

C.N.T.E.E. Transelectrica (TEL)

Hold

Interim Update

Price Target: 48.3 RON (+8.1%)

Key Points

- **Transelectrica recorded a 14.6% increase in transmission service revenues in Q1 2025, reaching RON 576 million compared to RON 502.6 million in the same period last year.** This growth was supported by a 2.6% rise in billed electricity volumes to 13.57 TWh, as well as an increase in the regulated transmission tariff approved by ANRE.
- Higher electricity consumption driven by lower February temperatures, coupled with reduced hydroelectric generation due to low water availability, led to increased electricity imports and, consequently, higher short-term power prices.
- **The discontinuation of the MACEE mechanism at the beginning of the year also had a negative impact on price dynamics.** Transelectrica reported an average purchase price of RON 612/MWh, up 40% from RON 436/MWh a year earlier. The average price on forward contracts rose by 8.0% to RON 486/MWh. Spot market prices (PZU and intraday) surged by 75% to RON 741/MWh (vs. RON 424/MWh), while prices on the balancing market climbed to RON 993/MWh, marking a 233% increase.
- **The unexpectedly high price levels prompted an upward revision to our electricity price forecasts**, both for the current year and the medium term. We now expect average wholesale prices (forward and spot) to be approximately 12% higher year-over-year, reaching around RON 553/MWh, before gradually declining to RON 400/MWh over the coming years.
- As a result, we have revised our revenue estimate **from transmission services for 2025 to RON 2.25 billion**, up from the previous forecast of RON 1.99 billion (+13.3%). We now project EBITDA at approximately RON 1.09 billion (+5.2%), while maintaining our assumption for transmitted electricity volumes at 51 TWh.
- The company's **CAPEX plan for the next five years amounts to RON 2.9 billion**, of which RON 1.5 billion is expected to be financed from internal resources. For the next two years, capital expenditures are estimated at RON 160–180 million annually, with a significant ramp-up in the latter part of the forecast period, reaching up to RON 468 million.
- We have revised upward our **DCF-based target price to RON 48.3 per share**, implying an **8.1% upside** from the current market price. The forecast assumes a macroeconomic environment in line with expectations at the start of the year and does not factor in potential disruptions from political developments or escalating trade conflicts.

Alex Dodoi, CFA
Head of Research

alex.dodoi@brk.ro

Sector: Utilities

Shares information

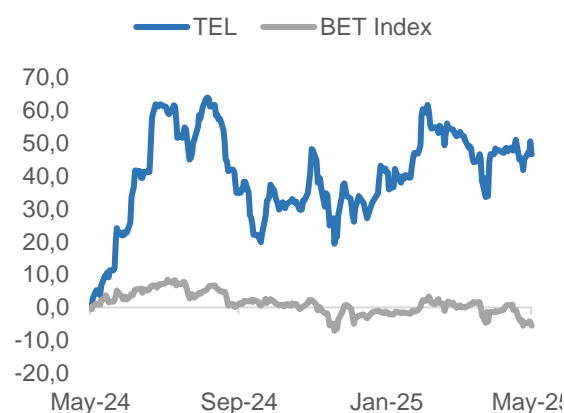
Min/max price, 52 weeks.	28,2 – 49,65
Dividend/share	2,12
Total Shares (mln.)	73.303
Capitalization (mln. RON)	3.273
52 weeks liquidity (mln. RON)	133

Major Shareholders

	%
Romanian Gov.	58,68
Institutional	34,5
Retail	6,8

1-year performance vs BET

	%
TEL	46.7
vs. BET Index	-5.6



source: Bloomberg

Q1 2025 Results Overview

Interim results for the first part of the year indicate a 10% year-over-year increase in revenues from regulated profit activities, reaching RON 587 million. Transmission service revenues rose by 14.6% to RON 576 million, driven by a 2.6% increase in billed electricity volumes to 13.57 TWh, as well as a higher transmission tariff approved by ANRE. Revenues from interconnection capacity allocation grew significantly, up 53.3% to RON 69 million, compared to RON 45 million in the same period last year. This was mainly due to higher electricity prices on European energy exchanges.

Costs related to covering technical losses (CPT) increased by 11%, reaching RON 158 million, up from RON 143 million a year earlier. This was largely influenced by the MACEE mechanism's expiration, which enabled Transelectrica to source approximately 75% of its estimated CPT needs last year. In Q1 2025, the company secured around 50% of the required energy through bilateral contracts, at an average RON 485.6/MWh price.

EBIT from regulated profit activities increased by 47.4% to RON 203.4 million, with gross profit showing a similar trend. **Transelectrica reported a Q1 net profit of RON 204.2 million**, compared to RON 137.8 million in the same period last year, pushing trailing twelve-month (TTM) net profit to RON 616 million, above our full-year estimate of RON 537 million.

While **competitive market prices have started to decline** — the average weighted price on the day-ahead market (PZU) in April was RON 460.7/MWh (Opcom data) — **the outlook for the second half of the year remains highly uncertain**, subject to weather conditions and external market price dynamics. For the full year, we forecast an **average wholesale market price of RON 553.4/MWh**, although we emphasize the elevated level of uncertainty surrounding electricity price developments.

(RON ths, consolidated)	31-Mar-24	31-Mar-25	%
Total Revenue	1.983.221	1.412.007	-28,8%
Transport Services	502.600	576.059	14,6%
System Services	126.799	157.960	24,6%
Balancing Market	1.332.368	666.595	-50,0%
Other income	21.454	11.392	-46,9%
Total Operating Expenses	-1.845.232	-1.208.566	-34,5%
System Operation	-168.749	-189.094	12,1%
Balancing Market	-1.332.347	-666.721	-50,0%
Technological System Services	-105.371	-100.296	-4,8%
Depreciation	-71.108	-73.669	3,6%
Personnel Expenses	-111.834	-125.756	12,4%
Repairs and Maintenance	-9.875	-10.757	8,9%
Materials Expenses	-4.685	-4.869	3,9%
Other Operating Expenses	-41.263	-37.405	-9,3%
Operating Profit	137.989	203.441	47,4%
Financial Revenue	2.293	3.092	34,8%
Financial Expenses	-2.522	-2.282	-9,5%
Net Financial Result	-229	810	
Profit Before Tax	137.760	204.251	48,3%
Income Tax	-25.299	-32.742	29,4%
Net Profit	112.461	171.509	52,5%

source: TEL, own estimates

DCF Valuation

We value the company at 48.3 RON per share based on the DCF method (+8.1% upside). Major assumptions in our model include:

- Weighted Average Cost of Capital (WACC) of 13.8%, calculated using a cost of equity of 13.9% and a cost of debt of 7.0%;
- Levered Beta of 0.81, estimated through linear regression against the BET index;
- Market Risk Premium of 8.2%, representing the historical total return of the BET index over the 10-year government bond yield of 8.0%;
- Terminal Value estimated using the Gordon Growth model, with a terminal growth rate of 3.0%, aligned with the long-term inflation rate.

(RON mln, consolidated)	Raportat 31-Dec-23	Raportat 31-Dec-24	Estimat 31-Dec-25	Estimat 31-Dec-26	Estimat 31-Dec-27	Estimat 31-Dec-28	Estimat 31-Dec-29
Total Revenues	4.711	7.802	5.976	5.666	5.393	5.326	5.394
% chg	-21,1%	65,6%	-14,8%	-5,2%	-4,8%	-1,2%	1,3%
Revenues (for profit segment)	2.051	2.203	2.203	2.438	2.493	2.512	2.589
% chg	4,8%	7,4%	9,4%	9,4%	9,4%	9,4%	9,4%
EBITDA	778	1.018	1.099	1.176	1.197	1.240	1.297
EBITDA M	16,5%	13,1%	18,4%	20,8%	22,2%	23,3%	24,0%
EBIT	295	548	632	699	708	741	792
EBIT M	6,3%	7,0%	10,6%	12,3%	13,1%	13,9%	14,7%
Tax Rate	10,2%	0,1%	16,0%	16,0%	16,0%	16,0%	16,0%
EBIT*(1- Tax Rate)	265	547	531	587	594	622	666
D&A	272	297	289	292	299	303	303
WCC	66	-8	-54	-52	-49	-48	-49
CAPEX	-439	-687	-598	-567	-539	-533	-539
FCFF	165	149	167	261	305	344	380
discount factor			0,88	0,77	0,68	0,60	0,52
NPV FCFF			147	202	207	205	199
PV FCFF	959						
PV Terminal Value	1.925						
Terminal growth	3,0%						
Firm Value	2.884						
Net Debt	-658						
Equity Value	3.542						
No. shares	73						
Price/share	48,32						
Market Price	44,70						
Upside/Downside	8,10%						

source: TEL, own estimates

Financial Statements

(RON mln, consolidated)	Reported 2022	Reported 2023	Reported 2024	Estimated 2025ttm	Estimated 2025e	Estimated 2026e	Estimated 2027e	Estimated 2028e	Estimated 2029e
Total Revenue	5.969	4.711	7.802	7.231	5.976	5.666	5.393	5.326	5.394
Transport Services	1.885	1.956	2.024	2.098	2.259	2.267	2.297	2.376	2.489
System Services	534	391	633	664	529	547	561	568	571
Balancing Market	3.479	2.269	4.966	4.300	3.008	2.626	2.320	2.170	2.119
Other Revenue	71	95	178	168	179	227	216	213	216
System Operation Expenses	-902	-640	-716	-736	-711	-636	-576	-547	-537
Balancing Market Expenses	-3.480	-2.269	-4.966	-4.300	-3.008	-2.626	-2.320	-2.170	-2.119
Technological System Services Expe	-467	-499	-524	-519	-529	-547	-561	-568	-571
Gross Result	1.121	1.303	1.597	1.676	1.727	1.857	1.936	2.042	2.168
Personnel Expenses	-386	-447	-489	-503	-535	-586	-641	-701	-767
Repairs and Maintenance	-51	-55	-66	-67	-69	-71	-73	-75	-77
Consumable Materials Expenses	-40	-21	-23	-23	-24	-25	-25	-26	-27
EBITDA	643	778	1.018	1.082	1.099	1.176	1.197	1.240	1.297
Depreciation and Amortization	-267	-272	-297	-300	-289	-292	-299	-303	-303
Other Operating Expenses	-97	-211	-173	-169	-179	-185	-190	-196	-202
EBIT	279	295	548	613	632	699	708	741	792
Financial Revenue	65	36	27	28	21	20	19	18	19
Financial Expenses	-73	-38	-17	-17	-13	-12	-12	-12	-12
Gross Profit	271	293	557	624	639	706	714	747	799
Income Tax	-22	-30	0	-8	-102	-113	-114	-120	-128
Net Profit	249	263	557	616	537	593	600	628	671

source: TEL, own estimates

Ratios	Reported 2022	Reported 2023	Reported 2024	Estimated 2025ttm	Estimated 2025e	Estimated 2026e	Estimated 2027e	Estimated 2028e	Estimated 2029e
GPM	18,8%	27,6%	20,5%	23,2%	28,9%	32,8%	35,9%	38,3%	40,2%
EBITDA M	10,8%	16,5%	13,1%	15,0%	18,4%	20,8%	22,2%	23,3%	24,0%
EBIT M	4,7%	6,3%	7,0%	8,5%	10,6%	12,3%	13,1%	13,9%	14,7%
NPM	4,2%	5,6%	7,1%	8,5%	9,0%	10,5%	11,1%	11,8%	12,4%
ROE	7,1%	6,0%	10,4%	10,7%	8,4%	8,6%	7,5%	6,9%	6,4%
ROA	3,3%	3,2%	5,9%	6,1%	5,0%	5,1%	4,5%	4,1%	3,8%

source: TEL, own estimates

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Alex Dodoi

1. they have no financial interest in the financial instruments that include the company(ies) mentioned in this report.

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CNTEE Transelectrica	TEL	not applicable

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