

27 August 2021

Sectorul Industrial | Transport

## Transport Trade Services (TTS RO)

## Cumpărare

### Toate Pânzele Sus; CUMPĂRARE

|                              |                   |
|------------------------------|-------------------|
| Preț Țintă (Randament %):    | 24,5 lei (20.5%)  |
| Preț curent:                 | 20,30 lei         |
| Capitalizare:                | 121 milioane Euro |
| Lichiditate medie (Lei/Euro) | 0.70m/0.14m       |

- **Inițiem acoperirea cu recomandarea CUMPĂRARE și un preț țintă, derivat prin DCF, de 24,5 lei și un randament potențial de 20,5%.** TTS a demonstrat rezistență în combaterea pandemiei, deoarece veniturile pentru exercițiul financiar 2020 au scăzut doar cu 5,7%. TTS este bine poziționată competitiv, cu o cota de piață de 35% din traficul de marfuri din Canalul Dunare-Marea Neagră și o cota de piață de 39% în traficul fluvial către/din portul Constanta.

- **Având în vedere că transportul pe apă este mai rentabil decât alte mijloace,** credem că există un potențial semnificativ de creștere pe această piață. În prezent, lumea se îndreaptă către o economie mai verde și mai puțin poluată. Emisia de carbon a TTS la 17gCO<sub>2</sub>/tkm este cu 48% sub emisia medie pentru transportul pe ape interioare din Europa, de 33 gCO<sub>2</sub>/tkm. Transportul pe apă se dovedește a fi cel mai puțin poluant în ceea ce privește operațiunile logistice. Prin urmare, acest trend ar putea reprezenta o oportunitate pentru TTS.

- **Strategia Europeană pentru o Mobilitate Sustenabilă și Inteligență vizează creșterea transportului pe căi navigabile interioare cu 25% și 50% până în 2030, respectiv 2050.** Această inițiativă nu numai că va face transportul pe căi navigabile mai accesibil companiilor și persoanelor fizice, ci va accelera și creșterea valorii adăugate pe termen lung a industriei. Prin urmare, TTS ar putea să-și furnizeze serviciile către mai mulți clienți ceea ce s-ar traduce în venituri mai mari.

- **Estimăm o valoarea de piață a capitalurilor proprii de 734 milioane lei.** Presupunând o rată de creștere anuală compusă (CAGR) de 3,5% în perioada prognozată, compania ar putea înregistra venituri totale de 617,9 milioane lei în 2025, ceea ce se traduce printr-un profit operațional net de 61,1 milioane lei. Considerăm acest lucru rezonabil, deoarece TTS are un program de investiții planificat între 2021-2025. Cu aceste investiții, compania ar putea să-și accelereze expansiunea și să își modernizeze flota pentru a fi mai sustenabilă.

- **Context macroeconomic favorabil.** Fără îndoială, țările Uniunii Europene sunt pregătite pentru o revenire economică puternică ca urmare a pandemiei COVID-19. Ne așteptăm ca economia României să crească cu 7,5% în 2021 și un CAGR pe termen lung de 4,2%. Mai mult de atât, se previzionează o creștere semnificativă în întreaga UE-27 chiar și după 2021, având în vedere bugetul de 2 trilioane EUR, care include și pachetul de redresare economică. Prin intermediul Fondului European de Dezvoltare Regională (FEDR), estimăm că cel puțin 311 milioane EUR vor fi investiți în regiunea Dunării între 2021 și 2027. Aceste investiții ar trebui să fie direct benefice pentru țările cu deschidere la Dunăre și pentru TTS.

- **Riscurile recomandării noastre** includ inflația excesivă, o întârziere a punerii în aplicare a obiectivelor strategice și a modernizării flotei pentru o dezvoltare mai durabilă.

#### Date despre acțiuni

|  |             |
|--|-------------|
| Prețul cel mai scăzut/ridicat (Lei) în 52 săpt | 19.0 – 21.3 |
| Dividend pe acțiune (Lei)                      | 0.03        |
| Număr total acțiuni (milioane)                 | 30          |

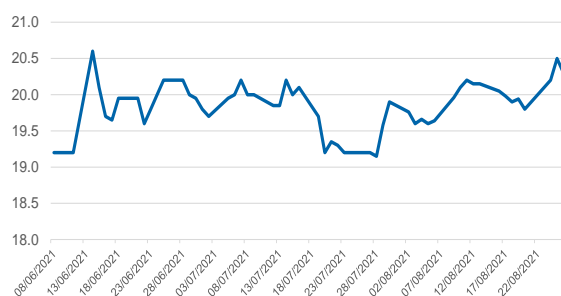
#### Aționari (%)

|                   |       |
|-------------------|-------|
| Mihailescu Mircea | 25.3% |
| Others            | 74.7% |

#### Performanța acțiunilor (%)

|                  | YTD | 1 luna | 3 luni | 6 luni | 12 luni |
|------------------|-----|--------|--------|--------|---------|
| Valoare absoluta | n/a | 5.7    | n/a    | n/a    | n/a     |
| Relativ la BET   | n/a | 2.8    | n/a    | n/a    | n/a     |

#### TTS - Evoluția prețului acțiunii



Sursa: Bloomberg, 26 August 2021

| (Lei)              | 2019        | 2020        | 2021F       | 2022F       | 2023F       | 2024F       |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total venituri     | 551,794,655 | 520,286,096 | 538,496,109 | 557,343,473 | 576,850,495 | 597,040,262 |
| EBITDA             | 124,461,952 | 113,614,723 | 118,433,086 | 122,578,244 | 126,868,483 | 131,308,880 |
| EBITDA margin      | 22.6%       | 21.8%       | 22.0%       | 22.0%       | 22.0%       | 22.0%       |
| Profit operational | 69,737,034  | 61,620,952  | 64,619,533  | 66,881,217  | 69,222,059  | 71,644,831  |
| EBIT margin        | 12.6%       | 11.8%       | 12.0%       | 12.0%       | 12.0%       | 12.0%       |
| Amortizare         | 54,724,918  | 51,993,771  | 53,813,553  | 55,697,027  | 57,646,423  | 59,664,048  |

Sursa: TTS, BRK

#### Notă

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27 August 2021

Industrials | Transportation

# Transport Trade Services (TTS RO)

# Buy

## A Cruising Price; Initiate With BUY

|                              |                 |
|------------------------------|-----------------|
| Target Price (Return):       | RON24.5 (20.5%) |
| Price:                       | RON20.30        |
| Market Cap:                  | EUR121m         |
| Avg Daily Turnover (RON/EUR) | 0.70m/0.14m     |

- Initiating coverage with BUY and a DCF derived RON24.5 target price and a 20.5% upside potential.** Transport Trade Service (TTS) has shown resilience in fending off the pandemic since revenues for year 2020 only decreased by 5.7%. TTS is well positioned competitively as it has a 35% market share of the merchandise traffic in the Danube-Black Sea Canal and a 39% market share in river traffic to/from Constanta Port.
- Considering that water transport is more cost effective than other means, we believe there is significant growth potential in this market.** Currently, the world is shifting towards a greener and less polluted economy. TTS' carbon emission at 17gCO<sub>2</sub>/tkm is 48% below the average emission for the Inland Water Transport (IWT) in Europe of 33 gCO<sub>2</sub>/tkm. Water transport is shown to be the least polluting in terms of logistical operations. Therefore, we argue the water transportation market will be the go-to in terms of shipment and TTS can capitalize on this opportunity.
- The European [Smart Mobility and Strategy](#) aims to increase the inland waterway transport 25% and 50% by 2030 and 2050 respectively.** This action will not only make waterway transport more accessible to companies and individuals, it will also fuel the industry's long-term value-added growth. Therefore TTS could be able to provide its services to more customers which would translate into a higher revenue and net income.
- We estimate RON734 million fair market value of equity.** Assuming a Compound Annual Growth Rate (CAGR) of 3.5% for the forecast period, TTS could incur total revenues of RON617.9 million in 2025, translating into a net operating profit of RON61.1 million. We consider this reasonable as TTS plans to invest significantly through CAPEX between 2021-2025 which could fuel its expansion and upgrade the fleet to be more sustainable.
- Favorable macroeconomic landscape.** Undoubtedly, the European Union and its economies are set for a strong rebound after the COVID-19 pandemic hit last year. We see the Romanian economy growing by 7.5% in 2021 and a long-term CAGR of 4.2%. Moreover, we see significant growth happening throughout EU-27 even after 2021, considering the EUR2.0 trillion budget which includes the economic recovery package. Through the European Regional Development Fund (ERDF), we estimate that at least EUR311 million will be invested into the Danube region between 2021 and 2027. These investments should be directly beneficial for the Danube economies and TTS.
- Risks to our call include** excessive inflation, a delay of the implementation of strategic objectives, and failure to upgrade the fleet to be more sustainable.

### Share Data

|                            |             |
|----------------------------|-------------|
| 52-wk Price low/high (RON) | 19.0 – 21.3 |
| Dividend per share (RON)   | 0.03        |
| Shares outstanding (m)     | 30          |

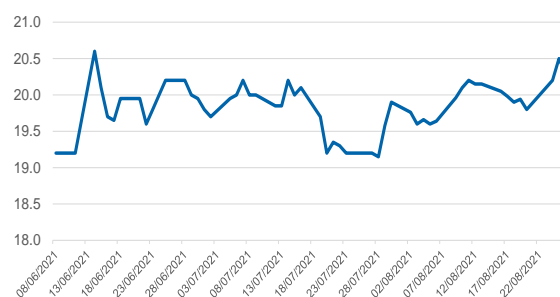
### Shareholders (%)

|                  |       |
|------------------|-------|
| Mihalescu Mircea | 25.3% |
| Free Float       | 74.7% |

### Share Performance (%)

|                 | YTD | 1m  | 3m  | 6m  | 12m |
|-----------------|-----|-----|-----|-----|-----|
| Absolute        | n/a | 5.7 | n/a | n/a | n/a |
| Relative to BET | n/a | 2.8 | n/a | n/a | n/a |

### TTS – Share price evolution



Source: Bloomberg, 26 Aug 2021

| (RON)         | 2019        | 2020        | 2021F       | 2022F       | 2023F       | 2024F       |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenues      | 551,794,655 | 520,286,096 | 538,496,109 | 557,343,473 | 576,850,495 | 597,040,262 |
| EBITDA        | 124,461,952 | 113,614,723 | 118,433,086 | 122,578,244 | 126,868,483 | 131,308,880 |
| EBITDA margin | 22.6%       | 21.8%       | 22.0%       | 22.0%       | 22.0%       | 22.0%       |
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| EBIT margin   | 12.6%       | 11.8%       | 12.0%       | 12.0%       | 12.0%       | 12.0%       |
| Depreciation  | 54,724,918  | 51,993,771  | 53,813,553  | 55,697,027  | 57,646,423  | 59,664,048  |

Source: Company data, BRK

## Valuation And Recommendation

**Initiating coverage on Transport Trade Services (TTS RO) with a BUY, a target price of RON24.5 and an upside of 20.5%.** Based on the favorable macro and local conditions, we expect future revenues to increase by a Compound Annual Growth Rate (CAGR) of 3.5% between 2021 and 2025 and a long-term growth rate of 3%. From this, we derive a fair market value of equity of RON734 million.

Our main assumptions regarding the company's value are related to the aforementioned growth rate, a future EBIT margin and working capital turnover which are based on the historical ratios. In addition, we chose an 11% discount rate due to Romania's risk premium (the sovereign bond rating is BBB-) and the company's risk profile.

Having these considered, we believe TTS can grow at a stable rate in the coming years due to a CAPEX of approximately RON300 million over 5 years (more conservatively we input a higher CAPEX amount than the budgeted one), investments in the Danube region and the transition towards a greener economy (the maritime transport pollutes less than land transport).

In the table below we show our conclusion of value of Transport Trade Services (TTS RO)

**Price (26-Aug-2021)** **RON20.3**  
**Price target** **RON24.5**

**Why BUY?** On a fundamental basis, we believe the company's attractive segments exposure and asset/products mix are unappreciated. As a strong player in the waterway transport market the company is well positioned to benefit from the expected growth of the industry

**Best case** **RON27.6**

This would imply a revenue growth rate of 5% during the forecasting period. That would translate into a net operating profit of RON65.8 million

**Worst case** **RON21.4**

The company is dependent on upgrading its fleet to become more sustainable.

**Figure 1: TTS FCFF valuation**

| RON mn                               | 2021        | 2022        | 2023        | 2024        | 2025        |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Operating profit after tax           | 53.3        | 55.1        | 57.1        | 59.1        | 61.1        |
| Plus depreciation and amortization   | 53.8        | 55.7        | 57.6        | 59.7        | 61.8        |
| Minus CAPEX                          | -60.8       | -60.8       | -60.8       | -60.8       | -60.8       |
| Minus increase / plus decrease in WC | -1.2        | -1.3        | -1.3        | -1.4        | -1.4        |
| <b>Debt free cash flow</b>           | <b>45.1</b> | <b>48.8</b> | <b>52.6</b> | <b>56.6</b> | <b>60.7</b> |
| Debt free cash flow margin           | 8.38%       | 8.76%       | 9.13%       | 9.48%       | 9.83%       |
| Discount rate                        | 11%         |             |             |             |             |
| Present value factor                 | 1.0         | 0.9         | 0.8         | 0.7         | 0.6         |
| Discounted net cash flow             | 42.9        | 42.0        | 41.0        | 39.9        | 38.7        |
| Sum of discounted net cash flows     | 204.6       |             |             |             |             |
| Terminal value (present value)       | 523.4       |             |             |             |             |
| FMV of Operating Capital Structure   | 728.0       |             |             |             |             |
| Plus cash                            | 55.2        |             |             |             |             |
| Minus debt                           | 49.2        |             |             |             |             |
| FMV of Equity                        | 734.0       |             |             |             |             |
| Number of shares (million)           | 30          |             |             |             |             |
| <b>FMV per share</b>                 | <b>24.5</b> |             |             |             |             |
| Current price                        | 20.3        |             |             |             |             |
| Upside                               | 20.5%       |             |             |             |             |

Source: Company data, BRK

**Figure 2: TTS terminal value calculation**

|                                      |       |
|--------------------------------------|-------|
| Net operating profit                 | 61.1  |
| x (1+ lt growth)                     | 1.03  |
| Equals terminal net operating profit | 63.0  |
| Plus normalized depreciation         | 63.6  |
| Less normalized capex                | 63.8  |
| Minus incremental WC                 | 1.2   |
| Equals terminal cash flow            | 61.5  |
| Over capitalization rate             | 13.3  |
| Times PV factor                      | 0.6   |
| Equals terminal value                | 523.4 |

Source: Company data, BRK

## Revenue assumptions

Our main assumption with regards to revenue is a Compound Annual Growth Rate (CAGR) of 3.5% based on real growth. We consider this growth reasonable, even though it is lower than the projected GDP growth rate since it is likely that the economic growth will be dragged up by the IT&C sector. Thus, we chose a more conservative revenue growth rate.

TTS's revenue growth could be fueled by the initiatives and shift towards a greener economy, since maritime transport is the most environmentally friendly out of all other industrial transport methods. Moreover, maritime transport is suitable for a wide range of products, it is time and space efficient since the shipping volumes are usually large and it is cost effective. In addition, we chose an EBIT margin of 12% and a working capital turnover of 14.87 based on historical data. In the table below we show our derived revenues, EBIT and operating profit after tax.

**Figure 3: Derived revenues of TTS**

| RON mn               | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  |
|----------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenues             | 551.8 | 520.3 | 538.5 | 557.3 | 576.9 | 597.0 | 617.9 |
| EBIT                 | 69.7  | 61.6  | 64.6  | 66.9  | 69.2  | 71.6  | 74.2  |
| Net operating profit | 56.3  | 50.8  | 53.3  | 55.1  | 57.1  | 59.1  | 61.1  |

Source: Eurostat

## Economic Landscape

The COVID-19 pandemic has undoubtedly had an effect over the world's supply chains, consumer preferences and the economic growth. With the aid of low interest rates and Quantitative Easing, governments around the world have sought to combat a severe recession.

Currently, economies in Europe, but not exclusively, have seen strong economic rebounds throughout the first half of 2021. For instance, compared to Q2 2020, Romania has seen a growth of 13.6% in Q2 2021 while Eurostat reported an EU-27 aggregate growth of 13.2%. This strong growth comes, however, with no surprise as it was last year this time when most of the lockdowns were in place within the European Union. Considering that economic data for about half of the EU-27 nations is still to be published, we show a list with the growth some countries have already reported thus far.

**Figure 4: Economic growth in Q2 2021**

| Country   | Growth in Q2 2021 (%) | Annualized growth on previous period (%) |
|-----------|-----------------------|--|
| EU-27     | 13.18                 | 7.9                                      |
| Austria   | 11.45                 | 18.1                                     |
| Finland   | 6.98                  | 7.5                                      |
| France    | 18.69                 | 3.8                                      |
| Italy     | 17.32                 | 11.1                                     |
| Lithuania | 8.55                  | 1.7                                      |
| Romania   | 13.68                 | 7.2                                      |
| Slovakia  | 10.18                 | 8.3                                      |
| Spain     | 19.78                 | 11.5                                     |

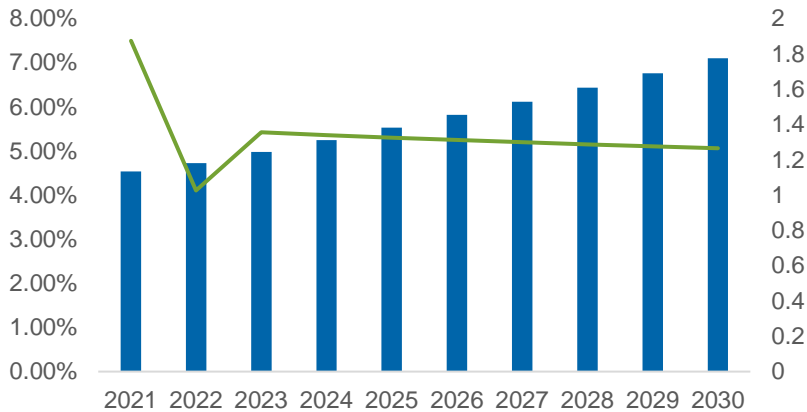
Source: Eurostat

Therefore, we expect the growth trend to continue in H2 2021, albeit at a slower pace. We expect such on the grounds that after Q2 2020, the economies have started reopening and so, the growth will pick up from a non-halted state. We do not expect such developments as it happened in Q2 2021; however, we see the economy rebounding significantly when compared to 2021. Moreover, the daily new infection cases have been on an upward trend during the last two weeks. We argue that higher forward looking economic growth rates could be marginally slashed, and thereby expect a more moderate growth, as new measures against the virus could potentially be a negative factor impacting growth.

Hence, using our proprietary statistical forecasting model, we project a 2021 economic growth for Romania of 7.5% against the 2020 GDP figure. Our forecast is corroborated by the European Commission's projections of 7.4% in 2021. Over the long term, we see the Romanian economy growing at a Compound Annual Growth Rate (CAGR) of 4.2% during 2021 and 2030.

We show Romania's nominal GDP (in RON trillion) during the forecast period in the chart below.

**Figure 5: Nominal GDP (RON trillion) and long-term growth rate**



Source: Eurostat, BRK

## Future investments

Long before the pandemic hit, the European Union set out to heavily invest in the Danube Region. Approximately EUR2.1 billion were invested in Interreg V-B during 2014-2020. This program aimed at transnational cooperation in multiple EU-27 areas as well as countries in their pre-accession phase through infrastructure investments mainly funded by EU-27. Out of the total amount, EUR274 million were allocated to the Danube region with the aim of improving the transport systems, shifting towards greener transport capabilities and improving governing frameworks over the region.

Between 2021 and 2027, the European Union has convened to a EUR2.0 trillion budget spread across seven development areas. Approximately EUR226 billion will be invested through the European Regional Development Fund (ERDF).

Should proportions stay constant, we expect the Danube investments to total around EUR311 million during 2021-2027. As detailed by the Danube Transnational Program, the main specific objectives of these investments will be in technology, skills, industrial transition, combating climate change, labor market and economic strategy.

Thus, we believe these investments will be highly beneficial to TTS since not only will the company have access to funding for improving its staff's skills and fleet renewal possibilities, but also the fact that it will benefit from direct technological investment in the region. This could translate into a higher efficiency combined with higher earnings over time.

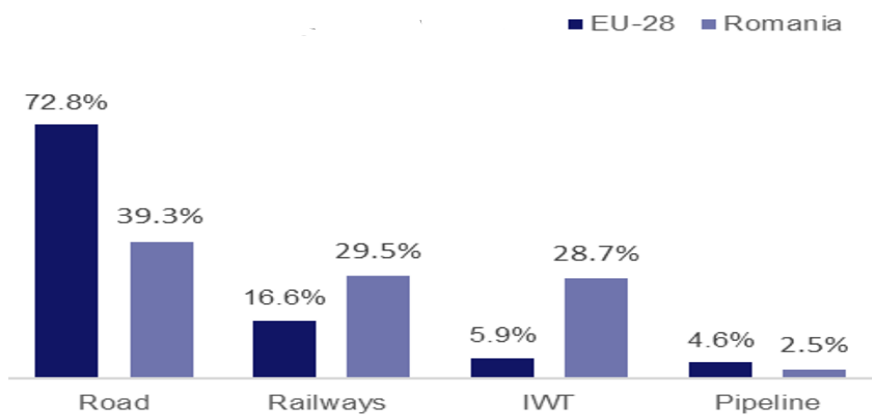
## Industry Analysis

The European Commission published its [EU Strategy on Sustainable & Smart Mobility SSMS on 9 Dec 2020](#).

The **Smart Mobility Strategy seeks to increase the share of Inland Waterway Transport by 25% by 2030 and by 50% by 2050**. The European Commission in its recently published Communication on this topic underlines the importance of Inland Waterway Transport as sustainable mode of transport to realize its future sustainability goals. Based upon the Green Deal a key objective is to deliver a 90% reduction in transport-related greenhouse gas emissions by 2050.

- ◆ Share of Inland Waterway Transport to increase by 25% by 2030;

**Figure 6: Modal share of transport modes**



Source: EU Transport (Statistical Pocketbook, 2018)

Graph below shows TTS' carbon emission at 17gCO<sub>2</sub>/tkm is 48% below the average emission for the Inland Water Transport (IWT) of 33 gCO<sub>2</sub>/tkm.

**Figure 7: Average GHG emissions (gCO<sub>2</sub>/tkm) by mode of freight transport**



Source: EU Environmental Agency, 2021

A few milestones:

- Transport by inland waterways and short sea shipping will increase by 25% by 2030 and by 50% by 2050.
- By 2030, rail and waterborne-based intermodal transport will be able to compete on equal footing with road-only transport in the EU.
- All external costs of transport within the EU will be covered by the transport users at the latest by 2050.
- By 2030, seamless multimodal passenger transport will be facilitated by integrated electronic ticketing and freight transport will be paperless.
- By 2030, automated mobility will be deployed on large scale.

In a study from 2019 entitled [The Danube river and its importance on the Danube countries in cargo transport](#) we learn that the Rhine - Mohan - Danube is one of the most important waterways within the European navigation network.

The Danube flows through ten European countries (Germany, Austria, Slovakia, Hungary, Croatia, Serbia, Romania, Bulgaria, Moldova and the Ukraine) and four capital cities (Vienna, Bratislava, Budapest and Belgrade). With this number the Danube can be included among the waterways that flow with the largest number of countries in the world. Four Danube countries are only located on one bank of the Danube (Croatia - right bank, Bulgaria - right bank, Moldova - left bank and Ukraine - left bank)



## Company Background

Transport Trade Services (TTS) is a company established in Romania in 1997. It is one of the largest inland waterway carriers in the Danube basin. On June 14, 2021, TTS was accepted for trading on the Bucharest Stock Exchange.

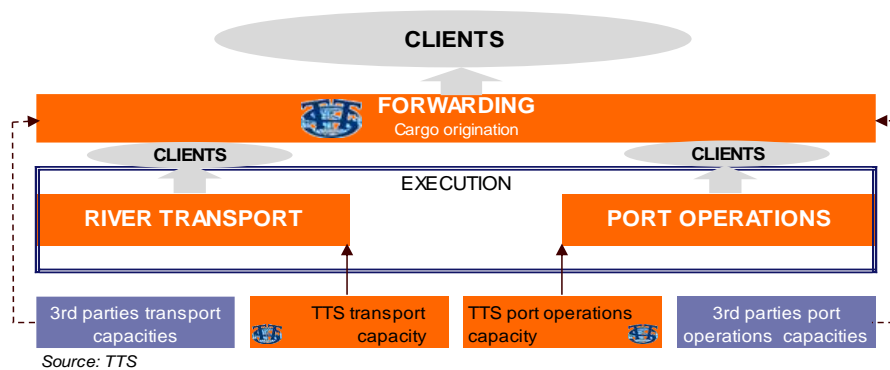
**TTS' activity is carried out on three main segments:**

- i. International freight forwarding;
- ii. River transport;
- iii. Port operation.

TTS has the largest river fleet in the Danube basin, consisting of 481 river units with a capacity of almost 800,000 tons, 8 floating cranes, as well as its own port terminals in Constanța and 7 Danube River ports.

The company offers third party logistics (3PL) services, which means TTS is an integrator of transport services (river, rail, and road), transshipment (between transport units, from warehouses, silos, etc.), storage (warehouses, silos, warehouse type river units, etc.), agency (production of specific documents) and any other services specific to the supply chain management.

**Figure 8: Operational chart**



Source: TTS

Source: Company

**The operational services of TTS are divided into three divisions:**

- i. Minerals - logistics operations for raw materials and finished products of the metallurgical industries, and equipment. The mineral products originating from Australia, South Africa, South America, Ukraine, Russia, and the US are transported either through the port of Constanta or through the Ukrainian ports to Danube from where they reach the metallurgical plants in Europe;
- ii. Agricultural products - logistics of agricultural goods (cereals, seeds, vegetable oils). The Danube crosses the richest agricultural area of Central and Eastern Europe, and is the de factor natural export route for the entire region. Bulgaria, Hungary, Serbia, and Romania supply volumes to the Danube ports, where the goods are loaded into barges and transported to Constanta. Once in the port of Constanta, the grain traders, aggregate the volumes according to origin, quality and condition, load large cargo ships that then go to countries in Western Europe, North Africa, Middle and the Far East;
- iii. Chemical products - logistics of fertilizers and raw materials for fertilizer production. Most of the chemicals serve the Danube's agricultural regions, but their flow is reversed compared to agricultural products. The chemical products originate from the North African region, as well as the Ukraine. Constanta is the main entry route and the Danube is the main route for their transport in Europe.



More description of the company's river transport, storage facilities, handling facilities or shipyards used, [can be found on the company's web site](#).

**Figure 9: River transport**



Source: Company

**Figure 10: Handling facilities**



Source: Company

**Figure 11: Shipyard**



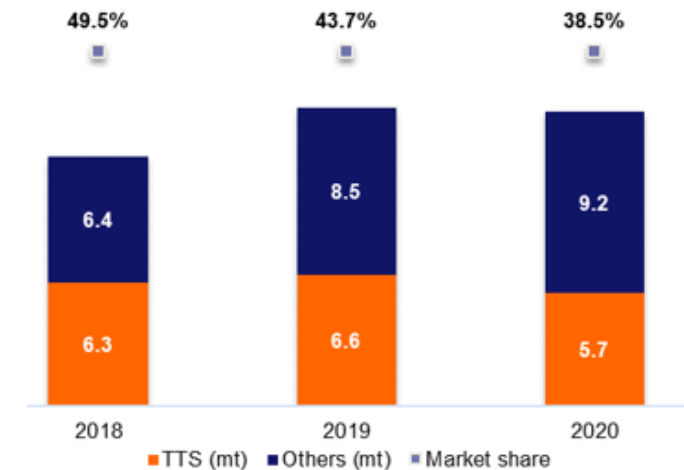
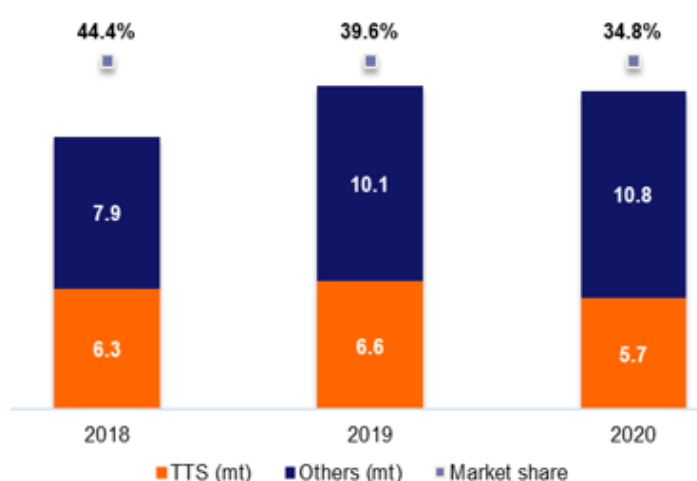
Source: Company

As of June 30, 2021, TTS held investments directly or through other subsidiaries in several other entities as shown [beginning with page 29 of its half-year 2021 report](#).

TTS is well positioned competitively as it has a 35% market share of the merchandise traffic in the Danube-Black Sea Canal and a 39% market share in river traffic to/from Constanta Port.

**Figure 12: TTS has a 35% market share of the merchandise traffic in the Danube-Black Sea Canal**

**Figure 13: TTS has a 39% market share in river traffic to/from Constanta Port**



Source: Administration of the navigable canals, TTS

Source: Constanta Port, TTS

### Key aspects related to 1H 2021

- The volumes transported mainly by river and operated in ports were higher by 7.2% compared to the same period last year, supported by the increase in volumes of mineral products transported, especially raw materials for the metallurgical industries in Romania and Serbia.
- The total revenues of the group in the first half were approximately RON 274 m, increasing 9.5%, mainly due to the increase of revenues on the River Transport segment and the increase of revenues on the Other Activities segment, from the sale of goods, the return of activity in the port operating segment, which together offset the reduction in revenue from the shipping segment.
- The efficiency of operations materialized in a consolidated operating result of RON 33.8 m., 35.8% higher than the similar period of 2020, almost half being determined by river transport activities.
- The consolidated net profit attributable to shareholders was RON 24.6 m., increasing by 42.5% in 1H21 vs 1H 2020

### Outlook for 2021

TTS expects a constant growth on its core segments based on:

- The metallurgical industries, both ferrous and non-ferrous tend, as long as there are no major changes at local and global level, to continue to grow due to the high demand for specific finished products and their high price.
- Agricultural production in Romania, for straw and rapeseed - with the harvest for completion, but also for sunflower and corn, is expected to be substantially higher than in 2020, with an impact on increasing exports in 2H 2021 vs 2H 2020.
- The demand for chemical fertilizers, already higher in S1.2021 compared to the similar period of 2020, maintains the trend in S2 as well.

## Appendix – Historical Financial Statements

To better understand the company's operations and be able to fine tune our forecasts, we analysed the historical data for the divisions that would continue as a going-concern.

**Figure 14: Key financial data – Income Statement**

|                               | 1H2021            | 2020              | 2019              |
|-------------------------------|-------------------|-------------------|-------------------|
| Revenue                       | 273,938,626       | 520,286,096       | 551,794,655       |
| Raw materials                 | (34,719,587)      | (68,101,396)      | (93,002,855)      |
| Cost of merchandise sold      | (24,527,060)      | (17,612,705)      | (18,900,042)      |
| Subcontractor expenses        | (89,830,104)      | (191,214,213)     | (186,207,591)     |
| Payroll expenses              | (47,743,930)      | (96,684,881)      | (94,899,893)      |
| Other expenses                | (20,232,410)      | (40,434,577)      | (39,707,747)      |
| Depreciation and amortization | (27,940,779)      | (51,993,771)      | (54,724,918)      |
| Other gains or losses         | 4,878,728         | 8,001,387         | 4,881,279         |
| <b>Operating result</b>       | <b>33,823,484</b> | <b>62,245,940</b> | <b>69,232,888</b> |
| Financial income              | (899,013)         | (624,988)         | 504,146           |
| Financial expenses            | (432,530)         | (2,536,451)       | (3,011,622)       |
| <b>Operating profit</b>       | <b>32,491,941</b> | <b>59,084,501</b> | <b>66,725,412</b> |
| Tax expense                   | (5,181,728)       | (10,828,634)      | (13,438,576)      |
| <b>Net income</b>             | <b>27,310,213</b> | <b>48,255,867</b> | <b>53,286,836</b> |

Source: Company data, BRK

**Figure 15: Key financial data – Profitability Margins**

|                  |       |       |       |
|------------------|-------|-------|-------|
| Operating margin | 12.3% | 12.0% | 12.5% |
| Net margin       | 10.0% | 9.3%  | 9.7%  |

Source: Company data

Figure 16: Key financial data – Balance Sheet

|                                      | 1H2021             | 2020               | 2019               |
|--------------------------------------|--------------------|--------------------|--------------------|
| Cash and equivalents                 | 52,240,103         | 55,160,530         | 62,393,392         |
| Receivables                          | 47,992,035         | 54,674,745         | 69,758,698         |
| Inventories                          | 26,864,287         | 22,990,259         | 30,462,518         |
| Other current assets                 | 19,492,118         | 16,821,195         | 18,041,090         |
| Assets held for sale                 | 0                  | 0                  | 3,351,341          |
| <b>Total current assets</b>          | <b>146,588,543</b> | <b>149,646,728</b> | <b>184,007,039</b> |
| Property, plant and equipment        | 597,073,351        | 583,695,195        | 563,104,192        |
| Goodwill                             | 3,846,603          | 3,846,603          | 3,846,603          |
| Intangible assets                    | 1,960,667          | 1,937,840          | 2,520,253          |
| Investments in associates            | 7,422,883          | 7,596,793          | 8,183,373          |
| Other long-term assets               | 3,692,953          | 4,101,983          | 4,116,889          |
| <b>Total non-current assets</b>      | <b>613,996,457</b> | <b>601,178,414</b> | <b>581,771,310</b> |
| <b>Total assets</b>                  | <b>760,585,000</b> | <b>750,825,142</b> | <b>765,778,349</b> |
| Share capital                        | 31,739,602         | 31,739,602         | 31,739,602         |
| Reserves                             | 226,124,820        | 223,522,014        | 228,582,979        |
| Retained Earnings                    | 251,070,138        | 244,420,990        | 210,756,405        |
| Equity to shareholders               | 508,934,560        | 499,682,606        | 471,078,986        |
| Non-controlling interests            | 103,304,631        | 105,299,772        | 102,215,786        |
| <b>Total Equity</b>                  | <b>612,239,191</b> | <b>604,982,378</b> | <b>573,294,772</b> |
| Payables                             | 31,147,938         | 28,903,685         | 38,718,473         |
| Current portion of leasing           | 89,136             | 209,417            | 294,879            |
| Loans and borrowings                 | 49,157,163         | 50,801,555         | 62,894,812         |
| Provisions                           | 4,591,744          | 5,008,685          | 6,324,756          |
| Other current liabilities            | 25,939,314         | 29,744,417         | 29,649,900         |
| <b>Total current liabilities</b>     | <b>110,925,295</b> | <b>114,667,759</b> | <b>137,882,820</b> |
| Loans                                | 29,085,996         | 23,113,632         | 46,058,929         |
| Deferred taxes                       | 7,785,872          | 7,785,872          | 7,992,550          |
| Long-term leasing                    | 136,021            | 160,086            | 166,965            |
| Other long-term liabilities          | 412,625            | 115,415            | 382,313            |
| <b>Total non-current liabilities</b> | <b>37,420,514</b>  | <b>31,175,005</b>  | <b>54,600,757</b>  |
| <b>Total liabilities</b>             | <b>148,345,809</b> | <b>145,842,764</b> | <b>192,483,577</b> |
| <b>Total equity and liabilities</b>  | <b>760,585,000</b> | <b>750,825,142</b> | <b>765,778,349</b> |

Source: Company data

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|                    |   |
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| Analyst   | Company                  | No. shares |
|-----------|--------------------------|------------|
| Analyst 1 | Transport Trade Services | 5          |

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| Company                  | Ticker | The explanatory note applies number: |
|--------------------------|--------|--------------------------------------|
| Transport Trade Services | TTS    | 5, 7, 10, 11                         |

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- Menținere:** Este estimat că instrumentul financiar va genera un randament între -15% și 15% în următoarele 12 luni, conform cu prețul țintă
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| Analist   | Companie                 | Numar actiuni |
|-----------|--------------------------|---------------|
| Analist 1 | Transport Trade Services | 5             |

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| Societate                | Simbol | Se aplică nota explicativă nr. |
|--------------------------|--------|--------------------------------|
| Transport Trade Services | TTS    | 5, 7, 10, 11                   |

BRK Financial Group SA este furnizor de lichiditate în ceea ce privește produsele structurate emise de aceasta.

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- Emitentul este acționar al BRK Financial Group SA (deține o participație mai mare de 5% din capitalul său social emis total).
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- În ultimele 12 luni, BRK Financial Group SA a fost remunerat pentru servicii de investiții financiare prestate emitentului.
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