

Equity Report TeraPlast: Share price reflects attractive growth prospects

Recommendation: 🕒 **Hold**

Target price: RON0.54

12 - months horizon

Current share price: RON0.54

* price as of 29/07/2024, 23:59 CEST

Sector: Materials

We initiate the coverage of TeraPlast with a target price of RON 0.54 and a HOLD recommendation. TeraPlast is the largest polymer processor in the eastern part of the EU and one of the main providers of comprehensive installation and construction solutions in Romania.



We initiate coverage of TeraPlast (TRP), the largest polymer processor in the eastern part of the EU and one of the main providers of comprehensive installation and construction solutions in Romania, with a HOLD recommendation and a 12m TP of RON 0.54.

Our recommendation is supported by: 1) A favorable outlook on the infrastructure projects financed through EU and national funds. 2) The delivery of higher volumes to its customers due to the recently commissioned production facility and M&A. 3) Expanding and diversifying the product portfolio, following the commissioning of the stretch film factory. 4) Past investments in production and logistics facilities that should result in lower operating costs. 5) A shift towards other distribution channels and markets, such as Central and Western Europe that feature higher margins. However, we believe that TeraPlast's share price is already fully reflecting these factors.

We expect 2024e sales growth of 29% yoy, in line with the company's guidance, mainly supported by the installation segment, which is expected to increase by 28% yoy, due to organic growth and M&A. For 2024e-2026e, we estimate a CAGR of 22% for the group's top line with all the business segment having a double-digit growth. We expect a gradual expansion of the EBITDA margin from 7.6% in 2023 to 11.3% by 2026e. Our EPS CAGR is 145% for 2024e-2026e. We expect a dividend distribution, implying a 40% payout ratio for 2025e-2026e.

We value TeraPlast using DCF with a TP of RON 0.54, based on cost of equity of 15.1% and weighted average cost of capital of 11.7%. We show also a peer multiple comparison to cross-check our output.

Equity Update: TeraPlast

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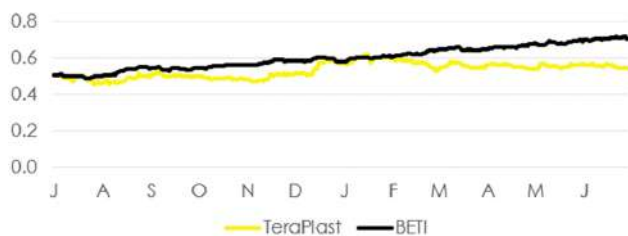
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HOLD	
Price 29.7.2024	0.54
Price target	0.54
Market cap. (tot. shares, in EUR mn)	236.9
Free float	53%
Free float in EUR mn	125.9
Avg. daily turnover (12 m) in EUR mn	0.1
Bloomberg	TRP.RO
Reuters	TRP.BX



Income statement (RON mn)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Consolidated sales	615.1	711.1	672.3	864.9	1,061.1	1,289.8
EBITDA	75.7	58.0	60.2	82.7	110.3	146.1
Adjusted EBITDA	77.0	57.0	59.3	82.7	110.3	146.1
EBIT	53.3	26.4	18.4	36.1	61.8	97.6
Adjusted EBIT	53.3	26.4	18.4	36.1	61.8	97.6
Financial result	-2.3	-9.9	-13.2	-16.9	-15.7	-14.5
Earnings before taxes	51.0	16.6	5.2	19.3	46.0	83.1
Net profit before minorities	231.5	15.4	1.1	11.4	37.7	68.2
Net profit after minorities	231.2	15.0	0.5	10.8	37.1	67.6
Adjusted net profit	231.2	15.0	0.5	10.8	37.1	67.6
Cash flow statement (RON mn)						
Cash flow from the result	61.1	45.0	34.7	48.8	85.7	116.0
Change in working capital	-113.9	-14.9	4.2	-60.1	-53.5	-60.4
Operating cash flow	-52.8	30.1	38.9	-11.3	32.2	55.6
Capex PPE and intangible assets	-127.3	-90.6	-104.0	-136.1	-9.7	-10.3
Investing cash flow	277.0	-57.7	-79.2	-101.6	-9.7	-10.3
Financing cash flow	-7.3	-61.6	-40.8	-91.9	21.3	29.0
Balance sheet (RON mn)						
Net working capital	460.4	195.1	192.4	252.5	306.0	366.5
Net interest-bearing debt	127.8	189.9	233.7	325.0	303.1	273.5
Capital employed	727.1	510.1	641.8	777.4	798.2	825.3
Market capitalisation	2,144.1	1,198.5	1,122.2	1,170.1	1,170.1	1,170.1
Enterprise value	2,275.6	1,391.6	1,351.2	1,489.9	1,467.4	1,437.2
Shareholders' equity	587.9	306.2	386.6	445.5	482.6	535.1
Minority interests	3.7	3.3	2.7	2.1	1.5	0.9
Total assets & liabilities	879.7	661.6	754.8	924.5	983.4	1,050.1
Margins & profitability						
EBITDA margin	12.3%	8.2%	9.0%	9.6%	10.4%	11.3%
EBIT margin	8.7%	3.7%	2.7%	4.2%	5.8%	7.6%
Net margin	37.6%	2.1%	0.1%	1.2%	3.5%	5.2%
Return on assets	53.4%	3.2%	0.6%	2.5%	5.3%	7.9%
Return on equity	78.6%	3.4%	0.2%	2.6%	8.0%	13.3%
Return on capital employed	64.6%	4.0%	0.7%	3.0%	6.4%	9.9%
Financing (x)						
Net gearing	21.6%	61.4%	60.0%	72.6%	62.6%	51.0%
Capex / depreciation	5.7	2.9	2.5	2.9	0.2	0.2
Equity ratio	67.2%	46.8%	51.6%	48.4%	49.2%	51.0%
Per share data (RON)						
EPS reported	0.11	0.01	0.00	0.00	0.02	0.03
Earnings per share (adj.)	0.11	0.01	0.00	0.00	0.02	0.03
Operating cash flow per share	-0.02	0.01	0.02	-0.01	0.01	0.03
Book value per share	0.27	0.14	0.18	0.20	0.22	0.25
Dividend per share	0.12	0.00	0.00	0.00	0.01	0.01
Payout ratio	112.2%	0.0%	0.0%	0.0%	40.6%	40.4%
Valuation (x)						
PE reported	9.3	80.0	2074.5	108.6	31.5	17.3
Adjusted PE ratio	9.3	80.0	2074.5	108.6	31.5	17.3
Price cash flow	-40.6	39.8	28.8	-103.3	36.4	21.0
Price book value	3.6	3.9	2.9	2.6	2.4	2.2
Dividend yield	12.1%	0.0%	0.0%	0.0%	1.3%	2.3%
Free cash flow yield	-8.3%	-4.8%	-5.7%	-12.6%	1.9%	3.9%
EV/sales	3.7	2.0	2.0	1.7	1.4	1.1
EV/EBITDA	30.1	24.0	22.4	18.0	13.3	9.8
EV/EBIT	42.7	52.6	73.6	41.2	23.8	14.7
EV/operating cash flow	-43.1	46.2	34.7	-131.5	45.6	25.9

Source: TeraPlast, RBI/Raiffeisen Research estimates

Investment case

The largest polymer processor in the eastern part of the EU and one of the main providers of comprehensive installation and construction solutions in Romania...

TeraPlast is the leading producer of the PVC pipes market (43% market share) and is one of top three producers of PEHD pipes in Romania. On the recycling business is the biggest recycler of rigid PVC in Romania and one of the top five recyclers in Europe with annual processing capacity of 31k tons. TeraPlast is also the market leader in the PVC compounds market in Romania (40% market share).

... is expecting to benefit from the favorable outlook on the infrastructure projects financed through EU and national funds.

In 2024, Romania is expected to continue to benefit from the National Recovery and Resilience Plan (i.e. NRRP) worth EUR 1.88 bn. Moreover, at the national level, there will be available funds of EUR 6 bn through the Anghel Saligny program and EUR 3 bn through the POIM program. The increase in engineering constructions, especially state investments, is expected to have a significant impact on the growth of TeraPlast's installation segment.

... is expected to register a 16% CAGR on volumes sold between 2024e-2026e, totaling 132k tons by 2026e.

In 2024e, TeraPlast is expected to have an upside of 33% yoy on volumes sold, reaching around 100k tons. The increase is expected to come from: i) organic growth which should lead total production to 80k tons (+16% yoy), based on the group's capacities at end of 2023; ii) M&A contribution, which is expected to be 20k tons. Following the consolidation of the latest M&A acquisitions, we expect an annual average growth of 16% yoy (between 2025e-2026e) on volumes sold by TeraPlast, supported by the growth of all business lines.

... will benefit from the stretch film factory which became operational at end 2023.

The company has launched a stretch film factory with an annual capacity of over 14k tons, operating under the brand name "Opal". The company has reported that the factory has achieved optimal volume loading, and expects to sell 5k tons of products by 2024e. This is expected to result in an 80% growth yoy, equivalent with RON 37 mn, in the flexible packaging segment's revenue. TeraPlast is confident that the factory will reach its full capacity in the near future, as Romania is a net importer in the stretch film market. We anticipate that the flexible packaging segment will have a -7.4% EBITDA margin in 2024 (improved from -15.1% in 2023), despite still being in the ramp-up phase of the stretch film factory. However, we expect this segment to become profitable by 2025 and reach an 8.4% margin by 2026.

... will extend its geographical footprint to Central and Western Europe and will take advantage from the latest M&A transaction.

TeraPlast group's competitiveness in export markets will be bolstered by the product mix and synergies generated across its portfolio, which are a result of the acquisition of Freiler Group. This acquisition will also help to reduce the group's reliance on a single market (Romania) and will enable it to expand its exports to Central and Western European markets, which may have previously had technical specification barriers, and also increases logistic efficiency. At the same time, TeraPlast will increase the utilisation of newly established production capacities.

Overall, we expect the above drivers to contribute to a turnaround of operating results, as follows:

i) strong sales growth (+29% yoy in 2024e, +22% on average between 2025e-2026e) which will be reflected mostly on the installation and recycling segment (+19% CAGR), the flexible and packaging segment (+48% CAGR) and the windows and doors (+30% CAGR).

In addition, the organic growth is also supported by the investments (i.e. RON 326 mn) made by TeraPlast between 2021-2023 to increase the production capacities and to diversify its product portfolio. For 2024e TeraPlast has indicated capex of RON 54 mn, while starting with 2025e the company does not envisage major investments, except annual maintenance capex of around RON 10 mn (i.e.1% of sales). We have included the guidance into our model, but we believe that investments have to pick up from 2028e onwards, when the company is bumping against its production capacity again.

ii) cost efficiency due to the investments made by TeraPlast are expected to start producing effects in 2024. Between 2024e-2026e, we expect a 19% CAGR of operating costs, which is lower than the CAGR of net revenue (22%). We also expect that material and consumable costs, as well as transport expenses, to remain elevated due to the upward trend in production. Additionally, D&A expenses are expected to continue holding a significant share within total operating expenses. Labor costs are also expected to remain high given the company's workforce of around 1k employees, but having a lower cost growth rate compared to the past two years, mostly due the ongoing deflationary process.

iii) rising margins as a consequence of the above drivers. We expect the EBIT margin to be 4.2% in 2024e, slightly above the company's 2024 guidance (i.e. 4.1%), and to gradually reach 7.6% in 2026e. We also anticipate an improvement in the EBITDA margin of around 275 bps up to 11.3% by 2026e.

Valuation

We initiate TeraPlast with a HOLD recommendation. We set our 12m TP at RON 0.54 per share based on our DCF fair value. Our valuation does not imply material upside to the current price. The main assumptions of our DCF model are: i) a TV growth of 2.5 % in line with the long term growth of the Romanian economy. ii) a beta of 1.2. iii) a WACC ranging from 9.8% to 12.2 % with 12.2% in the terminal period. iv) investments into PPE representing 3.1% of sales on average, with 2% of sales in the terminal period.

We show below peer multiples for illustration purposes only. Based on our estimates TeraPlast trades at an EV/EBITDA 2025e multiple of 13.3 (slightly below peers). However, TeraPlast's business is quite diverse compared to its peers, which could hinder a complete comparison with the peers listed below.

Peers comparison

Name	P/E			EV/EBITDA			Dividend yield (%)		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Kingspan Group PLC	22.5	20.4	18.7	14.9	13.7	12.7	0.7	0.7	0.8
Deceuninck NV	8.7	7.2	6.3	3.8	3.5	3.2	3.6	4	4.5
Geberit AG	31.1	29.2	27.1	22.7	21.7	20.6	2.3	2.4	2.5
Arbonia AG	216.2	51	28.5	21.4	16.8	14	1.4	2	2.5
Genuit Group plc	19.8	17.7	16.1	12.1	11.1	10.5	2.5	2.6	2.8
Median	22.5	20.4	18.7	14.9	13.7	12.7	2.3	2.4	2.5
TeraPlast SA	108.6	31.5	17.3	18.0	13.3	9.8	0.0	1.3	2.3

Source: Bloomberg, Reuters, RBI/Raiffeisen Research estimates

FCF projection (RON mn)	2024e	2025e	2026e	2027e	2028e	2029e	TV CF
Consolidated sales	864.9	1,061.1	1,289.8	1,537.9	1,797.9	1,934.6	2,410.0
EBITDA	82.7	110.3	146.1	178.5	213.7	235.3	301.3
EBITA	36.1	61.8	97.6	126.5	160.8	186.9	265.1
Taxes paid on EBITA	(14.8)	(11.1)	(17.6)	(22.8)	(28.9)	(33.6)	(47.7)
NOPLAT	21.3	50.6	80.1	103.7	131.8	153.3	217.4
Adj. NOPLAT	21.3	50.6	80.1	103.7	131.8	153.3	217.4
Depreciation of PPE & intangibles	46.5	48.5	48.5	52.0	52.9	48.4	36.2
Gross investment in PPE & intangibles	-136.1	-9.7	-10.3	-15.4	-21.6	-27.1	-41.8
Change in working capital	-60.1	-53.5	-60.4	-62.5	-62.1	-26.1	-15.1
NWC/Sales	29.2%	28.8%	28.4%	27.9%	27.3%	26.7%	25.0%
Change in LT provisions other than tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow to firm	-128.3	36.0	57.8	77.8	101.0	148.5	196.7
Adj. free cash flow to firm	-128.3	36.0	57.8	77.8	101.0	148.5	196.7
EV DCF, mid-year assumption	1,407.0	1,526.8					
+MV of non-operating assets eop	7.3	7.3					
-MV of net debt eop	325.0	303.1					
-MV of minorities eop	2.1	1.5					
Adjustments to EV eop	-	-					
Faire value of equity	1,087.2	1,229.5					
Shares outstanding (mn)	2,179.0	2,179.0					
Fair value per share (in RON)	0.5	0.6					

Value drivers	2024e	2025e	2026e	2027e	2028e	2029e	TV CF
Consolidated sales yoy	28.6%	22.7%	21.6%	19.2%	16.9%	7.6%	2.5%
EBITDA margin	9.6%	10.4%	11.3%	11.6%	11.9%	12.2%	12.5%
Rate of taxes paid	-41.0%	-18.0%	-18.0%	-18.0%	-18.0%	-18.0%	-18.0%
Working capital/sales	29.2%	28.8%	28.4%	27.9%	27.3%	26.7%	25.0%
CAPEX/Depreciation	2.9	0.2	0.2	0.3	0.4	0.6	1.2
Free cash flow margin	-14.8%	3.4%	4.5%	5.1%	5.6%	7.7%	8.2%

WACC	2024e	2025e	2026e	2027e	2028e	2029e	TV CF
Target capital structure (at MV)	51.2%	54.9%	60.1%	61.6%	61.6%	65.0%	65.0%
Debt to equity ratio (at MV)	95.4%	82.1%	66.5%	62.4%	62.4%	53.8%	53.8%
Risk free rate (local)	6.8%	6.9%	7.1%	7.1%	7.1%	7.1%	7.1%
Equity market premium	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Levered beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	14.8%	14.9%	15.1%	15.2%	15.2%	15.2%	15.2%
Cost of debt	4.6%	6.4%	6.6%	6.6%	6.6%	6.6%	6.6%
Tax rate	-41.0%	-18.0%	-18.0%	-18.0%	-18.0%	-18.0%	-18.0%
WACC	9.8%	11.1%	11.7%	11.9%	11.9%	12.2%	12.2%

Growth sensitivity (RON)	Terminal growth rate						
WACC	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
10.7%	0.55	0.58	0.61	0.64	0.68	0.73	0.78
11.2%	0.51	0.53	0.56	0.59	0.62	0.66	0.71
11.7%	0.47	0.49	0.51	0.54	0.57	0.61	0.64
12.2%	0.43	0.45	0.48	0.50	0.53	0.55	0.59
12.7%	0.40	0.42	0.44	0.46	0.48	0.51	0.54
13.2%	0.37	0.39	0.41	0.43	0.45	0.47	0.49
13.7%	0.35	0.36	0.38	0.39	0.41	0.43	0.45

Margin sensitivity (RON)	FCF margin TV						
WACC	6.7%	7.2%	7.7%	8.2%	8.7%	9.2%	9.7%
10.7%	0.54	0.57	0.61	0.64	0.68	0.71	0.75
11.2%	0.49	0.53	0.56	0.59	0.62	0.65	0.69
11.7%	0.45	0.48	0.51	0.54	0.57	0.60	0.63
12.2%	0.42	0.45	0.47	0.50	0.53	0.55	0.58
12.7%	0.39	0.41	0.44	0.46	0.49	0.51	0.53
13.2%	0.36	0.38	0.40	0.43	0.45	0.47	0.49
13.7%	0.33	0.35	0.37	0.39	0.42	0.44	0.46

Source: RBI/Raiffeisen Research estimates

SWOT

Strengths/Opportunities

- The company's business size (looking at the quantities delivered to the customers) together with the diversity of the product portfolio offered to customers are one of the main competitive advantages of TeraPlast;
- TeraPlast's modern manufacturing facilities, equipped with state-of-the-art technologies allow the company to preserve the quality of the products and to deliver the scheduled quantities with lower operating, maintenance and repair costs compared to other competitors;
- The geographical expansion may lead to lower logistics/transport costs and could increase the company's customer portfolio;
- The acquisition of Palplast from the Republic of Moldova serves as a gate to the Ukrainian market which will require to be rebuilt considering the impacts of the war;
- The acquisition of Freiler Group from Austria would enable the company to expand its presence in the Central and Western Europe and to sell also complementary products to Freiler's products portfolio;
- The major investments completed in the last two years aim to diversify the field of activity and the geographical footprint of the Group are expected to support the company's top line and bottom line growth.

Weaknesses/Threats

- Potential geopolitical risks in the event of an escalation of the war in Ukraine, which could pose new challenges for global supply chains;
- Business challenges on estimated vs. realised levels of water & sewage works financed from European and public funding could lead to a risk of imbalanced industry demand and supply;
- Risks related to raw material prices volatility;
- Construction sector volatility in terms of: weather conditions, availability of financing and operating costs;
- Expanding into other markets may prove more challenging than anticipated, leading to lower profitability than expected.

Company profile

TeraPlast at glance

TeraPlast's history has started 128 years ago when the Saxon craftsman Walter Schuster has established a workshop for processing ceramic tiles in the city of Bistrita. In November 1990, the Construction Materials Plant of Bistrita was divided into two companies, and TeraPlast was established as one of them, after it took over the terracotta and plastics sections. In 1992, TeraPlast became a joint-stock company, and three years later, it completed the full privatization of its share capital.

TeraPlast's operations are supported by four business segments:

- i) **installation & recycling segment** (represented 75% of 2023 top line) provides a wide range of installation systems and is the market leader of external sewers;
- ii) **PVC compounds and recycling segment** (accounted for 11% of 2023 top line) supplies HFFR compounds, plasticised and rigid compounds and is the leader on the Romanian compounds market and the main supplier of PVC compounds for the cable industry in Romania;
- iii) **Windows and doors segment** includes mainly the production and trade of windows and doors made from PVC and aluminum;
- iv) **Flexible packaging segment** is producing biodegradable and polyethylene products (i.e. foils, films, bags, sacks).

With over 34 years of experience, TeraPlast operates through by 8 factories located in Romania (Bistrita-Nasaud county) which are supported by roughly 80 production lines with state-of-art equipment.

TeraPlast has become the largest polymer processor in the eastern part of the EU. The Group's total operational area rises to 346k sqm, 30% designed for indoor production and storage and 70% for outdoor storage platforms.

The Group is boasting a workforce of around 1k employees, and it serves 3.2k customers annually through 7 logistics centers, out of which 6 are located in Romania and one is located in Hungary.

TeraPlast has been listed on the Bucharest Stock Exchange since July 2008, after a successful IPO through which the company's shareholders sold 20% of the shares for EUR 14 mn.

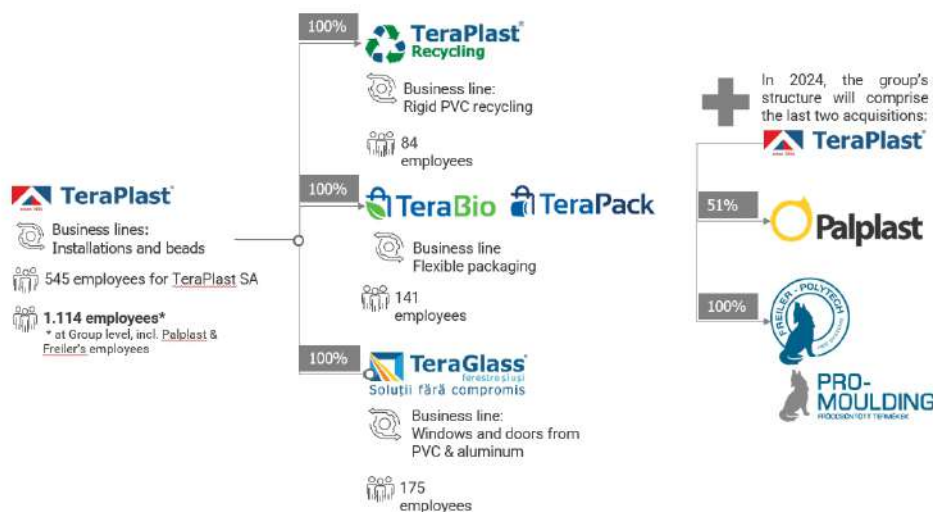
At the end of 2023, the group's operational structure included: TeraPlast SA (the parent company) and four subsidiaries (i.e. TeraPlast Recycling, TeraBio Pack, TeraGlass Bistrita and Somplast).

Over the years, TeraPlast has experienced growth through both organic means and strategic mergers and acquisitions. Between 2021-2023, Teraplast has spent in total RON 326 mn on capex to increase its production capacities or to diversify the product portfolio. For 2024, the management has indicated a capex of RON 54 mn, which will facilitate organic growth within the group.

Teraplast's 2023 consolidated turnover reached RON 672 mn (down by 5% yoy) due the decline with 40% yoy on the compounds segment. At the same time group's EBITDA stood at RON 51 mn (slightly down by 3% yoy), while net profit reached at RON 1.1 mn (down by 84% yoy). In terms of margins, EBITDA margins stood at 7.6% (up by 20 bps yoy), while net profit margin reach 0.2% (dropped by 200 bps yoy).

In 2023, exports represented 16% of total turnover amounting to RON 106 mn. As a result, the Group's products has reached in 22 European markets.

Group's operational structure in 2024



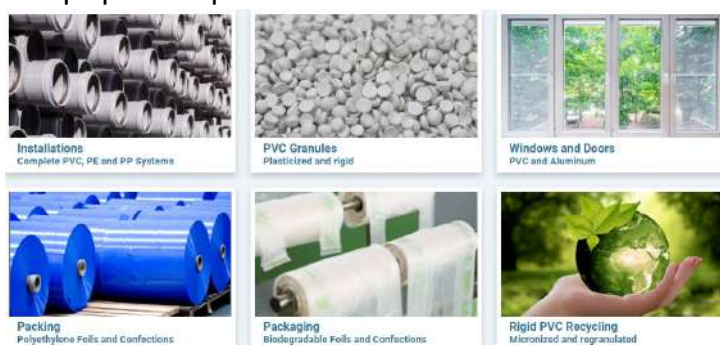
Source: TeraPlast

In addition to the group's structure presented above, TeraPlast also holds stakes in:

- TeraPlast Magyarország KFT- owned 100% by TeraPlast and is the subsidiary from Hungary in charge with the distribution;
- Somplast SA - owned 70.75% by TeraPlast and holds the production halls that are leased to TeraBioPack and TeraPlast Recycling;
- TeraGreen Compound - 100% owned by TeraPlast and is an inactive company.

In 2024, the group's structure will also include the last two M&A transactions which were already closed: i) Palplast from the Republic of Moldova (manufacturer of HDPE pipes) and ii) Wolfgang Freiler Group from Austria (manufacturer of injected plastic parts, high-density polyethylene pipes, pipes for electric cable and optical fiber protection).

Group's products portfolio

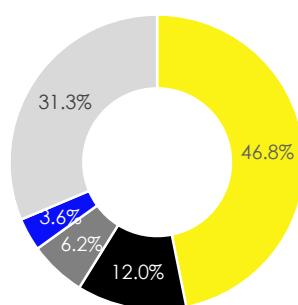


Source: TeraPlast

Shareholding structure

The company's ownership is mainly divided between: Mr. Dorel Goia (46.8% stake), NN Pension Fund (12.0% stake), Allianz Pension Fund (6.2% stake) and LCS IMOBILIAR (3.6%) which together represents around 68.7% of the total capital. The company's free float is 53.2%.

TeraPlast's shareholding structure



- Dorel Goia
- NN Pension Fund
- Allianz Pension Fund
- LCS IMOBILIAR SA
- Individuals and legal entities

Source: TeraPlast

TeraPlast's timeline since listing on Bucharest Stock Exchange

2008-2009

- In 2008, TeraPlast listed 20% of its shares through a successful IPO on the Romanian capital market and started to relocate the factories from the city of Bistrita in Saratel.
- In 2009, the first rotoforming line for the production of polyethylene fireplaces was put into operation. In the same year, TeraGlass brand replaced the Orizont brand.

2010-2013

- The new industrial park from Saratel village was finalised, the total area delivered was 200k sqm and required investments of EUR 36 mn.
- TeraPlast sold the business of terracotta.
- In 2013, Plastsistem (now TeraSteel) started to produce light galvanized structures.

2015-2016

- In 2015, TeraGlass Bistrita was set up as a subsidiary of TeraPlast SA.
- TeraPlast reaches a 98% stake in Plastsistem.
- In 2016, TeraPlast Hungaria Kft was established, in line with TeraPlast's strategy to optimize its distribution of carpentry profiles on the Hungarian market.
- Plastsistem became TeraSteel.

2017-2018

- In 2017, TeraPlast acquired a 67% stake in Depaco (owner of Wetterbest brand), the second largest manufacturer on the market of metal roofing.
- TeraSteel Serbia was set up after the acquisition of the assets of Leskovac.
- TeraPlast Group reached a 100% stake in Politub SA, after bought of a 50% stake.
- In 2018, TeraPlast signed an agreement with E.ON Energie Romania for the construction of a photovoltaic plant in the industrial park from Saratel.

2019-2020

- In 2019, TeraPlast brought HFFR (halogen-free, fire-resistant) granules to the Romanian market and expanded its production capacity for internal sewage systems.
- TeraGlass has doubled its window and door production capacity, while Wetterbest expanded its annual production capacity of metal tile to 10 mn sqm and relocated its operations to a new factory.
- TeraPlast Recycling was set up after the business of rigid PVC recycling was separated from TeraPlast SA. It became the largest recycler of rigid PVC in Romania and was included in top 10 in Europe due to the processing capacity of 112k tons annually.
- TeraPlast received from EBRD financing of EUR 16 mn.
- Depaco become Wetterbest, and TeraPlast's stake in the company reached 99%.
- In 2020, TeraPlast's participation in Wetterbest reached 100%.
- Starting with 2020, TeraPlast shares are included in BET index and FTSE Russel indices.
- The photovoltaic plant was inaugurated supplying around 11% of TeraPlast industrial park's electricity needs and it also contributed to the reduction of CO2 emissions, up to 660 tons/year.
- TeraPlast sold the steel division (TeraSteel Romania and Serbia, Wetterbest) to Kingspan Group and the carpentry business profile line to the Romanian Dynamic Selling Group.
- In December, TeraPlast acquired a 70% stake in Somplast, a flexible packaging manufacturer from the city of Nasaud.

2021

- TeraPlast received the approvals from the European Commission and the Competition Council from Serbia to sell TeraSteel and Wetterbest. The same favorable decision was received for the selling of the carpentry business profile line.
- The Group acquired the production and recycling assets of industrial polyethylene films from Brikston Construction Solutions.
- TeraPlast submitted a new project for co-financing through the state aid scheme for construction a stretch film factory. The total value of the project was EUR 10.8 mn.

2023

- In December 2023, TeraPlast announced the acquisition of 70% stake in the Palplast, a pipe manufacturer located in the Republic of Moldova (the city of Calarasi).
- The acquisition was valued at EUR 1.8 mn and will strenghten TeraPlast's presence on the Moldavian market and will also serve as a gateway to Ukraine.

2024

- In February 2024, TeraPlast announced the signing of an agreement with the Uhl family from Austria for the acquisition of a 100% stake in Wolfgang Freiler Group at an estimated price of EUR 16.53 mn. The transaction was closed and include the acquisition of two manufacturing units for pipes and injected polyethylene components located in Hungary, operated by Polytech Industrie Kft. and Pro-Moulding Kft.
- TeraPlast will also take over the distribution activity managed by the Austrian company Wolfgang Freiler GmbH & Co KG, as well as the companies managing a Hungarian industrial park and associated administrative activities (i.e. Sorgyari Ipari Park Kft., Itraco GmbH and WF Kunststoff Handels GmbH).

Source: TeraPlast

Recent developments & expectations

Following the integration of the newly acquired businesses (i.e. Palplast Moldova and Freiler Group from Austria) which is estimated to be completed in the first half of 2024, the Group's capacity will increase at 196k tons annually (up by 19k tons), while the total operational area will reach 500k sqm (up by 154k sqm).

Furthermore, TeraPlast estimates that both M&A transactions will contribute with 15% to the growth of installations' turnover (i.e. RON 96 mn) and EBITDA (i.e. RON 10 mn) in 2024, following the consolidation process, which is estimated to be completed in the first half of 2024.

For 2024, TeraPlast's management provided a slight conservative guidance which envisages a prudent organic growth. The consolidated turnover is forecasted to have an upside of 29% yoy amounting to RON 865 mn, mostly due to the installation segment which is estimated to grow by 27.5% yoy and reach RON 639 mn (incl. M&A).

The company expects an upside of 39% yoy on the consolidated EBITDA, amounting to around RON 72 mn due to the organic growth of the business and M&A contribution. The net profit is estimated to reach RON 11 mn. Regarding profitability margins, TeraPlast expects improvements that would lead to EBITDA margin at 8.3% and net profit margin at 1.2%.

Business structure

TeraPlast is carrying out the production activity in three locations from Romania (marked with yellow on the map below), located in Bistrita-Nasaud county: i) Saratel village (where is also the company's HQ), ii) Bistrita city and iii) Nasaud City.

In addition to the solid network of partners, TeraPlast's distribution activity is also supported by six own distribution centers which are distributed around Romania (marked with blue on the map).

The company holds also a distribution center in Hungary (marked with blue on the map), which was established in 2022 and became operational in 2023.

The total area on which the group operates rises to 346k sqm, divided between: 30% indoor production and storage area and 70% outdoor storage platforms.

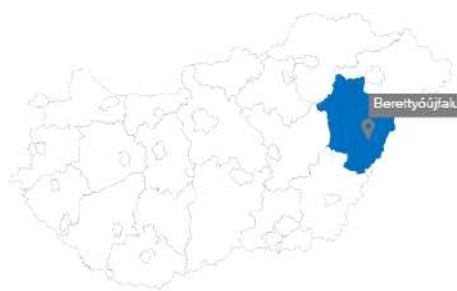
TeraPlast's footprint in Romania



Source: TeraPlast

The group has an annual processing capacity of 196k tons of polymers and operates through 10 factories, consisting of roughly 80 production lines equipped with state-of-the-art equipment. The group's subsidiaries, based on the factories they operate, are:

TeraPlast's footprint in Hungary



Source: TeraPlast

TeraPlast's industrial park from Saratel



Source: TeraPlast

- TeraPlast operates four factories located in Saratel village: the PVC factory, the polypropylene factory, the polyethylene products factory and the factory of polyethylene systems for water and gas;
- TeraPlast Recycling operates three factories: the stretch film factory located in Saratel village and two factories of recycled PVC which are located in Nasaud city;
- TeraGlass operates one factory that produces PVC windows and doors which is located in Bistrita city;
- TeraBio Pack operates two factories: one that produces polyethylene packaging which is located in Nasaud city and one that produces biodegradable packaging which is located in Saratel village.

The business model is divided into four business lines, as follows:

1. Installations & recycling — this business line includes various systems such as: internal and external sewer systems, water and natural gas transport systems, rainwater management systems, cable protection systems, and underfloor heating systems.

TeraPlast holds the top positions in all categories, but in the external sewer system category the company is the market leader and ranks among the top three players in other segments of the Romanian installation market.

TeraPlast's installations portfolio is focused on serving the infrastructure market, while also catering to residential and non-residential construction markets.

Over the past three years, TeraPlast made significant investments in expanding the production capacities and diversifying its product portfolio. As a result, starting from 2022, the company has added two new product ranges to the installations business line:

- i) TeraDuct which provides microtubes for the protection of optical fiber cables;
- ii) NeoTer which is a complete underfloor heating system. The introduction of these new systems, offers TeraPlast the opportunity to address new markets that offer a great potential for growth.

Currently, the installations' portfolio consists of three types of PVC pipes with recycled material under the Gri(n) Pipe brand, as follows:

- PVC pipes with a multi-layer structured wall, which feature an expanded core made of 100% micronized recycled PVC, and outer walls that are made of virgin raw material (with 50% recycled content).
- PVC pipes with a multi-layer structured wall, which have a compact core made of 100% recycled PVC, and outer walls that are made of virgin raw material (with 55% recycled content).
- PVC pipes with a multi-layer structured wall and expanded core, which are made of 100% micronized recycled PVC in both the core and the compact layers.

TeraPlast's products are very durable over time, for instance: i) the NeoTer underfloor heating system is expected to last for about 50 years, while ii) PVC, PP or PE pipe systems, which designed for internal and external sewers, drainage, and transportation and distribution of water and gas, have an estimated service life of at least 50 years. Additionally, the water pressure pipes made of PE that have an added layer of PP are expected to last for at least 100 years.

Product portfolio - installations business



Source: TeraPlast

2. Compounds (incl. recycled rigid PVC) business line

i) Compounds division — comprises plasticised and rigid compounds that find applications in the extrusion and injection industry. The application fields, depending on the type of compounds are:

- granules for electrical purposes (flexible cord sheath, flexible cord plug injection, general purpose fireproof and UV protection electrical cable protection sheath, sound cable insulation, car cable insulation);
- coloured or clear plasticised granules used for footwear soles;
- clear plasticised granules used for the production of hoses.

Additionally, the product portfolio includes halogen-free, fire-resistant (HFFR) compounds, an innovative product that was recently developed and co-financed through the state aid scheme. The company also serves as the primary supplier of PVC compounds for the cable industry in Romania.

Compounds products



Source: TeraPlast

ii) Recycled rigid PVC — the finish product of this segment is derived from PVC pipes or profiles and can be in the form of regranulated PVC or micronized PVC with a size of 1k microns. The company's recycled PVC finds successful applications in the production of PVC profiles or sewer pipes.

3. Windows and doors business line — operates through TeraGlass Bistrita and its portfolio comprises two product families for the production and trade of windows and doors, as follows:

- PVC windows, doors, and accessories, which include: i) the TeraGlass window and door systems with four, six and seven chambers; ii) Salamander window and door systems with five and six chambers.
- Aluminum doors, windows, and structural walls, which are available with or without a thermal barrier based on the specific requirements and needs of the customer.

Over 70% of the yearly production is exported to countries like Germany, Hungary, Slovakia, and Austria. DIY stores (i.e. "do it yourself") located abroad serve as a significant distribution channel for TeraGlass products.

4. Flexible packaging business line — is operated by TeraBio Pack subsidiary and is divided into two segments:

i) TeraBio is specialised in products made from biodegradable materials (i.e. foils, films, bags, and sacks) which are certified as *OK Compost* by TUV Austria.

ii) TeraPack is producing polyethylene foils and films for agricultural use (solarium foil), in the construction industry (film, protection foil) and as semifinished product in the packaging industry. This division includes the polyethylene packaging production capacities acquired from Somplast (September 2021) and Brikston Construction Solutions. TeraBio Pack started production of biodegradable flexible films and packaging at their new facility in TeraPlast Industrial Park in December 2021.

TeraBio Pack are aimed to distributors, retail chains, and industrial customers. Since its inception in December 2021, **TeraBio Pack** has emerged as **one of the top five manufacturers in the market** by the end of 2022.

Product portfolio - flexible packaging



Source: TeraPlast

Teraplast's products are certified and tested internationally

The group's products are certified and tested by esteemed institutions, such as: IFT Rosenheim, SRAC, ICECON Romania, DIN CERTCO, and TUV Austria. In addition, the group is compliant with European standards and maintain an Integrated Management System for Quality, Environment, Health, and Occupational Safety, including ISO 9001, 14001, and 45001.

TeraPlast's R&D activity

TeraPlast's internal testing laboratory holds accreditation from RENAR (Romanian Accreditation Association). Furthermore, the company conducts annual research and development activities for the product portfolio. In 2022, the main projects in this area included underfloor heating pipes (PE-Xa), PVC compounds, and HFFR (halogen-free, fire retardant). In 2023, the company's primary focus was on continuing to develop compound recipes and enhancing the recipes for PVC pipes to increase their resistance. The company invest annually over RON 250k (including personnel expenses) for this area of activity.

Customers and market shares

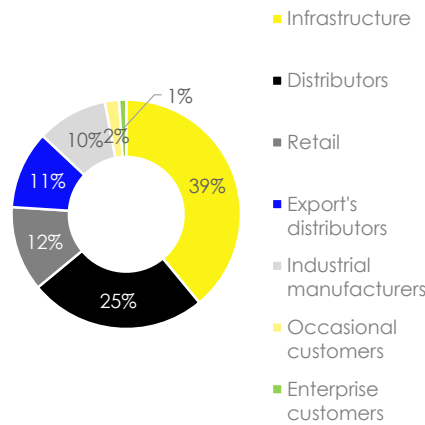
The Group's product mix addresses to various sectors such as:

- i) the construction market through installations and heat-insulating carpentry segments;
- ii) the manufacturing industry with the compounds segment;
- iii) the PVC processors market through the recycling of rigid PVC;
- iv) the flexible packaging market through its portfolio of polyethylene foils and films, including biodegradable material.

The business portfolios operate on a B2B business model and cater to:

- i) enterprise companies, distributors, and DIY stores in the installations and windows and doors segments;
- ii) PVC processors and manufacturers who use PVC as raw material in the segments of recycling rigid PVC and compounds;
- iii) large retail chains, distributors, and industrial companies who require foils for packaging their goods in the flexible packaging segment.

2023 customer mix by sector, %

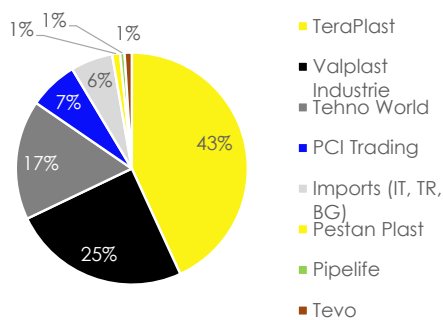


Source: TeraPlast

Regarding market shares, the Group holds top position in most of the markets it addresses.

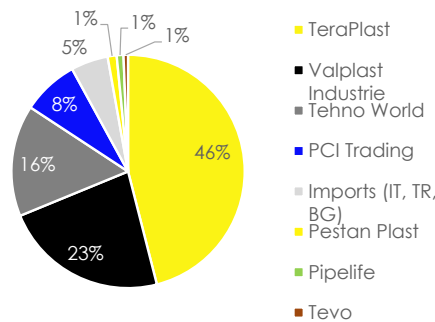
According to 2022 market data, **TeraPlast is the leader producer of the PVC pipes market, with a market share of 43%** in absolute values and 46% in terms of quantities sold. In 2022, the PVC pipes for external sewerage accounted 78% of the sales and 85% of the volumes sold. Between 2020-2022, the PVC pipes market had a CAGR of 31%, resulting in EUR 130 mn revenue in 2022, with 64k tons sold. The top three players in the market accounted for 85% of the total market in terms of sales and volumes sold.

PVC pipes market - market share as of 2022 sales



Source: Neomar Consulting

PVC pipes market - market share as of 2022 volumes sold



Source: Neomar Consulting

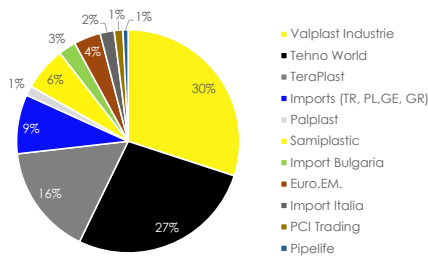
According to 2022 market data, **TeraPlast is one of top three producers of PEHD pipes, with a market share of 16%** in absolute values and quantities sold. The top three players in the market accounted for over 70% of the total market in terms of sales and volumes sold. In 2022, the market was led by PEHD pipes for water, accounting for 64% of the sales and 66% of the volumes sold. Between 2020-2022, the PEHD pipes market had a CAGR of 18%, resulting in EUR 187 mn revenue in 2022, with 86k tons of pipes sold.

As per the management, TeraPlast Recycling, a subsidiary of the group, stands as the biggest recycler of rigid PVC in Romania and one of the top five recyclers in Europe due to the annual processing capacity of 31k tons.

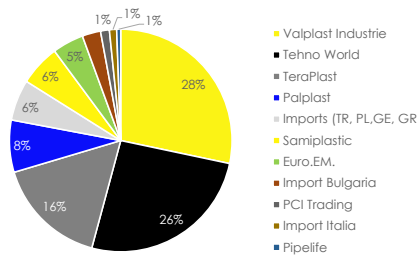
According to the management, **TeraPlast is the market leader in the PVC compounds market in Romania** with a market share of around 40% (acc. to 2021 market reports). On the windows and doors market, TeraPlast operates within a fragmented market with over 1k producers. In the near future, the company aims to rank among the top ten producers of windows and doors in Romania.

As per the management, TeraBio Pack, a group's subsidiary, is ranked among the top five major producers in the flexible packaging market.

PEHD pipes market - market share as of 2022 sales



PEHD pipes market - market share as of 2022 volumes sold



Source: Neomar Consulting

Source: Neomar Consulting

Financial profile

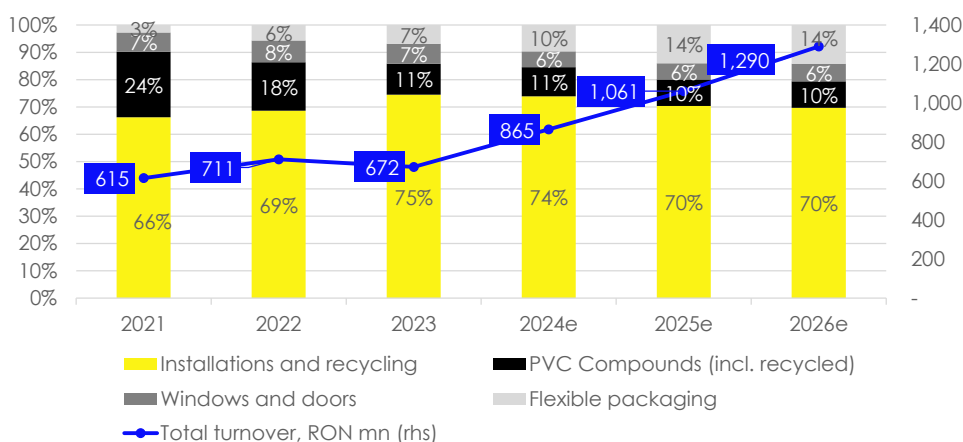
1. Revenues

Revenues by business segment

From an operational perspective, TeraPlast's revenues are divided into four business segments. The installations and recycling segment accounts for the lion's share with 75% of 2023 net turnover, followed by the PVC compounds segment with 11%, while the windows and doors and flexible packaging segments each account for 7%.

Between 2021-2023, the company's turnover registered a CAGR of 5% and reached RON 672 mn in 2023 mainly due to the growth of the installations and recycling segment, which in 2022 had a 20% yoy growth benefiting from the inflationary context. However, in 2023 the company managed to offset the slight decline of 5% yoy in total turnover brought by the deflation effects on lower raw materials prices (-21%) with the improved mix of sales (+15%).

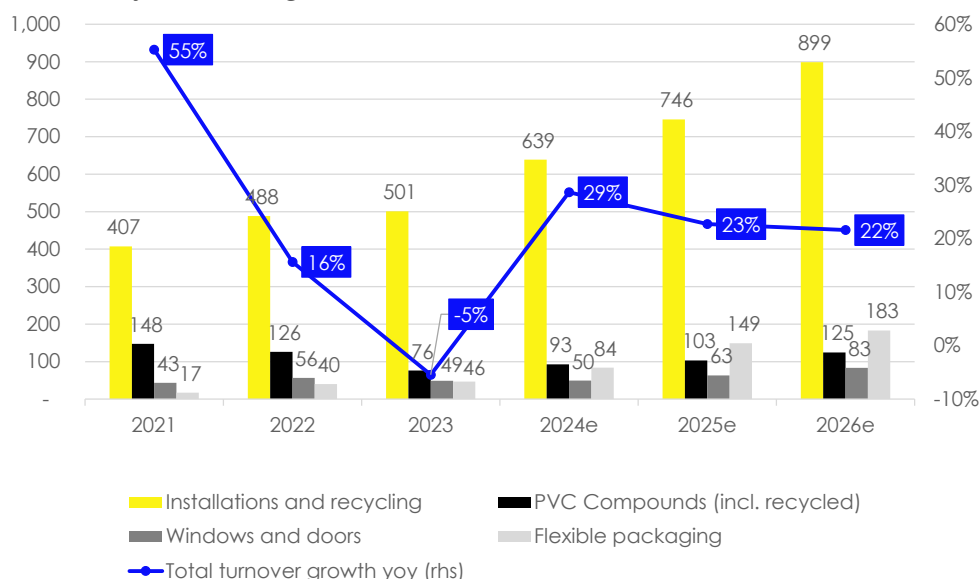
Share of business segments in total turnover, RON mn, %



Source: TeraPlast, RBI/Raiffeisen Research estimates

Between 2024e-2026e, we expect 22% CAGR in the company's turnover, reaching to RON 1,290 mn in 2026e, with all business segments contributing to a double-digit growth. We estimate that the EPS CAGR will be 145% for 2025e-2026e.

Revenues by business segments, RON mn,%



Source: TeraPlast, RBI/Raiffeisen Research estimates

1. Installations and recycling segment (the company's engine) had a positive turnover evolution between 2021 and 2023, registering a CAGR of 11% and amounting to RON 501 mn in 2023. The growth was due to price increases due to input cost inflation, while volumes remained stagnant in 2022 vs. 2021. This resulted in margin pressure as the input cost increases could only be partially passed on. The war in Ukraine disrupted the logistics chains in the region in 2022, when things took an exponential turn leading to a significant surge in prices, including the construction materials prices.

According to the management, this segment faced a downward trend in the quantities sold in the first half of 2023, after which volumes rebounded in Q3 23 (for products like: PE pipes, fittings, rotoforms, Neoter and TeraDuct) and Q4 23 (for the other products, such as: PVC pipes – on an upward trend, but not enough to reach the volumes of the 2022).

For 2024e, our forecast for this segment is in line with TeraPlast's revenue guidance which points to RON 639 mn (+28% yoy), while the volumes expected to be delivered were indicated to 69k tons (+23% yoy). The latest acquired companies (i.e. Palplast and Freiler Group) are expected to contribute by 15% (i.e. RON 96 mn) thereof.

Between 2024e-2026e, we expect 19% CAGR of the installation and recycling segment which should reach to RON 899 mn by 2026, mainly supported by the 16% average growth on volumes delivered.

Throughout the projected period, we expect a sustained rise in construction activity, which should be reflected into a higher demand for the products supplied by the installation and recycling segment. This surge is expected to be fueled by the availability of funds on both the national level and through Romania's National Recovery and Resilience Plan, which will benefit public investment projects.

2. PVC compounds (incl. recycled) segment has faced an unusual market situation due to unforeseen disruptive factors which led to a negative top line CAGR of -28% between 2021-2023, with revenues amounting to RON 76 mn in 2023. Against the backdrop of rising energy costs within the European Union (EU), there were significant variations in quotations between raw materials sourced within the EU (incl. Romania) and those from outside the EU. The management attributed the nearly 40% yoy decline in turnover in 2023 to reduced activity among customers in the granules segment, which led to the contraction of the market.

For 2024e, our forecast for this segment is in line with TeraPlast's revenue guidance which points to RON 93 mn (+22% yoy) on the back of a significant improvement of volumes sold (+39% yoy).

Between 2024e-2026e, we expect 16% CAGR of the PVC compounds segment which should reach to RON 125 mn by 2026, mainly supported by the 22% average growth on volumes delivered, coming from a gradual improvement of demand, back to the 2022 level.

3. Windows and doors segment had a positive turnover evolution between 2021-2023, posting a CAGR of 6% and amounting to RON 49 mn in 2023. This division witnessed a turnover growth of a 30% yoy in 2022 vs. 2021 due to an increase in sales volumes. In 2023, this business had a turnover decline of 14% yoy as the underlying trends reversed, volumes fell significantly (-40% yoy), especially in the retail segment. As a result, TeraPlast decided to shift the focus away from retail, reducing its dependence on it. Instead, it will be concentrating on the Romanian market and non-retail projects, which will contribute to 28% of the segment turnover. The recently hired team, possessing sales experience in the construction and rehabilitation market which will provide an added boost to this initiative.

For 2024e, our model includes a marginal increase of 1% in the revenues provided by the windows and doors segment. The estimated figures are in line with the company's guidance for 2024 which was indicated at RON 50 mn, following the repositioning of the business's strategy started in 2023. A bigger contribution to the segment's turnover is expected to be visible starting with 2025.

As a result, we anticipate a 30% CAGR in the windows and doors segment between 2024e-2026e, resulting in RON 83 mn by 2026. This is likely to be primarily driven by a 16% average increase in prices, while the volumes are expected to increase by an average of 4% yoy.

4. Flexible packaging segment was added in 2021 to TeraPlast's business portfolio, when TeraBio Pack took over the polyethylene flexible packaging business from Somplast. This segment had a positive turnover evolution between 2021-2023 which was reflected in a CAGR of 66%, amounting to RON 46 mn in 2023. This growth was supported by higher yoy volumes of flexible packing (i.e. +77% yoy in 2022 vs. 2021). By the end of 2023, the company successfully launched the stretch film factory (with an annual capacity of over 14k tons), whose products are sold under the brand "Opal". The company has reported that the factory has achieved optimal volume loading. This is expected to result in an 80% growth yoy, equivalent with RON 37 mn, in the flexible packaging segment's revenue. TeraPlast is confident that the factory will reach its full capacity in the near future, as Romania is a net importer in the stretch film market.

For 2024e, we anticipate an 80% yoy increase in revenue coming from the flexible packaging segment, reaching RON 84 mn, which is in line with the company's 2024 guidance. This is primarily driven by an expected increase in volumes, which are predicted to reach 9k tons per year (+124% yoy). Almost 60% of these volumes are expected to be represented by stretch film packaging (i.e. Opal's brand products). Opal's products are targeted towards the Romanian market as well as the Group's current export markets, and any future ones resulting from the completion of M&A transactions. On the Romanian market, there is a trade deficit in the stretch film market, which might provide TeraPlast and other local producers a competitive edge in terms of promptness and profitability.

Between 2024e-2026e we anticipate a 46% revenue CAGR of the flexible packaging segment, resulting in RON 178 mn by 2026. We forecast an average increase of 70% yoy

in terms of volumes, which should reach 17k tons by 2026e, representing 54% of the total production capacity for this business segment.

By 2026, we expect the growth of the flexible packaging segment to be driven by a gradual increase in volumes of both stretch film (with a 57% CAGR between 2024e-2026e) and biodegradable packaging (with a 52% CAGR between 2024e-2026e).

Overall, we estimate that 76% of the total flexible packaging volumes delivered will come from stretch film by 2026, with the remaining portion being made up of biodegradable packaging.

According to the company, starting with 2027, TeraPlast plans to produce only biodegradable packaging as the equipment used for producing polyethylene packaging also allows for the production of biodegradable packaging.

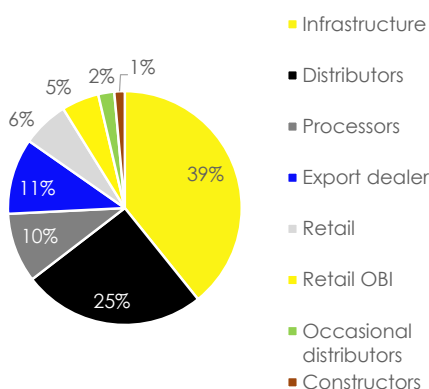
Revenues by distribution channels

In the past three years, TeraPlast has been able to steadily boost the proportion of its top three distribution channels in terms of overall turnover, which make up 75% of the company's operating revenues. Consequently, in 2023:

- i) the infrastructure channel's contribution to total turnover reached 39% increasing from 36% in 2022 and 29% in 2021;
- ii) the distributors accounted for 25% in total turnover growing from 23% in 2022 and 20% in 2021;
- iii) the export dealer's share in total turnover reached 11% in 2023 grew up from 9% in 2022 and 8% in 2021.

For the period 2024e-2026e, we don't expect significant changes in the distributions channels used by TeraPlast. We expect to see a switch between the constructor's share and retail OBI's share (DYI stores), following the company's strategy to shift the focus away from retail (reducing its dependence on it) and concentrating on the local market and non-retail projects.

Revenues by distribution channels in 2023, %



Source: TeraPlast

Revenues from exports

Teraplast's exports had a positive evolution between 2021-2023, recording a CAGR of 11%, leading to RON 108 mn in 2023. In the past years, the company also increased the regional presence of the group by expanding into Hungary and the Republic of Moldova. As a result, the revenues from exports accounted for 16% of 2023's total turnover and were available in 22 countries, including: Hungary, Germany, Bulgaria, the Czech Republic, and the Netherlands, among others.

TeraPlast group's competitiveness in export markets should benefit by the product mix and synergies generated across its portfolio, resulting from the acquisition of Freiler's

group. This acquisition will also help to reduce the group's reliance on a single market (Romania) and will enable it to expand its exports to Western European markets.

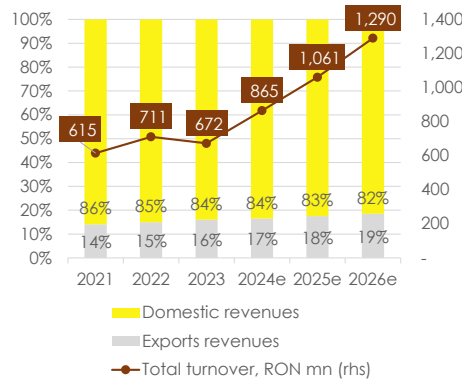
Between 2024e-2026e, we expect a gradual increase of the exports' share in the company's turnover, reaching 19% by 2026, according to TeraPlast' development plans in terms of exports. This will imply a 29% CAGR during the forecasted period, leading exports at RON 239 mn by 2026.

TeraPlast's export coverage



Source: TeraPlast

Export revenues



Source: TeraPlast, RBI/RaiFFEisen Research estimates

Revenues from investment subsidies

Over the course of years, TeraPlast has benefited from significant amounts of subsidies in order to finance its investments. Between 2021-2023 subsidies increased with a CAGR of 82% and reached RON 8 mn in 2023.

Company's recent investment plans include the development of renewable energy through NRRP (i.e. National Recovery and Resilience Plan). The company signed the financing agreement for financial support of approx. RON 5.5 mn (almost a quarter of the total budgeted investment). For 2024e we expect that TeraPlast's will continue to benefit from the investment subsidies with around RON 8.5 mn.

2. Operating expenses

The company's operating expenses recorded a CAGR of 8% yoy between 2021-2023, which is above the company's turnover growth of 5%. In 2022, all types of operating costs had double-digit growth rates yoy driven mainly by the high inflation, while in 2023 costs posted a lower growth rate, reflecting the deflationary process.

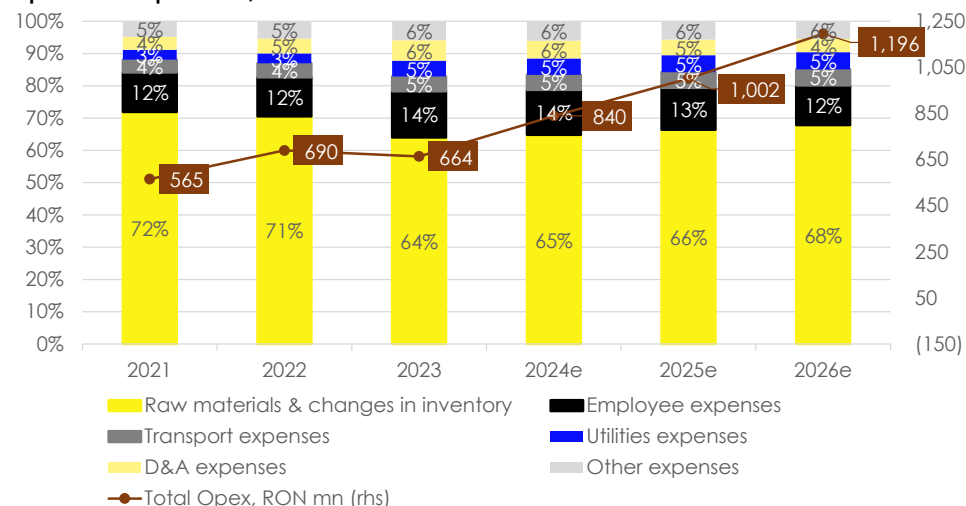
The most important components of OPEX developed as follows between 2021-2023:

- i) utilities expenses which had a 37% CAGR - starting from 2022, the company increased its production capacities for the installations and recycling segment by 50%, and in 2023, a new production unit was established for manufacturing biodegradable films, bags, and sacks. Moreover, in 2023, the company had to pay higher electricity prices and sold higher volumes of products across most business lines (excluding windows and doors segment).
- ii) D&A expenses which recorded a 37% CAGR - reflecting the company's intensive capex plan (i.e. RON 326 mn in the last three years).
- iii) employee expenses had a 17% CAGR - was mainly because of the inflationary context which led to a general increase in wages. There was also an average increase of almost

20% yoy of the minimum gross wage between 2021-2023. In the last two years, the average number of employees was almost flat, amounting to 945 in 2023.

iv) other operating expenses registered a CAGR of 19% - driven by the rise of: third party costs (CAGR of 16%, amounting to RON 16 mn in 2023), repair costs (CAGR of 32%, totaling RON 6 mn in 2023) and advertising costs (CAGR of 45%, reaching RON 4 mn in 2023).

Opex decomposition, %



Source: TeraPlast, RBI/Raiffeisen Research estimates

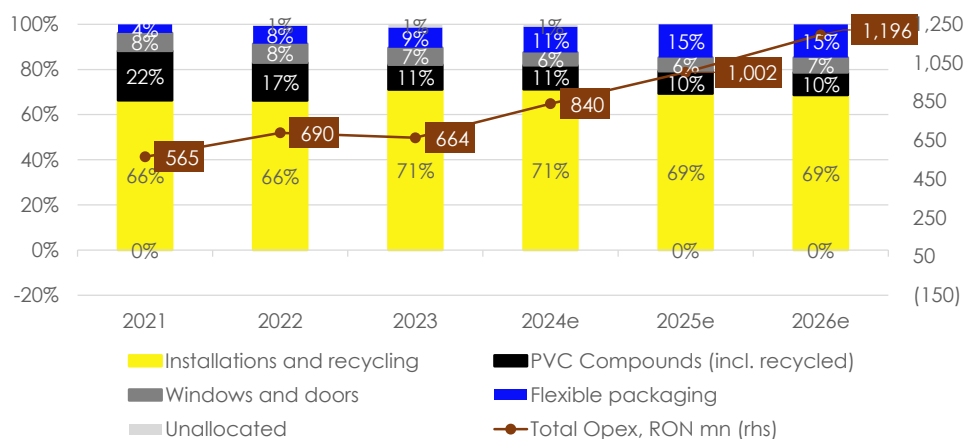
For 2024e, the operating expenses (opex) are expected to increase by 27% yoy to RON 840 mn. This is slightly higher than the company's 2024 guidance (+1%), but still below the growth rate of the company's turnover (i.e. +29% yoy) for this year. The opex growth for 2024e is expected to be mainly driven by direct production costs due to higher volumes supplied by TeraPlast and indirect costs, such as: the consolidation of the latest M&A.

Between 2024e-2026e, we estimate a 19% CAGR (vs. 22% CAGR of turnover) of total opex, mainly fueled by higher raw materials and consumable costs (+22% CAGR), transport expenses (+23% CAGR), and utilities costs (+22% CAGR), resulting from higher volumes produced and delivered by TeraPlast's business segments.

In terms of business lines, the company's operating expenses are mainly driven by the installations and recycling segment which accounted for 72% of the 2023 group's costs, followed by the PVC compounds (incl. recycled) segment with 11%, while the flexible packaging accounted for 9% and windows and doors for 7%.

Over the period from 2024e-2026e, we anticipate that there will be no major changes in the opex breakdown by business segments. Nonetheless, we expect a slight reduction in the percentage of opex coming from the installations and recycling segment, from 71% to 69%. We forecast the decrease due to cost efficiencies resulting from TeraPlast's investments in previous years. Additionally, we expect that the flexible packaging segment's opex will make up 15% of the 2026 group's costs. This is due to the expected increase in production volumes for both stretch film and biodegradable packaging.

Opex by business segments, RON mn, %



Source: TeraPlast, RBI/Raiffeisen Research estimates

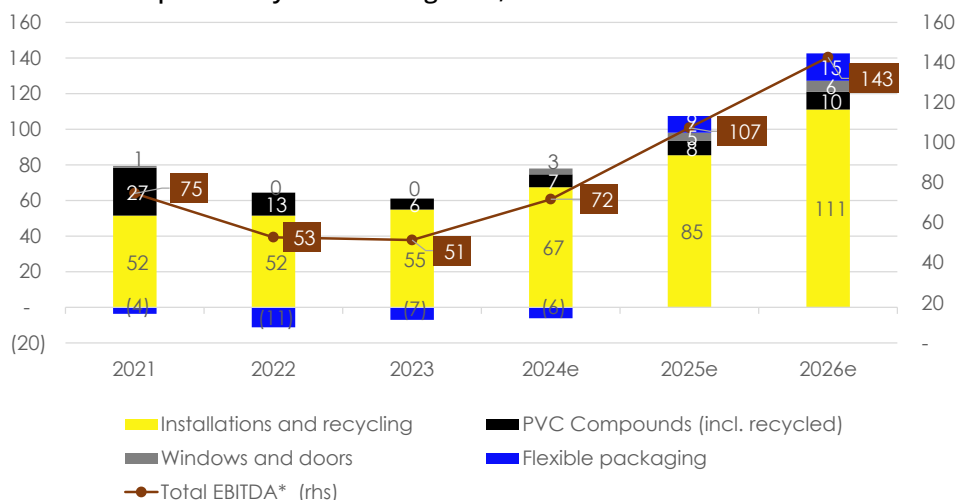
3. Profitability

Between 2021-2023, the group's EBITDA decline by 16% on average, reaching RON 51 mn in 2023. The drop was driven by the volatility of raw material prices and lower than estimated water & sewage works financed by European and public funding in 2022. In 2023, the group's EBITDA had a slight contraction of 3% yoy. This was primarily because of a 53% yoy decline in the compounds segment following the curtailment of customer activity.

For 2024e, we anticipate a 44% yoy growth in the group's EBITDA, totaling RON 74 mn, which is 3% above TeraPlast's 2024 guidance. The latest M&A transactions are expected to provide around 14% (approx. RON 10 mn) of this growth, with the remaining increase being fueled by organic growth across all business segments.

Looking ahead to 2024e-2026e, we predict the group's EBITDA will register a 40% CAGR and reach RON 146 mn (incl. approx. RON 3 mn other operating revenue), as the revenue growth is expected to outpace operational cost growth. Additionally, this is also supported by: i) the investments made by TeraPlast in the past years, which should start producing their effects starting 2024, leading to lower growth in costs; ii) the flexible packaging segment which is expected to move towards positive profitability by 2025e.

EBITDA decomposition by business segment, RON mn



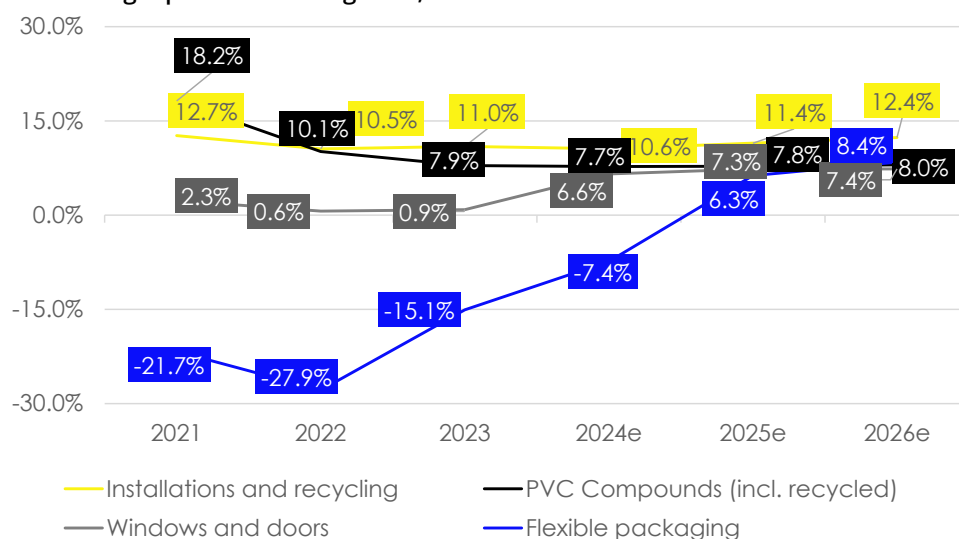
*EBITDA excl. other operating income

Source: TeraPlast, RBI/Raiffeisen Research estimates

The installation and recycling segment has been primary source of the group's profitability with a high margin of 11% on average between 2021 and 2023. Despite the challenging business environment during the last two years, this segment was able to maintain its EBITDA at a flat level and also compensate for the decline recorded by the other segments. We do not anticipate a significant shift in EBITDA composition from 2024e-2026e. The installation and recycling segment will continue to be a significant source of EBITDA for the TeraPlast group, but the share may decrease compared to other segments. Additionally, other segments are expected to become more profitable and contribute more to the group's overall profitability.

The group's EBITDA margin eroded significantly and was 7.4% in 2022 vs. 12.1% in 2021, mostly due to the challenges faced by the windows and door segment and flexible packaging segments in 2022. These challenges included delays in indexing selling prices and high ramp-up and market penetration costs. Additionally, in 2022, the windows and doors segment faced significant challenges due to rapidly increasing raw material prices, particularly in PVC profiles and glass. TeraPlast struggled to pass on these increased costs to customers due to the significant bargaining power of Europe's large DIY chains.

EBITDA margin per business segment, %



Source: TeraPlast, RBI/Raiffeisen Research estimates

In 2023, TeraPlast adapted to the market challenges by strategically focusing on efficiency and expanding through investments and M&A. This led to a 7.6% EBITDA margin, which is 20 bps above the level of 2022. Consequently, the EBITDA margin per business segment reached:

- 10.5% for the installations segment (flat yoy, but down from 12.4% in 2021) as it benefited from the advance of engineering construction works from public funds, which were accelerating especially in the second part of the last year.
- 7.9% for PVC compounds segment (down from 10.1% in 2022 and 18.2% in 2021) as the segment experienced a turnover contraction of 40% yoy following the curtailment of customer activity.
- 0.9% for windows and doors segment (up from 0.6% in 2022, but still below the level of 2.3% in 2021) as the segment experienced a decline in volumes of 40% yoy on the retail segment (sales were down by 14% yoy in 2023). As a result, the Group's strategy was revised and TeraPlast will intensify its focus on the local market for rehabilitation and new construction segments in order to reduce dependence on DIY stores. The share of non-retail projects in segment's turnover has reached 28% in 2023, offering higher added value and a material margin of 44% in 2023 vs. 39% in 2022. However, this improvement was not fully reflected in the EBITDA, which was only RON 0.4 mn,

as the division faced a significant increase in processing costs. The average salary in the division rose by 46% yoy mainly due to the growth in the minimum wage in construction and related sectors.

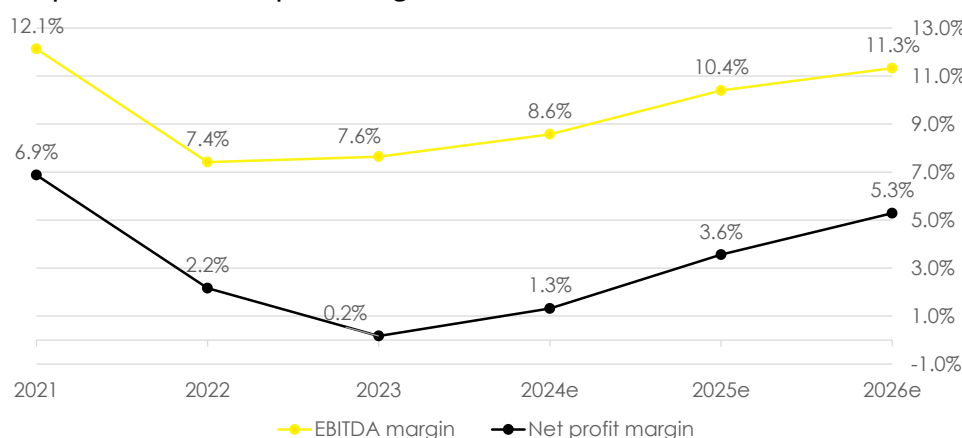
- 16.2% for the flexible packaging segment (improved from -27.9% in 2022 and -21.9% in 2021). This is the only segment with a negative EBITDA. According to the management, this segment improved in 2023 and achieved optimal volume loading, indicating positive prospects for operational efficiency in 2024. The company is committed to shift focus towards increasing profitability, including reducing production in inefficient facilities.

The group's EBITDA margin is expected to improve by 275 bps during the forecasted period (2024e-2026e), reaching 11.3% by 2026e. This improvement is supported by the anticipated pace of revenue growth exceeding the growth of operational costs across all business segments. Therefore, by 2026e, the estimated EBITDA margin by business segment should reach:

- 12.4% for the installations segment (up by 180 bps from 10.6% in 2024e) due to higher demand for the products supplied by this segment. We expect a sustained rise in construction activity fueled by the availability of funds on both the national level and through Romania's National Recovery and Resilience Plan, which will benefit public investment projects.
- 8.0% for PVC compounds segment (up by 30 bps from 7.7% in 2024e) reflecting a gradual recovery in turnover, supported by the resumption of customer activity.
- 7.4% for windows and doors segment (up by 80 bps from 6.6% in 2024e) which is attributed to TeraPlast's revised strategy, which aims to concentrate on the local market for rehabilitation and new construction segments, thus driving higher profitability for the segment.
- 8.4% for the flexible packaging segment (still in negative territory of -7.4% in 2024e due to the ramp-up phase of stretch film factory), but is expected to move towards positive profitability by 2025e. This segment is expected to leverage its market position as Romania is a net importer in the stretch film market, while the demand for biodegradable flexible packaging is on an upward trend.

In terms of net financial result, it had deteriorated significantly (+137% CAGR between 2021-2023) to a negative balance of RON 13.2 mn in 2023, on the back of higher interest rates coming from the loans contracted by TeraPlast to finance its activity, including its investments plans. This was reflected in the company's 2023 net profit and affected the net profit margin, which has decreased by 200 bps yoy to 0.2%. For 2024e, we expect net financial result to remain elevated at around RON 16.9 mn mainly due higher interest costs from the financing of the acquisition of Wolfgang Freiler Group. By 2026, net finance costs are expected to decrease by 7% on average at RON 14.4 mn.

Group's EBITDA and net profit margin evolution, %



Source: TeraPlast, RBI/Raiffeisen Research estimates

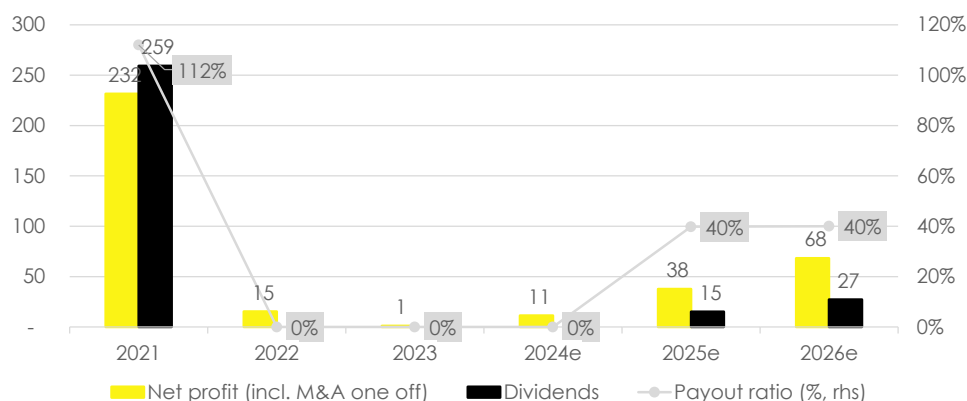
Overall, the group's net profit margin is expected to improve significantly, ranging between 1.3% to 5.3% between 2024e-2026e.

4. Net profit & dividends

Net profit

The company's net profit (excl. the one-off profit of RON 189 mn in 2021) had a negative CAGR of 83% between 2021-2023 and reached RON 1 mn in 2023. This decline was caused by several factors, including: i) the increase in operating expenses exceeding revenue growth on the back of the inflationary context; ii) the intensive capex plan leading to the doubling of depreciation costs; iii) higher financing costs.

Net Profit & Dividends, RON mn



Source: TeraPlast, RBI/Raijfeisen Research estimates

In 2023, the net profit evolution by business segment was generated as follows: i) RON 17.3 mn (+27% yoy) from the installations segment; ii) RON 1.6 mn (-81% yoy) from compounds segment; iii) net losses of around RON 18 mn cumulatively from the windows and doors and flexible packaging segment. The flexible segment has been also affected by the construction of the stretch film factory that was commission by end of 2023.

For 2024e, the company indicated a net profit of around RON 10.6 mn, which is 10 times above of the level of 2023 and 6% below our estimates of RON 11.4 mn. By 2026e we anticipate that the net profit will reach 68.2 mn due to: i) organic growth and M&A contribution to the company's top line; ii) lower operating costs as a result of planned investments; iii) lower financing costs on the back of a better macroeconomic context in terms of interest rates.

Dividends

Looking back over the last three years, TeraPlast has distributed dividends totalling RON 259 mn, which were paid from the net profit generated in 2021, implying a pay out ratio of 112% (reflecting also the special dividend). In July 2021, Teraplast paid a special dividend of around RON 227 mn from Q1 2021 net profit, which included the profit (i.e. RON 189 mn) from the selling of TeraSteel Romania and Serbia and Wetterbest to the Kingspan group. The difference from the sales proceeds (i.e. RON 186 mn) was used by TeraPlast to finance its investments.

In 2022, the company distributed dividends amounting to nearly RON 33 mn from the profit earned in Q2-4 of 2021.

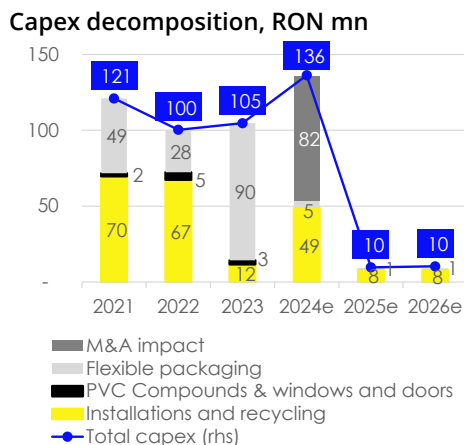
TeraPlast's Board of Directors and management team prioritise the company's investment needs and growth opportunities when it comes to the **dividend policy**. They consider factors such as the expansion of production capacities, the development of

new products, or M&A activity. Dividend distribution is seen as a secondary priority after a thorough evaluation of the company's financial position and future prospects. The company does not have a defined minimum payout ratio for shareholders.

For 2024e, we don't expect to see any dividend proposal coming from TeraPlast's management, mostly due the company's indebtedness level, which is expected to remain elevated this year. However, we have included into our model a 40% annual dividend payout for the forecasted period 2025e-2026, as we expect better financial results resulting into a reduction in the company's indebtedness, which might leave room for a dividend distribution.

5. Capex & Net Debt evolution

Between 2021-2023, TeraPlast has spent around RON 326 mn on capex , mostly on two business segments (i.e. installations and recycling and flexible packaging segments) in order to increase the production capacities and to be able to cover the customer's needs in terms of timing and requested quantities. As a result, TeraPlast's key investments were:



Source: TeraPlast, RBI/Raiffeisen Research estimates

- In 2021, Teraplast has invested RON 67 mn in the establishment of a new production unit for the manufacture of garments made of biodegradable foils, sacks and bags. The investment was put into operation in December 2021. The company received state aid in of RON 28 mn, with the difference coming mostly in form of bank loans.
- In 2022, the company allocated RON 42 mn to increase the production capacity for PVC pipes and fittings. TeraPlast extended the production capacity within the existing site for certain categories of products, namely fittings (PP and PVC), PE pipes and PVC pipes, by making investments in the construction of new buildings and purchase of equipment. The investment was put into operation in November 2022. TeraPlast has received state aid of RON 19 mn.
- In 2022, TeraPlast invested RON 56 mn in a polyethylene installation plant, namely in a new production unit for the manufacture of plastic products. The new plant became fully operational already in December 2022. TeraPlast received state aid of RON 24 mn. Following both investments, the production capacities on the installation segment enhanced by 50%.
- In 2023, TeraPlast invested RON 84 mn to set up a new production facility with two production lines for polyethylene films designed for industrial use. The stretch film factory was fully up-and-running in December 2023 and has an annual capacity of over 14k tons. TeraPlast will receive state aid in of RON 26.3 mn.
- The products will be sold under the Opal brand. Opal's B2B customers are from a variety of industries, with products amenable to the safe packaging of palletized goods for transport for manufacturers, distributors and logistics service providers. Starting with 2024, the Opal activity will be reflected in the financial result of the flexible packaging business line. Opal's products are available in both, the local market and the Group's existing export markets, and those that will be integrated following the completion of the M&A operations.
- Average annual maintenance capex was around RON 7-8 mn.

On top of the above investments, in 2023 TeraPlast has completed the documentation for the development of renewable energy. This will enable construction of a new photovoltaic plant within the Industrial Park of Saratel and is estimated to become operational by the

end of 2024. The estimated budget is around RON 23 mn, out of which a quarter will be in the form of a non-refundable financing through NRRP (i.e. National Recovery and Resilience Plan). The design of the new photovoltaic plant includes installed power of approx. 4.56 MWp. This project is part of TeraPlast's sustainable development strategy, which also includes increased independent energy production from renewable sources.

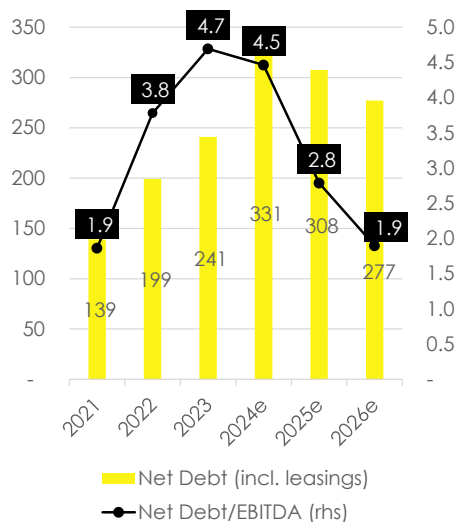
Overall, the company's main investments have been focused on diversifying the company's field of activity, expanding the production capacities and its geographical footprint, increasing energy independence, and substituting virgin raw materials with recycled material.

In line with the cautionary guidance for 2024 provided by TeraPlast, our model includes the capex budgeted of RON 54 mn (excluding RON 82 mn M&A), which is expected to facilitate organic growth within the group. TeraPlast's main investments are planned on:

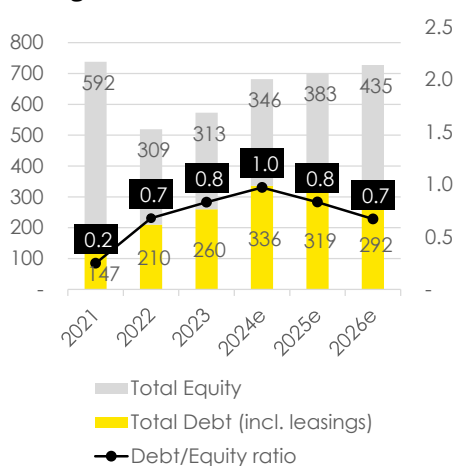
- i) PVC production facilities for Freiler (i.e. RON 20.4 mn), Palplast (i.e. RON 7.4 mn) and TeraPlast (i.e. RON 8.1 mn);
- ii) maintenance capex for TeraPlast (i.e. RON 7.7 mn)
- iii) equipment for Teraplast (i.e. RON 4 mn), TeraPlast Recycling (i.e. 1.3 mn) and TeraGlass (i.e. RON 0.2 mn);
- iv) building repairs for Somplast (i.e RON 3.6 mn).

For the period related to 2025e-2026e, our model includes only an annual maintenance capex of around RON 10 mn (1% of sales), in line with the company's guidance, as at this moment the company do not envisage any major growth investments. However, we believe that investments have to pick up from 2028e onwards, when the company is bumping against its production capacity again.

Net Debt vs. Net Debt/EBITDA, RON mn



Gearing ratio, RON mn



Source: TeraPlast, RBI/RaiFFEisen Research estimates

Source: TeraPlast, RBI/RaiFFEisen Research estimates

The company's intensive investment plans were reflected into the company's net debt increase from RON 139 mn in 2021 to RON 241 mn in 2023. As a result, net debt/EBITDA in 2023 stood at 4.7x. Although, at first glance the level of the net debt/EBITDA looks quite high, it is worthwhile to mention that the company does not include the proceeds from investments subsidies (2023: RON 8 mn) when computing the EBITDA (net debt/EBITDA in 2023: 4.1x, if subsidies were included). In addition, TeraPlast's financing has a unique aspect that involves non-refundable cash receipts from the state aid. Over the years, TeraPlast has been able to settle significant amounts related to investment projects

(i.e. RON 30 mn in 2022, RON 24 mn in 2023), while for 2024e the company expects around RON 34 mn. According to the management, TeraPlast will use the subsidies received to pay off some bank loans taken out for investments. In addition, the company was able to link some investments made with green loans available in the market, resulting in lower interest rates.

For 2024e, we expect the net debt/EBITDA ratio to slightly decrease to 4.5x on the back of 44% yoy EBITDA growth which is expected to offset a 37% increase in net debt. The net debt for 2024e also includes the financing for the Wolfgang Freiler Group acquisition, for which TeraPlast has borrowed EUR 13 mn from Banca Transilvania. By 2026e, we expect the net debt/EBITDA ratio to improve further to 1.9x supported by an improvement in group EBITDA.

Looking back - Q1 24 results

TeraPlast's Q1 24 top line was up 20% yoy and reached RON 177 mn, mainly due to i) a strong demand for installation products used for the public infrastructure projects and ii) due to the start of production of Opal's products.

Although the Group's gross margin declined to 36% in Q1 24 from 38% in Q1 23, it was the result of a deliberate move by TeraPlast to enhance its market share by offering products at competitive prices. At the same time, the EBITDA margin improved to 6.7% (vs. 6.1% in Q1 23), as TeraPlast's growth in SG&A costs was slightly below to the revenue growth.

The **installation segment** posted RON 122 mn, being higher by 19% yoy. This resulted in an EBITDA margin of 9.8% (vs. 9.0% in Q1 23) which was driven by significant volume growth. The segment's growth was mainly supported by the rise in public infrastructure projects that have entered the execution phase. Starting with Q1 24 Palplast Moldova (acquired in February 2024) was consolidated into the installation segment. The company has not disclosed the revenue contribution of Palplast.

The **compounds segment (incl. recycled rigid PVC)** reported revenues of RON 20 mn, flat yoy. Despite stagnating revenues, the EBITDA margin improved to 11% (vs. 9.8% in Q1 23) due to a higher share of intra-group sales.

The **flexible packaging segment** had doubled its sales yoy to RON 24 mn, which we believe was due to the launch of the Opal stretch film factory (at the end of 2023). Even if the Opal's volumes are above expectations, EBITDA margin for flexible packaging segment remains in negative territory of -11.8% (vs. -17.4% in Q1 23) as the Opal factory is still in the ramp-up phase. According to the management, margins in the flexible segment are expected to become positive by 2025.

TeraPlast's net loss of RON 2.5 mn was virtually unchanged yoy. The bottom line was negatively impacted by higher tax expenses and non-recurring expenses of around RON 1 mn generated by the recent M&A transactions.

TeraPlast Q1 24 results

in RON mn	Q1 24	Q1 23	yoy	Q4 23	qoq
Turnover, o/w:	176.8	147.2	20.1%	154.9	14.1%
Sale of finished products	160.7	133.6	20.3%	140.2	14.6%
Sale of merchandise	15.4	12.5	22.6%	13.8	11.1%
Income from services	0.8	1.1	-25.9%	0.9	-11.8%
EBIT	2.4	1.3	88.3%	(1.8)	-231.5%
EBITDA	11.9	9.0	32.2%	6.4	87.6%
EBT	(1.1)	(2.2)	-52.7%	(5.6)	-81.2%
Net profit	(2.5)	(2.6)	-3.7%	(5.7)	-55.4%
EBIT margin	1.4%	0.9%		-1.2%	
EBITDA margin	6.7%	6.1%		4.1%	
EBT margin	-0.6%	-1.5%		-3.6%	
Net profit margin	-1.4%	-1.8%		-3.7%	

Source: TeraPlast

M&A snapshot

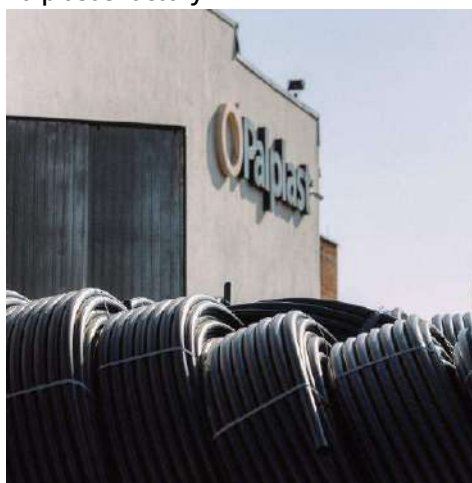
According to the last conference call held by TeraPlast's management, the last two acquisitions (Palplast from the Republic of Moldova and Freiler Group from Austria) will be consolidated within the installations and recycling business segment in the first half of 2024.

1. The acquisition of a 51% stake in Palplast for EUR 1.8 mn was announced in December 2023 and finalized in January 2024. The transaction price is allocated as follows: EUR 1 mn was contributed by TeraPlast to Palplast's capital. The remainder was paid to the existing shareholder. Following the transaction, Fribourg Capital (the current shareholder) will hold 49% stake in Palplast.

Palplast is specialised in the production of HDPE pipes and plans to use the funds to diversify its production capacity (currently is 3.8k tons per year) and to expand the logistics platform (currently totals 6.7k sqm and has a potential for further expansion of around 6k sqm).

In 2024, TeraPlast plans to invest EUR 1 mn to diversify Palplast's product portfolio. Taking into account Palplast's proximity (59 km to Romanian border and 130 km to Ukrainian border), TeraPlast plans to use it as a distribution platform for the products manufactured in Romania.

Palplast's factory



The acquisition of Freiler Group from Austria for EUR 16.5 mn was announced in January 2024 and finalised in March 2024. Freiler Group's turnover was EUR 31 mn in 2022, while EBITDA stood at EUR 4 mn, implying an EBITDA margin of 12%.



Source: TeraPlast

Due to the existing structure, the transaction has been expanded to include six companies, out of which the following are the most important:

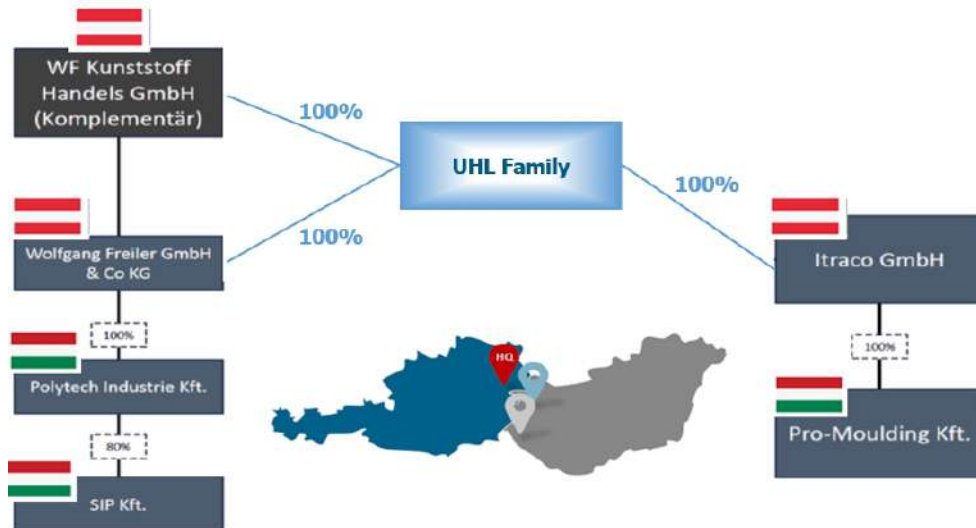
- i) Wolfgang Freiler - the Austrian trading company which is also the parent company of the acquired group
- .ii) Polytech Industrie - a manufacturer of high-density polyethylene pipes and pipes for electric cable and optical fiber protection.

iii) ProMoulding - a manufacturer of injected plastic parts.

iv) SIF - it owns industrial assets that are not currently utilized in production.

TeraPlast pointed out that following the completion of the transaction the structure of Freiler Group will be a reorganised.




Wolfgang Friler Group - transaction overview



Source: TeraPlast

Pro-Moulding's factory




83k sqm

> 3.8k tons/year

83 employees

Source: TeraPlast

Polytec's factory




64k sqm

>15k tons/year

61 employees

Source: TeraPlast

The Wolfgang Freiler Group boasts modern production facilities in Hungary and an active distribution division in Austria. The group comprises two factories in Hungary: Pro-Moulding and Polytech.

Freiler's products are sold in Hungary, the Czech Republic, Austria, Germany, and France, where the companies have established a strong market presence. Additionally, the acquisition includes a five-hectare industrial base and warehouses located in the southwest of Hungary.

Looking at the transaction's synergies, Freiler's acquisition will allow TeraPlast to:

- extend its geographical footprint towards Western Europe and also to load the production capacities that were put into operation in the recent years;
- enter into markets that are difficult to access from the point of view of particularity (i.e. technical specifications) and logistic efficiency;

- increase exposure to shared suppliers and improved logistics flexibility, leading to cost optimization.

Additionally, the Freiler Group brings with them notable expertise in the production of pipes made from recycled materials as over 80% of Polytech's revenues are coming from pipes that are made of recycled plastics. This aligns well with the TeraPlast's philosophy of leading the European circular economy movement, which involves an increasing use of infrastructure products made from recycled materials.

Capital overview

At the EGSM held on June 27, the shareholders of TeraPlast approved a share capital increase of up to RON 22.22 mn by issuing a maximum number of 222.2 mn new ordinary shares with a nominal value of RON 0.1 per share. According to the company, the share capital increase aimed to finance TeraPlast's development plans and current needs.

The last share capital increase made by TeraPlast was in September 2021 and amounted to RON 43.6 mn, following the sale of its shares in TeraSteel Romania and Serbia and Wetterbest to Kingspan group in February 2021.

Currently, the subscribed and paid-up capital of the company stands at RON 217.9 mn, divided into 2.17 bn registered, ordinary, indivisible shares, which are freely transferable. The shares, which are issued in dematerialized form, have a nominal value of RON 0.1, and provide owners with equal rights.

Since 2020, the TeraPlast's shares are included in the Bucharest Stock Exchange reference index (i.e. BET), in the Small Cap and Global All Cap indices of FTSE Russell, in the MSCI Frontier IMI (Investable Market Index) indices and in the CECE MidCap.

Furthermore, starting with March 2023, the company's share returned in ROTX EUR indices of the Vienna Stock Exchange.

TeraPlast's shareholders

Shareholder name	No. of shares	% in total capital
Dorel Goia	1,020,429,614	46.8%
NN Pension Fund	261,832,007	12.0%
Allianz Pension Fund	135,167,485	6.2%
LCS IMOBILIAR SA	78,628,275	3.6%
Individuals and legal entities	682,942,977	31.3%
Total shares	2,179,000,358	100%

Source: TeraPlast

Management presentation

TeraPlast is headed by a Board of Directors (BoD) whose members are appointed for a four-year term, with the possibility of re-election. The members of BoD were re-elected during the OGMS of September 14, 2023 by the majority of the company's shareholders for the period September 14, 2023-September, 14 2027. TeraPlast's BoD is composed of five members, namely: Mr. Dorel Goia, Mr. Lucian-Claudiu Anghel, Mr. Vasile Puscas, Mr. Vlad-Nicolae Neacsu, Mr. Alexandru Stanean. The President of BoD is Mr. Dorel Goia, while Mr. Stanean have also an executive role withing the management team.

Mr. Dorel Goia— BoD President, Non-Executive

Mr. Dorel Goia is the majority shareholder of TeraPlast and holds the position of BoD President since 2008. Mr. Goia is also member within the Nomination and Remuneration Committee and within the BoD for Parc SA and Hermes SA. He graduated from the Faculty

of History and Philosophy within the Babes Bolyai University in Cluj-Napoca, being a former history teacher and businessman as of 1990.

Mr. Lucian-Claudiu Anghel— Independent Director, Non-Executive

Mr. Lucian Anghel joined TeraPlast in January 2021 and since then he is an independent director of BoD. He also holds the position of Chairman within the Nomination and Remuneration Committee and is member of the Audit Committee. Mr. Anghel has a PhD in economics, a bachelor's degree in cybernetics and economics, and he also completed a postgraduate course at Washington Georgetown University.

He has over 25 years of experience in the financial-banking industry, holding various management positions such as chief economist, coordinator of the privatization structuring plan, deputy treasurer, director of strategy, and CEO of institutions such as banks and a pension fund.

Mr. Anghel worked as an external expert for the World Bank and hold the position of Chairman of the Bucharest Stock Exchange Board for eight years. Currently, he holds the position of vice-president of Bittnet Systems SA and teaches at well-known universities, such as: the Academy of Economic Studies and the National School of Political and Administrative Sciences.

Mr. Vasile Puscas — BoD President, Non-Executive

Mr. Vasile Puscas, PhD, joined TeraPlast's BoD in September 2023 as an independent director, while he is also teaching at the Babes-Bolyai University in Cluj-Napoca. With over 40 years of experience in diplomacy and advisory roles across Romania, Italy, and the USA, Mr. Puscas played a crucial role in Romania's accession to the European Union as the country's chief negotiator with the EU. Since 2018, Mr. Puscas has been a member of Banca Transilvania's Board of Directors.

Mr. Vlad-Nicolae Neacsu — Independent Director, Non-Executive

Mr. Vlad Neacsu joined TeraPlast in September 2020 and since then he is an independent director within the BoD. Currently, he also chairs the Audit Committee and serves as a member of the Nomination and Remuneration Committee for TeraPlast.

Mr. Neacsu holds an Executive MBA from Asebus Bucharest and a degree in Management from the Academy of Economic Studies from Bucharest. In the past, Mr. Neacsu he was also a BoD's member for different companies (i.e: Transgaz SA Medias, Impact Developer & Contractor SA Bucharest and Comsig SA Sighisoara). He also has experience in the Romanian financial industry, as he worked for AllianzTiriac Pensii Private and Raiffeisen Capital & Investment.

Mr. Alexandru Stanean — Executive Director

Mr. Alexandru Stanean joined TeraPlast in 2007 and since then he assumed several roles within the company, including Deputy General Manager and Director of Operations — where he oversaw external development. In 2008, he was part of the team that facilitated TeraPlast's IPO. Currently, Mr. Stanean is serving his third term as TeraPlast's CEO.

Furthermore, *TeraPlast's executive management* is delegated by the BoD through mandate contracts. Presently, Mr. Alexandru Stanean serves as the CEO, while Mrs. Ioana Birta holds the position of CFO, making up the current executive management team at TeraPlast.

Mrs. Ioana Birta — CFO

Mrs. Ioana Birta joined the TeraPlast team back in 2017 when she assumed the role of Chief Financial Officer. She has since been actively involved in various complex projects across the company, including: digitization, automation, and mergers and acquisitions. Her strategic contributions have played a vital role in consolidating and ensuring the sustainable development of the TeraPlast Group.

As a member of both ACCA and CAFR, Mrs. Birta is specialized in finance and accounting and has more than a decade of experience working for leading international audit and advisory firms. From 2013 to 2017, she served as the head of EY's Cluj-Napoca office.

According to TeraPlast's statement made on June 7, Mrs. Birta will leave the CFO position by the end of July 2024.

Mr. Bodan Craciunas — CFO

Mr. Craciunas has been appointed by TeraPlast' BoD as Chief Financial Officer for a mandate of 4 years which will start on July 29.

Mr. Craciunas started his professional journey in 2007 and has gained extensive professional experience within two Big 4 financial audit firms. Before joining TeraPlast, he held the position of Chief Financial Officer at Terapia, which is a pharmaceutical manufacturer owned by the Sun Pharmaceutical Industries group.

Mr. Craciunas has been a member of the Chamber of Financial Auditors of Romania (CAFR) and the Association of Chartered Certified Accountants (ACCA) in Glasgow, UK, since 2014.

Furthermore, the BoD approved during the meeting from October 12, 2023, **the structure of the following committees:**

i) Audit Committee (Mr. Vlad-Nicolae Neacsu – chairman; Mr. Dorel Goia – member; Mr. Lucian-Claudiu Anghel – member; Mr. Vasile Puscas – member; Mrs. Andreea Elena Manta – independent member, appointed by the OGMS from September 14, 2023) whose members have a valid mandate until September 14, 2027.

ii) Nomination and Remuneration Committee (Mr. Lucian-Claudiu Anghel – chairman; Mr. Dorel Goia – member; Mr. Vlad-Nicolae Neacsu – member; Mr. Vasile Puscas – member) whose members have a valid mandate until September 27, 2027.

iii) International Development Committee (Mr. Vasile Puscas – chairman; Mr. Dorel Goia – member; Mr. Lucian-Claudiu Anghel – member; Mr. Vlad-Nicolae Neacșu – member) whose members have a valid mandate until September 14, 2027.

ESG

According to the ESG Research Reports which were independently prepared by Sustainalytics, based on a collaboration with the Bucharest Stock Exchange, TeraPlast has obtained the following scores in 2022:

i) ESG Risk Score: 23.4 – Medium ESG risk

This indicator measures the company's ESG risk rating on different business topics (i.e. business ethics, corporate governance, human capital, product governance, resource use, occupational health and safety, human rights-supply chain, emissions, effluents and waste, carbon-own operations).

ii) ESG Risk Rating: 51/159 top 32% performer

This indicator measures the company's risk against its industry peers and against the global universe.

iii) Exposure: 41.6 - Medium exposure;

This indicator refers to the extent to which the company is exposed to different material ESG issues. The exposure takes into consideration subindustry and company-specific factors such as its business model.

iv) Management: 46.5 - Average management of material ESG issues;

Management refers to how well a company is managing its relevant ESG issues. The score assesses the robustness of the company's ESG programs, practices and policies.

v) Momentum: -0.2 - Improvement of the level of unmanaged ESG risks;

This indicator compares the evolution of ESG Risk Rating to the last analyzed period. In our case, we have a negative score that represents an improvement in the level of unmanaged ESG risks.

In 2023 the company implemented the energy management system in accordance with the ISO 50001 standard and adopted the indicators for increasing energy efficiency and implicitly reducing emissions.

In 2023, TeraPlast has finalised the documentation for the development of renewable energy. This will enable construction of a new photovoltaic plant within the Industrial Park of Saratel and is estimated to become operational by the end of 2024. Total installed power is about 4.56 MWp boasting with power production from its 3.8 MW inverters and a total area of 35k sqm of photovoltaic panels) will aid in lowering emissions by up to 3.2k tons of CO eq annually.

ESG - Key Performance Indicators in 2023

Total carbon footprint (scope 1)	Total carbon footprint (scope 2)	Total carbon footprint (scope 3)	Amount of waste generated by the activity
-12% vs. 2022	+125% vs. 2022	+22% vs. 2022	-31% vs. 2022
GHG intensity (scope 1 emission)	GHG intensity (scope 2- location based)	GHG intensity (scope 2- market based)	GHG intensity (scope 3 emission)
-12% vs. 2022	+16% vs. 2022	+101% vs. 2022	+22% vs. 2022
Electricity produced by photovoltaic panels	Total consumption of energy per tons of finished products	Percentage of renewable energy:	Total energy consumption from electricity, natural gas and fuel consumption
-12% vs. 2022	+2.5% vs. 2022	+5.3 bps vs. 2022	+3.9% vs. 2022
Expenses on salaries and benefits	Percentage of women employed in 2023	Number of training hours	Exported products in:
+14% vs. 2022	18% as of 2023; +18% vs. 2022	-28% vs. 2022	22 countries in 2023

Source: TeraPlast

Key highlights presented by TeraPlast's group within the 2023 sustainability report were related to:

- 59% yoy reduction of the waste disposal registered by TeraPlast Recycling by optimizing processing flow and improving the quality of rigid PVC waste used as raw material.
- 100% skilled labor for TeraPlast' employees, all of them having completed workplace qualification courses;
- 77% of the Group's consumed electricity being from renewable sources and 100% of electricity used by TeraPlast being renewable;
- 1% the gender pay gap between men and women across the group, demonstrating the effectiveness of equal opportunity principles;
- 31% yoy reduction of the amount of waste generated by the group

TeraPlast's ESG directions of actions



Source: TeraPlast

TeraPlast's vision for a sustainable development in the next years is linked to:

• **Clean water for all**

TeraPlast intend to bring innovative and sustainable products for drinking water and irrigation management, wastewater treatment, and rainwater management. The company is willing to mitigate the effects of climate change supplying high-performance water and irrigation systems.

• **Modern agriculture**

TeraPlast intends to provide high-performance water and irrigation systems to combat the effects of climate change for which efforts to mitigate desertification are necessary.

• **Circular economy and alternative solutions**

TeraPlast is a pioneer in integrating recycled materials into products, promotes a circular economy, and offers sustainable alternatives to conventional plastics. The company helps to waste reduction and develops biodegradable and compostable packaging.

• **Use of green energy**

TeraPlast is prioritizing the efficient use of resources and using green energy. The company is reducing greenhouse gas emissions and contributes to climate protection.

• **Community focus**

TeraPlast contributes to the economy of communities where they operate and manages plastics.

TeraPlast is providing a safe and fair workplace that fosters personal and professional growth.

The company is supporting local initiatives in areas such as: sports, education, environment through strategic partnerships with academic institutions.

- **Solid and transparent business**

TeraPlast is adhering to strong principles of corporate governance, ensuring transparency, accountability and ethical practices. The company follows robust corporate governance practices.

Market overview

Romania's National Recovery and Resilience Plan

Romania's National Recovery and Resilience Plan (i.e. NRRP) will be financed by EUR 14.2 bn in grants and EUR 14.9 bn in loans and will support the implementation by 2026 of crucial investment and reform measures. In 2024, key investment funds available for the construction sector are valued at EUR 1.88 bn, out of which:

- i) EUR 968 mn are allocated to water management infrastructure;
- ii) EUR 559 mn are for waste management;
- ii) EUR 15 mn are for renovation wave - increasing energy efficiency for old buildings;

In addition, at the national level, the funds available are related to Anghel Saligny program (i.e. EUR 6 bn) and POIM program (i.e. large infrastructure operational program - EUR 3 bn).

Romania's macroeconomic snapshot

Romania is the second-largest EU member in Eastern Europe with an estimated population of 19.7 mn in 2022. Romania's real GDP increased by 2.1% yoy in 2023, well above the growth rate of other countries in the region (i.e. Poland, Czech Republic, and Hungary). Consumer spending rose by 2.9% yoy in 2023, while investments in the economy grew by 12% yoy.

In terms of the main sectors, real GVA (i.e. gross value added) increased in services (2%), construction (11%), and agriculture (10%), from a low base due to 2022 being a dry year). Conversely, GVA from industry decreased by 2.3% yoy in real terms in 2023, owing to adverse business conditions in foreign markets and a decline in activity in industrial branches that consume high amounts of energy resources.

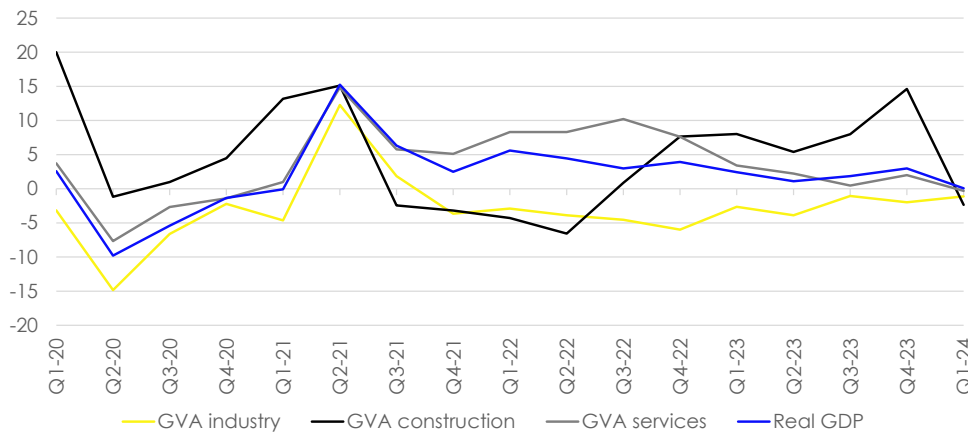
In 2023, the construction sector experienced its best performance yet, with real GVA increasing by a remarkable 11% compared to the previous year.

However, the beginning of 2024 brought unexpected challenges, as construction volumes unexpectedly fell more than in previous periods. Despite this setback, the construction industry remains a crucial part of the economy and is poised for continued growth in the years ahead.

For 2024, our economists predict that the real GDP will continue to grow throughout all four quarters of the year. The current scenario include a real GDP growth of 2.4% in 2024 compared to 2023. The growth envisages an increase in all components of aggregate demand (incl. consumer spending, investments, and exports of goods and services) as

well as an increase in activity across all major sectors of activity, such as services, industry, and construction for 2024.

Dynamics of real GDP and real GVA by segments



Source: INS, RBI/Raiffeisen Research

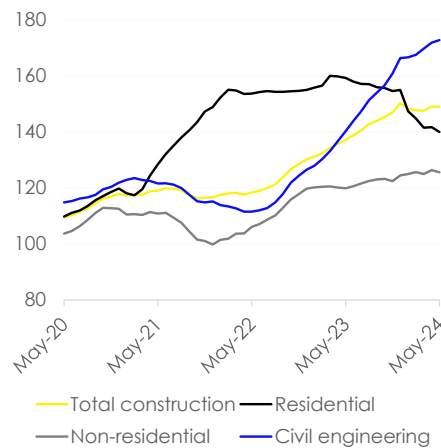
Romanian construction market

According to the data provided by the National Institute of Statistics (i.e. INS), in 2023 there was a significant rise of 14.2% in the volume of construction activities

as compared to 2022. This growth was primarily driven by a 33.2% increase in the volume of engineering construction works.

Despite experiencing an unexpected dip at the beginning of 2024, the construction industry has shown signs of recovery and growth.

Construction output by segments (2019=100, 12-month mov. avg.)



Source: INS, RBI/Raiffeisen Research

According to data provided by INS, the construction activity grew by 8.7% yoy as of May 2024. The growth has been mainly supported by increases in construction volumes across civil engineering (+23.2% yoy) and non-residential constructions (+5.2% yoy). The activity from residential construction registered a decline of 11.4% yoy.

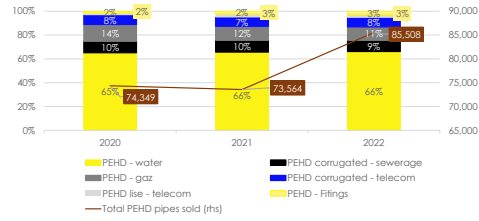
The raise in engineering constructions, especially state investments, suggests that the EU's financial support, including structural and PNRR funds, is being utilized effectively to boost infrastructure development.

For 2024, our economists expect the development of construction works to remain favorable this year, continuing to benefit from the increase in public investment works.

Romanian pipes market - overview

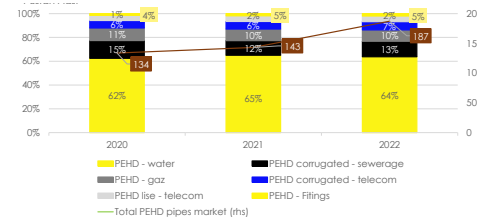
As of 2022, the Romanian pipes market was valued at 317 EUR mn, divided 59%-41% between PEHD pipes market and respectively PVC pipes market. The PEHD pipes market had a CAGR of 18% between 2020-2022, resulting in a revenue of EUR 187 mn in 2022. In terms of volumes sold, the PEHD pipes market had a CAGR of 7%, with approx. 86k tons sold. In 2022, the market was led by PEHD pipes for water, accounting for 64% of the sales in absolute values and 66% of the volumes sold.

PEHD pipes market decomposition, tons



Source: Neomar Consulting

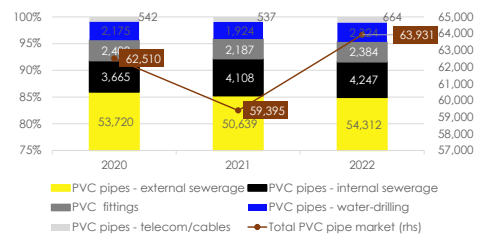
PEHD pipes market decomposition, %, EUR mn



Source: Neomar Consulting

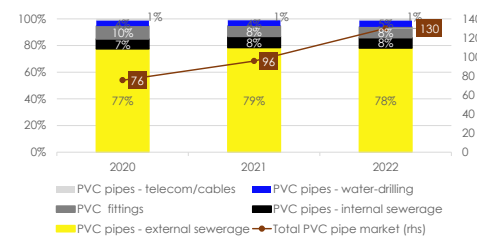
Between 2020-2022, the PVC pipes market had a CAGR of 31% and reached EUR 130 mn in 2022. In terms of volumes sold, the PVC pipes market had a flattish evolution, reflected by 1% CAGR which was translated into around 63k tons sold. Looking at the market decomposition in 2022, the PVC pipes market is led by the pipes for external sewerage both in absolute values (i.e. 78% of the sales in 2022) and quantitative values (i.e. 85% of the volumes sold).

PVC pipes market decomposition, tons



Source: Neomar Consulting

PVC pipes market decomposition, %, EUR mn



Source: Neomar Consulting

Annex 1

Name	Country	Description
Kingspan Group PLC	Ireland	Kingspan Group PLC is a global market player in high performance insulation and building envelope technologies. It is also a top supplier of raised flooring. Other products include steel and wooden frames, rigid building insulation, insulated cladding panels, and structural products. Kingspan also makes environmental containers such as rainwater collection systems and oil, water, and septic tanks. The company operates mainly in Europe, where the UK and Ireland make up about a third of sales, but it also has facilities in 70 countries in Asia, the Middle East, and North America.
Deceuninck NV	Belgium	Deceuninck NV produces PVC and related products that are sold to the building and construction industry in Europe, Asia, and the United States. The Company's products include window and door frames, decorative boards for interior walls and ceilings, shutters, and smart systems for ventilation equipment. Deceuninck also recycles plastics. Deceuninck and its group of more than 30 subsidiaries compound, design, extrude, finish, and recycle polyvinyl chloride (PVC) systems and profiles for the building industry. Deceuninck also manufactures extrusion tools. The company is active in more than 75 countries in Europe, Asia, and North America.
Geberit AG	Switzerland	Geberit AG manufactures and supplies water supply pipes and fittings, installation, and drainage and flushing systems such as visible cisterns other sanitary systems for the commercial and residential construction markets. Established in 1874, Geberit has offices in around 50 countries, with sales focused on Europe and growth opportunities in North America and Asia. The company's production network has almost 30 production facilities, of which six are located overseas. Geberit generates revenue from about 15 countries including its largest market Germany (approximately 30% of total revenue), followed by Eastern Europe and Nordic countries, which each accounts some 10% of total revenue.
Arbonia AG	Switzerland	Arbonia AG manufactures electrical equipment. The Company offers heated towel rails, air heaters, tube radiators, and convectors. Arbonia serves customers worldwide.
Genuit Group Plc	UK	Genuit Group plc. (formerly known as Polypipe Group) is the UK's leading provider of sustainable water, climate and ventilation management solutions for the built environment. It has leading positions in its key markets, including commercial ventilation, underfloor heating, above ground drainage, hydronic filters, and plastic plumbing systems. It manages its portfolio across residential, commercial, and infrastructure sectors. Genuit Group has over 15 factories in the UK, where it produces more plastic piping than any other company, as well as one in each of Italy, the Netherlands, Dubai, and Qatar. The group was established in 1980. Majority all of its revenue comes from the UK.

Source: Bloomberg

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TeraPlast

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	Column A	Column B
Investment recommendation	Basis: All recommendations for all financial instruments (last 12 months)	Basis: Recommendations for financial instruments of all issuers, for which special services were rendered in the last 12 months
Buy recommendations	55.6%	54.2%
Hold recommendations	29.6%	28.6%
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