

# TRANSGAZ

9M'12/Q3'12 results – flat sales but declining profit y/y

## Buy (12m)

Price 12/11/12 **RON 204.15**      12m target **RON 227**

### Sector Weighting

**Neutral**

Preferred stock

**Transgaz**

Last recommendation

**Buy (TP: RON 237.8) on 09/09/2011**

## Key figures

(RONm)

	9M'12	y/y %	Cons. 9M'12 avg. BRD-GSGe	Surprise	
Total revenues	972	-1.4	nav 973.5	Publication vs. cons.	nav
EBIT	244	-25.7	nav 266	Market reaction	-/0
Net income	215	-24.2	nav 231	Company new guidance	0
				Chg. in sector perception	0

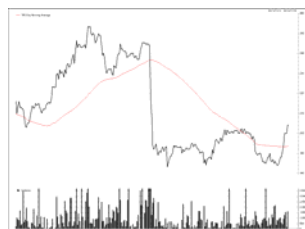
## BRD-GSG sentiment (-/0/+)

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

### Type of investment

Defensive stock	✓
Regulatory risk	✓
Dividend play	✓

### 1 year-Price-Volume



Source: FactSet, BRD-GSG

[Transgaz on www.transgaz.ro](http://www.transgaz.ro)

### Share data

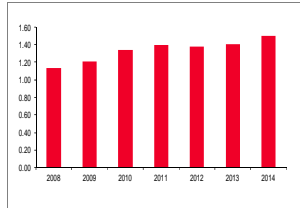
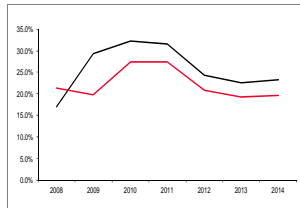
RIC RO TGN, Bloomberg TGN RO				
52-week range	183.2 – 253.5			
Market cap. (RONbn)	2.40			
Free float (%)	11.5			
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>	
Ordinary shares	9.8	4.2	-5.5	
Rel. to BET	9.6	0.8	-10.8	

- Main surprises** Transgaz posted 9M'12 sales of RON 972m, flat y/y and in line with our estimate of RON 973.5m. As we expected, sales dynamic was the result of two opposed factors: on one hand the decline of transport revenues because of gas volumes lower by 304m cm vs. 9M'11 which was compensated on the other hand by higher transit revenues due to RON depreciation against USD and EUR vs. the first three quarters of last year.

9M'12 operating expenses amounted to RON 728m, +10.8% y/y and by 2.9% above our estimates. Personnel expenses came at RON 241m, +29.4% y/y and +5.2% vs. forecast, probably because of holiday benefits. Material expenses and taxes also came above our expectations (+5.2% and +7.4% respectively), but in line with 9M'11 period, while third parties expenses came below our estimates by 8.9% and by 4.7% lower y/y. On the other hand, the reversal of some provisions and adjustments of current assets (RON 13.3m) have improved operating result.

9M'12 EBIT reached RON 244m, by 25.7% lower y/y and by 8.4% below our estimate. The net financial result came better than expected at RON 27m, more than double y/y and by 45% above our expectation. Consequently, net profit ended at RON 215m, by 24.2% down y/y and by 7% below our forecast.

- Potential impact on forecasts** For the moment we maintain our IFRS 2012 estimates. Although 9M'12 RAS net result was slightly below our expectation, the last quarter of the year is usually better due to the gas transport seasonality, so we consider that our estimates for the year end could be achieved.
- Potential impact on share price/recommendation** We expect the results to have a small negative impact for the share price in the next few days. For the moment we maintain our **BUY** rating and 12M TP of **RON 227**.

**Operating revenues**

**Net profit and EBIT margin**

**ROE and ROIC evolution**

**Major shareholders (%)**

MEF	73.51
Proprietatea Fund	14.99
Others	11.50

Utilities (Romania)

**TRANSGAZ**

Price 12/11/2012

12m target

**BUY**
**RON 204.15**
**RON 227**

Valuation* (RON m)	2008	2009	2010	2011	2012e	2013e	2014e
Average nb of shares (diluted)	11.77	11.77	11.77	11.77	11.77	11.77	11.77
Share price (eop)	204.15	204.15	204.15	204.15	204.15	204.15	204.15
EV	2273.2	2307.8	2323.6	2251.7	2379.6	2375.8	2294.2
P/E (x)	9.90	9.99	6.54	6.25	8.39	8.89	8.19
Price/cash flow (x)	9.56	6.14	5.30	4.87	5.28	5.52	5.17
EV/EBITDA (x)	6.2	4.7	4.1	3.7	4.7	4.8	4.4
EV/EBIT (x)	11.8	6.5	5.4	5.1	7.1	7.5	6.6
Price/book value (x)	0.89	0.86	0.80	0.78	0.80	0.80	0.77
P/S(x)	2.12	1.98	1.80	1.72	1.75	1.71	1.60
Dividend yield	5.1%	6.4%	14.1%	14.6%	10.5%	8.4%	8.5%
<b>Per share data (RON)</b>							
BRDS EPS	20.61	20.43	31.21	32.64	24.28	23.38	24.96
Book value	228.62	238.58	256.77	260.64	255.16	257.19	264.61
CFO	21.4	33.2	38.5	41.9	38.6	37.4	39.5
Dividend	10.5	13.0	28.8	29.8	21.4	17.5	17.5
<b>Income statement (RON m)</b>							
Transport revenues	917	939	1054	1092	1088	1149	1228
Transit revenues	200	243	254	245	265	243	246
Total Operating revenues	1133	1214	1338	1399	1375	1415	1498
EBITDA	366	492	573	602	508	500	526
Depreciation, depletion and amort.	(174)	(136)	(143)	(160)	(174)	(176)	(179)
EBIT	192	356	430	442	334	325	347
Net financial income/expense	2	18	8	20	7	3	2
EBT	194	374	439	462	340	328	350
Corporate tax	(48)	(134)	(71)	(77)	(54)	(52)	(56)
Reported net income	243	241	367	384	286	275	294
<b>Cash flow statement (RON m)</b>							
Net income	243	241	367	384	286	275	294
Depreciation, depletion and amort.	(174)	(136)	(143)	(160)	(174)	(176)	(179)
Change in working capital	52	8	47	41	(11)	11	7
Cash flow from operating activities	252	391	453	494	455	440	465
Cash flow from investing activities	(203)	(387)	(428)	(145)	(225)	(180)	(180)
Cash flow from financing activities	(98)	(109)	(25)	(280)	(328)	(295)	(226)
Total CF	(49)	(105)	1	69	(98)	(35)	60
<b>Balance sheet (RON m)</b>							
Total long-term assets	2719	2992	3297	3284	3359	3364	3365
of which tangible	747	726	732	702	677	796	909
Working capital	26	34	81	122	111	122	129
Long term liabilities	268	329	486	531	555	531	507
of which long term debt	99	42	79	72	96	72	48
Shareholders' equity	2692	2809	3023	3069	3004	3028	3115
Net debt	(130)	(96)	(80)	(152)	(24)	(32)	(111)
<b>Accounting ratios</b>							
ROIC	6.9%	12.5%	13.9%	14.1%	10.8%	10.5%	11.0%
ROE	9.0%	8.6%	12.2%	12.5%	9.5%	9.1%	9.4%
ROA	5.8%	10.2%	11.1%	11.1%	8.5%	8.3%	8.7%
Sales growth (%)	8.58%	7.15%	10.19%	4.54%	-1.65%	2.86%	5.86%
EBITDA margin	32.3%	40.5%	42.9%	43.0%	36.9%	35.4%	35.1%
EBIT margin	16.9%	29.4%	32.2%	31.6%	24.2%	22.9%	23.2%
Net income margin	21.4%	19.8%	27.5%	27.5%	20.8%	19.5%	19.6%
Current ratio	1.7	1.4	1.6	1.8	1.5	1.6	1.7
Net debt/equity	-5%	-3%	-3%	-5%	-1%	-1%	-4%
Payout ratio	51%	55%	91%	92%	85%	75%	70%

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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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