

Equity Research

Utilities

TRANSELECTRICA

9M'12 results – y/y low sales advance but net profit has been eroded by financial loss

Under review

Price 14/11/12 12m target
RON 11.39 **N.A.**

Sector

Weighting
Neutral

Last recommendation

**BUY (TP: RON 22.4 on
 26/04/11)**

Key figures

(RONm)	9M'12	y/y %	Cons. 9M'12 avg. BRD- GSGe	Surprise
Turnover	2,097	7.2	2,043.5	2,002.5
EBIT	96.2	-55.4	93.1	95.6
Net income	19.9	-87.0	23.1	29.1

BRD-GSG sentiment (-/0/+)

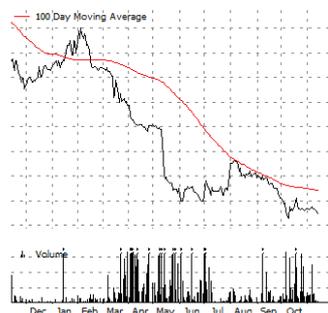
Surprise	-
Publication vs. cons.	-
Market reaction	-
Company new guidance	0
Chg. in sector perception	0

Source: Transelectrica 9M'12 RAS results, BRD-GSG

Type of investment

Defensive stock	✓
Regulatory risk	✓
FX risk	✓

1 year Price-Volume



Source: FactSet, BRD- GSG

Transelectrica on
www.transelectrica.ro

Share data

RIC TXEL.BX, Bloomberg TEL RO			
52-week range	11.3 -19.0		
Market cap. (RONm)	827.59		
Free float(%)	27.8		
Performance (%)	1m	3m	12m
Ordinary shares	-3.5	-13.2	-36.2
Rel to BET	-3.0	-14.3	-39.7

- **Main surprises** Transelectrica reported 9M'12 sales of RON 2.097bn (+7.2% y/y and slightly above Reuters' consensus (+2.6%) and BRD-GSGe (+4.7%)). Operating performance (9M'12 EBIT) was down by 55.4% y/y, in line with our estimate (RON 95.6m) and market consensus (RON 93.1m), but net profit dropped to RON 19.9m (-87% y/y and well below our forecast of RON 29.1m or market expectations of RON 23.1m).

Most of operating revenues relative to profitable activities (transport revenues, functional services and interconnection revenues) were in line with our expectations as Q3'12 transported energy was flat vs. Q3'11 figure (our forecast was of a small growth of 1.2% y/y). On other side, market balancing revenues, which are the most significant item from pass through revenues category, came by 41% higher than our estimate, while technological system revenues came as expected being also linked with power consumption.

Operating expenses amounted to RON 2.02bn, +14.6% y/y and were also slightly higher than our expectations (+5%), mainly because of higher material expenses including here market balancing expenses. Personnel costs, depreciation and third parties expenses were in line with our forecast.

Consequently, 9M'12 EBIT came at RON 96.2m, also in line with BRD-GSG estimate but slightly above market consensus (+3.3%).

In 9M'12 financial activity ended with a loss of RON 64.8m, significant higher than our forecast of RON 55m, as earned interest revenues were lower than estimates and FX losses were higher than expected. 9M'12 net result declined to RON 19.9m (-87% y/y and also -31.5% vs. our estimate and -13.8% vs. Reuters consensus).

- **Potential impact on share price/recommendation** We expect the results to have a negative impact for the share price in the next few days. We place the company under review, as we consider that our end year target is unlikely to be achieved in the current conditions.

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BRD-GSG rating system (November 2012)

Premium List

Selected from stocks expected to outperform the market by over 25%.

Buy

Expected to outperform the market by at least 10%.

Hold

Expected to perform in line with the market +/-10%.

Sell

Expected to underperform the market by at least 10%.

Assumptions

12 month time horizon and flat market over forecast period.

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