

## TeraPlast (TRP)

**BUY**

### Company update

**Target price: 0,50 RON (+15,2%)**

### Company key elements

- TeraPlast has recorded a compound annual growth rate (CAGR) of over 20% in revenues between 2019 and 2024e. However, the company has been on a downward trend regarding operational performance and profitability, with a net margin of only 0.2% in 2023 compared to 7% in 2021. For 2024, net income is expected to turn negative, estimated at approximately RON 14 million. These negative financial results have also impacted the TRP share price, which has declined by over 20% in the past year, compared to the BET index, which recorded a positive trend (+13%).
- Launched in 2021, the packaging segment accounted for 13% of revenues in the first nine months of 2024 and is estimated to close the year with approximately RON 120 million in revenues. Although still unprofitable, improvements in production efficiency, sales growth, and the acquisition of Optiplast could drive accelerated growth in this segment, with an estimated compound annual growth rate (CAGR) of 25% between 2023 and 2030.
- The Installations segment, the largest contributor to total revenues (71%), recorded a CAGR of 20% in revenues, driven by infrastructure projects (water and sewage) financed through European funds (PNRR) and the Anghel Saligny national program. This segment is expected to maintain its positive trajectory, with an estimated CAGR of 14.3% in revenues.
- The Compounds segment experienced a significant contraction in revenues in 2023 (-40%) due to reduced customer activity. However, in the first nine months of 2024, the segment achieved a 38% growth in volume. Over the next five years, we estimate a moderate positive trend, with a forecasted CAGR of 7.3%. The Windows & Doors segment was negatively impacted in 2023 by a 40% decline in retail sales, prompting a shift in the sales strategy. This adjustment positively influenced the segment's performance in the first 9M of 2024, reflected in a 4.7% improvement in the EBITDA margin.
- Based on the DCF model, we value the company at a target price of RON 0,50 per share, with a potential upside of 15.2% from the closing price on January 28, 2024.
- 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

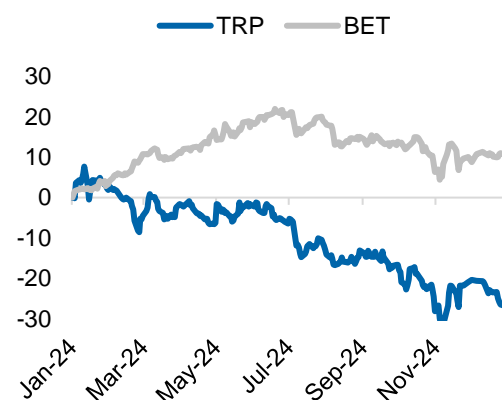
Min/max price, 52 weeks.	0,38 – 0,62
Total shares (mil.)	2.401,2
Market cap. (mil. RON)	1.030
52 weeks liquidity (mil. RON)	109,9

#### Shareholders

	%
Goia Dorel	46,8302
NN Pension Fund	12,0162
Others	41,1536

#### 1-year performance

	%
TRP	-23,4
vs. BET Index	12,7



source: Bloomberg, BVB

## 9M Results Overview

Amid a market backdrop of slowing development paces for nationwide infrastructure projects and weaker Western European demand, the company's profitability was eroded during the first three quarters of 2024.

For the first 9L of 2024, TeraPlast recorded a turnover of RON 681.2 million, up 32% compared to the same period of the previous year. The positive trend is due to a 49% increase in volumes sold, but also due to the integration of the acquisitions made, namely Palplast and Wolfgang Freiler Group.

Operating expenses increased by 35% compared to the first nine months of the previous year, reaching RON 671 million. The primary factors driving this increase across all expense categories were the consolidation of newly acquired entities and the impact of commencing production at the Opal stretch film factory. This dynamic resulted in a 44% decline in operating profit compared to 9M 2023, with a 2.2 percentage point deterioration in margin (1.7% in 9M 2024 vs. 3.9% in 9M 2023). Wage costs rose by 38%, driven by an increase in both the number of employees and salary levels.

Thus, the negative impact at the operational level was amplified, on the other hand, by the increase in financial expenses and the new sales tax, which generated a loss of RON 7 million at 9M 2024.

('000 RON, consolidated)	9M 2024	9M 2023	var
Revenue	<b>681.159</b>	<b>517.384</b>	<b>32%</b>
COGS	(448.962)	(325.078)	<b>38%</b>
<b>Gross Profit</b>	<b>232.197</b>	<b>192.306</b>	<b>21%</b>
Salary expenses	(95.837)	(69.457)	<b>38%</b>
General & admin. expenses	(98.203)	(72.641)	<b>35%</b>
Amortization and depreciation	(42.306)	(32.218)	<b>31%</b>
Other income / (expenditure)	15.446	2.205	
<b>EBIT</b>	<b>11.297</b>	<b>20.195</b>	<b>-44%</b>
Financial income net	(14.255)	(9.391)	<b>52%</b>
<b>Gross Profit</b>	(2.958)	10.805	<b>-127%</b>
Income tax	<b>(4.037)</b>	<b>(4.008)</b>	<b>1%</b>
<b>Net result</b>	<b>(6.995)</b>	<b>6.797</b>	<b>-203%</b>

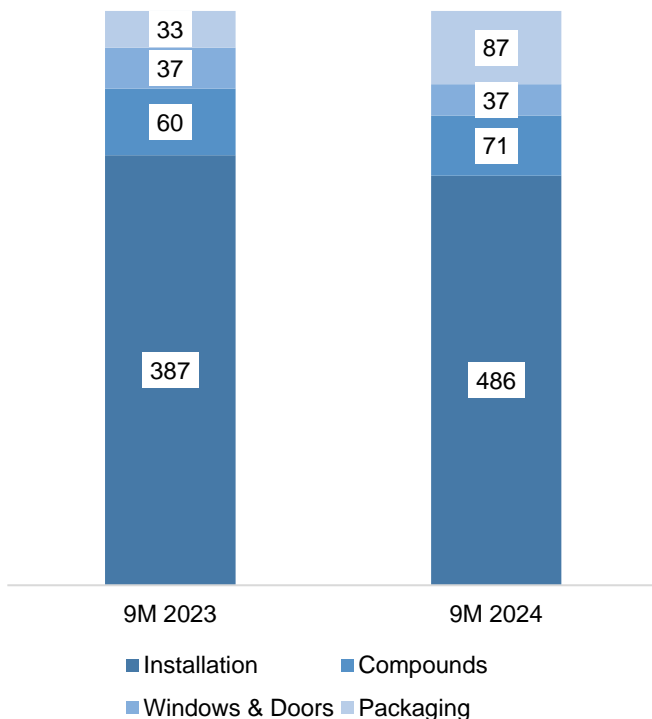
source: TeraPlast

All of the group's business lines delivered positive revenue performance in the first nine months of 2024.

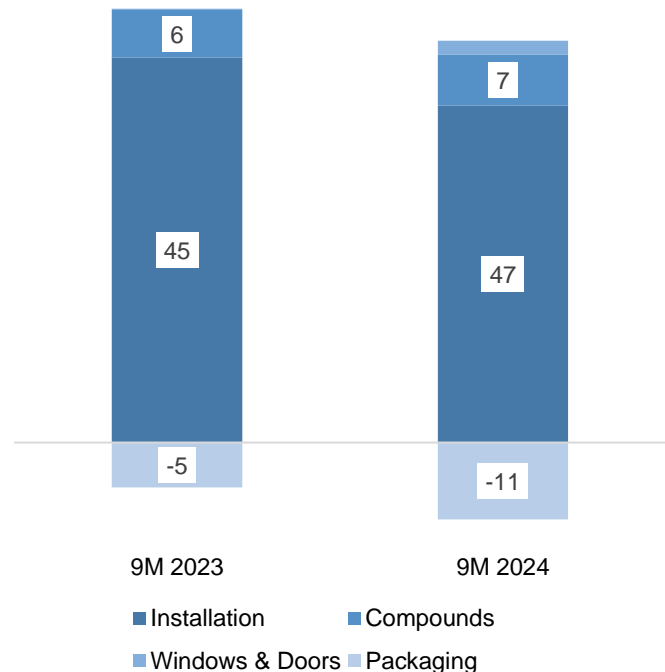
As a share of total revenues, the Installation segment (71%) recorded a 25% increase in revenue. However, the slowdown in financing for national infrastructure projects during Q3 limited the segment's overall results. Weaker demand in Western European markets, particularly in Germany and France (where the Wolfgang Freiler Group operates), led to price reductions and negatively impacted margins, with the operating margin declining by 2% (and segment operating profit falling by 11%). The Packaging segment recorded a substantial revenue increase (+163%), becoming the second-largest contributor to total revenue (13%). This growth was driven by the development of sales for Opal stretch film, which expanded its customer base and improved cost efficiencies. The segment will be further strengthened by the addition of Optiplast Croatia, following the completion of its acquisition in mid-November 2024

The Compounds segment, accounting for 10% of total revenue, achieved growth in both sales (+19%) and margins, supported by a 38% increase in volumes. The Windows & Doors segment, contributing 5% to total revenue, recorded a modest revenue growth of 1% in the first nine months of 2024. Operational results were positive, driven by a favorable shift in the customer and project mix, focusing more on made-to-order products rather than prefabricated products for retail customers.

Revenue trend by business line (mil. RON)



EBITDA by segment (mil. RON)



Source: TeraPlast

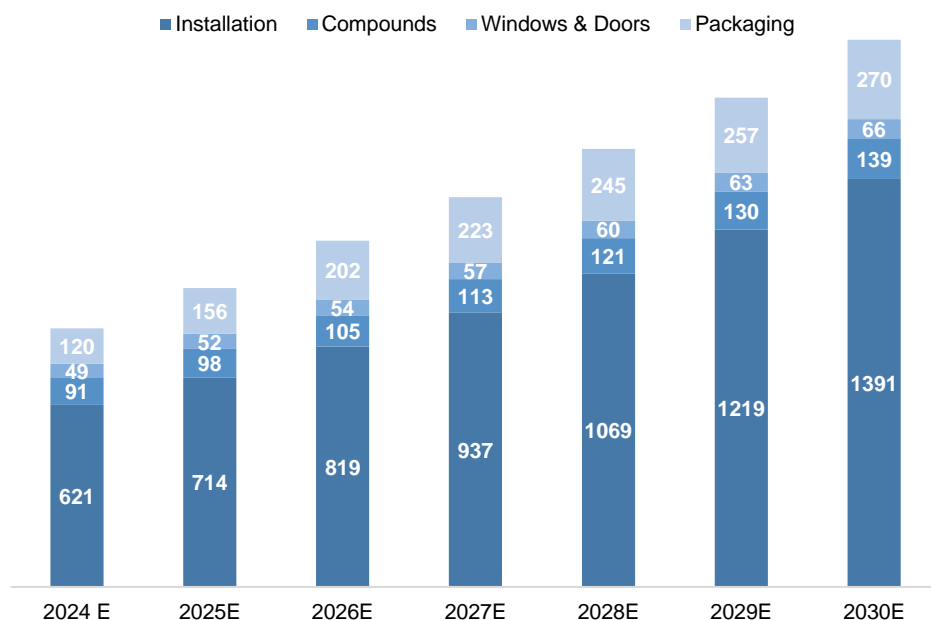
## Estimates and projections

Over the past five years (2019-2024e), TeraPlast has achieved double-digit revenue growth, with a CAGR exceeding 20%, driven by a combination of product portfolio expansion and strategic investments, which also facilitated the Group's geographical expansion. However, operational performance has been less favorable, reflecting challenges faced by the business during this period. The company recorded an operating result of RON 18.4 million at the end of 2023, with expectations for it to decline to approximately RON 11 million by the end of 2024. EBIT margin declined significantly, from 8.7% in 2021 to 2.7% in 2023.

Revenue growth in the installations segment in recent years has been driven by infrastructure projects (water and sewage) funded through European grants under the PNRR, as well as the Anghel Saligny national program, achieving a CAGR of 20%. These investments are expected to positively influence the segment's revenue in the future, with an estimated CAGR of 14.3% over the next five years, based on a simple linear regression against the estimated trend of the local construction market (estimated average growth rate of 6.6%).

The compounds segment has recorded a revenue CAGR of only 7.3% over the past five years, with a sharp decline in 2023, when revenue fell by 40% due to reduced customer activity. In the first nine months of 2024, the segment experienced volume growth (+38), potentially reaching total revenues of RON 91 million, though still 20% below the 2021-2023 average. Looking ahead, we expect the segment to maintain its average growth rate from recent years.

**Positive revenue growth, with the packaging segment showing the highest estimated growth rate, with a projected CAGR of 25%**



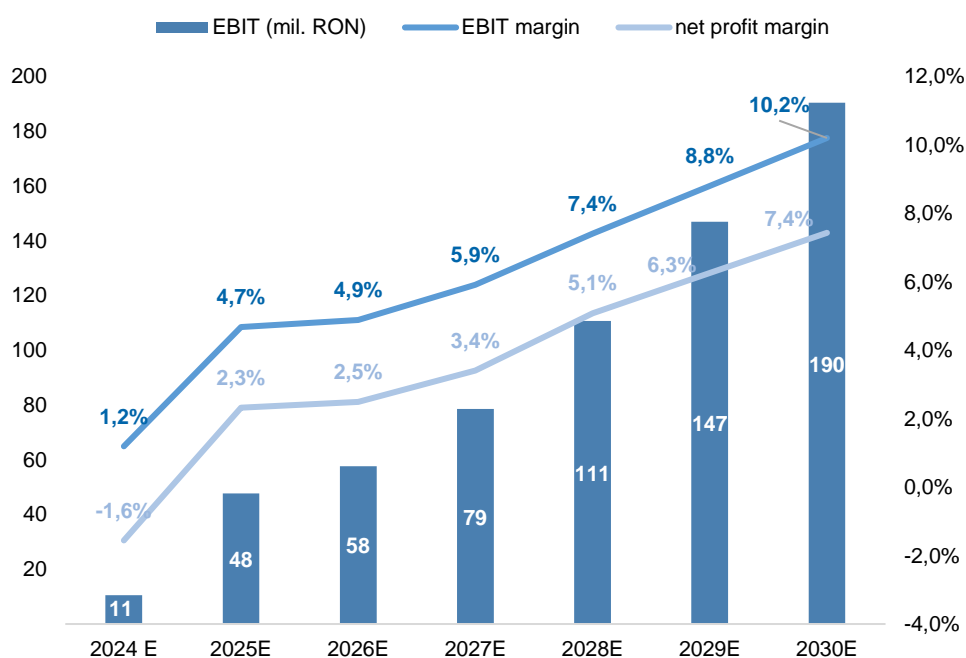
Source: BRK estimates

The windows & doors segment has faced a decline in retail sales, prompting the company to adjust its sales strategy by reducing reliance on retail store sales. However, this segment is not expected to grow rapidly, with a conservative CAGR of 5% projected over the next five years.

The packaging segment, which began operations in 2021, has experienced accelerated revenue growth; however, further adjustments are needed to optimize production and improve profitability. A balanced approach to growth, production efficiency, sales, and pricing could drive profitability improvements. In mid-November 2024, this segment was further strengthened by the acquisition of Optiplast in Croatia. We anticipate a rapid revenue growth rate of 30% for this segment during 2025-2026, followed by a more moderate growth rate in subsequent years, averaging 8%.

The company's margins have been impacted by increased financing, amortization, and operating costs related to recent acquisitions and the launch of new projects, such as the Opal stretch foil plant, which began operations in early November 2024. Additionally, in the last month of 2024, TeraPlast announced the acquisition of assets for producing PVC and PE pipes from Wavin Hungary. This acquisition aligns with the company's objective to boost sales in Western Europe, with the plant's geographic location expected to reduce transportation costs and delivery times. The implementation of operational efficiency measures and the development of synergies with new subsidiaries are anticipated to improve profitability. We estimate that the average operating margin will be around 6.2% between 2024 and 2030, with the net margin projected to average 3.6% over the same period.

**A positive margin trend is estimated, with an average EBIT margin of 7% and a net margin of 4.5% for 2025-2030**



Sursa: BRK estimates

## DCF Valuation

We value the company at 0,50 RON/share, implying a 15.2% upside from the current market price. We use a weighted average cost of capital of 11.1%, where we estimate the cost of equity at 14.7% and the cost of debt at 6,3%.

Other assumptions in our model include:

- BETA of 0,9, based on comparable companies;
- Market risk premium of 8%, 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	<b>1.018.799</b>	<b>1.181.039</b>	<b>1.329.058</b>	<b>1.494.313</b>	<b>1.668.861</b>	<b>1.866.007</b>
% growth	15,6%	15,9%	12,5%	12,4%	11,7%	11,8%
<b>EBITDA adj.</b>	<b>78.219</b>	<b>99.019</b>	<b>118.451</b>	<b>148.068</b>	<b>172.014</b>	<b>209.106</b>
EBITDA M	7,7%	8,4%	8,9%	9,9%	10,3%	11,2%
<b>EBIT</b>	<b>47.655</b>	<b>57.682</b>	<b>78.579</b>	<b>110.710</b>	<b>146.981</b>	<b>190.445</b>
EBIT M	4,7%	4,9%	5,9%	7,4%	8,8%	10,2%
<b>EBIT*(1- Tax Rate)</b>	<b>42.890</b>	<b>51.914</b>	<b>70.721</b>	<b>99.639</b>	<b>132.283</b>	<b>171.401</b>
D&A	56.034	64.957	66.453	67.244	58.410	55.980
WCC	-10.188	-11.810	-13.291	-14.943	-16.689	-18.660
CAPEX	-61.128	-59.052	-53.162	-59.773	-66.754	-74.640
<b>FCFF</b>	<b>27.608</b>	<b>46.009</b>	<b>70.721</b>	<b>92.168</b>	<b>107.250</b>	<b>134.081</b>
discount factor	0,90	0,81	0,73	0,66	0,59	0,53
<b>NPV FCFF</b>	<b>24.857</b>	<b>37.298</b>	<b>51.619</b>	<b>60.571</b>	<b>63.461</b>	<b>71.433</b>
PV FCFF	309.239					
PV Terminal Value	1.124.643					
Terminal growth rate	4%					
Company value	1.433.883					
Net Debt	239.460					
Minorities	5.211					
<b>Company value</b>	<b>1.189.212</b>					
No. Shares	2.401.200					
<b>Price/share (RON)</b>	<b>0,50</b>					
Market price (RON)	0,43					
Upside/Downside	15,2%					

source: own estimates

## Financial statements and estimates

(mil. RON)	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Revenue	672,3	881,4	1018,8	1181,0	1329,1	1494,3	1668,9	1866,0
COGS	-427,3	-582,5	-662,2	-767,7	-863,9	-971,3	-1084,8	-1194,2
<b>Gross Profit</b>	<b>245,0</b>	<b>299,0</b>	<b>356,6</b>	<b>413,4</b>	<b>465,2</b>	<b>523,0</b>	<b>584,1</b>	<b>671,8</b>
Salary expenses	-95,1	-128,0	-140,8	-154,9	-167,3	-180,7	-195,1	-210,7
General & admin. Expenses	-100,7	-132,2	-137,5	-159,4	-179,4	-194,3	-217,0	-251,9
<b>EBITDA adj.</b>	<b>49,3</b>	<b>38,7</b>	<b>78,2</b>	<b>99,0</b>	<b>118,5</b>	<b>148,1</b>	<b>172,0</b>	<b>209,1</b>
Amortization and depreciation	-42,8	-52,9	-56,0	-65,0	-66,5	-67,2	-58,4	-56,0
Other income / (expenditure)	11,9	24,7	25,5	23,6	26,6	29,9	33,4	37,3
<b>EBIT</b>	<b>18,4</b>	<b>10,5</b>	<b>47,7</b>	<b>57,7</b>	<b>78,6</b>	<b>110,7</b>	<b>147,0</b>	<b>190,4</b>
Financial result	-13,2	-20,3	-15,3	-17,7	-19,9	-14,9	-16,7	-18,7
<b>Gross Profit</b>	<b>5,2</b>	<b>-9,8</b>	<b>32,4</b>	<b>40,0</b>	<b>58,6</b>	<b>95,8</b>	<b>130,3</b>	<b>171,8</b>
Income tax	-4,1	-4,0	-8,7	-10,5	-13,4	-19,8	-25,9	-33,1
<b>Net profit</b>	<b>1,1</b>	<b>-13,7</b>	<b>23,6</b>	<b>29,4</b>	<b>45,3</b>	<b>76,0</b>	<b>104,4</b>	<b>138,7</b>

source: TeraPlast, BRK estimates

Ratios	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
GPM	36,4%	33,9%	35,0%	35,0%	35,0%	35,0%	35,0%	36,0%
EBITDA M adj.	7,3%	4,4%	7,7%	8,4%	8,9%	9,9%	10,3%	11,2%
EBIT M	2,7%	1,2%	4,7%	4,9%	5,9%	7,4%	8,8%	10,2%
NPM	0,2%	-1,6%	2,3%	2,5%	3,4%	5,1%	6,3%	7,4%

source: TeraPlast, BRK estimates

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Company	Symbol	Explanatory note No.
TeraPlast	TRP	5, 7, 10, 11

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