

## Nuclearelectrica (SNN)

**HOLD**

### Flash Note – Q3 2024 Results

**Target Price: 48,14 lei (+9,5%)**

#### Total Revenues declined by 40%, in line with estimates

Nuclearelectrica reported electricity sales of 3.3 bn. RON for the first nine months of 2024 (compared to 5.5 bn. RON in 2023), a decrease of 40.7%, primarily due to a drop in the average market price, while the volume of electricity produced was in line with expectations. Total revenue was 3.7% lower than our estimate of 3.52 bn. RON, but net profit came in at 1.3 bn. RON versus our forecast of 1.15 bn., an increase of 11.4% YoY. Our DCF estimate (70% weight) remains unchanged, and we maintain a target price of 42.3 RON per share, which is 3.7% below the current market level. Multiples implied target price is higher as the company trades at half the EV/EBITDA multiple compared to peers.

The average electricity selling price was 441.9 RON/MWh, down 38.9% from the 723.4 RON/MWh achieved in the same period last year. This decline was impacted by a higher volume of energy sold in the regulated market (MACEE system), totaling around 4.02 TWh vs 3.38 TWh in the previous year (+18.8%). In the first part of the year, the regulated price was 450 RON/MWh, and from April, it was adjusted to 400 RON/MWh.

In the competitive market, both the quantity of electricity (3.4 TWh vs. 4.3 TWh, -20.7%) and the average market price (423.7 RON/MWh vs. 942.4 RON/MWh, -55.0%) were lower. The average price in the day-ahead market (PZU) was lower in the first half of the year (396 RON/MWh), followed by an increase in the third quarter, bringing the nine-month average to 496.8 RON/MWh. A similar trend was seen in the intraday market (374.8 RON/MWh in H1, then 451.3 RON/MWh by 9M), while in the centralized market for bilateral contracts, the average price was 461.6 RON/MWh, higher in Q3 (474.6 RON/MWh) compared to H1 (450.02 RON/MWh).

The total quantity of electricity sold was 7.47 TWh, a 3.0% decrease from 7.69 TWh in the same period last year. The slight drop was affected by planned and unplanned outages of Unit 1, which led to a capacity utilization rate of 77.16% in Q3 (versus a historical average of 90.23%). Unit 2 experienced fewer interruptions, and its utilization rate exceeded the historical average of 93,79%, reaching 95.2% in Q3.

On a positive note, lower electricity prices led to a significant reduction in the contribution to the energy transition fund (windfall tax), which amounted to 110.5 million RON in the first nine months of the year, compared to 2.059 bn. RON in the same period last year. Significantly lower expenses related to the transition fund almost completely offset the decline in revenues, with EBITDA for the first nine months down to 1.811 bn. RON, only 28.1% lower than the previous year.

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#### Sector: Utilities

#### Shares information

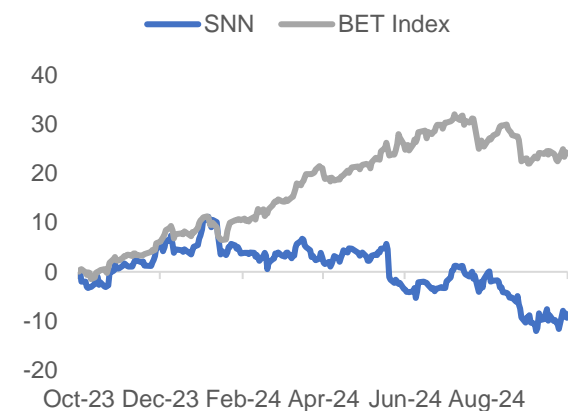
Min/max price, 52 weeks.	41,00 – 52,40
Dividend/share	3,716
Total Shares* (m)	301,6
Capitalization (RON m.)	13,272
52 weeks liquidity (RON m.)	401

#### Major Shareholders

	%
Institutional	12,87
Retail	4,63
Min. of Energy	82,49

#### 1 year performance vs BET

	%
SNN	-9.2
BET Index	19.8



Sursa: Bloomberg

## 9M Results Overview

(individual, RON '000)	9M 2023	9M 2024	%
<b>Sales of electricity</b>	5.573.619	3.304.915	-40,7%
Other income	85.852	89.919	4,7%
<b>Total revenues</b>	<b>5.659.471</b>	<b>3.394.834</b>	<b>-40,0%</b>
Personnel expenses	-449.552	-497.342	10,6%
Cost of traded electricity	-38.694	-256.942	564,0%
Repairs and maintenance	-61.291	-81.501	33,0%
Electricity transmission expense	-26.611	-27.927	4,9%
Cost of spare parts	-16.760	-20.878	24,6%
Cost of nuclear fuel	-125.938	-147.162	16,9%
Contribution to the Energy Transi	-2.059.256	-110.577	-94,6%
Other operating expenses	-363.410	-441.295	21,4%
<b>EBITDA</b>	<b>2.517.958</b>	<b>1.811.210</b>	<b>-28,1%</b>
Depreciation and amortization	-469.860	-496.168	5,6%
<b>EBIT</b>	<b>2.048.099</b>	<b>1.315.042</b>	<b>-35,8%</b>
Finance costs	-21.510	-39.251	82,5%
Finance income	312.214	254.556	-18,5%
Financial result	290.704	215.306	-26%
<b>Profit before income tax</b>	<b>2.338.803</b>	<b>1.530.348</b>	<b>-34,6%</b>
Net income tax expense	-362.189	-245.633	-32,2%
<b>Profit for the period</b>	<b>1.976.614</b>	<b>1.284.715</b>	<b>-35,0%</b>

source: SNN, own estimates

Sales of electricity (RON '000)	9M 2023	9M 2024	%
Regulated Market / MACEE	1.522.984	1.798.515	18,1%
Competitive Market	4.038.261	1.439.787	-64,3%
Balancing Market	7.930	62.716	690,9%
<b>TOTAL</b>	<b>5.569.175</b>	<b>3.301.018</b>	<b>-40,7%</b>

Quantities (MWh)	9M 2023	9M 2024	%
Regulated Market / MACEE	3.384.409	4.020.026	18,8%
Competitive Market	4.285.213	3.397.910	-20,7%
Balancing Market	29.459	52.613	78,6%
<b>TOTAL MWh</b>	<b>7.699.081</b>	<b>7.470.549</b>	<b>-3,0%</b>

Prices (lei/MWh)	9M 2023	9M 2024	%
Regulated Market / MACEE	450,0	447,4	-0,6%
Competitive Market	942,4	423,7	-55,0%
Balancing Market	269,2	1.192,0	342,8%
<b>Average Price (lei/MWh)</b>	<b>723,4</b>	<b>441,9</b>	<b>-38,9%</b>

source: SNN, own estimates

## DCF Valuation

We estimate SNN's value at 48.14 lei per share, calculated as a weighted average between the DCF valuation (70% weight) and the multiples valuation (30% weight).

The DCF model indicates a target price of RON 42.3 per share, slightly below the market price (-3.7%). In this valuation, we assumed the closure of Unit 1 during 2027–2029, followed by its restart in 2030. The Capex for the next three years was calculated based on the company's estimates, with 1.66 billion lei in 2024, reaching up to 3.05 bn. lei by 2026. For the following years, we estimated a normalized Capex, averaging 482 million lei annually, excluding potential expenses related to the construction of Units 3 and 4. Other assumptions used in the estimation include:

- Weighted average cost of capital (WACC) of 12.2% throughout the forecast period, with a cost of equity of 14.09% and a cost of debt of 5.8%;
- Market risk premium of 8.6%, estimated using the long-term return of the BET index and the 10-year yield on Romanian government bonds; Levered beta of 0.8, estimated through a simple regression against the BET index, using the company's historical data;
- Terminal value estimated through the Gordon Growth model, using a growth rate of 3% and the weighted average cost of capital.

(RON '000)	Reported	Reported	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
DCF Model	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Total Revenues	6.534.129	7.618.434	4.582.594	4.376.161	4.322.308	2.201.649	2.179.632	2.136.039	4.186.637
% growth	103,9%	16,6%	-39,8%	-4,5%	-1,2%	-49,1%	-1,0%	-2,0%	96,0%
<b>EBITDA</b>	<b>3.588.486</b>	<b>3.096.318</b>	<b>2.322.612</b>	<b>2.064.699</b>	<b>1.968.640</b>	<b>719.798</b>	<b>685.978</b>	<b>636.052</b>	<b>2.072.657</b>
EBITDA margin	54,9%	40,6%	50,7%	47,2%	45,5%	32,7%	31,5%	29,8%	49,5%
<b>EBIT</b>	<b>2.983.050</b>	<b>2.464.368</b>	<b>1.652.341</b>	<b>1.401.131</b>	<b>1.311.708</b>	<b>69.435</b>	<b>42.119</b>	<b>-1.368</b>	<b>1.441.611</b>
EBIT margin	45,7%	32,3%	36,1%	32,0%	30,3%	3,2%	1,9%	-0,1%	34,4%
Tax Rate	-13,4%	-12,5%	-16,0%	-16,0%	-16,0%	-16,0%	-16,0%	-16,0%	-16,0%
EBIT*(1- Tax Rate)	<b>3.383.456</b>	<b>2.773.419</b>	<b>1.916.716</b>	<b>1.625.312</b>	<b>1.521.581</b>	<b>80.545</b>	<b>48.858</b>	<b>(1.587)</b>	<b>1.672.268</b>
D&A	605.437	631.950	670.271	663.568	656.932	650.363	643.859	637.421	631.047
WCC	-70.546	-334.061	-160.391	-153.166	-151.281	-77.058	-76.287	-74.761	-146.532
CAPEX	-491.550	-1.481.082	-1.664.862	-2.728.192	-3.058.939	-440.330	-435.926	-427.208	-627.996
<b>FCFF</b>	<b>3.426.797</b>	<b>1.590.226</b>	<b>761.734</b>	<b>-592.478</b>	<b>-1.031.706</b>	<b>213.520</b>	<b>180.504</b>	<b>133.864</b>	<b>1.528.787</b>
discount factor			0,89	0,79	0,71	0,63	0,56	0,50	0,45
NPV FCFF			678.665	-470.302	-729.648	134.539	101.332	66.954	681.262
PV FCFF	462.803								
PV Terminal Value	8.748.393								
Terminal Growth Rate	3,0%								
<b>Firm Value</b>	<b>9.211.196</b>								
Net Debt	-3.557.945								
<b>Equity Value</b>	<b>12.769.141</b>								
No. Shares	301.644								
<b>Price/share</b>	<b>42,33</b>								
Market Price	43,95								
<b>Upside/Downside</b>	<b>-3,68%</b>								

## Multiples Valuation

We value SNN at 61.7 lei per share (+40.4% upside) as an average of EV/EBITDA, P/E, P/B, and P/S valuations. SNN trades at a forward P/E of 8.6x, below the industry sample average of 13.8x. The company remains attractively priced, trading at a discount, with an EV/EBITDA multiple of 4.2x—half the average level of the sample (8.3x).

	2024e	SNN	Peers
PE		8,62	13,85
EV/EBITDA		4,18	8,31
PB		1,24	1,87
PB ROE adj.		1,22	1,22
<b>ROE</b>		<b>8,7%</b>	<b>13,3%</b>
PS		2,89	1,81
PS adj.		3,75	3,75
<b>NPM</b>		<b>21,0%</b>	<b>10,1%</b>

source: BBG, own estimates

	2024e	+/-
Target Price @ EV/EBITDA	75,78	72,4%
Target Price @ P/E	70,60	60,6%
Target Price @ P/B	43,46	-1,1%
Target Price @ P/S	56,98	29,6%
<b>Avg. Target Price</b>	<b>61,70</b>	
Upside/Downside	40,4%	

source: BBG, own estimates

## Financial statements and estimates

	Reported	Reported	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
(RON '000)	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
<b>Total Revenues</b>	<b>6.534.129</b>	<b>7.618.434</b>	<b>4.582.594</b>	<b>4.376.161</b>	<b>4.322.308</b>	<b>2.201.649</b>	<b>2.179.632</b>	<b>2.136.039</b>	<b>4.186.637</b>
Energy, fuel costs	-687.876	-314.381	-504.085	-525.139	-561.900	-220.165	-217.963	-213.604	-460.530
<b>Operating Result</b>	<b>5.846.254</b>	<b>7.304.053</b>	<b>4.078.509</b>	<b>3.851.022</b>	<b>3.760.408</b>	<b>1.981.484</b>	<b>1.961.669</b>	<b>1.922.436</b>	<b>3.726.107</b>
Payroll costs	-561.122	-796.253	-812.178	-844.665	-870.005	-887.405	-905.153	-923.256	-941.722
Other costs	-611.631	-787.862	-824.867	-831.471	-864.462	-374.280	-370.537	-363.127	-711.728
Windfall tax	-1.085.014	-2.623.619	-118.852	-110.187	-57.301				
<b>EBITDA</b>	<b>3.588.486</b>	<b>3.096.318</b>	<b>2.322.612</b>	<b>2.064.699</b>	<b>1.968.640</b>	<b>719.798</b>	<b>685.978</b>	<b>636.052</b>	<b>2.072.657</b>
Depreciation and impairment	-605.437	-631.950	-670.271	-663.568	-656.932	-650.363	-643.859	-637.421	-631.047
<b>EBIT</b>	<b>2.983.050</b>	<b>2.464.368</b>	<b>1.652.341</b>	<b>1.401.131</b>	<b>1.311.708</b>	<b>69.435</b>	<b>42.119</b>	<b>-1.368</b>	<b>1.441.611</b>
Financial expenses	-31.799	-34.849	-45.826	-35.009	-34.578	-11.008	-10.898	-10.680	-20.933
Financial income	239.237	413.193	216.158	108.079	43.232	27.792	28.070	28.350	28.634
<b>Profit before Tax</b>	<b>3.190.487</b>	<b>2.842.712</b>	<b>1.822.673</b>	<b>1.474.200</b>	<b>1.320.361</b>	<b>86.219</b>	<b>59.290</b>	<b>16.302</b>	<b>1.449.311</b>
Income Tax	-428.250	-356.498	-291.628	-235.872	-211.258	-13.795	-9.486	-2.608	-231.890
Other costs	-197.390	269.239	9.165	8.752	8.645	4.403	4.359	4.272	8.373
<b>Net Profit</b>	<b>2.564.847</b>	<b>2.755.453</b>	<b>1.540.210</b>	<b>1.247.081</b>	<b>1.117.748</b>	<b>76.827</b>	<b>54.163</b>	<b>17.965</b>	<b>1.225.795</b>
Other OCI	1.745	-3.717	-2.236	-2.135	-2.109	-1.074	-1.063	-1.042	-2.043
<b>Profit for the period</b>	<b>2.566.592</b>	<b>2.751.736</b>	<b>1.537.975</b>	<b>1.244.946</b>	<b>1.115.639</b>	<b>75.753</b>	<b>53.100</b>	<b>16.923</b>	<b>1.223.752</b>

	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
GPM	89,5%	95,9%	89,0%	88,0%	87,0%	90,0%	90,0%	90,0%	89,0%
EBITDA M	54,9%	40,6%	50,7%	47,2%	45,5%	32,7%	31,5%	29,8%	49,5%
EBIT M	45,7%	32,3%	36,1%	32,0%	30,3%	3,2%	1,9%	-0,1%	34,4%
NPM	39,3%	36,1%	33,6%	28,4%	25,8%	3,4%	2,4%	0,8%	29,2%
ROE	<b>27,2%</b>	<b>24,7%</b>	<b>13,6%</b>	<b>11,3%</b>	<b>9,6%</b>	<b>0,6%</b>	<b>0,4%</b>	<b>0,1%</b>	<b>10,0%</b>
ROA	24,0%	22,1%	11,8%	9,0%	7,7%	0,5%	0,4%	0,1%	8,0%
SPS	21,1	24,7	15,2	14,5	14,3	7,3	7,2	7,1	13,9
EPS	9,2	8,2	5,1	4,1	3,7	0,3	0,2	0,1	4,1
BVS	34,9	38,9	35,5	37,6	39,4	39,5	39,6	39,7	41,7
DPS	4,3	3,7	2,5	2,1	1,8	0,1	0,1	0,0	2,0

	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
<b>Electricity Sales (RON '000)</b>	<b>6.360.780</b>	<b>7.455.319</b>	<b>4.513.855</b>	<b>4.310.519</b>	<b>4.257.473</b>	<b>2.168.624</b>	<b>2.146.938</b>	<b>2.103.999</b>	<b>4.123.838</b>
Regulated Market / MACEE		2.222.510	2.378.062	2.184.000	2.184.000	0	0	0	0
Competitive Market	6.332.359	5.211.277	2.122.252	2.113.587	2.060.701	2.162.118	2.140.497	2.097.687	4.111.466
Balancing Market	28.421	21.532	13.542	12.932	12.772	6.506	6.441	6.312	12.372

<b>Quantities (MWh)</b>		31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Regulated Market / MACEE		4.938.911	5.460.000	5.460.000	5.460.000	0	0	0
Competitive Market	10.513.116	5.520.334	5.008.500	5.008.500	5.008.500	5.234.250	5.234.250	5.234.250
Balancing Market	40.798	43.892	31.500	31.500	31.500	15.750	15.750	15.750

<b>Electricity Prices (RON/MWh)</b>		31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Regulated Market / MACEE		450	435,5	400,0	400,0			
Competitive Market	602,33	944,01	423,7	422,0	411,4	413,1	408,9	400,8

source: SNN, own estimates

## Investment Research Disclaimer

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#### Analyst

Alex Dodoi

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1. they have no financial interest in the financial instruments that include the company(ies) mentioned in this report, except for holding in individual equity investment portfolios.

BRK Financial Group SA is a liquidity provider in respect of structured products issued by it.

<b>Company</b>	<b>Symbol</b>	<b>Explanatory note No.</b>
Nuclearelectrica	SNN	5, 7, 11

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1. BRK Financial Group SA holds a net long or short position above the threshold of 5% of the issuer's total share capital.
2. BRK Financial Group SA acts as a market maker or liquidity provider for the issuer's financial instruments.
3. The issuer is a significant shareholder of BRK Financial Group SA (holds more than 10% of the share capital).
4. The issuer is a shareholder of BRK Financial Group SA (holds a stake of more than 5% of its total issued share capital).

5. The issuer is currently or has been in the last 12 months a client of BRK Financial Group SA for the provision of financial investment services.

6. For the last 12 months, BRK Financial Group SA has been the coordinator / associate coordinator of any public offering of financial instruments of the issuer.

7. In the last 12 months, BRK Financial Group SA has been remunerated for financial investment services provided to the issuer.

8. A director, executive director or agent of BRK Financial Group SA is an administrator, executive director, consultant or member of the Board of Directors of this issuer.

9. BRK Financial Group is a significant shareholder of the issuer (holds at least 10% of the share capital).

10. The authors of the investment research do not hold shares in the issuer.

11. BRK Financial Group is a market maker