

SIF TRANSILVANIA

- fundamental issues -

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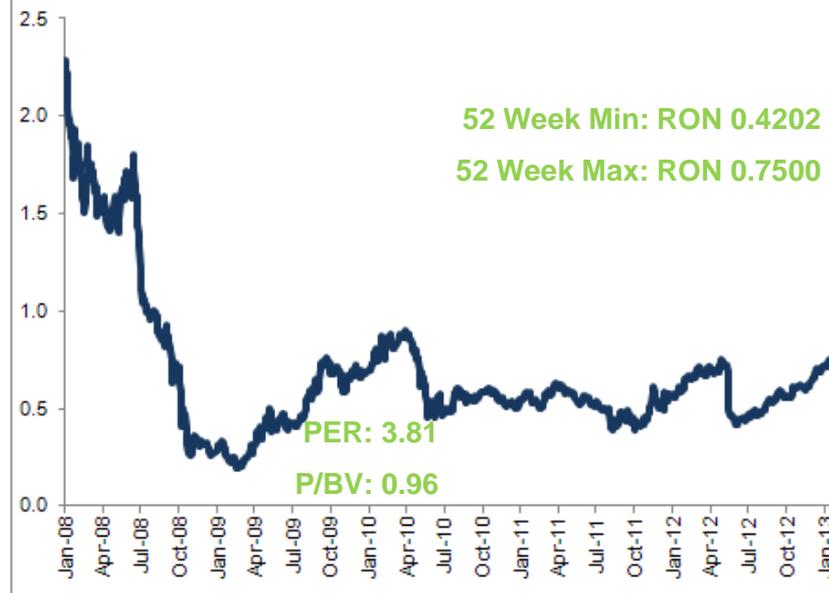
OVERVIEW

SIF3

- Market price: RON 0.7405
- Target price (12 M): RON 0.904
- Recommendation: BUY**
- Market Cap: RON 808 732 137
- NAV (December 2012): RON 1.0441
- Net Assets (December 2012): RON bn 1.14
- EUR/RON: 4.3373 (the 18th of January)
- ** Pay attention to the risk factors (foreign and domestic)!**

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SIF3 at BSE

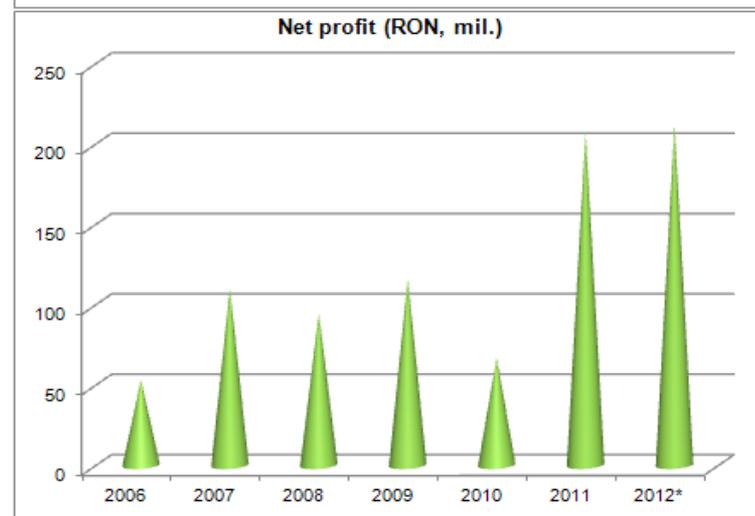
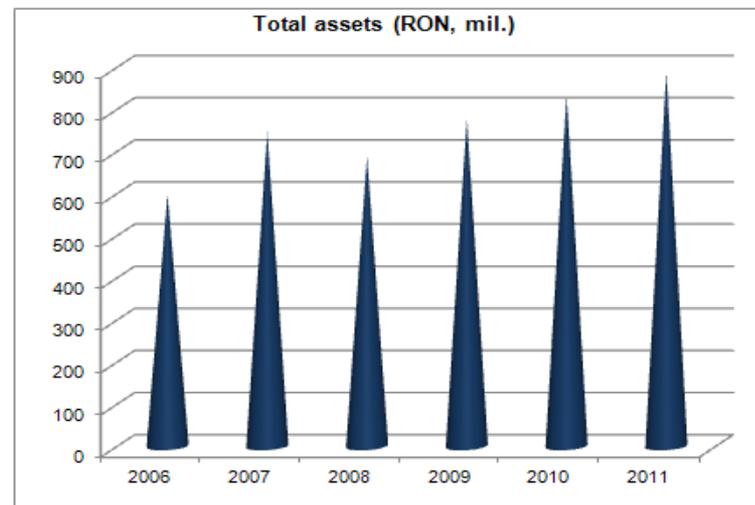


Dividends	2007	2008	2009	2010	2011	2012 (F)
Gross dividend (RON)	0.0375	0.03	0.03	0.03	0.1712	0.175
Dividends / Net profit (%)	37%	35%	28%	49%	90%	90%

Source: Financial Reports SIF Transilvania, own forecasts for 2012

COMPANY PROFILE I

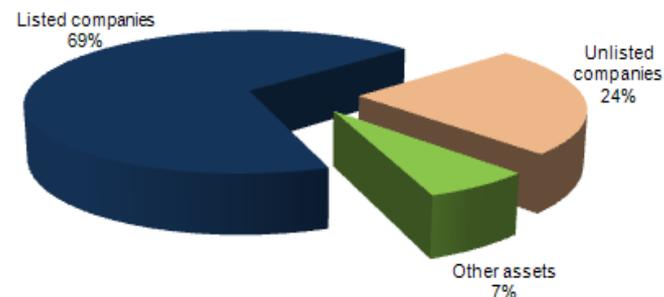
- SIFs resulted from the Romanian privatization process, according to the Law 133/1996; in 2011 the Parliament approved the increase of the ownership threshold at SIFs from 1% to 5%;
- Listed on Bucharest Stock Exchange since 1999, the SIF3 is one of the most liquid companies on BSE (2nd place during 2012, with an average daily turnover of RON mil. 1.89);
- SIF3 share capital: RON 109 214 333.2;
- During the period 2006-2011 total assets of SIF3 increased at CAGR 8.2%, from RON mil. 598 to RON mil. 887;
- The net profit of SIF3 rose at CAGR 31.3% during this period, from RON mil. 53 to RON mil. 208; according to the preliminary results, in 2012 the net profit increased by 2.2% y/y, to RON mil. 212 – a record level.



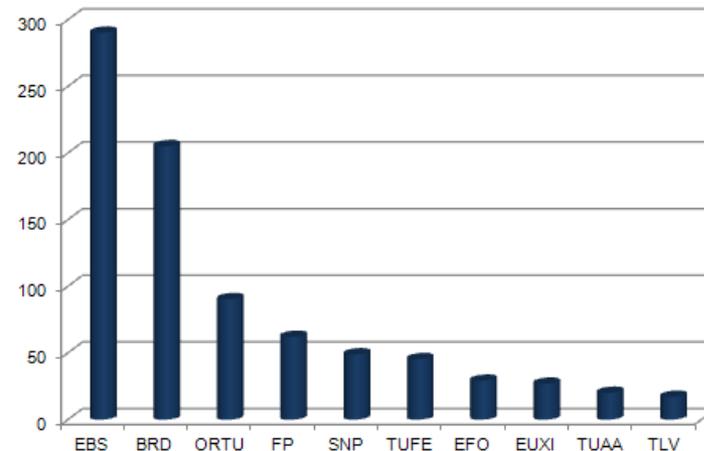
COMPANY PROFILE II

- Net Asset Value of SIF3 – RON bn 1.14 (December 2012);
- SIF3 holds stakes in 223 companies (of which 104 listed);
- The listed companies have a weight of 69% in the portfolio structure of SIF3 (the share of unlisted companies is 24%);
- Among the main holdings of the Equity Portfolio I mention EBS, BRD, ORTU, FP, SNP, TUFÉ, EFO, EUXI, TUAÁ and TLV;
- In 2011 SIF3 sold the stake in BCR (Banca Comerciala Romana – the leader of the domestic banking sector) to Erste Group, in a two-component transaction: cash and EBS shares; the cash transaction was closed during December 2011 (RON mil. 123.6); SIF3 also sold the remaining shares in BCR and received 4.03 mil. shares in EBS and signed an option sale transaction of these shares (to be struck in 2012/2013); at the end of September 2012 SIF3 had only 2.6 mil. EBS shares.

Portfolio structure
(December 2012)

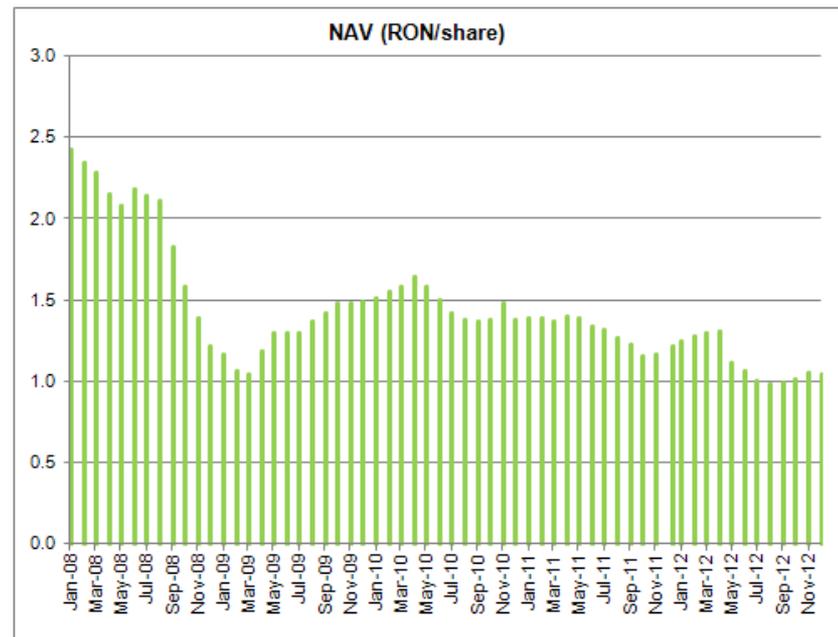


Equity Portfolio (Top listed companies) (RON, mil.)



COMPANY PROFILE III

- The evolution of NAV (presented on the right hand graph) is dependent mainly on the international macro-financial climate, but also on the portfolio management policy;
- During the second half of 2007 the NAV entered a downward trend, as the international macro-financial climate deteriorated in the context of the first wave of the global financial crisis;
- Starting March 2009 NAV temporarily reversed the trend, as the global macro-financial climate improved, given the expansionary macroeconomic policies implemented in order to answer the first wave of the global crisis;
- However, NAV reentered the downward trend during the Spring of 2010, as the second wave of the global crisis hit the global economy (the public debt crisis).



- The NAV hit the lowest level of the past years in August 2012 (RON 0.9825), stabilizing afterwards (RON 1.0441 in December).

FINANCIALS Q1-3 2012 I

- During Q1-3 2012 the operating income rose by 49% y/y, to RON mil. 285, due to the evolution of the income from the disposal of financial assets (up 92% y/y, to RON mil. 255.7);
- The operating expenses increased by 9% y/y, to RON mil. 56.2, mainly due to the evolution of the expenses with the disposal of financial assets (up 17% y/y);
- Consequently, the operating result rose by 64% y/y, to RON mil. 228.8;
- The net profit increased by 64% y/y to RON mil. 195.9.

Income Statement (RON, mil.)								
Indicator / period	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	
Total operating income	59.0	88.5	43.3	135.1	90.9	88.8	105.2	
Income from non-current financial assets	0.5	14.2	0.1	0.1	1.7	14.8	0.3	
Income from disposal of financial assets	57.6	34.6	41.0	123.7	86.8	65.8	103.0	
Income from current financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Income from reversal of provisions, reactivated receivables and sundry debtors	0.0	4.4	0.3	2.2	0.0	6.5	0.0	
Other operating income	0.9	35.3	2.0	9.0	2.4	1.7	1.9	
Total operating expenses	30.7	12.2	8.7	26.0	10.5	39.4	6.3	
Expenses with disposal of financial assets	24.2	1.0	4.3	13.7	5.5	27.3	1.8	
Fees and commissions expenses	1.1	1.1	0.8	0.5	1.3	1.2	1.2	
Depreciation, amortization, provisions, losses from receivables and sundry debtors	0.3	0.8	0.2	7.5	0.2	0.2	0.2	
Other operating expenses	5.0	9.3	3.4	4.3	3.5	10.7	3.1	
Operating result	28.3	76.3	34.6	109.1	80.4	49.4	98.9	
Gross profit	28.3	76.3	34.6	109.1	80.4	49.4	98.9	
Income tax	4.5	10.1	5.5	20.5	12.6	4.5	15.8	
Net profit	23.8	66.2	29.1	88.6	67.8	44.9	83.1	

Source: Financial Reports, SIF Transilvania

FINANCIALS Q1-3 2012 II

- During Q1-3 2012 the current assets decreased by 27.4% ytd to RON mil. 100, due to the evolution of the cash & equivalents (down 30% ytd);
- The current liabilities increased by 122.3% ytd, to RON mil. 102.4;
- The non-current assets rose by 9% ytd, to RON mil. 817, due to the evolution of the financial assets (up 9.2% ytd);
- Total equity decreased by 2% ytd, to RON mil. 754, due to the decline of the retained earnings & result for the period by 5.7% ytd.

Balance Sheet (RON, mil.)							
Indicator / period	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	1.6	4.8	3.4	1.5	4.0	5.2	4.6
Cash&Equivalents	68.8	78.4	62.0	136.2	166.0	141.4	95.3
Current assets	70.4	83.3	65.4	137.7	170.1	146.6	100.0
Payables to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	60.2	67.1	41.5	46.1	41.4	222.1	102.4
Total current liabilities	60.2	67.1	41.5	46.1	41.4	222.1	102.4
Tangible assets	14.5	14.2	13.9	13.7	13.5	13.4	13.3
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.2	0.3
Financial assets	775.3	803.7	822.6	735.9	760.3	812.3	803.5
Total non-current assets	789.8	817.9	836.5	749.6	773.8	825.8	817.0
Payables to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Total non-current liabilities	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Share capital	109.2	109.2	109.2	109.2	109.2	109.2	109.2
Reserves	529.6	567.4	564.9	452.4	447.1	464.9	448.9
Retained earnings&Result for the period	90.7	90.0	119.1	207.7	275.5	112.7	195.9
Total equity	729.6	766.6	793.2	769.3	831.8	686.8	754.0

Source: Financial Reports, SIF Transilvania

GLOBAL MARKETS OUTLOOK

- The monetary expansionary measures adopted and implemented by the main central banks around the world determined a positive financial climate over the past months;
- At present, the MSCI World Index trades close to the highest level since the Spring of 2011;
- However, the real economy continues to struggle between two economic cycles, as the risks persist and may intensify: the fiscal – budgetary issues in the United States; the public debt crisis in Europe; the economic challenges in the emerging and developing economies;
- In this context there must be mentioned that a sustainable upward trend on the financial markets is dependent on the relaunch of the investments in the real economy around the world.

MSCI World Index



Baltic Dry Index

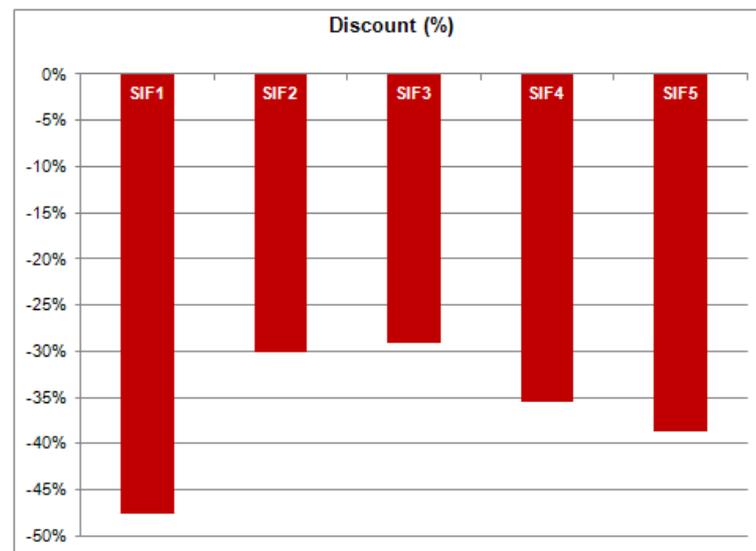


PEER GROUP ANALYSIS

- For the peer group analysis I selected the Romanian SIFs (Financial Investment Companies): SIF1, SIF2, SIF4 and SIF5;
- According to PER indicator, SIF3 is undervalued (level of 3.8, below the average of the selected companies);
- At the same time, SIF3 is undervalued as regards the P/BV indicator (level of 1, lower than the average of the companies included in the peer group analysis);
- In terms of the discount analysis (difference between the current market price and the NAV/share (December 2012)) SIF3 ranks the last among the SIFs, with a 29% level.

Peer Group Analysis Company / indicator	PER	P/BV
SIF 1	6.8	0.8
SIF 2	5.6	1.2
SIF 4	5.3	1.0
SIF 5	9.8	1.3
Average	6.9	1.1
SIF 3	3.8	1.0

Source: BSE, Financial Reports

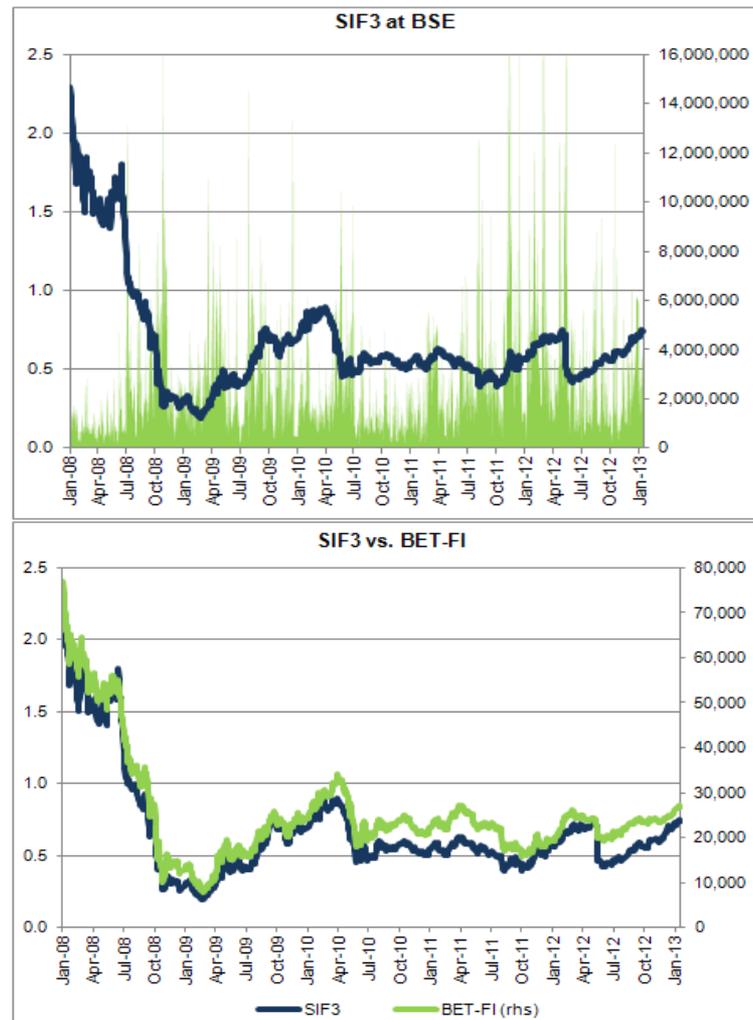


PORTFOLIO VALUATION

- Portfolio valuation is an important approach for the financial investment companies;
- In what regards the listed companies I took into account the market prices (close, as of the 18th of January);
- For the other unlisted companies I employed the Multiples approach (PER, P/BV): starting from the results of these companies in 2011 and considering an average PER of 5 and an average P/BV of 1.

STOCK EXCHANGE EVOLUTION

- Listed on Bucharest Stock Exchange (BSE) since November 1999, SIF3 is included in the BET-FI Index;
- The evolution of SIF3 share is dependent mainly on the macro-economic climate, either international, or domestic;
- At the same time, special factors, such as the threshold (increased to 5% at the end of 2011) and the transaction with Erste Group (regarding the sale of the stake in BCR) have recently influenced the performance of SIF3 share;
- As can be noticed on the graph, SIF3 share is highly correlated with BET-FI (98.99% coefficient since the beginning of 2008).



FINAL REMARKS

- SIF Transilvania continues to be undervalued according to the fundamental analysis, the short-term upside potential being supported by the expectations regarding the dividend policy for the financial year 2012, but also by the improvement of the risk perception regarding the financial investments in Romania;
- In this context, the BUY** recommendation is maintained and the 12 M target price is increased to RON 0.904; the target price was established by weighting the results of Portfolio valuation and Peer Group Analysis;
- ***However, on the short – run the investors should take into account the evolution of the perception regarding the global and domestic macro-financial risks!***
- There can be mentioned two alternative scenarios for the evolution of the SIF3 share over the following quarters:
 - In a positive scenario the SIF3 share might increase to RON 1.074, with intermediate steps at RON 0.84 and RON 0.904;
 - In a negative scenario (for instance, after the 2012 dividend data) the SIF3 share might decrease to RON 0.565.

THANK YOU!