Swiss Capital

Equity Research
ioana.andrei@swisscapital.ro
+40(21)4084-217

Equity Sales & Trading
office@swisscapital.ro
+40(21)4084-206

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Q1 2026 First look

TRANSGAZ

FY'26E likely above budget, but valuation remains demanding

* Transgaz reported a standalone net profit of RON 312m in Q1'26, down 31% Y/Y and 18% below our estimates, while EBITDA declined 14% Y/Y to RON 515m, coming in 11% below our forecast. The weaker-than-expected performance was mainly driven by lower capacity booking revenues, higher depreciation expenses and a weaker financial result.

* Core revenues declined 12% Y/Y to RON 801m, primarily due to a 14% drop in the capacity component to RON 705m, which more than offset the 6% Y/Y increase in the commodity component to RON 96m. The decline in the capacity component was broad-based, with auction premiums falling 51% Y/Y, capacity surplus revenues decreasing 10% Y/Y and capacity booking revenues declining 13% Y/Y. The main surprise came from the booking component, where revenues fell despite a 4% increase in reserved capacity volumes, as the implied reservation tariff declined by 13% Y/Y due to a different product mix. Volumetric revenues increased modestly, supported by a 14% rise in transported volumes, partially offset by a RON 0.13/MWh lower tariff.

* On the cost side, operating expenses increased 6% Y/Y to RON 500m, mainly due to a RON 42m increase in depreciation expenses following the commissioning of major investment projects, as well as higher personnel costs, provisions and taxes. The main positive surprise came from gas consumption costs, which declined 47% Y/Y as CPT network losses fell by 102k MWh to only 0.17%, record low.

* EBITDA declined 14% Y/Y on the back of weaker revenues, while the sharp increase in depreciation expenses to RON 164m pushed EBIT 27% lower Y/Y to RON 351m, implying a margin of 44% compared to 53% in Q1'25. On the financial side, financial revenues declined 24% Y/Y as the inflation adjustment applied to the regulated asset base receivable was capped at 3.08% starting September 2025, well below the inflation rates used in previous years. At the same time, financial expenses more than doubled Y/Y, mainly due to higher non-capitalised interest expenses following the commissioning of new investment projects.

* **FY 2026 OUTLOOK:** Despite the weaker-than-expected quarterly performance, Q1'26 net profit exceeded the quarterly budget by 25%, benefiting from lower-than-budgeted operating and financial expenses. We continue to view the FY'26 budget as conservative. While profitability will be affected by regulatory corrections related to prior over-recovery and efficiency-sharing mechanisms (RON 451m of negative revenue adjustments and RON 52.6m efficiency-sharing correction), the impact is expected to be spread across several years. Transgaz published today the transport tariffs for the '26-'27 gas year, with the volumetric tariff declining to RON 1.51/MWh from RON 1.80/MWh previously, broadly consistent with the company's assumptions of higher volumes. We continue to expect FY'26 results to exceed the company budget, mainly on lower CPT and other operating expenses, although remaining below the exceptionally strong FY'25 level. We estimate FY'26 standalone net profit heading close to RON 500m and EBITDA at around RON 1.25b, implying a 31% outperformance vs the budget proposal at the bottom line, but a 35% decline Y/Y in net profit. The decline is mainly driven by a lower contribution from inflation-related RAB adjustments, higher D&A and interest expenses, alongside negative FX effects, only partly offset by lower CPT costs. Our EBITDA estimate remains broadly in line with Fitch's expectations following the recent upgrade of Transgaz's credit rating to BBB with a Stable Outlook. Fitch also forecasts cumulative net CAPEX of around RON 2.2b during '26-'28 and expects EBITDA to remain broadly stable in 2026-2027, before rising to RON 1.4b in 2029, supporting our view that no investment project comparable in scale to Tuzla-Podișor is currently envisaged and that future RAB growth should moderate. On our estimates, TGN trades at 15.5x FY'26 EV/EBITDA compared with a peer median of 11.4x, while the EV/RAB reaches 2.2x vs. around 1.3x-1.5x for major European gas TSOs, suggesting that the shares remain richly valued relative to the underlying regulated asset base **| NEGATIVE.**

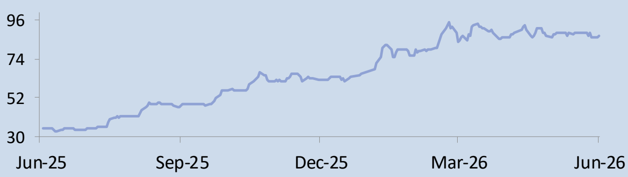
Romania, Gas Utilities

BQ: TGN RO				
Last close	**RON 86.5**			
52 - Week range	RON 31.6 | RON 96.0			
Market cap (m)	RON 16,295		€ 3,110	
EV/FY'2026E EBITDA	**15.5x**	**P/FY'2026E EPS**		**32.7x**
EV/2026-27E RAB	**2.2x**			

P&L Summary (RONm)*	**Q1'25**	**Q1'26**	**FY'24**	**FY'25**
Revenue	**908**	**801**	**1,954**	**2,461**
Commodity component	90	96	244	300
% Revenue	*10%*	*12%*	*12%*	*12%*
Capacity component	817	705	1711	2161
% Revenue	*90%*	*88%*	*88%*	*88%*
Auction premium	15	7	60	60
Capacity surplus	68	61	154	164
Capacity booking	735	637	1496	1937
Other income	42	50	151	135
Operating revenues**	**950**	**851**	**2,105**	**2,596**
D&A	122	164	470	493
Staff costs	142	146	627	677
Grid losses&materials	38	25	147	117
Expenses with royalties	104	92	225	283
Maintenance	8	7	59	77
Taxes and duties	21	26	90	121
Other provisions	2	9	-48	4
Receivables impairment	3	2	-17	17
Other OPEX	30	29	212	135
Operating expenses**	**470**	**500**	**1,764**	**1,924**
EBITDA	**602**	**515**	**811**	**1165**
EBITDA margin	*66%*	*64%*	*42%*	*47%*
EBIT	**480**	**351**	**341**	**672**
EBIT margin	*53%*	*44%*	*17%*	*27%*
Financial result	**60**	**19**	**117**	**243**
Net interest	5	-5	-1	25
Net FX gains/(losses)	-1	-0	0	-25
RAB inflation adj.	56	25	128	257
Others	-0	-0	-10	-14
EBT	**540**	**370**	**458**	**915**
EBT margin	*59%*	*46%*	*23%*	*37%*
Net profit	**453**	**312**	**392**	**766**
Net profit margin	*50%*	*39%*	*20%*	*31%*

*Source: The Company; * IFRS individual;*

*** Before balancing and construction activity according to IFRIC12*



	1m	6m	12m	YTD
Price performance	0.3%	39.1%	147.1%	31.3%

Ioana Andrei
00 40(21)4084-217
ioana.andrei@swisscapital.ro

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Company Specific Regulatory Disclosures

The following disclosures relate to relationships between Swiss Capital SA and companies covered by the Research Division of Swiss Capital and mentioned in this research.

Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
S.N.T.G.N. Transgaz	TGN	-	86.5	04/06/2026	NONE

Rating history for Transgaz

Date	Rating	Share Price (RON)	Target Price (RON)
-	-	-	-

Ioana Andrei
00 40(21)4084-217
ioana.andrei@swisscapital.ro

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