COMPANY UPDATE

Transport Trade Services SA

Buy

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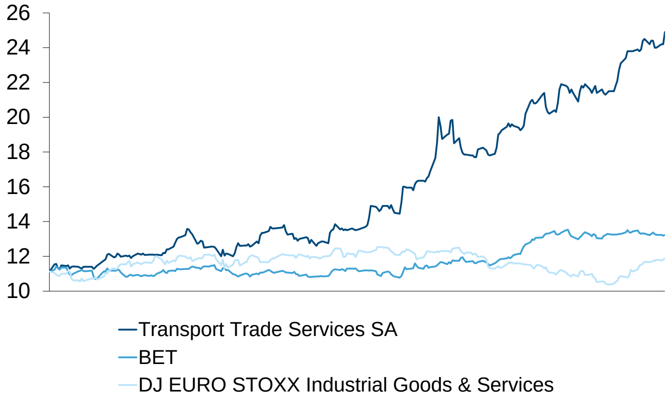
Share price (RON) close as of 01/12/2023	24.9	Reuters	TTS.BX	Free float		67.7%
Number of shares (mn)	60.0	Bloomberg	TTS RO	Shareholders	Government	(0.0%)
Market capitalization (RON mn / EUR mn)	1,494 / 301	Div. Ex-date	15/05/23			
Enterprise value (RON mn / EUR mn)	1,480 / 298	**Target price**	**30.4**	Homepage:	https://www.tts-group.ro	

Key figures Overview

RON mn	2022	2023e	2024e	2025e
Net sales	934.4	1,180.0	1,257.3	1,106.2
EBITDA	283.4	483.8	383.5	304.2
EBIT	210.5	402.0	268.5	185.1
EBT	208.7	401.8	266.2	180.8
Net profit	179.0	337.6	223.6	151.9
EPS (RON)	2.98	5.63	3.73	2.53
CEPS (RON)	1.88	3.86	2.77	2.40
BVPS (RON)	13.64	17.28	19.82	21.57
Dividend/Share (RON)	0.55	2.25	1.49	1.01
EV/EBITDA (x)	2.56	3.06	3.33	3.64
P/E (x)	3.84	4.43	6.68	9.84
P/CE (x)	6.08	6.45	8.99	10.36
Dividend yield (%)	4.80	9.04	5.99	4.07
EBITDA margin (%)	30.33	41.00	30.50	27.50
Operating margin (%)	22.53	34.07	21.35	16.73
Net profit margin (%)	19.16	28.61	17.78	13.73

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	137,288	64,577	48,743
Trading value (RON mn)	3.4	1.6	0.8



Price performance:	**1M**	**3M**	**6M**	**12M**
in EUR	**12.7%**	**27.2%**	**84.2%**	**123.8%**

Financial Strength

	2022	2023e	2024e	2025e
ROE (%)	28.46	41.91	22.90	13.94
ROCE (%)	24.96	39.61	24.90	18.71
Equity ratio (%)	81.43	79.62	80.86	83.77
Net debt (RON mn)	-78.24	-141.01	-364.79	-546.15
Gearing (%)	-9.56	-13.60	-30.67	-42.19

Recognizing excellence, efforts, and results

On the back of recent results and current prospects for YE 2023, and still considering a conservative scenario for our future estimates and valuation, we continue to find a generous upside in the stock and **maintain our BUY recommendation while increasing our target price to RON30.4/share**.

Yet again, the YTD results posted by TTS surprise on the upside and reinforce our positive stance on the company's outlook, creating a new base for our projections, even in a subdued scenario. We have noted a renewed, record-high, increase in profitability during 3Q23, even better than expected considering the specific circumstances prevailing in the market during the last six quarters.

We continue to forecast cautiously in terms of volumes and tariffs, notably so in view of the uncertainties regarding the war in the region and the impossibility of anticipating a resolution and timing for the conflict. The volatility and risk perception generated by the war have been positive for TTS in terms of tariffs and volumes, however we only consider a scenario where the recent highs are not going to be reached and – actually – we continue to estimate our valuation in a largely softer volume and price environment.

Management actions remain top-notch, prudent, and proactive in improving operations. M&A show positive results, accretive to value, with measured CAPEX outlays with considerable expected ROIs.

The risk to recommendation and TP stays connected to the difficulty of anticipating developments in the region.

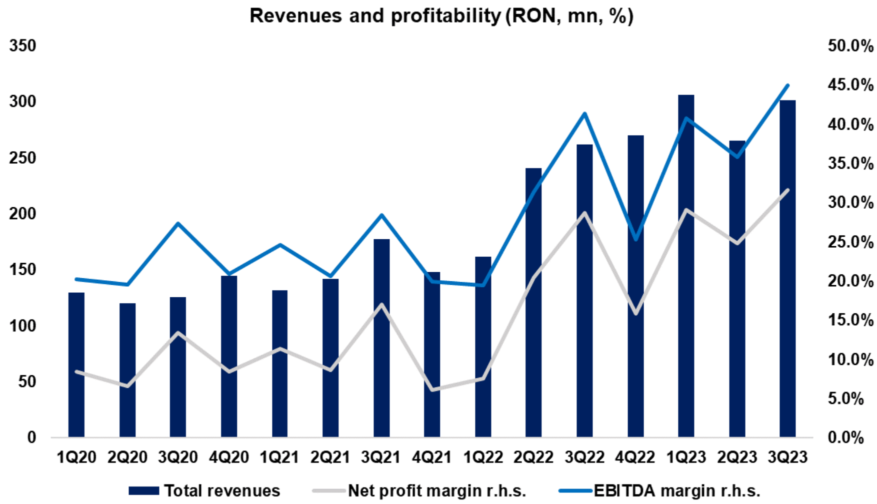
Exceptionally profitable 9M23, 3Q23 – best quarter yet

TTS published 9M23 results that show significant growth in top and bottom line and very strong margins. The top line advanced about 32% compared to that of 9M22, reaching over RON873mn, vs. the RON664mn of the first nine months of last year. At the same time, operating profit grew more 80%, registering RON294mn, compared to RON163mn during 9M22. Net profit recorded an 84% advance, reaching RON250mn vs the RON136mn of the similar period of last year.

(mn. RON)	3Q23	3Q22	*chng.*	2Q23	*chng.*	3Q21	*chng.*	9M23	9M22	*chng.*	9M21	*chng.*
Total revenues	**301.5**	**261.6**	***15.3%***	**265**	***13.8%***	**144.4**	***108.8%***	**873**	**664**	***31.5%***	**451**	***93.6%***
Materials	-24.8	-30.2	*-17.9%*	-24	*3.3%*	-15.4	***61.0%***	-80	-91	*-12.1%*	-56.7	*41.1%*
COGS	-8.5	-7.1	*19.7%*	-13.9	*-38.8%*	-7.3	***16.4%***	-31	-26.4	*17.4%*	-38.7	*-19.9%*
Depreciation	-22	-19.1	*15.2%*	-18	*22.2%*	-14.1	***56.0%***	-61	-52.1	*17.1%*	-42.3	*44.2%*
Subcontr.	-71.9	-80.8	*-11.0%*	-77.7	*-7.5%*	-51.5	***39.6%***	-246	-231	*6.5%*	-152.6	*61.2%*
Wages	-57.7	-31.3	*84.3%*	-49	*17.8%*	-26.4	***118.6%***	-147	-83	*77.1%*	-72.8	*101.9%*
Other exp.	-11.6	-10.5	*10.5%*	-11.5	*0.9%*	-9.2	***26.1%***	-33.5	-32.4	*3.4%*	-31	*8.1%*
Gains/losses	8.5	6.5	*30.8%*	6.1	*39.3%*	-4.3	***-297.7%***	20	14.8	*35.1%*	12.8	*56.3%*
Operating expenses	**-188**	**-172.5**	***9.0%***	**-188**	***0.0%***	**-128.2**	***46.6%***	**-578.5**	**-501.1**	***15.4%***	**-381.3**	***51.7%***
Operating profit	**113.5**	**89.1**	***27.4%***	**77**	***47.4%***	**16.2**	***600.6%***	**294.5**	**162.9**	***80.8%***	**69.7**	***322.5%***
Fin. Rev.	0.8	0.4	*100.0%*	0	*#DIV/0!*	-0.5	***-260.0%***	1.7	0.8	*112.5%*	-0.1	*-1800.0%*
Fin. Costs	-0.3	-0.9	*-66.7%*	1.1	*-127.3%*	-0.5	***-40.0%***	1	-2.6	*-138.5%*	-1.4	*-171.4%*
Net fin.	**0.5**	**-0.5**	***-200.0%***	**1.1**	***-54.5%***	**-1**	***-150.0%***	**2.7**	**-1.8**	***-250.0%***	**-1.5**	***-280.0%***
PBT	**114**	**88.6**	***28.7%***	**78.1**	***46.0%***	**15.2**	***650.0%***	**297.2**	**161.1**	***84.5%***	**68.2**	***335.8%***
Tax	-18.7	-13.6	*37.5%*	-12.3	*52.0%*	-2.5	***648.0%***	-47	-24.8	*89.5%*	-10.8	*335.2%*
Net Income	**95.3**	**75**	***27.1%***	**65.8**	***44.8%***	**12.7**	***650.4%***	**250.2**	**136.3**	***83.6%***	**57.4**	***335.9%***
Net margin	*31.6%*	*28.7%*		*24.8%*		*8.8%*		*28.7%*	*20.5%*		*12.7%*	
EBITDA	**135.5**	**108.2**	***25.2%***	**95**	***42.6%***	**30.3**	***347.2%***	**355.5**	**215**	***65.3%***	**112**	***217.4%***
EBITDA margin	*44.9%*	*41.4%*		*35.8%*		*21.0%*		*40.7%*	*32.4%*		*24.8%*	

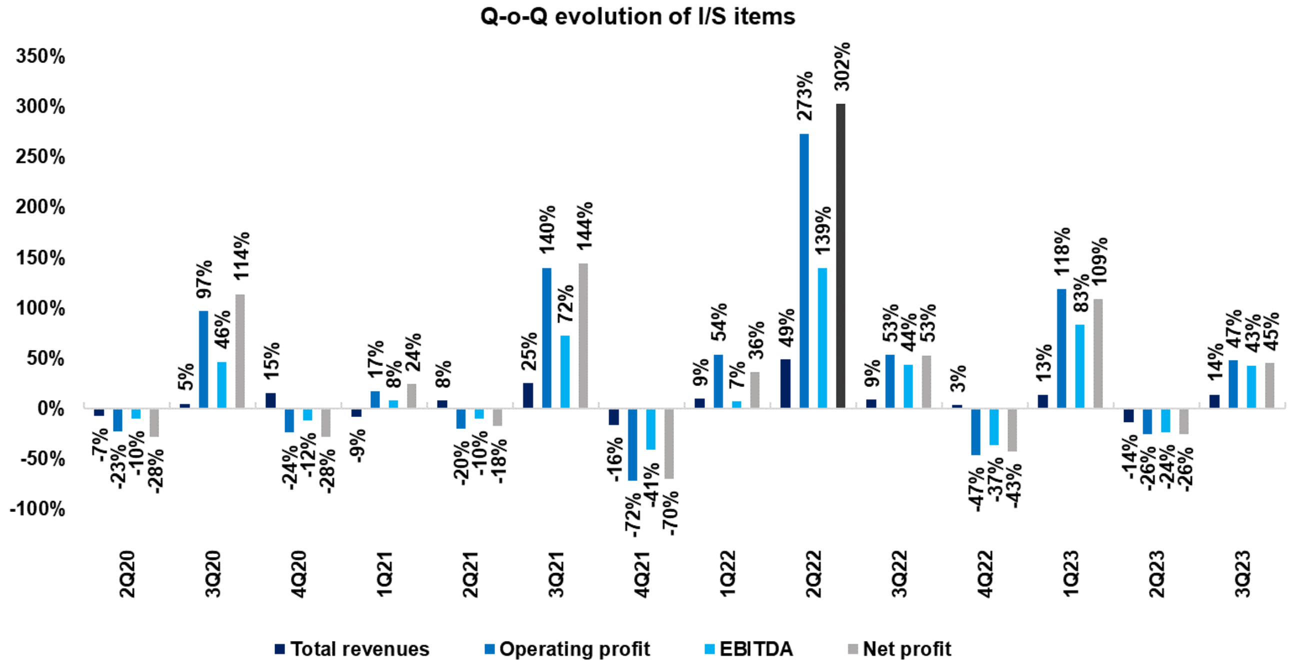
Source: Company data, Erste Group Research

On a quarterly basis, the company posted a 15% top line growth, y-o-y, with more than 27% higher operating income and net profit growth of 27% and an EBITDA growth of 25%.



Source: Company data, Erste Group Research

Vs, the previous quarter, the numbers show a higher top line, by about 14%, with 47% higher operating and 45% higher net profit and a 43% higher EBITDA. Moreover, when comparing with the third quarter of 2021, the top line advanced by 109%, and operating expenses only 47%, leading to a hike in profitability of more than seven times, in terms of operating and net profits. Even higher than during the previous quarter, margins show exceptionally strong levels with EBITDA margin at 45% and Net margin at 32%.

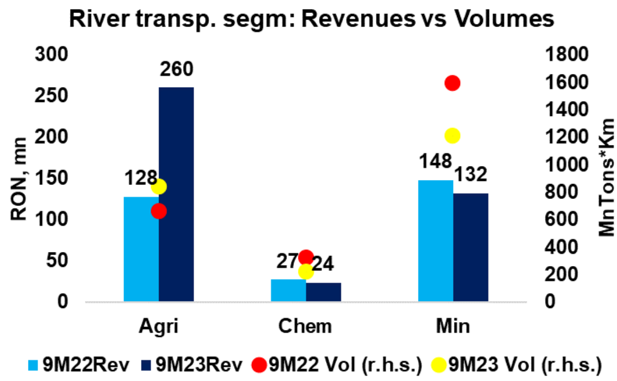


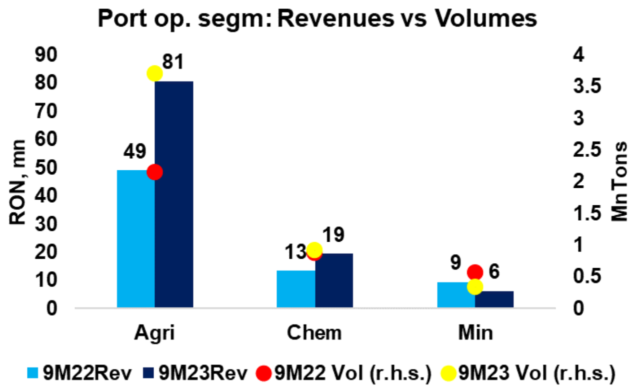
Source: Company data, Erste Group Research

Revenues: agricultural products at unprecedented levels

During the first nine months of the year, the main driver for the exceptional top line and profitability was the flow of agricultural products, on the back of the reconfiguration of flows related to the war in the Ukraine. Thus, on a yearly basis, the volumes transported by the river fleet of TTS have increased by about 27% in terms of bnTons*km, reaching 0.84bnTons*km vs the 0.66bnTons*km recorded during the first nine months of last year. In terms of port operations, the flow of agricultural products was also increased by 73%, reaching 3.7mn tons, compared to the 2.14mn tons of 9M22. These are the figures representing only the volumes operated inhouse, without taking into consideration what the forwarding segment contracted with third parties.

At the same time, the company recorded significant retreats in the volumes transported and operated mineral goods and a mixed performance in chemical goods. The transport of mineral goods has declined by almost 24% reaching 1.21bnTons*km vs. 1.59bnTons*km in 9M22 and port operations in the same segment declined by 41% to 0.33mn tons. A mixed picture was present in the chemicals segment, with a contraction of 31% y-o-y in freight, reaching 0.22bnTons*km during 9M23 vs. 0.32bnTons*km in 9M22. Port operated volumes in the chemicals segment however increased slightly by 6% reaching 0.92mn tons.





Source: Company data, Erste Group Research

On a 9M basis… On the back of these changes in flows, revenues followed. The company managed to exploit adequately the logistics situation and capitalized on the explosive growth of demand for agricultural goods related services with matching tariffs.

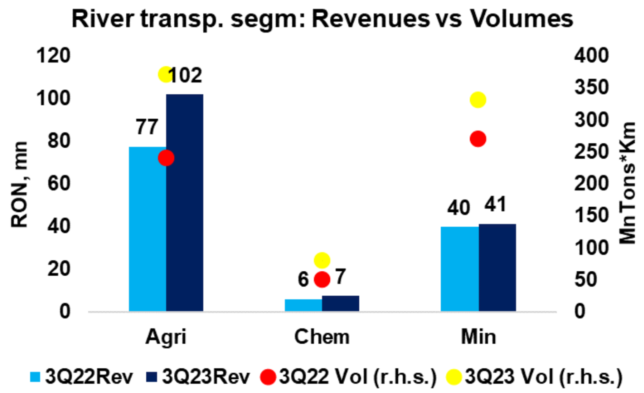
Thus, on a 27% jump in freight, in the agricultural segment, revenues increased more than twice in the river transportation business. In port operations, the revenue growth followed the 73% escalation of volumes, showing a 65% increase in receipts.

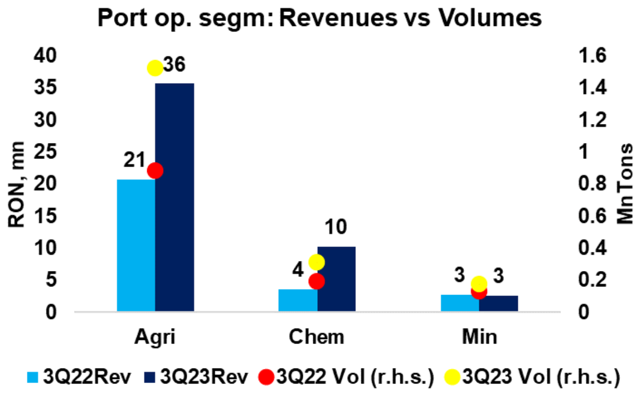
In chemical products, on a 31% decline in freight, revenues declined in river transport by only 13%, while in the same type of cargo, port operations' volumes increased by 6% and revenues by 45%.

The tariff situation was also positive in the minerals segment with a decline in freight by 24% translating into a drop in river transport revenues of only 11%, while a 41% decline in port operated volumes led to only a 35% drop in revenues.

According to our estimates, on the data that the company publishes, the overall tariff situation during 9M23 was positive, with river transport tariffs increasing for agricultural products by 60%, chemical products by about 27% and minerals by about 17%.

Tariffs for port operations, according to the same type of estimates were actually about 5% lower for agricultural products, 37% higher for chemical products and more than 11% higher for mineral products.





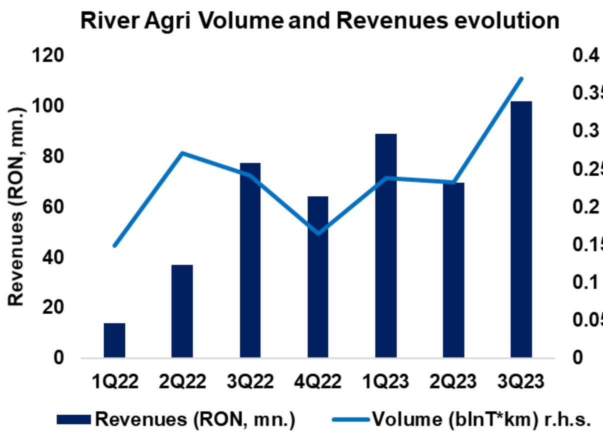
Source: Company data, Erste Group Research

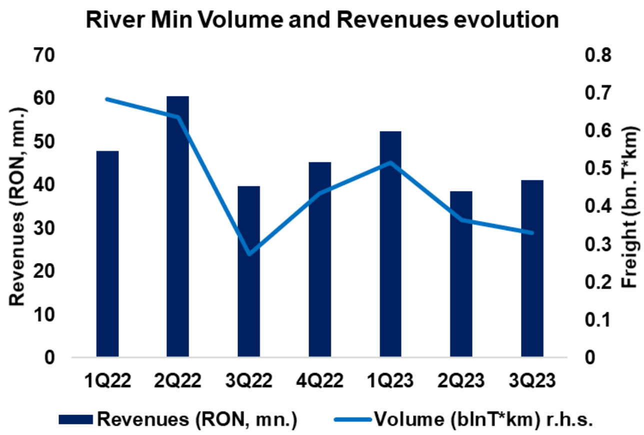
… and on a quarterly basis. On a quarterly basis during 3Q23, q-o-q, according to our estimates, during the third quarter of 2023, in the river transport business the volumes of agricultural products increased significantly, by about 60% and, combined with an implied tariff decline of about 8%, led to an increase of revenues of about 47%.
In the minerals segment, for the same period, river transport freight dropped by about 9%, and combined with a 18% higher tariff led to a jump in revenues by about 7%.

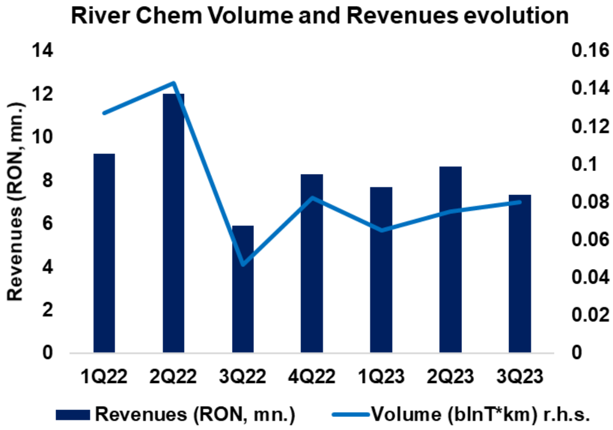
In the chemicals segment, freights grew by 7%, and balanced only partially a 21% lower tariff to lead to a 16% decrease in revenues.

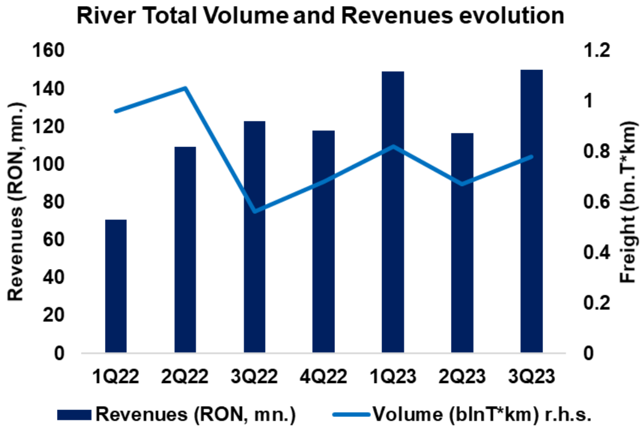
Overall, according to our estimates, in the river transportation business, the average tariff (a synthetic metric, since it expresses a blend of rather different dynamics and underlying products) has increased vs. the previous quarter by about 11%, while it is about 12% lower than during 3Q22.

One of the main reasons for the overall volatility in tariffs should have been represented by the bunkering mechanism that sees tariffs being indexed with the evolution of the fuel cost. With fuel costs volatile, tariffs followed, a fact also represented by the detailing of expenses with fuel, as shown below.









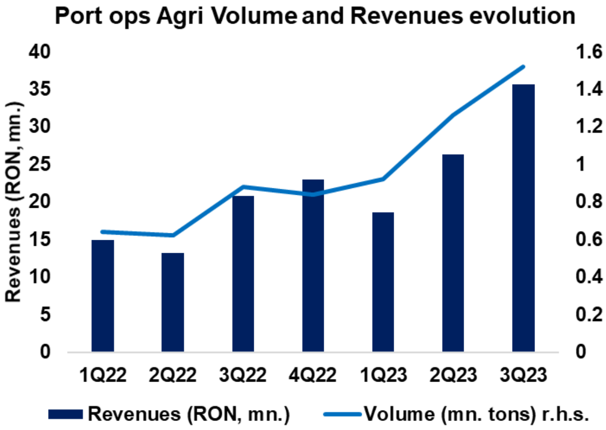
Source: Company data, Erste Group Research

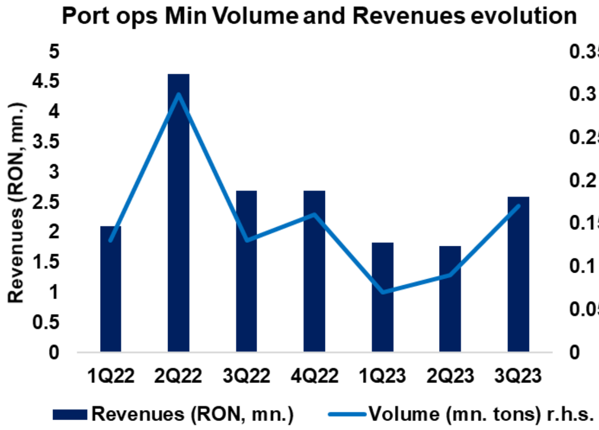
On a quarterly basis, q-o-q, according to our estimates, during the third quarter of 2023, in the port operations business the volumes of agricultural products grew considerably, by 21%, and, combined with an implied tariff higher by about 12%, led to a increase in of revenues of about 35%.

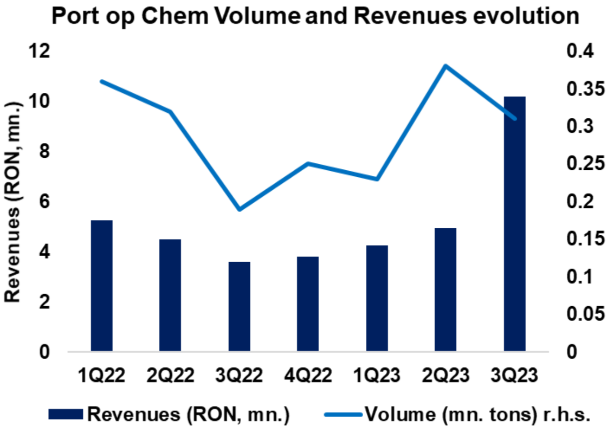
In the minerals segment, port operations volumes increased by about 89%, and combined with a 23% lower tariff led to a hike in revenues by about 46%.

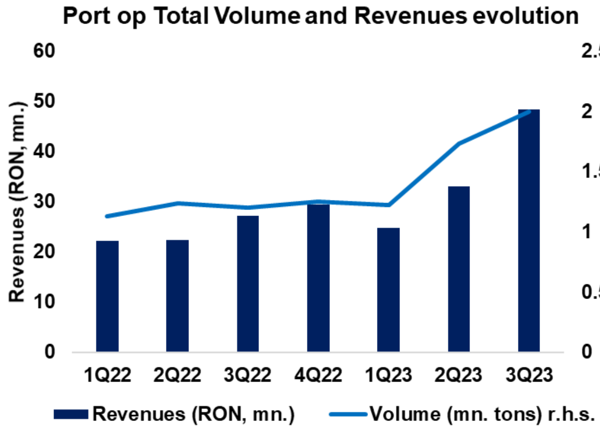
In the chemicals segment, port operations volumes declined by more than 18% and balanced a 154% higher tariff to lead to a 107% increase in revenues.

Overall, according to our estimates, in the port operations business, the average tariff (a synthetic metric, since it expresses a blend of rather different dynamics and underlying products) has increased vs. the previous quarter by about 27%, while it is about 7% higher than during 3Q22.



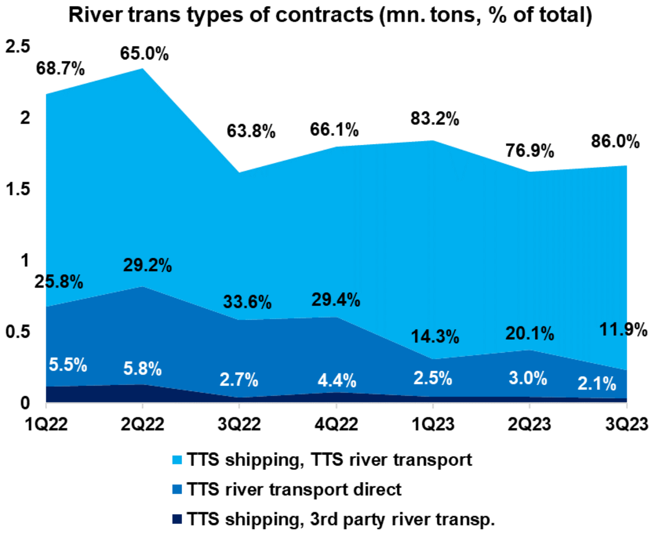


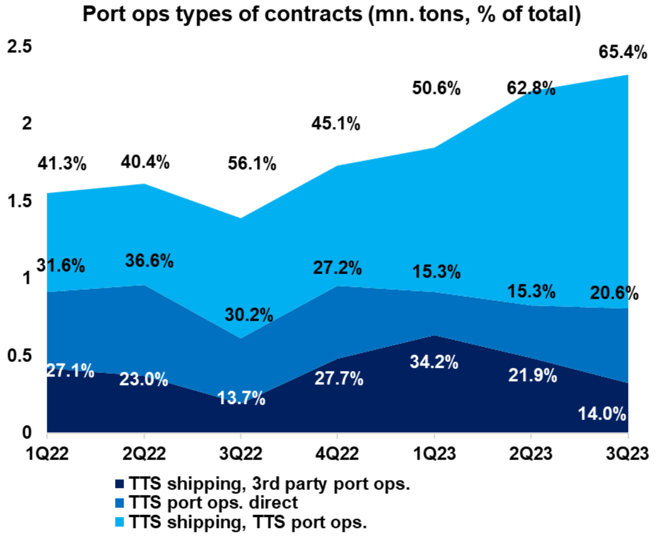




Source: Company data, Erste Group Research

We acknowledge that our estimates, based on the company's incomplete data may vary from actual figures, especially when taking into consideration the shipping business, however we believe they offer a credible general picture of the evolution of tariffs in the business segments operated by the company.





Source: Company data, Erste Group Research

More in house, less third-party contracts. The structure of contracts also shifted with a lower proportion of direct contracts being performed by river transport segment. It declined from about 34% during the third quarter of 2022 to about 12% during the third quarter of this year. This led to an increase of the share of inhouse river transport volumes contracted, from 64% in 3Q22 to 86% in 3Q23 on the back of the lower transported volumes overall. In the port operations segment, the picture is somewhat similar with the share of direct contracts dropping about one third y-o-y to 21%, while third party contracts' share about 14% of total port operations stayed largely unchanged, and volumes of shipped and operated inhouse growing as a proportion from 56% in 3Q22 to more than 65% in 3Q23, on the back of the higher operating capacity developed by the company.

Costs: increasing less than half the revenue growth

Overall, during 9M23, total operating costs increased by 15.4% on a 31.5% increase in revenues. On a yearly basis, the largest increase in costs was naturally that with wages, which grew y-o-y by 77%, followed in absolute terms, by the RON15mn increase in expenses with subcontractors, an expected evolution considering the reconfiguration of logistic chains that implied more rail transport with third parties. Depreciation expenses grew by 17% and materials – including fuel – declined by 12%, contributing to the volatility in tariffs as discussed above.

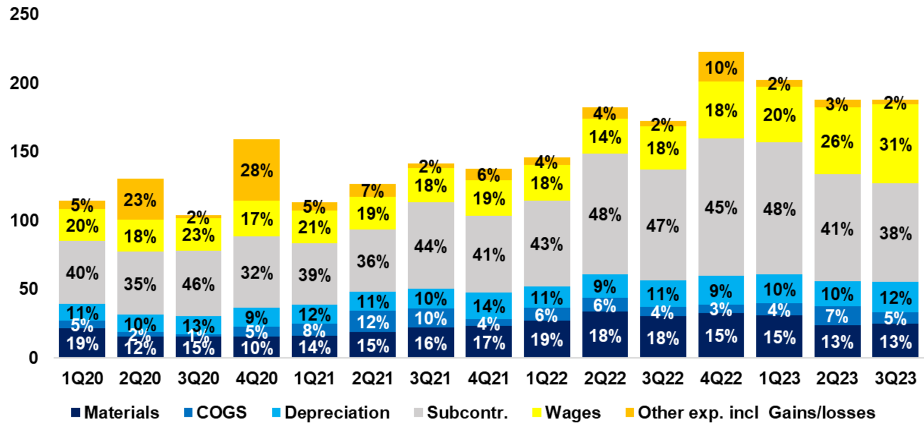
On a quarterly basis, operating expenses increased 9% y-o-y, vs a top line growth of 15.3%, while q-o-q, operating expenses were largely unchanged on a 13.8% jump in revenues. The most significant items vs. 2Q23 were in this case a steady value of fuel costs together by the considerable, 18% hike in personnel costs, balanced by an 8% decline in expenses with subcontractors.

Percentage of revenues	3Q23	3Q22	2Q23	3Q21	9M23	9M22	9M21
Materials	8.2%	11.5%	9.1%	10.7%	9.2%	13.7%	12.6%
COGS	2.8%	2.7%	5.2%	5.1%	3.6%	4.0%	8.6%
Depreciation	7.3%	7.3%	6.8%	9.8%	7.0%	7.8%	9.4%
Subcontr.	23.8%	30.9%	29.3%	35.7%	28.2%	34.8%	33.8%
Wages	19.1%	12.0%	18.5%	18.3%	16.8%	12.5%	16.1%
Other exp.	3.8%	4.0%	4.3%	6.4%	3.8%	4.9%	6.9%
Gains/losses	-2.8%	-2.5%	-2.3%	3.0%	-2.3%	-2.2%	-2.8%

Source: Company data, Erste Group Research

During 9M23, the share of revenues represented by each cost item declined by a substantial amount, on all cost items with the notable exception of wages costs. A similar trend was also represented on a quarterly basis, with most 3Q23 cost items representing a lower or largely similar share of revenues. This was expected considering the dynamic of the revenues, on the back of agricultural receipts, however, even in absolute terms costs remained virtually equal compared to the previous quarter. Other than subcontractor fees, as share of total costs, which were lower, the main shift was in wages and personnel related costs that represented a higher share of total costs – 19.1%, compared to the 12% of the previous year and 18% during 2Q23, however growing at a slower pace compared to the growth between the second and the first quarter of 2023.

TTS Group cost structure evolution (RON, mn.)



Source: Company data, Erste Group Research

Balance sheet: considerable negative net debt

The performance of 3Q23 in terms of revenues and profitability transferred into an exceptionally strong balance sheet. The net debt stayed negative, as at the end of 2Q23, with a decrease in cash and equivalents was remarkable on the back of corporate action. The company's cash coffer remains solid, most probably in view of possible additional corporate actions – see below – and is poised to have ample means for further expansion CAPEX and even a more generous dividend policy – if that would come to pass.

(RON, mn.)	2018	2019	2020	2021	2022	1Q23e	2Q23e	3Q23e
Cash & equivalents	38.9	62.4	55.2	58.9	146.0	230.6	256.6	229.3
ST Debt	54.1	62.9	50.8	41.3	26.8	24.3	25.9	36.4
LT Debt	64.2	46.1	23.1	26.8	40.9	37.7	35.9	79.9
Net Debt	79.4	46.6	18.7	9.2	-78.3	-168.6	-194.8	-113.0
Net Debt to EBITDA	**1.10**	**0.38**	**0.16**	**0.07**	**-0.28**	**-0.43**	**-0.49**	**-0.29**

Source: Company data, Erste Group Research

Corporate action: expanding footprint, paying dividends

The management of TTS has shown remarkable adaptability to the challenges of the last year. The reconfiguration of logistic chains, including rail transport and the opening of the floating terminal in Constanta Port are just examples along this line. During 1Q23, the company has announced the acquisition of a new terminal in Constanta Port. It is a solid bulk product terminal, DECIROM S.A. and the transaction – approved by authorities – was announced as finalized on 13th of July. The acquisition, which would enhance the capacity of port operations was priced at around EUR22mn.

TTS would invest an additional EUR10mln during 2023 and 2024 in order to build a warehouse and refurbish cranes. This would increase the speed of operations, resulting in higher capacity utilization of the asset. Along the same lines, the company continues to invest in expanding and improving the river transport fleet with a program of modernization and recertification of barges, together with CAPEX for building new barges that should increase capacity of transport by a cumulative 6,000 tons at the price of EUR5mn. It will also invest in floating cranes in order to streamline port operations and increase operating capacity.

On November 2023, the company has increased the number of contracted barges with SEVERNAV S.A. for the construction of 4 more units, to be delivered during the 3-4Q2024. The contract, estimated at about EUR4mn, would provide the company with covered barges which can be utilized for any kind of cargo, including oversized transport.

The company declared an amount of RON33mn paid in dividends out of 2022 net income. The pay-out ratio is 18%, which could be significantly increased going forward as the company generates ample operating cashflow that could sustain CAPEX and a more substantial dividend payment.

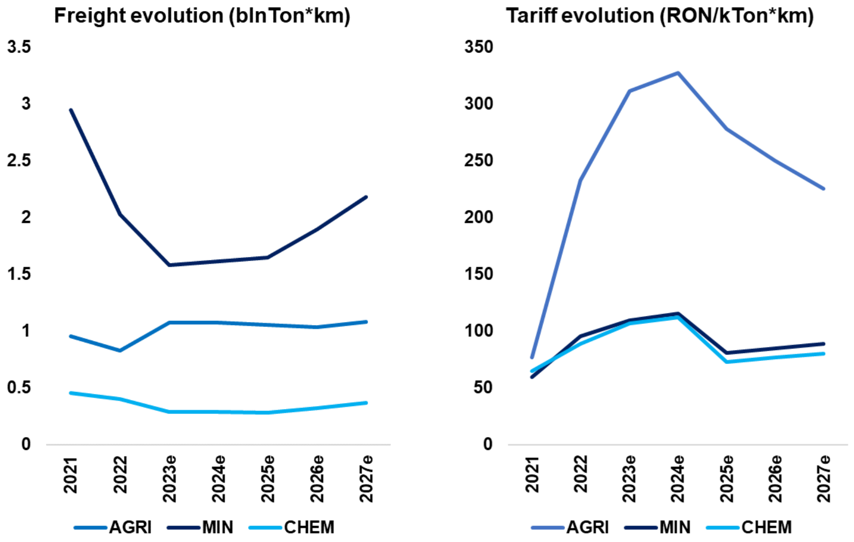
During 3Q23, the company signed a contract for transport services with Liberty Galati for the transport of raw materials and steel products over the next three years, on a total value of about EUR31.5mn.

Looking forward: still ample upside under reasonable scenarios on rebasing forecast on current results

As much as our positive stance on the stock, and its perspectives, has been validated by the performance of the past year and last few quarters, and the stellar growth of 3Q23, we feel we need to maintain a conservative outlook, determined as well by the geopolitical uncertainties. Indeed, the explosive increase in profitability came on the back of exceptional circumstances, with the war in the Ukraine providing a demand that exceeds considerably that of the previous period. At the same time, we recognize the capacity of the company to adapt to a new environment and to capitalize on existing strengths while building for the future. Moreover, the management has demonstrated a proactive style that not only is able to take advantage of short and medium-term realities, but also build for the coming years.

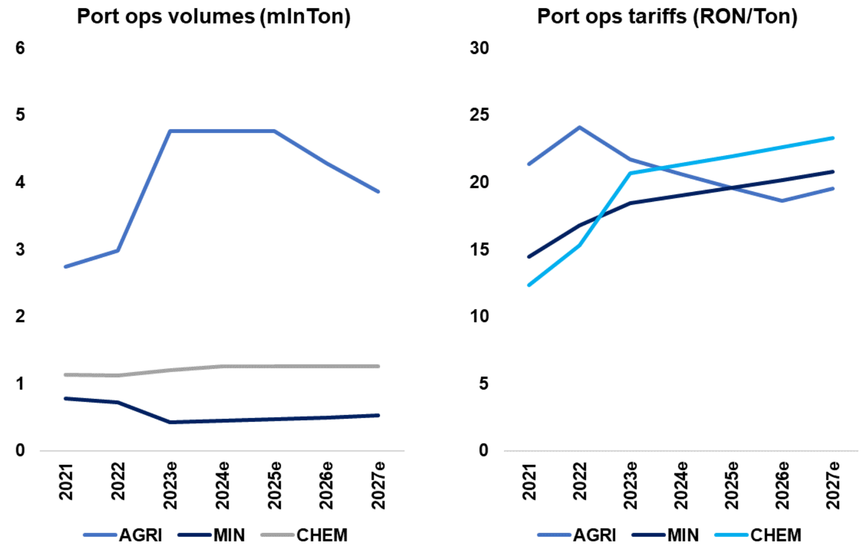
We continue in our forecast to attempt to provide a reasonable-case scenario, however the developments of the war in the Ukraine are an important and defining imponderable. A resolution of the conflict may see again minerals and chemicals volumes pick up and agricultural volumes decline, together with corresponding moves in tariff evolution. The reconstruction in the Ukraine ports may also influence both volumes and tariffs, however flows of goods may revert again to pre-war eras. Our assumptions are based on the supposition that the war would continue throughout 2024, and part of 2025, albeit this perspective seems even less certain as events unfold. Even if we are too optimistic from a perspective of normalization of transportation flows, the prolongation of the conflict would only serve to a cementing of current agricultural flows, and possibly to a more permanent redesigning of chemicals and minerals flows that would see a pick-up in volumes from alternative suppliers and to lapsed customers.

- In river transportation, we assume agricultural products freight numbers would stay constant during 2024, decline during the following two years on availability of alternative routes and lower production in the Ukraine, picking up marginally going forward. Following the decline in minerals river transport, the depressed numbers should continue and start picking up in 2026, however not reaching the levels of pre-war period, with a similar development in chemicals.
- Tariffs should continue growing marginally in all segments for the following year, and then decline, as volumes would start increasing.
-



Source: Company data, Erste Group Research

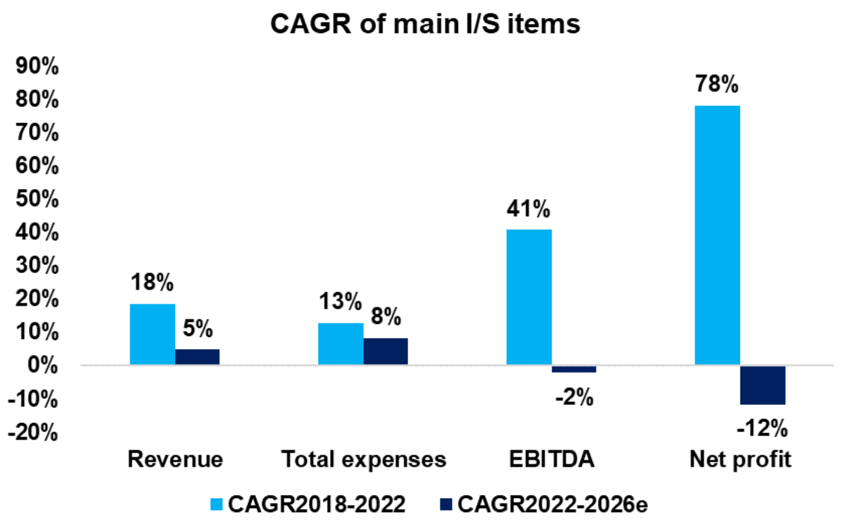
- In port operations, agricultural volumes should taper, registering a decline following 2025, with volumes in other segments largely flat. These volumes assumptions are drastically conservative considering the company's investments in port infrastructure. Tariffs would decline in agricultural products and increase with about half inflation in the other segments.



Source: Company data, Erste Group Research

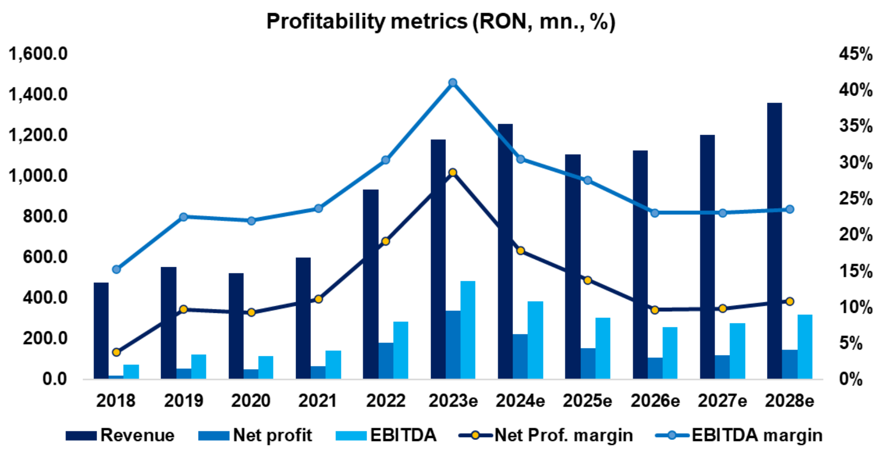
We believe these assumptions to be reasonable, with a medium-term perspective, however, may be significantly adjusted if events take a different turn going forward.

On the back of declining or marginal volumes' overall growth only and a very conservative expenses assumptions, while costs increase more (decrease less) than revenues, we tested the strength of our financial forecasts and the resilience potential of the company.



Source: Company data, Erste Group Research

As a result, our cost forecast provides for a 2022-2026 CAGR more than 150% that of revenues, resulting in a negative 2022-2026 CAGR for EBITDA to the level of -2% and an even more drastic 2022-2026 CAGR for net profit of -12%. This takes into consideration the exceptional year 2022, our estimates for YE2023, and an overly conservative view of the industry going forward, however, as we show below, even this worst-case scenario provides ample upside for value.



Source: Company data, Erste Group Research

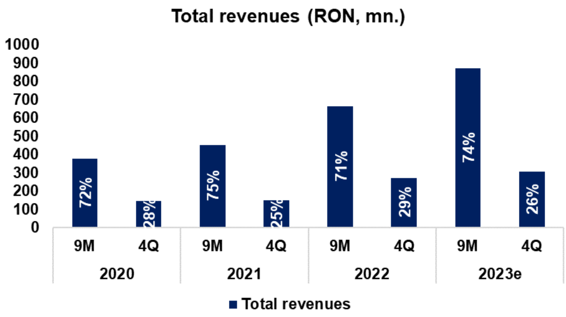
As a consequence of us considering this mostly conservative scenario, the profitability of the company is assumed to decline compared to 2022 and 2023 and reach a medium term average consistent with 2020-2021 levels.

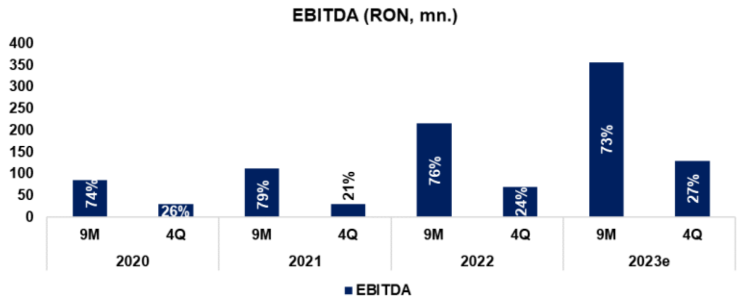
The profitability forecasted in 2023 is consistent with the 9M23 results that showed actually an increase in profitability versus the same period of last year. Again, we acknowledge this to be a conservative scenario, establishing – if anything – a floor valuation for the stock compared to more middle-of-the-road scenarios.

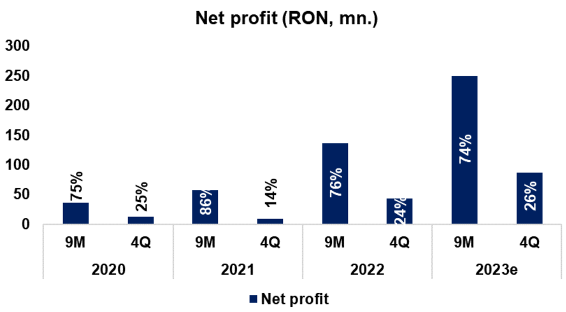
Not counting for the obvious – management demonstrated capacity to grow the business. Our forecasts inherently lack accounting for an important driver that has been proven all along to be an essential ingredient for the success of the company and the evolution of the stock. This driver is imponderable, however no less important. In our opinion, the management of the company has proven to be prudent and proactive at the same time, capable of steering the group through uncertain times and finding, so far, the best solutions to coping and negotiating challenges and turning them to profit. While is difficult to quantify, this is an important driver that shouldn't fail to deliver future performance.

Forecast validated by actual YTD results

First nine months results largely validate our opinion that our outlook is part of a conservative scenario. Indeed, the results show that on a historical basis, the first nine-month results of 2023 should be harbingers of a much better year than previous ones. This is visible on a historical perspective for revenues, and consistent regarding EBITDA and net income. We believe the 2023 YE forecast to be in line with 9M23 actual results, and in absence of a significant worsening of navigation on the Danube and weather patterns in the ports, our estimates are entirely achievable.



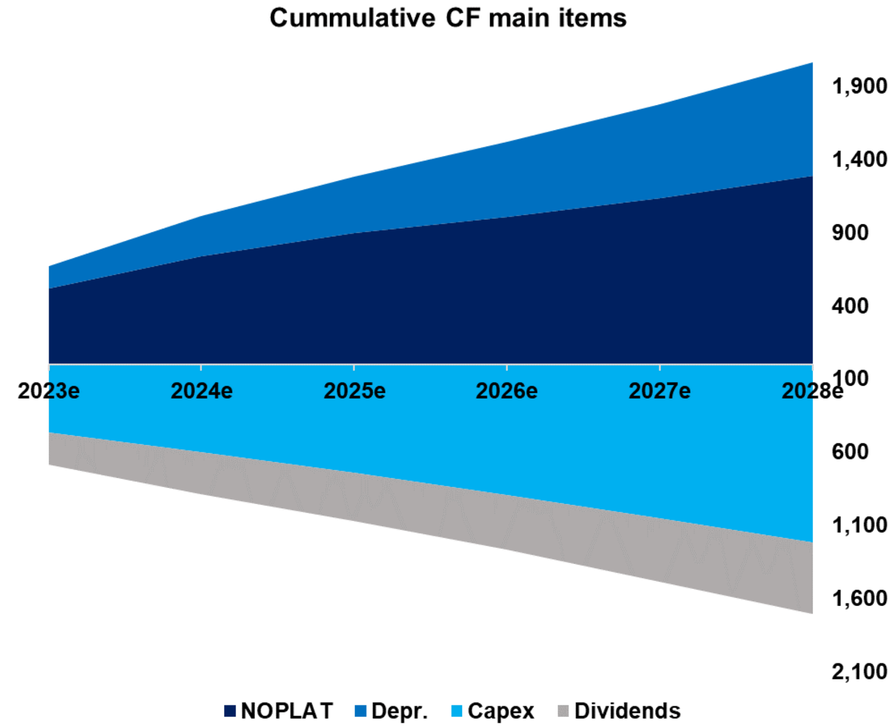




Source: Company data, Erste Group Research

Valuation – still ample upside

We performed our valuation exercise under the assumptions presented above: minimal revenue growth post 2023, higher cost expansion and declining EBITDA and profits. Nevertheless, even under these conservative circumstances, the stock seems to have a considerable upside. Indeed, cash generation is solid, and would accommodate an even more ambitious CAPEX of more than RON135mn on the existing asset base.



Source: Company data, Erste Group Research

We do not forecast any M&A CAPEX under this exercise, as these activities bring in additional returns on invested capital which we did not account for. Thus, our CAPEX figures are more than ample for current investment programs in fleet and port modernization and expansion, without any additional expenses on acquisitions that would be considered as separate projects bringing value on top and bottom lines and an increase in profitability.

All our previous assumptions in our DCF valuation exercise remain unchanged.

TTS DCF valuation

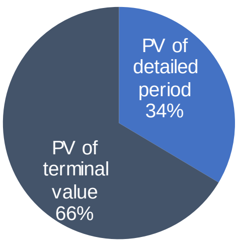
WACC calculation

	2024e	2025e	2026e	2027e	2028e	2029e TV
Risk free rate	7.5%	7.5%	7.5%	7.5%	7.5%	5.0%
Equity risk premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**12.0%**
Cost of debt	8.5%	8.5%	8.5%	8.5%	8.5%	6.0%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**5.0%**
Equity weight	70%	70%	70%	70%	70%	68%
WACC	**12.6%**	**12.6%**	**12.61%**	**12.61%**	**12.61%**	**9.77%**

DCF valuation

(RON mn)	2024e	2025e	2026e	2027e	2028e	2029e TV
Sales growth	*6.5%*	*-12.0%*	*1.7%*	*6.9%*	*13.0%*	*3.0%*
EBIT	268	185	135	147	184	133
EBIT margin	*21.4%*	*16.7%*	*12.0%*	*12.2%*	*13.5%*	*9.5%*
Tax rate	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Taxes on EBIT	-43.0	-29.6	-21.6	-23.6	-29.4	-21.3
NOPLAT	**225.5**	**155.5**	**113.2**	**123.7**	**154.2**	**111.7**
+ Depreciation	115	119	124	129	136	174
Capital expenditures / Depreciation	*118.3%*	*119.9%*	*121.0%*	*121.7%*	*121.9%*	*100.0%*
+/- Change in working capital	4	-7	1	4	7	27
Chg. working capital / chg. Sales	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*4.8%*	*10.0%*
- Capital expenditures	-136.0	-142.8	-149.9	-157.4	-165.3	-173.6
Free cash flow to the firm	**208.2**	**124.5**	**88.0**	**99.4**	**132.0**	**139.1**
Terminal value growth						*3.0%*
Terminal value						2,115.8
Discounted free cash flow - December 31	184.9	98.2	61.6	61.8	72.9	1,134.5
Enterprise value - December 31 2023	**1,614**					
Minorities	127					
Non-operating assets	0					
Net debt (incl. lease liabilities)	-141					
Other adjustments	0					
Equity value - (RON bn) December 31 2	**1,627.8**					
Cost of equity	12.0%					
Fair value, RON mn	**1,823.1**					
Number of shares outstanding (mn)	60.0					
Fair value per share, RON	**30.39**					
Share price	24.9					
Upside/downside Official NAV (%)	*22.03%*					

Enterprise value breakdown



Sensitivity (Equity value - RON mn)

Terminal value EBIT margin

WACC	8.5%	9.0%	9.5%	10.0%	10.5%
8.8%	31.96	33.00	34.05	35.10	36.15
9.3%	30.14	31.11	32.07	33.04	34.01
9.8%	28.60	29.49	**30.39**	31.28	32.17
10.3%	27.26	28.10	28.93	29.76	30.60
10.8%	26.10	26.88	27.66	28.44	29.22

Terminal value growth

WACC	2.0%	2.5%	3.0%	3.5%	4.0%
8.8%	30.39	32.07	34.05	36.41	39.26
9.3%	28.93	30.39	32.07	34.05	36.41
9.8%	27.66	28.93	**30.39**	32.07	34.05
10.3%	26.55	27.66	28.93	30.39	32.07
10.8%	25.56	26.55	27.66	28.93	30.39

Source: Erste 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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