



ANALYSIS OF THE FINANCIAL PERFORMANCE OF ENERGY COMPANIES IN THE CURRENT CONTEXT IN ROMANIA

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Rezumat: După o perioadă de pandemie (COVID-19), liberalizarea piețelor de energie electrică (la 1 ianuarie 2021), începerea războiului din Ucraina, dezechilibrele dintre cererea și oferta de energie la nivel european, politicile energetice la nivelul UE (spre energie verde) și la nivel național, prețurile cresc masiv și consumul scade atât pentru persoane fizice, cât și pentru companii, cu impact direct asupra performanței financiare a companiilor din acest sector. Evaluarea performanței financiare a companiilor din sectorul energetic sa bazat pe un set de indicatori calculați atât din situațiile financiare, cât și din datele pieței. Analiza a fost efectuată în perioada 2019-30 septembrie 2023 și a vizat doi producători S.N.G.N. Romgaz S.A., S.N. Nuclearelectrica SA, un transportator C.N.T.E.E. Transelectica SA și un distribuitor Societatea Energetică Electrică S.A.

Cuvinte cheie: performanță, sectorul energetic, rata de rentabilitate

Abstract: After a period of pandemic (COVID-19), the liberalisation of electricity markets (on 1 January 2021), the start of the war in Ukraine, the imbalances between energy supply and demand at European level, energy policies at EU (towards green energy) and national level, prices are rising massively and consumption is falling for both individuals and companies, with a direct impact on the financial performance of companies in this sector. The assessment of the financial performance of companies in the energy sector was based on a set of indicators calculated from both financial statement and market data. The analysis was carried out during 2019-30 September 2023 and targeted two producers S.N.G.N. Romgaz S.A., S.N. Nuclearelectrica SA, a carrier C.N.T.E.E. Transelectica SA and a distributor Societatea Energetică Electrică S.A.

Keywords: performance, energy sector, rate of return

JEL Classification: G15, L25, E44

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1. INTRODUCTION

The most widespread form of energy consumed in Romania is electricity, so 90% of consumers are connected to the electricity grid and almost half of households (44%) are connected to the natural gas grid (Romania's Energy Strategy 2020-2030).

Electricity produced in a power plant is transported on the transmission grids by various operators and distributed to legal and natural consumers by other operators. The transmission operator purchases the energy from the producer or from imports and sells it to the distribution operator. Following the purchase from the transporter or producer, the distribution operator sells it through the network system to the final consumer. The methodology for setting and approving energy prices and tariffs in Romania is carried out by the National Energy Regulatory Authority (ANRE). ANRE is also responsible for monitoring the electricity and gas market. The energy market in Romania is made up of a regulated market (quantity and price is set by ANRE) and a competitive market based on contracts.

According to the European Union regulations, each state has to modify its legislative framework for the energy sector in order to protect the interests of civil society on the one hand, and to ensure balance and proper functioning of the local energy market by supporting energy suppliers on the other.

2. DEFINING THE RESEARCH PROBLEM

The criteria used to select the companies were first of all the field of activity, the links of value creation from the producer to the consumer, the market share, the importance of the sector at national level (23% of the added value at national level, according to INSSE Report and the listing on the Romanian stock exchange. Accordingly, the analysis of financial performance in the electricity sector focused on two generators (SNN; SNG), one transmission operator (TEL) and one electricity distribution operator (EL).

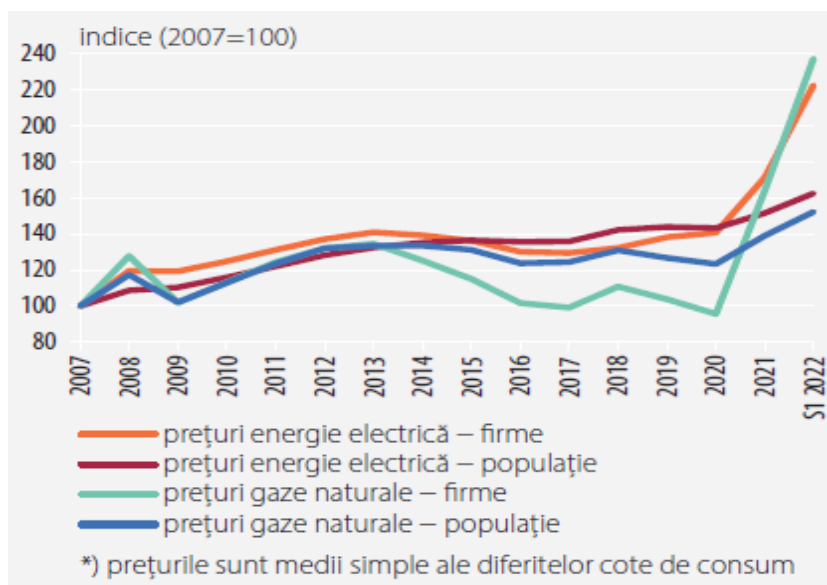
The company S.N. Nuclearelectrica SA was selected both because of its share of the energy market (19%) and because it ranks 6th in the BVB ranking by market capitalisation. S.N.G.N. Romgaz SA has a market share of 55% and ranks 4th in terms of market capitalisation. Societatea Energetica Electrică S.A. ranks 12th in the BVB's market capitalization ranking and has a distribution market share of 39.9%. In 2022, according to capitalization S.N. Transelectrica SA was ranked 15th in the BVB top, being the main energy transporter and the one that makes the connection with neighboring states.

The financial results at the end of the year can be estimated with a high probability based on the results from the financial analysis of the data from the financial statements of September. Due to the fact that incomes and expenses are the result of their accumulation since the beginning of the year and the results are calculated as the difference between them. Among the aspects pursued in the work, we mention: - the selection of representative indicators and their corroboration with each other so that the performance is evaluated as correctly as possible; - the analysis of the evolution over time of the performance indicators for each company studied and the comparison of the recorded values with those of the sector or of risk-free financial instruments.

3. PRESENTING THE RESEARCH FINDINGS

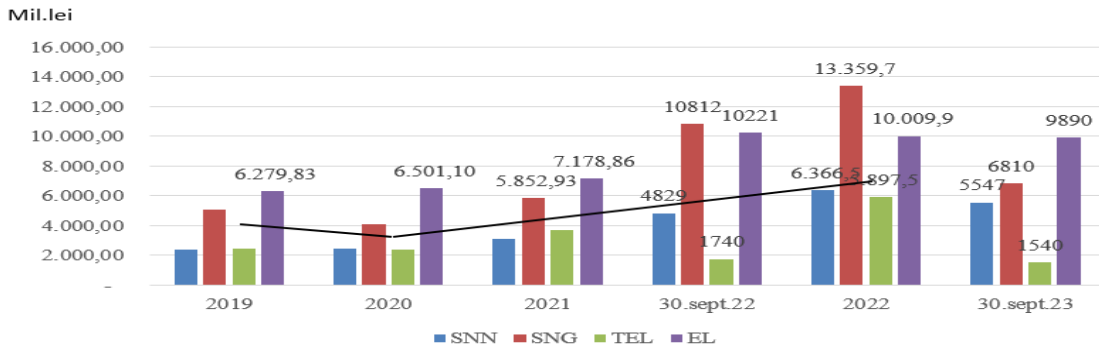
The increase in energy prices, especially after 1 January 2021, led to an increase in turnover for producers (SNN, SNG), transporters (TEL) and distributors (EL) in the period 30 September 2023 compared to December 2020.

Figure no. 1. Evolution of electricity and gas prices



Source: NBR, MFR, Financial Stability Report 2022

Starting in autumn 2021, according to GEO 118/2021, period November 1-March 31, 2022, with the onset of the cold season, in order to make this price increase bearable the state has compensated prices for household and non-household consumers for electricity and natural gas. The difference between the reference price and the average purchase price is recovered through the state subsidy mechanism. In March 2022, by Emergency Ordinance 27/2022 there is a new cap on electricity prices at 0.68 lei/kwh for an average monthly consumption of less than 100 KWh and 0.8 lei /Kwh for consumption between 100-300 kwh, and for those consuming more than 300 kwh the price will be set by each supplier. In the case of methane gas for domestic customers the price is capped at 0.31 lei/Kwh. These caps have been extended until March 2025. It should be noted that this price also includes the network transmission tariff and the distribution tariff, green certificates, as well as taxes, fees and commissions.

Figure no. 2. Turnover evolution in the period 2019-2022, according to data from the consolidated financial statements

Source: author's calculations based on data published on BVB, Administrator's report

According to the calculations based on the sales in the period 2019-2021, the Societatea Energetica Electrică SA is in first place followed by S.N.G.N. Romgaz SA, and in 2022 S.N.G.N. Romgaz SA will be in first place.

The analysis carried out on the basis of the data from the financial statements for the period 2019-2022 shows that sales (turnover) increased in all the companies studied. On the other hand, comparing the values as of September 30, 2023 with the values as of September 30, 2022 we find that sales decreased at SNG (by 37%), at TEL (by 11%) and at EL (by 3%), only at SNN they increased (by 15%).

Table no. 1. Annual growth in sales between 30 September 2020 and 30 September 2023

million lei

| | 30.Sep.20 | 30.Sep.21 | 30.sept. 2022 | 30.Sep.23 | Sept.2021/ Sep.2020 | Sept.2022/ Sept 2021 | Sept.2023/ Sept.2022 |
|-----|-----------|-----------|---------------|-----------|------------------------|-------------------------|-------------------------|
| SNG | 2.918,4 | 3.496,5 | 1.0812 | 6.810 | 20% | 209% | -37% |
| EL | 5001,7 | 7.244,8 | 1.0221 | 9.890 | 45% | 41% | -3% |
| SNN | 1777,1 | 2114,18 | 4829 | 5547 | 19% | 128% | 15% |
| TEL | 876 | 952 | 1740 | 1540 | 9% | 83% | -11% |

Source: author's calculations, BVB, Administrator's report

In the case of the S.N.G.N. Romgaz SA, decrease in sales from Sept. 30, 2023 compared to Sept. 30. 2022 is due to the price drop by ANRE regulations, reflected in GEO 27/2022 (gas price ceiling 150 lei/MWH, and for electricity 90 of the produced quantity is set at 450 lei/MGW) as well as the drop in sold quantities (4% gas and 24% electricity). In 2022 compared to 2021, the increase in sales is more than 2 times, mainly due to the increase in prices for natural gas (even if the quantity sold was lower by 4.54%, Administrator Report 2020) and for electricity.

In the case of SNN, on 30 September 2023 compared to the previous period in 2022, sales recorded an increase due to the increase in quantities sold by 3% and the increase of up to 15% in revenue is due to price, according to SN Nuclearelectrica Report 30. September 2023. The average sales price for all types, according to OPCOM, the competitive market, the market



of directly negotiated contracts, PZU sales, was in the period 1 January - 30 September 2023 of 942 lei/MWh compared to the same period last year which was 625 lei/MWh, as from Administrator's report of September 30, 2023. According to GEO 153/2022, a part of the quantity sold (42%) in the period January - March 2023 is through OPCOM where the purchase of electricity from the producer is 450 lei/MWh and sold to transmission and distribution operators also at the price of 450 lei/MWh. In the case of the producing companies, S.N. Nuclearelectrica and S.N.G.N. Romgaz SA, an important expense is the contribution to the Energy Transition Fund (Law 259/2021). According to the Administrator's Report of 2021 at S.N.G.N. Romgaz SA, the Tax on Additional Income, Royalty from gas production activity, contribution to the Energy Transition Fund, Solidarity Contribution accounted for 40%, and in 2022 they accounted for 63%.

For Societatea Energetica Electica SA, the main electricity distribution and supply trading company, revenues decreased slightly in 30 September 2023 compared to revenues in September 2022, the main reason being the decrease in quantities distributed (10% on the retail market) and supplied largely offset by price increases (5% on the retail market). In the case of this company revenues (18% from distribution and 82% from supply) and therefore results are from both the distribution and supply segments. For the price difference for domestic consumers, compensation is provided by the Ministry of Labour and Social Solidarity and for legal consumers by the Ministry of Energy.

In the case of S.N. Transportelectrica SA the decrease in revenue, as the revenues are composed of regulated tariff transport revenues, interconnection revenues, CPT revenues is due to the decrease in revenue from the capitalization of CTP by -99%, offset by an increase in revenue from regulated tariff transport by 9%, according to Report of the administrator S.N. Nuclearelectrica SA. Revenues from transmission increased only by 9% due to the increase of the regulated tariff by 15% (30.37 lei/MWh against 26.46 lei/MWh) and the decrease of the quantities transported by 5%.

The link between net income (NI) (much lower than sales) and net sales (NS), we have made through the net margin indicator (ROS). In this way, we were able to assess the profitability of the activity carried out by each trading company in this sector. By the level of this indicator we can perceive the care for costs and the policy on the margin between price and cost (influenced as we said by the state) in each company.

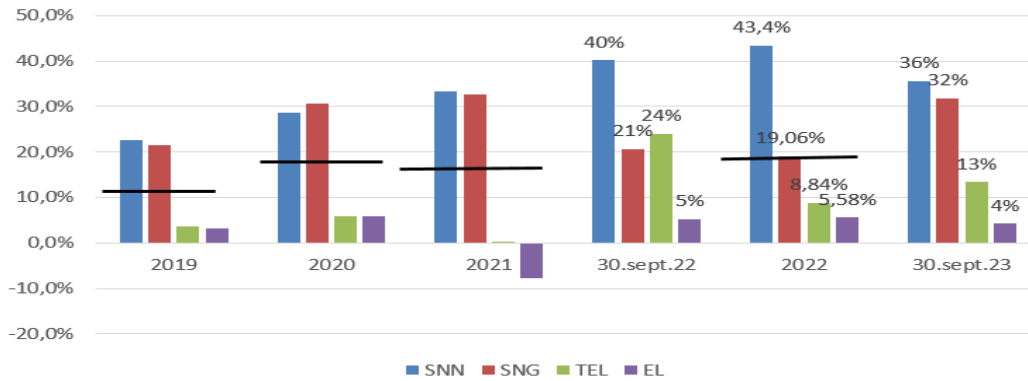
Table no.2 - Evolution of the net margin (ROS) of the 4 energy companies

| | 2022 | 2021 | 2020 | 2019 | *Average |
|----------------|---------|---------|--------|--------|----------|
| SNG | 19,06 % | 32,72% | 30,62% | 21,45% | 25,96% |
| EL | 5,58% | (7,70)% | 5,96% | 3,29% | 1,78% |
| SNN | 43,4% | 33,2% | 28,6% | 22,5% | 31,94% |
| TEL | 8,8% | 0,0% | 5,9% | 3,6% | 4,6% |
| **Economy-wide | 6,5% | 5,26% | 4,83% | 4,82% | 5,35% |

Source: author's calculations based on data published by NBR; BVB

* The average was calculated as a simple arithmetic mean

** BNR annual report, 2022

Figure no. 3-Net margin in relation to their arithmetic mean calculated for the period 2019-2022

Source: author's calculations based on data published by BVB

In 2022, S.N.G.N. Romgaz SA has a net profit of 19 lei per 100 lei turnover, and S.N. Nuclearelectrica SA of 43 lei per 100 lei turnover, much higher than in transmission (TEL) and distribution (EL). This statement is confirmed by comparing the net margin achieved by the four companies with the national average (6.5%). Even though Societatea Energetica Electrică S.A. is in an advanced position in terms of turnover per 100 lei turnover, the net profit is only 5.58 lei. This situation is mainly due to the expenses for the purchase of electricity and gas, which exceed the income from the sale of electricity and gas by 4.69%. At Societatea Energetică Electrică SA, according to the data in the consolidated financial statements (2022/2021) at the group level, operating revenues increased by 93% (2022/2021), while expenses increased by 63%, (especially those with the purchase of electricity and gas by 85%), resulting in a small operating profit (828,422 thousand lei) and implicitly a net margin of 5.8% .

In 2021 the company Societatea Energetica Electrică S.A. has a negative margin, due to the operating loss amplified by the financial loss. This situation is due to the increase in the costs of procurement and energy plus the costs of technological consumption.

In the case of S.N.G.N. Romgaz SA there is a strong decrease in the net margin in 2022 compared to 2021, from 33% to 19%. Mathematically, this decrease is due to the 2.34 times increase in turnover (in the denominator) and only 1.3 times increase in profit (in the numerator). The signals for 2023 are drawn by analysing the results for September 2023, thus in September 2022 the net margins at the three trading companies SNN, TEL, El are lower even if only at SNG they are higher.

The interest of the shareholders/associates in the return to them (through the profit reflected in the financial statements) for the amounts committed (left) in the company (their book value) is reflected in the financial return (ROE).

Table no. 3. Evolution of financial profitability (ROE) for the 4 companies studied

| | 2019 | 2020 | 2021 | 30.sept.22 | 2022 | 30.sept.23 |
|-----|------|------|------|------------|------|------------|
| SNN | 0% | 16% | 21% | 19% | 25% | 18% |
| SNG | 7% | 9% | 12% | 21% | 26% | 21% |
| TEL | 3% | 4% | 0% | 11% | 13% | 5% |



| | | | | | | |
|--------------|-------|--------|-------|-----|-------|----|
| EL | 4% | 7% | -11% | 10% | 10% | 7% |
| Economy-wide | 19,6% | 18,93% | 22,5% | - | 24,0% | - |

Source: author's calculations based on data published by NBR; BVB

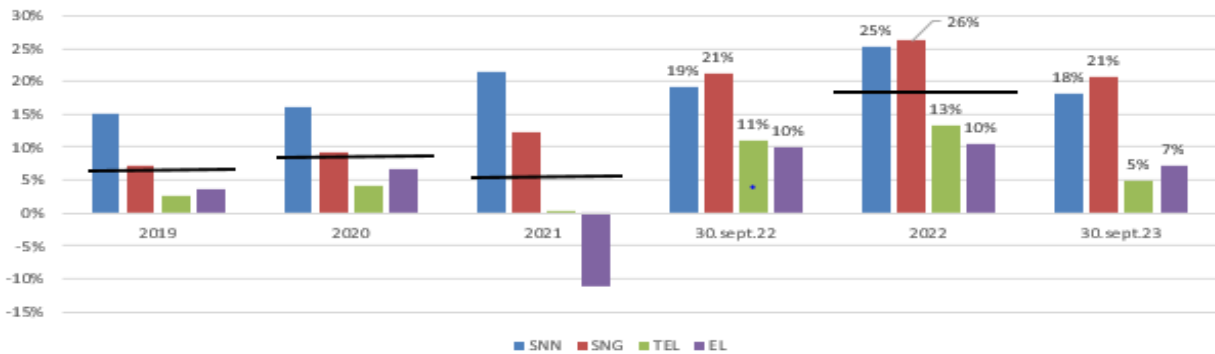
According to the values calculated for this indicator, it can be seen that the companies SNN (25% in 2022) and SNG (19.06% in 2022) have much higher values than the other two companies TEL (8.84% in 2022) and EL (5.58% in 2022). The explanation of the level reached by ROE during the period under study, we gave through the study of the management of assets held (all companies have a high value of assets), the financial structure had and the level of profitability of the activity carried out (ROS).

Table no. 4. Financial profitability of the studied companies at national level and 3-month Robor

| Factors | 2022 | | | | 2021 | | | | 2020 | | | |
|-----------------------|-------|-------|------|------|--------|------|------|---------|-------|-------|------|------|
| | SNN | SNG | TEL | EL | SNN | SNG | TEL | EL | SNN | SNG | TEL | EL |
| Net margin | 43% | 19% | 8,8 | 6% | 33% | 33% | 0% | -8% | 28% | 31% | 6% | 6% |
| Asset turnover | 0,5 | 0,93 | 0,7 | 0,86 | 0,3 | 0,52 | 0,5 | 0,91 | 0,3 | 0,44 | 0,5 | 0,81 |
| ROA | 23,4% | 17,8% | 6,1% | 4,8% | 10,8% | 17% | 1,8% | -7% | 7,9% | 13,5% | 2,7% | 4,8% |
| Financial Leverage | 1,1 | 1,42 | 2,1 | 2,17 | 1,2 | 1,26 | 2,2 | 1,59 | 1,2 | 13,47 | 1,52 | 1,4 |
| ROE | 26 % | 25% | 13% | 10% | 13% | 21% | 4% | -11,20% | 9% | 181% | 4% | 7% |
| ROE at national level | 24% | | | | 22,65% | | | | 18,93 | | | |
| 3-month Robor | 7,72% | | | | 2,85% | | | | 2,04% | | | |

Source: author's calculations based on data published by NBR; BVB

In the case of S.N. Nuclearelectrica SA the lower value of return on equity (25% in 2022) in relation to the net margin (43%) is due to both the asset turnover (0.5) and the financial structure (financial leverage=1.1). Consequently, one leu of assets held results in a sold production of 0.4 lei. Also in the case of this company, where the economic return (ROA) is high (23.4%) in relation to market interest, it did not benefit enough from the effect of financial leverage (low financial leverage=1.1). In the case of Societatea Energetica Electrică S.A. the factor that increased the return on equity (10% in 2022), almost doubling the net margin (5.58%) was the financial structure (2.17). The highest efficient use of assets held (asset turnover is 0.8), for the whole period studied is in the case of Societatea Energetica Electrică S.A. The same was the case for the trading company Transelectrica. where the return on equity (ROE) of 13% is the result of financial leverage (2.1).

Figure no. 4. Return on equity of the four companies studied in relation to their average value

Source: author's calculations based on data published by BVB

Compared to the national average value of the return on equity C.N.T.E.E. Transelectica S.A. and Societatea Energetica Electrică S.A. have a lower on return on equity.

In terms of return on equity(ROE), S.N.G.N. Romgaz SA is in the leading position (average over the 4 years is 19%), ahead of the trading company SNN (14% over the 4 years) due to the financial leverage multiplier.

Due to compliance with the rules (valuation methods, depreciation methods, non-recording of internally generated goodwill, etc.) and financial principles (prudence, permanence of methods, continuity of activity, etc.) there is a distortion of the economic reality, as such we have completed the analysis of financial performance calculated on the basis of data from the financial statements with the analysis of financial performance based on market data.

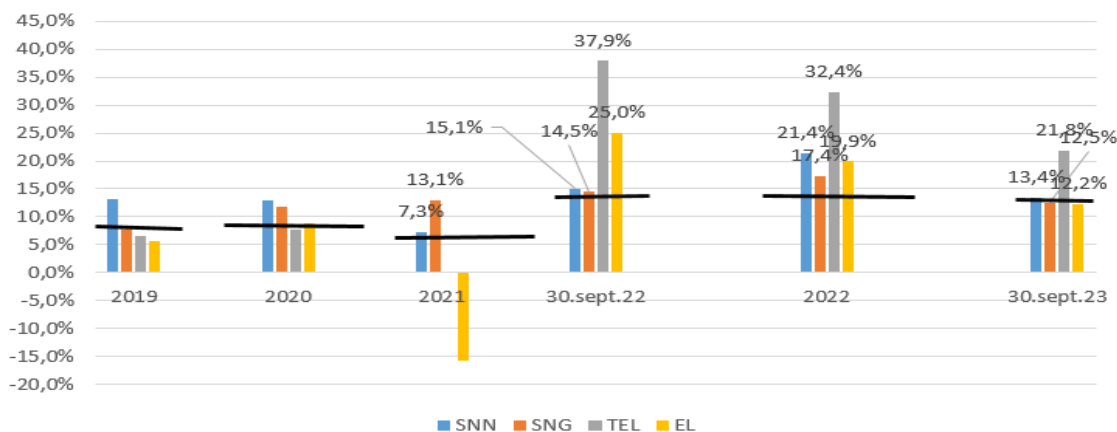
The market price of a share is determined on the basis of supply and demand on the capital market. The bid price is based on what investors believe that share is worth.

Whereas, book value is the amount shareholders would receive in the event of a company liquidation, when the market price would correspond to the net book value.

As of 31 December 2022, investors paid for one leu of net profit at Electrica 5.2 lei and at S.N.Nuclearelectrica only 4.62 lei, and after 9 months, they paid 8.19 lei at Societatea Energetica Electrică S.A. and 7.45 lei at S.N. Nuclearelectrica S.A..

The earnings yield (the inverse of the 1/PER ratio) tells us how much net profit is returned on a leu actually invested. This indicator of investment performance is not as widely used by investors and financial analysts as the PER indicator. The earnings yield will be calculated as the ratio of the net profit on a share (EPS) to the market value of a share (BV), or as the ratio of net profit to market capitalisation (market value of equity).

Figure no. 5. Earnings yield at the four companies compared to earnings yield at sector level



Source: author's calculations based on data published by BVB

On 30 Sep. 2023, the earnings yield of all companies is around the value recorded at the energy sector level (13.44%). In 2022 the calculated values exceeded the average value at the sector level (14.49%). In 2019, 2020, 2021 the TEL and EL companies are below the sector level. On the other hand, in the years 2022 and 2023 the return of the gain on TEL is very high due to the fact that the offered price is much low (21,7 lei) in relation to the book value (53 lei) of the shares (P/BV= 0,5).

The link between earnings yield and return on equity is described by the following functional relationship:

$$PER = \left(\frac{EPS}{P} \right) = \left(\frac{ROE * BV}{P} \right) = ROE * \left(\frac{BV}{P} \right) = \left(\frac{ROE}{\frac{P}{BV}} \right)$$

According to this model, by dividing the return on equity (ROE) by the price/ book value (P/BV), the earnings rate (1/PER) can be calculated. There can be significant differences between the book value (BV) of a share and the market value (P). The book value looks at the present and the past of the company while the market value looks at the future of the company. The higher the expected performance compared to the present, the higher the market value (P) relative to the book value (BV).

Table no. 5. Return on equity (ROE), earnings yield (1/PER) and price to book (P/BV)

| Company | 1/(PER) | ROE | P/BV | 1/(PER) | ROE | P/BV | 1/(PER) | ROE | P/BV | 1/(PER) | ROE | P/BV |
|---------|------------|-----|------|---------|-----|------|------------|-----|------|---------|-----|------|
| | 30.sept.23 | | | 2022 | | | 30.sept.22 | | | 2021 | | |
| SNN | 13% | 18% | 1,3 | 21% | 26% | 1,22 | 15% | 18% | 1,2 | 7% | 12% | 1,7 |

| | | | | | | | | | | | | |
|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|------|------|-----|
| SNG | 13% | 21% | 1,7 | 17% | 25% | 1,44 | 15% | 23% | 1,6 | 13% | 22% | 1,7 |
| TEL | 22% | 12% | 0,5 | 32% | 13% | 0,41 | 38% | 13% | 0,3 | 0% | 0% | - |
| EL | 12% | 7% | 0,6 | 20% | 10% | 0,51 | 25% | 10% | 0,4 | -16% | -11% | 0,7 |

Source: author's calculations based on data published by NBR; BVB

In the case of the commercial companies studied, it turned out that those with a high return on equity ($ROE_{SNG} = 21\%$, on September 30, 2023), investors offered a higher price per share (greater than 37 lei/share) in relation to the book value ($P/BV=1,7$). In the case of Electrica, a lower return on equity ($ROE_{EL}=7.2\%$) led to a lower offer price for a share in relation to the book value ($P/BV_{EI}=0,59$). According to the values calculated in the table, it is highlighted that the price is also influenced by the rate of economic return (ROA).

In the case of minority investors who want to keep the share and are interested in a concrete gain, the dividend related to a share is more relevant, in relation to the net profit per share (EPS). Thus, they will appreciate the financial performance through the cash from the dividends they receive after the amount invested in the shares. But, dividends are dependent on both the dividend policy and profitability.

Table no. 6. Dividend yield and one-year bond yield

| *Dividend yield | 2022 | 2021 | 2020 | 2019 | 2018 | Average |
|-----------------------------------|-------|-------|-------|--------|--------|---------|
| EL | 1,35% | 4,48% | 5,79% | 6,76% | 5,19% | 4,82% |
| TEL | 3,15% | 0 | 4,40% | 2,23% | 2,80% | 2,82% |
| SNG | 9,05% | 9,74% | 6,37% | 4,33% | 15,41% | 7,15% |
| SNN | 9,92% | 4,19% | 8,73% | 11,57% | 15,44% | 8,60% |
| At the level of the energy sector | 1,88% | 3,38% | 7,34 | 7,75% | 21,51% | 8,37% |
| **One –year bond yield | 6,90% | 3,65% | 2,20% | 3,31% | 3,32% | 3,88% |

Source: author's calculations based on data published by NBR; BVB

*The price taken into account was the value from the last trading session of the respective year

** Bond yield from the last day of the respective year. According to the data <https://www.investing.com/rates-bonds/romania-1-year-bond-yield>

In the year 2022, the dividend yield for all the companies studied is higher than the industry average (1.88%). For the energy companies SNN, SNG, the average dividend yield for the four years studied ($DIVY = 15\%$) is higher than the two companies in the transmission and distribution sector (5.19%; 2.80%). The dividend determination coefficient (Div) based on the profit per share is 52% for a period of 4 years for the companies studied.

In the years 2020, 2021, 2022, the annual yield obtained through dividends at SNN, SNG and TEL was higher than the yield of a bond with a maturity of one year issued by the Romanian Ministry of Finance, and in the case of investing in a bond issued in 2018 with maturity in 2023, the bond yield would have been 4.25%, higher than the average dividend yield of the TEL company.

But for shareholders and potential investors it is not only the gain from the dividend that is important, but also the gain from the increase in the share price (Lafont, 2020). This indicator in our opinion and that of other specialists as Tiriulnicova (2016), provides the most complete information on the market on the performance of investing in a share (Gerry, 2023). Even if in a given period a company does not distribute dividends, the investor can earn from the price



difference (P1-P0). In the year 2021, the shareholders of SNN recorded for one invested leu an annual gain of 1.74 lei composed of the price increase of 1.63 lei (from the beginning of the year to the end of the year) and another 0.11 lei from the dividend received.

Table no. 7 Total shareholder return (TSR) and one-year bond yield

| Company | 2022 | | | 2021 | | | 2020 | | |
|----------------------|------|--|-------|-------|--|--------|-------|--|--------|
| | DIVY | (P ₁ -P ₀)/ P ₀ | TSR | DIVY | (P ₁ -P ₀)/ P ₀ | TSR | DIVY | (P ₁ -P ₀)/ P ₀ | TSR |
| SNN | 9,9% | -8,9% | 0,1% | 11,0% | 163,2% | 174,2% | 10,9% | 25,3% | 36,3% |
| SNG | 9,1% | -3,2% | 5,6% | 13,5% | 38,8% | 52,3% | 4,8% | -24,3% | -19,4% |
| TEL | 3,3% | -3,6% | -0,4 | 0,0% | -12,1% | -12,1% | 4,4% | 29,6% | 34,0% |
| EL | 1,4% | -19,4% | -18,3 | 3,6% | -20,3% | -16,7% | 6,9% | 18,3% | 25,2% |
| One –year bond yield | - | - | 6,9% | - | - | 3,65% | - | - | 2,2% |

Source: author's calculations based on data published by NBR; BVB

According to the results obtained in 2022, in all the companies analysed the return from price differences is negative and consequently the total gain (TSR) is low. Only the shareholders of SNG have a total gain of 5.6%, which is much higher than the total gain of the shareholders of the other companies. By investing at the beginning of 2023 in a bond with a maturity of one year issued by the Ministry of Finance, the coupon rate would have been 6.7% and for 2022 the coupon rate would have been 4.75%.

According to a ranking carried out in the USA, in the year 2023, for a period of 25 years, it is indicated that the commercial companies in the energy-gas field are, according to the level of total shareholder return (TSR = 9%), below the level of commercial companies in the software field (TSR=13%), medical (TSR=12%), retail (TSR=12%), fashion and luxury (TSR=14%).

4. CONCLUSIONS

In a world strongly affected by the increase in energy prices, orientation towards new energy sources with as low carbon emissions as possible, with the regulation on price capping in order to protect the population (Order no. 118/2021, as amended by GEO no. .27/2022, which was amended by GEO no. 119/2022), with taxes and fees specially introduced for a limited period, commercial companies that produce, transport and distribute electricity and natural gas adapt their strategy such that through financial performance made to be able to satisfy its shareholders, customers and to ensure its development and modernization, in harmony with the surrounding environment. The outbreak of the war in Ukraine demonstrated once again that the economic development of a state is strongly dependent on its energy development.

Even if in the coming years the efficiency of energy use will increase, the structure of energy resources will change, the connection with the economy and the provision of a certain standard of living is strongly dependent on its development.

Rising energy prices will affect the prices of most products necessary for living and the economy, leading to higher inflation.

In Romania, starting from November 1, 2021 until March 2025, in order to mitigate the effects of price increases on the population, municipal institutions, etc. the government has taken some measures to offset and cap them.

In 2022, after the COVID-19 pandemic and the liberalization of energy prices (January 2021) the turnover of S.N.G.N.Romgaz SA, S.N. Nuclearelectrica S.A., C.N.T.E.E Transelectrica S.A. almost tripled compared to 2020, and in the case of Societatea Energetică Electrica S.A. the increase was one and a half times.

According to the signals from the financial reports of September 2023, this increase in turnover has subsided at SNG, TEL and EL, even registering a decrease compared to the values of September 2022.

The high energy procurement costs in the transmission (TEL) and distribution (EL) companies in relation to the level of turnover result in a low profit and therefore a low net margin for them.

In the case of the SNN and SNG generating companies, the additional income tax, according to GEO no. 119/01.09.2022 the additional income tax was replaced by the Energy Transition Fund, the royalty from gas production, the contribution to the Energy Transition Fund (which together account for more than 60% of operating expenses) and the price cap on a large part of the quantity sold, affect strong operating result.

In the case of these producing companies, the profitability of the activity (net margin) is much higher than in the energy sector and has a significant impact on economic (ROA) and financial (ROE) profitability.

With all its shortcomings due to compliance with accounting rules and principles, financial performance calculated on the basis of financial statement data provides a certain perception, perspective, risk, on the company underlying the market price and therefore the performance determined on its basis.

In our study we found the functional link between financial return (ROE), earnings yield (1/PER) and price-to-book value ratio. Thus, SNN, SNG companies with high financial returns (average ROE over the last 4 years equal to 20% and 13.8% respectively) also have a high PER due to the higher price to book value (1.3 at SNN, as of 30 Sept. 2023 and 1.7 at SNG on 30 Sept. 2023). Although the dividend is dependent on both the level of net profit and the distribution policy, we find that the dividend yield at generating companies (4-year annual average at SNG =7.15% and SNN =8.6%) is higher than at transmission and distribution (4-year annual average at SNG =7.15% and SNN =8.6%).

Performance for investors and shareholders is assessed in terms of the cash they would receive from both share price increases and dividends. Thus, from 30 September 2023 to 1 January 2023, the return resulting from the share price increase is 38.7% for TEL, 22.5% for EL, 19.2% for SNN and 14% for SNG, much higher than the return in the same period in 2022.

Most investors and shareholders judge a company's financial performance by the cash they receive from both share price growth and dividends. Thus, as of 30 September 2023 compared to 01 January 2023, the return resulting from the share price increase is 38.7% at TEL, 22.5% at EL, 19.2% at SNN and 14% at SNG, much higher than the return in the same period in 2022. If we had invested in January 2019 in the shares of one of the companies shown, on 30 September 2023, the return would have been 488% on SNN, 66% on SNG, 44% on TEL and 3% on EL. For the three companies SNN, SNG, TEL these yields far exceed the yield offered by a bond with a maturity of 5 years (4.25%) issued on 19 January 2019 and by the Ministry of Finance.



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