

Romcarbon (ROCE)

Hold

Interim Update – 2024 preliminary results

Target price: 0.13 RON (-5.3%)

Company key elements

- Romcarbon reported revenue of RON 307 million for 2024, reflecting a marginal 1% year-on-year increase and exceeding our estimates by 2.6%. At the operating level, the loss increased to RON 9 million, compared to a loss of RON 1.5 million in 2023, surpassing our estimate by 5%. The net result was a negative RON 12 million, 2.3 times higher than in 2023 and 6% above our estimate.
- Regarding the trend of business segments, Recycled Polymers & Compounds were the most affected, reporting a loss of RON 7 million, primarily due to the breakdown of a production line and weak demand for recycled materials. The Polystyrene processing sector saw a profit decline of RON 0.95 million, driven by rising wage costs and the inability to fully pass them on through sales prices. The Polypropylene processing sector remained profitable but experienced a profit contraction of RON 1.4 million, impacted by reduced demand from the fertilizer and grain industries.
- In contrast, the Polyethylene processing sector recorded an improvement in profitability, with a RON 1.4 million increase, attributed to cost optimization and the elimination of less competitive products.
- For the forecast period, we estimate higher costs, which will negatively impact margins, resulting in an average EBIT margin of 1.3% over the 2025-2029 period (compared to the previously estimated 2%). In 2025, the company plans to implement several measures, including reducing labor costs, introducing new production lines to address breakdowns in older equipment, automating production processes, and shifting towards more cost-efficient products to enhance profitability.
- We value the company at a target price of RON 0.13 per share, which is 5.3% below the closing price on March 19, 2025, based on the average of the DCF and peer's valuation.
- Potential risks to our recommendation include external demand instability due to competition, volatile energy prices, and minimum wage increases that could offset the impact of job cuts. Additionally, commodity price fluctuations have a significant risk to cost management and profitability.

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Shares information

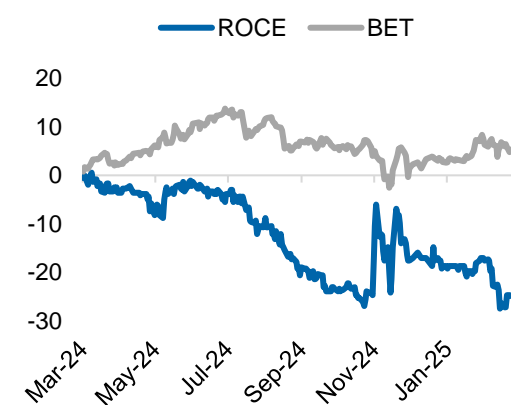
Min/max price, 52 weeks.	0.13 – 0.19
Total shares (mil.)	528.2
Market cap. (mil. RON)	72.4
52 weeks liquidity (mil. RON)	8.2

Shareholders

	%
Living Plastic Industry	32.85
Joyful River Limited	20.52
Toderita Stefan-Alexandru	13.63
Others	33.00

1-year performance

	%
ROCE	-23.90
vs. BET Index	5.38



source: Bloomberg

2024 preliminary financial results

Romcarbon recorded revenues of RON 307.3 million in 2024, reflecting a 1% year-on-year increase and exceeding our estimates by 2.6%. Despite the marginal revenue growth, both the operating loss and net loss were 5% and 6% above estimates, respectively. Compared to the previous year, the operating loss widened to RON 9.3 million, up from RON 1.5 million in 2023, while the net loss increased to RON 12 million, compared to RON 5.1 million in the prior year. On the expense side, wage expenses recorded a significant increase, rising 8.6% y/y and 1.1% above estimates.

The most significant impact came from the Recycled Polymers & Compounds segment, which recorded a loss of RON 7 million, driven by reduced capacity due to a production line breakdown and lower market demand. The Polypropylene processing segment also saw a decline in profit, affected by the contraction in the fertilizer and cereals market, key industries for these packaging products, leading to reduced orders. On the other hand, the Polyethylene processing segment had a positive impact, with a profit increase of RON 1.4 million (+98% y/y), primarily due to cost optimization measures.

('000 RON)	2023	2024P	var
Revenue	304.684	307.316	0,9%
COGS	-168.098	-165.171	-1,7%
Gross Profit	136.586	142.145	4,1%
Salary expenses	-84.574	-91.859	8,6%
General & admin. Expenses	-50.913	-50.279	-1,2%
Amortization and depreciation	-14.321	-14.627	2,1%
Other income / (expenditure)	11.688	5.265	-55,0%
EBIT	-1.534	-9.355	509,7%
Net financial result	-3.358	-2.316	-31,0%
Gross Profit	-4.893	-11.769	140,5%
Income tax	-243	-286	17,9%
Net result	-5.136	-12.055	134,7%
Net result before minorities	-5.136	-12.055	134,7%
Minorities	-7	-7	2,6%
Net result	-5.129	-12.048	134,9%

source: Romcarbon, own calculations

('000 RON)	Q4 2023	Q4 2024	var
Revenue	74.703	75.782	1,4%
COGS	-36.989	-37.213	0,6%
Gross Profit	37.714	38.569	2,3%
Salary expenses	-23.385	-22.373	-4,3%
General & admin. Expenses	-16.708	-17.000	1,7%
Amortization and depreciation	-3.439	-3.388	-1,5%
Other income / (expenditure)	2.390	593	-75,2%
EBIT	-3.428	-3.599	5,0%
Net financial result	-685	-522	-23,7%
Gross Profit	-4.113	-4.219	2,6%
Income tax	-117	-125	7,5%
Net result	-4.230	-4.345	2,7%
Net result before minorities	-4.230	-4.345	2,7%
Minorities	-3	-3	-11,7%
Net result	-4.227	-4.342	2,7%

Company valuation

We value the company at an average price per share of RON 0.13 (-5.3% decrease compared to the closing price on March 19, 2025), based on the average of the DCF valuation of RON 0.12 per share and the peers-based valuation of RON 0.139 per share.

DCF Valuation – The key assumptions used in the estimation include:

- Weighted average cost of capital (WACC) 12.2%, where we estimate the cost of equity at 15.5% and the cost of debt at 6%;
- Beta of 1, estimated based on market peers;
- Market risk premium of 8.3%, estimated using the long-term yield of the BET index and the yield on a 10-year Romanian government bond yield;
- Terminal value estimated using a 4% growth rate and the weighted cost of capital.

	RON/share
Market price	0,137
DCF valuation	0,120
Multiples valuation	0,139
AVG	0,130
Upside/Downside	-5,3%

source: BRK estimates

('000 RON)	Estimated 31-Dec-25	Estimated 31-Dec-26	Estimated 31-Dec-27	Estimated 31-Dec-28	Estimated 31-Dec-29	Estimated 31-Dec-30
Revenues	338.130	374.210	409.448	445.473	484.660	527.294
% var	12,9%	10,7%	9,4%	8,8%	8,8%	4,9%
EBITDA adj.	6.067	15.864	17.686	18.782	17.841	23.811
EBITDA M	1,8%	4,2%	4,3%	4,2%	3,7%	4,5%
EBIT	-2.386	6.509	7.450	7.645	8.147	13.265
EBIT M	-0,7%	1,7%	1,8%	1,7%	1,7%	2,5%
EBIT*(1- Tax Rate)	-2.267	6.184	7.078	7.263	7.740	12.602
D&A	15.216	16.839	18.425	20.046	19.386	21.092
WCC	-7.439	-8.233	-9.008	-9.800	-10.663	-11.600
CAPEX	-6.424	-7.110	-7.780	-8.464	-9.209	-10.019
FCFF	-915	7.681	8.716	9.045	7.255	12.075
Discount factor	0,89	0,79	0,71	0,63	0,56	0,50
NPV FCFF	-815	6.104	6.175	5.713	4.086	6.062
PV FCFF	27.325					
PV Terminal Value	87.122					
Terminal growth rate	4%					
Firm value	114.448					
Net Debt	49.987					
Minorities	907					
Equity Value	63.554					
No. Shares	528.244					
Price/share (RON)	0,120					
Market price (RON/share)	0,137					
Upside/Downside	-12,18%					

source: BRK estimates

Peers Valuation

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

We value the company using the median PS and PB ratios of the selected companies. The valuation result indicates an estimated average price per share of RON 0.139, which is 1.7% above the closing price on March 19, 2025.

Company name	Market cap. (mil. EUR)	ROE 5Y	ROA	NIM	EBITDA margin	EV/EBITDA	PE	PB	PS
Hexpol Ab	3.239,5	17,8%	9,4%	11,2%	18,4%	10,0	15,6	2,2	1,7
Nolato Ab-B	1.469,9	16,8%	6,9%	6,8%	15,7%	9,3	24,6	2,8	1,7
Recticel	610,2	2,9%	2,7%	2,7%	6,9%		36,9	1,4	1,0
Burelle Sa	606,4	6,9%	1,4%	1,3%	8,5%	3,5	4,1	0,4	0,1
Sp Group A/S	548,3	17,6%		6,1%				2,5	
Styrenix Perform	516,4	23,8%	15,1%	7,7%	12,0%	9,1	28,5	6,8	2,2
Plastika Kritis	405,2	13,3%	8,2%	10,3%	16,8%	5,0	10,6	1,0	1,1
Essentra Plc	397,9	1,3%		6,8%	12,8%	13,9	19,8	1,2	1,1
Envipco Hldg	314,4		2,2%	0,7%	11,4%	21,6	88,8	4,8	2,7
Agilyx Asa	271,1		135,3%					2,3	
Teraplast SA	199,7	7,1%			6,7%	26,0		2,5	1,2
Zotefoams Plc	154,3	7,7%	5,4%	7,3%	18,4%				0,9
Arla Plast Ab	95,3	16,6%	11,1%	8,2%	13,5%	5,1	9,1	1,6	0,8
Plastivaloire	33,1	0,4%		0,2%	9,0%	3,7	28,4	0,2	0,0
Coral Products	6,2	5,4%		3,0%				0,5	0,2
Median	397,9	7,7%	7,6%	6,8%	12,4%	9,22	22,19	1,93	1,08

source: Bloomberg

<i>RON/share</i>	2025e
Target price @ P/S	0,122
Target price @ P/B	0,157
Average target price	0,139
ROCE market price	0,137
Upside/Downside	1,7%

source: BRK estimates

Financial statements and estimates

('000 RON)	2024P	2025e	2026e	2027e	2028e	2029e	2030e
Revenue	307.316	338.130	374.210	409.448	445.473	484.660	527.294
COGS	-165.171	-182.590	-202.074	-225.196	-249.465	-278.195	-302.667
Gross Profit	142.145	155.540	172.137	184.252	196.008	206.465	224.627
Salary expenses	-91.859	-95.372	-100.141	-105.148	-110.405	-115.926	-121.722
General & admin. Expenses	-50.279	-54.101	-56.132	-61.417	-66.821	-72.699	-79.094
Amortization and depreciation	-14.627	-15.216	-16.839	-18.425	-20.046	-19.386	-21.092
Other income / (expenditure)	5.265	6.763	7.484	8.189	8.909	9.693	10.546
EBIT	-9.355	-2.386	6.509	7.450	7.645	8.147	13.265
Net financial result	-2.316	-2.548	-2.820	-3.085	-3.357	-3.652	-3.973
Gross Profit	-11.769	-4.934	3.689	4.365	4.288	4.495	9.292
Income tax	-286	-247	184	218	214	225	465
Net result	-12.055	-5.181	3.874	4.583	4.503	4.720	9.757
Net result before minorities	-12.055	-5.181	3.874	4.583	4.503	4.720	9.757
Minorities	-7	-3	2	3	3	3	6
Net result	-12.048	-5.178	3.871	4.580	4.500	4.717	9.751

source: Romcarbon, BRK estimates

Ratios	2024P	2025e	2026e	2027e	2028e	2029e	2030e
GPM	46,3%	46,0%	46,0%	45,0%	44,0%	42,6%	42,6%
EBIT M	-3,0%	-0,7%	1,7%	1,8%	1,7%	1,7%	2,5%
NPM	-3,9%	-1,5%	1,0%	1,1%	1,0%	1,0%	1,8%

source: Romcarbon, BRK estimates

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