbk PT	159	207	7.0	5.9	NaN	4.5	3.7	NaN	0.7	0.6	NaN
VRL Logistics Ltd	199	244	14.8	15.6	11.9	5.8	5.6	5.1	0.9	0.8	0.8
United International Transportation Company	547	570	9.8	8.7	NaN	3.1	2.9	NaN	1.9	1.8	NaN
Global peers average			26.5	12.6	10.3	8.6	7.2	6.6	1.4	1.4	1.4
European peers' average			31.7	11.1	10.4	7.1	5.7	5.3	0.7	0.7	0.7
Asian peers average			22.4	13.9	10.2	9.8	8.3	8.1	2.2	2.1	2.3

Source: Thomson Reuters, Hypothesis Research estimates

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