COMPANY UPDATE

Transport Trade Services SA

Buy

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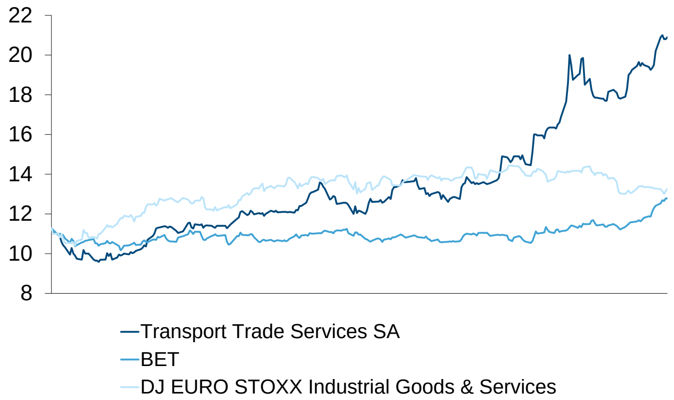
Share price (RON) close as of 15/09/2023	20.9	Reuters	TTS.BX	Free float	67.7%
Number of shares (mn)	60.0	Bloomberg	TTS RO	Shareholders	Government (0.0%)
Market capitalization (RON mn / EUR mn)	1,254 / 252	Div. Ex-date	15/05/23		
Enterprise value (RON mn / EUR mn)	1,158 / 233	**Target price**	**25.4**	Homepage:	https://www.tts-group.ro

Key figures Overview

RON mn	2022	2023e	2024e	2025e
Net sales	934.4	1,143.3	1,222.5	1,041.6
EBITDA	283.4	395.8	313.2	235.6
EBIT	210.5	320.8	228.7	142.1
EBT	208.7	319.8	226.7	139.3
Net profit	179.0	268.6	190.5	117.0
EPS (RON)	2.98	4.48	3.17	1.95
CEPS (RON)	2.39	1.79	0.98	0.71
BVPS (RON)	13.64	16.64	18.83	20.19
Dividend/Share (RON)	0.55	1.79	1.27	0.78
EV/EBITDA (x)	2.56	2.93	3.42	4.30
P/E (x)	3.84	4.67	6.58	10.72
P/CE (x)	4.80	11.70	21.25	29.49
Dividend yield (%)	4.80	8.57	6.08	3.73
EBITDA margin (%)	30.33	34.62	25.62	22.62
Operating margin (%)	22.53	28.06	18.71	13.64
Net profit margin (%)	19.16	23.49	15.58	11.23

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	84,371	61,274	40,244
Trading value (RON mn)	1.8	1.2	0.6



Price performance:	1M	3M	6M	12M
in EUR	13.8%	41.9%	71.7%	83.5%

Financial Strength

	2022	2023e	2024e	2025e
ROE (%)	28.46	34.23	20.59	11.49
ROCE (%)	24.96	34.36	23.46	14.24
Equity ratio (%)	81.43	83.71	84.50	87.14
Net debt (RON mn)	-78.24	-226.16	-329.01	-397.99
Gearing (%)	-9.56	-22.66	-29.13	-32.86

Well on the way to a great year

On the back of recent results and current prospects for YE, and still considering only a conservative scenario for our valuation, we continue to find ample upside in the stock and **maintain our BUY recommendation while increasing our target price to RON25.4/share**.

The YTD results posted by TTS reinforce our positive stance on the company's outlook and create a new base for our projections, even in a considered subdued scenario. We have noted a marginal decline in profitability during 2Q23 compared to the previous quarter's stellar results, fully expected considering the extraordinary circumstances that prevailed in the market during the first three months of the year.
We continue to forecast cautiously in terms of volumes and tariffs, notably so in view of the uncertainties regarding the war in the region and the impossibility of anticipating a resolution and timing for the conflict. The volatility and risk perception generated by the war have been positive for TTS in terms of tariffs and volumes, however we only consider a scenario where the recent highs are not going to be reached and – actually – we calculate our valuation in a softer volume and price environment.

Management efforts at streamlining operations and M&A showed positive results, accretive to value for medium and long term, with moderate CAPEX outlays with considerable expected ROIs.
The risk to recommendation and TP remains connected to the difficulty of anticipating developments in the region.

Erste Group Research – Company Update finalized and released September 19, 2023, 07:30, CET, reviewed by Henning Esskuchen (supervising analyst)
All prices are those current at the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via appropriate vendors.

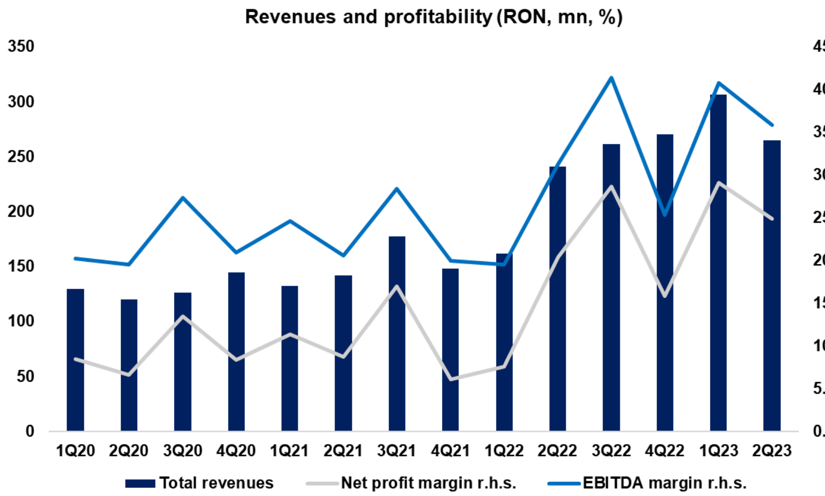
Exceptionally profitable 1H23, after the stellar 1Q23

TTS published 1H23 results that show significant growth in top and bottom line and very strong margins. The top line advanced about 42% compared to that of 1H22, reaching over RON571mn, vs. the RON402mn of the first half of last year. At the same time, operating profit grew more 145%, registering RON181mn, compared to RON74mn during 1H22. Net profit recorded a 153% advance, reaching RON155mn vs the RON61mn of the similar period of last year.

(mn. RON)	2Q23	2Q22	*chng.*	1Q23	*chng.*	2Q21	*chng.*	1H23	1H22	*chng.*	1H21	*chng.*
Total revenues	**265**	**240.7**	***10.1%***	**306.5**	***-13.5%***	**144.4**	***83.5%***	**571.5**	**402.4**	***42.0%***	**273.9**	***108.7%***
Materials	-24	-33.6	*-28.6%*	-31.2	*-23.1%*	-15.4	***55.8%***	-55.2	-60.8	*-9.2%*	-34.7	*59.1%*
COGS	-13.9	-10.2	*36.3%*	-8.6	*61.6%*	-7.3	***90.4%***	-22.5	-19.3	*16.6%*	-24.5	*-8.2%*
Depreciation	-18	-17.1	*5.3%*	-21	*-14.3%*	-14.1	***27.7%***	-39	-33	*18.2%*	-27.9	*39.8%*
Subcontr.	-77.7	-88	*-11.7%*	-96.4	*-19.4%*	-51.5	***50.9%***	-174.1	-150.2	*15.9%*	-89.8	*93.9%*
Wages	-49	-25.5	*92.2%*	-40.3	*21.6%*	-26.4	***85.6%***	-89.3	-51.7	*72.7%*	-47.7	*87.2%*
Other exp.	-11.5	-9.8	*17.3%*	-10.4	*10.6%*	-9.2	***25.0%***	-21.9	-21.9	*0.0%*	-20.2	*8.4%*
Gains/losses	6.1	1.7	*258.8%*	5.4	*13.0%*	-4.3	***-241.9%***	11.5	8.3	*38.6%*	4.9	*134.7%*
Operating expenses	**-188**	**-182.5**	***3.0%***	**-202.5**	***-7.2%***	**-128.2**	***46.6%***	**-390.5**	**-328.6**	***18.8%***	**-239.9**	***62.8%***
Operating profit	**77**	**58.2**	***32.3%***	**104**	***-26.0%***	**16.2**	***375.3%***	**181**	**73.8**	***145.3%***	**34**	***432.4%***
Fin. Rev.	0	0.7	*-100.0%*	0.9	*-100.0%*	-0.5	***-100.0%***	0.9	0.4	*125.0%*	-0.4	*-325.0%*
Fin. Costs	1.1	-1	*-210.0%*	0.2	*450.0%*	-0.5	***-320.0%***	1.3	-1.7	*-176.5%*	-0.9	*-244.4%*
Net fin.	**1.1**	**-0.3**	***-466.7%***	**1.1**	***0.0%***	**-1**	***-210.0%***	**2.2**	**-1.3**	***-269.2%***	**-1.3**	***-269.2%***
PBT	**78.1**	**57.9**	***34.9%***	**105.1**	***-25.7%***	**15.2**	***413.8%***	**183.2**	**72.5**	***152.7%***	**32.7**	***460.2%***
Tax	-12.3	-8.8	*39.8%*	-16	*-23.1%*	-2.5	***392.0%***	-28.3	-11.2	*152.7%*	-5.2	*444.2%*
Net Income	**65.8**	**49.1**	***34.0%***	**89.1**	***-26.2%***	**12.7**	***418.1%***	**154.9**	**61.3**	***152.7%***	**27.5**	***463.3%***
Net margin	*24.8%*	*20.4%*		*29.1%*		*8.8%*		*27.1%*	*15.2%*		*10.0%*	
EBITDA	**95**	**75.3**	***26.2%***	**125**	***-24.0%***	**30.3**	***213.5%***	**220**	**106.8**	***106.0%***	**61.9**	***255.4%***
EBITDA margin	*35.8%*	*31.3%*		*40.8%*		*21.0%*		*38.5%*	*26.5%*		*22.6%*	

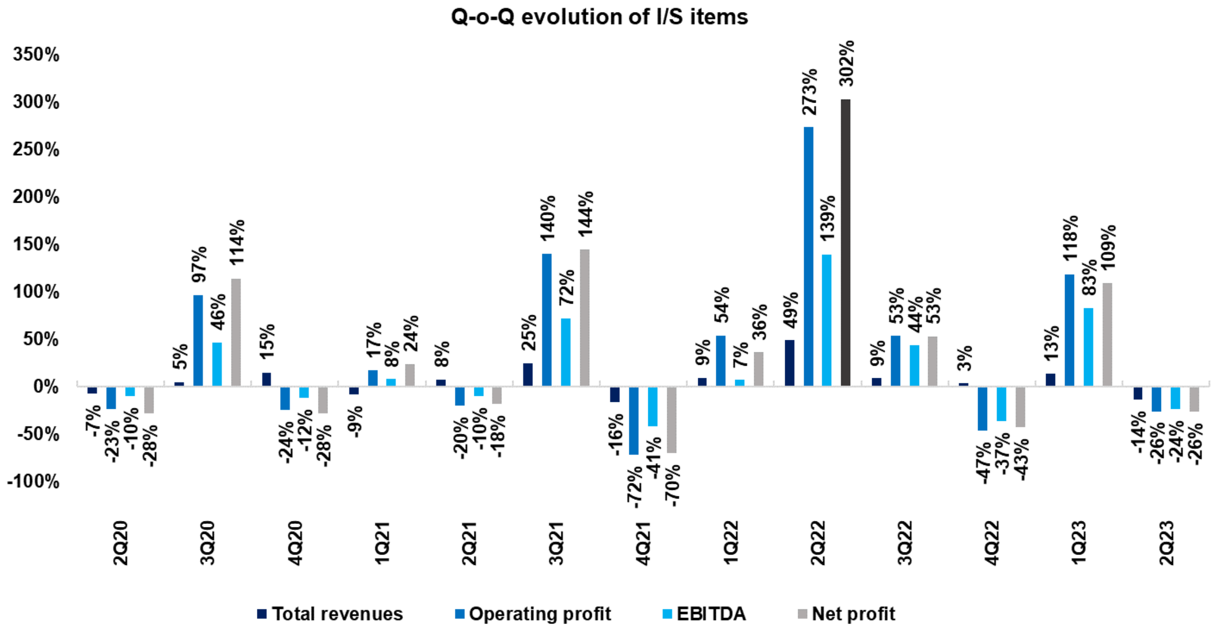
Source: Company data, Erste Group Research

On a quarterly basis, the company posted a 10% top line growth, y-o-y, with more than 32% higher operating income and net profit growth of 34% and an EBITDA growth of 26%.



Source: Company data, Erste Group Research

Vs, the unprecedented profitable previous quarter, the numbers show a lower top line, by about 13%, with 26% lower operating and net profit and a 24% lower EBITDA. Nevertheless, when comparing with the second quarter of 2021, the top line advanced by 84%, and operating expenses only 27%, leading to a hike in profitability of about five times, in terms of operating and net profits. Even if lower than during the previous quarter, margins still show very strong levels with EBITDA margin at 36% and Net margin at 25%.

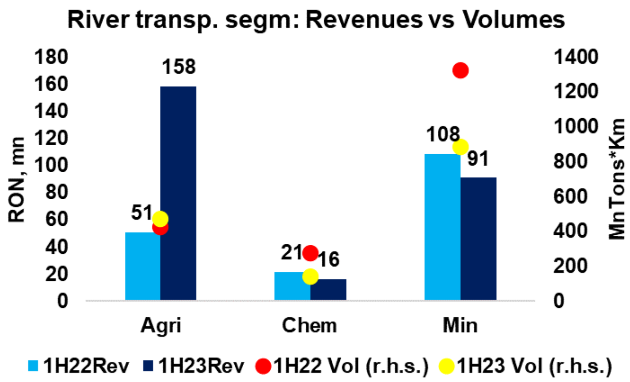


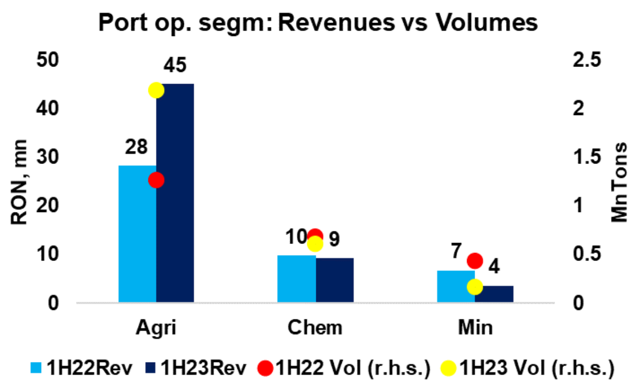
Source: Company data, Erste Group Research

Revenues: agricultural products at unprecedented levels

During the first half of the year, the main driver for the exceptional top line and profitability was the flow of agricultural products, on the back of the reconfiguration of flows related to the war in the Ukraine. Thus, on a yearly basis, the volumes transported by the river fleet of TTS have increased by about 12% in terms of bnTons*km, reaching 0.47bnTons*km vs the 0.42bnTons*km recorded during the first half of last year. In terms of port operations, the flow of agricultural products was also increased by 73%, reaching 2.18mn tons, compared to the 1.26mn tons of 1H22. These are the figures representing only the volumes operated inhouse, without taking into consideration what the forwarding segment contracted with third parties.

At the same time, the company recorded significant retreats in the volumes transported and operated in chemical and mineral goods. The transport of mineral goods has declined by almost 33% reaching 0.88bnTons*km vs. 1.32bnTons*km in 1H22 and port operations in the same segment declined by 63% to 0.16mn tons. A similar picture was present in the chemicals segment, with a contraction of 48% y-o-y in freight, reaching 0.14bnTons*km during 1Q23 vs. 0.27bnTons*km in 1Q22. Port operated volumes in the chemicals segment also declined by 10% reaching 0.61mn tons.





Source: Company data, Erste Group Research

On the back of these changes in flows, revenues followed. The company managed to exploit adequately the logistics situation and capitalized on the explosive growth of demand with matching tariffs.

Thus, on a 12% jump in freight, in the agricultural segment, revenues increased more than three times in the river transportation business. In port operations, the revenue growth followed the 73% escalation of volumes, showing a 60% increase in receipts.

In chemical products, on a 48% decline in freight, revenues declined in river transport by only 23%, while in the same type of cargo, port operations' volumes declined by 10% and revenues by only 6%.

The tariff situation was also positive in the minerals segment with a decline in freight by 33% translating into a drop in river transport revenues of only 16%, while a 63% decline in port operated volumes led to only a 46% drop in revenues.

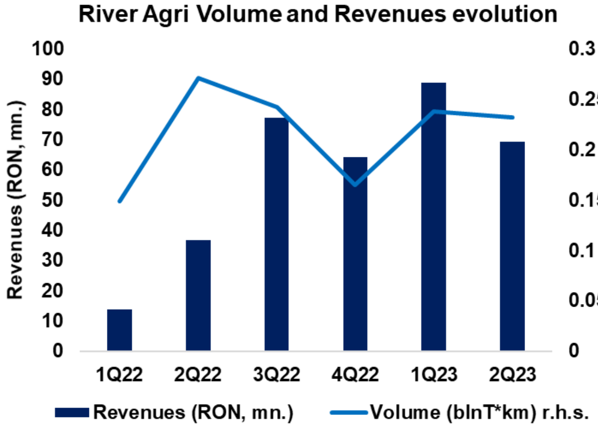
According to our estimates, on the data that the company publishes, the overall tariff situation during 1H23 was positive, with river transport tariffs increasing for agricultural products by 180%, chemical products by about 50% and minerals by about 25%.

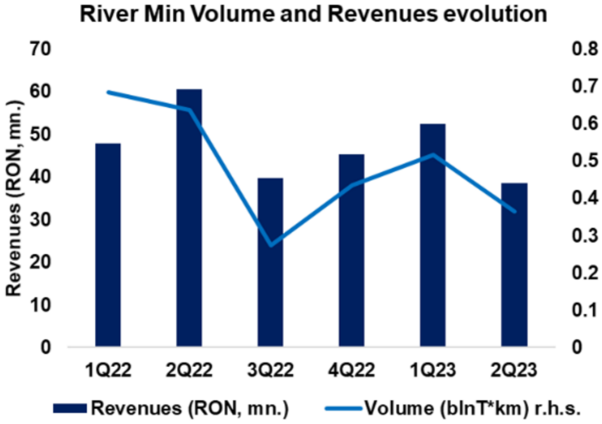
Tariffs for port operations, according to the same type of estimates were actually about 8% lower for agricultural products, 5% higher for chemical products and more than 40% higher for mineral products.

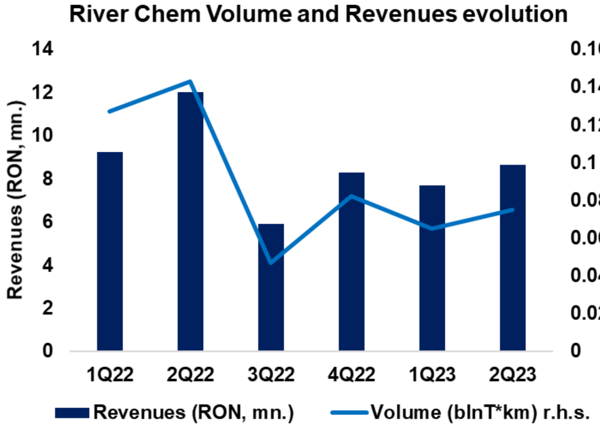
On a quarterly basis, q-o-q, according to our estimates, during the second quarter of 2023, in the river transport business the volumes of agricultural products declined slightly, by about 2% and, combined with an implied tariff decline of about 20%, led to a diminishing of revenues of about 22%.
In the minerals segment, river transport freight dropped by about 30%, and combined with a slightly higher tariff led to a drop in revenues by about 27%.
In the chemicals segment, freights grew and balanced a slightly lower tariff to lead to a 12% increase in revenues.

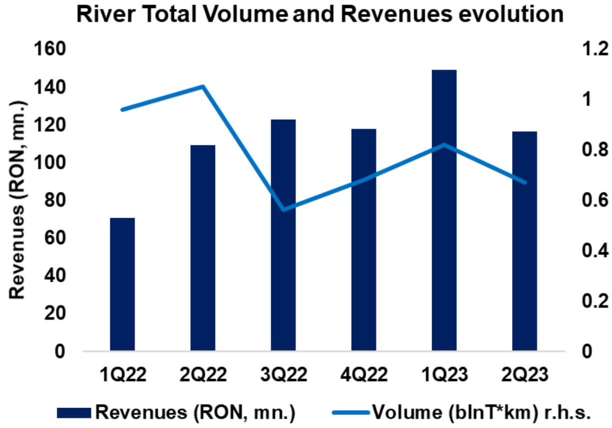
Overall, according to our estimates, in the river transportation business, the average tariff (a synthetic metric, since it expresses a blend of rather different dynamics and underlying products) has declined vs. the previous quarter by about 4.5%, while it is about 67% higher than during 2Q22.

One of the main reasons for the overall decline in tariffs was represented by the bunkering mechanism that sees tariffs being indexed with the evolution of the fuel cost. With fuel costs receding, tariffs followed, a fact also represented by the declining expenses with fuel, as detailed below.







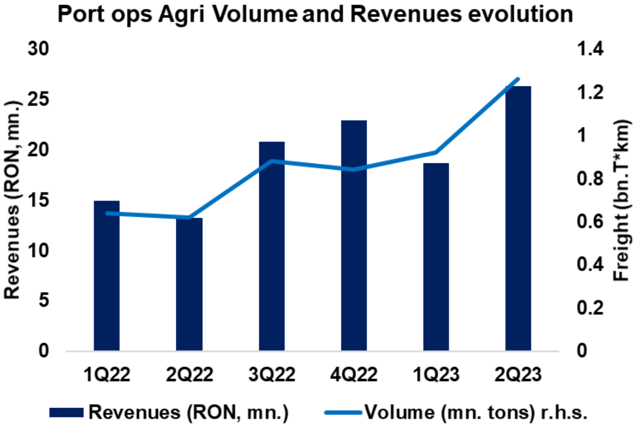


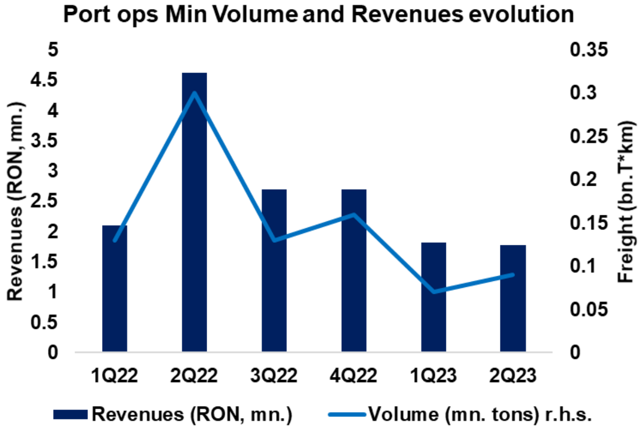
Source: Company data, Erste Group Research

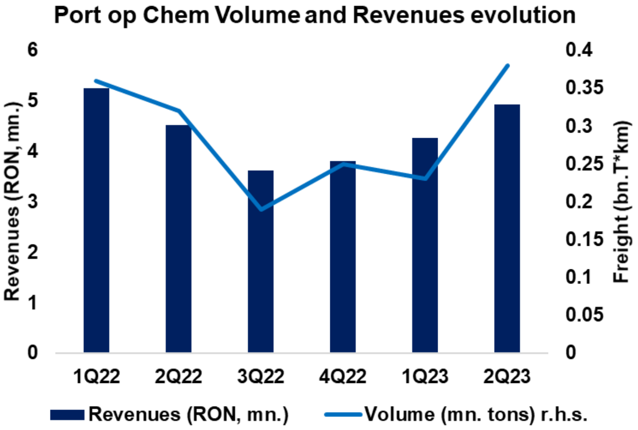
On a quarterly basis, q-o-q, according to our estimates, during the second quarter of 2023, in the port operations business the volumes of agricultural products grew considerably, by 37%, and, combined with an implied tariff higher by about 3%, led to a increase in of revenues of about 41%.
In the minerals segment, port operations volumes increase by about 30%, and combined with a 25% lower tariff led to a drop in revenues by about 3%.

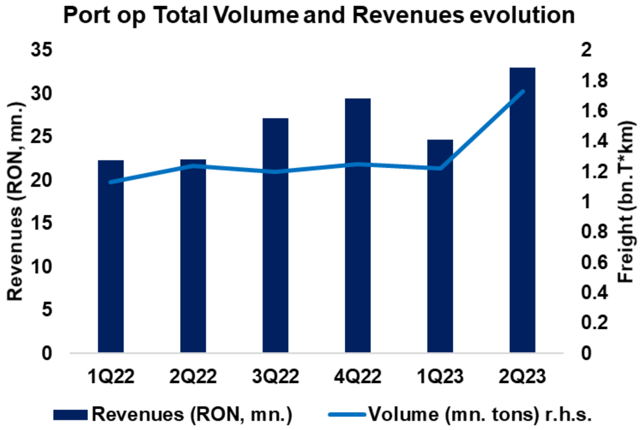
In the chemicals segment, port operations volumes grew by more than 60% and balanced a 30% lower tariff to lead to a 16% increase in revenues.

Overall, according to our estimates, in the port operations business, the average tariff (a synthetic metric, since it expresses a blend of rather different dynamics and underlying products) has declined vs. the previous quarter by about 6%, while it is about 6% higher than during 2Q22.





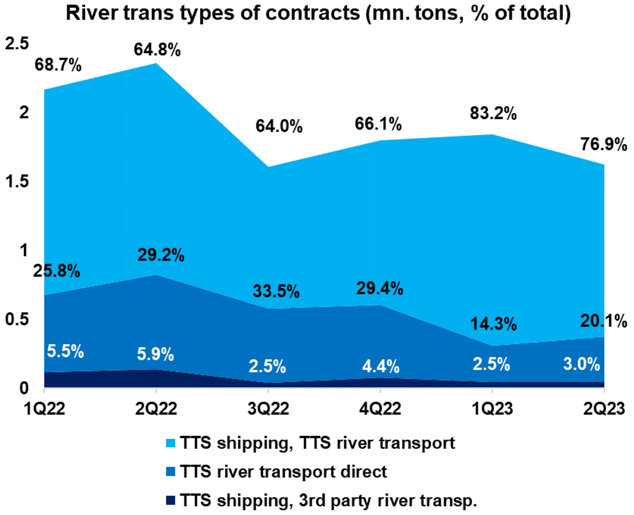


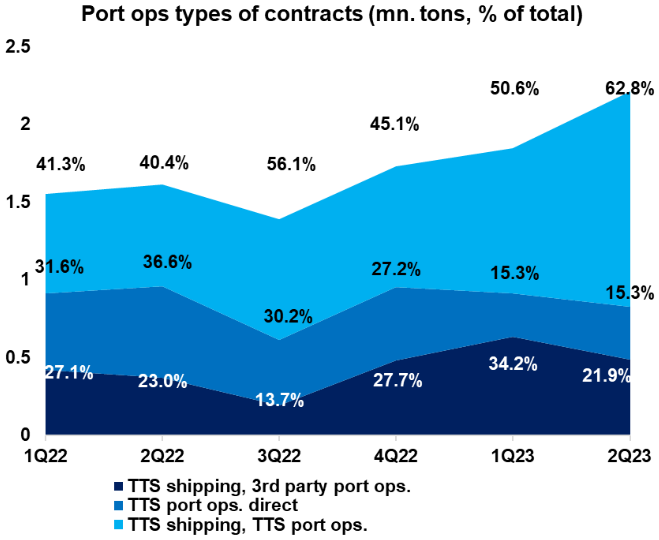


Source: Company data, Erste Group Research

We acknowledge that our estimates, based on the company's incomplete data may vary from actual figures, especially when taking into consideration the shipping business, however we believe they offer a credible general picture of the evolution of tariffs in the business segments operated by the company.

The structure of contracts also shifted with a higher proportion of overall contracts being performed by river transport segment. It grew from about 14% during the first quarter of 2022 to almost 26% in 1Q23. This led to a shrinking of the share of inhouse river transport volumes contracted, from 83% in 1Q22 to 69% in 1Q23. In the port operations segment, the picture is somewhat different with the share of direct contracts dropping by half y-o-y to 15%, while third party contracts' share growing to 50% of total port operations.





Source: Company data, Erste Group Research

The structure of contracts also shifted with a lower proportion of direct contracts being performed by river transport segment. It declined from about 30% during the second quarter of 2022 to about 20% during the second quarter of this year. This led to an increase of the share of inhouse river transport volumes contracted, from 65% in 2Q22 to 75% in 2Q23 on the back of the lower transported volumes overall. In the port operations segment, the picture is somewhat similar with the share of direct contracts dropping more than half y-o-y to 15%, while third party contracts' share about 22%of total port operations and volumes of shipped and operated inhouse growing as a proportion from 40% in 2Q22 to more than 62% in 2Q23, on the back of the higher operating capacity developed by the company.

Costs: increasing less than half the revenue growth

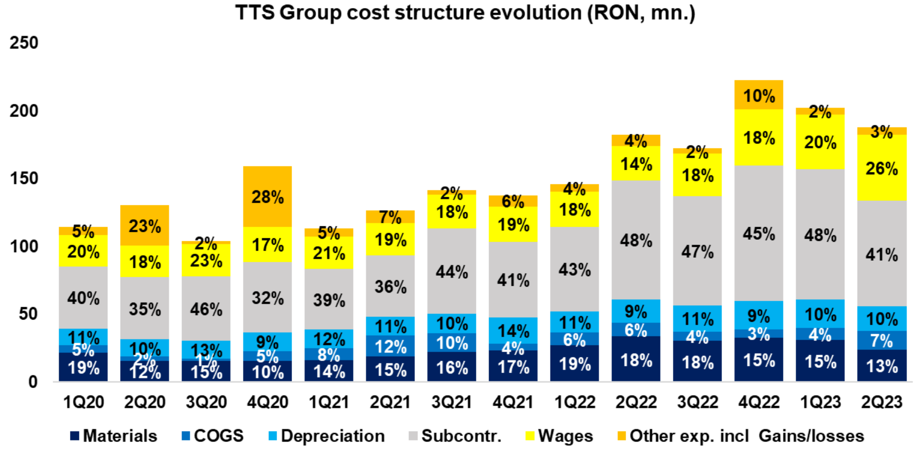
Overall, during 1H23, total operating costs increased by 19% on a 42% increase in revenues. On a yearly basis, the largest increase in costs was naturally that with wages , which grew y-o-y by 73%, followed by the 16% increase in expenses with subcontractors, an expected evolution considering the reconfiguration of logistic chains that implied more rail transport with third parties. Depreciation expenses grew by 18% and materials – including fuel – declined by 9%, contributing to the decline in tariffs as discussed above.

On a quarterly basis, operating expenses increased 3% y-o-y, vs a top line growth of 10%, while q-o-q, operating expenses declined 7% on a 13% drop in revenues. The most significant changes were in this case as well a drop in fuel costs together by the considerable hike in personnel costs.

Percentage of revenues	2Q23	2Q22	1Q23	2Q21	1H23	1H22	1H21
Materials	9.1%	14.0%	10.2%	10.7%	9.7%	15.1%	12.7%
COGS	5.2%	4.2%	2.8%	5.1%	3.9%	4.8%	8.9%
Depreciation	6.8%	7.1%	6.9%	9.8%	6.8%	8.2%	10.2%
Subcontr.	29.3%	36.6%	31.5%	35.7%	30.5%	37.3%	32.8%
Wages	18.5%	10.6%	13.1%	18.3%	15.6%	12.8%	17.4%
Other exp.	4.3%	4.1%	3.4%	6.4%	3.8%	5.4%	7.4%
Gains/losses	-2.3%	-0.7%	-1.8%	3.0%	-2.0%	-2.1%	-1.8%

Source: Company data, Erste Group Research

During 1H23, the share of revenues represented by each cost item declined by a substantial amount, on all cost items with the notable exception of wages costs. A similar trend was also represented on a quarterly basis, with most 2Q23 cost items representing a lower or largely similar share of revenues. This was expected considering the dynamic of the revenues, on the back of agricultural receipts, however, even in absolute terms costs declined compared to the previous quarter. Other than subcontractor fees, as share of total costs, which were lower, the main shift was in wages and personnel related costs that represented a higher share of total costs – 18.5%, compared to the 11% of the previous year and 13% during 1Q23.



Source: Company data, Erste Group Research

Balance sheet: even stronger

The performance of 2Q23 in terms of revenues and profitability transferred into a exceptionally strong balance sheet. The net debt stayed negative, as at the end of 1Q23, but the increase in cash and equivalents was remarkable. The company built a cash coffer, most probably in view of possible additional corporate actions – see below – and is poised to have ample means for further expansion CAPEX and even a more generous dividend policy – if that would come to pass.

(RON, mn.)	2018	2019	2020	2021	2022	1Q23e	2Q23e
Cash & equivalents	38.9	62.4	55.2	58.9	146.0	230.6	256.6
ST Debt	54.1	62.9	50.8	41.3	26.8	24.3	25.9
LT Debt	64.2	46.1	23.1	26.8	40.9	37.7	35.9
Net Debt	79.4	46.6	18.7	9.2	-78.3	-168.6	-194.8
Net Debt to EBITDA	**1.10**	**0.38**	**0.16**	**0.07**	**-0.28**	**-0.43**	**-0.49**

Source: Company data, Erste Group Research

Corporate action: expanding footprint, paying dividends

The management of TTS has shown remarkable adaptability to the challenges of the last year. The reconfiguration of logistic chains, including rail transport and the opening of the floating terminal in Constanta Port are just examples along this line. During 1Q23, the company has announced the acquisition of a new terminal in Constanta Port. It is a solid bulk product terminal, DECIROM S.A. and the transaction – approved by authorities – was announced as finalized on 13th of July. The acquisition, which would enhance the capacity of port operations was priced at around EUR22mn. TTS would invest an additional EUR10mln during 2023 and 2024 in order to build a warehouse and refurbish cranes. This would increase the speed of operations, resulting in higher capacity utilization of the asset. Along the same lines, the company continues to invest in expanding and improving the river transport fleet with a program of modernization and recertification of barges, together with CAPEX for building new barges that should increase capacity of transport by a cumulative 6,000 tons at the price of EUR5mn. It will also invest in floating cranes in order to streamline port operations and increase operating capacity.

The company declared an amount of RON33mn paid in dividends out of 2022 net income. The pay-out ratio is 18%, which could be significantly increased going forward as the company generates ample operating cashflow that could sustain CAPEX and a more substantial dividend payment.

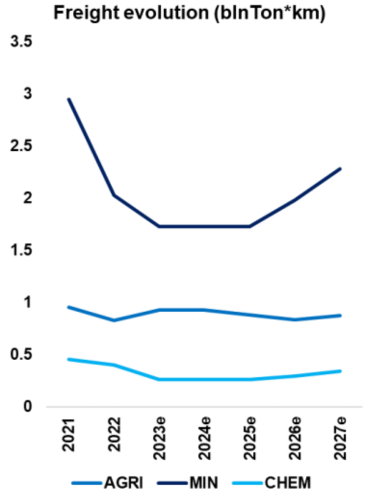
Looking forward: still ample upside under reasonable scenarios

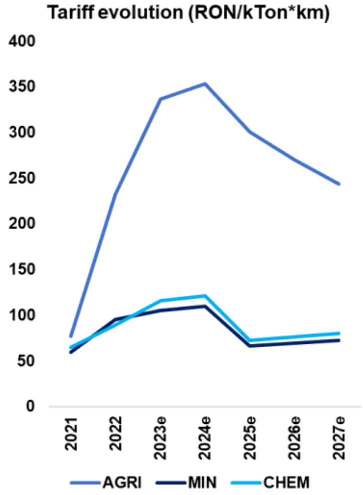
As much as we were heartened by the performance of the past year and last few quarters, and the stellar growth of 1Q23, we maintain a conservative outlook, determined as well by the lower profitability of 2Q23 compared to the previous quarter. Indeed, the explosive increase in profitability came on the back of exceptional circumstances, with the war in the Ukraine providing a demand that exceed considerably that of the previous period. At the same time, we recognize the capacity of the company to adapt to a new environment and to capitalize on existing strengths while building for the future.

We attempted in our forecast to provide a reasonable-case scenario, however the developments of the war in the Ukraine are an important and defining imponderable. A resolution of the conflict may see again minerals and chemicals volumes pick up and agricultural volumes decline, together with corresponding moves in tariff evolution. The reconstruction in the Ukraine ports may also influence both volumes and tariffs, however flows of goods may revert again to pre-war eras. Our assumptions are based on the supposition that the war would continue throughout 2024, and part of 2025:

- In river transportation, agricultural products freight numbers would stay constant during 2024, decline during the following two years on availability of alternative routes and lower production in the Ukraine, picking up marginally going forward. Following the decline in minerals river transport, the depressed numbers should continue and start picking up in 2026, however not reaching the levels of pre-war period, with a similar development in chemicals.

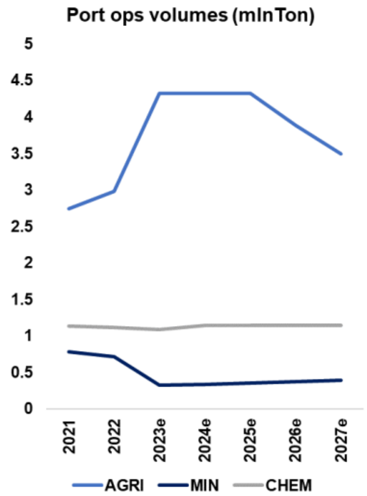
- Tariffs should continue growing marginally in all segments for the following year, and then decline, as volumes would start increasing.

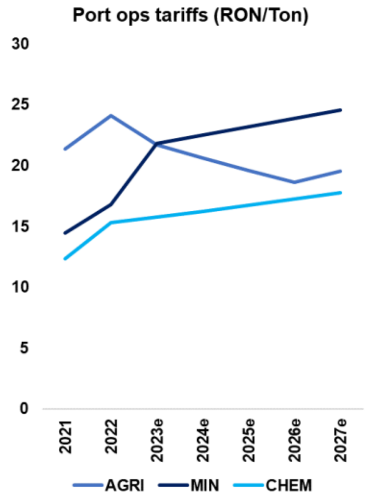




Source: Company data, Erste Group Research

- In port operations, agricultural volumes should taper, following registering a decline following 2025, with volumes in other segments largely flat. These volumes assumptions are drastically conservative considering the company's investments in port infrastructure. Tariffs would decline in agricultural products and increase with about half inflation in the other segments

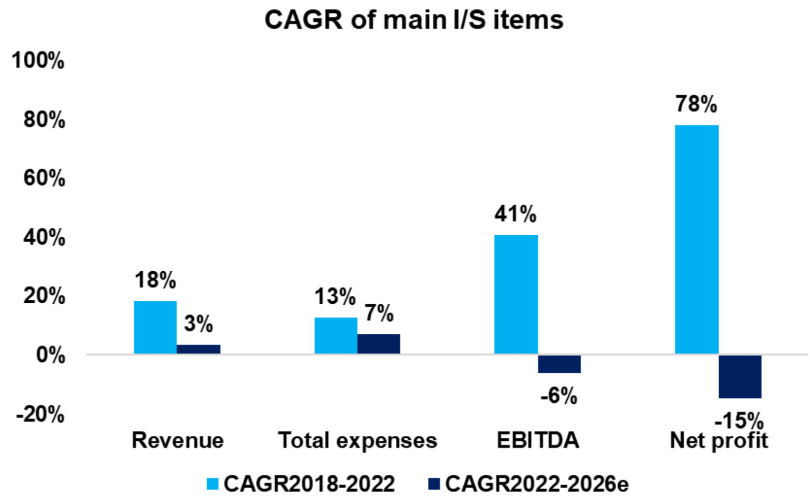




Source: Company data, Erste Group Research

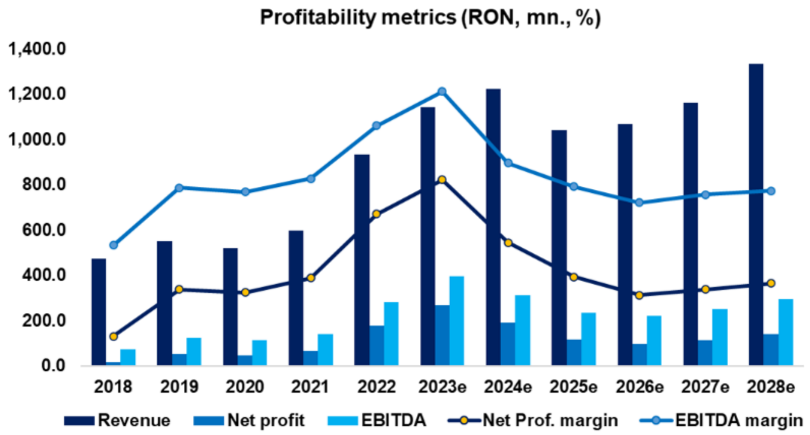
We believe these assumptions to be reasonable, with a medium-term perspective, however, may be significantly adjusted if events take a different turn going forward.

On the back of declining or marginal volumes' overall growth only and a very conservative expenses assumptions, while costs increase more than revenues, we tested the strength of our financial forecasts and the resilience potential of the company.



Source: Company data, Erste Group Research

As a result, our cost forecast provides for a 2022-2026 CAGR more than twice that of revenues, resulting in a negative 2022-2026 CAGR for EBITDA to the level of -6% and an even more drastic 2022-2026 CAGR for net profit of -15%. This takes into consideration the exceptional year 2022, and an overly conservative view of the industry going forward, however, as we show below, even this worst-case scenario provides ample upside for value.

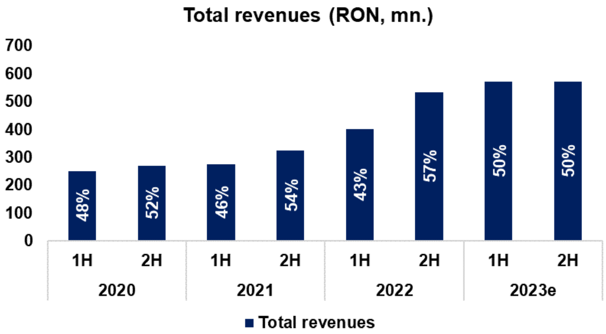


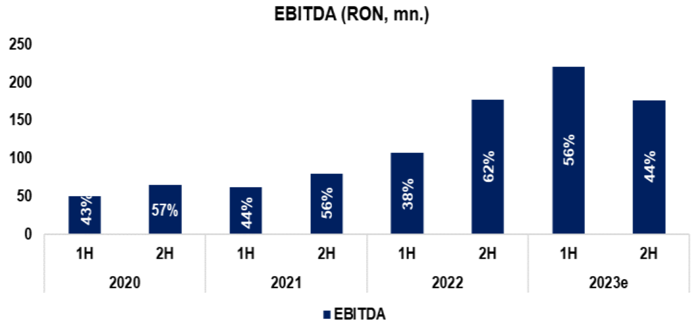
Source: Company data, Erste Group Research

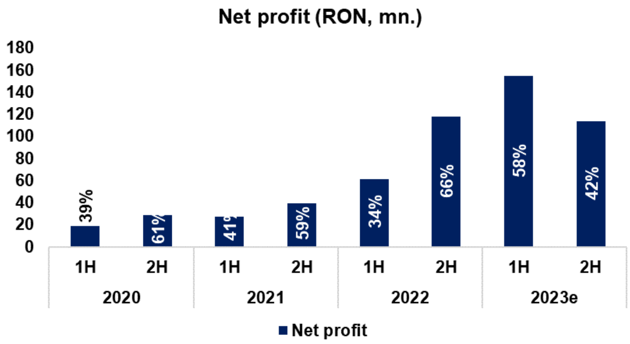
As a consequence of us considering this mostly sombre scenario, the profitability of the company is set to decline compared to 2022 and 2023 and reach an medium term average consistent with 2020-2021 levels. The profitability forecasted in 2023 is consistent with the 1H23 results that showed actually an increase in profitability versus the same period of last year. Again, we acknowledge this to be a conservative scenario, establishing – if anything – a low valuation for the stock compared to more middle of the road scenarios.

Forecast validated by actual YTD results

First half results validate entirely our opinion that our outlook is part of a conservative scenario. Indeed, the results show that on a historical basis, the first half results of 2023 should be harbingers of a much better year than we consider. This is visible on a historical perspective for revenues, however even more consistent regarding EBITDA and overwhelmingly so regarding net income. Indeed, in terms of EBITDA and the net income the result of 1H23 even in the era before the war in the Ukraine, the second half of the year brought better profitability than the first half. However, in view of the stellar first quarter, and the more subdued second quarter of 2023, we prefer to err on the side of caution and conservatism.





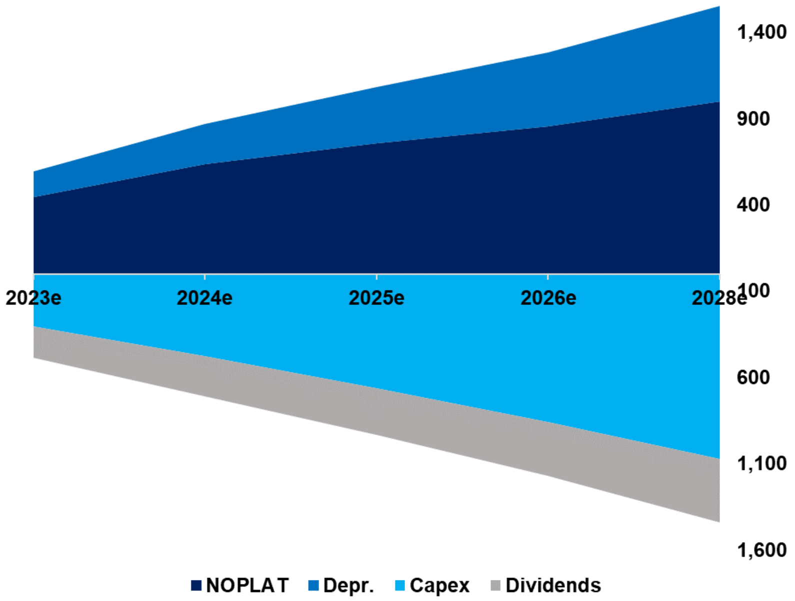


Source: Company data, Erste Group Research

Valuation – still ample upside

We performed our valuation exercise under the assumptions presented above: minimal revenue growth post 2023, higher cost expansion and declining EBITDA and profits. Nevertheless, even under these dire circumstances, the stock seems to have a considerable upside. Indeed, cash generation is solid, and would accommodate an even more ambitious CAPEX, of about RON120mn a year on the existing asset base.

Cummulative CF main items



Source: Company data, Erste Group Research

We do not forecast any M&A CAPEX under this exercise, as these activities bring in additional returns on invested capital which we did not account for. Thus, our CAPEX figures are more than ample for current investment programs in fleet and port modernization and expansion, without any additional expenses on acquisitions that would be considered as separate projects bringing value on top and bottom lines and an increase in profitability.

At the same time, we incorporated a lower cost of risk going forward, consistent with the current level prevalent in Romania.

TTS DCF valuation

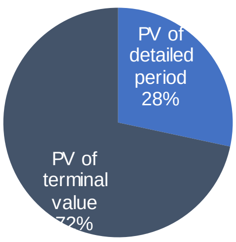
WACC calculation

	2024e	2025e	2026e	2027e	2028e	2029e TV
Risk free rate	7.5%	7.5%	7.5%	7.5%	7.5%	5.0%
Equity risk premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**12.0%**
Cost of debt	8.5%	8.5%	8.5%	8.5%	8.5%	6.0%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**5.0%**
Equity weight	70%	70%	70%	70%	70%	68%
WACC	**12.6%**	**12.6%**	**12.61%**	**12.61%**	**12.61%**	**9.77%**

DCF valuation

(RON mn)	2024e	2025e	2026e	2027e	2028e	2029e TV
Sales growth	*6.9%*	*-14.8%*	*2.2%*	*8.8%*	*14.6%*	*3.0%*
EBIT	229	142	116	137	169	130
EBIT margin	*18.7%*	*13.6%*	*10.9%*	*11.8%*	*12.7%*	*9.5%*
Tax rate	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Taxes on EBIT	-36.6	-22.7	-18.6	-21.9	-27.0	-20.8
NOPLAT	**192.1**	**119.4**	**97.7**	**114.9**	**141.7**	**109.2**
+ Depreciation	85	94	103	114	125	225
Capital expenditures / Depreciation	*208.3%*	*197.6%*	*188.0%*	*179.1%*	*171.1%*	*100.0%*
+/- Change in working capital	5	-12	2	6	12	30
Chg. working capital / chg. Sales	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*10.0%*
- Capital expenditures	-176.0	-184.8	-194.0	-203.7	-213.9	-224.6
Free cash flow to the firm	**106.1**	**15.7**	**8.5**	**31.3**	**64.5**	**139.5**
Terminal value growth						*3.0%*
Terminal value						2,121.2
Discounted free cash flow - December 31	94.2	12.4	5.9	19.5	35.6	1,137.4
Enterprise value - December 31 2023	**1,305**					
Minorities	130					
Non-operating assets	0					
Net debt (incl. lease liabilities)	-226					
Other adjustments	0					
Equity value - (RON bn) December 31 2	**1,401.1**					
Cost of equity	12.0%					
Fair value, RON mn	**1,525.3**					
Number of shares outstanding (mn)	60.0					
Fair value per share, RON	**25.42**					
Share price	20.9					
Upside/downside Official NAV (%)	*21.64%*					

Enterprise value breakdown



Sensitivity (Equity value - RON mn)

Terminal value EBIT margin

WACC	8.5%	9.0%	9.5%	10.0%	10.5%
8.8%	27.00	28.00	29.00	30.00	30.99
9.3%	25.23	26.15	27.07	27.99	28.90
9.8%	23.72	24.57	**25.42**	26.27	27.12
10.3%	22.42	23.21	24.00	24.80	25.59
10.8%	21.29	22.03	22.77	23.51	24.25

Terminal value growth

WACC	2.0%	2.5%	3.0%	3.5%	4.0%
8.8%	25.42	27.07	29.00	31.29	34.07
9.3%	24.00	25.42	27.07	29.00	31.29
9.8%	22.77	24.00	**25.42**	27.07	29.00
10.3%	21.68	22.77	24.00	25.42	27.07
10.8%	20.72	21.68	22.77	24.00	25.42

Source: Erste Group Research

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Company description

TTS is the premier river transportation and port operations provider in the Danube Basin and the Constanta Port

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Accumulate	+10% < target price < +20%
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