



TeraPlast Group Q1 results

April 23, 2020



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TERAPLAST GROUP STRUCTURE

DOMESTIC CONSTRUCTION SECTOR

Q1 KEY FIGURES – TERAPLAST GROUP

Q1 KEY FIGURES – GROUP'S COMPANIES

Q1 HIGHLIGHTS – GROUP'S COMPANIES

TERAPLAST GROUP IN THE COVID-19 CONTEXT

MARKET HIGHLIGHTS IN THE COVID-19 CONTEXT

Q&A

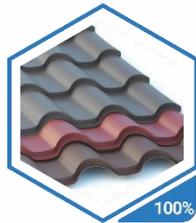
TERAPLAST GROUP STRUCTURE



TeraPlast Group is the largest Romanian construction materials producer.

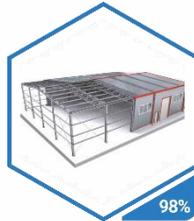
100% since January

- Complete roofing systems
- #2 on the market



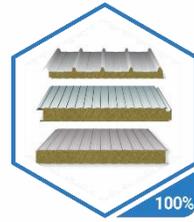
wetterbest
PE FIECARE CARA

- Sandwich panels, galvanized steel purlins, turnkey halls,
- #1 on PUR&PIR sandwich panels market & galvanized steel purlins market

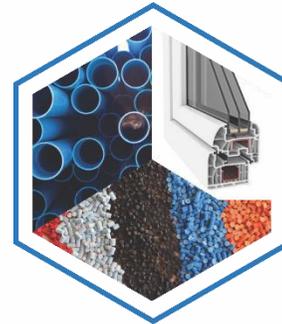


TeraSteel

- Sandwich panels, trapezoidal sheet
- Top producer on the CEE area

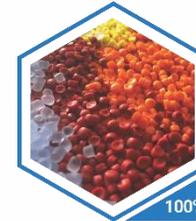


TeraSteel
Serbia



TeraPlast
dinco 1976

- Installation, Window profiles, Compounds
- #1 on exterior sewage market
- #1 on PVC compounds market



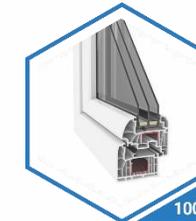
TeraPlast
Recycling

- Rigid PVC recycling
- #1 in Romania
- Top 10 in Europe



TeraGlass
ferestre și uși

- Windows&Doors
- Largest exporter of TeraPlast Group



TeraPlast
Hungary

- PVC profiles distribution in Hungary

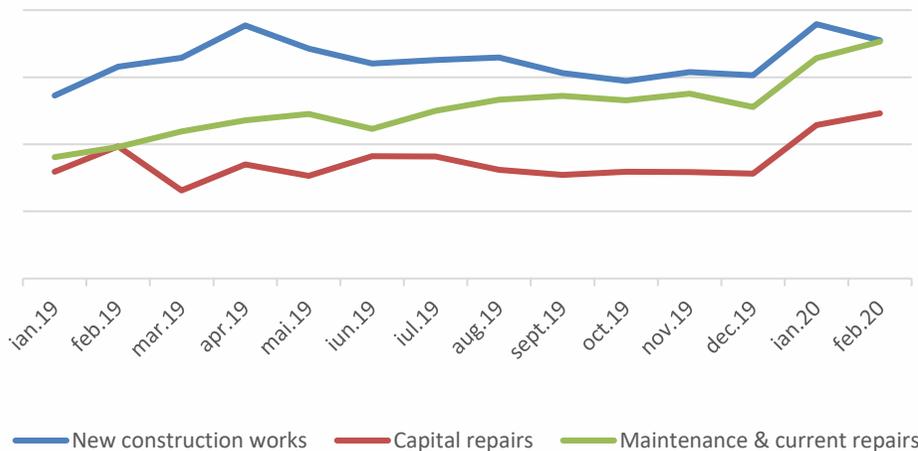
DOMESTIC CONSTRUCTION SECTOR

In the first two months of 2020, the total construction works volume increased by 35% compared to the first two months of 2019.

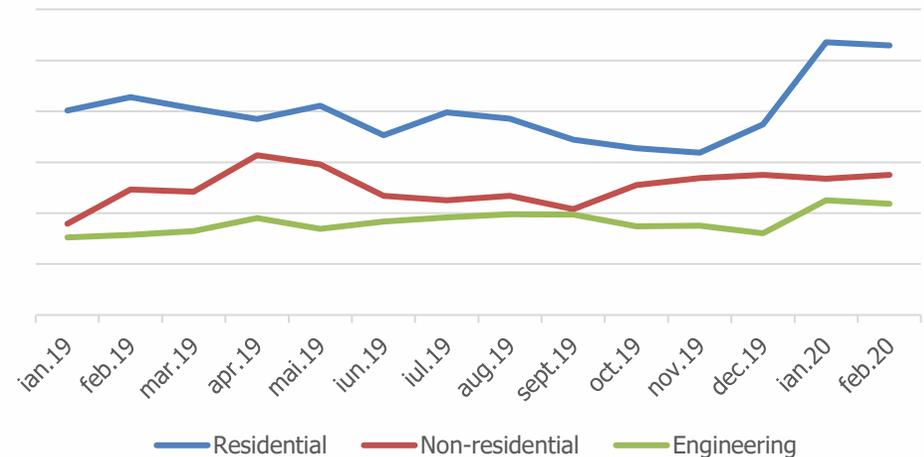
By structure elements, **the maintenance & current repairs works increased by 80,8%**, the capital repairs by 33,4% and the new construction works by 24,7%.

By construction objects, the biggest increase was registered by **engineering works (+43,3%)**, followed by residential buildings with +28,4% and the non-residential buildings (+27,6%).

By structure elements



By construction objects



Opinions diverge regarding the construction sector evolution in 2020 given the pandemic outbreak.

The Group operates on all three segments of the construction market and therefore has the ability to keep a balanced consolidated evolution.

Residential

- Roofing & drainage systems
- Interior sewage
- Electrical installation products
- Fluid storage & treatment
- Windows & Doors

Non Residential

- Galvanized steel purlins
- Sandwich panels
- Corrugated sheets
- Fluid storage & treatment

Infrastructure market

- Pipes & Fittings for water and gas
- Pipes & Fittings for exterior sewage
- Manholes (pump, visiting, inspection etc.) and accessories

Q1 KEY FIGURES – TERAPLAST GROUP

Q1/2020

Q1/2019

+20%

+32%

REVENUE

**208,9
Mil. LEI**

EBITDA

**17,4
Mil. LEI**

**EBITDA
MARGIN**

8,3%

REVENUE

**174,6
Mil. LEI**

EBITDA

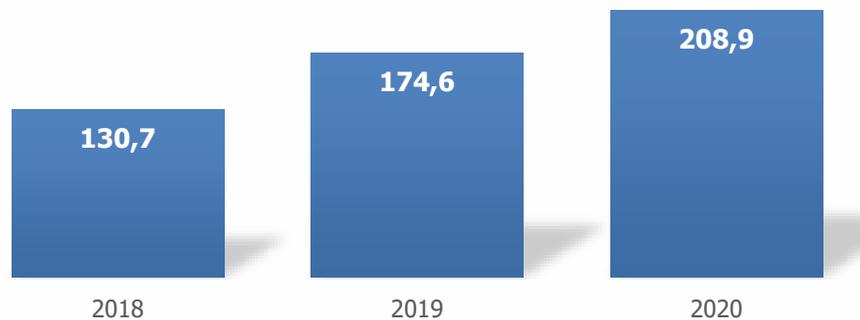
**13,2
Mil. LEI**

**EBITDA
MARGIN**

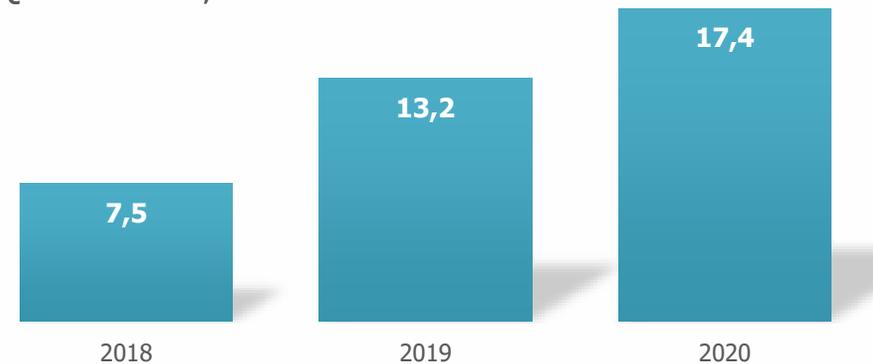
7,5%

2018-2020 Q1 History

Revenue
Q1 evolution, 2018-2020



EBITDA
Q1 evolution, 2018-2020



Q1 KEY FIGURES – GROUP'S COMPANIES

<i>million LEI</i>		Q1 2020	Q1 2019	Evolution
TeraPlast	Revenue	88,3	68,8	28%
	EBITDA	12,6	5,7	122%
TeraSteel Romania & Serbia	Revenue	69,0	55,8	24%
	EBITDA	5,9	5,7	3%
Wetterbest	Revenue	45,4	44,1	3%
	EBITDA	(0,9)	1,3	(165)%
TeraGlass	Revenue	6,3	6,0	6%
	EBITDA	(0,2)	0,5	(145)%
TeraPlast Group	Revenue	208,9	174,6	20%
	EBITDA	17,4	13,2	32%

- Outstanding EBITDA margin for TeraPlast SA: 14,3%
- TeraSteel growth due mainly to the Serbian factory
- Wetterbest and TeraGlass performed well during January and February but were impacted by the sanitary crisis starting March
- TeraGlass and Wetterbest eroded their EBITDA due to the recent investment projects and personnel costs as they were staffed for the planned growth of this year



- Biggest revenue increase → +28% due to the evolution of the infrastructure projects
- More than doubled its EBITDA compared to Q1 of 2019 → +122% due to the operational efficiency measures and size effect
- TeraPlast Recycling produced 2.326 tons of recycled PVC in Q1, which is full utilization of its production capacity. The use of recycled PVC generated an EBITDA of 946 thousand lei for TeraPlast segments



- 24% growth in turnover mainly due to the Serbian factory that hasn't reached yet its full production capacity
- EBITDA margin is at 8,5%, still above Group average.

Q1 HIGHLIGHTS – GROUP'S COMPANIES

- TeraGlass and Wetterbest were most impacted by the current sanitary crisis as their segments address the B2C market
- Their profitability was eroded due to
 - additional costs for ramping up of the recent investments
 - high personnel costs following the staff sizing last year meant to support this year's budgeted increase
- TeraGlass qualified for yellow certificate in March



- TeraPlast Group reached 100% stake in Wetterbest in January 2020
- In March, the company inaugurated the new production unit in Baicoi following a 44,5 million lei investment



- The investment project worth over 17 million lei in investment was finished at the end of last year
- Increased sales structure costs as well as production staff in training for the ramp-up led to cost increase during the low season
- DIY orders stopped in March as Western Europe came under lockdown

- Strong start in 2020 with good performance in the first two months for all Group's businesses, in line with initial Budget
- The Coronavirus outbreak in Europe at the beginning of March led to declaring the state of emergency by some European countries and by the Romanian government and various degrees of lockdown
- The Group set up an Analysis Commission in charge with implementing the needed protection measures. It meets regularly in order to monitor, adjust and review if needed the existing measures depending on the context evolution.

PRIORITIES

- Business continuity is the utmost priority meaning the continuity of material flows and personnel availability
- Different stress scenarios to act quickly and ensure that the strategy is fully aligned with the changes that may arise in the market
- Cost reductions and production adjustments proportionate to the market conditions
- Raw materials supply chain monitoring
- Ensure the health and safety of all employees and partners
- Capex review and cash preservation strategy

10 potential action scenarios were set up depending on the possible evolution of the current crisis. These scenarios imply the following parameters:

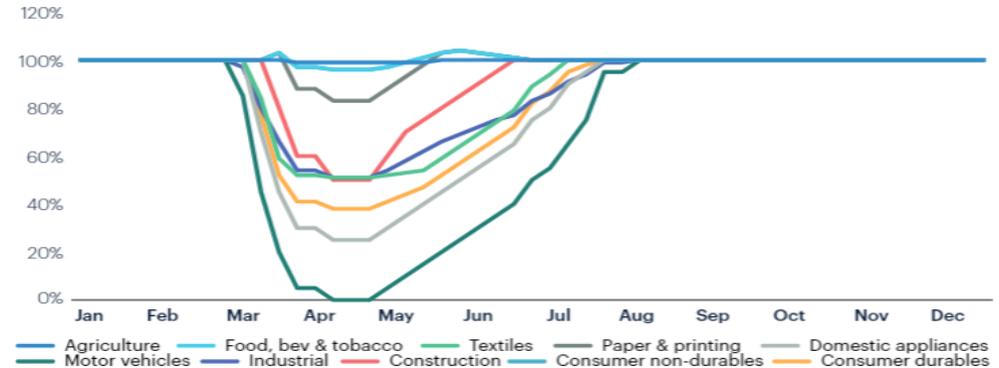
- The potential negative influences on the revenue due to both the pandemic evolution and a potential economic crisis following it, including a total activity suspension simulation in case the authorities would impose so
- Cash flow impact due to potential clients' defaults
- The ability of managing the debt service
- Fixed costs adjustment to minimize the impact on profitability in the demand drop scenarios
- Monitoring of the cost structure to secure a sustainable long-term performance

Measures already in place

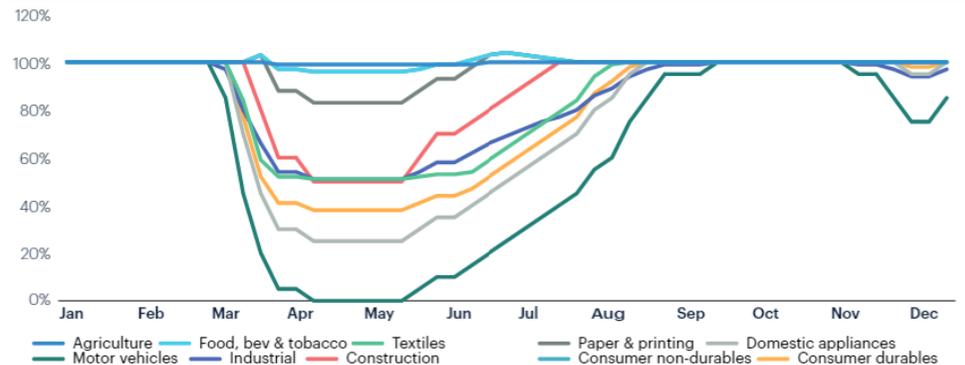
- Heightened hygiene measures in order to protect our employees' health and security at work. Highly digital close collaboration among employees and with third parties. Special procedures on production sites.
- Personnel costs were temporarily reduced in areas where the production and demand declined. For a part of the white-collar personnel the working schedule was reduced.
- Temporary income reduction in management by 25%-50%
- Renegotiated contracts with the suppliers. Alternative suppliers were identified in order to ensure the raw materials availability.
- The raw materials and finished goods stocks were diminished in order to decrease the working capital need
- The rent contracts were renegotiated for at least 3 months
- Tightened credit procedures in order to minimize credit risk
- Cash conservation policies in place
- New measures are being planned and implemented

- Raw materials on a downward trend due to:
 - Decrease in demand (especially W Europe)
 - Decrease in oil prices (for plastics and polyurethane)
- Raw material suppliers decreasing output to balance the drop in demand
- Infrastructure works in progress on POIM & PNDL:
 - over 700 objectives under construction
 - EUR 500 mn funds allocated by EU for water infrastructure in NE of Romania
 - Steady flow of payments by Government
- Consistent order backlog for TeraSteel Romania & Serbia
 - Domestic market has ongoing projects
 - Good perspectives for Serbia & Hungary
- Profiles, TeraGlass, Wetterbest – less visibility
 - Markets were hit harder
 - After initial impact recovery better than expected
- Considering all this, we aim for a turnover similar to 2019 & better profitability
- As situation settles, we will provide reforecast for 2020

Industry implications – EU short



Industry implications – EU long



Source: Market Outlook scenarios – ICIS Chemical Business, April 17-23, 2020

Q&A



TERA PLAST GROUP

 TeraPlast

 TeraSteel

 TeraGlass
ferestre si usi

 TeraPlast
Recycling

 TeraPlast
Hungary

 TeraSteel
Serbia

 wetterbest

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