

November 12, 2024

Hidroelectrica

Profit impacted by normalised hydrological conditions and lower power prices

* Hidroelectrica is set to release its Q3 2024 and 9M 2024 results on November 14.

* For Q3 2024, we expect Hidroelectrica's net profit to reach RON 750m (-39% Y/Y), primarily impacted by a 21% Y/Y decline in net electricity production, reported at 2.767 TWh, due to less favourable hydrological conditions. Based on the company's preliminary KPIs, total electricity sales dropped by 24% Y/Y to 3.00 TWh (including volumes from positive imbalances), with acquisitions from third parties reduced by 51% Y/Y to 0.24 TWh. For 9M 2024, we estimate net profit at RON 3,440m (-34% Y/Y).

* Q3 2024 BCM & DAM (wholesale revenues excluding Balancing market revenues) may reach RON 587m (-44% Y/Y) as the volume sold declined by 41% Y/Y to 1.32 TWh and the average realised price may slightly decrease by 5% Y/Y RON 445/MWh. For Q3 2024, Hidroelectrica may sold the rest of last year's contracted volumes through MACEE, respectively 0.9 TWh, at RON 450/MWh, and 0.4 TWh on the BCM were prices averaged RON 494/MWh (-47% Y/Y).

* Q3 2024 Balancing revenues may increase by 28% Y/Y to RON 174m, with volumes sold reaching 0.122 TWh (+23% Y/Y) and realised prices expected to rise by 4% Y/Y to RON 1,550/MWh.

* Supply sales may decline by 16% Y/Y to RON 709m (pass-through costs excluded) due to a 2% Y/Y reduction in volumes sold to 1.53 TWh and a 14% Y/Y decrease in the average realised price (pass-through costs excluded) to RON 464/MWh. For Q3 2024, we anticipate the supplied volume composition to be split 30%/70% between HH and Non-HH. Including pass-through costs, supply sales may total RON 1,042m (-22% Y/Y).

* Q3 2024 operating expenses are expected to decline by 8% Y/Y. The increase in employee benefits (+33% Y/Y) to RON 200m is likely to be offset by reductions in turbinated water expenses to RON 103m (-20% Y/Y) and electricity purchase costs to RON 36m (-74% Y/Y), with the latter driven by lower hydro output and decreased purchase volumes and prices.

* Q3 2024 EBITDA may land at RON 1,073m (-34% Y/Y), with the respective margin seen decreasing to 56% from 63% in Q3 2023. Accordingly, 9M 2024 EBITDA is expected at RON 4,546m (-34% Y/Y), with the respective margin seen falling to 64% compared to 69% in 9M 2023.

* The quarter's net financial result is expected to decline by 9% Y/Y to RON 40m, reflecting reduced rates and interest income sources.

Q3 2024 Earnings preview

BQ: H2O RO

Last close	RON 123.00		
52 - Week range	RON 117.30	RON 137.30	
Market cap (m)	RON 55,326	EUR 11,121	

	Q3'23	Q3'24E	9M'23	9M'24E
P&L Summary (RONm)*				
Revenues o/w	2,578	1,907	9,555	7,057
Average price** (RON/MWh)	638	535	597	565
BCM & DAM revenues	1,057	610	5,223	3,096
Average price (RON/MWh)	471	463	497	445
Balancing revenues	135	174	337	623
Average price (RON/MWh)	1,489	1,550	1,393	1,572
Supply sales	1,332	1,042	3,647	2,896
Average price (RON/MWh)	856	682	781	721
Average price** (RON/MWh)	542	464	546	458
System services	91	82	245	273
Other	-37	-1	102	170
Total operating income	2,585	1,914	9,584	7,087
OPEX	(1,162)	(1,065)	(3,609)	(3,211)
Turbinated water	(128)	(103)	(506)	(414)
Employee benefits	(151)	(200)	(515)	(570)
Electricity purchased	(142)	(36)	(357)	(84)
Supply pass-through	(412)	(405)	(1,039)	(1,116)
D&A	(201)	(225)	(599)	(672)
PP&E impairment	3	1	2	2
Windfall tax	0	0	(221)	(90)
Receivables impairment	(12)	0	(61)	(2)
Repair and maintenance	(16)	(10)	(55)	(35)
Other	(102)	(86)	(259)	(230)
EBITDA	1,629	1,073	6,583	4,546
EBITDA margin	63.2%	56.3%	68.9%	64.4%
EBIT	1,423	849	5,975	3,876
Net financial result	44	40	203	219
EBT	1,467	890	6,178	4,096
Net profit	1,238	750	5,184	3,440

Source: The Company, Swiss Capital estimates; * IFRS consolidated

** Pass-through costs excluded

Price performance	1m	3m	12m	YTD
	-2%	1%	4%	-4%

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Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
HIDROELECTRICA	H2O	-	123.0	11/11/2024	NONE

Rating history for Hidroelectrica

Date	Rating	Share Price (RON)	Target Price (RON)
24/08/2023	Initiation – STRONG BUY	111.5	138.6
6/06/2024	Reinitiation of coverage - NEUTRAL	137.0	120.9*

* TP cum-dividend. Ex-dividend, our TP stands at RON 106.9 per share

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