

# Globaltruck

## A digital transformation to deliver growth

► **Globaltruck (MOEX: GTRK) updated its strategy to include a focus on digitalisation that will add an asset-light business to its asset-based model.**

The announcement follows on from the August 2020 creation of a committee for business digitalisation that led to the creation of a digital platform business subsidiary GT IT. The new company will develop products to enable enhanced communication and document turnover between clients, expeditors, drivers, and partners. Over the next four years (2020-2024), management expects the new business to help lift overall company revenue growth, as well as improve operating efficiency. We believe the initiative is well supported by the company's strong business expertise, client relations, reputation, and large self-owned truck fleet and logistics capabilities. The usage of its self-owned fleet will focus predominantly on Cargo Pipeline, and the fast premium Full Truck Load (FTL) service. The operating efficiency of Cargo Pipeline, with over 24k km/month distance per truck and over 94% load run, provides the best use of its own fleet. The company is targeting the expansion of this business by adding more routes with more than double trucks in operation by 2024. In 9M20, Globaltruck already increased the revenue from its asset-light business (expedition services) by 54% YoY, which indicates good potential for expansion. The company seeks to increase the revenue from its asset-light business seven-fold in five years, which is an ambitious but not unachievable goal, in our view. The COVID-19 pandemic accelerated the digital trends in the industry with the rising popularity of marketplaces to match clients and carriers. The low level of consolidation in the sector creates a market opportunity for tech solutions and IT platform operators. However, a good balance between the company's own fleet and the asset-light model is likely to be a more advantageous combination for clients, who value quality and speed of delivery.

► **Russian road cargo turnover declined 5.1% YoY during January-October 2020.** Total cargo turnover decreased 5.8% YoY during January-October 2020 mostly due to a sharp decline in cargo turnover for pipeline (-8.5% YoY) and rail (-3.2% YoY). The cargo industry was adversely impacted by production cuts and lower exports among industrial producers and exporters. Restrictions on cross-border transportation included extra border checks that caused delays and disruptions to deliveries. Despite the drop in global oil prices, the local diesel fuel market did not provide a lot of savings to road carriers based on the 3.0% YoY increase in the consumer price index for diesel fuel in October 2020. At the same time, customers of road transportation companies asked for freight rate discounts that squeezed the profit margin of freight operators.

► **Our forecast for Globaltruck is based on new operating targets.**

The company is well positioned to gain market share via the optimisation of its business model as a wholesale aggregator for its large clients. We assume that the asset-light model will account for over 44% of total company revenue in 2024 (13.5% currently) based on an increase to 700 trucks (from 246 currently) in operation at the Cargo Pipeline business. We expect the IT platform to be fully operational by 2024, also helping to support this growth, in line with the company's plans. We have valued Globaltruck using a DCF valuation on a 12-month forward basis. Our indicative market capitalization range is RUB5,187-8,375mn assuming a WACC of 11.8-13.8% and a terminal growth rate of 1.0-3.0%. The company trades at a 2021-22 EV/EBITDA of 3.0-3.6x, which is a 47-53% discount to international peers and a 34-41% discount to Russian peers.

<b>Report date:</b>	<b>18 December 2020</b>
<b>Ticker</b>	<b>GTRK</b>
Main exchange	MOEX
Current Price, RUB	39.45
Number of shares	57,084,792
Treasury shares	1,377,328
Current MCap, RUB mn	2,252
Free float, %	17.2%

**Globaltruck** is a road cargo transportation company with primary operations in Russia and Europe. Globaltruck operated the fleet of 1,314 trucks and 1,473 trailers as of 30 September 2020. The average fleet age is 2.9 years. Globaltruck is one of the largest FTL companies in Russia.

*Globaltruck Management is a research client of Hypothesis Research Limited.*

Marina Alekseenkova  
Research analyst  
+44 (0) 78527 00371  
ma@hypothesisresearch.co.uk



Globaltruck is one of the most efficient truck fleet operators in Russia

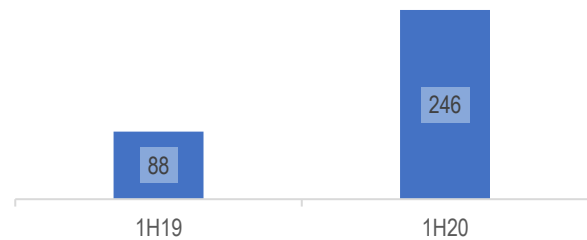
92.7% load run ratio in 9M2020

Russian road cargo market growth may reach 5.5% CAGR in 2019-2023



Source: company data, Hypothesis Research estimates

Number of road trains in premium Cargo Pipeline service





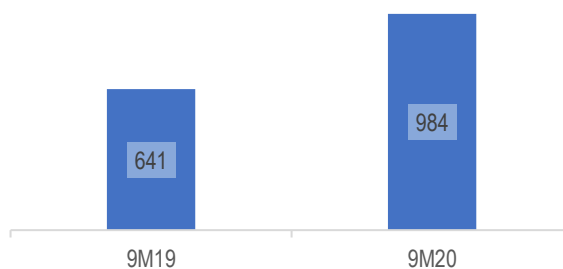
Globaltruck services top Russian and international FMCG, Industrial, Logistics and other companies

The revenue from asset-light model increased by 54% YoY in 9M20



Source: company data, Hypothesis Research estimates

Revenue from Light-asset service, RUB mn



# Contents

<b>Investment summary</b>	<b>5</b>
<b>Russian Road Cargo Transportation Market</b>	<b>11</b>
COVID-10 impact on freight sector	12
Retail and e-commerce trends	13
Russian transportation market: digitalization	15
Road cargo market estimates	17
Competition	19
Regulation	20
<b>GLOBALTRUCK</b>	<b>21</b>
Business overview	21
Digitalization	22
Asset-based business	22
Asset-light business	24
Operational performance	25
Financial forecast	26
Revenue structure	27
Cost structure	28
Debt structure	31
Shareholder capital	35
Corporate governance	36
Risks	39
Analysts certification and disclaimer	40
<b>Important disclosures</b>	<b>40</b>

# Investment summary

## 1. Market opportunity

Globaltruck operates a fleet of over 1,300 trucks servicing clients in the Central, South, Urals, Volga, and Siberian Federal districts of Russia. The company's operations are effectively focused on several dozen main routes where it can provide fast deliveries for FTL clients. Globaltruck services top Russian and international FMCG, Industrial, Logistics and other companies providing carrier services in Russia and Europe. Road cargo transportation is the largest segment of the Russian cargo market in terms of transported volumes. The sector loaded 68% of all volumes in Russia in 2019. Road transport's share of turnover, however, was only 4.8% in January-October 2020, reflecting the relatively limited usage of road transport for long-distance transportation. The average distance of one ton transported by road was only 46.7 km in 2018 and 49.6km in 2020. The road freight transportation market is competitive due to there being many old vehicles (67% of the Russian fleet is over 10 years old) controlled by small operators and family businesses, that cannot provide high-quality services to large retail, e-commerce and consumer companies. Long-haul road transportation has been developed over the past 5-10 years by captive operators and independent road freight companies, which have built large infrastructure, including warehousing, IT systems, service and maintenance shops.

The road cargo transportation sector has developed a range of client services, including groupage, LTL (Less Than truck Load) and FTL (Full Truck Load), offering door-to-door road freight solutions for part and full loads, and tracking and visibility of cargo for customers. The sector now incorporates advanced IT technologies to create simplicity for customers with a single point of contact, integrated logistics solutions and efficient transportation services. This reduces transit time and enables real-time monitoring of operations. The major trend in recent years has been the aggregation of cargo volumes by marketplaces, which provide technological support for clients in terms of tenders and documentation checks. The digitalisation trend with 'uberisation' of truck deliveries and aggregation of LTL volumes will continue being convenient for small and medium size customers, while the largest logistics and transportation companies are focusing on digitalisation of their own operations and communications with customers, drivers, expeditors and partners.

The expansion of retail chains across Russia and the acceleration of e-commerce have driven growth in cargo volumes since 2017. Physical wholesale trade volume increased 5.7% YoY in 2017. The top 10 Russian retailers reported 10% revenue growth in 2018. In 2019, retail turnover rose by 1.9% YoY. However, e-commerce registered 22.6% growth in 2019 and is estimated to grow by over 30% YoY in 2020. The growth of e-commerce is a milestone for road transportation, changing the offering of logistics companies. The e-commerce market is estimated to grow by 14% on average in 2016-2022. Cheaper deliveries and wider reach are the two essential components supporting the e-commerce upswing, and these are crucial elements of competing logistics operators' offerings. More flexible and fast transportation services such as LTL have already gained popularity among e-commerce companies over the last two years.

There are several trends in the road cargo market:

- Stable growth of the LTL segment;
- 'Uberisation' of road cargo operations and general digitalisation of LTL and FTL operations;
- Reduction of the 'grey' service market due to an increased regulatory requirement, including the Platon electronic toll collection system and VAT procedures; and
- Consolidation of freight operators.

We forecast the road cargo market to grow at a 5.5% CAGR between 2019 and 2023, reaching a value of RUB1,230bn by 2023. We expect cost-efficiency and consolidation to be key drivers for the sector. The weak macro environment in 2020 may make it challenging for the sector to achieve strong growth, but there is room for structural development and implementation of new business models. The key macro drivers for Russian road operators in the future include:

- The recovery of industrial production in a post-COVID economy;
- Improving macro trends in 2021-22;
- Expansion of trade between China and Russia;
- E-commerce growth, with a five-year CAGR of at least 14% p.a.;
- Stabilisation of trade flows with European countries;
- Greater sector consolidation in the logistics segment.

## 2. Globaltruck: investor highlights

Globaltruck Management (MOEX: GTRK) is one of the leading road cargo transportation groups in Russia.

- Globaltruck has the leading position in the transportation and logistics market in Russia and operates a large self-owned fleet.
- The company is developing both asset-based and asset-light business models. The asset-light business will help maintain relationships with its existing largest FTL clients and also enable it to gain opportunities in the growing LTL market.
- In the asset-based segment, Cargo Pipeline is the premium service that generates higher profit margins, while expedited services are asset-light with strong revenue generation potential via cooperation with smaller service providers. Fleet management systems allow the company to control logistics, and during 2019 it generated a load run ratio of over 92% for classic services and over 95% for the Cargo Pipeline service.
- In the asset-light segment, Globaltruck increased revenues by 54% YoY in 9M20 and may achieve 5.0-7.0x total revenue growth from this segment between 2020 and 2024, according to our estimates.
- Innovation of the Globaltruck IT platform – the ‘Digital Expeditor’ project provides an opportunity to differentiate from a transportation service provider to a transportation and logistics aggregator.
- The combination of self-owned fleet, scale of operations, reputation, client relations, expertise, and technology will support the expansion of the client base.
- The addressable market opportunity will grow with the elimination of old fleets and worsening economics of smaller transportation companies.
- The business model provides an opportunity for cross-selling and operating leverage.
- The maintenance capex is low, which helps to navigate through the business cycle with positive free cash flow generation.
- The target asset-light model allows the business to scale up but with low capex. The possible 5.0-7.0x growth of the asset-light revenue in five years (2024) will contribute to overall company growth.

- Management have delivered their operating targets despite the cyclical correction of the market in 9M20 by raising fuel efficiency, lowering repair and maintenance costs, and increasing the scale of the Cargo Pipeline business. In addition, management drove an increase in asset-light revenues of 54% YoY in 9M20.

Globaltruck operated a fleet of 1,314 trucks and 1,473 trailers as of 30 September 2020. The average fleet age was 2.93 years. Globaltruck Management (GTM) was founded in 2012 with the establishment of the Cyprus-based GT Globaltruck Limited, and accumulated its truck fleet via purchases and small acquisitions. The company provides services to blue chip customers, including retail companies (Metro, IKEA, Sportmaster, O'Key, Detsky Mir, and Lenta), FMCG players (Unilever, Protec, Katren, Procter&Gamble, and Ferrero), manufacturing and industrial companies (MMK, Sibur, and UMMC) and e-commerce and parcel companies (KIT, DPD, and PEC). Retail, consumer and e-commerce companies generate over 70% of revenues for Globaltruck.

Historically, Globaltruck has followed a conservative capital structure policy, keeping net debt/EBITDA below 2.7x. The company uses a combination of term loans and finance leasing to finance fleet acquisitions. The current debt structure includes c.43% of short-term debt and 57% of long-term debt as of the end of June 2020. The total debt amounted to RUB3.5bn as of 30 September 2020.

Globaltruck has demonstrated good information disclosure and consistent financial reporting since its IPO in November 2017. The company follows the corporate governance procedures and standards set by the Moscow Exchange. The Board of Globaltruck Management consists of nine directors, including two independent directors. The Board has three committees headed by independent directors. Apart from the audit committee and remuneration & nomination committee, the Board created the committee for business digitalisation in August 2020. The new committee and the new GT IT Company will focus on digital platform development to improve communications with clients, expeditors, and partners.

The company's share price performance has been relatively weak in the last 12 months, reflecting the pressure on the road cargo transportation sector from the challenging macro environment, as well as a margin squeeze due to higher diesel prices and lower freight rates. However, the company delivered encouraging results in 1H20, with revenue up 4.5% YoY to RUB4,660mn but EBITDA down 30% YoY to RUB404mn. The company improved fuel efficiency and cut repair and maintenance expenses.

## Pros

- Strong market position and strong brand among blue chip customers.
- Focus on operating efficiency and cost optimisation.
- Development and expansion of value-accretive business model for Cargo Pipeline.
- Growing e-commerce market will drive the demand for road cargo transportation in Russia.
- Retail operation expansion in Siberia, the Urals, and the South create an opportunity for independent cargo transportation services.
- Developing trade with China is a potential driver of the company's business.
- Stabilisation of foreign trade with Europe will support the road turnover.
- Expansion of asset-light business creates a revenue growth opportunity.

- Technology development contributes to operational optimisation and expansion via cooperation with other logistics companies.
- Industry consolidation may create an M&A opportunity.
- Experienced management and partners, as well as supportive shareholders.

**Cons**

- Weak macro trends, including cargo volume reduction and slow recovery in post-COVID environment.
- Increased competition on selected routes may affect freight rate negotiations.
- Oil price volatility and diesel price increases in Russia are negative factors for the company.
- Competition from new logistics services, including a potentially driverless offering.
- Requirements to maintain a modern fleet may raise the capex and potentially lower free cash flow.

### 3. Valuation summary

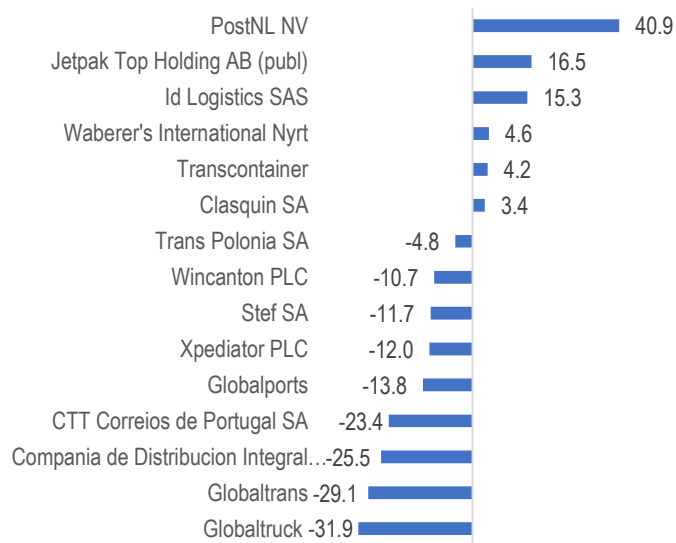
We have valued Globaltruck shares on an FCFF approach. Our DCF model provides the valuation range for a 12-month fair market capitalisation of RUB5,187-8,375mn for a WACC of 11.8-13.8% and terminal growth rate of 1.0-3.0%.

The company has a very limited number of peers due to its size and the industry classification. The Russian universe includes mostly rail and container operators, while there is limited information on the number of South Asian peers.

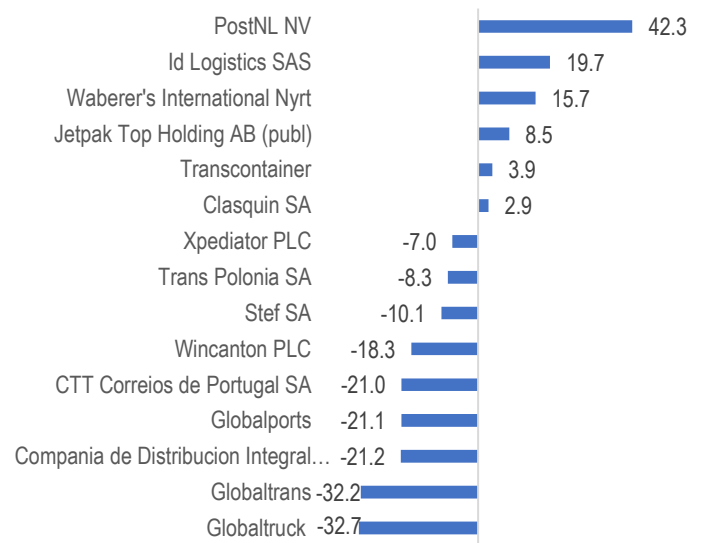
**Figure 1. Comparable multiples**

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	32	69	59.5	6.6	4.0	4.8	3.6	3.0	0.6	0.5	0.4
Discount to Russian peers			314%	-16%	-41%	-11%	-34%	-41%	-80%	-82%	-85%
Discount to European peers			212%	-53%	-69%	-39%	-47%	-56%	-31%	-40%	-52%
Russian peers											
Globaltrans	1072	1526	7.3	8.8	8.0	4.5	5.1	4.6	2.0	2.1	2.0
Transcontainer	1640	1927	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Globalports	573	1265	21.4	6.8	5.9	6.2	5.7	5.5	3.5	3.2	3.0
<b>Russian peers average</b>			<b>14.4</b>	<b>7.8</b>	<b>6.9</b>	<b>5.3</b>	<b>5.4</b>	<b>5.1</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>
<b>Peers - Europe</b>											
Compania de Distribucion Integral Logista Holdings SA	2555	-650	10.2	9.8	9.6	NaN	NaN	NaN	NaN	NaN	NaN
PostNL NV	1722	2175	9.9	9.4	8.6	4.8	4.6	4.5	0.6	0.6	0.5
Id Logistics SAS	1483	1998	45.2	34.1	28.6	7.6	6.9	6.3	1.0	0.9	0.9
Wincanton PLC	419	496	9.3	8.1	6.7	4.2	3.8	3.4	0.3	0.3	0.3
Clasquin SA	101	136	26.9	20.8	18.9	9.5	8.5	8.0	0.3	0.3	0.3
CTT Correios de Portugal SA	459	2073	26.9	13.5	12.0	14.9	12.9	12.8	2.3	2.2	2.1
Xpediator PLC	63	94	9.8	8.1	NaN	4.4	3.9	NaN	0.3	0.3	NaN
Jetpak Top Holding AB (publ)	100	122	18.5	11.2	9.5	10.1	7.4	6.7	1.1	1.0	1.0
Stef SA	1142	2255	15.1	10.9	9.3	7.1	6.0	5.4	0.6	0.6	0.5
<b>Peers - Asia</b>											
Tiong Nam Logistics Holdings Bhd	106	372	96.3	29.0	17.3	14.6	13.9	12.6	2.7	2.5	2.3
Perak Transit Bhd	131	184	13.1	10.4	9.3	10.6	9.0	8.7	6.1	5.5	5.1
Tiong Nam Logistics Holdings Bhd	106	372	96.3	29.0	17.3	14.6	13.9	12.6	2.7	2.5	2.3
Blue Bird Tbk PT	253	297	NaN	23.8	13.6	35.2	7.5	5.3	2.1	1.5	1.2
VRL Logistics Ltd	257	300	73.8	18.6	16.1	10.3	6.9	6.1	1.3	1.0	0.9
United International Transportation Company SJSC	721	709	17.9	17.2	14.7	4.6	4.5	4.2	2.9	2.7	2.5
<b>Global peers average</b>			<b>33.5</b>	<b>16.9</b>	<b>13.7</b>	<b>10.9</b>	<b>7.8</b>	<b>7.4</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>
<b>European peers' average</b>			<b>19.1</b>	<b>14.0</b>	<b>12.9</b>	<b>7.8</b>	<b>6.7</b>	<b>6.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
<b>Asian peers average</b>			<b>59.5</b>	<b>21.3</b>	<b>14.7</b>	<b>15.0</b>	<b>9.3</b>	<b>8.3</b>	<b>3.0</b>	<b>2.6</b>	<b>2.4</b>

Source: ThomsonReuters

**Figure 2. Transportation peers 1Y stock performance**

Source: Thomson Reuters

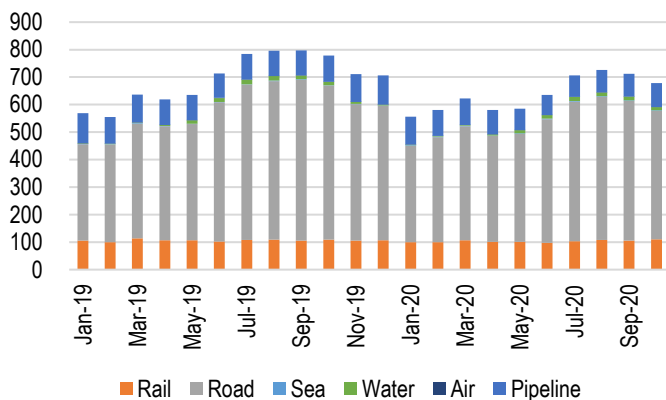
**Figure 3. Transportation peers YTD stock performance**

Source: Thomson Reuters

# Russian Road Cargo Transportation Market

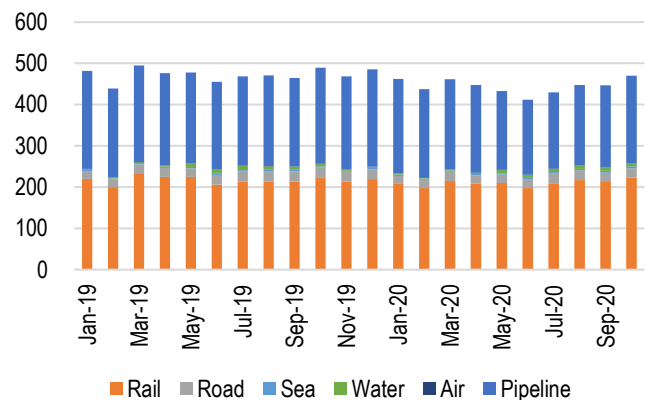
The Russian cargo transportation market was adversely impacted by the COVID-19 pandemic, which led to decelerating business activity across the country. Total cargo turnover fell 5.8% YoY to 4,448mn t\*km in the first ten months of 2020. The decline was mostly driven by two major segments Rail (-3.2% YoY to 2100mn t\*km) and pipeline (-8.5% YoY to 2037mn t\*km). The road cargo transportation turnover fell 5.1% YoY to 215mn t\*km in January-October 2020.

**Figure 4. Russian cargo transportation, mt**



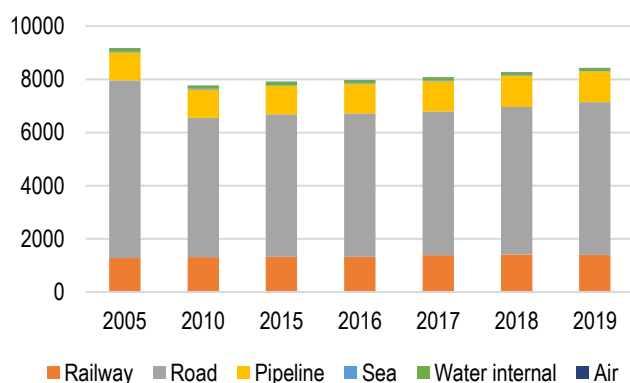
Source: Federal State Statistic Service

**Figure 5. Russian cargo turnover, bn t\*km**



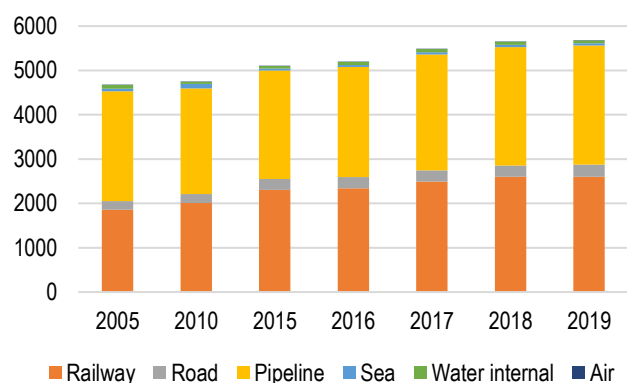
Source: Federal State Statistic Service

**Figure 6. Russian cargo transportation by segment, mn tons**



Source: Federal State Statistic Service

**Figure 7. Russian cargo turnover by segment, bn t\*km**



Source: Federal State Statistic Service

The road segment transported 68% of total cargo volumes in Russia in January-October 2020, including 19% in the commercial sub-segment. In terms of total cargo turnover, the road segment had only a 5% share. Long-distance transportation includes predominantly the rail and cargo segments. The railroad network in Russia measures 86,000 km, making it the third largest in the world, while the road network is 1,508,000 km, making it the fifth largest. The road density in Russia is three times higher than in India and China, but half that of the US. Russia uses its railroad infrastructure more intensively than other countries, such as China and the US. However, the Chinese road cargo turnover exceeds the Russian road turnover by 26 times.

## COVID-10 impact on freight sector

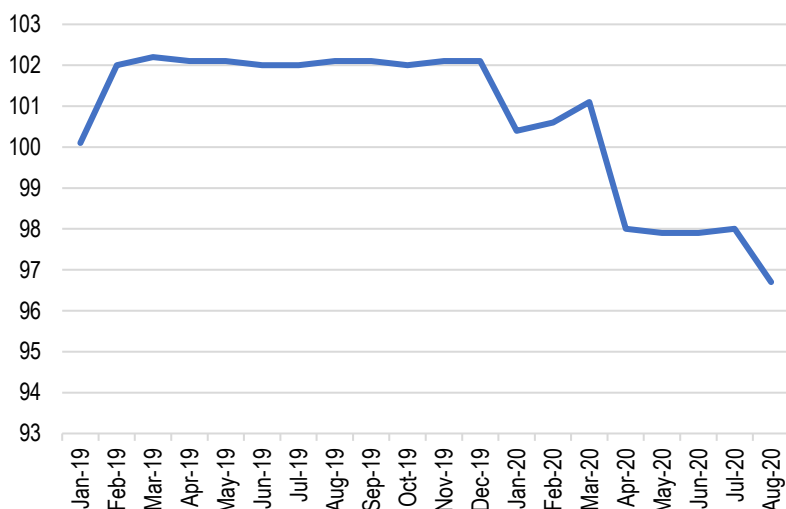
There were several trends in the road cargo transportation market that were directly related to the COVID-19 pandemic.

- Export volumes declined starting in January 2020 due to production cuts, as well as restrictions applied in Europe and other export destinations.
- Export delivery times increased due to extended cross-border checks.
- Low seasonal transportation volume in January-February worsened due to pandemic restrictions in China.
- Industrial producers decreased transportation volumes due to weak market demand and their own production restrictions.
- The decline in industrial cargo volume was partially offset by volume growth in the retail, pharmaceuticals, and e-commerce sectors.
- Freight rates were under downwards pressure during the summer of 2020 due to the slow recovery from the pandemic.
- Several marketplaces in the freight segment were launched in 2019-2020 helping freight operators and clients to improve documentary efficiency, deliveries, and tracking, etc.

Starting in January 2020, the adverse impact of differing pandemic restrictions brought about a trough in the transportation market in May-July 2020. The partial recovery since then in transportation volumes has been supported by increasing volumes from e-commerce and retail, as well as the pharmaceutical sector.

The commercial road cargo transportation business is seasonal, with low volumes in January and February followed by high volumes in the second half of the year; the fourth quarter is usually the strongest. The main drivers of the seasonality are: adverse weather conditions, the holiday calendar, and agricultural and industrial market seasonality.

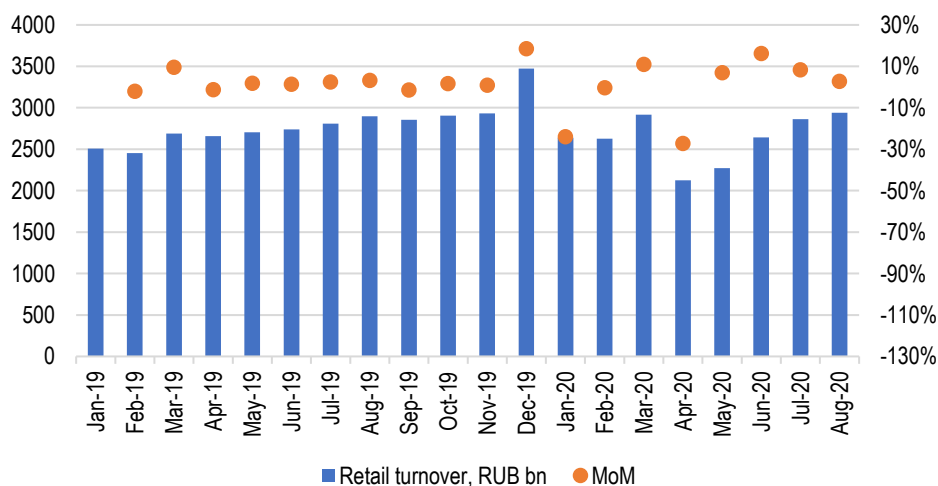
The weak freight rates in 2020 reflected the declining demand for road cargo transportation services, which troughed in June-August 2020.

**Figure 8. Index of cargo prices, end of period to December of previous year**

Source: Federal State Statistic Service

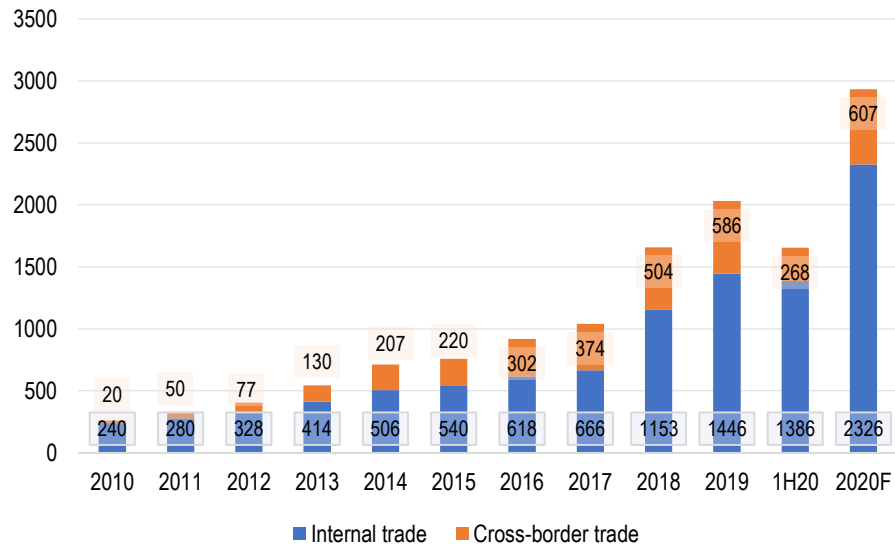
## Retail and e-commerce trends

Russian domestic retail turnover was impacted by the pandemic restrictions, with increased MoM volumes in March resulting from panic purchases. Restrictions in Russia were in full force in April and then in May, which was reflected in lower retail turnover. Turnover volumes recovered in June-August 2020 on the lifting of the lockdown.

**Figure 9. Russian retail turnover, RUB bn**

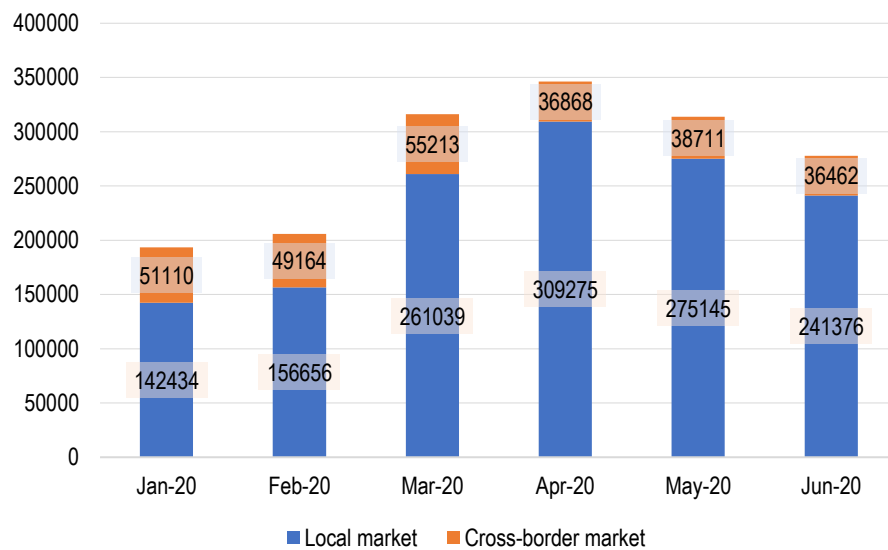
Source: Federal State Statistic Service

The decline of retail sales and increase of online sales has been the main trend in 2020. The share of internet trade may reach 10% of total retail turnover in 2020 due to increased online sales at traditional retailers, according to AKIT. During 2020, the non-food retail sector was boosted by the COVID-19 pandemic, which will likely result in an increase in its online market share. In 2019, retail turnover in Russia reached RUB33.6trln, but in 2020 market may shrink by 35% or RUB6.08 trln. The size of the online trade may reach RUB2.5-2.9trln in 2020.

**Figure 10. The size of the Russian e-commerce market, RUB bn**

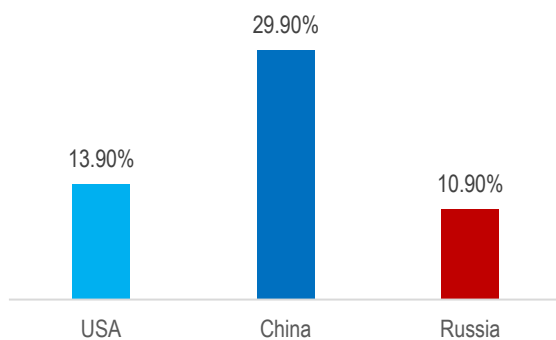
Source: AKIT, Sberbank

In 2020, e-commerce turnover was boosted by COVID-19.

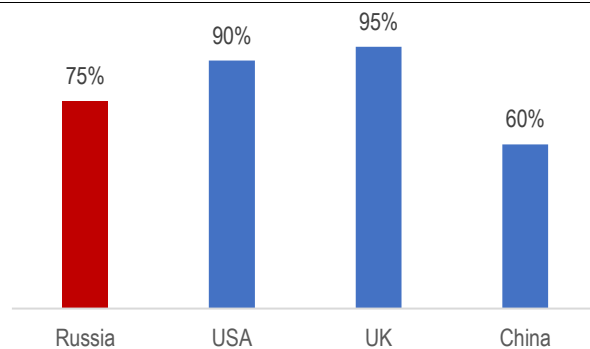
**Figure 11. Retail online sales, RUB mn**

Source: AKIT, Sberbank

The current trend supports forecast for the e-commerce market to grow by 14% on average during 2016-2022. E-commerce's share of the total retail turnover in Russia is still low compared to the US, the UK and China.

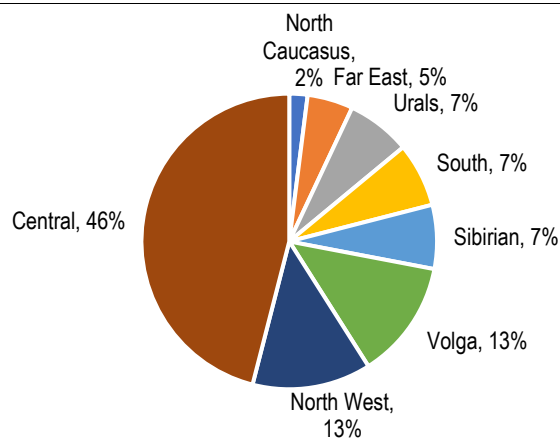
**Figure 12. Share of e-commerce in total retail turnover in 1H20**

Source: Rosstat, akit.ru, US Department of Commerce, xinhuanet

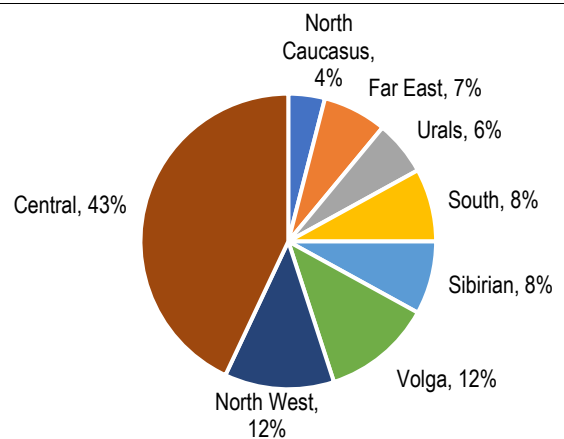
**Figure 13. Internet penetration, % of adult population**

Source: Statista, gov.uk, akit.ru

The Russian online retail market is concentrated in the Central, North Western and Volga federal districts, which together account for 72% of local and 67% of cross-border online retail volumes, and 49% of the total Russian population. At the same time, Siberia, the Urals and the Far East together account for 19% of online local retail volumes and 6% of the population. The expansion of retail trade in the Urals, Siberia and the Far East provides an essential business for logistics and transportation service suppliers.

**Figure 14 Russian e-commerce market by district - local**

Source: AKIT, Sberbank

**Figure 15. Russian e-commerce market by district – cross-border**

Source: AKIT, Sberbank

## Russian transportation market: digitalisation

The Russian transportation market is moving towards more efficient technological solutions for the freight and logistics sector. There are several type of online platforms operating in Russia.

**'Advertisement boards'** or **'Freight exchanges'** operate as advertising platforms for clients and freight operators. Examples include Avtotransinfo and Logirus.

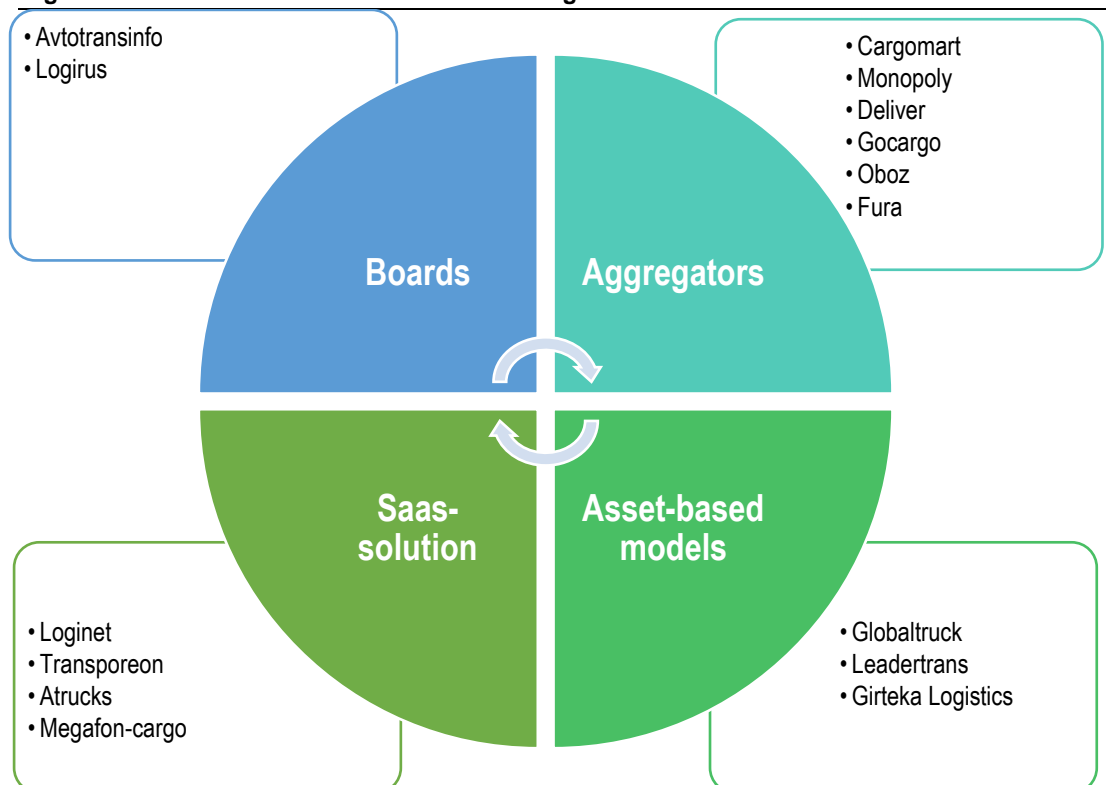
**Freight aggregators** offer solutions via their platforms to send cargo and invite fleet providers and drivers to operate via their platforms. Examples include Deliver.ru, Gocargo (launched by the retailer X5 Retail Group), Cargomart, Oboz, and Fura.

The Company Monopoly is an example of a successful transformation of business model towards 'aggregator' from 'asset-based' over the last few years. Monopoly operated a fleet of c.1,500 trucks as of the beginning of 2020. However, it is planning to eliminate its fleet so that it will have no fleet on its balance sheet in 2021. Monopoly's platform, which includes its own ERP system, allows quick loading with a 92% loaded run, but also offers a range of services for fleet owners, including insurance, fuelling, maps for drivers, and a Monocard and Monopocket for fleet owners. The company has a loyalty program designed to retain small fleet operators that provide attractive profit margins. Currently, there are over 40,000 trucks on its platform, and it works with Russian and international FMCG companies, such as Nestle and Coca-Cola. Monopoly's revenue is estimated at RUB25bn for 2020.

**Saas-solutions** include Loginet, Transporeon, Atrucks, and Megafon-cargo. The problem with this market segment is the difficulty to bring the actual cargo flows on the platform.

Megafon launched a cloud system *Megafon-cargo*, that offers logistics automation and optimization of processes for clients in November 2019. The system helps clients of transportation companies and freight operators to send cargo using an online service, sign documents with a digital signature, compare prices of freight operators and combine orders into one delivery. The partners of Megafon-cargo include the largest players on the market, Delovye Linii, DEL, Transcom, DPD and others. CloudMTS, a platform developed by another telecom operator MTS, also processes the data for freight operators. VimpelCom / VEON (Beeline) developed the service *Unified Monitoring* which provides online tracking of freight and drivers, resulting in optimised deliveries.

**Figure 16. Business models on the Russian freight market**



Source: Hypothesis Research, Vedomosti, companies' data

The following table summarises the positives and negatives of the business models for the stakeholders.

**Figure 17. Russian freight market business models**

Model	Positives	Negatives
<b>Boards</b>	<ul style="list-style-type: none"> <li>- Easy search of freight operator/pre-approved driver for client</li> <li>- Might be a convenient source of information</li> <li>- Large base of operators</li> </ul>	<ul style="list-style-type: none"> <li>- Not suitable for large clients and special freight</li> <li>- Security and quality of deliveries is not guaranteed</li> <li>- The platform does not guarantee the orders for freight operators</li> <li>- Might be expensive model for owners due to marketing costs</li> </ul>
<b>Aggregators</b>	<ul style="list-style-type: none"> <li>- Solves problem of documentation, electronic signatures</li> <li>- Usually deals with pre-approve operators and drivers, increasing safety of deliveries</li> <li>- Suitable for LTL deliveries</li> <li>- Efficient for small truck operators</li> </ul>	<ul style="list-style-type: none"> <li>- Not the first choice for large clients and clients requiring special delivery</li> <li>- Might be an expensive model for owners due to extra security, and marketing and technology expenses</li> <li>- Needs scale to be efficient</li> </ul>
<b>SaaS-solutions</b>	<ul style="list-style-type: none"> <li>- Deals with documentation, electronic signatures, and other expedition-related challenges</li> <li>- Deals with pre-approve operators, increasing safety and speed of deliveries</li> <li>- Suitable for LTL and FTL deliveries</li> </ul>	<ul style="list-style-type: none"> <li>- Challenging launch of the platform due to expensive business development stage with high marketing expense</li> <li>- Costly technology support and update</li> <li>- Needs to get orders on the platform to attract fleet owners</li> </ul>
<b>Asset-based</b>	<ul style="list-style-type: none"> <li>- Flexibility between own and third parties' fleet provides the best solution for large clients, as well as clients with special requirements</li> <li>- No documentation problem</li> <li>- Guaranteed securities and speed of deliveries</li> <li>- Suitable for all types of deliveries</li> </ul>	<ul style="list-style-type: none"> <li>- High maintenance costs of own fleet</li> <li>- Requires investments in own IT platform</li> <li>- Difficult to expand without asset-light model</li> </ul>

We believe the general integration trend in the Russian transportation industry is still at an early stage. The commercial road transportation sector has a low degree of concentration and still many old trucks (the share of trucks over 10 years old is more than 67%) and small freight operators with fleets of less than 50 trucks. In our view, the stand alone smaller freight operators will become less competitive compared to large FLT/LTL providers because of increasing customers demand for more rapid delivery and document clearance.

Aggregators and other marketplaces can resolve the documentation problems, including electronic signatures, VAT documents and others; however, they cannot guarantee the safety and availability of required vehicles. From that prospective, the integrated model of asset-based and asset-light freight operators, such as Globaltruck, looks sustainable and competitive on the market.

Subsidies that support a company's freight business model may not guarantee long-term profitability either to the driver or the client of the platform, as well as when dealing with a large number of small freight operators from one side and small delivery orders from another side ('Uber'-type platforms). Marketing expenses are usually an essential part of 'marketplace'-type businesses. The ability to attract drivers, freight operators and clients is crucial for freight marketplaces.

Freight operators dealing with large clients and operating large fleets that are either their own (asset-based business model) or through third parties (asset-light model) look more sustainable in terms of operational efficiency over the longer term. The growth of combined asset-based and asset-light business model will likely be driven by asset-light part, at least in the short term, in our view.

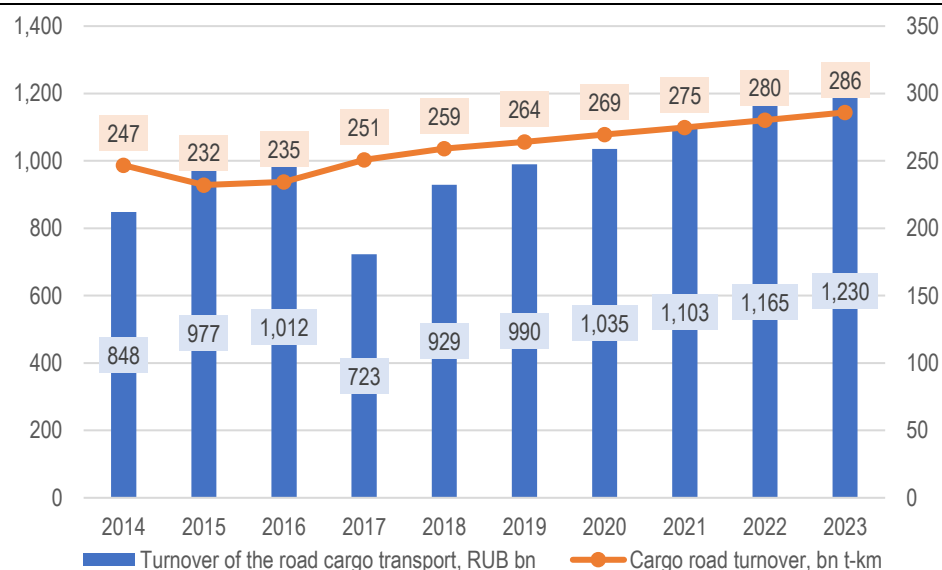
Russian cargo operators mostly focused on transportation in Russia and the CIS, but also service some export routes to Europe and China. Local transportation market rules vary between Russia and Europe. European aggregators, such as Berlin-headquartered *sennder*, are focusing on the local market, and gaining market share via M&A. The acquisition of Uber Freight by *sennder* confirms this trend.

## Road cargo market estimates

There are several estimates of the road cargo market which fall in the range of RUB600-1,700bn. The reason for the insufficient market transparency is the existing 'grey' market and the private nature of businesses in this sector.

The current COVID-19 situation impacted the transportation segment, which resulted in a 4.5% YoY decline of road cargo turnover during January-August 2020, and a 3%+ decline in road tariffs for cargo transportation. We assume that the market will recover with higher rates in 2021 once COVID-19 restrictions are lifted. We estimate the market turnover at over RUB1.1trln in 2021. We expect cost-efficiency and consolidation to be the key drivers for the sector, amid weak macro environment.

**Figure 18. The Russian road cargo transportation turnover, RUB bn**



Source: gks.ru, Hypothesis Research estimates

## Competition

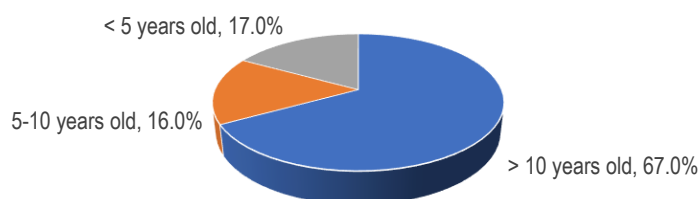
The Russian road transportation market has a low degree of consolidation. The market share of the 10 largest automotive transportation companies is 16% by fleet size. Independent transportation companies with fleets of 250-2,000 trucks control only 8% of the market. Captive operators with 1,000-6,000 trucks own another 8% of the market. Compared to the EU countries, where the top 10 companies control 25-40% of the transportation volumes, Russia's market definitely has consolidation potential.

Some 80% of motor cargo transportation is provided by medium and small firms with c.50 trucks in operation, while large transportation companies provide only 20% of transportation services by volume. Small and medium enterprises operate predominantly in regional markets making this price segment highly competitive. There are several types of service providers:

- Large operators with over 250 trucks, including captive logistics entities of large retail companies;
- Medium-size companies operating 50-250 trucks;
- Small and family businesses with less than 50 trucks; and
- Specialised companies, which provide transportation services for particular goods, such as passenger car transporters.

The Russian fleet of trucks, including light trucks, was comprised of c.6.4mn units in 2017, according to the State Statistics Committee. Other estimates by *Avtostat* suggest 2.5-3.8mn units, including commercial vehicles (CV) and heavy commercial vehicles (HCV), of which 7% are foreign-produced trucks. According to BusinessStat, 67% of all trucks are aged over 10 years old, while only 17% are less than 5 years old.

**Figure 19. Russian cargo truck fleet by age**



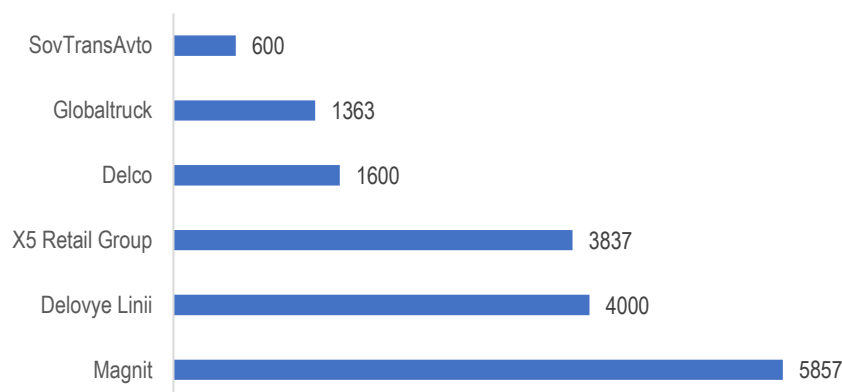
Source: BusinessStat, news.ati.ru

Most of the truck fleet is concentrated in the Central district, followed by the Volga and Siberian districts. Medium and large automotive market players own c.49% of the total Russian automotive fleet. The largest automotive companies also have the youngest truck fleets, aged 3-6 years.

The low market concentration and weak macro trend have resulted in price competition by smaller players, which often work at breakeven or below, and cannot maintain a high-quality fleet or services.

Corporate owners of truck fleets, except for several public companies, do not disclose full information about their fleet dynamics or the current state of the fleet.

**Figure 20. Top-6 truck fleet owners in Russia by fleet size**



Source: Companies' data

## Regulation

Changing local market regulations drive competition and trends in road cargo transportation. Regulation of the Russian motor sector has become stricter over the last three years, pushing the sector to modernise the fleet and improve efficiency and transparency.

The main regulatory change in the industry was the introduction of a fee for heavy vehicles with over 12 tonnes of maximum weight using federal roads. Road users have to pay via the Platon (payment per ton) system. The Platon system was launched in November 2015. Payments are billed based on actual distance travelled (RUB3.73 per kilometer as of the system launch). The payments go to the Russian Road Fund and are then spent on road improvements and maintenance. The operator of the Platon system is RT-Invest Transportation Systems, which is 50% owned by RT-Invest and 50% owned by Igor Rottenberg. The Russian Technologies Corporation controls 25% of RT-Invest. The operator of the Platon system receives a RUB10.6bn service fee per year, which increases in line with inflation from the state budget from its launch until the concession agreement (for 13 years). It was planned that the system would generate RUB20-40bn per year for the state budget. The usage fee was reduced to RUB1.53 until 2019 but was later increased by 25% to RUB1.91 per km in April 2017. It is expected that the automatic weight control (AWC) points will be settled on the main federal roads by 2022.

Another regulatory change was the government's introduction of new rules on VAT control over the supply chain. The federal tax service may reject VAT repayments if the freight sender, transporter and receiver lack transparent documentation. This change makes 'grey' transportation service providers less competitive as they may lose VAT repayments.

The owners of the old fleet carry additional expenses on extra services and spare parts, and usually cannot provide the same quality of services as new fleet owners. Small and medium size enterprises also cannot get the benefit of scale, neither in terms of financing nor in terms of administrative expenses.

# GLOBALTRUCK

## Business overview

Globaltruck Management (MOEX: GTRK) is one of the leading independent road cargo transportation groups in Russia. The company's focus is on domestic and international FTL long-haul cargo transportation, connecting the EU with central Russia, the Urals, Siberia and the Russian Far East.

The company provides services to retail companies (including Metro, IKEA, Sportmaster, O'Key, Detsky Mir, and Lenta), fast-moving consumer goods (FMCG) players (such as Unilever, Protec, Katren, Procter&Gamble, and Ferrero), manufacturing and industrial companies (e.g. MMK, Sibur, and UMMC), and e-commerce and parcel companies (e.g. GTD, DPD, and PEC).

Figure 21. Geography of Globaltruck operations



Source: company data

Over the past year, Globaltruck was focused on realising several strategic initiatives:

- **The growth of asset-light segment**, including total revenues of expedition services and expansion of the Cargo pipeline delivery routes, trucks and orders. Asset-light revenue rose by 54% YoY in 9M20. The number of Cargo pipeline trucks increased to 246 as of 30 September 2020 compared to 120 as of end 2019. The company launched new routes to the South (Rostov, Krasnodar) in order to expand its Cargo pipeline services and raise profit margin.
- **Reduction of operating costs**, during the COVID-19 pandemic. During 1H20, repair and maintenance services costs decreased 4.8% YoY and fuel costs fell 6.4% YoY.
- **Own fleet upgrade** with new fuel-efficient trucks. The company purchased 40 gas-fueled trucks to improve its fuel efficiency for long-haul transportation.

The company was on track for each of those initiatives in 1H20 and plans further steps to provide profitable growth for the future.

## Digitalisation

The major trend in the transportation sector is digitalisation of communication and documentation between clients, freight companies, expeditors, and drivers. Globaltruck is developing its IT platform “Digital expeditor” to support its own fleet operations with third party providers, including drivers, freight and logistics operators, expeditors, and clients.

One crucial element of the company’s asset-light model is the creation and launch of the IT platform “Digital expeditor”. Globaltruck has a diversified client base but experiences fleet restrictions. Partners of Globaltruck can provide additional fleet. However, the current process of documentary approval of an order may take up to five hours, which makes it difficult to operate in a traditional way. According to management, Globaltruck’s Digital expeditor will resolve this problem by improving the communication process. Among the tasks of the new IT platform of Globaltruck, which is segregated into a separate company GT-IT in 2020, are the following:

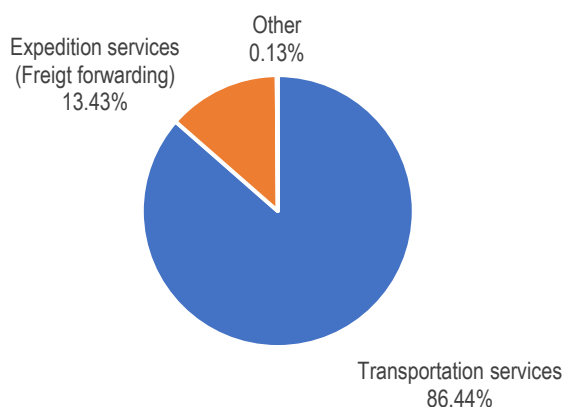
- Order management;
- Logistics management for own and third party fleet;
- Backoffice;
- Partners’ programs;
- CRM; and
- Finance.

According to the initial management plan, the platform may be operational in 2H2020 and be fully completed with all main functionalities in 2024.

## Asset-based business

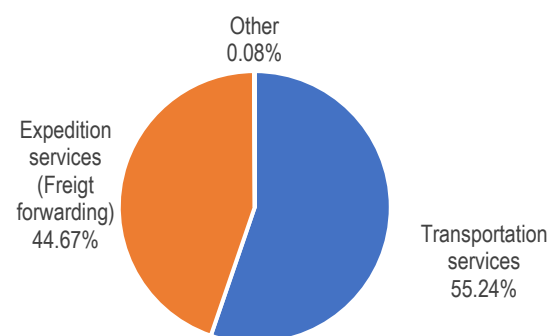
Globaltruck is planning to focus on a combined asset-based and asset-light business model increasing the share of asset-light business from 13% in 1H20. Our conservative estimate assumes a 45% share for the asset-light model in 2024

**Figure 22. Globaltruck revenue structure – 1H2020**



Source: company data, Hypothesis Research estimates

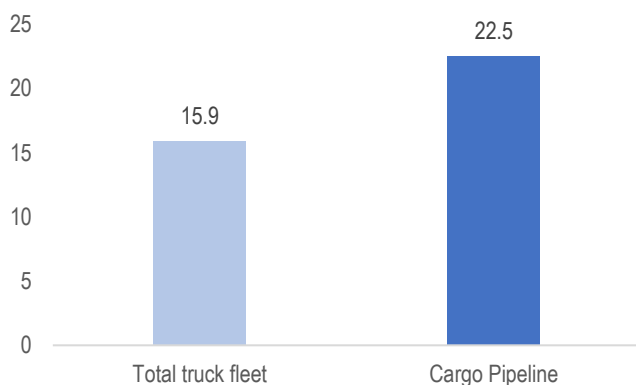
**Figure 23. Globaltruck revenue structure – 2024**



Source: Hypothesis Research estimates

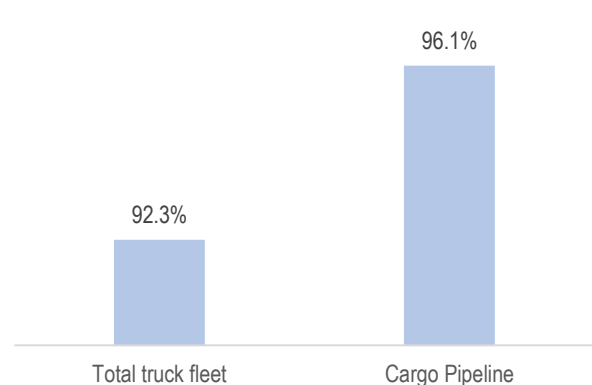
The asset-based business of the company will include the classic transportation services and Cargo Pipeline, its premium fast delivery service. Cargo Pipeline is the service with the highest operating margin for the company due to its higher efficiency. The load run ratio of Cargo Pipeline was 95.1% in 2019 compared to 92.6% for classic deliveries. Distance per truck was 24.7t\*km/month for Cargo Pipeline compared to 16.5 t\*km/month average for the company on average.

**Figure 24. Cargo Pipeline distance per truck in 1H19, tkm per month**



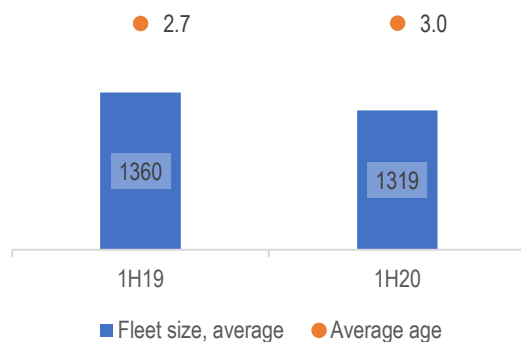
Source: Company data

**Figure 25. GTM Cargo Pipeline loaded run ratio, %**



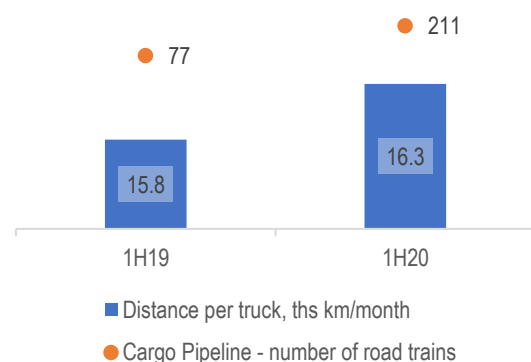
Source: Company data

**Figure 26. Globaltruck fleet size and average age in 1H20**



Source: company data

**Figure 27. Globaltruck distance per truck and number of road trains servicing Cargo Pipeline in 1H20**



Source: company data

Cargo Pipeline remains the key focus for the development of the company's asset-based operations. The targeted number of trucks involved in Cargo Pipeline may reach 600-700 units in 2024 compared to the average 200 units estimated for 2020, based on our estimates.

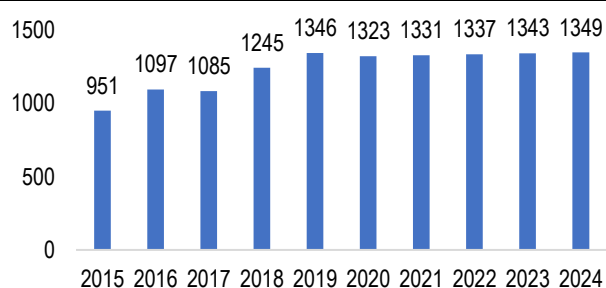
Cargo Pipeline, launched in 2017, operates on the key routes of Moscow-Ekaterinburg, Moscow-Novosibirsk, Moscow-Perm, Omsk-Ekaterinburg, Moscow-Ufa and a number of others. Currently, the network includes several major Russian cities, such as Moscow, Tver, Naberezhnye Chelny, Ufa, Perm, Yekaterinburg, Chelyabinsk, Tumen, Tobolsk, Ishim, Omsk, Novosibirsk, and Tomsk. Globaltruck added South Russia to its map in 2020 with key

destinations Rostov and Krasnodar. The company plans to increase its number of routes to 50 by the end of 2020.

The total fleet of Globaltruck is expected to be well-maintained with an average age of 3-4 years. The company plans to purchase 50-70 trucks in 2021 compared to 40 trucks purchased in 2020. The company will choose trucks based on their IRR for 25ths t\*km/month, the estimated distance per truck for Cargo Pipeline. Highly efficient gas-fueled Scania trucks were chosen in 2020. The current market conditions also provided an opportunity for Globaltruck to negotiate attractive financial conditions with a fleet supplier.

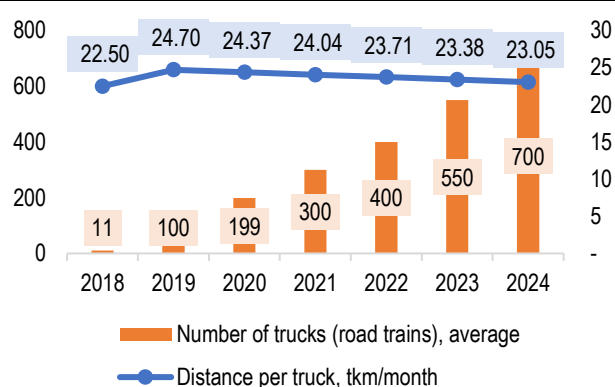
Globaltruck operated a fleet of 1,314 trucks as of 30 September 2020. The average fleet age was 2.9 years. We expect the self-owned fleet to remain at the current level of 1,300-1,350 units, with fleet replacements of 40-70 units per year. We expect that the self-owned fleet shall provide a higher margin on Cargo Pipeline operations, while the classic operations are outsourced to partners under long-term contracts.

**Figure 28. Globaltruck average fleet in operation**



Source: company data, Hypothesis Research estimates

**Figure 29. Cargo Pipeline – number of trucks and distance per truck**



Source: company data, Hypothesis Research estimates

## Asset-light business

Expedition services are now the major driver of revenue growth. Revenue from the asset-light business increased by 55% in 1H20. The company may increase the revenue of this business by 5-7x in the next five years, on our estimates. Efficient order intake and communications between expeditors, freight companies, and clients are currently the key growth restraints. Technology should improve communication and contribute to revenue growth.

We expect the combination of asset-based and asset-light models to result in a declining share of the asset-based business with the potential share in revenues of up to 40% by 2024 based on our estimates. We look for another 60% of revenues to be based on long-term contracts with smaller freight operators, partners, and spot market freight providers.

The self-owned fleet will guarantee the stability of the company's position versus its clients and partners given the seasonality of the market and clients' requirement. The asset-light model should generate extra revenue and contribute to overall growth of operations and the client base, and transform the company towards a marketplace business model.

## Operational performance

Globaltruck's operations are focused on the efficient usage of its own fleet and the development of expedition services using the fleets of its partners and subcontractors. The company grew from over 400 trucks in 2012 to over 1,300 trucks in 2019. The fleet is homogenous and consists of diesel trucks manufactured by Volvo and Scania, and 40 newly acquired gas-fueled Scania trucks. Volvo FH trucks have 12.8 litre engines of 420-540hp.

**Figure 30. Volvo and Scania trucks**



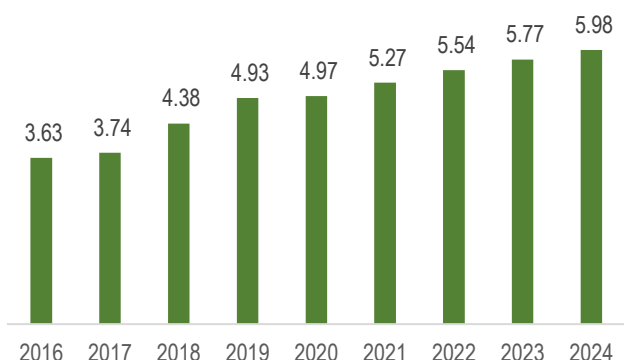
Source: Globaltruck

The company also operates approximately 1,500 trailers, including more than 1000 tents predominantly consisting of Schmitz Cargobull SPR, SCS and SCO, and some Kogel and Krone models. The fleet includes 497 temperature-controlled trailers (refrigerators) with Thermo King and Carrier refrigerating units with the capacity to keep the temperature between +20 and -20 Celsius.

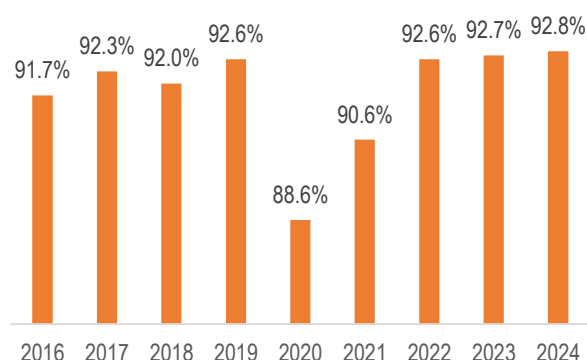
All trucks are equipped with GPS and GLONASS systems, which identify their location to logistics managers. Built-in scales ensure that the weight of freight does not exceed the 20-tonne allowance and the permitted axial load, in line with regulatory requirements of the automatic weight control (AWC) system.

The company reported a relatively high loaded run ratio of 92.7% in 9M20 compared to 92.6% in 9M19. The total freight rate increased to RUB34.1/km in 9M20 from RUB33.9/km in 9M19. The company increased the total distance to 199.258mn km in 9M20 from 198.632mn in 9M19.

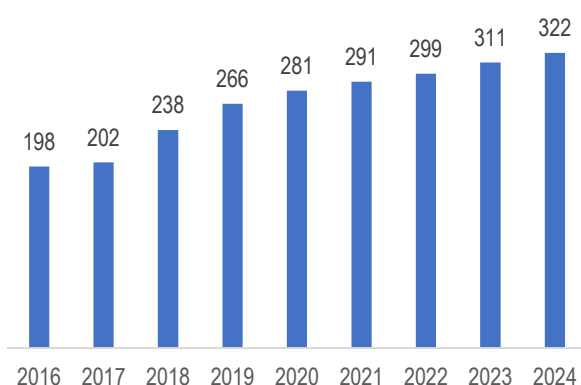
Our financial forecast is based on a conservative assumption for truck fleet growth given the company's intention to focus on maintenance rather than expansion of the fleet. Our operating forecasts for Globaltruck Management (GTM) are presented below.

**Figure 31. GTM cargo turnover, bn t\*km**

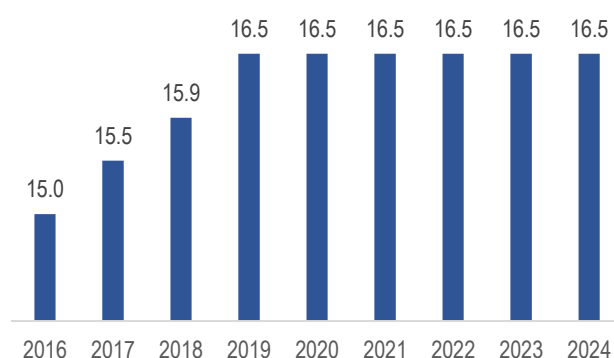
Source: Company data, Hypothesis Research forecast

**Figure 32. GTM loaded run ratio, %**

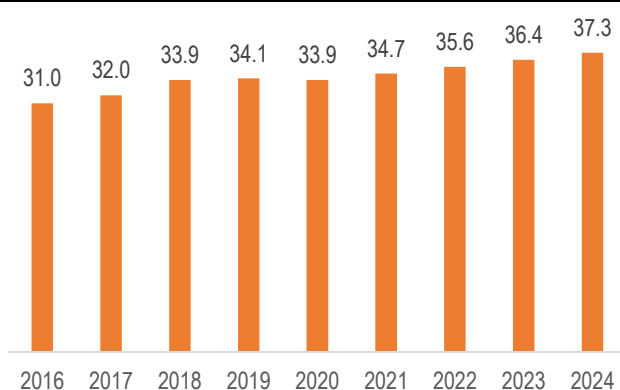
Source: Company data, Hypothesis Research forecast

**Figure 33. GTM total distance, mn km**

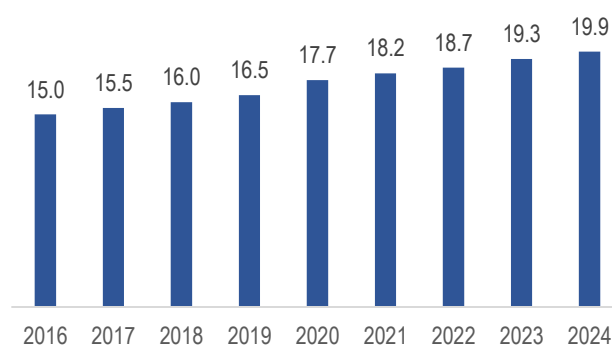
Source: Company data, Hypothesis Research forecast

**Figure 34. Covered distance (Classic), ths km per truck/month**

Source: Company data, Hypothesis Research forecast

**Figure 35. GTM freight rates, RUB/km**

Source: Company data, Hypothesis Research forecast

**Figure 36. Covered distance (Average), ths km per truck/month**

Source: Company data, Hypothesis Research forecast

## Financial forecasts

In our operating and financial forecasts, we use the macro projections presented in the table below. In 2020, the Russian Ministry of Economic Development and the Central Bank of

Russia forecast a decline in GDP in the range of -4.4% to -5.5%. The CPI in October increased 3.3%, according to Rosstat. We used this guidance to update our forecasts for 2020-2024. We expect some slow recovery of Russian industrial output in 2021-2022 with GDP growth around 2.5%. Our estimates are based on a conservative economic growth profile, which in our view should limit the downside risk to our projections.

**Figure 37. Macro forecast for the Russian economy**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real GDP growth	-3.7%	-0.2%	1.5%	2.3%	1.3%	-4.5%	2.5%	2.5%	2.0%	2.0%
Industrial Production Growth	-3.4%	1.1%	1.0%	2.9%	2.3%	-5.0%	2.7%	2.2%	2.4%	2.4%
Oil price, Brent	52.35	43.55	54.25	71.06	63.4	40	50	55	55	55
USD/RUB at the end of year	72.9	60.7	57.6	69.5	61.9	77.0	75.0	72.0	72.0	72.0
USD/RUB average	61.0	67.0	58.4	62.7	64.6	72.0	75.0	72.0	72.0	72.0
Consumer Prices Inflation, eop Dec-Dec	15.5%	7.1%	3.7%	4.3%	3.0%	3.3%	3.8%	3.5%	3.5%	3.0%
PPI, average % (Dec/Dec YOY)	12.4%	4.0%	7.6%	11.7%	4.5%	2.5%	4.5%	3.5%	3.5%	3.5%

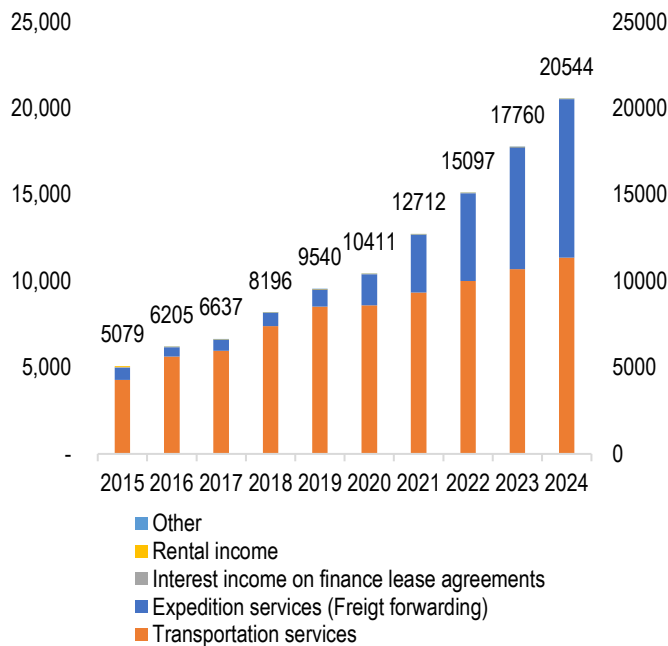
Source: gks.ru, Hypothesis Research estimates

Apart from the economic growth driving consumer spending and the retail turnover, our forecasts are based on specific company business developments. The growth of the Cargo Pipeline operations and expedited services (asset-light business) should make a contribution to GTM revenue even in a relatively weak economic environment.

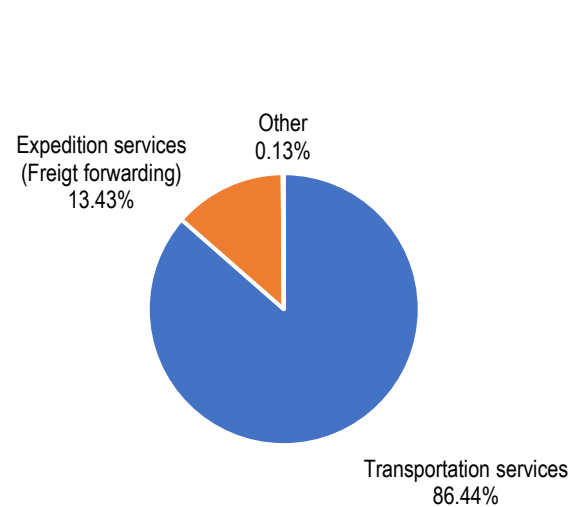
## Revenue structure

Our revenue forecast for the Cargo Pipeline project is based on several assumptions: 1) the company increases the number of routes and number of trucks for Cargo Pipeline up to 700 units, 2) the loaded run ratio is maintained above 90.0% for 2021-2024, and 3) the share of the asset-light model in revenue increases from 13% in 1H2020 to above 44% in 2024.

Our revenue forecast is presented below. The revenues from classic freight FTL and Cargo Pipeline are combined under Transportation services in the charts below.

**Figure 38. GTM revenue forecast, RUB mn**

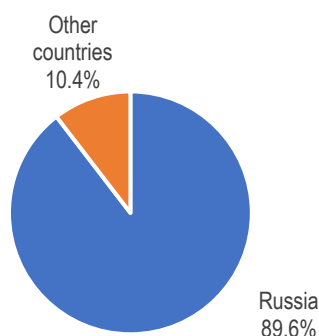
Source: company data, Hypothesis Research estimates

**Figure 39. GTM revenue structure in 1H2020, %**

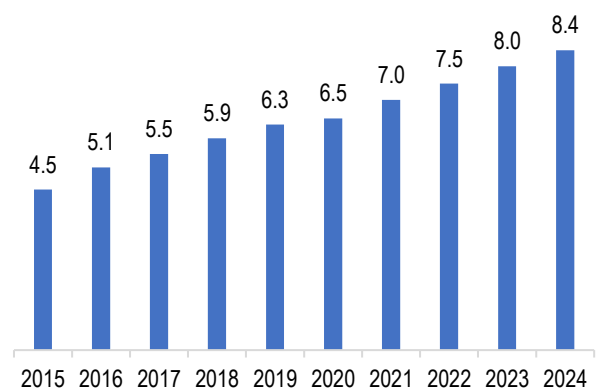
Source: company data

The group results reflect a seasonality factor, in which the fourth quarter is usually stronger in terms of revenues and cash flow generation.

The company generates most of its revenues in Russia, as it is one of the principal transportation operators between Moscow, Ekaterinburg and Novosibirsk, and has added routes to Krasnodar and Rostov. Cargo Pipeline should further contribute to group revenue per truck due to a larger number of trucks involved in this business and the higher tariff this service demands.

**Figure 40. GTM revenue by geography, % 2018**

Source: Company data

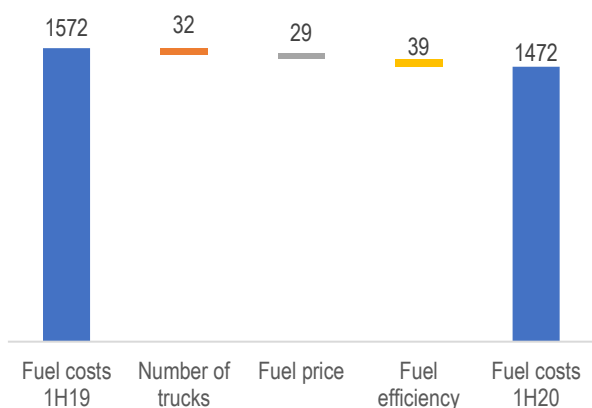
**Figure 41. GTM average revenue from transportation services per truck, RUB mn/truck**

Source: Company data, Hypothesis Research estimates

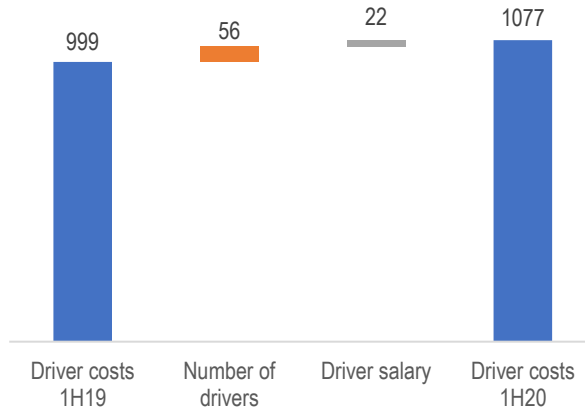
## Cost structure

Globaltruck operates in a competitive market, which is under pressure from soaring diesel prices and excess capacity. Fuel costs represented 36% of the company's total costs in 1H20, while salaries and bonuses accounted for 21%. The domestic fuel market did not reflect

international oil market price dynamics. The diesel price increase was 2.3% YoY in August 2020. Globaltruck achieved fuel cost spending via tenders for fuel in 1H20 when total fuel price savings reached RUB29mn. The decreased number of trucks and fuel efficiency measure helped the company save another RUB32mn and RUB39mn respectively in 1H20. The COVID quarantine requirement resulted in an increased number of drivers, and soaring driver costs.

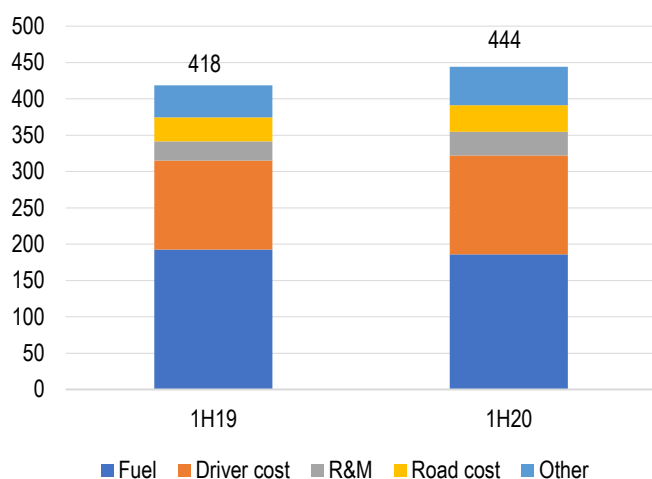
**Figure 42. GTM fuel costs, RUB mn 1H20**

Source: Company data

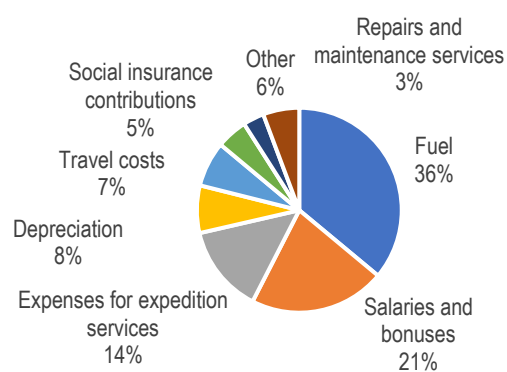
**Figure 43. GTM driver costs, RUB mn, 1H20**

Source: Company data

During 1H20, driver costs increased 11.2% YoY per truck, R&M by 23% YoY per truck and road costs by 11.4% YoY per truck and inflation resulted in an increase of direct costs per truck of 6.2% YoY. Fuel costs per truck were down 3.5% YoY according to the company.

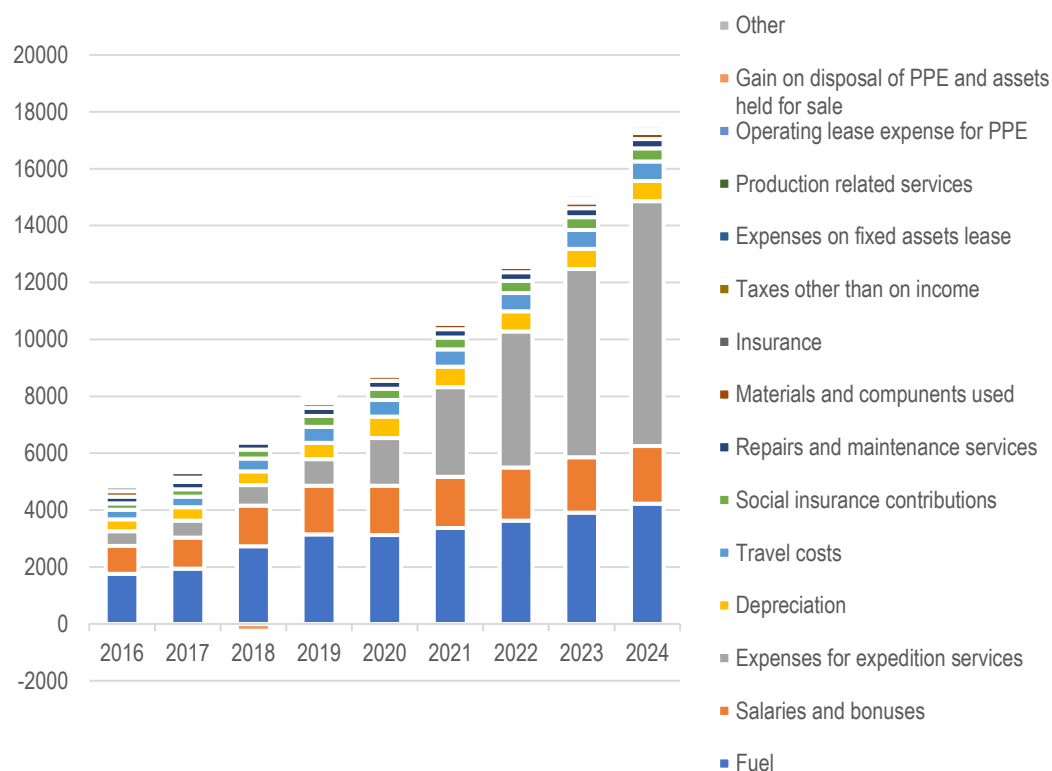
**Figure 44. Direct costs per truck, RUB mn (000 per month)**

Source: Company data

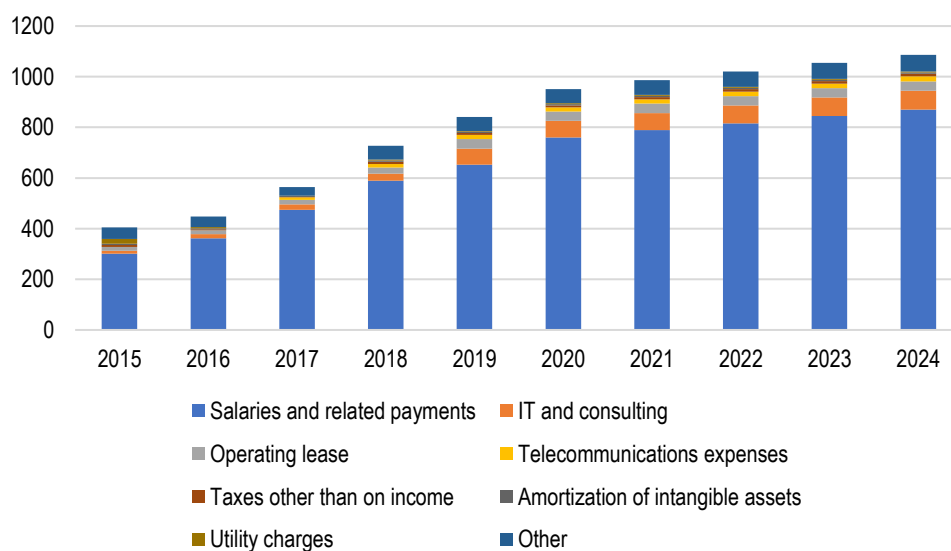
**Figure 45. GTM Cost of sales structure in 1H20**

Source: Company data

The expansion of the asset-light business (expedition services) will be the key driver of costs of sales over 2020-2024. We expect other costs, including for fuel and industrial services, to grow in line with industrial inflation, while we have indexed drivers' wages in line with CPI.

**Figure 46. GTM Cost of sales, RUB mn**

The key component of G&A will be the salaries and related payments. This category includes, as a part of the IT platform development, a part of GT-IT costs associated with technology creation and development, as well as launch and marketing expenses related to the IT platform.

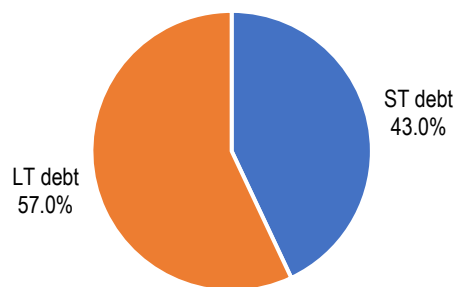
**Figure 47. General and administrative expenses, RUB mn**

Source: Company data

## Debt structure

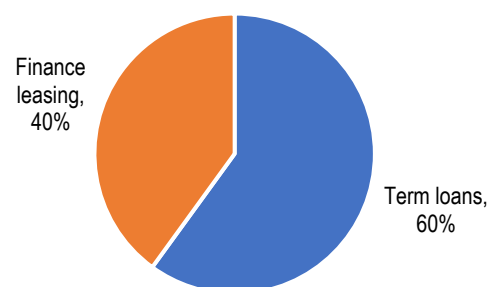
Historically, Globaltruck has followed a conservative capital structure policy, keeping net debt/EBITDA below 2.9x. The company has covenants set at 3.5-4.0x net debt/EBITDA. It uses a combination of term loans and finance leasing to finance fleet acquisition. The current debt structure includes 43% short-term debt and 57% long-term debt, divided between term loans (60% of total debt) and finance leasing (40%).

Figure 48. GTM debt structure as of 30/06/20, %



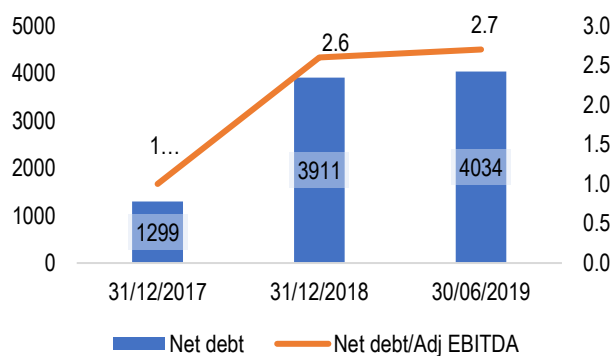
Source: Company data

Figure 49. GTM debt structure as of 30/06/20, %



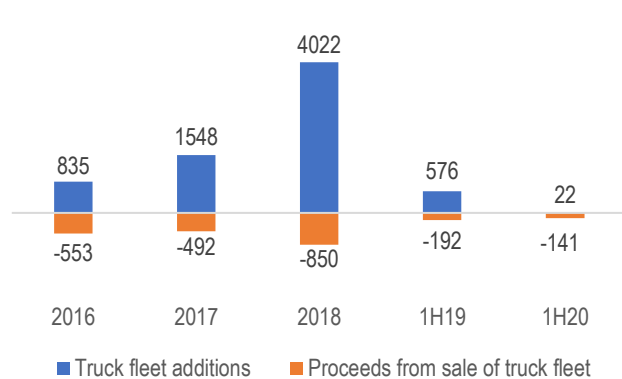
Source: Company data

Figure 50. GTM net debt evolution, RUB mn and Net debt/EBITDA



Source: Company data

Figure 51. GTM truck fleet additions and proceeds from truck sale, RUB mn



Source: Company data

Fleet acquisition in 2018 was partially financed by the proceeds received from the old fleet sale. The company plans to maintain its fleet rather than make sizable additions. In 2020, the company purchased 40 trucks on attractive financial terms from suppliers. The new trucks were delivered in 2H20. The company plans to purchase 50-70 trucks in 2021.

Our financial forecasts are presented in the tables below.

**Figure 52. Globaltruck consolidated profit and loss statement, RUB mn**

RUB mn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	<b>4319</b>	<b>5079</b>	<b>6205</b>	<b>6637</b>	<b>8196</b>	<b>9540</b>	<b>10411</b>	<b>12712</b>	<b>15097</b>	<b>17760</b>	<b>20544</b>
Cost of sales	-3345	-3982	-4842	-5286	-6449	-7875	-8981	-10808	-12827	-15093	-17542
Gross profit	974	1097	1363	1351	1747	1665	1430	1904	2270	2666	3002
Gross margin	23%	22%	22%	20%	21%	17%	14%	15%	15%	15%	15%
General and administrative expenses	-345	-405	-448	-564	-745	-860	-965	-987	-1020	-1055	-1086
Other operating income and expenses, net	1	-86	66	-47	-110	13	-4	-5	-6	-7	-8
Gain arising from the business combination	0	118	0	0	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>630</b>	<b>724</b>	<b>981</b>	<b>741</b>	<b>892</b>	<b>818</b>	<b>461</b>	<b>913</b>	<b>1244</b>	<b>1605</b>	<b>1908</b>
Operating margin	15%	14%	16%	11%	11%	9%	4%	7%	8%	9%	9%
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
Share of profit of associate	0	0	0	0	0	0	0	0	0	0	0
Profit before tax	51	212	658	364	543	395	61	554	902	1255	1552
Income tax expense	5	-25	-150	-85	-112	-134	-21	-188	-307	-427	-528
<b>Profit for the year attributable to the company's owners</b>	<b>56</b>	<b>187</b>	<b>508</b>	<b>280</b>	<b>431</b>	<b>260</b>	<b>41</b>	<b>365</b>	<b>595</b>	<b>828</b>	<b>1024</b>
Net margin	1%	4%	8%	4%	5%	3%	0%	3%	4%	5%	5%
<b>EBITDA</b>	<b>910</b>	<b>1024</b>	<b>1395</b>	<b>1221</b>	<b>1379</b>	<b>1392</b>	<b>1222</b>	<b>1639</b>	<b>1964</b>	<b>2320</b>	<b>2620</b>
EBITDA margin	21%	20%	22%	18%	17%	15%	12%	13%	13%	13%	13%

Source: Company data, Hypothesis Research estimates

Figure 53. Globaltruck Balance sheet, RUB mn

RUB mn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Property, plant and equipment	3313	4018	4221	4785	7530	7325	7157	7097	7049	7013	6986
Investment property	180	65	63	61	59	57	56	54	52	51	49
Intangible assets	2	3	3	7	7	10	10	10	10	10	10
Advances paid for property, plant and equipment	0	0	0	159	0	0	0	0	0	0	0
Loans issued	0	0	0	0	3	2	0	0	0	0	0
Finance lease receivables	105	30	31	47	27	4	4	4	4	4	4
Investments in associate and joint venture	0	0	0	1	0	0	0	0	0	0	0
Derivative financial instruments	38	14	0	0	0	0	0	0	0	0	0
Deferred income tax asset	38	49	0	65	108	87	137	167	199	234	271
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
<b>Total non-current assets</b>	<b>3675</b>	<b>4178</b>	<b>4318</b>	<b>5124</b>	<b>7734</b>	<b>7485</b>	<b>7363</b>	<b>7332</b>	<b>7314</b>	<b>7311</b>	<b>7320</b>
Inventories	60	88	121	122	171	152	165	198	235	277	321
Trade and other receivables	818	935	897	1104	1340	1532	1702	2078	2468	2903	3359
Current income tax prepayments	30	25	5	8	10	21	3	29	47	66	81
Loans issued	21	6	4	6	7	5	5	5	5	5	5
Finance lease receivables	125	88	42	51	37	24	24	24	24	24	24
Derivative financial instruments	35	37	0	0	0	0	0	0	0	0	0
Bank deposits, financial investments	10	13	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	221	83	185	1634	558	506	1236	1262	1593	2005	2499
Other current assets	0	5	0	0	0	0	0	0	0	0	0
Total current assets, excluding non-current assets held for sale	1322	1278	1254	2925	2122	2239	3134	3596	4372	5280	6289
Non-current assets held for sale	41	246	15	34	232	225	225	225	225	225	225
<b>Total current assets</b>	<b>1363</b>	<b>1524</b>	<b>1270</b>	<b>2959</b>	<b>2354</b>	<b>2464</b>	<b>3359</b>	<b>3821</b>	<b>4597</b>	<b>5505</b>	<b>6514</b>
<b>Total assets</b>	<b>5039</b>	<b>5703</b>	<b>5587</b>	<b>8083</b>	<b>10088</b>	<b>9949</b>	<b>10723</b>	<b>11153</b>	<b>11911</b>	<b>12816</b>	<b>13834</b>
Share capital	0	0	3725	5846	5846	5846	5846	5846	5846	5846	5846
Share premium	0	0	0	476	467	467	467	467	467	467	467
Reserve for business combination under common control	219	261	-3433	-3324	-3324	-3324	-3324	-3324	-3324	-3324	-3324
Retained earnings	776	882	1149	1351	1782	1942	1962	2145	2442	2857	3369
<b>Total Equity attributable to the company's owners</b>	<b>994</b>	<b>1143</b>	<b>1442</b>	<b>4350</b>	<b>4771</b>	<b>4910</b>	<b>4952</b>	<b>5134</b>	<b>5432</b>	<b>5846</b>	<b>6358</b>
Borrowings	2097	2320	1426	1736	3400	2491	4132	4129	4324	4517	4708
Deferred income tax liabilities	298	331	282	276	347	401	441	539	640	753	871
Derivative financial instruments	0	0	17	0	0	0	0	0	0	0	0
<b>Total non-current liabilities</b>	<b>2395</b>	<b>2651</b>	<b>1725</b>	<b>2012</b>	<b>3747</b>	<b>2892</b>	<b>4574</b>	<b>4668</b>	<b>4964</b>	<b>5270</b>	<b>5579</b>
Borrowings	1138	1494	1849	1198	1069	1484	501	503	505	507	509
Trade and other payables	350	370	415	500	499	655	695	837	993	1168	1358
Other current liabilities	161	45	156	23	1	8	1	11	17	24	30
<b>Total current liabilities</b>	<b>1649</b>	<b>1908</b>	<b>2421</b>	<b>1721</b>	<b>1569</b>	<b>2147</b>	<b>1197</b>	<b>1350</b>	<b>1515</b>	<b>1700</b>	<b>1897</b>
<b>Total liabilities</b>	<b>4044</b>	<b>4560</b>	<b>4146</b>	<b>3733</b>	<b>5317</b>	<b>5039</b>	<b>5771</b>	<b>6019</b>	<b>6480</b>	<b>6970</b>	<b>7476</b>
<b>Total liabilities and equity</b>	<b>5039</b>	<b>5703</b>	<b>5587</b>	<b>8083</b>	<b>10088</b>	<b>9949</b>	<b>10723</b>	<b>11153</b>	<b>11911</b>	<b>12816</b>	<b>13834</b>

Source: company data, Hypothesis Research estimates

**Figure 54. Globaltruck cash flow statement, RUB mn**

RUB mn	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash flow from operating activities										
Profit before income tax	212	658	364	543	395	61	554	902	1255	1552
Adjustments for:										
Depreciation of PPE	281	414	479	487	576	757	721	715	710	706
Depreciation of investment property	19	2	2	2	2	2	2	2	2	2
Impairment of trade and other receivable	12	12	9	2	1	0	0	0	0	0
Change to /(reversal of) legal provision	12	0	0	0	0	0	0	0	0	0
Gain on accounts payable write-off	-2	-35	-1	-2	-1	0	0	0	0	0
Gains on disposals of PPE and assets held for sale	-7	-98	-97	-240	-141	0	0	0	0	0
Interest income on finance lease, deposits and loans	-37	-23	-33	-54	-20	-14	-14	-14	-14	-14
Interest expense	323	385	327	361	395	414	373	356	364	371
Foreign exchange losses from borrowings and cash	205	-212	56	34	43	0	0	0	0	0
Share of profit of associate	0	0	0	0	0	0	0	0	0	0
(Gain)/loss on revaluation of derivatives	6	153	16	-3	0	0	0	0	0	0
Gain arising from business combination	-118	0	0	0	0	0	0	0	0	0
Other non-cash operating (income)/expenses	13	-22	8	-1	0	0	0	0	0	0
<b>Operating cash flows before working capital changes</b>	<b>919</b>	<b>1234</b>	<b>1129</b>	<b>1130</b>	<b>1248</b>	<b>1219</b>	<b>1635</b>	<b>1961</b>	<b>2316</b>	<b>2616</b>
Net change in trade and other receivables	-126	12	-227	-237	-193	-170	-376	-390	-435	-455
Net change in inventories	-28	-33	-1	-49	20	-13	-33	-37	-42	-45
Net change in trade and other payables	16	84	86	-9	157	-40	-141	-156	-175	-190
Income taxes paid	-27	-123	-96	-85	-64	-21	-188	-307	-427	-528
Interest received	35	22	33	54	20	14	14	14	14	14
Interest paid	-325	-385	-324	-363	-396	-414	-373	-356	-364	-371
<b>Cash from operating activities</b>	<b>463</b>	<b>812</b>	<b>601</b>	<b>439</b>	<b>792</b>	<b>576</b>	<b>537</b>	<b>729</b>	<b>888</b>	<b>1042</b>
<b>Net cash used in investing activities</b>	<b>-840</b>	<b>458</b>	<b>-44</b>	<b>-601</b>	<b>-37</b>	<b>-484</b>	<b>-327</b>	<b>-297</b>	<b>-256</b>	<b>-229</b>
<b>Net cash (used in)/ from financing activities</b>	<b>237</b>	<b>-1159</b>	<b>896</b>	<b>-926</b>	<b>-764</b>	<b>638</b>	<b>-184</b>	<b>-101</b>	<b>-219</b>	<b>-319</b>
Effect of exchange rate changes on cash and cash equivalents	1	-8	-4	12	-43	0	0	0	0	0
Cash and cash equivalents at the beginning of the year	221	83	185	1634	558	506	1236	1262	1593	2005
<b>Cash and cash equivalents at the end of the year</b>	<b>83</b>	<b>185</b>	<b>1634</b>	<b>558</b>	<b>506</b>	<b>1236</b>	<b>1262</b>	<b>1593</b>	<b>2005</b>	<b>2499</b>

Source: Company data, Hypothesis Research estimates

Our valuation of Globaltruck Management shares is based on a DCF approach given its limited number of peer companies. We use a discounted cash flow to firm approach with an estimated WACC of 11.8%-13.8% and a terminal growth rate within the range of 1.0-3.0%.

We have valued the company at RUB5,187-8,375mn. The sensitivity analysis for the 12-month fair market capitalisation is presented in the table below.

**Figure 55. Globaltruck 12-month fair market capitalization (DCF-based) sensitivity**

Growth rate, %	WACC				
	10.8%	11.8%	12.8%	13.8%	14.8%
0.0%	6986	6122	5392	4767	4226
1.0%	7744	6735	5896	5187	4580
2.0%	8673	7472	6492	5678	4990
3.0%	9838	8375	7210	6259	5467
4.0%	11345	9509	8089	6957	6033
5.0%	13370	10975	9192	7812	6712

Source: Hypothesis Research estimates

## Shareholder capital

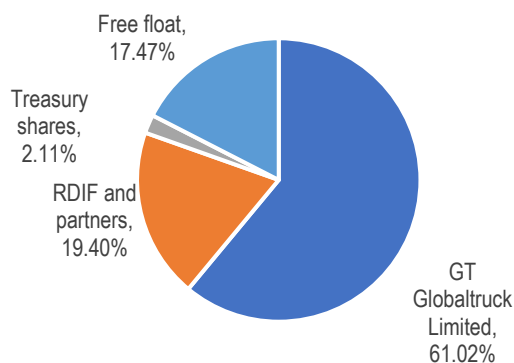
The company was established in 2012 and was operated as a private company until its IPO in 2017. The company successfully placed its shares on the Moscow Exchange, raising c.RUB2.6bn, in November 2017.

Management's control of GT Globaltruck Limited declined after the initial public offering. The ultimate controlling party post-IPO was Alexander Eliseev, who controls 61% in Globaltruck via GT Globaltruck Limited.

The Russian Direct Investment Fund (RDIF), acting in a consortium with Middle Eastern funds, was the anchor investor in the IPO of Globaltruck in November 2017. RDIF and its partner AYAR International Investments Company acquired 19.4% of the company's equity in the IPO. The placement of shares took place at the Moscow Exchange. The company set the price per share at RUB132. The total deal size reached RUB3.5bn before options and RUB3.85bn after the option for 2.65mn shares was realised. The company placed a 21,212,120 additional share issue amounting to RUB2.8bn and sold 5,303,030 secondary shares offered by GT Globaltruck Limited for RUB0.7bn. The post-money market capitalisation was RUB7.72bn. The company received RUB2.57bn of net funds, which were spent on the acquisition of new trucks and other general purposes. According to media reports, the sovereign fund of Saudi Arabia received 8.84% after the IPO, while some other institutional investors including JP Morgan, BNP Paribas, and Handelsbank were among the portfolio investors.

In November 2019, Globaltruck announced a share buyback program. The company set the limit for the program at 5% of total shares issued and a maximum price of RUB132 per share. Since November 2019, the company has purchased 1,234,968 shares or 2.11% of the shareholder equity.

**Figure 56. Globaltruck shareholder structure as of October 2020**

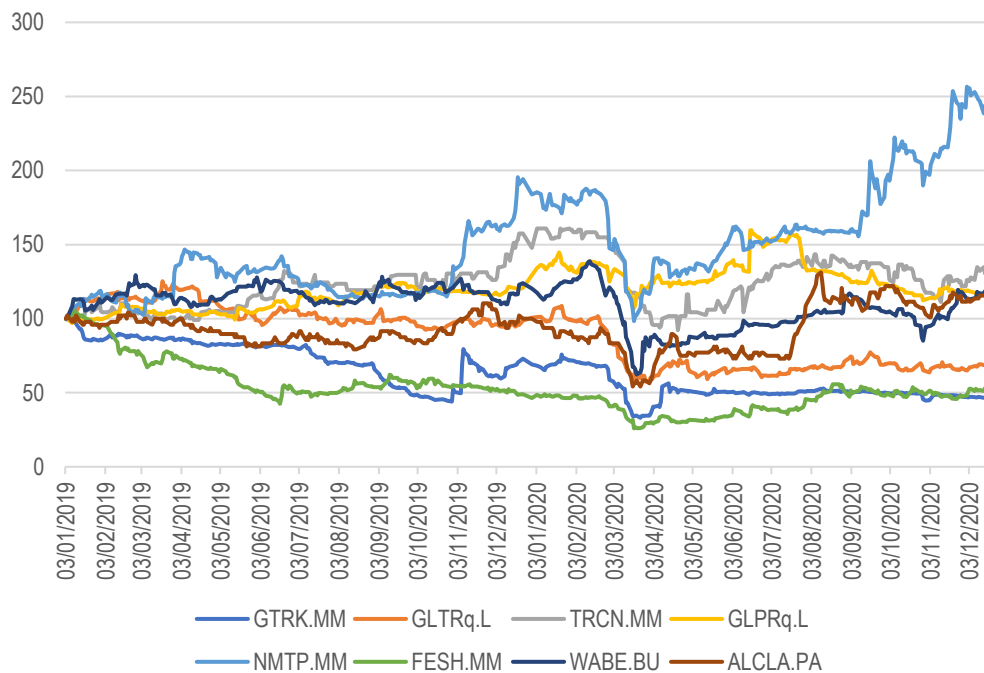


Source: company data

**Figure 57. Globaltruck IPO details**

Date of IPO	03/11/2017
Size of the offering excl option, RUB bn	3500.0
Size of the offering excl option, RUB mn	3849.8
New share issue	21212120
Secondary shares (GT Globaltruck Limited)	5303030
Total share offering	26515150
Over-allotment option shares	2650000
Offering price, RUB	132

Source: company data

**Figure 58. Transportation sector peers' performance (3/01/2019=100)**

Source: ThomsonReuters

## Corporate governance

Globaltruck has operated as a joint stock company since 2016. The Board of Directors is responsible for general management matters and determines the company's strategy. The company's Board of Directors consists of nine members, including two independent directors.

**Figure 59. Globaltruck Management Board of Directors**

<b>Alexander Eliseev</b> <i>Founder and Chairman, Member of the Board</i>	<p>Alexander Eliseev is the founder and chairman of Globaltruck. Mr Eliseev has been a member of the Board of Directors and CEO since July 2017. Mr Eliseev co-founded Globaltrans company in 2004 and has been a member of the Board of Globaltrans since 2008 and a member of the Board of Globaltrans subsidiaries New Forwarding Company since 2003, GTI Management since 2014 and AS Spacecom since 2015. Mr Eliseev has been a member of the Board of Ural Car Repair Company since 2006 and a member of the Board of BTS LLC since 2014. Mr Eliseev holds a degree from the Russian State Medical University, which he gained in 1992.</p>
<b>Roman Belikov</b> <i>Member of the Board CFO</i>	<p>Roman Belikov has been a Board member since July 2020 and the CFO of the company since January 2020. Mr Belikov served in the management of Transgarant, MMK-Trans and MMK-Transmetsnab before joining Globaltruck Management. In 2017-2018, he was the head of the credit department of GTM. Mr Belikov graduated from Voronezh State University.</p>

<b>Timur Boridko</b> <i>Member of the Board</i>	Timur Boridko joined the BoD in July 2020. He served as a Board member at FreightHub GmbH, Drover Limited, Paack SPV Investments S.L. Mr Boridko graduated from the Finance University under the Government of Russia.
<b>Elizaveta Markunina</b> <i>Head of Legal,</i> <i>Member of the Board</i>	Elizaveta Markunina joined the Board of Directors in September 2017. She has served as a member of the Board at GTL and Lorry since 2013 and as the head of the legal and corporate department at GTL since 2013. Before Globaltruck, Ms Markunina served in management positions at LLC Logistics and Transport and Transconsult Management between 2007 and 2013. Ms Markunina holds a law degree from the Russian University of Transport.
<b>Elena Pakhomova</b> <i>Member of the Board</i>	Elena Pakhomova joined the Board in July 2020. Ms Pakhomova has over 20 years of experience in the transportation industry. She served as a Board member of New wagon repair company in 2008-2016 and served as CEO and BoD member at Kashalot in 2017-2020. Ms Pakhomova graduated from Lomonosov Moscow State University.
<b>Kliment Falaleev</b> <i>Member of the Board</i> <i>Independent director</i>	Kliment Falaleev joined the Board in July 2020. He has over 15 years of experience in the construction industry, including management positions at LSR Group. Mr Falaleev graduated from St Petersburg State University of Precise Mechanics and Optics and holds EMBA from Chicago Booth School of Business.
<b>Natalia Yakovleva</b> <i>Independent director,</i> <i>Member of the Board</i>	Natalia Yakovleva is an independent director and a member of the Board. Ms Yakovleva is a partner at PricewaterhouseCoopers, and has been a member of the Board at Mediascope since 2016. Ms Yakovleva holds a degree in international economics from the Moscow Institute of International Relations.
<b>Tagir Sitdekov</b> <i>First Deputy CEO of Russian Direct Investment Fund,</i> <i>Member of the Board</i>	Tagir Sitdekov represents RDIF and its partners on the Board. Prior to RDIF, Mr Sitdekov served as managing director at A1. He has over 10 years of experience in private equity investments and participated in a number of landmark deals in Russia. Mr Sitdekov holds a degree from the Plekhanov Russian University of Economics and the University of Chicago Booth School of Business.
<b>Alexander Lobanov</b> <i>Senior Vice President of Russian Direct Investment Fund,</i> <i>Member of the Board</i>	Alexander Lobanov represents RDIF on the Board. He has over 10 years of experience in private equity and investments. Alexander holds a Master of Economics degree from the State University - Higher School of Economics.

The Board has two committees headed by independent directors. The audit committee has two members: Natalya Yakovleva (the Chairman) and Kliment Falaleev. The Nomination and Remuneration committee has three members: Kliment Falaleev (Chairman), Roman Belikov,

and Elisaveta Markunina. The Committee for business digitalisation was created in August 2020. It includes Alexander Eliseev (Chairman), Timur Boridko and Alexander Lobanov.

The management team of Globaltruck is presented below. Most of the managers have 7-10 years of experience in the transportation and logistics sector.

**Figure 60. Globaltruck management team**

<b>Ilia Sattarov</b>	<b>CEO</b> Board member at Lorry, Globaltruck Logistic, GT IT. Experience: First deputy CEO at Magnit, Alfa Bank, Societe Generale, Rosbank
<b>Eugeny Nekrasov</b>	<b>First deputy CEO</b> Board member at Magna, Longran Logistic, Gruzoprovod, CEO at GT IT Experience: head of transport, warehouse and external logistics at Magnit
<b>Roman Belikov</b>	<b>CFO, BoD member</b> Experience: Transgarant, MMK-Trans, MMK-Transmetsnab
<b>Konstantin Gurov</b>	<b>Director for development of new projects</b> Experience: head of infrastructure and warehouse logistics at Magnit
<b>Yuri Eliseev</b>	<b>Director for economics</b> Board member at Lorry, Globaltruck Logistic, Magna, Longran Logistic, GT IT, Gruzoprovod Experience: director for forecasting and analysis of sales at Magnit
<b>Dmitry Nenashev</b>	<b>Commercial director</b> Board member at Globaltruck Logistic, Gruzoprovod Experience: director for transportation management at Magnit
<b>Anatoly Minutin</b>	<b>Operations director</b> Experience: Lotus SCM, deputy head of cargo logistics

### Dividend policy

Globaltruck has a dividend policy, according to which the company will pay an annual dividend, including interim dividends in the following amounts:

- At least 50% of free cash flow if net debt/EBITDA is below 1.0x;
- At least 25% of free cash flow if net debt/EBITDA falls within the range of 1.0-2.5x;
- The company may not pay dividends if net debt/EBITDA is above 2.5x.

The company's total dividend payout for a year cannot be more than its net income calculated in accordance with IFRS.

## Risks

- Weakening macro trends create adversely impact the potential market size of the cargo transportation services, affecting turnover and freight rates.
- COVID-19 pandemic result in a decline of transportation volumes and turnover. The extended period of restrictions due to COVID or further spread waves may result in weak performance of the transportation industry and hence weaken the company's financial and share price performance.
- Globaltruck operates in a changing regulatory environment, including potentially changing fees paid for use of the Platon system.
- Globaltruck increased its leverage to finance fleet acquisition. Low profitability of operations may affect the interest coverage ratio.
- The new forms of cargo transportation services, including cargo hailing ('uberisation'), may change the landscape of the sector in the future, including the demand for different cargo services and freight rates.
- Fuel cost represents a significant share of the company's expenses. Therefore, increasing global fuel prices will adversely impact the company's profitability, all other factors unchanged.
- The company may operate with a low margin due to the pressure of high competition and fuel costs, making it impossible to modernise the fleet in line with the current business model.
- The valuation depends on investments in a new fleet, which are subject to truck prices.

# Important disclosures

## Analysts certification and disclaimer

This report has been prepared and issued by Hypothesis Research Limited ("Hypothesis") in accordance with Hypothesis policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Hypothesis is authorised and regulated by the Financial Conduct Authority ("FCA"). This report has been prepared by the analyst whose name appears on the front page of this report.

The information contained within the report is intended for use by professional clients and eligible counterparties as defined in section 3 of the FCA Conduct of Business rules. Our research must not be acted on or relied upon by persons in the UK who would be categorised as retail clients.

The report must not be distributed in any other jurisdictions where its distribution may be restricted by law. Persons into whose possession this report comes into should inform themselves about, and observe, any such restrictions.

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of Hypothesis and the analyst at the time of publication.

Hypothesis does not offer or provide personalised advice. The information provided is not intended to be, and should not be construed in any manner whatsoever as, personalised advice as it does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. The information provided by us should not be construed by any subscriber or prospective subscriber as Hypothesis' solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned in this report. Investors should make their own investment decisions based upon their own financial objective and resources.

Hypothesis has a restrictive policy relating to personal dealing. Hypothesis, its respective directors, officers, employees and contractors do not hold any positions in the securities mentioned in this report. Hypothesis may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

To the maximum extent permitted by law, Hypothesis, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.

Please find further information and disclaimer on <http://www.hypothesisresearch.co.uk/disclaimer>.