COMPANY UPDATE

Transport Trade Services SA

Accumulate

Analyst: Caius Rapanu +4 0373 510 441 caiusroa.rapanu@bcr.ro

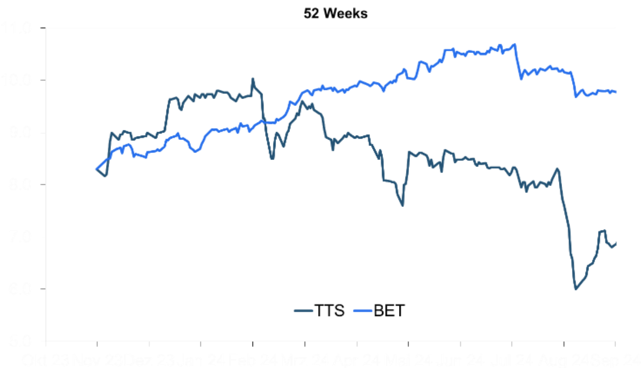
Share price (RON) close as of 29/11/2024	4.28	Reuters	TTS.BX	Free float		67.7%
Number of shares (mn)	180.0	Bloomberg	TTS RO	Shareholders	Government	(0.0%)
Market capitalization (RON mn / EUR mn)	770 / 155	Div. Ex-date	24/05/24			
Enterprise value (RON mn / EUR mn)	832 / 167	**Target price**	**4.73**	Homepage:		https://www.tts-group.ro

Key figures Overview

RON mn	2023	2024e	2025e	2026e
Net sales	1,161.1	736.7	768.5	800.5
EBITDA	437.5	134.4	190.1	214.1
EBIT	351.5	33.4	67.6	81.1
EBT	353.5	34.1	68.2	81.5
Net profit	305.4	28.7	57.3	68.4
EPS (RON)	5.09	0.48	0.95	1.14
CEPS (RON)	-1.20	1.03	1.31	1.59
BVPS (RON)	6.04	5.77	6.05	6.39
Dividend/Share (RON)	1.14	0.11	0.21	0.26
EV/EBITDA (x)	11.14	6.19	4.10	3.33
P/E (x)	5.30	8.95	4.48	3.75
P/CE (x)	-22.51	4.15	3.26	2.70
Dividend yield (%)	4.22	2.50	5.00	5.97
EBITDA margin (%)	37.68	18.24	24.74	26.74
Operating margin (%)	30.27	4.53	8.80	10.13
Net profit margin (%)	26.30	3.89	7.45	8.55

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	185,213	223,153	105,386
Trading value (RON mn)	0.8	1.2	1.5



Source Factset

Performance	12M	6M	3M	1M
in RON	-44.9%	-44.4%	-40.8%	-33.5%

Financial Strength

	2023	2024e	2025e	2026e
ROE (%)	36.88	3.07	6.13	6.96
ROCE (%)	34.20	2.78	5.67	6.88
Equity ratio (%)	81.15	84.35	84.39	84.54
Net debt (RON mn)	-118.48	-65.33	-123.28	-198.06
Gearing (%)	-10.90	-6.29	-11.32	-17.22

9M24 results: Surviving to fight another day

On the back of the major decline in stock price – more than 50% ytd – our new price target of RON4.73/share warrants an accumulate rating.

The severe drought that compromised much of the agricultural production in the region exacerbated trends that were already present in the market. This added to major disruptions in agricultural markets on the back of Ukrainian logistic chains' renewal and presence of cheap grain on world markets. An increase in chemicals' volumes could not balance lower agricultural and minerals volumes.

Albeit management succeeded in optimizing as much as possible and control costs, the macro impact was impossible to mitigate. Nevertheless, the base effect contributes significantly to the negative overtones of the results, since when comparing to the pre-war period overall top-line drivers seem reasonable and the drop in profitability (on higher costs) less drastic.

Overall, the company has the balance sheet, the reach, the flexibility, and the managerial expertise to weather the current dire market conditions and to emerge as little scathed as possible, in a universe where many of the other competitors had to curtail or cease activity.

We have amended our forecasts and financial model, and we set our target price based on the recent volumes and implied tariff data. Our model's drivers' evolution remains conservative and doesn't account for ongoing management efforts to fulfill new long term contracts.

Surviving to fight another day

Major 9M24 profitability drop vs previous three years

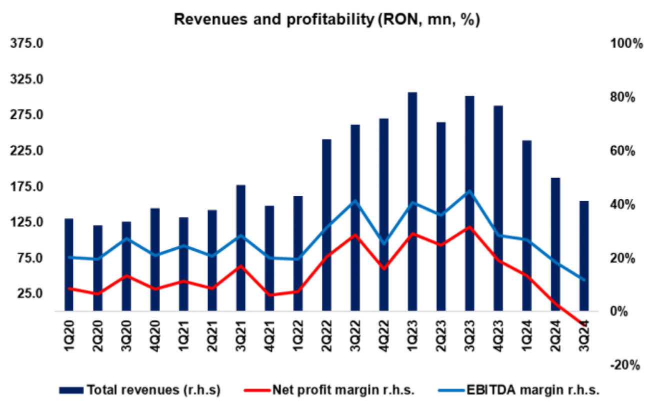
The first nine months figures published by TTS show a significant decline in top and bottom line and shrinking margins both y-o-y and q-o-q on the back of the major changes in operating environment brought by developments related to the war in the Ukraine. The top line declined about 33% compared to that of 9M23, reaching RON582mn, vs. the RON873mn of the first nine months of last year. At the same time, operating profit dropped more 86%, registering RON40mn, compared to RON295mn during 9M23. Net profit recorded an 88% drop, reaching RON29mn, vs. the RON250mn of the same period of last year. 9M24 registered lower profitability that 9M22 as well, with a lower top line, by 12%, and 75% lower operating profit, 79% lower net profit and an EBITDA that shrunk 46%. Only vs the first nine months of 2021 the company showed a significant increase in top line while profit was also almost 50% lower while EBITDA was slightly higher.

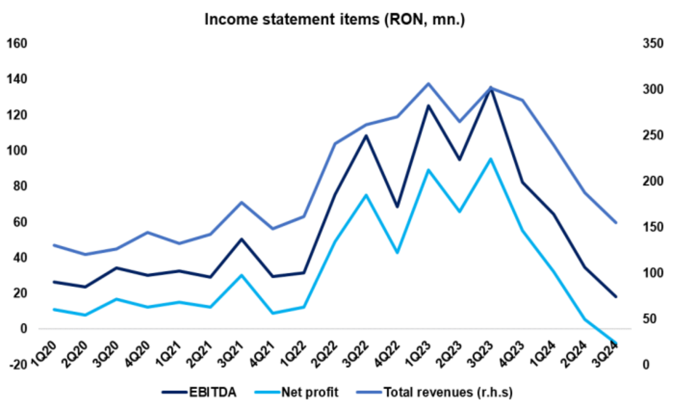
(mn. RON)	**3Q24**	**3Q23**	***chng.***	**2Q24**	***chng.***	**3Q22**	***chng.***	**3Q21**	***chng.***	**9M24**	**9M23**	***chng.***	**9M22**	***chng.***	**9M21**	***chng.***
Total revenues	**155.1**	**301.5**	***-48.6%***	**187.5**	***-17.3%***	**261.6**	***-40.7%***	**177.1**	***-12.4%***	**582**	**873**	***-33.3%***	**664**	***-12.3%***	**451**	***29.0%***
Materials	-19.1	-24.8	*-23.0%*	-23.2	*-17.7%*	-30.2	*-36.8%*	-22	*-13.2%*	-69	-80	*-13.8%*	-91	*-24.2%*	-56.7	*21.7%*
COGS	-6.3	-8.5	*-25.9%*	-7.7	*-18.2%*	-7.1	*-11.3%*	-14.2	*-55.6%*	-21	-31	*-32.3%*	-26.4	*-20.5%*	-38.7	*-45.7%*
Depreciation	-24.5	-22	*11.4%*	-26.7	*-8.2%*	-19.1	*28.3%*	-14.4	*70.1%*	-77	-61	*26.2%*	-52.1	*47.8%*	-42.3	*82.0%*
Subcontr.	-46.5	-71.9	*-35.3%*	-58.3	*-20.2%*	-80.8	*-42.5%*	-62.8	*-26.0%*	-181	-246	*-26.4%*	-231	*-21.6%*	-152.6	*18.6%*
Wages	-50.5	-57.7	*-12.5%*	-52.6	*-4.0%*	-31.3	*61.3%*	-25.1	*101.2%*	-161	-147	*9.5%*	-83	*94.0%*	-72.8	*121.2%*
Other exp.	-12.2	-11.6	*5.2%*	-12.7	*-3.9%*	-10.5	*16.2%*	-10.8	*13.0%*	-39	-33.5	*16.4%*	-32.4	*20.4%*	-31	*25.8%*
Gains/losses	-2.3	8.5	*-127.1%*	1.5	*-253.3%*	6.5	*-135.4%*	7.9	*-129.1%*	6	20	*-70.0%*	14.8	*-59.5%*	12.8	*-53.1%*
Operating expenses	**-161.4**	**-188**	***-14.1%***	**-179.7**	***-10.2%***	**-172.5**	***-6.4%***	**-141.4**	***14.1%***	**-542**	**-578.5**	***-6.3%***	**-501.1**	***8.2%***	**-381.3**	***42.1%***
Operating profit	**-6.3**	**113.5**	***-105.6%***	**7.8**	***-180.8%***	**89.1**	***-107.1%***	**35.7**	***-117.6%***	**40**	**294.5**	***-86.4%***	**162.9**	***-75.4%***	**69.7**	***-42.6%***
Fin. Rev.	1.356	5	*-72.9%*	2.4	*-42.7%*	0.4	*239.0%*	0.3	*352%*	4.456	5.9	*-24.5%*	0.8	*457.0%*	-0.1	*-4556.0%*
Fin. Costs	-1.62	-4.6	*-64.8%*	-1.3	*24.6%*	-0.9	*80.0%*	-0.5	*224.0%*	-4.42	-3.3	*33.9%*	-2.6	*70.0%*	-1.4	*215.7%*
Net fin.	**(0.3)**	**0.40**	***-166.0%***	**1.1**	***-124.7%***	**-0.5**	***-47.2%***	**-0.2**	***32.0%***	**0.036**	**2.6**	***-98.6%***	**-1.8**	***-102.0%***	**-1.5**	***-102.4%***
PBT	**-6.564**	**113.9**	***-105.8%***	**8.9**	***-174.0%***	**88.6**	***-107.4%***	**35.5**	***-118.5%***	**40.036**	**297.1**	***-86.5%***	**161.1**	***-75.1%***	**68.2**	***-41.3%***
Tax	-1.8	-18.7	*-90.4%*	-3.6	*-50.0%*	-13.6	*-86.8%*	-5.6	*-67.9%*	-11	-47	*-76.6%*	-24.8	*-55.6%*	-10.8	*1.9%*
Net Income	**-8.364**	**95.2**	***-108.8%***	**5.268**	***-258.8%***	**75**	***-111.2%***	**29.9**	***-128.0%***	**29.036**	**250.1**	***-88.4%***	**136.3**	***-78.7%***	**57.4**	***-49.4%***
Net margin	*-5.4%*	*31.6%*		*2.8%*		*28.7%*		*16.9%*		*5.0%*	*28.6%*		*20.5%*		*12.7%*	
EBITDA	**18.2**	**135.5**	***-86.6%***	**34.5**	***-47.2%***	**108.2**	***-83.2%***	**50.1**	***-63.7%***	**117**	**355.5**	***-67.1%***	**215**	***-45.6%***	**112**	***4.5%***
EBITDA margin	*11.7%*	*44.9%*		*18.4%*		*41.4%*		*28.3%*		*20.1%*	*40.7%*		*32.4%*		*24.8%*	

Source: Company data, Erste Group Research

Worst quarter in last five years...

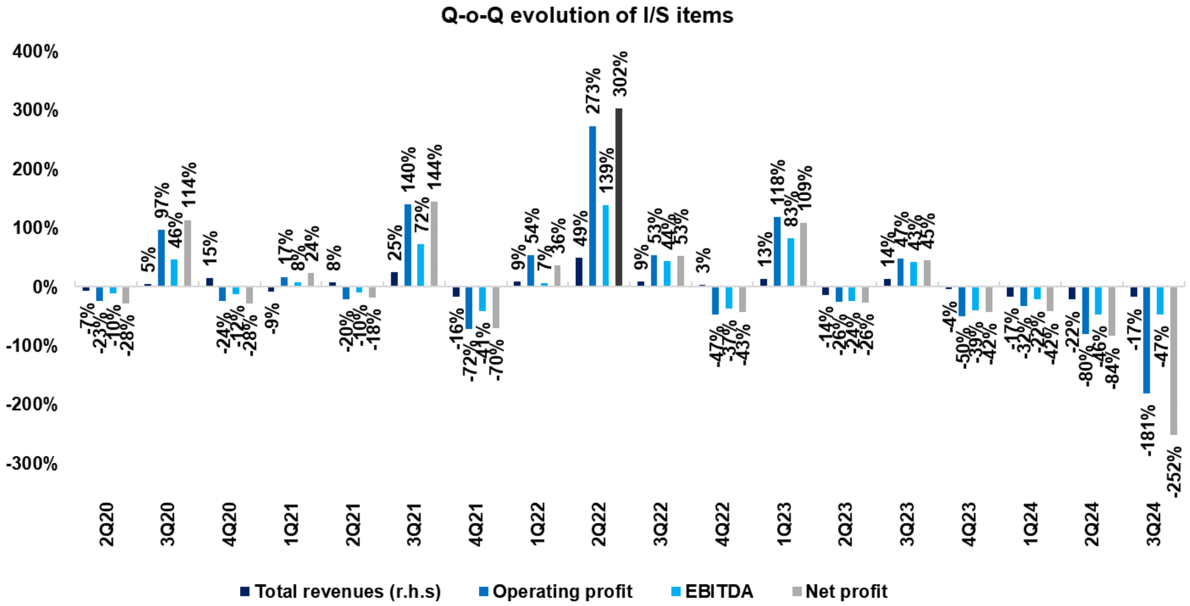
The third quarter figures exacerbated the trend of the nine months figures. We had anticipated a massive shrinking of top line and profitability compared to the stellar 3Q23, which was a record quarter. However, even when looking as far back as 3Q20, the figures look worse, not necessarily regarding top line, but also profitability.





Source: Company data, Erste Group Research

The comparison with 3Q23 and 3Q22 seems almost irrelevant with the negative net income and the EBITDA of 3Q24 just a fraction of that of those years third quarters. However, even when compared to 3Q21, on a 12% decrease in top line EBITDA dropped by 64% while operating and net profits were negative.



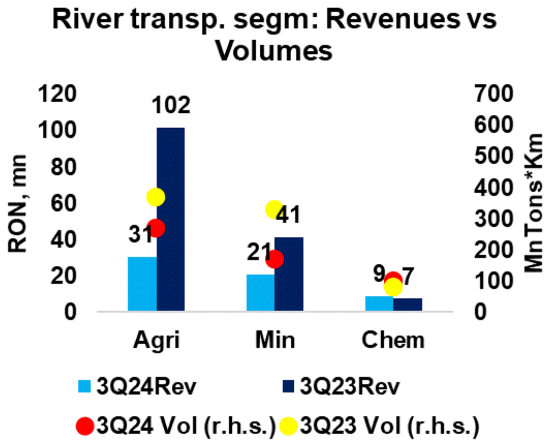
Source: Company data, Erste Group Research

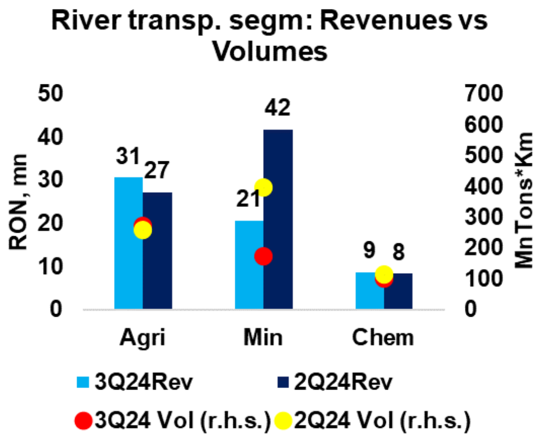
... but unexpectedly bad vs the previous quarter
As we mention above, we had anticipated the poor showing of 3Q24 vs 3Q23, however the performance vs the second quarter of 2024 surprised us. Indeed, the fourth quarter in a row of declining financials was also the record holder of q-o-q decline in the last five years. On a 17% drop in revenues, the EBITDA declined by 47%.

Operations: volume evolution

During 9M24, on a yearly basis, the volumes*distance transported by the river fleet of TTS have decreased by about 6% in terms of bn Tons*km, reaching 2.14bnTons*km vs the 2.27Tons*km recorded during the nine months of last year. In terms of port operations, total volumes decreased by 7% during 9M24, to 4.59mnT vs 4.94mnT in 9M23.

On a quarterly basis, the figures also show a declining trend compared to the previous quarter. Total volumes*distance in 3Q24 has declined vs the second quarter of the year by more than 24%, while port operated volumes increased during the same period by about 13%.

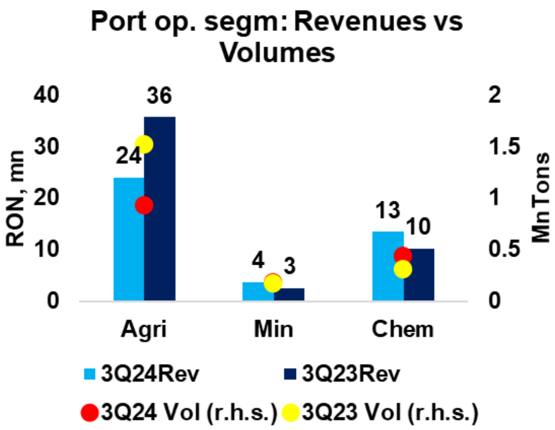


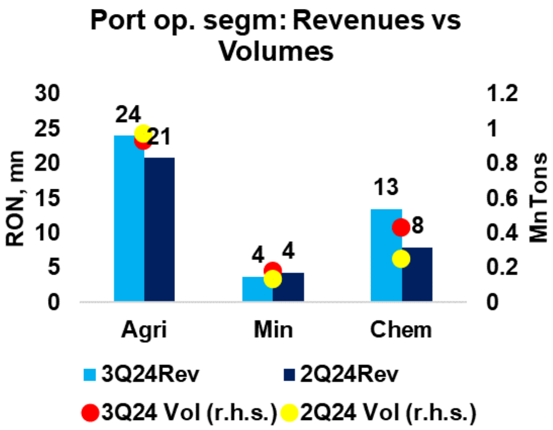


Source: Company data, Erste Group Research

In terms of segments, the agricultural product transport in terms of volume*distance has declined during 9M24 vs 9M23 by 8%, the minerals declined by 14% and chemical products increased by 43%. On a quarterly basis, there was an increase of 7% in agricultural product, a decline in minerals, of above 55% and a 5% decline in chemical products.

The port operations segment has shown during 9M24 a 18% decline in agricultural products, a 55% increase in terms of minerals and a 16% increase in chemical volumes. At the same time, during the third quarter of the year, the agricultural volumes declined 5% vs the previous quarter, and jumped by about 40% in minerals and 70% in chemicals.

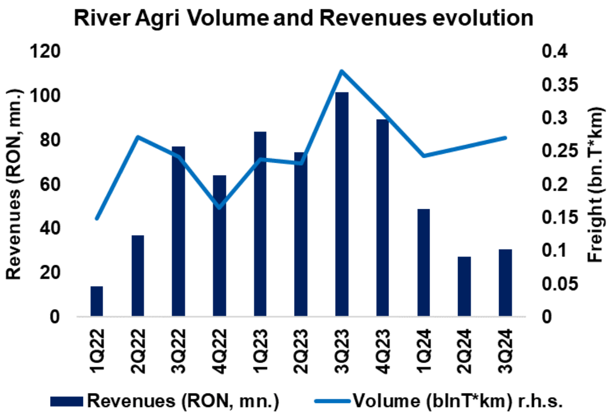


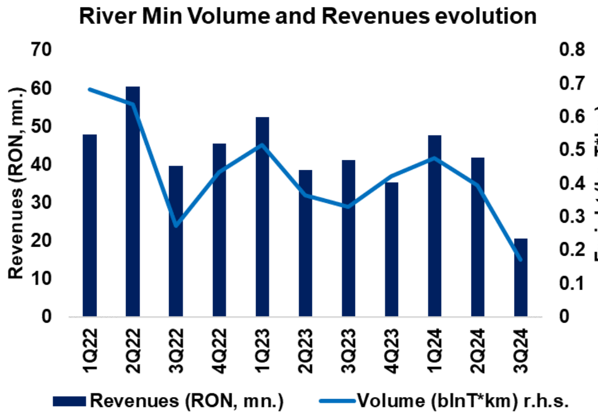


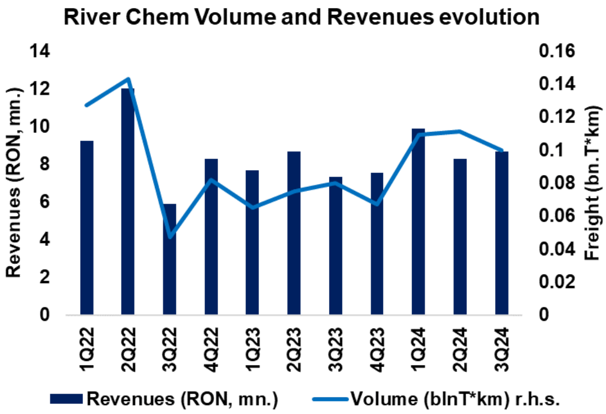
Source: Company data, Erste Group Research

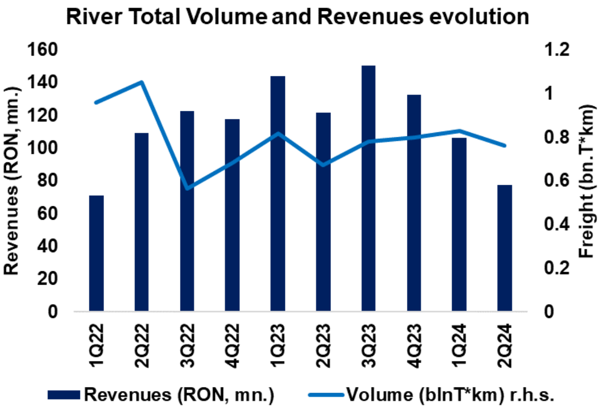
Operations: tariff evolution
The company doesn't release specific tariff figures, as they are considered to be a commercial privileged information and the specific of the activity that may see a large array of tariffs depending on specific contracts and markets. Nevertheless, considering the segment reporting in financial statements and the volume figures released quarterly, we have attempted, as before, to construct an implied tariff evolution that is only approximate but we believe relevant. The exercise is made more difficult due to the changes in granularity of reporting, as the more accurate figures (three decimals) were replaced this year by just two decimals, leading to differences between our calculations for quarterly figures and what is reported by the company. Below we present in chart format the building

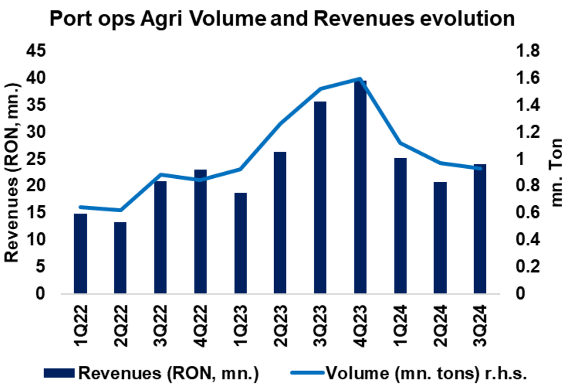
blocks for our implied tariff calculations, that led to the tariff evolution discussion below.

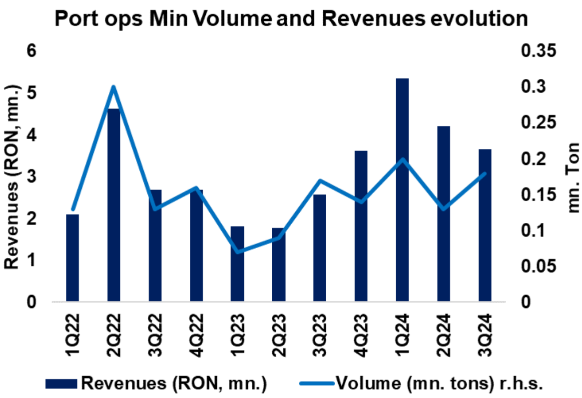


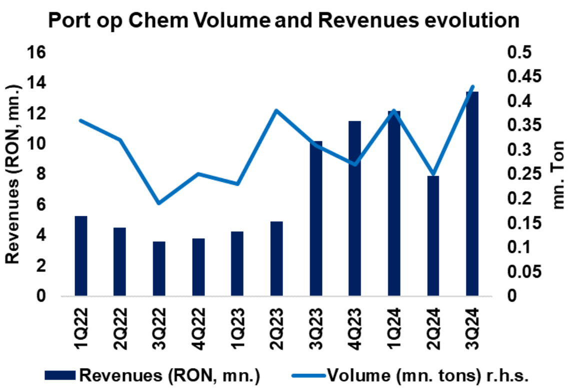


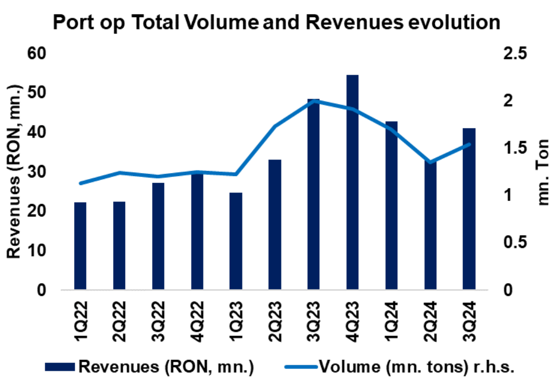






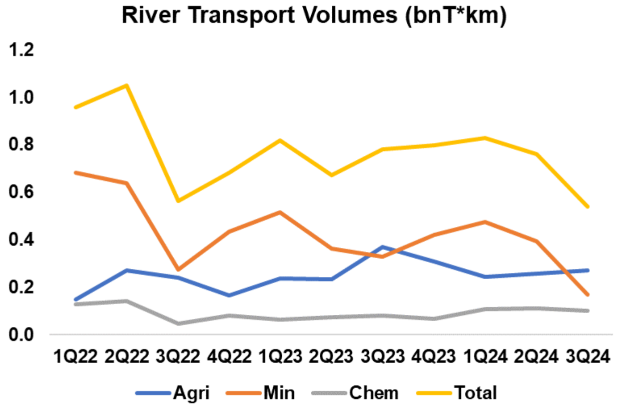


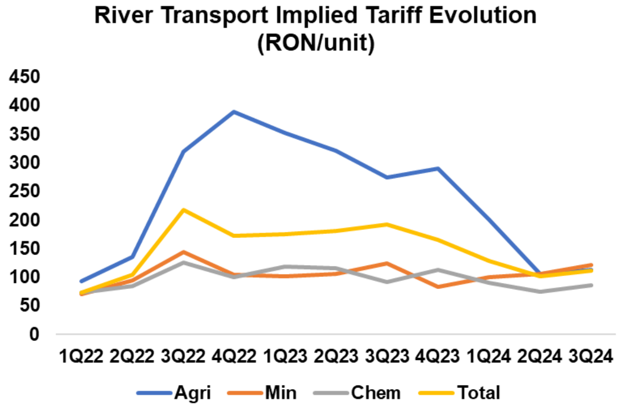




Source: Company data, Erste Group Research

Compiling the figures above, we notice that the steady overall decline in tariffs for river transport over the last previous quarters seems to have bottomed and show a slight uptick. It is of course too early to assume a bottom and we will be monitoring the situation as it develops. The minerals's tariffs showed a minor but steady increase over the last couple of quarters.

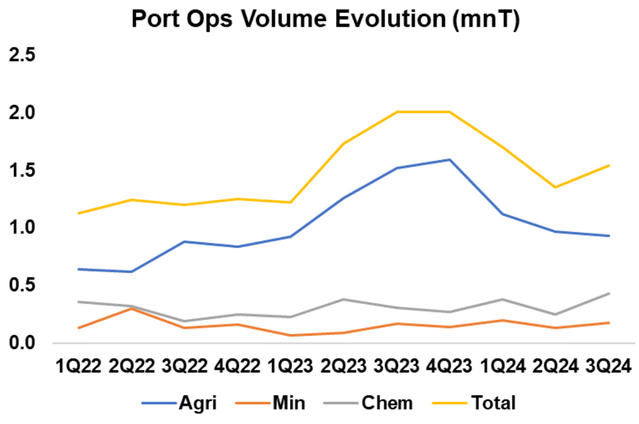


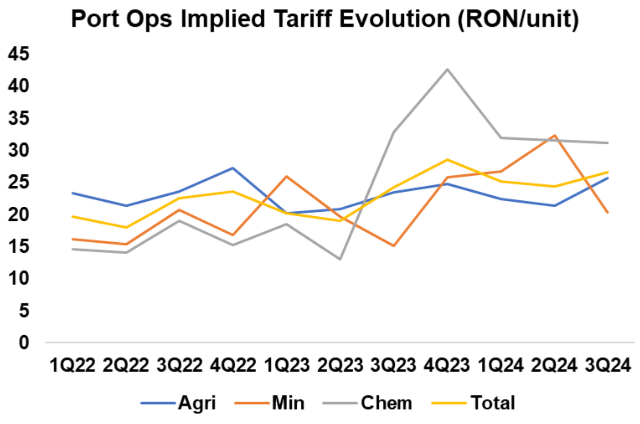


Source: Company data, Erste Group Research

In the port operations segment, the evolution of volumes has shown an overall increase during 3Q24, fueled by an increase in minerals and chemicals and a slight decline in agricultural volumes. In terms of mineral tariffs have declined, while overall tariffs have increased on the back of better tariffs for agricultural products and chemical products.

Again, we note that our tariff calculations are just for indicative purposes. Overall, by far, the most volatile tariffs are those for agricultural products where, recently the company has operated mostly in the spot market and long term contracts were made void due to lack of product.



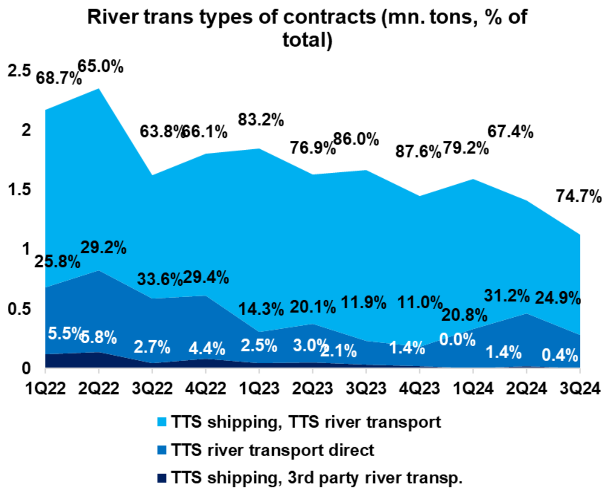


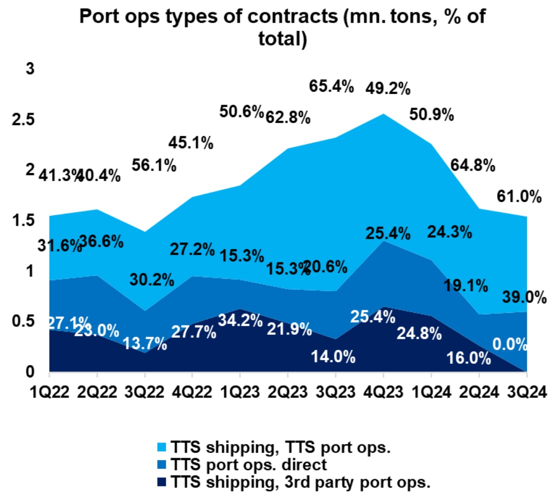
Source: Company data, Erste Group Research

Operations: contract type evolution

We present below the evolution of the structure of contracts. In the river transport segment, the share of river transport direct contracts has increased over the previous two quarter, while now it has slightly shrunk relatively to the volumes forwarded and shipped by TTS.

In the port operations business, the opposite was true, with the direct contracts increasing massively as a share of total contracts, we assume mostly due to the capabilities in Constanta being used in the agricultural segment mostly on a spot basis as long-term contracts have not been fulfilled by the clients.





Source: Company data, Erste Group Research

Cost evolution – declining less than revenues

Overall, during 9M24, total operating costs decreased by 6.3% on a 33.3% decline in revenues. On a yearly basis, the largest increase in costs was naturally that with depreciation, by 26% or RON16mn, on the back of recent investments, followed closely by personnel costs that increased by 9.5% or RON14mn. Other expenses also increased aby about RON5.5mn, mostly due to repairs and transportation services. Decreases were registered in all other costs. As a percentage of revenues, y-o-y most costs grew during 9H24, mostly due to stickiness of costs (much of are fixed or almost fixed costs) when compared to the dramatically lower revenues.

Percentage of revenues	3Q24	3Q23	2Q24	3Q22	9M24	9M23	9M22
Materials	12.3%	8.2%	12.4%	11.5%	11.9%	9.2%	13.7%
COGS	4.1%	2.8%	4.1%	2.7%	3.6%	3.6%	4.0%
Depreciation	15.8%	7.3%	14.2%	7.3%	13.2%	7.0%	7.8%
Subcontr.	30.0%	23.8%	31.1%	30.9%	31.1%	28.2%	34.8%
Wages	32.6%	19.1%	28.1%	12.0%	27.7%	16.8%	12.5%
Other exp.	7.9%	3.8%	6.8%	4.0%	6.7%	3.8%	4.9%
Gains/losses	1.5%	-2.8%	-0.8%	-2.5%	-1.0%	-2.3%	-2.2%

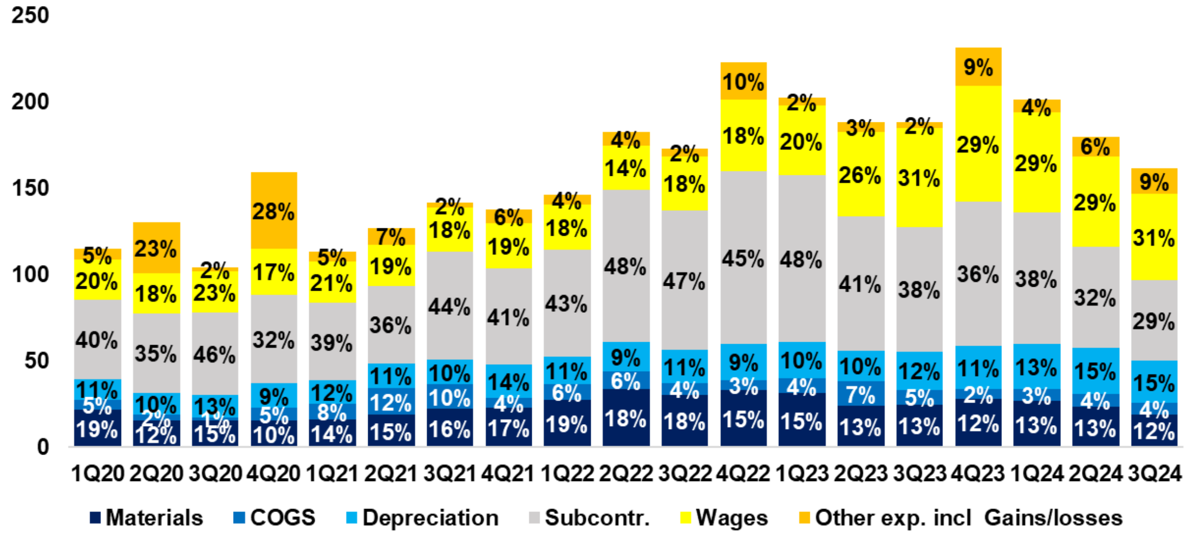
Source: Company data, Erste Group Research

Percentage of total cost difference	M24/9M23	Q24/3Q23	Q24/2Q24
Materials	*30.1%*	*21.4%*	*22.4%*
COGS	*27.4%*	*8.3%*	*7.7%*
Depreciation	*-43.8%*	*-9.4%*	*12.0%*
Subcontr.	*178.1%*	*95.5%*	*64.5%*
Wages	*-38.4%*	*27.1%*	*11.5%*
Other exp.	*-15.1%*	*-2.3%*	*2.7%*
Gains/losses	*-38.4%*	*-40.6%*	*-20.8%*
Operating expenses	***100.0%***	***100.0%***	***100.0%***

Source: Company data, Erste Group Research

The trend remains relevant on a quarterly basis, as virtually all cost items (with the exception of subcontractor costs q-o-q) increased as a share of revenues. Below we represent the cost evolution, and the share of total costs of each cost item.

TTS Group cost structure evolution (RON, mn.)



Source: Company data, Erste Group Research

Balance sheet remains strong and could be an instrument to use
The negative performance of 9M24 in terms of revenues and profitability has only marginally impacted an exceptionally strong balance sheet. The net debt stayed negative, as it remained since the end of 2021, albeit marginally weaker than that of the previous quarter with an increase in cash and equivalents, but also in ST debt and a slight decrease in LT debt.

The company's cash coffer remains solid, althought we are uncertain that the current environment would be conducive for possible additional corporate actions as the company has curtailed new investments and some conformity CAPEX. We don't expect a more generous dividend policy – albeit it might be a way to placate punters, and we would wonder if such a strong balance sheet may not be a useful instrument in increasing footprint during a period of serious disruptions in the market.

(RON, mn.)	2018	2019	2020	2021	2022	2023	1Q24E	2Q24E	3Q24
Cash & equivalents	38.9	62.4	55.2	58.9	146.0	229.6	245.3	146.4	149.8
ST Debt	54.1	62.9	50.8	41.3	26.8	36.1	38.1	37.3	42.9
LT Debt	64.2	46.1	23.1	26.8	40.9	74.7	69.5	65.3	59.3
Net Debt	79.4	46.6	18.7	9.2	-78.3	-118.9	-137.7	-43.8	-47.6
Net Debt to EBITDA	**1.10**	**0.38**	**0.16**	**0.07**	**-0.28**	**-0.27**	**-0.66**	**-0.21**	**-0.23**

Source: Company data, Erste Group Research

Corporate action

We are unsure if management will continue with current policies of dividend payment and buyback program. The buyback program fulfilled its scope and has been suspended at the beginning of 3Q24, to be resumed upon approval of further stages of the program.

At the same time, in terms of investments, the ongoing improvement in asset quality should continue in the port, as the sums are already allocated.

Conformity maintenance and other river fleet expenses have been curtailed, while personnel costs have been optimized (maintaining competitive personnel compensation) , however we are more uncertain about any other significant investment strategy.

In our opinion, during this difficult times for the industry, the current strong balance sheet of TTS may pave the way for cheap acquisitions that may prove fruitful in a more positive general environment, however we are not aware of any definite and elaborate company policy in this respect.

Looking forward – a difficult forecasting exercise

We believe the last quarter's overall negative performance may have surprised management as well as the market. In terms of budget review, management stated such a review would have not meant material differences as of half-year, while the third quarter has proven to be much worse than expected on the back of major crop failures and metallurgical combines' reduction of activity.

Furthermore, it seems the environment proves difficult enough to predict so that management cannot realistically announce even short-term forecasts or plans, not to mention any medium or long-term plans, except general views on potential growth of the business.

A price taker – trying to optimize every step of the way
With little leverage to control any of the markets in which it activates, the company is bound to be influenced by volatility in every segment it operates in. Indeed, management has proven adept in securing long-term contracts (as much as possible) in employing innovative and flexible logistical chains. Nevertheless, the vagaries of demand and volatility of tariffs are something management cannot influence. The agri business has seen for instance a major repudiation of long-term contracts in favor of spot contracts. Current size and market share of the company are not conducive to making it a price setter, and it is probably impossible to establish such a player in the field in the current state of the industry.

Our outlook: an balance of prudence and hope

According to TTS management assesments the short term coordinates of the business are:

- The river transport segment should remain impacted severely by market conditions and reduced service demand, partially offset by chemical products, metallurgical products, and thermal coal Decirom flows. Lower overall demand and recent capacity increases lead to tariff weakness in all segments and routes.

- Mineral flows impacted by lower activity in metallurgical industry, partially mitigated by imports of finished products and energy coal.
- Agricultural segment impacted by low harvests leading to market blockage, with little incentive for farmers in the lower Danube basin to sell existing stocks.
- Port operations would grow in importance, on the back of the Decirom operations, proving the opportunity of that particular investment. Moreover, the activity of Decirom would generate sinergies with the river transport activity.

Facing these difficult markets management has strived to optimize existing operations, by curtailing non-urgent investments and resizing personnel and restarted long-distance routes to the upper-Danube regions. It is also in the process of developing a number of long term contracts that would prop the business over the medium term. Nevertheless, as we state above, the possible scope of management action is disproportionate compared to the impact of market disruptions. However, even with a limited scope of action, management policies have achieved a degree of stability that minimized as much as possible the impact of the price competition and avoided for TTS the situation of competitors that were forced to exit the market or reduce transport capacity.

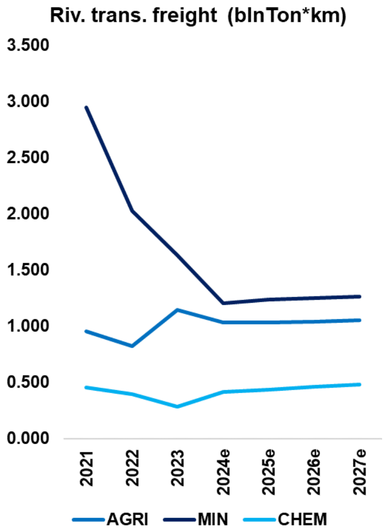
Our outlook: an balance of prudence and hope

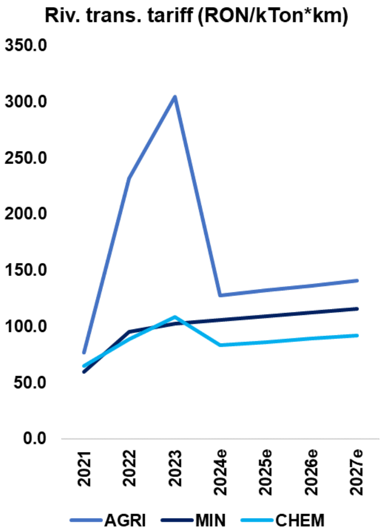
We are trying to delineate a number of drivers that are responsible for the bulk of the company's value and we are trying to make reasonable assumptions on their evolution. Overall, we would prefer to err on the side of caution, however we have to account on a number of factors that support the evolution of the company in the long run such as:
- reindustrialization of the region (hence better demand for minerals),
- value added processing of natural resources that could result in more demand for chemicals‘ transport
- irrigation plans with EU money could increase agricultural production in the area - overall economic growth in Romania and the region

Of course, the company, and the entire sector, are vulnerable to macro and geopolitical shocks, both as a tie to regional and local developments however we do not attempt to forecast such events.

River transport assumptions

Our forward-looking assumptions in terms of river transport volumes (volume*distance) are presented below, on each of the main categories. Overall, in terms of volumes we are taking into consideration in our valuation exercise a gradual decline in terms of agricultural products and a minimal increase in mineral products. In terms of tariffs, compared to the current depressed state of prices we are looking at a minimal, inflation-tied evolution going forward.

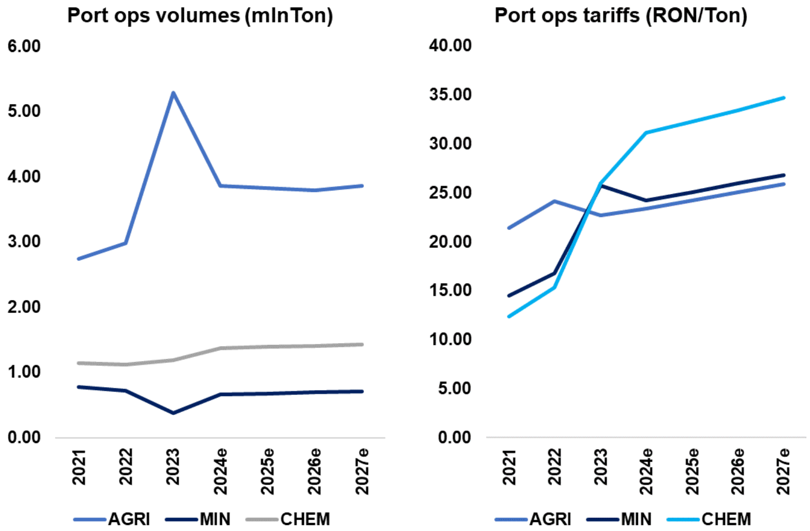




Source: Company data, Erste Group Research

Port operations assumptions

Our forward-looking assumptions in terms of port operations volumes are presented below, on each of the main categories. Overall, in terms of volumes we are taking into consideration in our valuation exercise a gradual decline in terms of agricultural products for the next few years, followed by a slight recover, we also account for a flat evolution of mineral and chemical products. In terms of tariffs, compared to the current tariffs, we are looking at a minimal, inflation-tied evolution going forward from current tariffs.



Source: Company data, Erste Group Research

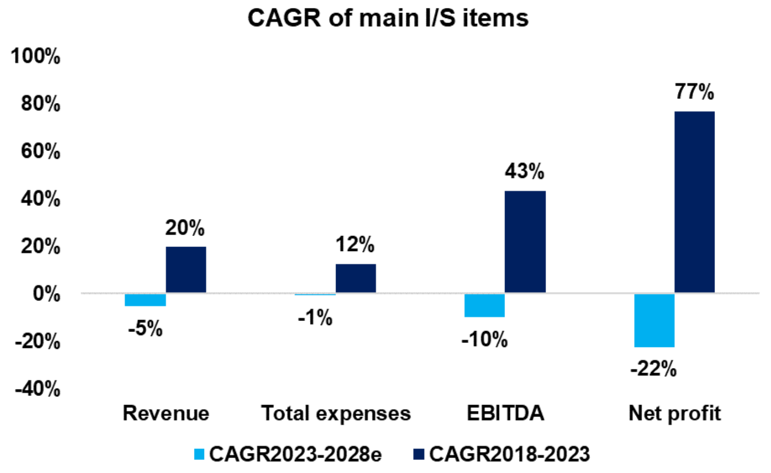
We reiterate that our tariffs calculations for both river transport and port operations are only indicative and do not fully represent the entire picture of the company activity as TTS has multiple contracts with various durations and conditions and they each entail different tariffs.

Valuing a normalization of the business

We believe that these assumptions are reasonable in trying to assess the value of the ongoing business of the company, under normal circumstances. In terms of volumes we are conservative and do not account for higher capacity in river transport (covered barges) and the recent acquisition in the Constanta Port that would enable increased volumes in chemicals, for instance. Also, future modernizations and additions to assets are not considered.

We look conservatively at revenue/cost dynamic

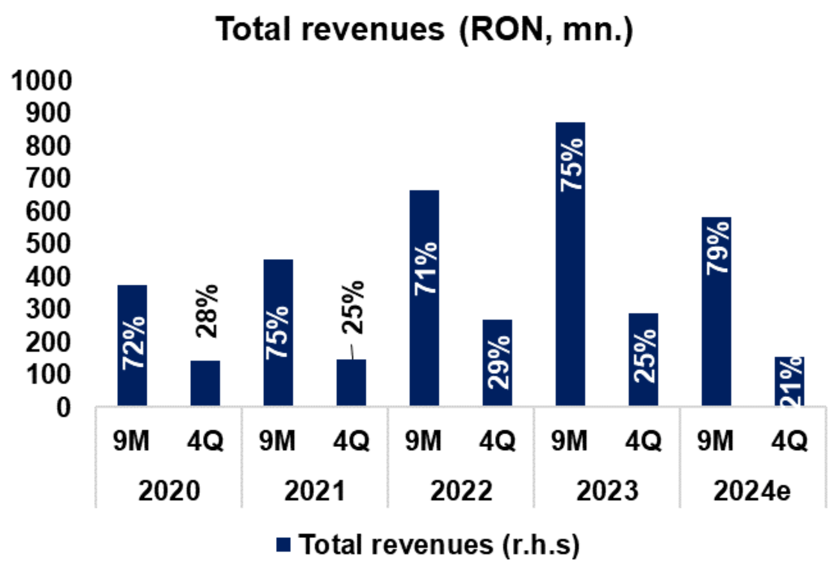
Our current valuation exercise considers a 5 yr revenue decline of 5% while overall costs, fixed and variable should decrease by 1%, leading to a contraction of EBITDA of 10% CAGR over the same five-year period, and a net profit that will contract at a CAGR of 22%. Indeed this seems reasonable as the pivot year, 2023 has been exceptional and is skewing both period of analysis, exacerbating both the growth of the first five-year period and the decline of the second.



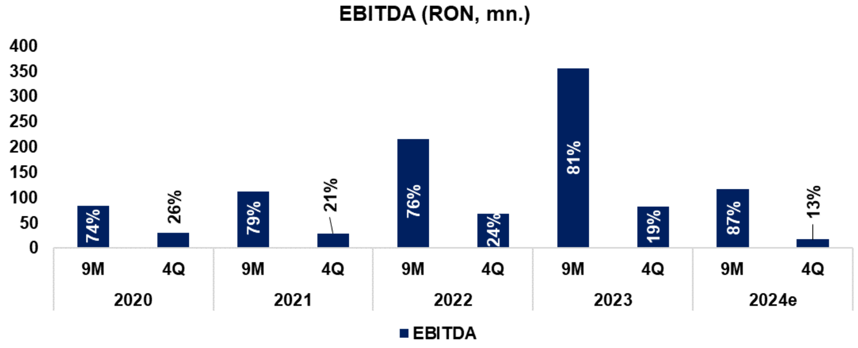
Source: Company data, Erste Group Research

Decent profitability profile going forward as a result of company investments – lower share of subcontractors in cost structure
After accounting for decreasing revenues, and marginally increasing costs, we are actually looking at a steady profitability evolution, especially in EBITDA, with an EBITDA margin never reaching until 2028 a similar level with that of 2022. One of the main reasons for the consolidation of margins is our understanding of the future impact of the capacity increases resulting from ongoing company investments that offer flexibility in terms of tackling various market conditions. Thus, we expect the continuation of the current trend in contract structure where the company would use a smaller share of subcontractors in the overall contract structure, especially considering our view on the future volumes.

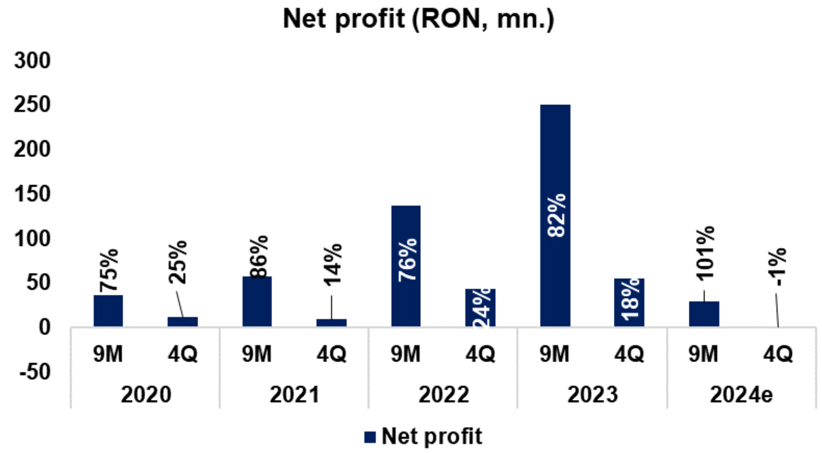
Year-end estimated profitability achievable
Our initial 2024 estimates seemed extremely conservative compared to the initial company budget. However, as of the last financial reporting, the company has offered indicative figures that are similar to our forecast. Thus, management expects for the TTS group 2024 revenues of RON739-741mn and EBITDA of RON137-140mn, very compatible with our expectations.



Source: Company data, Erste Group Research



Source: Company data, Erste Group Research



Source: Company data, Erste Group Research

Valuation – no changes in DCF parameters, lower profitability accounted for

Our WACC has remained the same as of our previous valuation exercise, we have just adapted our perpetuity profitability view to the new level derived from the existing base for calculations, i.e. the recent evolutions of tariffs and volumes upon which we applied our growth assumptions.

TTS DCF valuation

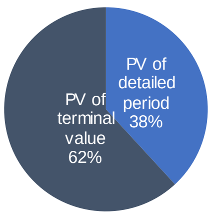
WACC calculation

	2025e	2026e	2027e	2028e	2029e	TV
Risk free rate	6.7%	6.7%	6.7%	6.7%	6.7%	4.7%
Equity risk premium	7.3%	7.3%	7.3%	7.3%	7.3%	6.9%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**14.1%**	**14.1%**	**14.1%**	**14.1%**	**14.1%**	**11.6%**
Cost of debt	7.7%	7.7%	7.7%	7.7%	7.7%	5.7%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	**6.5%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**	**4.8%**
Equity weight	75%	75%	75%	75%	75%	80%
WACC	**12.2%**	**12.18%**	**12.18%**	**12.18%**	**12.18%**	**10.22%**

DCF valuation

(RON mn)	2025e	2026e	2027e	2028e	2029e	TV
Sales growth	*4.3%*	*4.2%*	*4.7%*	*4.8%*	*4.8%*	*3.0%*
EBIT	68	81	93	102	108	85
EBIT margin	*8.8%*	*10.1%*	*11.1%*	*11.6%*	*11.7%*	*9.0%*
Tax rate	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Taxes on EBIT	-10.8	-13.0	-14.9	-16.3	-17.2	-13.7
NOPLAT	**56.8**	**68.1**	**78.1**	**85.7**	**90.5**	**71.7**
+ Depreciation	123	133	144	155	166	132
Capital expenditures / Depreciation	*93.2%*	*88.5%*	*84.4%*	*80.7%*	*77.5%*	*100.0%*
+/- Change in working capital	1	1	1	1	1	0
Chg. working capital / chg. Sales	*3.1%*	*3.1%*	*3.1%*	*3.1%*	*3.1%*	*0.0%*
- Capital expenditures	-114.3	-117.7	-121.2	-124.9	-128.6	-132.5
Free cash flow to the firm	**66.0**	**84.4**	**101.7**	**116.7**	**129.2**	**71.7**
Terminal value growth						*3.0%*
Terminal value						1,022.2
Discounted free cash flow - December 31	58.9	67.0	72.0	73.7	72.7	558.7
Enterprise value - December 31 2024	**903**					
Minorities	127					
Non-operating assets	0					
Net debt (incl. lease liabilities)	-66					
Other adjustments	0					
Equity value - (RON bn) December 31 2	**842.1**					
Cost of equity	14.1%					
Fair value, RON mn	**850.6**					
Number of shares outstanding (mn)	180.0					
Fair value per share, RON	**4.73**					
Share price	4.28					
Upside/downside (%)	*10.41%*					

Enterprise value breakdown



Sensitivity (Equity value - RON mn)

Terminal value EBIT margin

WACC	8.0%	8.5%	9.0%	9.5%	10.0%
9.2%	4.82	5.03	5.23	5.43	5.63
9.7%	4.58	4.77	4.96	5.15	5.33
10.2%	4.38	4.55	**4.73**	4.90	5.07
10.7%	4.20	4.36	4.52	4.69	4.85
11.2%	4.04	4.19	4.34	4.50	4.65

Terminal value growth

WACC	2.0%	2.5%	3.0%	3.5%	4.0%
9.2%	4.73	4.96	5.23	5.55	5.93
9.7%	4.52	4.73	4.96	5.23	5.55
10.2%	4.34	4.52	**4.73**	4.96	5.23
10.7%	4.19	4.34	4.52	4.73	4.96
11.2%	4.05	4.19	4.34	4.52	4.73

Source: Erste Group Research

Group Research

Head of Group Research	
Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902
CEE Macro/Fixed Income Research	
Head: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357
Katarzyna Rzentarzewska (Fixed income)	+43 (0)5 0100 17356
Jakub Cery (Fixed income)	+43 (0)5 0100 17384
Croatia/Serbia	
Alen Kovac (Head)	+385 72 37 1383
Mate Jelić	+385 72 37 1443
Ivana Rogic	+385 72 37 2419
Czech Republic	
David Navratil (Head)	+420 956 765 439
Jiri Polansky	+420 956 765 192
Michal Skorepa	+420 956 765 172
Hungary	
Orsolya Nyeste	+361 268 4428
János Nagy	+361 272 5115
Romania	
Ciprian Dascalu (Head)	+40 3735 10108
Eugen Sinca	+40 3735 10435
Vlad Nicolae Ionita	+40 7867 15618
Slovakia	
Maria Valachyova (Head)	+421 2 4862 4185
Matej Hornak	+421 902 213 591
Marian Kocis	+421 904 677 274
Major Markets & Credit Research	
Head: Rainer Singer	+43 (0)5 0100 17331
Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies)	+43 (0)5 0100 16314
Hans Engel (Global Equities)	+43 (0)5 0100 19835
Maurice Jiszda, CEFA®, CFDS® (USA, CHF)	+43 (0)5 0100 19630
Peter Kaufmann, CFA® (Corporate Bonds)	+43 (0)5 0100 11183
Heiko Langer (Financials & Covered Bonds)	+43 (0)5 0100 85509
Stephan Lingnau (Global Equities)	+43 (0)5 0100 16574
Maximilian Möstl (Credit Analyst Austria)	+43 (0)5 0100 17211
Carmen Riefler-Kowarsch (Financials & Covered Bonds)	+43 (0)5 0100 19632
Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corporate Bonds)	+43 (0)5 0100 17203
Elena Statelov, CIIA® (Corporate Bonds)	+43 (0)5 0100 19641
Gerald Walek, CFA® (Eurozone)	+43 (0)5 0100 16360
CEE Equity Research	
Head: Henning Eßkuchen, CESGA®	+43 (0)5 0100 19634
Daniel Lion, CIIA® (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420
Michael Marschallinger, CFA®	+43 (0)5 0100 17906
Nora Nagy (Telecom)	+43 (0)5 0100 17416
Christoph Schultes, MBA, CIIA® (Real Estate)	+43 (0)5 0100 11523
Thomas Unger, CFA® (Banks, Insurance)	+43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17343
Martina Valenta, MBA	+43 (0)5 0100 11913
Croatia/Serbia	
Mladen Dodig (Head)	+381 11 22 09178
Boris Pevalek, CFA®	+385 99 237 2201
Marko Plastic	+385 99 237 5191
Bruno Barbic, CFA®	+385 99 237 1041
Davor Spoljar, CFA®	+385 72 37 2825
Magdalena Basic	+385 99 237 1407
Czech Republic	
Petr Bartek (Head, Utilities)	+420 956 765 227
Jan Bystřický	+420 956 765 218
Hungary	
József Miró (Head)	+361 235 5131
András Nagy	+361 235 5132
Tamás Pletser, CFA® (Oil & Gas)	+361 235 5135
Poland	
Cezary Bernatek (Head)	+48 22 257 5751
Piotr Bogusz	+48 22 257 5755
Łukasz Jańczak	+48 22 257 5754
Krzysztof Kawa, CIIA®	+48 22 257 5752
Jakub Szkopek	+48 22 257 5753
Romania	
Caius Rapanu	+40 3735 10441

Group Institutional & Retail Sales

Group Institutional Equity Sales	
Head: Michal Rizek	+420 224 995 537
Cash Equity Sales	
Werner Fuerst	+43 (0)5 0100 83121
Viktoria Kubalcova	+43 (0)5 0100 83124
Thomas Schneidhofer	+43 (0)5 0100 83120
Oliver Schuster	+43 (0)5 0100 83119
Institutional Equity Sales Croatia	
Matija Tkalicanac	+385 72 37 21 14
Institutional Equity Sales Czech Republic	
Head: Michal Rizek	+420 224 995 537
Pavel Krabicka	+420 224 995 411
Martin Havlan	+420 224 995 551
Jiri Feres	+420 224 995 554
Institutional Equity Sales Hungary	
Levente Nándori	+361 235 5141
Balázs Zánkay	+361 235 5156
Krisztián Kandik	+361 235 5140
Institutional Equity Sales Poland	
Jacek Jakub Langer (Head)	+48 22 257 5711
Tomasz Galanciak	+48 22 257 5715
Wojciech Wysocki	+48 22 257 5714
Przemyslaw Nowosad	+48 22 257 5712
Maciej Senderek	+48 22 257 5713
Institutional Equity Sales Romania	
Valerian Ionescu	+40 3735 16541
Group Markets Retail and Agency Business	
Head: Christian Reiss	+43 (0)5 0100 84012
Markets Retail Sales AT	
Head: Markus Kaller	+43 (0)5 0100 84239
Group Markets Execution	
Head: Kurt Gerhold	+43 (0)5 0100 84232
Retail & Sparkassen Sales	
Head: Uwe Kolar	+43 (0)5 0100 83214
Corporate Treasury Prod. Distribution	
Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
Group Securities Markets	
Head: Thomas Einramhof	+43 (0)50100 84432
Institutional Distribution Core	
Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Institutional Distribution DACH+	
Head: Marc Friebertshäuser	+49 (0)711 810400 5540
Bernd Bollhof	+49 (0)30 8105800 5525
Andreas Goll	+49 (0)711 810400 5561
Mathias Gindele	+49 (0)711 810400 5562
Ulrich Inhofner	+43 (0)5 0100 85544
Sven Kienzle	+49 (0)711 810400 5541
Rene Klasen	+49 (0)30 8105800 5521
Christopher Lampe-Traupe	+49 (0)30 8105800 5523
Michael Schmotz	+43 (0)5 0100 85542
Christoph Ungerböck	+43 (0)5 0100 85558
Klaus Vosseler	+49 (0)711 810400 5560
Slovakia	
Šarlota Šipulová	+421 2 4862 5619
Monika Směliková	+421 2 4862 5629
Institutional Distribution CEE & Insti AM CZ	
Head: Antun Burić	+385 (0)7237 2439
Jaromir Malak	+43 (0)5 0100 84254
Czech Republic	
Head: Ondrej Čech	+420 2 2499 5577
Milan Bartoš	+420 2 2499 5562
Jan Porvich	+420 2 2499 5566
Pavel Zdichynec	+420 2 2499 5590
Croatia	
Head: Antun Burić	+385 (0)7237 2439
Zvonimir Tukač	+385 (0)7237 1787
Ana Tunjić	+385 (0)7237 2225
Natalija Zujic	+385 (0)7237 1638
Hungary	
Head: Peter Csizmadia	+36 1 237 8211
Gábor Bálint	+36 1 237 8205
Balazs Papay	+36 1 237 8213
Gergő Szabo	+36 1 237 8209
Romania	
Head: Cristian Vasile Pascu	+40 373 511 695
Institutional Asset Management Czech Republic	
Head: Petr Holeček	+420 956 765 453
Petra Maděrová	+420 956 765 178
Martin Peřina	+420 956 765 106
David Petráček	+420 956 765 809
Blanca Weinerová	+420 956 765 317
Petr Valenta	+420 956 765 140
Group Fixed Income Securities Markets	
Head: Goran Hoblaj	+43 (0)50100 84403
FISM Flow	
Head: Gorjan Hoblaj	+43 (0)5 0100 84403
Margit Hraschek	+43 (0)5 0100 84117
Bernd Thaler	+43 (0)5 0100 84119
Ciprian Mitu	+43 (0)5 0100 85612
Christian Kienesberger	+43 (0)5 0100 84323
Zsuzsanna Toth	+36-1-237 8209
Poland	
Pawel Kielek	+48 22 538 6223
Michal Jarmakowicz	+43 50100 85611

Company description

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

Disclaimer

Important Disclosures

THIS DOCUMENT MAY NOT BE BROUGHT INTO THE UNITED STATES OF AMERICA, CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN, TO ANY PERSON WHO IS A CITIZEN OF THOSE STATES, OR SENT OR DISTRIBUTED TO ANY MEDIA IN ANY OF THOSE STATES.

General disclosures

All recommendations given by Erste Group Research are independent, objective and are based on the latest company, industry and other general information publicly available which Erste Group Research considers being reliable; however, Erste Group does not represent or assume any liability for the completeness of accuracy of such information or its recommendation. The best possible care and integrity is used to avoid errors and/or misstatements. No influence on the rating and/or target price is being exerted by either the covered company or other internal departments of Erste Group. Each research drawn up by an analyst is reviewed by a senior research executive or agreed with a senior analyst/deputy (4-eyes-principle). Erste Group has implemented extensive Compliance Rules on personal account dealings of analysts (please see "Conflicts of Interest"). Analysts are not allowed to involve themselves in any paid activities with the covered companies except as disclosed otherwise. No part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. Erste Group may engage in transactions with financial instruments, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Erste Group, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Conflicts of interest

Erste Group Bank AG ensures with internal policies that conflicts of interest are managed in a fair and reasonable manner. The policy „Managing Conflict of Interest in Connection with Investment Research" is provided under the following link:
https://www.erstegroup.com/legal/Managing_Conflicts_of_Interest_-_Umgang_mit_IK.pdf

Disclosures of potential conflicts of interest relating to Erste Group Bank AG and affiliated companies as well as relevant employees and representatives with respect to the issuer(s) resp. financial instruments are updated daily. An overview of conflicts of interest for all analysed companies by Erste Group Research is provided under the following link:
Disclosure | Erste Group Bank AG.

The distribution of all recommendations and the distribution of recommendations in relation to which investment services have been provided is available under the following link:
https://www.erstegroup.com/legal/Recommendations_Distribution.pdf

Erste Group rating definitions

Buy	> +20% from target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% from target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

A history of all recommendations within the last 12 months is provided under the following link:
Research Disclaimer | Erste Group Bank AG

Explanation of valuation parameters and risk assessment
Unless otherwise stated in the text of the financial investment research, target prices in the publication are based on a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates, in the capital market sentiment and in regulatory provisions. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political, economic and social conditions.

All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).
Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link: https://www.erstegroup.com/legal/Bewertungsmethoden_and_Valuations.pdf

Planned frequency of updates
Target prices for individual stocks are meant to be 12 month target prices, starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require.

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. a 12M TP is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

If a recommendation change has been made in this publication, please see the following link for a detailed overview of the previous recommendation(s):
https://www.erstegroup.com/en/research/research-legal

Links

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

Additional notes to readers in the following countries:

Austria**:** Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnemannstraße 22, D-60314 Frankfurt am Main, Germany) and by the Austrian Financial Market Authority (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

Germany**:** Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United Kingdom (UK): Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority and the Prudential Regulation Authority. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

Czech Republic**:** Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the Czech National Bank (CNB).

Croatia**:** Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the Croatian Financial Services Supervisory Agency (HANFA).

Hungary**:** Erste Bank Hungary ZRT. And Erste Investment Hungary Ltd. Are regulated for the conduct of investment activities in Hungary by the Hungarian Financial Supervisory Authority (PSZAF).

Serbia**:** Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Securities Commission of the Republic of Serbia (SCRS).

Romania**:** Banka Comerciala Romana is regulated for the conduct of investment activities in Romania by the Romanian National Securities Commission (CNVM).

Poland**:** Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the Polish Financial Supervision Authority (PFSA).

Slovakia**:** Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the National Bank of Slovakia (NBS).

Switzerland**:** This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SWX Swiss Exchange.

Hong Kong: This document may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Vienna
Commercial Register No: FN 33209m
Commercial Court of Vienna
Erste Group Homepage: www.erstegroup.com