

Nuclearelectrica (SNN)

HOLD

Company Update

Target Price: 44.4 lei (+14.5%)

Key Points

- **Nuclearelectrica recorded a decline of -5.4% since the beginning of the year and -18.9% over the past 12 months**, underperforming the BET index in a rather unfavorable market context. Increased volatility in external markets, driven by the trade war initiated by the U.S., along with local factors—such as political events leading to a rise in government bond yields (10-year at 8.5%) and a depreciation of the leu (-3.4%)—have negatively impacted the stock price.
- **The company reported final results for 2024, showing a 36.2% decrease in total revenues, down to RON 4.86 billion**, slightly above our estimate of RON 4.58 billion. The drop was mainly due to a 35.9% lower average price obtained by the company compared to the previous year (RON 455.2/MWh vs RON 709.8/MWh), as well as a decrease in the amount of electricity produced (10.25 TWh vs 10.5 TWh), due to a lower utilization factor for Unit 1 (80.3% vs 90.3% average).
- **However, electricity prices in 2024 were higher than we had estimated, mainly due to a lower overall electricity generation in the country from renewable sources—down 6.3% (8.9 vs 9.5 TWh)—and from hydro sources, down 22.0% (14.2 vs 18.2 TWh).** In some months, according to our calculations, the average price obtained on the market (PZU, PI, PCBB) reached as high as RON 711.9/MWh, compared to the annual average of RON 521/MWh.
- **The company has significantly revised its revenue forecast for the next 3 years, now anticipating revenues to be on average nearly 30% higher for 2025–2026**, as well as for 2027, when Unit 1 was originally scheduled to shut down for refurbishment. SNN now estimates that the shutdown of Unit 1 will begin only in Q4 2027.
- **SNN has budgeted investment expenditures of approximately RON 13.8 billion for the next 3 years in its investment plan**, covering all ongoing projects, with the largest share allocated to the refurbishment of Unit 1.
- **As a result, we have updated our DCF-based target price to RON 35.9/share (-7.4% downside)**, taking into account the significantly higher investment expenditures, which offset the upward revision in revenue forecasts. The target price, weighted with the relative valuation (RON 64.2/share, +65.7% upside), results in a final target price of RON 44.4/share (+14.5% upside).

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Sector: Utilities

Shares information

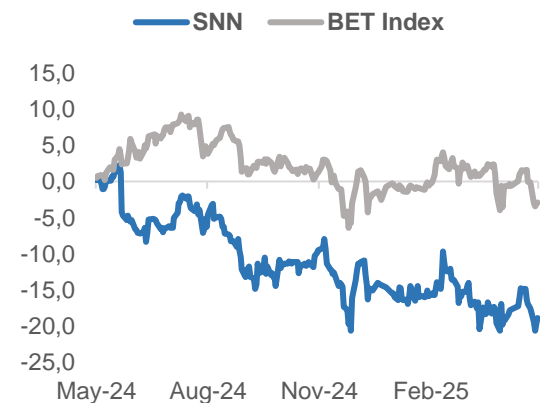
Min/max price, 52 weeks.	36.95 – 49.75
Dividend/share	2.7
Total Shares (m)	301.6
Capitalization (RON m.)	11.764
52 weeks liquidity (RON m.)	323

Major Shareholders

	%
Institutional	12.87
Retail	4.63
Min. of Energy	82.49

1 year performance vs BET

	%
SNN	-18.9
BET Index	-2.9



source: Bloomberg

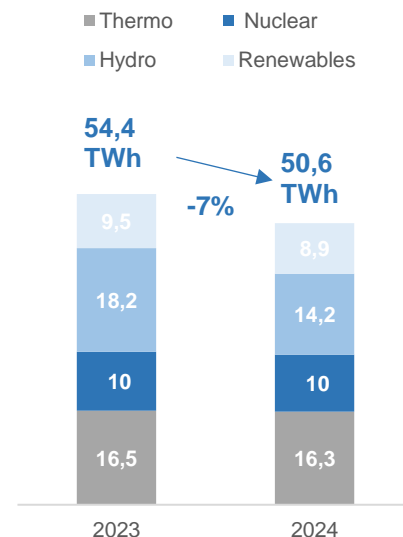
Outlook and estimates

SNN published, along with its final results for 2024, the new revenue budget forecast for the 2025–2027 period. The company estimates total revenues of RON 5.7 billion for 2025 (including financial income), up 29.3% compared to the previous budget. Of this amount, revenues from electricity sales are estimated at RON 5.38 billion, based on a scheduled production of 10.349 TWh, which is 1.4% below our previous estimate.

However, the weighted average selling price is estimated at RON 520.4/MWh, 26% above our earlier estimate. The forecast is based on electricity sales already contracted last year for delivery in 2025, which represent around 78.5% of the delivery volume. For the remaining 21.5%, the company used its own price forecasts for 2025.

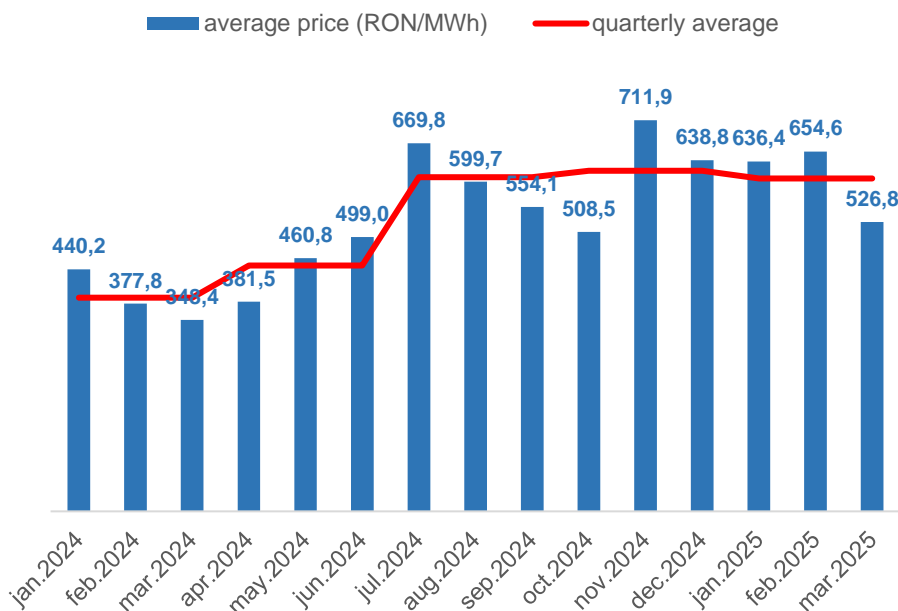
According to our calculations, the weighted average price on the PZU, PI, and PCBB markets in the first quarter was RON 605.9/MWh, 55.8% higher than in the same period of the previous year. Electricity prices remained high in the first part of the year, driven by higher consumption compared to domestic production, only beginning to decline in April, down to RON 430.2/MWh (our estimates). For 2025, we expect electricity prices to remain elevated and have revised our forecast for SNN’s average realized price to RON 530/MWh, also considering the fact that the MACEE mechanism has not been extended.

Domestically produced electricity declined by 7% (TWh)



source: TEL, own estimates

Electricity prices increased in the second half of the year



source: OPCOM, own estimates, PZU, PI, PCCB Flex contracts

By the end of the forecast period, we expect electricity prices to continue to decline, down to approximately RON 400/MWh, in line with estimates for energy prices on external markets, with prices in Germany expected to decrease from EUR 93/MWh this year to EUR 68/MWh in 2028 and EUR 65.3/MWh in 2030 (Bloomberg). We also expect the shutdown of Unit 1 to begin only in Q4 2027, in line with the company's estimates, and for it to be restarted in 2030, although the timing of the restart remains uncertain.

Revenue Forecasts:

(ths RON, consolidated)	2025	2026	2027	2028	2029	2030
New forecast	5.568.497	5.269.585	4.372.408	2.362.245	2.225.971	4.179.396
Previous	4.376.161	4.322.308	2.201.649	2.179.632	2.136.039	4.186.637
chg	27,2%	21,9%	98,6%	8,4%	4,2%	-0,2%

source: SNN, own estimates

Regarding the investment plan, SNN has estimated investment expenditures of RON 13.8 billion over the next 3 years, with RON 3.9 billion in 2025, RON 4.6 billion in 2026, and RON 5.2 billion in 2027, the largest share of which is related to the refurbishment of Unit 1, aimed at extending its operational life by 30 years. Accordingly, we have revised our CAPEX estimates upward, considering only a portion of these expenditures with a high implementation probability, while excluding loans to project companies. We expect a CAPEX of RON 1.85 billion this year, gradually increasing to RON 2.6 billion by 2027.

Compared to the company's own estimates, investment-related expenditures—specifically those tied to the refurbishment of Unit 1—have undergone numerous revisions, being re-estimated upward by approximately RON 500 million per year. We believe the value of these expenditures during the 2027–2030 period presents a high degree of uncertainty, with a risk of being significantly higher (in 2027, the company estimates costs related to the refurbishment of U1 at RON 3.6 billion).

As for funding sources, in addition to internal funds and retained earnings, the company plans to secure external loans amounting to approximately RON 6.9 billion, of which RON 2.4 billion in 2025.

2025 Investments	Amount (ths. RON)	%
Refurbishment of Unit 1	2.013.475	58,7%
D ₂ O Detritiation Facility	402.777	11,7%
RoPower Loan	312.836	9,1%
Energonuclear Loan	275.000	8,0%
Unit 2	124.200	3,6%
U5 Development	54.409	1,6%
FPCU Capital Contribution	36.100	1,1%
Spent fuel storage facility (DICA)	11.192	0,3%
Other	201.303	5,9%
TOTAL	3.431.292	100,0%

source: SNN, own estimates

2024 Results

(consolidated, RON '000)	2023	2024	%
Total Revenue	7.618.434	4.862.301	-36,2%
Energy and Fuel Expenses	-314.381	-540.453	71,9%
Operating Result	7.304.053	4.321.848	-40,8%
Salary Expenses	-796.253	-834.383	4,8%
Other Expenses	-787.862	-806.589	2,4%
Transition Fund Expenses	-2.623.619	-288.738	-89,0%
EBITDA	3.096.318	2.392.138	-22,7%
Depreciation and Amortization	-631.950	-677.280	7,2%
EBIT	2.464.368	1.714.858	-30,4%
Financial Expenses	-34.849	-50.891	46,0%
Financial Income	413.193	318.907	-22,8%
Gross Profit	2.842.712	1.982.874	-30,2%
Income Tax	-356.498	-288.675	-19,0%
Other Adjustments	269	-5.605	
Net Profit	2.486.483	1.688.594	-32,1%
Other Comprehensive Income	-3.717	864	
Net Result	2.482.767	1.689.458	-32,0%

source: SNN, own estimates

(consolidated, RON '000)	2024	2024e	%
Total Revenue	4.862.301	4.582.594	-5,8%
Energy and Fuel Expenses	-540.453	-504.085	-6,7%
Operating Result	4.321.848	4.078.509	-5,6%
Salary Expenses	-834.383	-812.178	-2,7%
Other Expenses	-806.589	-824.867	2,3%
Transition Fund Expenses	-288.738	-118.852	-58,8%
EBITDA	2.392.138	2.322.612	-2,9%
Depreciation and Amortization	-677.280	-670.271	-1,0%
EBIT	1.714.858	1.652.341	-3,6%
Financial Expenses	-50.891	-45.826	-10,0%
Financial Income	318.907	216.158	-32,2%
Gross Profit	1.982.874	1.822.673	-8,1%
Income Tax	-288.675	-291.628	1,0%
Other Adjustments	-5.605	9.165	
Net Profit	1.688.594	1.540.210	-8,8%
Other Comprehensive Income	864	-2.236	
Net Result	1.689.458	1.537.975	-9,0%

source: SNN, own estimates

Sales of electricity (RON '000)	2023	2024	%
Regulated Market / MACEE	2.222.510	2.289.155	3,0%
Competitive Market	5.211.277	2.299.748	-55,9%
Balancing Market	21.532	77.248	258,8%
TOTAL	7.455.319	4.666.152	-37,4%

Quantities (MWh)	2023	2024	%
Regulated Market / MACEE	4.938.911	5.110.338	3,5%
Competitive Market	5.520.334	5.077.180	-8,0%
Balancing Market	43.892	64.383	46,7%
TOTAL MWh	10.503.137	10.251.901	-2,4%

Prices (lei/MWh)	2023	2024	%
Regulated Market / MACEE	450,0	448,0	-0,5%
Competitive Market	944,0	452,3	-52,1%
Balancing Market	490,6	1.199,8	144,6%
Average Price (lei/MWh)	709,8	455,2	-35,9%

source: SNN, own estimates

DCF Valuation

We estimate SNN's value at RON 44.4/share, calculated as a weighted average between the DCF valuation (70% weight) and the multiples-based valuation (30% weight).

The DCF model indicates a price of RON 35.9/share, below the market price (-7.4%). In the valuation, we assumed the shutdown of Unit 1 during 2028–2029, followed by its restart in 2030. Other assumptions used in the valuation:

- weighted average cost of capital (WACC) of 11.9% used throughout the forecast period, with a cost of equity of 14.06% and a cost of debt of 7.7%; we adjusted the D/E estimate to 37.5% from the previous 25%, which led to a lower WACC;
- market risk premium of 7.3%, estimated using the long-term return of the BET index and the 10-year Romanian government bond yield of 8.0%;
- levered beta of 0.8, estimated through a simple regression against the BET index, using the company's full trading history;
- terminal value estimated using the Gordon Growth model, applying a 3% growth rate and the weighted average cost of capital.

(RON '000)	Reported	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
DCF Model	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Total Revenues	4.862.301	5.568.497	5.269.585	4.372.408	2.362.245	2.225.971	4.179.396
% growth	-36,2%	14,5%	-5,4%	-17,0%	-46,0%	-5,8%	87,8%
EBITDA	2.392.138	2.784.405	2.953.006	2.280.191	794.539	676.461	2.083.491
EBITDA margin	49,2%	50,0%	56,0%	52,1%	33,6%	30,4%	49,9%
EBIT	1.714.858	2.074.911	2.221.456	1.512.295	45.971	-52.260	1.347.760
EBIT margin	35,3%	37,3%	42,2%	34,6%	1,9%	-2,3%	32,2%
Tax Rate	-14,6%	-16,0%	-16,0%	-16,0%	-16,0%	-16,0%	-16,0%
EBIT*(1- Tax Rate)	1.465.202	1.742.926	1.866.023	1.270.328	38.616	(43.898)	1.132.118
D&A	677.280	709.493	731.550	767.896	748.568	728.721	735.731
WCC	52.498	-194.897	-184.435	-153.034	-82.679	-77.909	-146.279
CAPEX	-616.457	-1.858.787	-1.992.668	-2.593.459	-472.449	-445.194	-835.879
FCFF	1.578.523	398.735	420.470	-708.269	232.056	161.719	885.691
discount factor		0,89	0,80	0,71	0,64	0,57	0,51
NPV FCFF		356.057	335.279	-504.319	147.549	91.821	449.052
PV FCFF	875.438						
PV Terminal Value	6.118.588						
Terminal Growth Rate	3,0%						
Firm Value	6.994.026						
Net Debt	-3.825.748						
Equity Value	10.819.774						
No. Shares	301.644						
Price/share	35,87						
Market Price	39,8						
Upside/Downside	-9,88%						

source: SNN, own estimates

Multiples Valuation

We value SNN at RON 64.2/share (+61.3% upside), based on the average of P/E, P/B, and P/S multiple valuations. SNN is currently trading at a forward P/E of 6.9x, below the industry peer group average of 13.0x. On the P/B multiple, SNN also appears undervalued (0.89x vs 2.2x industry); however, part of the difference stems from a higher ROE in the industry (14.2% vs 7.6%). As such, an adjusted target P/B would be around 1.18x, which is still above SNN's current trading level.

	2025e	+/-
Target Price @ P/E	74,99	88,4%
Target Price @ P/B	52,46	31,8%
Target Price @ P/S	65,15	63,7%
Avg. Target Price	64,20	
Upside/Downside	65,7%	

source: BBG, own estimates

	2025e	SNN	Peers
PE		6,90	13,00
EV/EBITDA		2,94	8,26
PB		0,89	2,20
PB ROE adj.		1,18	1,18
ROE		7,6%	14,2%
PS		2,16	1,89
PS adj.		3,53	3,53
NPM		17,0%	9,1%

source: BBG, own estimates

Financial statements and estimates

	Reported	Reported	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
(RON '000)	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Total Revenues	7.618.434	4.862.301	5.568.497	5.269.585	4.372.408	2.362.245	2.225.971	4.179.396
Energy, fuel costs	-314.381	-540.453	-612.535	-579.654	-480.965	-259.847	-244.857	-459.734
Operating Result	7.304.053	4.321.848	4.955.963	4.689.930	3.891.443	2.102.398	1.981.115	3.719.662
Payroll costs	-796.253	-834.383	-867.758	-893.791	-911.667	-929.900	-948.498	-967.468
Other costs	-787.862	-806.589	-835.275	-843.134	-699.585	-377.959	-356.155	-668.703
Windfall tax	-2.623.619	-288.738	-468.525					
EBITDA	3.096.318	2.392.138	2.784.405	2.953.006	2.280.191	794.539	676.461	2.083.491
Depreciation	-631.950	-677.280	-709.493	-731.550	-767.896	-748.568	-728.721	-735.731
EBIT	2.464.368	1.714.858	2.074.911	2.221.456	1.512.295	45.971	-52.260	1.347.760
Financial expenses	-34.849	-50.891	-222.740	-227.195	-231.739	-236.373	-241.101	-245.923
Financial income	413.193	318.907	226.651	163.398	88.080	88.080	88.080	63.706
Profit before Tax	2.842.712	1.982.874	2.078.823	2.157.659	1.368.636	-102.323	-205.281	1.165.543
Income Tax	-356.498	-288.675	-332.612	-345.225	-218.982	16.372	32.845	-186.487
Other costs	269	-5.605	-2.784	-2.635	-2.186	-1.181	-1.113	-2.090
Net Profit	2.486.483	1.688.594	1.743.427	1.809.799	1.147.468	-87.132	-173.549	976.967
Other OCI	-3.717	864	-2.717	-2.571	-2.133	-1.152	-1.086	-2.039
Profit for the period	2.482.767	1.689.458	1.740.710	1.807.228	1.145.335	-88.285	-174.635	974.928

	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
GPM	95,9%	88,9%	89,0%	89,0%	89,0%	89,0%	89,0%	89,0%
EBITDA M	40,6%	49,2%	50,0%	56,0%	52,1%	33,6%	30,4%	49,9%
EBIT M	32,3%	35,3%	37,3%	42,2%	34,6%	1,9%	-2,3%	32,2%
NPM	32,6%	34,7%	31,3%	34,3%	26,2%	-3,7%	-7,8%	23,3%
ROE	22,3%	14,1%	13,0%	13,0%	7,8%	-0,6%	-1,2%	6,6%
ROA	19,9%	12,4%	9,9%	9,6%	5,3%	-0,4%	-0,7%	4,1%
SPS	24,7	16,1	18,5	17,5	14,5	7,8	7,4	13,9
EPS	8,2	5,6	5,8	6,0	3,8	(0,3)	(0,6)	3,2
BVS	38,9	40,8	44,5	47,5	49,4	49,1	48,5	50,1
DPS	3,7	2,7	2,1	3,0	1,9	-	-	1,6

source: SNN, own estimates

	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Electricity Sales (RON '000)	7.455.319	4.666.152	5.484.970	5.190.541	4.306.822	2.326.811	2.192.582	4.116.705
Regulated Market / MACEE	2.222.510	2.289.155	0	0	0	0	0	0
Competitive Market	5.211.277	2.299.748	5.457.545	5.164.588	4.285.288	2.315.177	2.181.619	4.096.121
Balancing Market	21.532	77.248	27.425	25.953	21.534	11.634	10.963	20.584
Quantities (MWh)		31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Regulated Market / MACEE	4.938.911	5.110.338	0	0	0	0	0	0
Competitive Market	5.520.334	5.077.180	10.297.255	10.248.500	8.967.438	5.124.250	5.124.250	10.248.500
Balancing Market	43.892	64.383	51.745	51.500	45.063	25.750	25.750	51.500
Electricity Prices (RON/MWh)		31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Regulated Market / MACEE	450	448,0	400,0	-				
Competitive Market	944,01	452,3	530,0	503,9	477,9	451,8	425,7	399,7

source: SNN, own estimates

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Alex Dodoi

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Company	Symbol	Explanatory note No.
Nuclearelectrica	SNN	5, 7, 11

Explanatory notes:

1. BRK Financial Group SA holds a net long or short position above the threshold of 5% of the issuer's total share capital.

2. BRK Financial Group SA acts as a market maker or liquidity provider for the issuer's financial instruments.

3. The issuer is a significant shareholder of BRK Financial Group SA (holds more than 10% of the share capital).

4. The issuer is a shareholder of BRK Financial Group SA (holds a stake of more than 5% of its total issued share capital).

5. The issuer is currently or has been in the last 12 months a client of BRK Financial Group SA for the provision of financial investment services.

6. For the last 12 months, BRK Financial Group SA has been the coordinator / associate coordinator of any public offering of financial instruments of the issuer.

7. In the last 12 months, BRK Financial Group SA has been remunerated for financial investment services provided to the issuer.

8. A director, executive director or agent of BRK Financial Group SA is an administrator, executive director, consultant or member of the Board of Directors of this issuer.

9. BRK Financial Group is a significant shareholder of the issuer (holds at least 10% of the share capital).

10. The authors of the investment research do not hold shares in the issuer.

11. BRK Financial Group is a market maker