

Globaltruck

1H2020 results review

▶ **Globaltruck (MOEX: GTRK) releases operating and financial results for 1H20.**

The company operated 1,305 trucks on average in 1H20, compared to 1,360 trucks in 1H19, having postponed the purchase of 40 trucks until the second half of the year. The fleet accounted for 1,319 trucks as of June 30, 2020, with an average age of three years. The loaded run ratio increased from 92.3% in 1H19 to 92.2% in 1H20. The focus will be on purchasing gas trucks in the future and the remodelling of 200 trucks from diesel into gas to improve the efficiency of the fleet for long-distance transportation. The distance per truck per month increased by 3.2% YoY to 16.3 thousand km in 1H20, due to the increased number of routes on the Express/Cargo pipeline service, with a greater distance covered per truck. The company operated 211 trucks on the Cargo pipeline project, versus 77 a year ago, and plans to increase this number by 1.5x by the end of 2020. Additional routes were launched in Southern Russia, one of the most intensive cargo transportation regions. Globaltruck's revenue was up 4.5% YoY to RUB4,660mn in 1H20, mostly driven by the light-asset forwarding business, which generated 56% higher revenue than a year ago. Despite a rather good start to the year, the pandemic environment resulted in a decline in transportation services in May-June 2020 and a decrease in the freight rate in April-May 2020. As a result, the average freight rate grew only 0.3% YoY to RUB34.01/km in 1H20. However, higher efficiency and efforts to expand the light-asset business model provided rather stable revenue generation but was also associated with higher SG&A expenses, driven by salaries and IT-service associated costs. The company reduced fuel costs by 6.4% YoY to RUB1,472mn due to the reduced number of trucks (RUB32mn in savings) and a reduction in fuel costs by 2.7% YoY (RUB29mn in savings) as well as fuel efficiency (RUB29mn in savings). Despite the dramatic oil price drop, fuel prices in Russia demonstrated only a minor decline in 1H20 and started to appreciate during the summer. The company has centralized the purchase of fuel, keeping a 10-15% discount to the retail price and receiving retro-bonuses on a quarterly basis from fuel suppliers. The adjusted EBITDA was down 29.9% YoY to RUB404mn, or RUB0.3mn per truck, compared to RUB0.42mn per truck in 1H19. The key drivers of the EBITDA decrease were an increase in drivers' wages by 7.7% YoY, an increase of 68.5% in materials and components due to the replacement of tires and batteries in the fleet acquired in 2017, and higher SG&A expenses due to centralisation processes and IT development. The company's total debt was RUB3,740mn as of the end of June 2020, while net debt was at RUB3,078mn and net debt/EBITDA was 2.5x.

▶ **Lower capex in 2020 supports sustainable FCF.** Globaltruck delayed the purchases of trucks from 1H20 to 2H20, receiving attractive financial terms from the supplier. As a result, we expect capex of close to RUB360-400mn in 2020, down from over RUB600mn previously. The increased activity amongst LTC, FMCG and e-commerce customers provides a favorable outlook for the company's 2H20 transportation volumes. The seasonal increase in transportation volumes in the second half of the year will contribute to the overall FY20 performance. However, the development of the IT platform and logistics will likely bring higher than expected SG&A in FY20. We are going to review our forecasts. GTRK stock trades at 2020-22 EV/EBITDA of 2.3-3.3x and 2020-22 P/E of 2.6-5.8 that represent 40-62% and 38-78% discount to its Russian and international peers.

Report date:	2 September 2020
Ticker	GTRK
Main exchange	MOEX
Current Price, RUB	43.25
Number of shares issued	58,462,120
Number of shares outstanding	57,308,092
Current MCap, RUB mn	2,479
Free float, %	17.6%
Treasury shares, %	1.97%

Globaltruck is a road cargo transportation company with primary operations in Russia and Europe. Globaltruck operated the fleet of 1,305 trucks as of 30/06/2020. The average fleet age is 3 years. Globaltruck is one of the largest FTL companies in Russia.

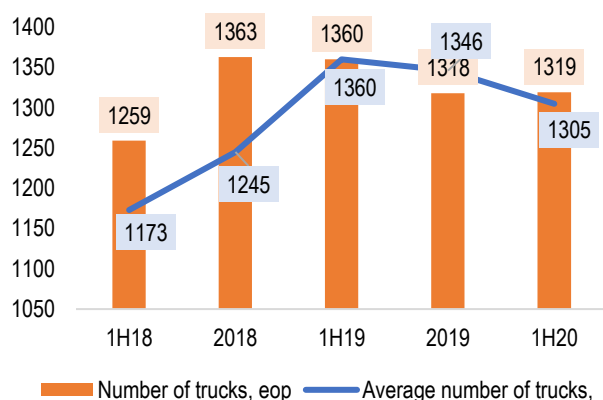
Globaltruck Management is a research client of Hypothesis Research Limited.

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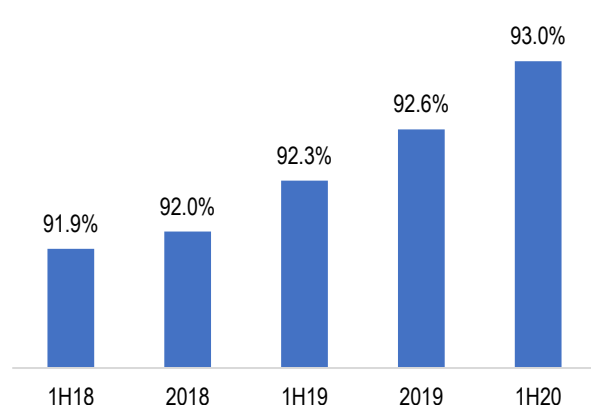
Figure 1. Globaltruck key financial figures in 1H20, RUB mn

RUB mn	1H19	1H20	YoY
Revenue	4459	4660	4.5%
Cost of sales	-3787	-4084	7.8%
Gross profit	672	576	-14.3%
Gross margin	15.1%	12.4%	
General and administrative expenses	-421	-477	13.3%
Other operating income and expenses, net	-15	0	-101.3%
Operating profit	235	99	-58.0%
Operating margin	5.3%	2.1%	
Finance income	9	43	405.6%
Finance costs	-235	-169	-28.3%
Profit before tax	9	-26	
Income tax expense	-12	4	
Profit for the year attributable to the company's owners	-2	-23	
Adj EBITDA	577.605	404.3	-30.0%
EBITDA margin	13.0%	8.7%	
Cost of sales			
Fuel	1572	1472	-6.4%
Salaries and bonuses	815	878	7.7%
Expenses for expedition services	374	567	51.6%
Depreciation	332	306	-7.7%
Travel costs	270	292	8.0%
Social insurance contributions	184	200	8.4%
Repairs and maintenance services	143	136	-4.8%
Other	98	234	138.2%

Source: company data, Hypothesis Research estimates

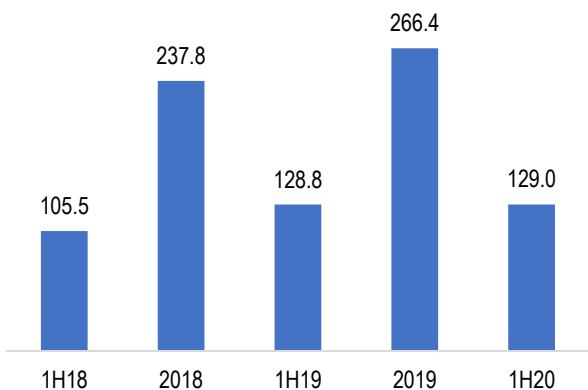
Figure 2. Globaltruck fleet of trucks, units

Source: company data

Figure 3. Globaltruck loaded run ratio, %

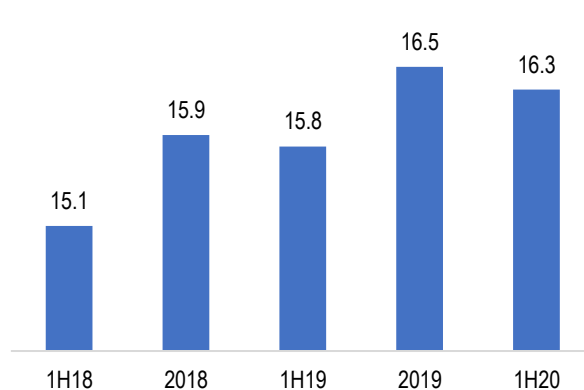
Source: company data

Figure 4. Globaltruck total distance for the period, mn km



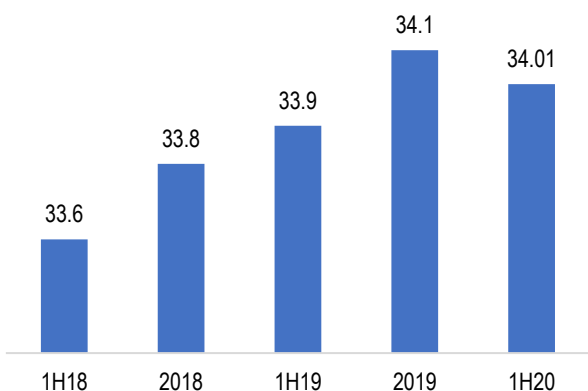
Source: company data

Figure 5. Covered distance per truck/month, ths km



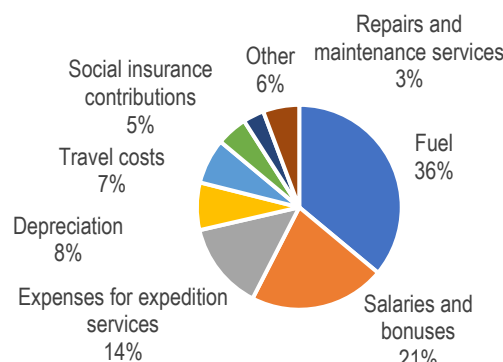
Source: company data

Figure 6. Globaltruck freight rates, RUB/km



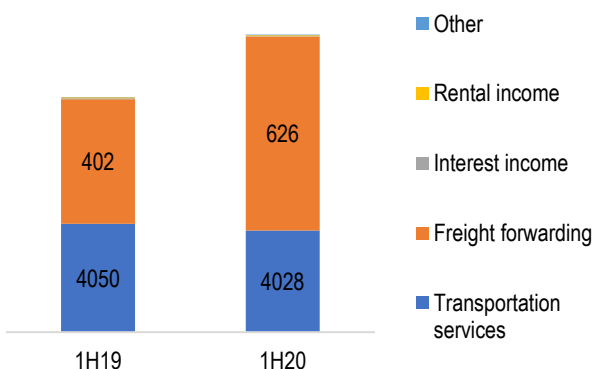
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Figure 7. Globaltruck Cost of sales structure in 1H20



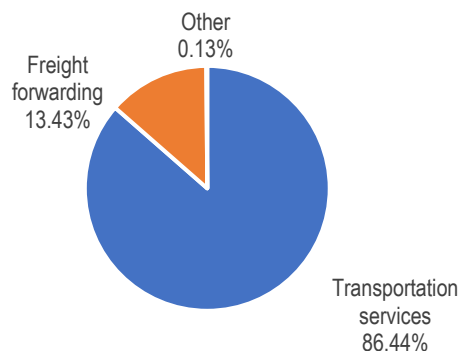
Source: company data

Figure 8. Globaltruck revenue structure in 1H20, RUB mn



Source: company data

Figure 9. Globaltruck revenue structure in 1H20, %



Source: company data

Figure 10. 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%
Jun-20	129591	0.22%
Jul-20	91000	0.16%
Total	1,154,028	1.97%

Source: company data, Moscow exchange, Hypothesis Research estimates

Figure 11. Transportation sector peer comparison

Company name	Market Cap., \$mn	Enterprise Value, \$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	71	5.8	3.4	2.6	3.3	2.7	2.3	0.6	0.5	0.5
<i>Discount to Russian peers</i>			-38%	-59%	-63%	-40%	-48%	-53%	-79%	-80%	-82%
<i>Discount to European peers</i>			-74%	-75%	-78%	-59%	-58%	-62%	-25%	-30%	-37%
Russian peers											
Globaltrans	1152	1579	7.7	8.0	7.7	4.7	4.7	4.5	2.1	2.1	2.0
Globalports	592	1284	11.2	8.4	6.3	6.2	5.7	5.4	3.7	3.3	3.1
Russian peers average			9.5	8.2	7.0	5.5	5.2	4.9	2.9	2.7	2.6
Peers - Europe											
Waberer's International Nyrt	65	276	NaN	NaN	NaN	4.1	3.2	2.9	0.4	0.4	0.3
PostNL NV	1517	1956	10.7	9.2	8.7	4.9	4.4	4.2	0.5	0.5	0.5
Id Logistics SAS	1260	1794	39.0	30.6	24.9	6.9	6.3	5.8	0.9	0.9	0.8
Wincanton PLC	323	523	9.9	7.1	5.8	5.0	4.1	3.7	0.3	0.3	0.3
Clasquin SA	96	133	55.0	19.4	15.1	11.2	NaN	7.2	0.3	0.3	0.3
CTT Correios de Portugal SA	473	1995	21.3	12.6	11.3	14.4	14.3	13.8	2.3	2.2	2.3
Jetpak Top Holding AB (publ)	84	105	20.3	10.8	8.9	10.4	7.1	6.2	1.0	0.9	0.9
Stef SA	1047	2019	13.7	9.8	8.5	6.4	5.4	5.0	0.5	0.5	0.5
Peers - Asia											
Tiong Nam Logistics Holdings Bhd	44	302	73.7	12.1	7.2	12.7	11.2	9.9	2.1	2.0	1.8
Synergetic Auto Performance PCL	50	381	NaN	72.0	21.6	8.1	7.4	6.8	4.1	3.9	3.4
Perak Transit Bhd	111	176	12.5	8.6	8.8	12.0	9.5	8.7	6.2	5.6	5.4
Tiong Nam Logistics Holdings Bhd	44	302	73.7	12.1	7.2	12.7	11.2	9.9	2.1	2.0	1.8
Synergetic Auto Performance PCL	50	381	NaN	72.0	21.6	8.1	7.4	6.8	4.1	3.9	3.4
Blue Bird Tbk PT	175	221	104.3	9.4	6.7	84.3	5.3	3.5	1.8	1.0	0.8
VRL Logistics Ltd	202	263	531.8	16.7	12.3	10.7	6.3	5.2	1.1	0.9	0.8
United International Transportation Company	664	673	19.6	13.4	11.8	4.3	3.8	3.6	2.7	2.3	2.2
Global peers average			71.2	20.4	11.9	13.5	7.1	6.4	1.9	1.7	1.6
European peers' average			22.6	13.7	11.6	7.9	6.4	6.1	0.8	0.8	0.7
Asian peers average			135.9	27.0	12.1	19.1	7.8	6.8	3.0	2.7	2.4

Source: Thomson Reuters, Hypothesis Research estimates

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