

RNS Number : 1536J
PJSC Transcontainer
28 March 2018

FOR IMMEDIATE RELEASE

28 March 2018

PJSC TransContainer

Results for full year ended 31 December 2017

PJSC "TransContainer" ("TransContainer" or the "Company" together with its consolidated subsidiaries) today publishes its management report together with the audited consolidated financial statements for full year ended 31 December 2017. The financial statements presented in this announcement have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Operating and financial review

Summary

TransContainer is the leading intermodal container transportation company in Russia. As at 31 December 2017, it owned and leased 25,251 flatcars and 69,595 ISO containers. TransContainer also owns a network of rail-side container terminals, located at 42 railway stations across Russia and operates one terminal in Slovakia under a long-term lease agreement. The Company's joint venture JSC KedenTransService ("KedenTransService", or "KDTS") also operates 19 inland rail-side terminals in Kazakhstan. TransContainer's sales network comprises 104 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia.

In the reporting year, the Russian rail container market grew by 19.0% year-on-year and reached the record high of 3,882 thousand twenty-foot equivalent units ("TEU"). In terms of segment breakdown, domestic transportation volumes grew by 7.6% year-on-year, export transportation increased by 20.6% year-on-year, while import and transit transportation volumes surged by 32.9% and 60.3%, respectively.

The implementation of the Company's strategy aimed at the improving competitiveness and operational efficiency resulted in the record high operating and financial results in the Company's history. Amid the favorable market environment, the Company focused on providing its customers with high-quality transportation services, pursued a moderate pricing policy and worked towards improving fleet management, while enhancing its logistics and cost optimisation measures, particularly at the Company's terminals.

As a result, in 2017, the Company's transportation volumes grew by 15.2% year-on-year to 1,777 thousand TEU; revenue-generating volumes increased by 19.5% year-on-year to 1,425 thousand TEU; adjusted revenue increased by 26.4% year-on-year to RUB 27,782 million; EBITDA surged by 61.6% year-on-year to RUB 11,474 million and net profit doubled year-on-year amounting to RUB 6,534 million.

In terms of profitability metrics, all the key ratios - net profit margin, EBITDA margin and return on equity, met the targets outlined in the Company's strategy, expanding to 23.5%, 41.3% and 16.2%, respectively.

The summary of the Company's key financial metrics is presented in the table below:

	FY 2017	FY 2016	Year-on-year change	
			RUB mln	Percent
Total revenue	65,567	51,483	14,084	27.4%
Adjusted revenue	27,782	21,988	5,794	26.4%
Adjusted expenses	20,653	18,799	1,854	9.9%
EBITDA	11,474	7,099	4,375	61.6%

Adjusted EBITDA margin	41.3%	32.3%		
Profit for the period	6,534	3,244	3,290	101.4
Adjusted net profit margin	23.5%	14.8%		

As at 31 December 2017, the Company's total debt was RUB 6,412 million with net debt of only RUB 2,241 million, bringing the Net debt to EBITDA ratio to 19.5%.

On the back of the strong customer demand for transportation services, the Company's capital expenditure tripled in 2017 and amounted to RUB 6,896 million, which were spent on the acquisition of containers, flatcars and investments in terminal infrastructure. All capital expenditure during the reporting period was financed by the Company's own cash flow.

Recent developments and outlook

In the first quarter of 2018, the Russian rail container market continued to demonstrate positive dynamics, expanding by approximately 11%, slightly above the Company's expectations. The Company currently expects the Russian rail container market to grow at a high single-digit rate this year. TransContainer will continue closely monitoring current market trends and developments.

To facilitate the market growth, the Company has budgeted a record high capital expenditure programme for 2018 amounting to RUB 12.3 billion. The vast majority of CAPEX is expected to be invested in acquisition of new flatcars and containers. To finance these investments, in January 2018, the Company issued the five-year amortising RUB-denominated bonds in the amount of RUB 6 billion at a coupon rate of 7.5%. The Company notes risks of higher than expected prices for the new flatcars and cast amid the strong operator's demand and shortage of production capacities in Russia, and it will work on improving productivity of its existing fleet to meet customers' demand for container transportation.

As the Company believes that the long-term growth potential of the rail container transportation market is driven by ongoing rail cargo containerisation, TransContainer will continue focusing on further business optimisation, improving management efficiency, asset utilisation and the quality of customer service in order to increase the attractiveness of container transportation for existing and potential clients.

Key operating results

Rail container transportation

For full year of 2017, container volumes transported by the Company's flatcar and container fleet, as described above, grew by 15.2% year-on-year to 1,777 thousand TEU, mainly as a result of an increase in import and export transportation.

Container transportation by TransContainer's assets for full year 2017 (ISO Loaded + Empty), 000' TEU

	FY2017	FY2016	Year-on-year change	
			000' TEU	Percent
Domestic Routes	904	867	+36.9	+4.3%
Export	432	360	+71.9	+20.0%
Import	316	242	+73.6	+30.4%
Transit	126	74	+51.8	+69.9%
All Routes	1,777	1,543	+234.2	+15.2%

Container volumes transported by the Company's flatcar fleet for the full year of 2017 increased by 16.8% year-on-year to 1,665.1 thousand TEU from 1,425.8 thousand TEU a year earlier. The Company's revenue-generating container transportation volumes in Russia amounted to 1,424.5 thousand TEU in 2017, up 19.5% year-on-year.

Terminal handling

In 2017, the Company's container terminal throughput was up 5.2% and amounted to 1,294 thousand TEU compared to 1,230 thousand TEU in 2016.

The Company's container handling lagged the level of growth witnessed in the container transportation market as a result of a higher share of the export and transit transportation market. It was also due to certain restrictions applied to some of the Company's terminals in Moscow, in line with the Moscow government's intention to reduce number of freight terminals located in the central part of the city.

Asset utilisation

Starting from 30 September 2017, the Company has changed the manner it presents the empty run ratio for flatcars and containers. The new formula is based on average container*kilometers rather than average kilometers. This approach provides for more accurate metrics reflecting both distances and volumes relevant to empty transportation.

The comparison of the new metrics with the old ones is shown below:

Empty run ratio	2014	2015	2016	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
Containers (new)	17.6%	21.7%	21.5%	20.9%	22.2%	22.0%	20.9%	22.6%	17.4%	16.7%	19.6%
Containers(old)	28.8%	31.2%	32.0%	29.3%	32.3%	34.0%	32.1%	31.8%	29.7%	30.2%	30.8%
Flatcars (new)	2.2%	2.0%	2.7%	2.3%	1.9%	3.1%	3.5%	3.6%	3.7%	4.1%	4.1%
Flatcars(old)	7.2%	7.4%	8.3%	8.2%	6.4%	8.8%	9.5%	9.2%	10.8%	12.1%	11.3%

In 2017, container empty run ratio improved to 19.2% from 21.5% in 2016, due to the optimization of sales and operations planning and tariffs. Flatcars empty run ratio grew from 2.7% in 2016 to 3.9% in the reporting year, due to persistent imbalances in container flows in the Far East region, caused by the fast-growing transit and import flows from China.

	FY 2017	FY 2016
Turnover of containers, days	37.7	36.2
Turnover of flatcars, days	12.1	13.5
Empty run ¹ for containers, %	19.2%	21.5%
Empty run ² for flatcars, %	3.9%	2.7%

¹ The empty run ratio is calculated as an average empty container*kilometers divided by an average total container*kilometers

² The empty run ratio is calculated as an average empty flatcar*kilometers divided by an average total flatcar*kilometers

The turnover of flatcars improved from 13.5 days in 2016 to 12.1 days in 2017, while the turnover of containers increased from 36.2 to 37.7 days, respectively. This was a result of the Company's policy of arranging container stocks in key loading hubs and clients' freight yards in order to reduce the number of flatcars standing idle.

Description of Key Consolidated Statement of Comprehensive Income Items

Summary of the Company's key results for full year ended 31 December 2017 and 2016, respectively:

RUB million	FY 2017	FY 2016	Year-on-year change	
			RUB mln	%
Revenue	65,567	51,483	+14,084	+27.4%
Other operating income	647	660	-13	-2.0%
Operating expenses	-58,438	-48,294	-10,144	+21.0%
Operating profit	7,776	3,849	+3,927	+102.0%
Interest expense	-634	-492	-142	+28.9%
Interest income	301	276	+25	+9.1%
Foreign exchange gain, net	-23	-223	+200	-89.7%
Share of result of associates and JVs	704	669	+35	+5.2%
Other financial results, net	48	0	+48	
Profit before income tax	8,172	4,079	+4,093	+100.3%
Income tax expense	-1 638	-835	-803	+96.2%

Profit for the period	6,534	3,244	+3,290	+101.4%
Other comprehensive income/loss	-26	-670	+641	-95.7%
Remeasurements and other reserves for post-employment benefit plans	102	-120	+219	-182.5%
Exchange differences on translating foreign operations (TRCN)	14	-60	+74	-123.3%
Exchange differences on translating foreign operations (Associates & JV)	-142	-490	+348	-71.0%
	0	0	+0	
Total comprehensive income for the period	6,508	2,574	+3,931	+152.7%
Attributable to:				
Equity holders of the parent	0	2,574	-2,574	-100.0%
Non-controlling interest	0	0	+0	

Adjustments and additional financial information

The majority of the Company's services are provided with the use of third-party services. Accordingly, third-party charges for such services are presented within the Company's revenues and expenses. Such third-party charges include the value of rail infrastructure tariffs and the charges of the Company's other subcontractors and contracted partners involved in the process of providing the Company's services.

Third-party charges other than ones related to integrated freight forwarding and logistics services are presented within revenues as a separate line item "Cargo transportation and handling services with involvement of third parties".

All third-party charges, including ones related to integrated freight forwarding and logistics services, are presented within expenses as "Third-party charges related to principal activities".

Summary of third-party charges included in TransContainer's revenues

Item	FY 2017	FY 2016	Year-on-year change	
			RUB mln	%
3rd-party charges related to integrated freight forwarding and logistics	35,805	24,641	+11,164	+45.3%
Cargo transportation and handling services with involvement of third parties	1,980	4,854	-2,874	-59.2%
Third-party charges related to principal activities	37,785	29,495	+8,290	+28.1%

In order to enhance this analysis, we apply adjustments to the components of the Company's revenues and expenses to derive the values that are net of the charges of third parties involved in providing the Company's services.

Total revenue adjustments

Item	FY 2017	FY 2016	Year-on-year change	
			RUB mln	%
Total revenue	65,567	51,483	+14,084	+27.4%
Third-party charges related to principal activities	-37,785	-29,495	-8,290	+28.1%
Adjusted Revenue	27,782	21,988	+5,794	+26.4%

Integrated freight forwarding and logistics services revenue adjustment

Item	FY	FY	Year-on-year change	
	2017	2016	RUB mln	%
Integrated freight forwarding and logistics services	57,052	38,767	+18,285	+47.2%
3rd-party charges related to integrated freight forwarding and logistics	-35,805	-24,641	-11,164	+45.3%
Adjusted integrated freight forwarding and logistics services	21,247	14,126	+7,121	+50.4%

Operating expenses adjustment

Item	FY 2017	FY 2016	Year-on-year change	
			RUB mln	%
Total operating expenses	58,438	48,294	+10,144	+21.0%
Third-party charges related to principal activities	-37,785	-29,495	-8,290	+28.1%
Adjusted Operating Expenses	20,653	18,799	+1,854	+9.9%

Adjusted Revenue, Adjusted Operating Expenses, EBITDA, Adjusted EBITDA Margin and Adjusted Operating Margin are not recognised under the IFRS as measures of financial performance, but are calculated on the basis of the IFRS figures and are presented as supplemental indicators of the Company's operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any of them in isolation, or any combination of them, as a substitute for analysis of our results as reported under the IFRS.

Non-IFRS metrics used in the analysis

RUB million	FY	FY	Year-on-year change	
	2017	2016	RUB mln	%
Revenue	65,567	51,483	+14,084	+27.4%
Adjusted Revenue ¹	27,782	21,988	+5,794	+26.4%
Adjusted operating expenses ²	20,653	18,799	+1,854	+9.9%
EBITDA ³	11,474	7,099	+4,375	+61.6%
Adjusted EBITDA margin ⁴	41.3%	32.3%		
Profit for the period	6,534	3,244	+3,290	+101.4%
Net Income Margin	23.5%	14.8%		
Total debt	6,412	9,137	-2,725	-29.8%
Net debt ⁵	2,241	3,534	-1,293	-36.6%
LTM EBITDA	11,474	7,099	+4,375	+61.6%
Net debt/LTM EBITDA	19.5%	49.8%		

¹ Adjusted Revenue is calculated as total revenue less cost of integrated freight forwarding and logistics services.

² Adjusted Operating Expenses are calculated as operating expenses less cost of integrated freight forwarding and logistics services.

³ EBITDA is defined as profit for the period before income tax, interest expense and depreciation and amortisation.

⁴ Adjusted EBITDA Margin is defined as EBITDA divided by Adjusted Revenue.

⁵ Net Debt is calculated as long-term debt, finance lease obligations, short-term debt and current portion of long-term debt less cash and cash equivalents and short-term investments.

Revenue

The following table sets out the breakdown of total revenue for full year ended 31 December 2017 and 2016, respectively.

Revenue breakdown

RUB million	FY	FY	Year-on-year change	
	2017	2016	RUB mln	%
Integrated freight forwarding and logistics services	57,052	38,767	+18,285	+47.2%
Rail-based container shipping services	2,224	4,061	-1,837	-45.2%

Cargo transportation and handling services with involvement of third parties	1,980	4,854	-2,874	-59.2%
Terminal services, bonded warehousing services and agency fees	3,580	2,596	+984	+37.9%
Truck deliveries	386	875	-489	-55.9%
Other	345	330	+15	+4.5%
Total revenue	65,567	51,483	+14,084	+27.4%

Total revenue increased by RUB 14,084 million, or 27.4% year-on-year, to RUB 65,567 million for year ended 31 December 2017, from RUB 51,483 million in the corresponding period of 2016. This primarily resulted from an increase in transportation volumes by the Company's assets, as well as terminal handling volumes on the back of the growing rail container transportation market.

The following table sets out the components of adjusted revenue and their relative contribution to adjusted revenue for the full year ended 31 December 2017 and 2016, respectively.

	FY 2017		FY 2016		Year-on-year change	
	RUB mln	share, %	RUB mln	share, %	RUB mln	Percent
Adjusted integrated freight forwarding and logistics services	21,247	76.5%	14,126	64.2%	+7,121	+50.4%
Rail-based container shipping services	2,224	8.0%	4,061	18.5%	-1,837	-45.2%
Terminal services, bonded warehousing services and agency fees	3,580	12.9%	2,596	11.8%	+984	+37.9%
Truck deliveries	386	1.4%	875	4.0%	-489	-55.9%
Other revenues	345	1.2%	330	1.5%	+15	+4.5%
Total adjusted revenue	27,782	100%	21,988	100%	+5,794	+26.4%

Adjusted revenue grew by 26.4% year-on-year to RUB 27,782 million for the full year of 2017 from RUB 21,988 million in 2016, due to an increase in revenue from integrated freight forwarding and logistics services, as well as terminal services, bonded warehousing services and agency fees.

Integrated freight forwarding and logistics services

Revenue from integrated freight forwarding and logistics services increased by 47.2% year-on-year to RUB 57,052 million for the full year ended 31 December 2017.

Adjusted revenue from integrated freight forwarding and logistics services was up 50.4% year-on-year to RUB 21,247 million in 2017, mainly on the back of growing revenue-generating volumes and continuing shift of customers' preferences towards complex and integrated transportation services.

Rail-based container transportation services

Revenue from rail-based container transportation was down by 45.2% year-on-year to RUB 2,224 million for the year ended 31 December 2017, from RUB 4,061 million in the corresponding period of 2016. The decline was due to customer demand continuing to shift towards integrated freight forwarding and logistics services.

Terminal services, bonded warehousing services and agency fees

Revenue from terminal services, bonded warehousing services and agency fees, increased by 37.9% year-on-year to RUB 3,850 million for the full year of 2017 from RUB 2,596 million in 2016. This was primarily driven by an increase in agency fees, certain reclassification of non-integrated freight forwarding and logistics services into terminal services, as well as growth in handling volumes.

Since 30 June 2017, this revenue item includes the revenue from bonded warehousing services, which was previously presented as a standalone item. This was done to reflect the amendments in the Company's price list and unified list of services adopted in the second quarter of 2017.

Truck deliveries

Revenue from truck deliveries for the full year of 2017 decreased by RUB 489 million, or 55.9% year-on-year, to RUB 386 million, from RUB 875 million for the same period of 2016. This was mainly due to a higher share of truck transportation provided within integrated logistics services.

Other revenues

Since the third quarter of 2017, a new price list was adopted by the Company, according to which some freight forwarding fees were reclassified into rail transportation and terminal handling tariffs.

Revenues from other freight forwarding and logistics services, which comprise mainly freight forwarding and logistics services of a non-integrated nature, grew by 4.5% year-on-year to RUB 345 million in 2017, compared to RUB 330 million in 2016, reflecting an increase in transportation volumes and change in the Company's services structure.

Operating expenses

Operating expenses structure for the full year ended 31 December 2017 and 2016, respectively

	FY 2017			FY 2016		
	RUB mln	% of operating expenses	% of total revenue	RUB mln	% of operating expenses	% of total revenue
Third-party charges related to principal activities	37,785	64.7%	57.6%	29,495	61.1%	57.3%
Freight and transportation services	6,549	11.2%	10.0%	5,972	12.4%	11.6%
Payroll and related charges	5,809	9.9%	8.9%	5,244	10.9%	10.2%
Depreciation and amortisation	2,668	4.6%	4.1%	2,528	5.2%	4.9%
Materials, repair and maintenance	3,182	5.4%	4.9%	2,605	5.4%	5.1%
Taxes other than income tax	581	1.0%	0.9%	543	1.1%	1.1%
Rent	279	0.5%	0.4%	311	0.6%	0.6%
Other expenses	1,585	2.7%	2.4%	1,596	3.3%	3.1%
Total operating expenses	58,438	100.0%	89.1%	48,294	100.0%	93.8%

TransContainer's total operating expenses increased by RUB 10,144 million, or 21.0% year-on-year, to RUB 58,438 million in 2017, from RUB 48,294 million for the corresponding period of the previous year. This was mainly due to a significant increase in the third-party charges related to principal activities.

Cost of third-party charges related to principal activities

Costs of third-party charges related to principal activities increased by 28.1% year-on-year to RUB 37,785 million for the full year ended 31 December 2017, from RUB 29,495 million for the same period of 2016. This was predominantly driven by a higher volume of the Company's operations, tariff indexing by Russian Railways and other subcontractors, and growth in international transportations with the involvement of outsourced transportation services. The strengthening of the Russian rouble against the US dollar and Euro in 2017 as compared to 2016, partially offset this increase related to FX-denominated expenses, primarily charges of foreign rail administrations and sea shipping companies.

Adjusted operating expenses

Adjusted operating expenses, as defined in the *Adjustments and additional financial information* section above, grew by 9.9% year-on-year to RUB 20,653 million in 2017, from RUB 18,799 million in 2016, primarily due to an increase in freight and transportation services, materials, repair and maintenance costs and taxes other than income tax. This, in turn, was partially offset by a decrease in rent and other expenses.

The following table provides a breakdown of the Company's adjusted operating expenses for the full year ended 31 December of 2017 and 2016, respectively.

Adjusted operating expenses structure and dynamics for the full year ended 31 December 2017 and 2016, respectively

	FY2017		FY2016		Year-on-year change	
	RUB mln	%	RUB mln	%	RUB mln	Percent change
Freight and transportation services	6,549	31.7%	5,972	31.8%	+577	+9.7%
Payroll and related charges	5,809	28.1%	5,244	27.9%	+565	+10.8%
Depreciation and amortisation	2,668	12.9%	2,528	13.4%	+140	+5.5%
Materials, repair and maintenance	3,182	15.4%	2,605	13.9%	+577	+22.1%
Taxes other than income tax	581	2.8%	543	2.9%	+38	+7.0%
Rent	279	1.4%	311	1.7%	-32	-10.3%
Other expenses	1,585	7.7%	1,596	8.5%	-11	-0.7%
Adjusted operating expenses	20,653	100.0%	18,799	100.0%	+1,854	+9.9%

In 2017, there were moderate fluctuations in the structure of the Company's adjusted costs, but they were within the range inherent to the Company's business model.

Freight and transportation services

Expenses related to freight and transportation services increased by RUB 577 million, or 9.7% year-on-year, to RUB 6,549 million for the full year of 2017. This increase is mainly due to the growth in the Company's operations, as well as tariff indexing by Russian Railways, which was partially compensated by the improved empty container fleet management.

Payroll and related charges

Payroll and related charges increased by RUB 565 million, or by 10.8% year-on-year, to RUB 5,809 million for the full year 2017, compared to RUB 5,244 million for the corresponding period of 2016. This increase was mainly due to the base salary indexing and performance-linked payments on the back of improved financial and operating results, which was partially offset by a decrease in TransContainer's average headcount by 2.8% from 3,634 to 3,533 employees on the year-on-year basis and an effect of pension plan reserve adjustments.

Depreciation and amortisation

Depreciation and amortisation increased by RUB 140 million, or 5.5% year-on-year, to RUB 2,668 million for the full year of 2017, from RUB 2,528 million in 2016, reflecting higher capital expenditures.

Materials, repair and maintenance

Expenses related to materials, repair and maintenance were up by 22.1% year-on-year to RUB 3,182 million in 2017, compared to RUB 2,605 million in 2016. This was due to an increase in a number of flatcar repairs resulted from a higher fleet utilisation. Higher average repair price also contributed to this increase mainly as prices for cast went up amid the growing customer demand in Russia.

Taxes other than income tax

Taxes other than income tax increased by 7.0% year-on-year to RUB 581 million in 2017, from RUB 543 million for the full year of 2016, primarily due to the dynamics of VAT settlements.

Rent

Rent expenses decreased by RUB 32 million, or by 10.3% year-on-year, to RUB 279 million for the full year of 2017 from RUB 311 million in 2016, mainly due to the termination of operating lease contracts related to fixed assets in the first half of 2017.

Other operating expenses

Other operating expenses are an aggregate of various expense items such as security, consulting expenses, fuel and energy, licences and software, communication service and loss of sale of fixed assets. In 2017, other expenses decreased by 0.7% year-on-year to RUB 1,585 million, from RUB 1,596 million for the full year of 2016. This primarily resulted from a decrease in consulting and other costs, which was offset by an increase in costs related to fuel, energy, IT and communications.

Interest expenses

Interest expenses increased by RUB 142 million, or 28.9% year-on-year, to RUB 634 million for the full year of 2017 from RUB 492 million in 2016, mainly due to the RUB 5 billion bond issue in September 2016.

Interest income

Interest income grew by RUB 25 million, or 9.1% year-on-year, to RUB 301 million in 2017 from RUB 276 million in 2016, as a decrease in average interest rates was offset by an increased amount of RUB-denominated deposits with banks throughout 2017.

Profit before income tax

As a result of the reasons described above, the Company's profit before income tax increased by RUB 4,093 million, or by 100.3% year-on-year, to RUB 8,172 million for 2017 from RUB 4,079 million in 2016.

Income tax expenses

Income tax expenses increased by RUB 803 million, or 96.2% year-on-year, to RUB 1,638 million for the full year of 2017 from RUB 835 million for the corresponding period of 2016, due to an increase in taxable profit.

The effective tax rate for 2017 was down to 20.0% from 20.5% in 2016.

Total profit and comprehensive income for the period

As a result of the factors discussed above, the profit for the full year of 2017 increased by RUB 3,290 million, or 101.4% year-on-year, to RUB 6,534 million compared to RUB 3,244 million for the same period of 2016. Taking into account the exchange rate differences relating to foreign operations and other effects, the total comprehensive income for the reporting period increased by 152.8% amounted to RUB 6,508 million, compared to RUB 2,574 million for the full year of 2016.

Liquidity and Capital Resources

As of 31 December 2017, the Company's net cash and cash equivalents amounted to RUB 4,171 million, while its current assets exceeded current liabilities by RUB 2,263 million.

The Company's business is asset and capital-intensive and requires substantial capital expenditure for the purchase of flatcars and containers, for the development of rail-side terminals and for modernising its lifting equipment and truck fleet and other purposes. During the reporting period, the Company's operations and its capital expenditures were financed from internally generated cash flows.

Cash flows

The following table sets out the principal components of the Company's consolidated cash flows for the full year ended 31 December 2017 and 2016, respectively.

Cash flows structure

RUB million	FY 2017	FY 2016
Net cash provided by operating activities	8,466	6,236
Net cash used in investing activities	-6,568	-1,564
Net cash used in financing activities	-3,282	-976
Net increase in cash and cash equivalents	-1,384	3,696
Foreign exchange effect on cash and cash equivalents	30	-281
Net cash and cash equivalents at the end of the period	4,171	5,525

Cash flow generated by operating activities increased by RUB 2,230 million, or 35.8% year-on-year, to RUB 8,466 million for the year ended 31 December 2017 from RUB 6,236 million in 2016, mainly due to an increase in operating profit, as discussed above.

Cash flow used in investing activities increased by RUB 5,004 million, or by 319.9% year-on-year, to RUB 6,568 million for the full year of 2017 from RUB 1,564 million in 2016. This primarily resulted from an increase in capital expenditures from RUB 2,242 million to RUB 6,896 million, respectively.

Cash flow used in financing activities increased by RUB 2,306 million to negative RUB 3,282 million for the full year ended 31 December 2017 compared to negative RUB 976 million in 2016, mainly due to an increase in scheduled debt repayments in 2017.

Capital expenditure

Capital expenditure increased by RUB 4,654 million, or by 207.6% year-on-year, to RUB 6,896 million in 2017 from RUB 2,242 million in 2016. The majority of the capital expenditure was spent on acquiring new ISO containers and flatcars.

Planned capital expenditure for 2018

The Company's capital expenditure programme is aimed at maintaining TransContainer's position as a market leader in the Russian container sector, strengthening its competitive advantages, as well as optimising its asset structure and key operational metrics.

The total capital expenditure for 2018 is budgeted at RUB 12.3 billion (excluding VAT and long-term financial investments). The 2018 CAPEX programme is focused on the acquisition of flatcars and ISO containers and further improvement of terminal infrastructure.

Capital resources

The Company's operations and capital expenditure have historically been financed from internally generated cash flow and proceeds from issuing domestic debt. As of 31 December 2017, the Company's financial indebtedness consisted of two outstanding bond issues and financial lease obligations in an aggregate amount of RUB 6,412 million, compared to RUB 9,137 million as of 31 December 2016. The Company's net debt at the end of the reporting period was RUB 2,241 million.

As of 31 December 2017, all the Company's financial indebtedness was unsecured. The Company's debt is rouble-denominated and has a fixed interest rate.

RUB-denominated bonds series 4

On 1 February 2013, the Company issued non-convertible five-year bonds for a total amount of RUB 5,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after the deduction of related offering costs amounted to RUB 4,988 million. The annual coupon rate of the bonds for five years is 8.35% with interest paid semi-annually.

The series 4 bonds are to be redeemed in four equal semi-annual instalments within the fourth and fifth years, the first and second instalments being made in July 2016 and January 2017, respectively. As a result, these bonds are classified as the short-term portion of the long-term bond issue with the carrying value amounted to RUB 1,295 million, including the accrued interest in amount of RUB 45 million.

RUB-denominated bonds series BO-02

On 22 September 2016, the Company issued non-convertible five-year bonds for a total amount of RUB 5,000 million at a par value of RUB 1,000 each. Net proceeds from the issuance after deduction of related offering costs amounted to RUB 4,987 million. The annual coupon rate of the bonds for five years is 9.4% with interest paid semi-annually.

The series BO-02 bonds will be redeemed in four equal semi-annual instalments within the fourth and fifth years. As a result, these bonds are classified as long-term borrowings as at the reporting date.

As at 31 December 2017, the carrying value of the bonds amounted to RUB 4,987 million. The amount of accrued interest is RUB 130 million and has been included as short-term debt in the consolidated statement of financial position.

Working Capital

The Company's working capital is defined as the difference between its current assets and current liabilities. The table below sets out the key components of TransContainer's working capital for year ended 31 December 2017 and 2016.

Working capital structure

RUB million	31 December 2017	31 December 2016
Current assets		
Inventory	287	209
Trade and other receivables	1,323	1,605
Prepayments and other current assets	3,975	3,584
Prepaid income tax	0	5
Short-term investments	0	78
Cash and cash equivalents	4,171	5,525
Non-current Assets classified as held for sale	0	0
Total current assets	9,756	11,006
Current liabilities		
Trade and other payables	4,562	4,279
Short-term debt and current portion of long-term debt	1,425	2,762
Income tax payable	87	21
Taxes other than income tax payable	370	378
Provisions	0	38
Finance lease obligations, current maturities	0	18
Dividends payable	0	0
Accrued and other current liabilities	1,049	876
Deffered income	0	0
Total current liabilities	7,493	8,372
Working capital	2,263	2,634

Working capital decreased by RUB 371 million to RUB 2,263 million at the end of the reporting year from RUB 2,634 million as at 31 December 2016, primarily due to a decrease in cash equivalents.

Downloads

The consolidated financial statements for the full year of 2017 are available via the National Storage Mechanism at: <http://www.hemscott.com/nsm.do> or at the Company's website <http://www.trcont.ru>.

Conference call

TransContainer will host an analyst conference call on Tuesday, 28 March 2018, at 15:00 UK time / 17:00 Moscow time. Dial in details are as follows:

UK Free Call Dial In	0800 694 0257
Russia Dial In (from a landline)	810 8002 0972 044
Conference ID	7181416#

A replay of the call will be available until 28 April 2018 using the following details:

UK Free Call Dial In	0800 953 1533
Russia Dial In	8 499 677 1064
Replay Access Code	7181416#

Enquiries:

TransContainer

Andrey Zhemchugov
First Deputy Chief Financial Officer
E-mail

+7 495 637 9178
+7 495 609 6062
ir@trcont.ru

Website

www.trcont.ru

Instinctif Partners

Galyna Kulachek/ Dinara Shikhametova

+44 (0) 20 7457 2020

About TransContainer

TransContainer (LSE ticker: TRCN) is the leading intermodal container transportation company in Russia with a market share of approximately 46%. It is the market leader in Russia by flatcar fleet size, container transportation by rail and rail-side container terminal throughput. As at 31 December 2017, it owned and leased 25,251 flatcars and 69,595 ISO containers. TransContainer also owns a network of rail-side container terminals, located at 42 railway stations across Russia and operates one terminal in Slovakia under a long-term lease agreement. The Company's joint venture JSC Kedentransservice ("Kedentransservice", or "KDTS") also operates 19 inland rail-side terminals in Kazakhstan. The Company's sales network comprises of 104 sales outlets in Russia, along with additional outlets across the CIS, Europe and Asia. TransContainer is listed at Moscow Exchange and LSE. The Company's major shareholder with 50% +2 shares is United Transportation and Logistics Company, established by Russian Railways, Belorussian Railway and Kazakhstan Temir Zholy.

Legal Disclaimer

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company. You can identify forward-looking statements by terms such as 'expect', 'believe', 'anticipate', 'estimate', 'intend', 'will', 'could', 'may' or 'might', the negative of such terms or other similar expressions. PJSC "TransContainer" wishes to caution you that these statements are only predictions and that actual events or results may differ materially. PJSC "TransContainer" does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of PJSC "TransContainer", including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries PJSC "TransContainer" operates in, as well as many other risks specifically related to PJSC "TransContainer" and its operations

This information is provided by RNS
The company news service from the London Stock Exchange

END