

13 November 2020

Industrials | Manufacturing

## TeraPlast (TRP RO)

# Buy

### Continuous Transformation; Initiate With BUY

- **Initiating coverage with BUY and sum of the parts (SOP) derived RON0.51 TP, 27% upside and c.6% dividend yield.** TeraPlast is cash rich and able to further strengthen and expand into new ventures. Per a contract signed on July 24<sup>th</sup> 2020, the company will sell its steel division for a headline price of RON410 million. Therefore, TeraPlast would allocate parts of this amount (on a net basis of approximately RON330 million) to pay dividends (of RON45 million or RON0.026/share), and use it for investments of approximately RON100 million. Company's strategy involves strengthening its existing lines of business (ex installations and compounds where it is a market leader) through investments of RON35 million, and entering additional segments such as biodegradable foils plant (through a RON53 million investment), and the production of soaps and detergents.
- **Attractive valuation with a decent yield.** Compared to its peers in each segment (see Figure 2), TeraPlast derives higher EBITDA margins in its segments. As a result, it deserves premium EV/EBITDA multiples vs the median multiples derived from its peers. Dividend yield of c.6% is attractive in the current interest rate environment, supported by robust cash flows.
- **High growth installations sub-sector in Romania...** The expansion of irrigations activity would bode well for the company. Also the current resident population of Romania does not have sufficient access to sewage, water or natural gas. In addition, the demand for more residential space is high in Romania since the country has the highest overcrowding rate in Europe. Therefore, the need for not only additional residential space but also additional connection to sewage, water or natural gas should result in a growth for the installations sector from which TeraPlast can profit.
- **...with TeraPlast quick to capitalize on it.** The company submitted an initial investment amounting to RON38 million (or EUR7.9 million) out of which 50% represents the requested state aid. This is within the state aid scheme for stimulating the investments with high economic impact. Out of the total amount, 50% represents requested state aid. This is the first project in the over EUR20 million TeraPlast allocated for capex in 2021. The project aims at expanding the installations business line production capacity, namely the pipes and fittings portfolio.
- **The stock was included into FTSE Global Micro-Cap index** which increases its exposure to additional types of investors. In order to further improve the liquidity and volatility, BRK Financial Group was chosen as a market maker for the shares. We consider as additional catalyst a future potential increase in the free float of the company as that would raise the interest of international funds that invest in companies with ample liquidity.
- **Risks to our call include** slower-than-expected developments of projects to link the residential areas to the water, sewage and natural gas pipeline.

Key data per segment (RON)	2017	2018	2019	Annualized 2020F	2021F
<b>Installations</b>					
Net sales	120,533,878	173,824,829	240,105,222	283,616,267	340,339,521
EBITDA	11,464,438	9,860,389	24,967,656	49,632,847	59,559,416
EBITDA margin (%)	9.5%	5.7%	10.4%	17.5%	17.5%
<b>Window Profiles</b>					
Net sales	55,250,663	56,263,851	61,053,468	63,651,100	66,833,655
EBITDA	4,630,078	3,486,679	4,087,484	8,665,438	9,098,710
EBITDA margin (%)	8.4%	6.2%	6.7%	13.6%	13.6%
<b>PVC Compounds</b>					
Net sales	54,175,670	63,165,143	64,200,791	70,158,832	76,473,127
EBITDA	6,484,729	7,267,499	7,581,278	12,628,590	13,765,163
EBITDA margin (%)	12.0%	11.5%	11.8%	18.0%	18.0%
<b>Windows &amp; Doors (TeraGlass)</b>					
Net sales	22,974,709	28,929,755	28,893,632	34,738,029	39,948,733
EBITDA	779,767	3,247,782	1,369,943	1,493,735	1,997,437
EBITDA margin (%)	3.4%	11.2%	4.7%	4.3%	5.0%

Source: Company data, BRK

Target Price (Return):	RON0.51 (27.6%)
Price:	RON0.40
Market Cap:	EUR147m
Avg Daily Turnover (RON/EUR)	1.70m/0.35m

#### Share Data

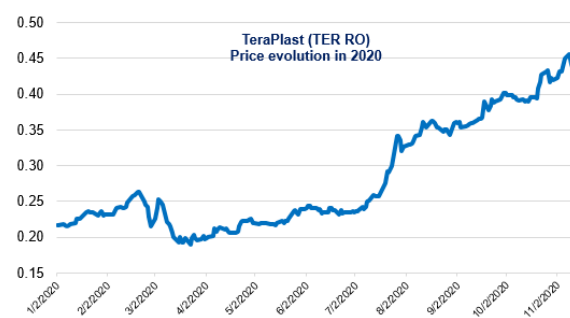
52-wk Price low/high (RON)	0.182 – 0.45
Dividend per share (RON)	0.026
Shares outstanding (m)	1,743.2

#### Shareholders (%)

D. Goia	46.83%
Free Float	53.17%

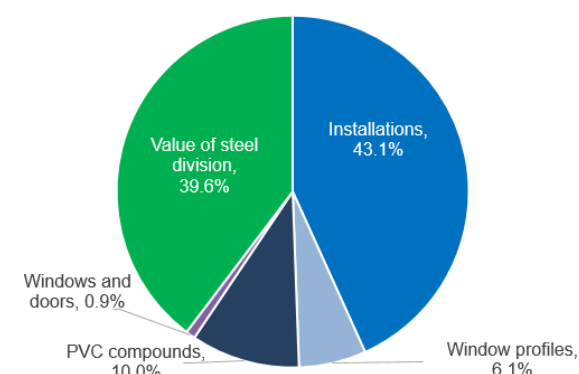
#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	94.3	6.0	29.4	91.6	100.0
Relative to BET	108.0	9.0	26.6	83.6	110.3



Source: Bloomberg, 12 Nov 2020

#### Valuation composition



Source: BRK

## Valuation And Recommendation

**Initiating coverage with a BUY and TP of RON0.51 based on a sum-of-the-parts (SOP) valuation resulting in an upside of 27%.** This method makes the most sense since the company's five main operating segments have different growth dynamics, market shares and operating margins:

- Two of company's segments have leading positions on the Romanian market: The installations (leader on the exterior sewage market and the second overall in installations) and compounds (market leader with over 35% share). This is also shown through their high operating margins;
- For the nine months ending Sep 30, 2020, four of the operating segments derived the following EBITDA margins: 17.1% in installations, 13.6% in window profiles, 18.0% in compounds and 4.1% in windows and doors;
- As of Sep 30, 2020, the company had a parcel of land of 36,000 sqm in Bistrita, categorized as "investment" in its balance sheet therefore not captured in the EBITDA per division; we added the book value of RON3,686,767 to the SOP valuation;
- Recently we learned of the company's initiatives in start-ups: A division on the biodegradable foils market, tackling the packaging market domestically and a division in the soaps/detergents and cosmetics. Conservatively for now we assigned no value to those two, but will monitor whether these segments can turn into a catalyst for the stock price, in the future;

In addition, the company plans to dispose of the following divisions:

- Per a contract signed on July 24<sup>th</sup> 2020, the company plans to sell its steel division to Kingspan (KSP ID, N/R) for a headline price of RON410 million (the final price will be determined by a formula). The customary conditions for the transaction closing are on track; the company would have this amount (on a net basis of approximately RON330 million) at its disposal to strengthen its existing lines of business and enter additional ones;
- As of Oct 27 2020, management made public that it envisions selling its windows profile division;

As a result, from a peer comparison analysis (Figure 2), we derived a different EV/EBITDA multiple to each segment, based on the above characteristics. Figure 1 below shows our SOP valuation. We subtract from the total value the amount of net debt the company had as of Sep 30, 2020.

**Figure 1: TeraPlast SOP valuation**

Operating segment	2021 EBITDA	Valuation basis EV/EBITDA(x)	Ownership	FV (RON m)
Installations	59,559,416	7.5	100.0%	446,695,621
Window profiles	9,098,710	7.0	100.0%	63,690,970
PVC compounds	13,765,163	7.5	100.0%	103,238,721
Windows and doors	1,997,437	4.5	100.0%	8,988,465
Teraplast - Biodegradable foils			100.0%	0
Teramed Sante SRL			99.0%	0
Teren investitii imobiliara		Book value	100.0%	3,686,767
Value of steel division		Sale price of approx. RON410m	100.0%	410,000,000
<b>Total</b>				<b>1,036,300,544</b>
Less: Total net debt (3QFY20)				-146,895,000
SOP (RON mn)				889,405,544
No of shares				1,743,200,478
<b>SOP/share (RON)</b>				<b>0.51</b>
Current price (RON)				0.40
Upside (downside) (%)				27.6%

Source: Company data, BRK

**Price (12-Nov-2020)** **RON0.40**  
**Price target** **RON0.51**

Why BUY? On a fundamental basis, we believe the company's attractive segments exposure and asset/products mix are unappreciated. As a leader in the installations market the company is well positioned to benefit from the expected growth of the segment.

**Best case** **RON0.61**

An EBITDA uplift due to projects gained in the installations segment, from higher organic volume growth, could increase our base case valuation to RON0.61/share.

**Worst case** **RON0.35**

The company is depended on state infrastructure investments in water and sewage lines as well as natural gas pipes.

13 November 2020

Industrials | Manufacturing

The company's peers in the respective sectors trade at EV/EBITDA multiples as shown in the table below. We consider the upside growth potential of the comparable sectors in Romania. In addition, TeraPlast derives higher EBITDA margins vs the median margins of the peers (ex for installations: 17.5% for TeraPlast vs 16.7% for peers; for windows profiles: 13.6% for TeraPlast vs 8.6% for peers and in compounds: 18% for TeraPlast vs 8.4% for peers). As a result we apply multiples at slight premiums to those of peers.

Figure 2: Peer comparison

Sub-sector	Company Name	Ticker Bloomberg	Market Cap (EUR m)	Net Debt (EUR m)	LTM 2020 EV (EUR m)	2020E EBITDA (EUR m)	2020E EBITDA margin (%)	EV/ EBITDA
Installations/pipes	Prysmian	PRY MI	6,144	1,995	8,139	811.0	7.2%	10.04
	Allaxis SA	ALIVP BB	1,549	771	2,320	463.5	17.9%	5.00
	Polypipe Group PLC	PLP LN	1,187	94	1,281	108.6	20.0%	11.80
	Uponor Oyj	UPONOR FH	1,123	132	1,255	188.0	16.7%	6.68
	Cenergy Holdings (Hellenic cables is a subsidiary)	CENER BR	275	450	725	88.0	10.0%	8.24
Window profiles	Deceuninck NV	DECB BB	206	119	325	52.2	8.6%	6.22
Compounds	Prodplast SA	PPL RO	14	-2	12.1	1.4	8.4%	8.60
<b>Average</b>							<b>12.7%</b>	<b>8.1</b>
	TeraPlast	TRP RP	158	31	189.0	17.8	<b>16.1%</b>	

Source: Bloomberg, BRK, as of Nov 10, 2020

Table below shows the historical evolution of sales and EBITDA per operational segment, including our estimates.

- The installations segment showed strong double digit sales growth in 2018 and 2019 reaching an EBITDA margin of 17.1% at 9M20. The company has the number one position domestically on the exterior sewage market. Similarly the company derives a high EBITDA margin in the compounds segment, where is also a leader on the domestic market;
- As of Sep 30, 2020, the operating segments derived the following EBITDA margins: 17.1% in installations, 13.6% in window profiles, 18.0% in compounds and 4.1% in windows and doors; we annualized the data, being aware of the seasonality at Teraplast with the months of May to October deriving the highest revenues;
- In 2019, TeraPlast's investments were EUR6.9m (for installations), EUR0.8m for window profiles, EUR2.0m for compounds and EUR3.4m for windows and doors. In 2021, management mentioned investments exceeding EUR20m (of which 50% it is envisioned would be subsidized by the state).
- As a result, we estimate the revenue growth and margins per divisions would be somewhat similar in 2021 with those in 2020.
- We estimate the total EBITDA in 2021 for the plastics division at RON84.4 million.

Figure 3: Key financial data – income statement

Situatia veniturilor si cheltuielilor (RON)	Income Statements (RON)	2017	2018	2019	Annualized 2020F	2021F
Instalati	Installations					
Venituri (vanzari) nete din exploatare	Net sales	120,533,878	173,824,829	240,105,222	283,616,267	340,339,521
Creștere (%)	Growth (%)		44.2%	38.1%	18.1%	20.0%
Profit înainte de amortizare, dobanda si impozit	EBITDA	11,464,438	9,860,389	24,967,656	49,632,847	59,559,416
Marja EBITDA (%)	EBITDA margin (%)	9.5%	5.7%	10.4%	17.5%	17.5%
Situatia veniturilor si cheltuielilor (RON)	Income Statements (RON)	2017	2018	2019	Annualized 2020F	2021F
Profile tamplarie	Window Profiles					
Venituri (vanzari) nete din exploatare	Net sales	55,250,663	56,263,851	61,053,468	63,651,100	66,833,655
Creștere (%)	Growth (%)		1.8%	8.5%	4.3%	5.0%
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Situatia veniturilor si cheltuielilor (RON)	Income Statements (RON)	2017	2018	2019	Annualized 2020F	2021F
Granule	PVC Compounds					
Venituri (vanzari) nete din exploatare	Net sales	54,175,670	63,165,143	64,200,791	70,158,832	76,473,127
Creștere (%)	Growth (%)		16.6%	1.6%	9.3%	9.0%
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Creștere (%)	Growth (%)		25.9%	-0.1%	20.2%	15.0%
Profit înainte de amortizare, dobanda si impozit	EBITDA	779,767	3,247,782	1,369,943	1,493,735	1,997,437
Marja EBITDA (%)	EBITDA margin (%)	3.4%	11.2%	4.7%	4.3%	5.0%
		2017	2018	2019	Annualized 2020F	2021F
<b>TOTAL EBITDA plastics division</b>		<b>23,359,012</b>	<b>23,862,349</b>	<b>38,006,361</b>	<b>72,420,610</b>	<b>84,420,726</b>

Source: Company data, BRK

## Industry Analysis

Two of company's segments have leading positions on the Romanian market: The installations (the company is a leader on the exterior sewage market and the second overall in installations) and compounds (market leader with over 35% share).

Both company's segments could benefit from the economic stimulus plan over the next 10 years that Romanian Government announced in July 2020, aimed at rebalancing the economy. Also Romania could benefit from significant amounts from the EU funds aimed at re-launching the economy. Specifically, Government's direct investments in domestic developments which includes roads, water, sewage and gas access, totalling EUR8,200 million could have a significant impact on the overall expansion locally.

The large infrastructure [POIM](#) together with the recovery & resilience national program ([PNRR](#)) are such projects that TeraPlast could be part of.

### Installations sub-sector

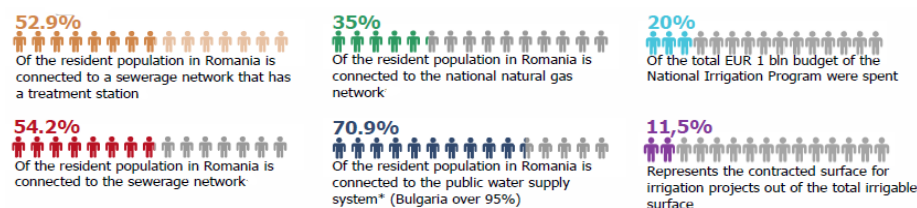
On September 30, 2020, [TeraPlast submitted an investment project](#) within the state aid scheme for stimulating the investments with high economic impact. The total value of the submitted project is RON 35 million (or EUR 7.9 million), out of which 50% represents the requested state aid. This is the first project in the over RON100 million (or EUR20 million) allocated for capex in 2021. The project aims at expanding the installations business line production capacity, namely the pipes and fittings portfolio. The implementation of the project will be completed in April 2022.

Not only the current resident population of Romania does not have sufficient access to sewage, water or natural gas (Figure 4 below) but also demand for more residential space is high as the country has the highest overcrowding rate in Europe (Romania has the lowest average number of rooms per capita in Europe, at 1.0 room/person). As a result, Romania needs urgent investments in the water and wastewater sectors and TeraPlast is well positioned to capitalize.

- As far as wastewater treatment: According to the Romanian Statistics Institute, the population connected to sewage systems provided with wastewater treatment plants represented 52.9% of the entire resident population of Romania;
- Only 54.2% of the resident population of Romania had their homes connected to sewage systems;
- Only 70.9% of the resident population in Romania is connected to the public water supply (vs a ratio of 95% existent in Bulgaria);
- The estimated expansion of irrigations projects would also bode well for the company.

♦ Expanding through investments in the installations sector;

**Figure 4: Potential for growth for the installations division**



Source: Company, Institutul National de Statistica

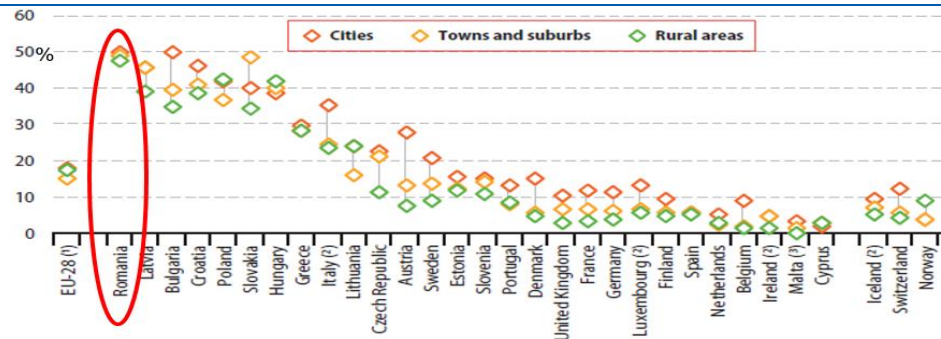
♦ Currently there are some very low stats in Romania on residential connection to sewage, water or natural gas as well as irrigation network.

13 November 2020

Industrials | Manufacturing

The overcrowding rate is defined on the basis of the number of rooms available to a household, the household's size, family situation and the ages of its members. In 2016, some 16.6% of the EU-28 population lived in an overcrowded household; this rate ranged from a low of 5% in Cyprus, Ireland, Belgium or Netherlands to more than 40% in Hungary, Slovakia, Poland, Croatia and the highest overcrowding ratio of 48% in Romania

**Figure 5: Overcrowding rate in Europe – Romania the highest**

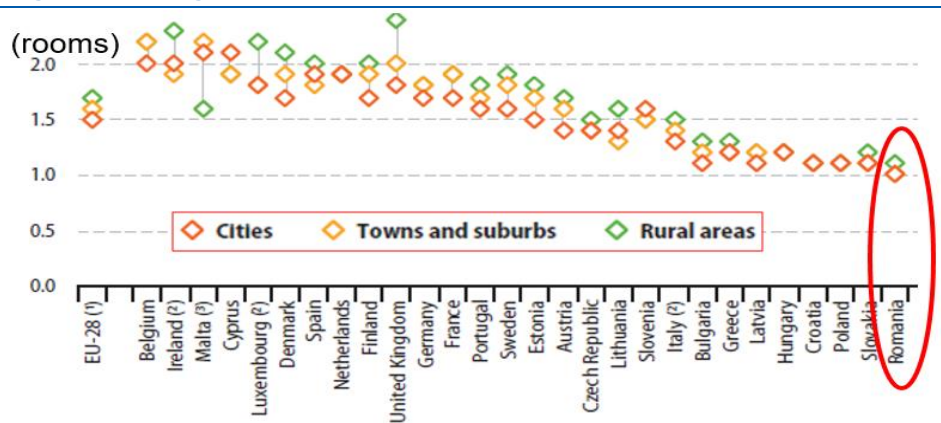


Source: Eurostat 2018 – Living conditions in Europe

- ◆ Romania has the highest overcrowding rate in Europe, at 48%

Graph below shows the average number of rooms per person ranged from a high of 2.2 in Belgium, down to 1.1 in Croatia, and Poland and 1.0 in Romania.

**Figure 6: Average no of rooms per person – Romania the lowest**



Source: Eurostat 2018 – Living conditions in Europe

- ◆ Romania has the lowest average number of rooms per capita in Europe, at 1.0 room/person

## PVC recycling sub-sector

Part of the installations segment, is TeraPlast Recycling, with its TeraPlast rigid PVC recycling unit, which has an annual processing capacity of 12,000 tons. This places the company first in Romania and among the top 10 in Europe. Given the focus on recycling currently, this sub-unit is expected to further grow.

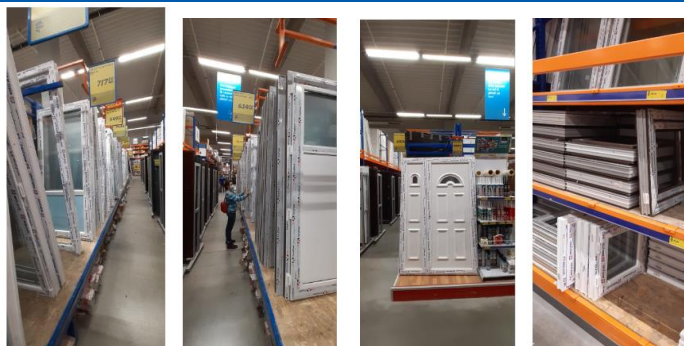


### Windows and doors sub-sector; Our own channel check

The windows profiles produced by TeraPlast are distributed – among various ways – also through Dedeman stores. We checked with sales assistants in a Dedeman store about the cost vs quality for the brands available and learned the Weiss profile were the cheapest and used especially for places that did not require an effective isolation. The windows and doors of TeraPlast were considered good and those by Salamader were the top of the line.

**Figure 7: Channel check at Dedeman – doors and windows**

**Figure 8: Channel check at Dedeman – cont.**



Source: BRK



Source: BRK

Overall the domestic windows profile sub-segment is extremely crowded and competitive with low barriers to entry. We spoke with various industry experts who mentioned several other players in the segment are quite strong such as [Rehau](#), Veka, [Tehnic Clima](#), etc.

### The packaging market; Biodegradable sub-sector

On 4 November 2020 we learned of the company's initiative to foray into a new sector of the packaging market through a start-up division called [TeraPlast Folii Biodegradabile SRL](#). The company already allocated investments totalling RON56 million (or EUR11.8 million). TeraPlast is requesting an amount of EUR5.8m (or c.49%) as subsidy from the Government of Romania.

In 2019, the domestic packaging market in Romania was EUR293 million out of which 22% (or EUR64 million) represents the biodegradable segment which also shows the highest growth rate. By year 2030, all the packaging in the European Community will have to be reusable and recyclable.

The investment project implies both the acquisition of equipment as well as new constructions. The technical workflow will also include recycling equipment for the waste resulted in the production process and the re-entry of it into production flows. The implementation of the project begins in November 2020 and the estimated time of completion is 25 months.

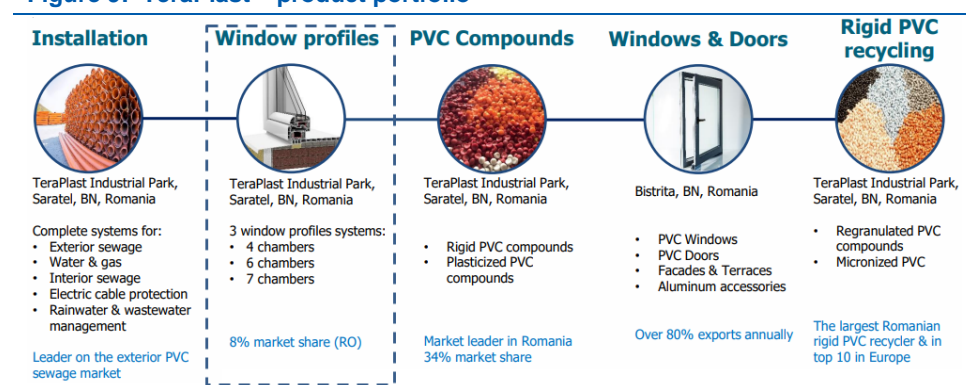
The compounds required for the biodegradable foils in Romania are currently being imported from Germany and Italy. Therefore the company would eliminate this need to import.

## Company Background

With more than 120 years of history, TeraPlast is currently the leader of the PVC pipes market and one of the most important players on the Installation market in Romania.

- Per a contract signed on July 24<sup>th</sup> 2020, the company would sell its steel division to Kingspan;
- The company envisions selling its windows profile division (we show it boxed in the figure below);
- The Group's remaining divisions are TeraPlast (provides installation, window profiles, and PVC compounds), TeraGlass (manufacturer of windows and doors), TeraPlast Recycling and TeraPlast Hungary;
- The company will enter into a new sector of the packaging market though a start-up division called TeraPlast Folii Biodegradabile SRL;
- Through Teramed Sante SRL the company would enter the soaps/detergents and cosmetics market.

**Figure 9: TeraPlast – product portfolio**



Source: Company data, BRK

During our site visit, we observed first hand the company's manufacturing plants and products. Through its largest division – installation - TeraPlast offers solutions for applications inside and outside buildings such as gas and water pipes. TeraPlast is a leader on the exterior PVC sewage market in Romania.

**Figure 10: Gas and water pipes**



Source: BRK

**Figure 11: PVC pipes (orange ones are for residual water)**



Source: BRK

PVC window profiles involves the use of specially developed PVC resins, new compound formulations, and extruder designs. Window profiles made of PVC are better than aluminium or wooden windows offering better insulation and reducing energy and heating costs.



Figure 12: View of the PVC production section



Source: BRK

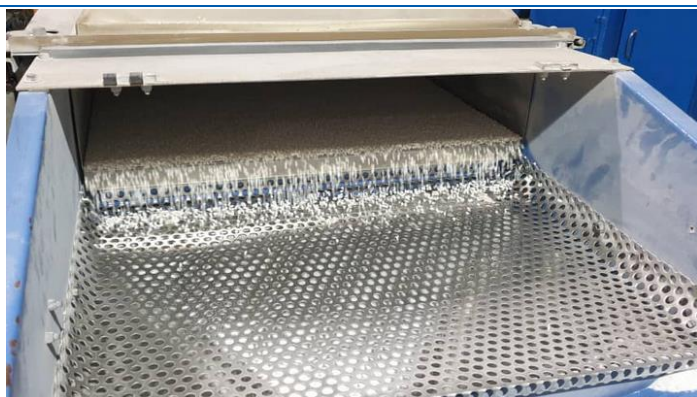
Figure 13: Laminated window profiles



Source: BRK

TeraPlast is a market leader in Romania with a 34% market share in PVC compounds (which are used in the processing industry for extrusion and injection moulding; the granules are delivered to cable producers and form covers and insulations for electrical cable. The windows and doors from PVC are being assembled by TeraGlass.

Figure 14: PVC compounds



Source: BRK

Figure 15: PVC windows



Source: BRK



## Appendix – Historical Financial Analysis

To better understand the company's operations and be able to fine tune our forecasts, we analysed the historical data for the divisions that would continue as a going-concern.

Per a contract signed on July 24<sup>th</sup> 2020, the company plans to sell its steel division. Also on Oct 27 2020, management made public that it envisions selling its window profiles division. Over the past nine months in 2020, the company derived high EBITDA margins on its leading segments of installations (17.1%) and compounds (18%), with the windows profile deriving a 13.6% EBITDA margin while the windows and doors segment derived the lowest margin of 4.1%.

**Figure 16: Key financial data – income statements per segment**

Situatia veniturilor si cheltuielilor (RON) Instalatii	Income Statements (RON) Installations	2017	2018	2019	Jan - Sept 2020
<b>Venituri (vanzari) nete din exploatare</b>	Net sales	120,533,878	173,824,829	240,105,222	223,105,023
Crestere (%)	Growth (%)		44.2%	38.1%	
<b>Profit inainte de amortizare, dobanda si impozit</b>	EBITDA	11,464,438	9,860,389	24,967,656	38,139,321
Marja EBITDA (%)	EBITDA margin (%)	9.5%	5.7%	10.4%	17.1%

Situatia veniturilor si cheltuielilor (RON) Profil tamplarie	Income Statements (RON) Window Profiles	2017	2018	2019	Jan - Sept 2020
<b>Venituri (vanzari) nete din exploatare</b>	Net sales	55,250,663	56,263,851	61,053,468	45,828,385
Crestere (%)	Growth (%)		1.8%	8.5%	
<b>Profit inainte de amortizare, dobanda si impozit</b>	EBITDA	4,630,078	3,486,679	4,087,484	6,239,060
Marja EBITDA (%)	EBITDA margin (%)	8.4%	6.2%	6.7%	13.6%

Situatia veniturilor si cheltuielilor (RON) Granule	Income Statements (RON) PVC Compounds	2017	2018	2019	Jan - Sept 2020
<b>Venituri (vanzari) nete din exploatare</b>	Net sales	54,175,670	63,165,143	64,200,791	53,037,883
Crestere (%)	Growth (%)		16.6%	1.6%	
<b>Profit inainte de amortizare, dobanda si impozit</b>	EBITDA	6,484,729	7,267,499	7,581,278	9,569,686
Marja EBITDA (%)	EBITDA margin (%)	12.0%	11.5%	11.8%	18.0%

Situatia veniturilor si cheltuielilor (RON) Confecții tamplarie	Income Statements (RON) Windows & Doors (TeraGlass)	2017	2018	2019	Jan - Sept 2020
<b>Venituri (vanzari) nete din exploatare</b>	Net sales	22,974,709	28,929,755	28,893,632	25,937,163
Crestere (%)	Growth (%)		25.9%	-0.1%	
<b>Profit inainte de amortizare, dobanda si impozit</b>	EBITDA	779,767	3,247,782	1,369,943	1,072,051
Marja EBITDA (%)	EBITDA margin (%)	3.4%	11.2%	4.7%	4.1%

Source: Company data, BRK

Of the four segments all shown an increase in total assets, except the window profiles segment that showed a decrease by approx. RON5 million. As of 30 Sep 2020, long term debt as a percent of total assets was kept at a similar ratio to the one from a year ago.

**Figure 17: Key historical data – assets and liabilities per segment**

Key data per segment (RON)	Sept 30 2019	Sept 30 2020
<b>Installations</b>		
Current assets	122,429,560	132,808,244
Fixed assets	87,100,070	109,696,477
<b>Total assets</b>	<b>209,529,630</b>	<b>242,504,721</b>
Short term debt	99,707,830	81,171,535
Long term debt	18,945,598	48,115,830
Debt as a percent of total assets	56.6%	53.3%
<b>Window Profiles</b>		
Current assets	35,806,887	31,632,150
Fixed assets	29,094,500	27,479,404
<b>Total assets</b>	<b>64,901,387</b>	<b>59,111,554</b>
Short term debt	33,135,144	14,945,396
Long term debt	3,734,656	3,128,685
Debt as a percent of total assets	56.8%	30.6%
<b>PVC Compounds</b>		
Current assets	19,558,498	18,522,243
Fixed assets	19,164,437	21,516,887
<b>Total assets</b>	<b>38,722,935</b>	<b>40,039,130</b>
Short term debt	20,773,507	20,945,025
Long term debt	3,971,137	5,185,950
Debt as a percent of total assets	63.9%	65.3%
<b>Windows &amp; Doors (TeraGlass)</b>		
Current assets	15,317,290	16,264,443
Fixed assets	25,918,595	26,003,845
<b>Total assets</b>	<b>41,235,885</b>	<b>42,268,288</b>
Short term debt	12,804,950	8,415,975
Long term debt	3,515,685	10,220,980
Debt as a percent of total assets	39.6%	44.1%

Source: Company data, BRK

13 November 2020

Industrials | Manufacturing

In the table below we looked at the various components of the income statement for each division, as a percentage of net sales (common size). As of nine months ending 30 Sep 2020, we see raw materials entry comprised the highest component of the expenses, at about 60% of net sales across the segments. Salaries had the highest percentage of net sales for the TeraGlass division, at 23.6%. When we visited TeraGlass, we noticed the labor-intensive activity and learned the operations required three shifts, throughout the year.

Figure 18: Key financial data – common size income statements

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation	Window profiles	PVC Compounds	Windows & Doors (TeraGlass)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Septembrie 2020	January - September 2020								
Cifra de afaceri	(Total sales)	222,773,117	45,810,584	53,023,168	25,928,162	99.9%	100.0%	100.0%	100.0%
Alte venituri din exploatare	(Other income)	331,906	17,801	14,715	9,001	0.1%	0.0%	0.0%	0.0%
<b>Venituri (vanzari) nete din exploatare</b>	<b>(Net sales)</b>	<b>223,105,023</b>	<b>45,828,385</b>	<b>53,037,883</b>	<b>25,937,163</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Subventii	Subsidies	729,968	0	208,526	604,946				
Materii prime, consumabile folosite si marfuri	Raw materials	(133,788,709)	(27,869,454)	(36,204,656)	(14,241,390)	-60.0%	-60.8%	-68.3%	-54.9%
Cheltuieli cu beneficiile angajatilor	Salaries	(24,526,615)	(6,463,789)	(3,794,349)	(6,108,959)	-11.0%	-14.1%	-7.2%	-23.6%
Amortizare	Depreciation	(10,738,618)	(3,555,229)	(1,326,767)	(1,374,353)	-4.8%	-7.8%	-2.5%	-5.3%
Ajustare pentru amortizare active circulante	Adjustment depreciation	(1,173,749)	(122,957)	25,400	108,619	-0.5%	-0.3%	0.0%	0.4%
Alte cheltuieli	Other expenses	(25,476,629)	(5,133,125)	(3,494,592)	(4,623,382)	-11.4%	-11.2%	-6.6%	-17.8%
Cheltuieli totale pentru exploatare	(Total operating expenses)	(195,704,320)	(43,144,554)	(44,794,964)	(26,239,465)	-87.7%	-94.1%	-84.5%	-101.2%
<b>Rezultat operational</b>	<b>Operating profit (EBIT)</b>	<b>28,130,671</b>	<b>2,683,831</b>	<b>8,451,445</b>	<b>302,644</b>	<b>12.6%</b>	<b>5.9%</b>	<b>15.9%</b>	<b>1.2%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>38,139,321</b>	<b>6,239,060</b>	<b>9,569,686</b>	<b>1,072,051</b>	<b>17.1%</b>	<b>13.6%</b>	<b>18.0%</b>	<b>4.1%</b>

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation	Window profiles	PVC Compounds	Windows & Doors (TeraGlass)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Dec 2019	January - Dec 2019								
Cifra de afaceri	(Total sales)	239,801,610	61,050,050	64,200,791	28,874,813	99.9%	100.0%	100.0%	99.9%
Alte venituri din exploatare	(Other income)	303,612	3,418	0	18,819	0.1%	0.0%	0.0%	0.1%
<b>Venituri (vanzari) nete din exploatare</b>	<b>(Net sales)</b>	<b>240,105,222</b>	<b>61,053,468</b>	<b>64,200,791</b>	<b>28,893,632</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Subventii	Subsidies	132,144	0	0	17,451				
Materii prime, consumabile folosite si marfuri	Raw materials	(157,333,349)	(40,501,206)	(47,501,334)	(15,845,685)	-65.5%	-66.3%	-74.0%	-54.8%
Cheltuieli cu beneficiile angajatilor	Salaries	(28,016,266)	(8,636,151)	(4,560,275)	(6,543,870)	-11.7%	-14.1%	-7.1%	-22.6%
Amortizare	Depreciation	(13,058,407)	(6,790,689)	(1,541,375)	(757,257)	-5.4%	-11.1%	-2.4%	-2.6%
Ajustare pentru amortizare active circulante	Adjustment depreciation	689,820	203,480	0	(89,687)	0.3%	0.3%	0.0%	-0.3%
Sponsorizari	Sponsorship	(115,555)	(56,484)	(53,896)	(39,087)	0.0%	-0.1%	-0.1%	-0.1%
Alte cheltuieli	Other expenses	(30,230,072)	(7,975,624)	(4,504,008)	(4,987,909)	-12.6%	-13.1%	-7.0%	-17.3%
Cheltuieli totale pentru exploatare	(Total operating expenses)	(228,063,830)	(63,756,674)	(58,160,889)	(28,263,495)	-95.0%	-104.4%	-90.6%	-97.8%
<b>Rezultat operational</b>	<b>Operating profit (EBIT)</b>	<b>12,041,392</b>	<b>(2,703,205)</b>	<b>6,039,902</b>	<b>630,138</b>	<b>5.0%</b>	<b>-4.4%</b>	<b>9.4%</b>	<b>2.2%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>24,967,656</b>	<b>4,087,484</b>	<b>7,581,278</b>	<b>1,369,943</b>	<b>10.4%</b>	<b>6.7%</b>	<b>11.8%</b>	<b>4.7%</b>

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation	Window profiles	PVC Compounds	Windows & Doors (TeraGlass)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Dec 2018	January - Dec 2018								
Cifra de afaceri	Total sales	173,537,733	55,970,409	63,091,541	28,919,946	99.8%	99.5%	99.9%	100.0%
Alte venituri din exploatare	Other income	287,096	293,442	73,602	9,809	0.2%	0.5%	0.1%	0.0%
<b>Venituri (vanzari) nete din exploatare</b>	<b>Net sales</b>	<b>173,824,829</b>	<b>56,263,851</b>	<b>63,165,143</b>	<b>28,929,755</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Subventii	Subsidies	0	0	0	0				
Materii prime, consumabile folosite si marfuri	Raw materials	(123,390,712)	(34,141,646)	(48,130,720)	(14,554,262)	-71.0%	-60.7%	-76.2%	-50.3%
Cheltuieli cu beneficiile angajatilor	Salaries	(23,067,877)	(6,475,778)	(3,942,754)	(5,907,989)	-13.3%	-11.5%	-6.2%	-20.4%
Amortizare	Depreciation	(12,171,889)	(4,754,750)	(1,512,569)	(746,257)	-7.0%	-8.5%	-2.4%	-2.6%
Ajustare pentru amortizare active circulante	Adjustment depreciation	(289,473)	(211,007)		(109,702)	-0.2%	-0.4%	0.0%	-0.4%
Alte cheltuieli	Other expenses	(17,216,379)	(11,948,741)	(3,824,170)	(5,110,020)	-9.9%	-21.2%	-6.1%	-17.7%
Cheltuieli totale pentru exploatare	Total operating expenses	(176,136,330)	(57,531,922)	(57,410,213)	(26,428,230)	-101.3%	-102.3%	-90.9%	-91.4%
<b>Rezultat operational</b>	<b>Operating profit (EBIT)</b>	<b>(2,311,500)</b>	<b>(1,268,071)</b>	<b>5,754,930</b>	<b>2,501,525</b>	<b>-1.3%</b>	<b>-2.3%</b>	<b>9.1%</b>	<b>8.6%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>9,860,389</b>	<b>3,486,679</b>	<b>7,267,499</b>	<b>3,247,782</b>	<b>5.7%</b>	<b>6.2%</b>	<b>11.5%</b>	<b>11.2%</b>

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation	Window profiles	PVC Compounds	Windows & Doors (TeraGlass)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Dec 2017	January - Dec 2017								
<b>Venituri (vanzari) nete din exploatare</b>	<b>Net sales</b>	<b>120,533,878</b>	<b>55,250,663</b>	<b>54,175,670</b>	<b>22,974,709</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Materii prime, consumabile folosite si marfuri	Raw materials	(76,346,217)	(40,034,691)	(41,394,946)	(13,345,942)	-43.9%	-71.2%	-76.4%	-58.1%
Cheltuieli cu beneficiile angajatilor	Salaries	(19,687,355)	(2,904,383)	(3,143,423)	(4,907,316)	-11.3%	-5.2%	-5.0%	-17.0%
Amortizare	Depreciation	(9,200,100)	(4,597,305)	(1,306,992)	(62,257)	-7.6%	-8.3%	-2.4%	-0.3%
Alte cheltuieli	Other expenses	(9,890,448)	(9,734,520)	(4,244,984)	(3,941,684)	-5.7%	-17.3%	-6.7%	-13.6%
Cheltuieli totale pentru exploatare	Total operating expenses	(118,269,540)	(55,217,890)	(48,997,933)	(22,257,200)	-98.1%	-99.9%	-90.4%	-96.9%
<b>Rezultat operational</b>	<b>Operating profit (EBIT)</b>	<b>2,264,338</b>	<b>32,773</b>	<b>5,177,737</b>	<b>717,510</b>	<b>1.9%</b>	<b>0.1%</b>	<b>9.6%</b>	<b>3.1%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>11,464,438</b>	<b>4,630,078</b>	<b>6,484,729</b>	<b>779,767</b>	<b>9.5%</b>	<b>8.4%</b>	<b>10.3%</b>	<b>3.4%</b>

Source: Company data, BRK

13 November 2020

Industrials | Manufacturing

To better understand the seasonality, in the table below we analysed the income statements during the first six months for 2018-2020.

**Figure 19: Key financial data – income statements per segment at half-year**

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation (Instalatii)	Window profiles (Profile tamplarie)	PVC Compounds (Granule)	Windows & Doors (Confectii tamplarie; Teraglas)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Iunie 2020	January - June 2020								
Cifra de afaceri	(Total sales)	138,496,494	25,905,065	34,646,459	15,460,716	99.8%	100.0%	100.0%	99.9%
Alte venituri din exploatare	(Other income)	209,416	9,719	0	14,007	0.2%	0.0%	0.0%	0.1%
<b>Venituri (vanzari) nete din exploatare</b>	<b>(Net sales)</b>	<b>138,705,910</b>	<b>25,914,784</b>	<b>34,646,459</b>	<b>15,474,723</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Subventii	Subsidies	421,714	0	180,735	403,297				
Materii prime, consumabile folosite si marfuri	Raw materials	(83,829,401)	(15,566,601)	(23,951,508)	(8,607,154)	-60.4%	-60.1%	-69.1%	-55.6%
Cheltuieli cu beneficiile angajatilor	Salaries	(16,033,594)	(4,112,842)	(2,494,881)	(3,864,523)	-11.6%	-15.9%	-7.2%	-25.0%
Amortizare	Depreciation	(7,291,706)	(2,242,530)	(868,343)	(916,812)	-5.3%	-8.7%	-2.5%	-5.9%
Ajustare pentru amortizare active circulante	Adjustment depreciation	(408,511)	(122,957)	25,400	124,094	-0.3%	-0.5%	0.1%	0.8%
Alte cheltuieli	Other expenses	(16,068,368)	(3,265,127)	(2,237,209)	(2,861,480)	-11.6%	-12.6%	-6.5%	-18.5%
Cheltuieli totale pentru exploatare	(Total operating expenses)	(123,631,580)	(25,310,056)	(29,526,541)	(16,125,875)	-89.1%	-97.7%	-85.2%	-104.2%
<b>Rezultat din exploatare</b>	<b>Operating profit (EBIT)</b>	<b>15,496,044</b>	<b>604,728</b>	<b>5,300,653</b>	<b>(247,855)</b>	<b>11.2%</b>	<b>2.3%</b>	<b>15.3%</b>	<b>-1.6%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>22,366,036</b>	<b>2,847,258</b>	<b>5,988,261</b>	<b>265,660</b>	<b>16.1%</b>	<b>11.0%</b>	<b>17.3%</b>	<b>1.7%</b>

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation	Window profiles	PVC Compounds	Windows & Doors (Teraglas)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Iunie 2019	January - June 2019								
Cifra de afaceri	Total sales	107,969,748	28,140,342	31,607,615	12,668,547	99.9%	99.9%	99.9%	100.0%
Alte venituri din exploatare	Other income	95,728	17,614	25,637	6,227	0.1%	0.1%	0.1%	0.0%
<b>Venituri (vanzari) nete din exploatare</b>	<b>Net sales</b>	<b>108,065,476</b>	<b>28,157,956</b>	<b>31,633,252</b>	<b>12,674,774</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Subventii	Subsidies	0	0	0	0				
Materii prime, consumabile folosite si marfuri	Raw materials	(71,873,388)	(17,810,153)	(23,702,506)	(5,937,566)	-66.5%	-63.3%	-74.9%	-46.8%
Cheltuieli cu beneficiile angajatilor	Salaries	(13,539,067)	(4,019,544)	(2,243,736)	(3,171,975)	-12.5%	-14.3%	-7.1%	-25.0%
Amortizare	Depreciation	(5,265,371)	(2,245,437)	(618,313)	(321,361)	-4.9%	-8.0%	-2.0%	-2.5%
Ajustare pentru amortizare active circulante	Adjustment depreciation	163,364	1,034,517	9,461	(43,427)	0.2%	3.7%	0.0%	-0.3%
Alte cheltuieli	Other expenses	(12,238,321)	(5,160,104)	(2,305,432)	(2,410,301)	-11.3%	-18.3%	-7.3%	-19.0%
Cheltuieli totale pentru exploatare	Total operating expenses	(102,752,783)	(28,200,720)	(28,860,526)	(11,884,630)	-95.1%	-100.2%	-91.2%	-93.8%
<b>Rezultat din exploatare</b>	<b>Operating profit (EBIT)</b>	<b>5,312,693</b>	<b>(42,764)</b>	<b>2,772,726</b>	<b>790,144</b>	<b>4.9%</b>	<b>-0.2%</b>	<b>8.8%</b>	<b>6.2%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>10,578,064</b>	<b>2,202,672</b>	<b>3,391,039</b>	<b>1,111,505</b>	<b>9.8%</b>	<b>7.8%</b>	<b>10.7%</b>	<b>8.8%</b>

Situatia veniturilor si cheltuielilor (RON)	Historical Income Statements (RON)	Installation	Window profiles	PVC Compounds	Windows & Doors (Teraglas)	Installation % net sales	Profiles % net sales	Compounds % net sales	TeraGlass % net sales
Ianuarie - Iunie 2018	January - June 2018								
Cifra de afaceri	Total sales	75,087,222	23,604,271	32,059,692	14,103,845	99.6%	99.6%	99.7%	100.0%
Alte venituri din exploatare	Other income	284,728	85,863	93,857	6,106	0.4%	0.4%	0.3%	0.0%
<b>Venituri (vanzari) nete din exploatare</b>	<b>Net sales</b>	<b>75,371,950</b>	<b>23,690,134</b>	<b>32,153,549</b>	<b>14,109,951</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Subventii	Subsidies	0	0	0	0				
Cheltuieli totale pentru exploatare	Total operating expenses	(75,796,646)	(22,931,066)	(28,866,893)	(12,602,859)	-100.6%	-96.8%	-89.8%	-89.3%
<b>Rezultat din exploatare</b>	<b>Operating profit (EBIT)</b>	<b>(424,696)</b>	<b>759,068</b>	<b>3,286,656</b>	<b>1,507,093</b>	<b>-0.6%</b>	<b>3.2%</b>	<b>10.2%</b>	<b>10.7%</b>
<b>Profit inainte de amortizare, dobanda si impozit</b>	<b>EBITDA</b>	<b>4,111,702</b>	<b>3,018,420</b>	<b>3,961,323</b>	<b>1,559,646</b>	<b>5.5%</b>	<b>12.7%</b>	<b>12.5%</b>	<b>11.1%</b>

Source: Company data, BRK

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Company	Ticker	The explanatory note applies number:
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