

Romcarbon (ROCE)

Flash note – 9M 2024 results

HOLD
 Target price: 0.132 RON (-4.2%)

- Romcarbon recorded a loss of RON 7.7 million in the first 9 months of 2024, as a result of a temporary interruption in production due to equipment breakdown, lower demand in the PET (food packaging) sector as well as in the polypropylene (PP) big bags sector due to lower demand, and also due to a 14% increase in salary expenses. On an operational side, the loss amounted to RON 5.8 million, up by RON 1.7 million compared to the first half of this year but down compared to Q2 2024, reflecting a slight improvement. The company's valuation indicates an **average target price of RON 0.132/share**, representing a 4.2% decrease from the closing price on December 4, 2024
- Starting in 2025, we anticipate a recovery, with an average operating margin of 2.7% up to 2028. This upward trend will primarily be driven by expense optimization through a new production line in the recycled polymers and compounds sector, which is expected to increase production capacity, optimize personnel costs, eliminate loss-making products from the portfolio, and attract new customers. Therefore, it remains to be seen how Romcarbon manages to improve its costs and adapt its products to achieve positive and consistent financial results over the medium and long term.
- The company's revenues in the first 9 months of 2024 reached RON 231.5 million, a similar level compared to the same period in 2023. The plastics processing sector, accounting for 75% of the company's revenues, recorded an increase of 3.9% compared to the previous year. The growth in this sector was mainly due to the polyethylene segment, where revenues increased by 39%, the best performance in this business segment. The recycled polymers and compounds sector, the second-largest contributor to revenue, recorded a 6% yoy decline, driven by temporary production disruptions and challenges in meeting market demands.
- Romcarbon has continued to make progress with its planned investments. The company has completed the installation of an EU-funded photovoltaic panel system with a capacity of 0.999 MW, achieving cost savings of EUR 76,406. It plans to pursue further investments by forming a joint venture focused on carbon fiber recycling, with production anticipated to begin in the second half of 2025. Additionally, the company has applied for PNRR funding to support the recycling and reuse of plastics in its products, aiming to increase the share of recycled materials, particularly polypropylene, to comply with European circular economy requirements.
- Potential risks** to our recommendation include volatility in external demand due to competition with materials from non-EU countries, such as Turkey and Asia, volatile energy prices, increases in the minimum wage, which may offset the benefits of workforce reductions, and raw material price changes.

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Market price:	0.138 RON
Market Cap:	72.9 mil. RON
52 weeks liquidity	10.6 mil. RON

Shares data

Min/max price, 52 weeks. (RON/share)	0.13 - 0.21
Shares number (mil.)	528.2

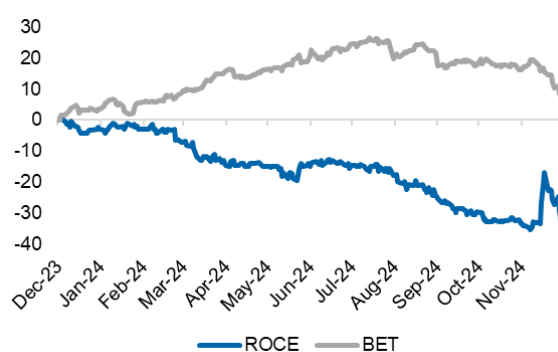
Shareholders

LIVING PLASTIC INDUSTRY S.R.L.	32.8539%
JOYFUL RIVER LIMITED	20.5190%
TODERITA STEFAN-ALEXANDRU	13.6301%
Others	32.9970%

Shares performance (%)

	1 week.	6 months	YTD	1y
ROCE	-10.1	-21.14	-30.65	-30.83
vs. BET index	-7.9	-12.23	-36.68	-40.70

ROCE vs BET (% 1 year)



Source: Bloomberg

December 6, 2024

9M 2024 consolidated results

For the first nine months of 2024, Romcarbon's financial results continued the downward trend of the first six months of 2024, recording a loss of RON 7.7 million (of which RON 3 million in Q3 2024). ROCE recorded an operating loss of RON 5.8 million after the first nine months of 2024 (of which RON 1.7 million represented the loss in Q3 2024). This decline was driven by several factors that negatively impacted the company's performance, including the temporary interruption of production in the recycled polymers and compounds sector, a market slowdown in the PET (food packaging) and PP (big bags) sectors due to reduced demand, and a 14% increase in wage expenses.

The company's revenues in the first 9 months of 2024 reached RON 231.5 million, similar to those recorded during the same period last year. Revenues from the plastics processing sector, which accounts for 75% of the total, increased by 3.9%, while revenues from the recycled polymers and compounds sector, representing 12% of the total, decreased by 6%. In the plastics processing sector, revenues from processed polyethylene showed the highest growth, rising by 39%.

('000 RON, consolidated)	9M 2023	9M 2024	var
Revenues	229.981	231.533	1.552
Raw materials and consumables	(149.204)	(145.617)	3.587
Salary expenses	(61.189)	(69.487)	(8.298)
General & admin. expenses	(16.110)	(15.619)	491
EBITDA adj.	3.478	811	(2.667)
Depreciation and amortization	(10.882)	(11.239)	(357)
Other income / (expenses)	9.298	4.672	(4.626)
EBIT	1.894	(5.756)	(7.650)
Financial income / (expenses), net	(2.673)	(1.793)	880
Gross profit	(780)	(7.549)	(6.770)
Income tax	(126)	(161)	(35)
Net result	(906)	(7.710)	(6.804)
Net Result before minority interests	(906)	(7.710)	(6.804)
Minorities	(4)	(4)	(1)
Net result	(902)	(7.706)	(6.804)

Source: ROCE, BRK

('000 RON, consolidated)	9M 2023	9M 2024	% var
Revenues	229.981	231.533	0,7%
Plastics processing	166.528	173.012	3,9%
Recycled polymers & compounds	30.129	28.407	-5,7%
Other productive sectors	5.027	5.042	0,3%
Other activities	28.298	25.073	-11,4%

Source: ROCE, BRK

December 6, 2024

Company valuation

We estimate the company's value at an average price per share of RON 0.132 (-4% compared to the closing price on December 4, 2024). This valuation represents the average between the DCF valuation of RON 0.144 per share and the multiples-based valuation of RON 0.12 per share.

	<i>RON/share</i>
Market price	0,138
DCF valuation	0,144
Multiples valuation	0,120
AVG	0,132
Upside/Downside	-4,2%

DCF valuation - Main assumptions:

- The weighted cost of capital (WACC) of 12.2% applied throughout the forecast period, with a cost of equity of 15.51% and a cost of debt of 5.4%;
- Market risk premium of 8,3%, representing the historical total return of the BET index and the 10-year government bond yield;
- Beta of 1 estimated based on comparable companies in the market;
- Terminal value is estimated using a 4% growth rate and weighted cost of capital.

DCF Model ('000 RON)	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29
Revenues	299.505	331.954	367.650	402.537	438.228	477.076
% growth	-1,7%	10,8%	10,8%	9,5%	8,9%	8,9%
EBITDA	-1.465	10.853	13.831	15.613	16.681	20.041
EBITDA M	-0,5%	3,3%	3,8%	3,9%	3,8%	4,2%
EBIT	-8.913	4.902	7.239	8.396	8.824	11.488
EBIT M	-3,0%	1,5%	2,0%	2,1%	2,0%	2,4%
EBIT*(1- Tax Rate)	-8.913	4.657	6.877	7.976	8.383	10.913
D&A	14.355	15.910	17.621	19.293	21.004	22.866
WCC	-5.990	7.303	8.088	8.856	9.641	10.496
CAPEX	11.980	6.307	6.985	7.648	8.326	9.064
FCFF	-548	6.957	9.424	10.766	11.419	14.219
Discount factor	0,89	0,79	0,71	0,63	0,56	0,50
NPV FCFF	-489	5.524	6.669	6.789	6.417	7.121
PV FCFF	32.032					
PV Terminal Value	88.748					
g	4%					
Firm value	120.780,34					
Net debt	43.831,29					
Minorities	909,49					
Equity value	76.039,57					
Nr. shares out.	528.244,19					
Price/share (RON)	0,144					
Market price (RON/share)	0,138					
Upside/Downside	4,31%					

Source: BRK estimates

December 6, 2024

Multiples valuation

Based on multiples valuation, we have analyzed the trading multiples of companies that we consider comparable to ROCE's business activity. However, it is important to note that these companies do not perfectly align with ROCE's activity due to differences in sector diversity, business strategies, company size, product portfolios, geography, and other relevant factors.

We evaluate the company based on the median values of the Price-to-Sales (PS) and Price-to-Book (PB) ratios of comparable companies. The valuation result indicates an average price per share of 0.12 RON, which is 12.7% below the closing price on December 4, 2024.

Company	Market Cap. (mil. EUR)	ROE 5Y	ROA	NIM	EBITDA margin	EV/EBITDA	PE	PB	PS
HEXPOL AB	3.206,7	18,6%	10,1%	11,8%	19,2%	9,8	15,2	2,6	1,8
NOLATO AB-B	1.250,4	19,6%	5,9%	5,4%	15,2%	10,1	23,7	2,7	1,5
RECTICEL	636,2	4,5%	1,1%		7,5%		64,1	1,5	1,1
BURELLE SA	553,7	6,9%	1,4%	1,3%	8,5%	3,5	3,8	0,3	0,1
SP GROUP A/S	520,8	17,6%		6,1%	0,0%			2,3	
ESSENTRA PLC	500,6	1,3%		6,8%	12,8%	13,9	24,5	1,5	1,3
STYRENIX PERFORM	496,7	23,8%	15,1%	7,7%	12,0%	9,1	25,8	6,1	2,0
PLASTIKA KRITIS	394,3	13,3%	8,2%	10,3%	16,8%	5,0	10,4	1,0	1,1
ENVIPCO HLDG	288,5		2,2%	0,7%	11,4%	21,6	81,5	4,4	2,5
AGILYX ASA	328,7		135,3%					2,7	
ZOTEFOAMS PLC	205,7	7,7%	5,4%	7,3%	18,4%		17,5	1,5	1,3
TERAPLAST SA	195,2	7,1%		0,0%	6,7%	26,0		2,4	1,2
ARLA PLAST AB	80,1		8,8%	6,4%	13,5%	5,1	14,2	1,6	0,9
PLASTIVALOIRE	25,9	0,9%		0,3%	8,0%	4,5	4,2		
CORAL PRODUCTS	8,2	5,4%		3,0%	6,3%	9,3	7,4	0,6	0,2
Median	394,3	7,4%	7,1%	6,1%	12,0%	9,28	16,34	1,98	1,22

Source: Bloomberg

RON/share	2024e
Target price @ P/S	0,11
Target price @ P/B	0,13
Average target price	0,120
ROCE market price	0,138
Upside/Downside	-12,7%

Source: Bloomberg, BRK estimates

December 6, 2024

Financial data and estimates

('000 RON)	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e
Revenues	381.986	304.684	299.505	331.954	367.650	402.537	438.228	477.076
COGS	-236.139	-168.098	-161.320	-179.255	-202.207	-225.421	-249.790	-271.933
Gross result	145.847	136.586	138.185	152.699	165.442	177.116	188.438	205.143
Salary expenses	-78.261	-84.574	-90.831	-95.372	-100.141	-105.148	-110.405	-115.926
General & admin expenses	-58.240	-50.913	-48.819	-46.474	-51.471	-56.355	-61.352	-69.176
EBITDA	9.346	1.098	-1.465	10.853	13.831	15.613	16.681	20.041
Depreciation and amortization	-14.538	-14.321	-14.355	-15.910	-17.621	-19.293	-21.004	-22.866
Other income / (expenditure)	18.061	11.688	6.907	9.959	11.029	12.076	13.147	14.312
EBIT	12.868	-1.534	-8.913	4.902	7.239	8.396	8.824	11.488
Financial income / (expenses), net	-2.605	-3.358	-2.424	-2.687	-2.975	-3.258	-3.547	-3.861
Other financial income / (expenses), net	46.928	0	0	0	0	0	0	0
Gross profit	57.192	-4.893	-11.337	2.215	4.264	5.139	5.277	7.627
Income tax	-1.067	-243		-354	-682	-822	-844	-1.220
Net results	56.125	-5.136	-11.337	1.861	3.581	4.316	4.433	6.406
Net Result before minority interests	56.125	-5.136	-11.337	1.861	3.581	4.316	4.433	6.406
Minorities	5	-7	-11	2	4	4	4	6
Net result	56.119	(5.129)	-11.326	1.859	3.578	4.312	4.429	6.400

Source: ROCE, BRK estimates

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