

## Equity Research

Utilities

# TRANSELECTRICA

Q3'12 results – good operative performance hampered by financial loss

## Buy (12m)

Price 08/11/12 **12m target**  
**RON 11.7** **RON 20.6**

Sector Weighting  
**Neutral**

Preferred stock

**Transgaz**

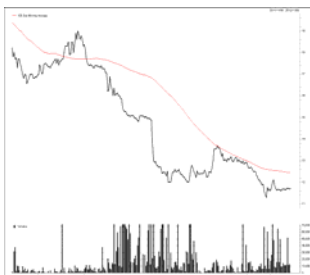
Last recommendation

**Buy (TP: RON 22.4) on 26/04/2011**

### Type of investment

Defensive stock	✓
Regulatory risk	✓
FX risk	✓

### 1 year-Price-Volume



Source: FactSet, BRD-GSG

[Transelectrica on www.transelectrica.ro](http://www.transelectrica.ro)

### Share data

RIC RO TEL, Bloomberg TEL RO

52-week range	11.3 – 19.0		
Market cap. (RONm)	857.65		
Free float (%)	27.81		
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Ordinary shares	2.2	-14.0	-35.7
Rel. to BET	1.1	-16.8	-39.6

## Key figures

(RONm)	Q3'11	Q3'12e	yoy %	Cons. Avg.	2012 BRD GSGe*
Total revenues	625	560	-10.4	nav	2,679
EBIT	18.1	25.7	+42.1	nav	204
Net income	-25.2	6.5	nm	nav	180

\*IFRS data

Source: Transelectrica, BRD-GSG; figures according to RAS standards

## BRD-GSG

	(-/0/+)
Surprise	-/0
Publication vs. cons.	nav
Market reaction	-/0
Company new guidance	nav
Chg. in sector perception	0

▪ **Calendar** Transelectrica will report its 9M'12 financial statements according to RAS on November 14<sup>th</sup>, 2012. The report will be published on BSE and company's internet sites.

▪ **Watch out for** We have estimated Q3'12 domestic consumption +1.2% y/y, using the data published by OPCOM regarding the transactions on the day-ahead-market. Our assumption for Q3'12 transported energy amounts to 12.83TWh, which was used to derive transport, system services and market administration revenues. However we expect market balancing revenues to be lower vs. previous quarters, around RON 180m, so our Q3'12 top line forecast points to RON 560.5m, -10.4% y/y.

Pass through revenues (market balancing, technological services, market administration) are also reflected on the operating expenses side, while fixed costs forecasts (depreciation and personnel expenses) are in line with previous quarters figures. We expect third parties expenses (including here maintenance works) to point to RON 55m, by 3.9% higher vs. Q2'12. Consequently we see a Q3'12 EBIT at RON 25.7m, +42% y/y. Operating performance will be negatively affected by the financial loss generated by the company high EUR denominated loans balance (estimated at EUR 190.5m at end Sep'12). In Q3'12 RON depreciation against EUR stood at -1.9% q/q, eop values, so we estimate net financial loss of RON 18m for Q3'12 leading to a net result of RON 6.5m, vs. a net loss of RON 25.2m in Q3'11.

For the **9M'12** period our estimates are: operating revenues of RON 2.02bn, +2.4% y/y, EBIT of RON 95.6m, -55.7% y/y and net profit of RON 29m, -81% y/y.

In annual terms, our figures for 2012 according to IFRS point to revenues worth RON 2.68bn based on a conservative 2% annual growth in power consumption and a net profit in amount of RON 180m.

▪ **Potential market reaction** We expect the results to have a neutral to negative impact on share price, as it is possible that expected poor performance, especially because of financial loss, to be already priced in by investors. However, for the time being we maintain our IFRS estimates for 2012, our **BUY** rating and target price of **RON 20.6** for the NTS operator.

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Utilities (Romania)

Price 08/11/2012

12m target

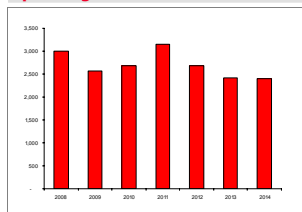
## TRANSELECTRICA

BUY

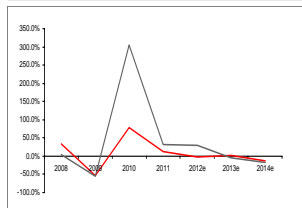
RON 11.7

RON 20.6

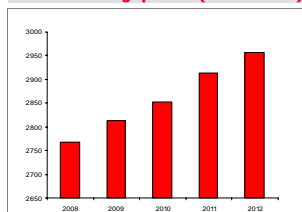
### Operating revenues



### Net profit and EBIT growth



### RAB for 2<sup>nd</sup> reg. period (2008-2012)



### Major shareholders (%)

METBE	58.69
Proprietatea Fund	13.5
Others	27.81

Valuation* (RON m)	2008	2009	2010	2011	2012e	2013e	2014e
Average nb of shares (diluted)	73.30	73.30	73.30	73.30	73.30	73.30	73.30
Share price (eop)	11.7	11.7	11.7	11.7	11.7	11.7	11.7
EV	1810	1844	1864	1695	1717.5	1777.9	1907.2
P/E (x)	14.9	33.5	8.2	6.2	4.8	5.0	6.0
Price/CFO (x)	2.4	1.9	1.7	1.6	1.9	1.7	2.1
EV/EBITDA (x)	3.9	5.1	4.1	3.4	3.3	3.3	3.6
EV/EBIT (x)	8.1	17.4	9.9	8.0	8.4	8.5	10.5
Price/book value (x)	0.4	0.5	0.4	0.4	0.4	0.4	0.4
P/S(x)	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Dividend yield	3.0%	0.6%	1.0%	9.4%	6.1%	6.3%	6.7%
<b>Per share data (RON)</b>							
EPS	0.8	0.3	1.4	1.9	2.4	2.3	1.9
CFO	4.9	6.0	6.8	7.5	6.3	6.7	5.7
Book value	26.4	26.0	27.3	29.4	30.5	32.2	33.4
Dividend	0.35	0.07	0.12	1.10	0.72	0.74	0.79
<b>Income statement (RON m)</b>							
Transport revenues	1045.7	939.8	968.1	1110.0	1126.7	1189.0	1263.0
System revenues	1090.3	1076.1	1163.9	784.1	668.0	635.4	666.0
Total Operating revenues	2995.4	2559.0	2683.2	3147.5	2679.1	2412.9	2407.2
EBITDA	465.1	363.1	455.6	501.9	522.6	541.1	531.8
Depreciation, depletion and amort.	-240.6	-257.1	-267.1	-291.0	-318.7	-331.3	-349.6
EBIT	224.5	106.0	188.4	211.0	203.9	209.9	182.2
Net interest income	-29.5	-25.1	-25.1	-22.3	-20.9	-18.7	-24.3
Forex gain/loss	-126.2	-62.7	-33.9	-13.6	33.0	15.9	14.5
EBT	70.0	19.5	130.2	177.3	213.8	204.3	169.8
Corporate tax	-12.2	6.1	-26.2	-39.5	-34.2	-32.7	-27.2
Reported net income	57.7	25.6	104.0	137.8	179.6	171.6	142.6
<b>Cash flow statement (RON m)</b>							
Net income	57.7	25.6	104.0	137.8	179.6	171.6	142.6
Depreciation, depletion and amort.	240.6	257.1	267.1	291.0	318.7	331.3	349.6
Change in working capital	64.6	4.5	28.2	69.7	-21.6	7.7	-34.1
Cash flow from operating activities	355.5	441.5	498.3	549.4	461.6	490.6	418.1
Cash flow from investing activities	-395.8	-338.9	-480.5	-349.4	-383.1	-458.4	-453.3
Cash flow from financing activities	62.5	-123.2	9.5	-42.4	26.0	-78.7	-86.1
Total CF	22.3	-20.7	27.3	157.6	104.4	-46.5	-121.2
<b>Balance sheet (RON m)</b>							
Total long-term assets	2905.0	3005.7	3215.0	3298.5	3363.0	3490.1	3593.8
of which tangible	2454.6	2428.3	2681.0	2745.9	2754.4	2825.8	2962.1
Working capital	173.4	164.7	111.4	49.3	70.9	63.2	97.3
Total interest bearing debt	1176.9	1150.2	1166.6	1160.2	1286.8	1300.7	1308.7
Shareholders' equity	1934.6	1904.8	2003.0	2157.2	2238.3	2357.3	2445.8
Net debt	-953	-987	-1006	-838	-860	-920	-1050
<b>Accounting ratios</b>							
ROIC	7.6%	3.7%	6.3%	6.8%	6.2%	6.2%	5.3%
ROE	3.0%	1.3%	5.2%	6.4%	8.0%	7.3%	5.8%
Sales growth (%)	25.6%	-14.6%	4.9%	17.3%	-14.9%	-9.9%	-0.2%
EBITDA margin	15.5%	14.2%	17.0%	15.9%	19.5%	22.4%	22.1%
EBIT margin	7.5%	4.1%	7.0%	6.7%	7.6%	8.7%	7.6%
Net income margin	1.9%	1.0%	3.9%	4.4%	6.7%	7.1%	5.9%
Net debt/equity	49.2%	51.8%	50.2%	38.8%	38.4%	39.0%	42.9%
Interest cover	3.73	2.50	6.33	6.39	5.31	5.21	4.28
Payout ratio	44%	20%	8%	59%	29%	32%	40%

\*Valuation ratios for past years are based on current price

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#### BRD-GSG rating system (November 2012)

##### Premium List

Selected from stocks expected to outperform the market by over 25%.

##### Buy

Expected to outperform the market by at least 10%.

##### Hold

Expected to perform in line with the market +/-10%.

##### Sell

Expected to underperform the market by at least 10%.

##### Assumptions

12 month time horizon and flat market over forecast period.

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