

Equity Watch Transgaz: Lower tariff defined weaker results

- Q2 23 bottom line came in red at RON 53 mn
- Internal transported quantities reached 2.7 bcm (+9% yoy) in Q2 23
- We rate the Q2 results negatively due to lower profitability and weaker margins

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Analyst **6**

Transgaz Q2 23 results

in RON mn	Q2 23	Q2 22	+/- %	RBle	+/- %	Q1 23	+/- %
Revenue*	300.8	246.8	21.9%	331.6	-9.3%	460.3	-34.7%
Intern transport revenue	238.4	181.3	31.5%	259.8	-8.3%	396.3	-39.9%
Transit revenue	29.9	31.2	-4.2%	24.4	22.5%	29.0	2.9%
Other revenue	32.5	34.4	-5.4%	47.4	-31.4%	35.0	-7.0%
EBITDA	43.8	-103.0	n.a.	56.5	-22.6%	221.9	-80.3%
EBIT	-74.7	-210.2	-64.5%	-55.0	35.8%	107.6	n.a.
Net profit	-52.8	-81.1	-34.9%	-18.4	187.6%	123.6	n.a.
EPS	-0.3	-0.4		-0.1		0.7	
EBITDA margin	15%	-42%		17%		48%	
EBIT margin	-25%	-85%		-17%		23%	
Net profit margin	-18%	-33%		-6%		27%	

*Revenue before balancing and construction activity

Source: Transgaz, RBI/Raiffeisen Research estimates

Transgaz (HOLD, RON 21.6) reported Q2 23 results on August 16, with a net loss of RON 53 mn vs. our expected net loss of RON 18 mn, taking into account that Q2 is typically a seasonally weak periods.

Revenue before balancing and construction activity reached RON 301 mn (+22% yoy), being 9% below RBle. The growth in revenue was driven by a 32% yoy increase in internal transport revenue, which reached RON 238 mn (8% below RBle), owing to higher capacity booking revenue, triggered by the hike in auction premium revenue, along with the revenue generated from capacity overrun. The internal transported quantities reached 2.7 bcm (+9% yoy), being 4% above RBle. We remind that the tariff for the gas year 2022-23 was frozen at the level of previous gas year.

The revenues from transit activity decreased by 4% yoy to RON 30 mn, surpassing our expectations by 23%. This item refers to GPE's obligation as result of the termination agreement of the contract between Transgaz and GPE, according to which GPE has to pay the remaining amount. Since October 2022, GPE has not honored the payments, therefore Transgaz made provisions in this sense.

On the costs side, OPEX (excl. balancing & construction activity) amounted to RON 375 mn in Q2 23, down by 18% yoy from RON 457 mn in Q2 22. There was an 9% yoy increase in salaries and an 11% increase in depreciation, but gas, materials and consumables plummeted 27% yoy.

Transgaz recorded a net financial income of RON 19 mn in Q2 23 vs. RON 117 mn in Q2 22 (when the company recorded a one-off revenue following the reduction of Eurotransgaz's share capital). As a result, **bottom line came in red at RON 53 mn** in Q2 23, compared to our expected net loss of RON 18 mn. Given the decrease in the bottom line and the pressure on margins, we rate the results as negative.

The conference call is scheduled for Friday, August 18.

Co-Sponsored Research: RBI has entered into an agreement with the Bucharest Stock Exchange for producing financial research on Transgaz in exchange for a financial remuneration.

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Transgaz Rating History as of 08/14/2023



History of long term recommendations

Symbol	Date	Recommendation	Company
TGN.BX	16.05.2023	Hold	Transgaz
TGN.BX	02.05.2023	Hold	Transgaz

The distribution of all recommendations relating to the 12 months prior to the publications date (column A), as well as the distribution of recommendations in the context of which services of investment firms set out in Sections A (investment services and activities) and B (ancillary services) of Annex I of Directive 2014/65/EU of the European Parliament and of the Council ("special services") have been provided in the past 12 months (column B).

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