Transilvania Investments

Conference call, FY 2024 Financial Results, 06.05.2025, 12:00 am

Good morning! Welcome to the Transilvania Investments conference for the presentation of the financial results recorded in the year 2024, as approved by the General Meeting of Shareholders held on April 28th. Today's presentation will be held by Marius Moldovan, Executive President and Răzvan Raţ, Executive Vice-President. The presentation material presented during the conference is also available on our website, under Investor relations/Presentations. After presenting the financial results, you are invited to a Q&A session. Please be informed that this conference will be recorded, with the audio recording to be posted on our company's website in the Investor relations section. Moreover, please note that the personal data you have provided upon registration to this conference will be processed pursuant to the company's policy in this respect, which is also available on our website. I only have a brief remark, namely that this presentation does not include any full or comprehensive financial or commercial analysis of Transilvania Investments, nor does it present its position or perspectives in a full or comprehensive way. It should not be deemed that it includes all the information required by a person interested in acquiring shares issued by Transilvania Investments for a full analysis of all issues covered by this presentation. We recommend for any person interested in acquisition to make any investment decision on the shares issued by Transilvania Investments or the companies in its portfolio to rely solely on the information from the official public reports of the company and of these related companies. The presentation may include forward-looking statements. However, such statements should not be deemed as warranties or forecasts of Transilvania Investments regarding the future expected results. The presentation is not intended as, nor should be deemed as a forecast of the company's future results. The company shall not be under any obligation to update any of the potential forward-looking statements. Having this said, I now hand over to our colleagues.

Marius Moldovan: Thank you, Mihaela! Good afternoon! Today's presentation comprises of two chapters. The first chapter refers to indicators while the second covers strategic objectives.

In the first part of this presentation, we are going to talk about the annual financial results for 2024, the evolution of Transilvania Investments shares, the managed portfolio and the summary of results recorded on December 31st, 2024.

The Statement of financial position as at December 31st, 2024, by comparing December 31st, 2024 with December 31st, 2023. The total assets managed amount to RON 1.926 billion as compared to RON 1.824 billion at the end of 2023. The total liabilities amount to RON 96.22 million, compared to RON 91.23 million. The total liabilities and equity amount to RON 1.926 billion, compared to RON 1.824 billion at the end of 2023, so we have a positive performance in terms of the balance sheet.

With respect to the Statement of profit or loss and other comprehensive income as at December 31st, 2024, we have a summary overview on dividend income recorded throughout last year, namely RON 71.52 million, dividends cashed-in by the Fund, bank interest income amounting to RON 2 million, interest income from government securities classified as financial assets at fair value through profit or loss amounting to RON 4.7 million, net gain on financial assets at fair value through profit or loss amounting to RON 4.2 million and other operating income amounting to RON 0.44 million. The total net income is RON 82.94 million. Regarding expenses, which are presented in a structured way, the total personnel benefit expenses amount to RON 19.7 million, the commissions and fees expenses amount to RON 2.9 million, the impairment of financial assets amounts to RON 0.04 million, operating expenses amount to RON 10.55 million, while the financing costs are insignificant, namely RON 0.02 million, with total expenses covering RON 33.10 million. Profit before tax amounts to RON 49.84 million and the net profit of the year amounts to RON 48 million.

In the next slides we are going to discuss also about the situation arising after publishing the preliminary results, in February 15th, 2025, namely an event likely to significantly impair the previously published results, in a significant amount. The unaffected results, before the impact of reassessing the Transilvania Investments holding in Nova, amounted over RON 100 million, namely the one published in February 2024. The total comprehensive income of the year amounted to RON 142.6 million.

In terms of the distribution of net profit, approved by the Ordinary General Meeting of Shareholders of April 28th, 2025, dividends amounting RON 32.44 million, namely RON 0.015/share), were approved, and the difference of RON 15.6 million shall be set up as own financing sources. The dividend proposed by the company's Executive Board and endorsed by the Supervisory Board amounts to RON 0.015/share, which we believe has a competitive yield by reference to the average trading price of shares during 2024 and represents a payout ratio of approximately 68% of the net profit. Please note, this was referenced to the EGMS resolution of March 10th, 2025, which approved an own shares buy-back program amounting to approximately 8.5% of the total TRANSI shares.

Moving on to the cash flow presentation, January 1st, 2024 vs. December 31st, 2024, on the next slide, cash inflows have been generated by the sale of equity investments, dividend income, interest income, proceeds of government securities and the positive cash flow reduced by other expenses, as a result of cash outflows generated by payments for acquisition of equity investments, income tax paid, payments to suppliers, employees, dividends paid (approximately RON 21 million), shares bought-back amounting to RON 16 million. At the end of the year, on December 31st, 2024, the company had cash amounting to RON 18.5 million.

For the next slides I am going to hand over to my colleague, Răzvan.

Răzvan Raț: Thank you, Marius! The next slide covers the evolution of TRANSI shares in 2024. Throughout 2024, the TRANSI shares had an upward evolution, the price being 14.6% higher, namely from RON 0.3280/share up to a closing price of RON 0.3760/share at the end of the year. Throughout the year, the minimum closing price was RON 0.2850, and these are closing prices, the average price was RON 0.346 and the maximum price RON 0.3820. A total of 170 million shares were traded, which means daily average trading volume of 689 thousand shares per session.

Compared to 2023, there is significant improvement of share liquidity, with an average of 270 million shares traded per session in 2023, so there is an increase of approximately 150% compared to the previous year. We believe that wider availability and transparency towards the investors, as well as the Issuer's Market Maker contract that we signed, and the buy-back programs have supported the increase in liquidity and, at the same time, have also led to increased interest from investors in TRANSI shares.

The analysis of the TRANSI shares' trading discount in the last 12 months. There has been a positive evolution in reducing the discount, down from 59%, at the end of 2023, to 56% at the end of December 2024, considering that the net asset value increased by 7.5%, from RON 0.8019 per share to RON 0.8622 per share, and the price increased by 15.34, as mentioned, also in line with the strategy approved by the shareholders during the General Meeting. If we look at a more in-depth analysis of the trading discount, we find that, as compared to a market capitalization of RON 798 million, if consider the top 10 issuers we have in the portfolio, probably the most liquid ones, the trading discount amounts around 41%. Indeed, here we consider issuers and cash (RON 41,2), which are cash holdings, we still have a discount of 41% as compared to the market capitalization.

Regarding the portfolio evolution, in 2024, the total assets value increased by 5.64%, and the net asset value increased by 5.65% compared to the values recorded at the end of 2023, while the value of the financial instrument portfolio increased by 7.9% compared to the previous value. Please note that the number of companies held in our portfolio decreases, from 72 to 64, in line with our strategy and policy which aims at reducing the number of companies that we invest in. Cash went down from RON 60.2 million to RON 18.5 million, in December 2024, considering the investments made throughout the year.

The portfolio structure by sectors. There is a focus on the banking sector, namely 36.16%, travel and leisure 23.12%, energy 9%, financial services 10%. Somehow these are the sectors with significant weight in dividend income cashed in throughout 2024. For illustration, 6.3% of the dividends were cashed in from the banking sector, 19.5%, almost 20%, from energy and 7.3% from financial services. Considering the portfolio structure by types of financial instruments we notice that almost 82% of the portfolio comprises of traded shares, which provide specific liquidity, government securities 6.2%. Government securities are held 100% under the speculative portfolio that we manage. The total value of the financial instrument portfolio at the end of the year amounted to RON 1.87 billion.

In terms of the number of issuers in the portfolio, at the end of the year 2022, we had 93 issuers, 80 at the end of 2023 and by the end of 2024 only 70. We can notice the reduction in number of issuers.

If we look at the portfolio structure, depending on the fair value of holdings in the share capital of issuers, we find a focus of Transilvania Investments portfolio's fair value on companies where we are minority shareholders, specifically issuers traded on the regulated market. We have 38 issuers where we hold up to 10%, which means 61% of the total portfolio. There is also focus on companies where we are majority shareholders. We hold over 50% in 20 issuers, comprising 36% of the portfolio. So, we have around 97% traded issuers where we are majority shareholders, 10 issuers are companies where we hold between 10 and 33%, comprising 1% of the total, and 9 issuers where we hold between 33 and 50%, namely 2% of the total structure.

The top 10 holdings. The biggest exposure is in Banca Transilvania. I made the same comparison when I discussed about the trading discount. Even if it considered the 10 companies that we have presented on this slide, we would still have a 41% discount compared to the market price. Please note that most of them are listed issuers, I think all companies that we have here are listed on the Stock Exchange and some of them have high liquidity. The main exposure is in the banking sector, travel and leisure and financial.

The main sub-portfolios that generated a positive net cash impact on the value of the assets in the previous year. Shares generated a cash impact amounted to RON +185 million. The biggest growth was in the banking sector, travel and leisure and energy. Equity holdings generated a cash impact amounted to RON +14.5 million and fund units RON +2.9 million. Government securities generated RON +0.3 million from price differences, disregarding the interest that we collected.

Next, the financial instrument portfolio variation is detailed by sectors. As I previously indicated, the banking sector gained RON 147.4 million, the energy sector RON +45 million, travel and leisure RON 37 million and financial services that had more significant evolutions compared to the portfolio. At the end of December 2023, the portfolio amounted to RON 1.73 billion and RON 1.94 billion at the end of 2024.

Throughout 2024, we made acquisitions on the capital market, BSE, amounting to RON 150 million. Here, with investments and the next slide, about disinvestments, we included also speculative transactions we made in the speculative portfolio, with acquisitions and sales throughout the year, and long-term investments.

In terms of shares, the acquisitions amounted to RON 150 million, participations in the share capital increase amounting to RON 3 million, in the previous year, buy-backs of own shares amounted to RON 16 million, government securities RON 134 million and equity holdings EUR 1.7 million.

Mainly, in 2024, investments were made in shares listed at the stock exchange, with high liquidity. For the financial sector, we bought shares issued by Banca Transilvania, for energy sector we had investments in OMV Petrom, Romgaz, Transgaz, Hidroelectrica and Premier Energy and for travel and leisure, we acquired shares issued by Turism Felix within a share acquisition offer run in the previous year, and in real estate, we bought shares issued by One United, telecommunications - Digi and technology-Arobs. There have also been acquisitions of government securities and we had investments in equity holdings within the private equity funds CEECAT FUND. Own shares were bought back based on approvals issued by the EGMS on April 24th, 2023 and April 22nd, 2024.

Regarding disinvestments, there have been sales on the main market amounting to RON 200 million, sales on the AeRO market amounting to RON 8.8 million, comprising the sale of an older holding. The sales of government securities amounted to RON 52 million. Overall, in terms of government securities, at the end of last year, considering the circumstances before the parliamentary and presidential elections, we switched from a longer maturity to a shorter one, considering the expected volatility on the market. Also, in January 2024, the company sold fund units amounting to RON 0.6 million.

Marius Moldovan: I'm going to take over from here. As we pointed out, at the beginning of this presentation, regarding the financial statements which have been significantly adjusted, of approximately RON 56 million, by reassessing the stake held by Transilvania Investments in Nova Tourism Consortium, a company 100% owned by the Fund.

Moving on to the exceptional event, I would like to point out from the very beginning, regarding the financial statements and registering the valuation of this stake held by Transilvania Investments in Nova, this stake is measured at fair value through profit or loss account, and the difference in fair value directly impacts on the profit and loss account. The measurement at fair value is carried out by PricewaterhouseCoopers and the fair value is adjusted in the event of any corporate events arising. Our case, after closing the financial statements on December 31st and after reporting the preliminary results, in March, on March 10th, 2025, during the monitoring of stakes held by the Fund, we found that the stake held by Nova Tourism Consortium S.A. in Hoteluri Restaurante Sud, actually the only stake held by Nova, which is a financial holding, was reduced, from 90.61% to 48.24% following the registration at the National Trade Register Office, as well as the resolution by the same office, on March 7th, 2025, of a request to increase the share capital of Hoteluri Restaurante Sud S.A., based on a Resolution of the Extraordinary General Meeting of Shareholders dated back, on May 21st, 2024.

The adopted resolution led to the change in the shareholding structure of Hoteluri Restaurante Sud S.A, by introducing a new company, namely Alexa Business & Investments S.R.L., with a 46.76% share in the share capital. This company is managed by Arion Irina-Elena, daughter of Mr. Frățilă Constantin – member of the Supervisory Board of Transilvania Investments until December 31st, 2024.

The share capital increase operation that we are talking about was carried out at nominal value, without a valuation report which could establish the subscription price, without offering the preference right to the existing shareholders and without any publicity regarding the convening of the meeting and/or the adoption of the resolution. There was no convening notice published in the Official Gazette, for this, and the resolutions in question were not sent for publication in the Official Gazette. Therefore, this fictitious general meeting of shareholders appeared on the Fund's radar on March 10th, 2025, after settlement of the registration application by the National Trade Register Office.

Please note that our company, the Fund, did not grant a mandate to the sole director of Nova Tourism Consortium S.A., nor did it instruct in any way his participation to voting within the general meeting of shareholders, on said date, on May 21st, 2024. However, from the existing documents, namely those submitted at Constanța Trade Register Office, we found that the resolution was adopted in the presence of 100% of the total share capital and voting rights of Hotel Restaurants Sud S.A.

This operation, which is, clearly, contrary to the interests of Transilvania Investments, presumes either the involvement of Mrs. Alexe Gabriela – sole director of Hoteluri Restaurante Sud S.A., namely by falsely signing a resolution of a fictitious general meeting of shareholders, or that of the sole director of Nova Tourism Consortium S.A., in office on the above-mentioned date, respectively Mr. Dragoș Călin, who, without being authorised by Transilvania Investments, attended this fictitious GMS.

In view of these findings, the Fund had to update the fair value of its stake held in Nova Tourism Consortium S.A., by sending a notice to the external valuator, PricewaterhouseCoopers, to update the fair value. The independent valuation report carried out resulted in a negative adjustment of approximately RON 56 million which impacted the profit and loss account of the year 2024.

We brought the above-indicated situation to the attention of the shareholders and investors, through the Current Report no. 1568/March 14th, 2025 and we informed the shareholders and investors about the legal steps taken by Nova Tourism Consortium S.A. as plaintiff, through the Current Report no. 2195/April 10th, 2025.

I would like to state once again the Fund's message, namely that we would like to completely separate ourselves from this fictitious general meeting of shareholders and we utterly oppose and challenge the lawfulness of this share capital increase operation to protect the interests of Transilvania Investments and its shareholders. We are fully committed and shall make all efforts, both civil and criminal, so that we can protect the interests of our investors and of the Fund.

We are going to keep the investors, shareholders and authorities informed about the actions taken, and we shall also consider the procedural strategy adopted, to maximize the results achieved, without affecting the ongoing legal proceedings through any of the potential press releases we might make.

Regarding the evaluation report prepared by PricewaterhouseCoopers on the value of the stake held in Nova, according to the evaluation report findings, the fair value, after the RON 56 million impairment of the stake held by Nova in Hoteluri, Restaurante Sud, reached approximately RON 33 million. This happened due to Nova losing control in HRS, and the fact that the share capital increase was done at nominal value, not fair value. The nominal value is approximately 4 times less than the fair value.

Considering the steps carried out after the reporting period, the financial auditor of our company performed certain additional verification activities, more precisely the value determined by the third-party valuator, and deemed these value-adjustments as reasonable for determining the fair value of the stake held by the Fund in Nova on December 31st, 2024. Therefore, also as a result of the steps carried out by the Fund management, the financial auditor's opinion was issued without reserve, namely the financial statements accurately present, in all material respects, the financial position of the Fund on December 31st, 2024, as well as the financial performance and cash flows related to the closed financial year.

The financial auditor intended to obtain reasonable assurance about whether the financial statements are free of material misstatement, due to fraud or error.

Moreover, the financial auditor did not identify in the Executive Board's Report any information which is not consistent, in all material respects, with the information presented in the financial statements.

The financial auditor also stipulates, that the Executive Board's Report includes, in all material respects, the information required by the Accounting Regulations approved by FSA Norm 39/2015.

No information that would be significantly misstated was identified in the Executive Board's Report.

The Remuneration Report presents, in all material respects, the information requested by Law 24/2017.

With respect to the measures and steps taken, within Transilvania Investments, in the issue related to Nova and Hoteluri, Restaurante Sud, please note several measures and steps, namely: conducting an internal investigation, notified to FSA; initiation of an internal audit mission regarding the exceptional event; initiation of extensive criminal actions, including against Mr. Frățilă Constantin, member of the Supervisory Board of Transilvania Investments, and Mr. Dragoș Călin, who, at the time of the General Meeting of Shareholders of May 21st, 2024, was both the sole director of Nova Tourism Consortium and the Head of the Legal Department within Transilvania Investments. We have carried out steps to initiate liability proceedings against all the persons who participated in the GMS voting of May 21st, 2024. The steps to initiate liability proceedings against Mr. Dragoș Călin. Also, measures to protect the assets of Hoteluri, Restaurante Sud are pending before the court, namely recording the disputes in the Land Books of a series of buildings owned by Hoteluri, Restaurante Sud to discourage and even block a potential sale of assets carried out in this period by the sole director of Hoteluri, Restaurante Sud. At the same time, notices were sent to banks and business partners of Hoteluri, Restaurante Sud.

The next slide presents, in detail, the situation of litigations, both the case number, the parties and the subject of the case.

Moving on, the next slide includes the evolution of the net asset value, considering the exceptional event and without considering the exceptional event. Therefore, by quantifying the impact on NAV per share of the Nova - Hoteluri, Restaurante Sud event, this can be translated into a decrease in NAV per share from RON 0.8888 to RON 0.8622, meaning, RON 0.0266 per share. As an absolute sum, RON 56 million, approximately 3% of the Fund's NAVPS, respectively.

Despite this situation, the Executive Board proposed keeping the value of dividends to the level of the previous year, namely RON 0.015 per share and a payout ratio of 68% of the net profit for the year.

As I was saying, a previous General Meeting of Shareholders, in March 2025, approved the buyback of 175 million shares for cancellation and 10 million shares for the stock option plan.

Next we have the fulfilment of performance indicators for the year 2024, an item which was on the General Meeting of Shareholders' agenda, which was approved by overwhelming majority and we have here, once again, the two options presented, namely the fulfilment degree without the exceptional event and how it turned out after finding the exceptional event in the aggregate profit, as well as after impacting the financial statements with the RON 56 million. It was found that performance indicators were met by the Fund management and the company.

In the second part of this presentation, the strategic objectives, the strategy 2024-2028, a strategy approved by the General Meeting of Shareholders of April 2024, it relies on several elements, namely it is a strategy on a long and medium horizon, it is balanced, with a growth and yield components. The strategy aims at restructuring the historical portfolio and improving the fund's return profile to ensure a balanced shareholder remuneration policy, as I was saying, both through dividends and through own share buy back programs. Of course, by this strategy, with clearly communicated our goals, we aim at annually increasing the net asset value per share by at least 6% and reducing the trading discount, yearly, by at least 7%, at the same time maintaining our focus on governance, by enforcing consistent ESG policies and procedures and, considering the risk profile of the fund, which is a medium risk profile. Also, we aim at maintaining Transilvania Investments classification as investment entity, namely applying the IFRS exception for not consolidating the financial statements of the Fund with those of the portfolio companies where the Fund holds over 20%, meaning subsidiaries and affiliated entities.

The investment policy statement 2024-2028 has several pillars, more specifically a long-term investment horizon, the segmentation of the implementation process, a balanced asset allocation policy based on the diversification principle. We aim at an active investment risk management. We apply the highest principles of corporate governance, which was acknowledged by the maximum Vektor score obtained by the Fund, namely 10, for 2024. As I was saying, from a financial perspective, in terms of registering shareholdings, we maintain our status of investment entity. Most of our investments are reported at fair value. We do not consolidate subsidiaries; they are measured at fair value through profit and loss account. The speculative tradeable portfolio is also measured at fair value through profit and loss account, the difference in value. Medium and long-term holdings are recorded in FVTOCI, so also at fair value, and the difference value is recorded in the reserve account.

Regarding the implementation of the strategy and of the business lines, as I was saying, our portfolio includes assets from tourism, real estate sectors. We have an active trading approach for part of the portfolio, measured at fair value through profit and loss account, and a medium and long-term approach, an approach specific to private equity funds.

A couple of our projects in tourism: ARO Palace, as we have repeatedly informed, is undergoing a process of asset refurbishment, assets which will be affiliated to international brands through franchise agreements, namely the former Capitol Hotel, currently closed, being under renovation, will become Mercure Center Brașov Hotel. Renovation works started in the second half of 2024. Aro Palace S.A. signed a Letter of Intent and the franchise agreement at the end of 2024, under which Aro Palace Hotel will join the well-known brand Hyatt Regency, maintaining the name Aro Palace. As requested by the Fund, a new business model was implemented in our subsidiary T.H.R. Marea Neagră, namely asset renting. The company currently no longer operates own assets as tour-operator. Turism Felix, in line with ARO Palace, is undergoing a process of asset refurbishment. Moreover, the information is public, a multi-annual strategy was approved in the General Meeting of Shareholders of April 30th, 2025, regarding the future expansion of this company and the multi-annual strategy. A first step is the affiliation and refurbishment of Hotel International to the Mercure brand, operated by Accor.

Regarding the real estate portfolio, the slide illustrates the real estate companies in Brașov, Bucharest and Sibiu. The dynamic of these companies, in terms of occupancy rate and rent income, is a positive one, both in the case of Transilvania Investments Alliance Real Estate and International Trade Center. Also, Independența S.A. is running an extensive refurbishment programme to expand rental capacity and occupancy rates.

Regarding the revenue and expenditure budget approved by the General Meeting of Shareholders of April 28th, we aim at achieving RON 129 million revenues and a profit before tax amounting to RON 83.4 million, with corresponding expenses amounting to RON 45.7 million.

We have reached the end of our presentation. If you have any questions for the company's executive board, we are at your service both during this conference, as well as later, via email.

The email address where you can sent questions, if you do not have any right now, is actionari@transilvaniainvestments.ro or investitori@transilvaniainvestments.ro.

Since there are no additional requests or questions, we would like to thank you all for being here with us and please continue to do so.

Thank you!

Good-bye!