

COMPANY UPDATE

Transport Trade Services SA

from Accumulate to Hold

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Share price (RON) close as of 11/03/2025	4.78	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)	860 / 173	Div. Ex-date	24/05/24		
Enterprise value (RON mn / EUR mn)	922 / 185	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	6.86	4.57	3.75
P/E (x)	5.30	10.00	5.01	4.19
P/CE (x)	-22.51	4.63	3.64	3.02
Dividend yield (%)	4.22	2.24	4.47	5.35
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	75,334	80,602	128,972
Trading value (RON mn)	0.4	0.4	1.3



Price performance:	1M	3M	6M	12M
in EUR	-5.4%	4.4%	-23.0%	-81.3%

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

The perfect storm – lower across the board, as expected; only limited financials, no operational data released

We are downgrading our recommendation for TTS from Accumulate to Hold on the back of the stock performance that reached our target price which remained unchanged. The company has released only partial financial results for 2024 and no operational data, thus we are currently unable to update our financial model and maintain our forecasts until the issue of such data.

The financials reported came in line with our expectations, with only higher financial expenses than our forecasts.

We had expected the sharp decline in revenues, on the back of the severe demand disruptions compared to the previous record two years, leading to lower volumes and tariffs. Moreover, some costs are semi-fixed, leading to a negative margin impact.

Looking forward, we now expect a more benign 2025 performance compared to 2024, however demand recovery should be predicated on a good grain crop and a recovery in metal production in the region. Both premises are uncertain considering the lack of rain in the region YTD, and unclear production prospects of metallurgical combines serviced by the company. Once operational data is released and better visibility on current trend emerges, we would update our financial model and revise our target price and recommendation.

2024YE results – no comparison to previous record years, a hope for stabilization during 4Q24

2024 Consolidated and individual balance sheet and income statement reported TTS released preliminary figures for 2024, in an abridged format showing individual and consolidated income statement and balance sheet. No other information, operational or financial is available. We expect more detailed operational and financial data by the end of March with the issue of the 2025 budget and end of April with the publication of the annual report and the GSM.

The perfect storm

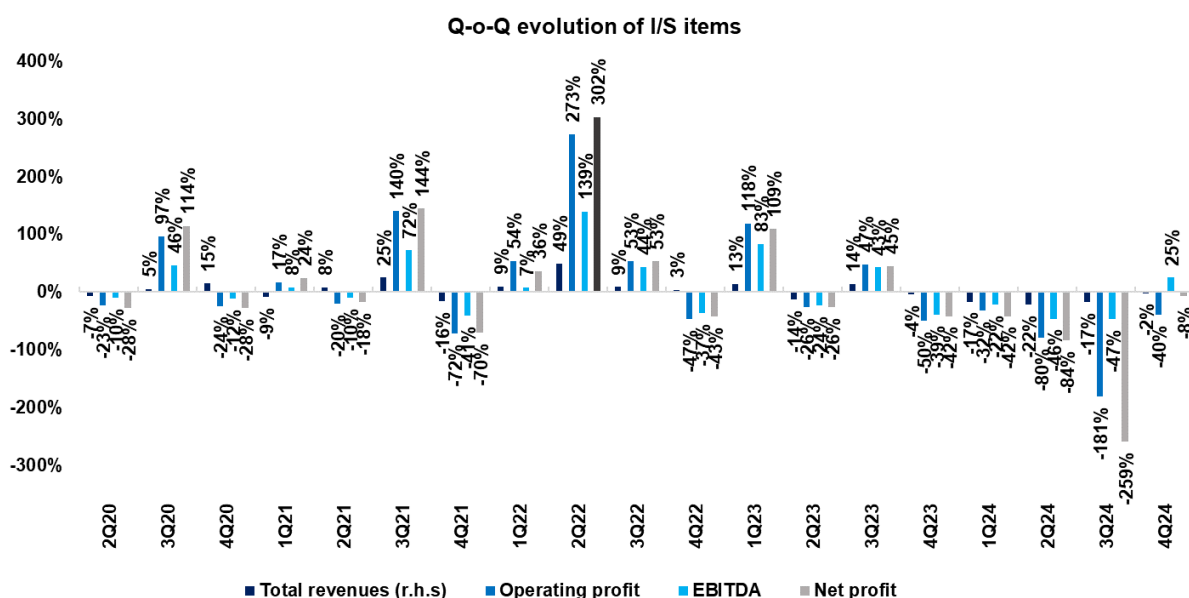
All that could go wrong, went wrong. During 2024, the demand for transportation and handling services for Ukrainian grain collapsed to virtually nothing, compared to the surge of demand in the previous year. Furthermore, a Danube basin drought combined with an oversupply of grain on international markets making regional grain uncompetitive. According to the company, the demand for metallurgical raw materials was also insufficient during the year. All this was also exacerbated by the sharp increase in transport capacity that followed the high demands of the previous two years, leading to a major downward adjustment of tariffs.

Preliminary reporting summary

(mn. RON)	4Q24	4Q23	chng.	3Q24	chng.	4Q22	chng.	4Q21	chng.	2024	2023	chng.	2022	chng.	2021	chng.
Total revenues	151.8	288.1	-47.3%	155.1	-2.1%	270.4	-43.9%	147.8	2.7%	733.8	1161	-36.8%	934.4	-21.5%	598.8	22.5%
Materials	-19	-28	-32.1%	-19.1	-0.5%	-32.8	-42.1%	-23	-17.4%	-88	-108	-18.5%	-124	-28.9%	-79.7	10.4%
COGS	-6.8	-5.4	25.9%	-6.3	7.9%	-6.1	11.5%	-5.3	28.3%	-27.8	-36.4	-23.6%	-32.5	-14.5%	-44	-36.8%
Depreciation	-26.5	-25.1	5.6%	-24.5	8.2%	-20.8	27.4%	-19.3	37.3%	-103.5	-86.1	20.2%	-72.9	42.0%	-61.6	68.0%
Subcontr.	-60.7	-83.7	-27.5%	-46.5	30.5%	-100.2	-39.4%	-56.1	8.2%	-241.7	-330	-26.7%	-331	-27.0%	-208.7	15.8%
Wages	-43.3	-67	-35.4%	-50.5	-14.3%	-41.2	5.1%	-25.7	68.5%	-204.3	-214	-4.5%	-124	64.5%	-98.5	107.4%
Other exp.	-11.8	-11.6	1.7%	-12.2	-3.3%	-12.7	-7.1%	-10.9	8.3%	-50.8	-45.1	12.6%	-45.1	12.6%	-41.9	21.2%
Gains/losses	12.5	-10.3	n.m.	-2.3	n.m.	-9	n.m.	2.7	363.0%	18.5	9.7	90.7%	5.8	219.0%	15.5	19.4%
Operating expenses	-155.6	-231.1	-32.7%	-161.4	-3.6%	-222.8	-30.2%	-137.6	13.1%	-697.6	-810	-13.8%	-724	-3.6%	-518.9	34.4%
Operating profit	-3.8	57	-106.7%	-6.3	-39.7%	47.6	n.m.	10.2	-137.3%	36.2	351.5	-89.7%	210.5	-82.8%	79.9	-54.7%
Fin. Rev.	1.044	0.9	16.0%	1.4	-23.0%	0.2	422.0%	1	4%	5.5	6.8	-19.1%	1	450.0%	0.9	511.1%
Fin. Costs	-1.88	-1.5	25.3%	-1.62	16.0%	-0.2	840.0%	-0.5	276.0%	-6.3	-4.8	31.3%	-2.8	125.0%	-1.9	231.6%
Net fin.	(0.8)	(0.60)	39.3%	-0.3	216.7%	0.00	n.m.	0.5	-267.2%	-0.8	2	-140.0%	-1.8	-55.6%	-1	-20.0%
PBT	-4.636	56.4	-108.2%	-6.6	-29.4%	47.6	n.m.	10.7	-143.3%	35.4	353.5	-90.0%	208.7	-83.0%	78.9	-55.1%
Tax	-3.1	-1.1	181.8%	-1.8	72.2%	-4.9	-36.7%	-1.7	82.4%	-14.1	-48.1	-70.7%	-29.7	-52.5%	-12.5	12.8%
Net Income	-7.736	55.3	-114.0%	-8.364	-7.5%	42.7	n.m.	9	-186.0%	21.3	305.4	-93.0%	179	-88.1%	66.4	-67.9%
Net margin	-5.1%	19.2%		-5.4%		15.8%		6.1%		2.9%	26.3%		19.2%		11.1%	
EBITDA	22.7	82.1	-72.4%	18.2	24.7%	68.4	-66.8%	29.5	-23.1%	139.7	437.6	-68.1%	283.4	-50.7%	141.5	-1.3%
EBITDA margin	15.0%	28.5%		11.7%		25.3%		20.0%		19.0%	37.7%		30.3%		23.6%	

Source: Company data

Yearly top line crash... 2024 YE consolidated revenues registered at RON734mn, a drop of 37% compared to the previous year, and almost 22% lower compared to 2022. Only vs 2021 the top line shows an improvement of about 23%.



Source: Company report, Erste Group Research

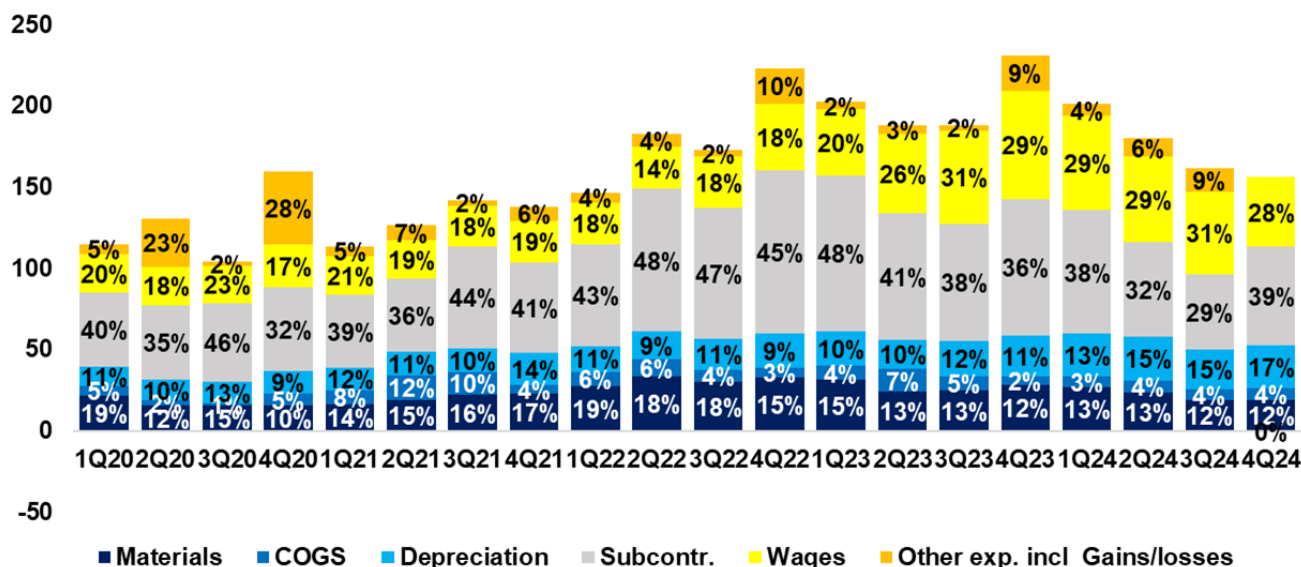
... on a similar trend with quarterly revenues. On a quarterly basis, during 4Q24 total consolidated revenues were RON152mn and were 47% lower compared to the same period of last year, while they declined by 2% compared to 3Q24. Vs the same period of the year 2022, the revenues for 4Q were 44% lower, and vs. 4Q21, the revenues were about 3% higher. Thus the quarterly trend was largely in line with the yearly trend.

Costs decline much less than revenues. Operating costs for the year, declined only by 14% vs 2023, while the decline vs 2022 was of only 4%. Vs 2021 operating costs increased by 34%, much more than the increase in revenues. On a quarterly basis as well, the decline in operating expenses was lower than the decline in revenues compared to the last quarters of 2022-2023, while compared to 4Q21 the increase in operating costs was higher than the appreciation of the top line.

Expenses (RON, mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Materials	16.1	18.6	22	23	27.2	33.6	30.2	32.8	31.2	24	24.8	28	26.7	23.2	19.1	19
COGS	8.9	15.6	14.2	5.3	9.1	10.2	7.1	6.1	8.6	13.9	8.5	5.4	7	7.7	6.3	6.8
Depreciation	13.7	14.2	14.4	19.3	15.9	17.1	19.1	20.8	21	18	22	25.1	25.8	26.7	24.5	26.5
Subcontr.	44.7	45.1	62.8	56.1	62.2	88	80.8	100.2	96.4	77.7	71.9	83.7	76.2	58.3	46.5	60.7
Wages	24	23.7	25.1	25.7	26.2	25.5	31.3	41.2	40.3	49	57.7	67	57.9	52.6	50.5	43.3
Other exp. incl Gain	5.8	9.5	2.9	8.2	5.5	8.1	4	21.7	5	5.4	3.1	21.9	7.3	11.2	14.5	-0.7
Total	113.2	126.7	141.4	137.6	146.1	182.5	172.5	222.8	202.5	188	188	231.1	200.9	179.7	161.4	155.6

Source: Company report, Erste Group Research

TTS Group cost structure evolution (RON, mn.)



Source: Company report, Erste Group Research

Costs shares' in revenues. Due to the major decline in revenues, the shares of fixed – or semi-fixed costs – have gone up as a share of revenues. The major increase in depreciation is also explained by the growth in depreciation as an absolute number, on the back of asset growth. Wage growth as a percentage of revenue are partially explained by the necessity of keeping the fleet manned to a certain extent, regardless if the assets are actually utilized or not.

Percentage of rev	4Q24	4Q23	3Q24	4Q22	2024	2023	2022	2021
Materials	12.5%	9.7%	12.3%	12.1%	12.0%	9.3%	13.2%	13.3%
COGS	4.5%	1.9%	4.1%	2.3%	3.8%	3.1%	3.5%	7.3%
Depreciation	17.5%	8.7%	15.8%	7.7%	14.1%	7.4%	7.8%	10.3%
Subcontr.	40.0%	29.1%	30.0%	37.1%	32.9%	28.4%	35.4%	34.9%
Wages	28.5%	23.3%	32.6%	15.2%	27.8%	18.4%	13.3%	16.4%
Other exp.	7.8%	4.0%	7.9%	4.7%	6.9%	3.9%	4.8%	7.0%
Gains/losses	-8.2%	3.6%	1.5%	3.3%	-2.5%	-0.8%	-0.6%	-2.6%

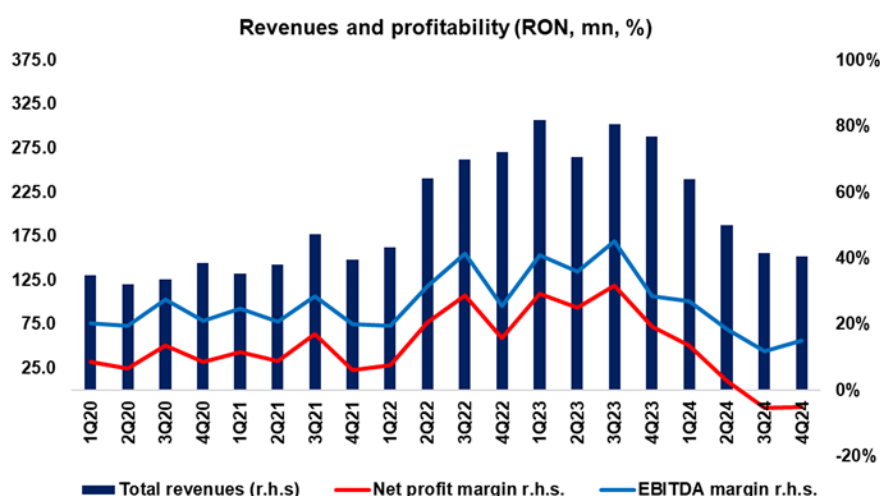
Source: Company report, Erste Group Research

We are uncertain on the reason of the increase in subcontractor costs for the last quarter, compared to 3Q24, however the company hasn't issued data related to the share of forwarding contracts performed with subcontractors vs own fleet. Upon the release of more details in this respect we would be able to understand the mechanism behind this expense growth.

Percentage of total cost difference	2024/2023	4Q24/4Q23	4Q24/3Q24
Materials	17.9%	11.9%	1.7%
COGS	7.7%	-1.9%	-8.6%
Depreciation	-15.5%	-1.9%	-34.5%
Subcontr.	78.6%	30.5%	-244.8%
Wages	8.7%	31.4%	124.1%
Other exp.	-5.1%	-0.3%	6.9%
Gains/losses	7.9%	30.2%	255.2%
Operating expenses	100.0%	100.0%	100.0%

Source: Company report, Erste Group Research

Major profitability decline for the year... On a yearly basis, 2024 results show a significant crash in operating profits by 90% compared to previous year and 83% compared to 2022. Even vs 2021, the operating profit shrunk by 55%, reaching RON36mn. Net income for the year dropped to RON21mn, vs the RON305mn during 2023, the RON179mn in 2022 and RON66 mn in 2021. EBITDA evolution is similar, with 2024 seeing a RON140mn, a 68% decline vs the RON438mn of 2023, 51% vs RON283mn in 2022 and 1% vs 2021.



Source: Company report, Erste Group Research

... while 4Q24 slightly better than previous quarter. On a quarterly basis, the profitability collapsed compared to the last quarter of 2023, with a decline of 72% in EBITDA and a negative net income. Vs the last years of 2021-2023 the picture is similar to that of the yearly results, showing a negative evolution. Nevertheless, compared to the previous quarter, the trend profitability has slightly improved, with a 25% better EBITDA and a smaller net income loss.

No cash flow statement or notes to the financial statements. The company has not released any other data than B/S and I/S on an individual and consolidated basis. No announcement regarding the total amount of investments for the year has been made.

Negative net debt... Despite the shrinking of the cash pile on the balance sheet, and the total debt has remained similar to that of the last year, and the net debt remains marginally negative.

(RON, mn.)	2018	2019	2020	2021	2022	2023	2024
Cash & equivalents	38.9	62.4	55.2	58.9	146.0	229.6	129.2
ST Debt	54.1	62.9	50.8	41.3	26.8	36.1	56.0
LT Debt	64.2	46.1	23.1	26.8	40.9	74.7	54.0
Net Debt	79.4	46.6	18.7	9.2	-78.3	-118.9	-19.2
Net Debt to EBITDA	1.10	0.38	0.16	0.07	-0.28	-0.27	-0.14

Source: Company report, Erste Group Research

Significant YE difference vs budget, mostly in line with our expectations The company hasn't updated the budget during the year, thus the budgeted numbers were those anticipated at the beginning of the year when the outlook for the business was dramatically different. Even

after the first quarter of 2024, the outlook seemed more benign compared to the subsequent developments. Compared to our expectations, the revenues were in line, while the operating profit was about 8% higher and EBITDA about 4% higher. The higher finance costs brought down the net profit, to a higher extent than our estimations, leading to a net profit 25% lower than our forecast.

(mn. RON)	2024	2024B	24A/24E	2024e	24A/24e
Total revenues	733.8	1100.2	-33.3%	736.7	-0.4%
Materials	-88	-99.7	-11.7%	-88.4	-0.5%
COGS	-27.8	-38.3	-27.4%	-27.6	0.6%
Depreciation	-103.5	-108.5	-4.6%	-101.0	2.5%
Subcontr.	-241.7	-345.2	-30.0%	-228.4	5.8%
Wages	-204.3	-262.9	-22.3%	-209.9	-2.7%
Other exp.	-50.8	-49.4	2.8%	-51.6	-1.5%
Gains/losses	18.5	24.4	-24.2%	3.6	412.5%
Operating expenses	-697.6	-879.6	-20.7%	-703.3	-0.8%
Operating profit	36.2	220.6	-83.6%	33.4	8.4%
Fin. Rev.	5.5			1.0	450.8%
Fin. Costs	-6.3	-2.0	215.0%	-0.2	2531.3%
Net fin.	-0.8	-2.0	-60.0%	0.8	-205.4%
PBT	35.4	218.6	-83.8%	34.1	3.7%
Tax	-14.1	-35.0	-59.7%	-5.5	158.1%
Net Income	21.3	183.6	-88.4%	28.7	-25.7%
<i>Net margin</i>	<i>2.9%</i>	<i>16.7%</i>		<i>3.9%</i>	
EBITDA	139.7	329.1	-57.6%	134.4	4.0%
<i>EBITDA margin</i>	<i>19.0%</i>	<i>29.9%</i>		<i>18.2%</i>	

Source: Company report, Erste Group Research

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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