

TeraPlast (TRP)

Hold

Interim Update – 2024 preliminary results

Target price: 0.46 RON (+8%)

Company key elements

- TeraPlast reported financial results below our expectations for 2024. Although turnover increased by 34% to RON 897.9 million (+2% vs. estimates), profitability was significantly impacted. EBITDA remained nearly flat at RON 52 million, while the EBITDA margin declined to 5.8%. The operating result dropped by 95%, and the net loss reached RON 19.6 million (exceeding the estimated RON -13.7 million)
- This downward trend was driven by a 37% increase in operating expenses, resulting in an operating profit of only RON 952 thousand, down 95% compared to 2023. The decline was primarily caused by higher costs for raw materials and consumables (+36%), along with increased salary expenses (+37%) and depreciation (+55%). Additionally, non-recurring expenses related to geographical expansion and higher financial costs further impacted profitability. Moreover, costs associated with the start-up of the Opal stretch film business, which is still in the market share growth phase, along with the TeraBio Pack division's weak performance, negatively impacted financial results.
- Regarding business line performance, the compounds segment had the best results in 2024, with revenue up 21% and EBITDA increasing by 58%, driven by higher volumes and a 160% surge in exports. Meanwhile, despite a significant 143% revenue increase, the packaging segment recorded an operating loss of RON 21.9 million, impacted by losses from Opal and TeraBio Pack.
- TeraPlast has announced the acquisition of a 51% stake in Aquatic Experience Group, a company specializing in water treatment, purification, and management solutions. This acquisition enhances the company's portfolio and creates synergies with its existing water transportation solutions.
- For 2025, the company's budget is below initial estimates, with estimated revenues of RON 1,005.9 million (-1.3% vs. our estimates) and an operating result of RON 35.6 million (-25% vs. our estimates). As a result, estimates have been revised downward. Consequently, **we value the company at a target price of RON 0.46/share**, which is 8% above the closing price on March 3, 2025, but 7.7% below the previously estimated target price.
- Potential risks to our recommendation include volatility in raw materials prices, delays in infrastructure projects, weakened demand in European markets, rising operating and financing costs, and potential changes in tax policies.

Equity research department

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Shares information

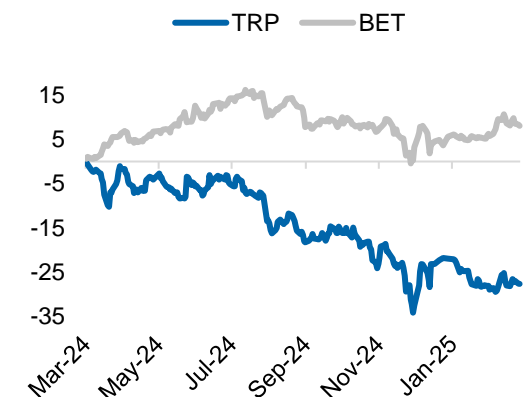
Min/max price, 52 weeks.	0.38 – 0.59
Total shares (mil.)	2,401.2
Market cap. (mil. RON)	1,015.7
52 weeks liquidity (mil. RON)	101.6

Shareholders

	%
Goia Dorel	46.8302
NN Pension Fund	12.0162
Others	41.1536

1-year performance

	%
TRP	-27.78
vs. BET Index	8.10



source: Bloomberg, BVB

2024 preliminary financial results

TeraPlast Group recorded a 34% increase in revenue in 2024, reaching RON 897.9 million, compared to RON 672.3 million in 2023. Sales on external markets grew by 122%, reaching RON 233.6 million. As a result, their share of consolidated revenue increased to 26% in 2024, compared to 15.7% in 2023. This growth was driven by higher sales volumes, the launch of Opal factory operations, and the consolidation of results from acquired companies.

Despite positive revenue growth, the company's profitability fell below expectations. Operating expenses increased by 37%, leading to an operating profit of RON 952 thousand (-95% vs. 2023). Higher costs for raw materials, and consumables (+36%), employee benefits (+37%), depreciation, and amortization (+55%). Also, other non-recurring expenses related to geographical expansion and higher financial costs contributed to this decline. Expenses associated with the start-up of the Opal stretch film business, which is still in the market share growth phase, and the poor performance of TeraBio Pack led to a net loss of RON 19.6 million for 2024.

(RON '000)	2023	2024P	var
Revenue	672.331	897.896	34%
COGS	-427.338	-587.810	38%
Gross Profit	244.993	310.086	27%
Salary expenses	-95.056	-129.967	37%
General & admin. expenses	-100.676	-139.111	38%
Amortization and depreciation	-42.827	-55.560	30%
Other income / (expenditure)	11.936	15.504	30%
EBIT	18.369	952	-95%
Financial income net	-13.167	-15.737	20%
Gross Profit	5.202	-14.786	-384%
Income tax	-4.064	-4.794	18%
Net result	1.138	-19.580	-1821%

source: TeraPlast

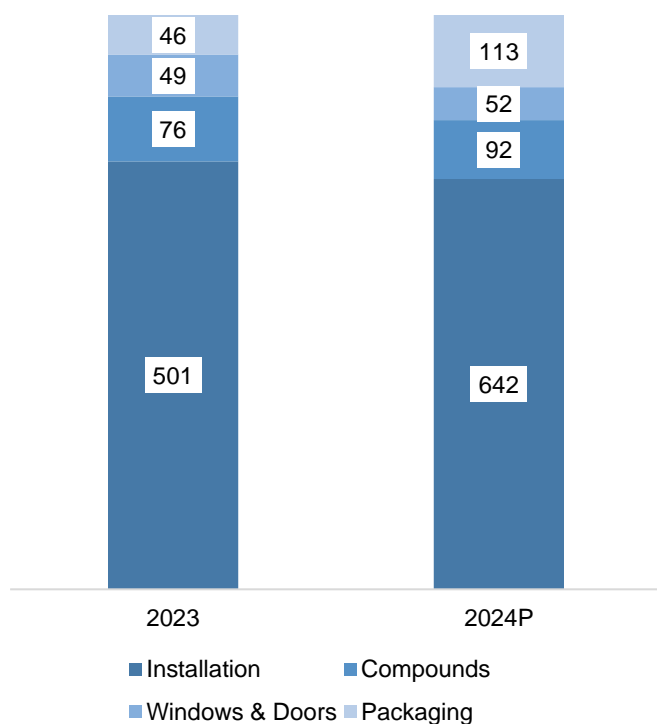
The Installations segment had the largest share of TeraPlast's revenue structure, accounting for 71%. Revenue in this segment increased by 28%, reaching RON 641.5 million. This growth was driven by higher sales volumes and the integration of new subsidiaries, including the Wolfgang Freiler Group and Palplast Moldova, which together contributed 15% to segment revenues. Although EBITDA increased slightly, the margin declined to 8.4% from 10.5% in 2023, due to price pressures and market contraction in Western Europe, where the Freiler Group operates. The Romanian market remained stable, but delays in public works payments slowed the segment's growth. Palplast Moldova, however, benefited from strong demand in the private residential sector and successfully expanded its storage capacities in Călărași.

The Compounds segment had a good performance in 2024, contributing 10% of the Group's revenue. Revenue increased by 21%, reaching RON 91.8 million. This growth was driven by a 39% increase in sales volumes and expansion into external markets. The segment's EBITDA rose by 58% year-on-year, while the EBITDA margin improved to 10.5% from 7.9% in 2023. Exports surged by 160%, supported by the strengthening of strategic partnerships. In the Romanian market, the segment maintained its position as the market leader.

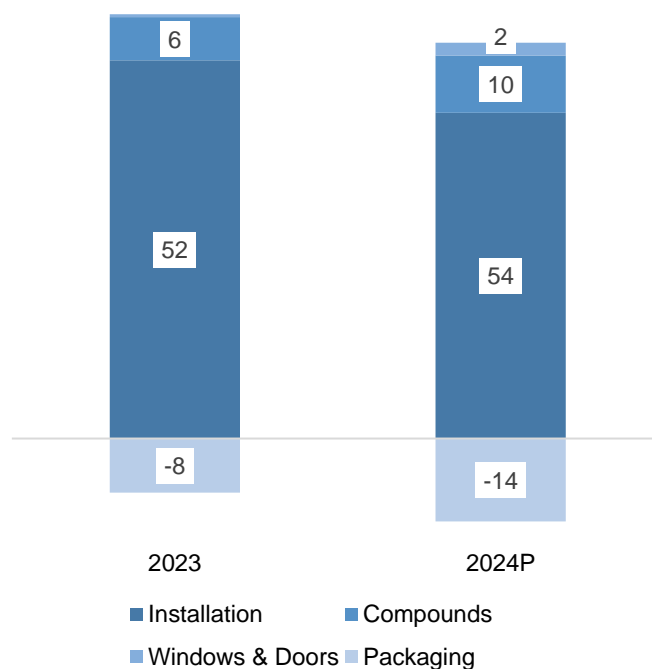
The Packaging segment (accounting for 13% of total revenues) recorded the highest growth rate of 143%, reaching RON 112.8 million. Despite the significant increase in sales, profitability was impacted by losses from Opal's ramp-up process and the poor performance of TeraBio Pack. As a result, the segment's operating loss rose by 66% to RON 21.9 million.

The Windows segment recorded a slight turnover increase of 3%, reaching RON 51.7 million. In contrast, profitability improved significantly, with EBITDA rising fourfold, from RON 419 thousand in 2023 to RON 2.1 million in 2024. This performance was driven by the customer mix repositioning strategy, which led to a higher share of made-to-order windows compared to standard windows sold in retail stores.

Revenue trend by business line (mil. RON)



EBITDA by segment (mil. RON)



source: TeraPlast

DCF Valuation

We value the company at 0.46 RON/share, implying a 8% upside from the current market price. We use a weighted average cost of capital of 10.8%, where we estimate the cost of equity at 14.7% and the cost of debt at 6.2%.

Other assumptions in our model include:

- BETA of 0,9, based on comparable companies;
- Market risk premium of 8.2%, 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 '000	31-Dec-25e	31-Dec-26e	31-Dec-27e	31-Dec-28e	31-Dec-29e	31-Dec-30e
Revenues	1.005.891	1.171.008	1.318.815	1.484.162	1.657.629	1.853.855
% growth	9,4%	16,4%	12,6%	12,5%	11,7%	11,8%
EBITDA adj.	75.733	91.647	110.616	139.752	162.974	199.276
EBITDA M	7,5%	7,8%	8,4%	9,4%	9,8%	10,7%
EBIT	37.509	56.517	71.051	102.648	138.109	180.738
EBIT M	3,7%	4,8%	5,4%	6,9%	8,3%	9,7%
EBIT*(1- Tax Rate)	33.758	50.865	63.946	92.383	124.298	162.664
D&A	55.324	58.550	65.941	66.787	58.017	55.616
WCC	-10.059	-11.710	-13.188	-14.842	-16.576	-18.539
CAPEX	-64.377	-58.550	-52.753	-51.946	-58.017	-74.154
FCFF	14.646	39.155	63.946	92.383	107.722	125.587
discount factor	0,90	0,81	0,74	0,66	0,60	0,54
NPV FCFF	13.222	31.910	47.046	61.357	64.587	67.976
PV FCFF	286.097					
PV Terminal Value	1.120.889					
Terminal growth rate	4%					
Company value	1.406.986					
Net Debt	275.688					
Minorities	34.135					
Company value	1.097.163					
No. Shares	2.401.200					
Price/share (RON)	0,46					
Market price (RON)	0,42					
Upside/Downside	8%					

source: own estimates

Financial statements and estimates

(RON '000)	2024P	2025e	2026e	2027e	2028e	2029e	2030e
Revenue	897.896	1.005.891	1.171.008	1.318.815	1.484.162	1.657.629	1.853.855
COGS	-587.810	-633.711	-761.155	-857.230	-964.705	-1.077.459	-1.186.467
Gross Profit	310.086	372.180	409.853	461.585	519.457	580.170	667.388
Salary expenses	-129.967	-145.563	-160.120	-172.929	-186.764	-201.705	-217.841
General & admin. Expenses	-139.111	-150.884	-158.086	-178.040	-192.941	-215.492	-250.270
EBITDA adj.	41.008	75.733	91.647	110.616	139.752	162.974	199.276
Amortization and depreciation	-55.560	-55.324	-58.550	-65.941	-66.787	-58.017	-55.616
Other income / (expenditure)	15.504	17.100	23.420	26.376	29.683	33.153	37.077
EBIT	952	37.509	56.517	71.051	102.648	138.109	180.738
Financial result	-15.737	-20.118	-23.420	-26.376	-22.262	-24.864	-27.808
Gross Profit	-14.786	17.391	33.097	44.675	80.386	113.246	152.932
Income tax	-4.794	-10.830	-9.394	-11.104	-17.314	-23.092	-30.031
Net profit	-19.580	6.561	23.703	33.571	63.071	90.154	122.901

source: TeraPlast, BRK estimates

Ratios	2024P	2025e	2026e	2027e	2028e	2029e	2030e
GPM	34,5%	37,0%	35,0%	35,0%	35,0%	35,0%	36,0%
EBITDA M	4,6%	7,5%	7,8%	8,4%	9,4%	9,8%	10,7%
EBIT M	0,1%	3,7%	4,8%	5,4%	6,9%	8,3%	9,7%
NPM	-2,2%	0,7%	2,0%	2,5%	4,2%	5,4%	6,6%

source: TeraPlast, BRK estimates

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Company	Symbol	Explanatory note No.
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