

February 20, 2025

Hydroelectrica

Profit weighed down by unfavourable hydrological conditions
FY 2024E DPS: RON 8.89 | 7.3% DIVY

* Hydroelectrica is set to release its Q4 2024 / FY 2024 preliminary results on February 26.

* For Q4 2024, we expect Hydroelectrica's net profit to reach RON 609m (-52% Y/Y), primarily impacted by a 21% Y/Y decline in net electricity production, reported at 2.81 TWh, due to less favourable hydrological conditions. Based on the company's preliminary KPIs, total electricity sales dropped by 25% Y/Y to 2.95 TWh (including volumes from positive imbalances), with acquisitions from third parties reduced by 64% Y/Y to 0.14 TWh.

* For FY 2024, we estimate the net profit at RON 4,141m (-35% Y/Y) primarily impacted by a 21% Y/Y decline in net power output to 13.86 TWh (-21% Y/Y). The rest of the decline is mainly explained by reduced power prices and increased windfall tax and staff costs.

* Q4 2024 BCM & DAM (wholesale revenues excluding Balancing market revenues) may reach RON 671m (-38% Y/Y) with the volumes sold declining by 43% Y/Y to 1.21TWh partially offset by the average realised price expected increase to RON 555/MWh (+9% Y/Y). In Q4 2024, on the OPCOM forward and spot markets, the average price reached RON 511.1/MWh (-40% Y/Y) and RON 728.6/MWh (+46% Y/Y), respectively.

* Q4 2024 Balancing revenues may increase by 11% Y/Y to RON 254m, with volumes sold reaching 0.135 TWh (-29% Y/Y) and realised prices expected to rise by 56% Y/Y to RON 1,885/MWh.

* Q4 2024 Supply sales may decline by 27% Y/Y to RON 673m (pass-through costs excluded) due to a 29% Y/Y reduction in the average realised price (pass-through costs excluded) to RON 431/MWh partially offset by the volumes sold increase to 1.56 TWh (+3% Y/Y). For Q4 2024, we anticipate the supplied volume composition to be split 35%/65% between HH and Non-HH, in line with Q3 2024 levels. Including pass-through costs, supply sales may total RON 1,065m (-20% Y/Y).

* Q4 2024 operating expenses are expected to rise by 6% Y/Y. The increase in employee benefits (+15% Y/Y) to RON 232m, D&A (+13% Y/Y) to RON 226m and PP&E impairments to RON 177m (+19% Y/Y) is likely to more than offset the reductions in turbinated water expenses to RON 104m (-22% Y/Y) and electricity purchase costs to RON 34m (-66% Y/Y), driven by lower hydro output and decreased purchase volumes and prices.

* Q4 2024 EBITDA may land at RON 1,103m (-34 Y/Y), with the respective margin seen decreasing to 54% from 64% in Q4 2023. Accordingly, FY 2024 EBITDA is expected at RON 5,761m (-30% Y/Y), with the respective margin seen falling to 62% compared to 68% in FY 2023.

* The quarter's net financial result is expected to increase flat Y/Y to RON 32m.

* Regarding dividends, we estimate total payouts of RON 4,000m (97% payout ratio), implying a DPS of RON 8.89 and a dividend yield of 7.3% based on the last closing price.

Q4 2024 Earnings preview

BQ: H2O RO

Last close	RON 122.40		
52 - Week range	RON 116.00	RON 137.30	
Market cap (m)	RON 55,056	EUR 11,062	

	Q4'23	Q4'24E	FY'23	FY'24E
P&L Summary (RONm)*				
Revenues o/w	2,605	2,054	12,160	9,254
Average price** (RON/MWh)	674	676	526	509
BCM & DAM revenues	1,088	671	6,172	3,915
Average price (RON/MWh)	510	555	480	480
Balancing revenues	230	254	567	918
Average price (RON/MWh)	1,205	1,885	1,310	1,723
Supply sales	1,324	1,065	4,936	3,909
Average price (RON/MWh)	868	681	816	702
Average price** (RON/MWh)	604	431	569	431
System services	88	63	334	316
Other	-125	1	152	196
Total operating income	2,611	2,064	12,195	9,431
OPEX	(1,284)	(1,364)	(4,995)	(4,742)
Turbinated water	(133)	(104)	(639)	(518)
Employee benefits	(203)	(232)	(717)	(826)
Electricity purchased	(99)	(34)	(456)	(140)
Supply pass-through	(455)	(392)	(1,504)	(1,496)
D&A	(200)	(226)	(799)	(900)
PP&E impairment	(148)	(177)	(237)	(172)
Windfall tax	(4)	(142)	(225)	(362)
Receivables impairment	(19)	0	(80)	(56)
Repair and maintenance	(30)	(12)	(85)	(50)
Other	8	(45)	(251)	(222)
EBITDA	1,675	1,103	8,237	5,761
EBITDA margin	64.3%	53.7%	67.7%	62.3%
EBIT	1,327	700	7,200	4,689
Net financial result	32	32	259	248
EBT	1,359	732	7,459	4,938
Net profit	1,258	609	6,365	4,141

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

** Pass-through costs excluded

Price performance	1m	3m	12m	YTD
	-1%	1%	9%	0%

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Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
HIDROELECTRICA	H2O	-	122.4	19/02/2025	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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