

Transport Trade Services (TTS)

HOLD

Flash Note – Q3 Results

Price Target: 4,01 RON (-6.4%)

Q3 results materially below expectations

- **The 9-month results for TTS showed a significant decline in activity due to the halt in grain transit operations on the Danube for Ukrainian exports and a slowdown in the metallurgical sector.** The company's operations are normalizing, with a trend toward returning to levels similar to those before the 2022-2023 period when the war began. The normalization process is much faster and broad-based than our initial expectations (based on H1 results), with significant decreases in transported volumes and prices.
- **The company's revenues decreased by 33.3% in the first 9 months, amounting to 581.9 million RON** compared to 872.9 million RON in the same period last year (consolidated data). In Q3 alone, revenues fell by 48.6% to 155.0 million RON, which is also 18% below our initial estimates.
- **Expenses declined at a slower pace compared to revenues, resulting in an EBITDA of only 19.5 million RON in Q3, 72.0% below our initial estimate.** The net result was also a surprise, with the company recording a loss of -7.9 million RON compared to our estimate of a 47.8 million RON profit. The loss was also driven by higher depreciation expenses (+14.4%), with the company unable to sufficiently reduce costs to offset the revenue decline. The net result for the first 9 months of the year was 29.4 million RON (consolidated), down by 88.2% compared to the same period last year (250.4 million RON).
- **For the full year, we expect a net profit of 21.5 million RON, a level even lower than in 2021, when the company recorded a profit of 66.4 million RON.** Nevertheless, we view 2024 as a normalization year as the company adjusts to a lower activity level, which will likely impact margins. In Q3, the EBITDA margin was only 12.6% (compared to 42.1% previously), while for the first 9 months it was 18.9% (compared to 38.4% previously).
- Considering the significantly weaker results, we have adjusted revenue estimates for the entire forecast period, lowering them by an average of 23.8%, due to lower transported goods volumes (-21.3%) and realized prices, which are, on average, 13% lower. Thus, the new EBITDA forecast is adjusted to a level comparable to 2021, averaging 43% lower than our initial estimate. **Consequently, the new target price from the DCF model is 4.01 RON/share, 6.4% below the market price and 42.3% lower than the previously estimated level.**

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Sector: Shipping

Shares information

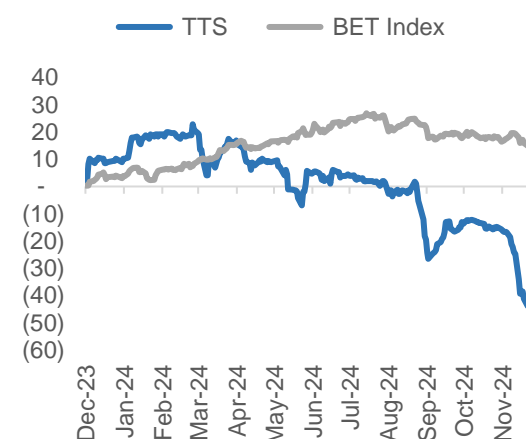
Min/max price, 52 weeks.	4,47 – 10,03
Dividend/share	1,14
Total Shares* (mln.)	180
Capitalization (mln. RON)	805,5
52 weeks liquidity (mln. RON)	383

Major Shareholders

	%
Institutional	46,05
Retail	28,64
Mihăilescu Alexandru Mircea	25,30

1-year performance vs BET

	%
TTS	-46,4
BET Index	+12,0



source: Bloomberg

9M Results Overview

The volume of goods transported in the first 9 months of the year decreased by 17.2% compared to the same period of the previous year, amounting to only 9.55 million tons, compared to 11.5 million tons previously (-1.98 million tons). Declines were recorded in the river transport segment (-1.02 million tons) and the maritime transport segment (-0.86 million tons), with both segments impacted by reduced volumes of agricultural products.

The volume of agricultural goods was most affected by the cessation of Ukrainian goods transport, but this was not the only reason. The decline in grain prices on the international markets, which in the first nine months of the year were 11% lower than prices at the end of the previous year, significantly contributed to the reduction in agricultural volumes.

Chemical product flows recorded an increase of 0.17 million tons, with positive developments in both port operations and river transport segments. This positive trend was driven by the integration of Deciom's activities into the TTS group.

The volumes of mineral products decreased by 0.49 million tons in the river transport segment and by 0.42 million tons in the maritime transport segment. This category of products was directly affected by the slowdown in the metallurgical industry, which in turn was influenced by high energy prices and the significant costs associated with decarbonization.

Volumes (mil. tons)	9M 2023	9M 2024	var
River Transport	5,14	4,12	-19,8%
Agricultural products	2,21	1,5	-32,1%
Chemical products	0,39	0,42	7,7%
Minerals	2,32	1,83	-21,1%
Others	0,22	0,37	68,2%
Port Operations	6,38	5,42	-15,0%
Agricultural products	3,79	3,1	-18,2%
Chemical products	0,92	1,06	15,2%
Minerals	1,68	1,26	-25,0%
Total	11,52	9,54	-17,2%

source: TTS, own estimates

(thousand lei, consolidated)	9M 2023	9M 2024	var	Q3 2023	Q3 2024	var
Revenue	872.916	581.915	-33,3%	301.388	155.049	-48,6%
COGS	(111.071)	(90.457)	-18,6%	(33.382)	(25.786)	-22,8%
Gross Profit	761.846	491.458	-35,5%	268.006	129.263	-51,8%
Salary expenses	(146.607)	(161.391)	10,1%	(57.294)	(50.928)	-11,1%
General & administrative expenses	(279.714)	(220.042)	-21,3%	(83.699)	(58.778)	-29,8%
EBITDA	335.525	110.025	-67,2%	127.012	19.557	-84,6%
Depreciation and amortization	(60.850)	(77.457)	27,3%	(21.850)	(24.994)	14,4%
Other income / (expenses)	19.936	7.803	-60,9%	8.397	(519)	-
EBIT	294.611	40.371	-86,3%	113.560	(5.957)	-
Financial income / (expenses), net	912	122	-86,6%	(365)	(367)	0,5%
Other financial income / (expenses), net	1.657	(95)	-105,7%	727	96	-86,8%
Gross Profit	297.180	40.398	-86,4%	113.921	(6.229)	-
Income tax	(46.715)	(10.942)	-76,6%	(18.373)	(1.723)	-90,6%
Net Profit	250.465	29.456	-88,2%	95.548	(7.951)	-
Other adjustments	(112)	(209)	87,4%	(264)	(9)	-96,7%
Net Result before minority interests	250.353	29.247	-88,3%	95.284	(7.960)	-
Minority interests	18.068	3.468	-80,8%	7.385	115	-98,4%
Net Result	232.285	25.779	-88,9%	87.898	(8.075)	-

source: TTS, own estimates

DCF Valuation

Going forward, we expect a decrease in volumes transported by TTS in 2024, followed by a modest increase of approximately 2% in subsequent years, in line with the long-term CAGR of goods transported by river and sea. Other assumptions in our model include:

- Weighted Average Cost of Capital (WACC) of 14.2%, calculated using a cost of equity of 15.1% and a cost of debt of 5.4%;
- Market Risk Premium of 8.2%, representing the historical total return of the BET index over the 10-year government bond yields;
- Levered Beta of 0.95, estimated through linear regression against the BET index;
- Terminal Value estimated using the Gordon Growth model, with a terminal growth rate of 4.0%.

	Reported 2021	Reported 2022	Reported 2023	Estimate 2024	Estimate 2025	Estimate 2026	Estimate 2027	Estimate 2028	TV
Revenue	598.812	934.410	1.161.114	735.134	788.093	835.047	851.279	867.875	
% Growth	15,1%	56,0%	24,3%	-15,5%	7,2%	6,0%	1,9%	1,9%	
EBITDA	125.957	277.537	423.902	121.297	166.890	183.553	193.162	203.075	
EBITDA Margin	21,0%	29,7%	36,5%	16,5%	21,2%	22,0%	22,7%	23,4%	
EBIT	79.903	210.396	351.521	27.568	74.063	87.995	95.273	100.111	
EBIT Margin	13,3%	22,5%	30,3%	3,8%	9,4%	10,5%	11,2%	11,5%	
EBIT*(1- Tax Rate)	69.241	163.022	245.100	26.535	67.103	78.722	84.610	88.563	88.563
Depreciation & Amortization (D&A)	61.587	72.941	86.087	101.080	100.708	103.908	106.402	111.643	111.643
Working Capital Changes (WCC)	-2.026	-43.033	36.944	-7.351	-7.881	-8.350	-8.513	-8.679	-8.679
Capital Expenditures (CAPEX)	-97.243	-120.823	-249.526	-117.621	-94.571	-91.855	-93.641	-78.109	-78.109
Free Cash Flow to Firm (FCFF)	31.559	72.106	118.604	2.642	65.359	82.425	88.859	113.418	113.418
Discount Factor				0,88	0,77	0,67	0,59	0,51	0,51
Net Present Value of FCFF				2.313	50.113	55.338	52.238	58.384	595.106

Present Value of FCFF	218.386
PV Terminal Value	595.106
Terminal Growth Rate	4%
Enterprise Value (Firm Value)	813.492
Net Debt	-43.730
Minority Interests	134.779
Equity Value (Shareholders' Equity)	722.443
Number of Shares	180.000
Price per Share	4,01
Market Price	4,29
Upside/Downside	-6,4%

source: TTS, own estimates

Financial Statements

(thousand lei, consolidated)	Reported 2021	Reported 2022	Reported 2023	Estimate 2024	Estimate 2025	Estimate 2026	Estimate 2027	Estimate 2028
Revenue	598.812	934.410	1.161.114	735.134	788.093	835.047	851.279	867.875
COGS	-123.761	-156.358	-144.403	-113.946	-110.333	-116.907	-110.666	-104.145
Gross Profit	475.051	778.052	1.016.711	621.188	677.760	718.140	740.612	763.730
Salary expenses	-98.490	-124.214	-214.459	-220.540	-227.156	-233.971	-240.990	-248.220
General & administrative expenses	-250.604	-376.301	-378.351	-279.351	-283.713	-300.617	-306.460	-312.435
EBITDA	125.957	277.537	423.902	121.297	166.890	183.553	193.162	203.075
Depreciation and amortization	-61.587	-72.941	-86.087	-101.080	-100.708	-103.908	-106.402	-111.643
Other income / (expenses)	15.533	5.800	13.706	7.351	7.881	8.350	8.513	8.679
EBIT	79.903	210.396	351.521	27.568	74.063	87.995	95.273	100.111
Financial income / (expenses), net	-1.916	-2.820	435	-1.103	-1.182	-1.253	-1.277	-1.302
Other financial income / (expenses), net	895	1.026	1.575	424	454	481	491	500
Gross Profit	78.881	208.602	353.530	26.889	73.335	87.224	94.487	99.309
Income tax	-12.476	-29.748	-48.058	-12.284	-11.734	-13.956	-15.118	-15.890
Net Profit	66.405	178.854	305.472	14.605	61.601	73.268	79.369	83.420
Other adjustments	132	-711	-857	0	0	0	0	0
Net Result before minority interests	66.537	178.143	304.615	14.605	61.601	73.268	79.369	83.420
Minority interests	6.152	14.793	21.930	1.168	4.928	5.861	6.350	6.674
Net Result	60.385	163.350	282.685	13.437	56.673	67.406	73.019	76.746

(thousand lei, consolidated)	Reported 2021	Reported 2022	Reported 2023	Estimate 2024	Estimate 2025	Estimate 2026	Estimate 2027	Estimate 2028
Tangible Assets	631.864	665.999	922.353	878.956	891.223	936.109	976.161	1.043.391
Intangible Assets	5.516	5.222	33.634	32.265	32.715	34.363	36.585	39.104
Other Fixed Assets	11.296	9.403	13.780	13.249	13.434	14.110	15.023	16.057
Total Fixed Assets	648.676	680.624	969.766	924.470	937.372	984.583	1.027.768	1.098.553
Inventories	30.982	39.739	34.665	29.208	29.615	31.107	33.118	35.399
Receivables	47.763	95.941	65.557	89.852	91.106	95.694	101.881	108.898
Other Current Assets	10.652	42.669	39.788	30.047	30.466	32.000	34.069	36.416
Cash and Cash Equivalents	58.901	146.033	229.626	156.282	158.463	166.444	197.678	211.293
Total Current Assets	148.298	324.382	369.636	305.388	309.650	325.245	366.747	392.006
Total Assets	796.974	1.005.006	1.339.402	1.229.858	1.247.022	1.309.828	1.394.515	1.490.559
Retained Earnings	284.562	353.087	595.038	515.612	548.777	588.223	630.954	675.865
Other Reserves	271.621	348.696	359.499	345.438	324.290	328.816	345.377	367.707
Shareholders' Equity	556.183	701.783	954.537	861.050	873.067	917.039	976.330	1.043.572
Minority Interests	106.345	116.617	132.420	147.030	149.082	156.591	166.715	178.197
Total Equity	662.529	818.399	1.086.958	1.008.080	1.022.149	1.073.630	1.143.045	1.221.769
Long-Term Financial Liabilities	26.816	41.143	75.799	63.358	64.243	67.478	71.841	76.789
Other Long-Term Liabilities	9.778	24.602	41.361	36.309	36.816	38.670	41.171	44.006
Trade and Other Payables	29.901	53.422	46.115	40.869	41.440	43.527	46.341	49.533
Short-Term Financial Liabilities	41.310	26.887	36.450	36.205	36.710	38.559	41.052	43.879
Other Short-Term Liabilities	26.641	40.552	52.719	45.036	45.665	47.964	51.066	54.583
Total Liabilities	134.445	186.607	252.444	221.778	224.873	236.199	251.470	268.789

source: TTS, own estimates

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Company	Symbol	Explanatory note No.
Transport Trade Services	TTS	10, 11

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