

Equity Watch Transgaz: Q1 24 conference call takeaways

- Conference call did not provide any update on regulated revenues, leaving visibility for the coming gas year in limbo
- Company fails to provide any forward-looking view, although in terms of profitability Q1 24 came way above the FY 24 budget
- We still see a strong set of Q1 24 results, with net profit up 113% yoy, driven by higher revenues mainly resulting from higher applied tariffs

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Yesterday, Transgaz (HOLD, RON 21.6) held a conference call regarding the presentation of Q1 24 results, which were released on May 15.

During the conference call, the company did not provide any updates on forward-looking performance, although net profit of RON 263 mn, came way above the company's FY 24 budgeted figure of RON 173 mn.

Our main area of hope was the update on tariffs, which unfortunately did not materialize, as contrary to the company's expectations, the regulatory authority has not yet published the regulated revenues for the coming gas year (October 24 to September 25). We were hoping for some visibility on this front, but the company did not provide any information on the outlook for regulated revenues, stating that the National Energy Regulatory Authority should approve soon the new regulated revenues.

Despite the lack of any forward-looking view being provided, we still see a strong set of Q1 24 results, with net profit coming in at RON 263 mn, up 113% yoy, driven by higher revenues mainly resulting from higher applied tariffs.

Transgaz Q1 24 results

in RON mn	Q1 24	Q1 23	+/- %	RBIe	+/- %	Q4 23	+/- %
Revenue*	706.6	460.3	53.5%	661.0	6.9%	686.1	3.0%
Domestic transport revenue	667.9	396.3	68.5%	626.0	6.7%	613.5	8.9%
Transit revenue	0	29.0	n.a.	0	n.a.	27.6	n.a.
Other revenue	38.6	35.0	10.5%	35.0	10.5%	45.0	-14.1%
EBITDA	389.3	221.9	75.4%	336.3	15.8%	276.3	40.9%
EBIT	261.6	107.6	143.2%	209.0	25.2%	148.9	75.7%
Net profit	262.9	123.6	112.6%	210.8	24.7%	133.7	96.6%
EPS	1.4	0.7		1.1		0.7	
EBITDA margin	55.1%	48.2%		50.9%		40.3%	
EBIT margin	37.0%	23.4%		31.6%		21.7%	
Net profit margin	37.2%	26.9%		31.9%		19.5%	

*Revenue before balancing and construction activity

Source: Transgaz, RBI/Raiffeisen Research estimates

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Revenue increased by 54% yoy to RON 707 mn, driven by higher tariffs for domestic transportation, while transportation volumes decreased slightly by -0.6% yoy, reaching 3.7 bcm. Starting this quarter, revenue from transit activity were no longer recorded due to the termination agreement of the contract between Transgaz and Gazprom Export Ltd.

Operating costs increased by 26% yoy to RON 445 mn, mainly due to royalty expenses, which amounted to RON 70 mn compared to RON 2 mn in Q1 23, as the Romanian government increased the royalty rate from 0.04% to 11.5% of revenue effective from October 2023. The royalty expenses are not included in the regulated revenues for the current gas year.

Fueled by higher revenues, EBITDA increased by 75% yoy to RON 389 mn. At the same time, depreciation and amortisation rose by 12% to RON 128 mn, while the financial result increased by 25% yoy to RON 53 mn. The positive financial result is mainly due to the inflation adjustment of fixed assets included in the regulated asset base. As a result, the net profit increased by 113% yoy to RON 263 mn.

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