



**TeraPlast**<sup>®</sup>

**Q1/2023 results  
Investors & analysts conference call**

April 26, 2023



Installations  
Compounds **498**

Systems for interior sewage  
Systems for exterior sewage  
Systems for transport and distribution of water and natural gas  
Rainwater management systems  
Cable protection systems  
Underfloor heating

Plasticized and rigid PVC compounds  
HFFR compounds



Rigid PVC recycling

**98**

Micronized recycled PVC  
Recgranulated recycled PVC



Flexible Packaging

**150**

Biodegradable and compostable packaging  
Polyethylene packaging



PVC & Aluminum windows & doors

**196**

PVC windows and doors  
Aluminum windows & doors  
Garage doors  
Curtain walls

Businesses with tradition in the Group, that generate more than 80% of the consolidated revenues at present.

We have passed the first year since the investment was put into operation. Although affected by the costs of operationalization, testing and approval of products, the business is starting to show signs of more stable growth.

Business that has gone through cost efficiencies and price increases but is affected by the minimum wage increase in construction.



Business line



Employees as of 31.12.2022

Product categories

- The evolution of the engineering works of the constructions sector (+20% Jan-Feb 2023 vs Jan-Feb 2022 according to INS) was mostly determined by the acceleration of road infrastructure works (highways, roads, bridges, etc.) and to a very small extent by water-sewer and natural gas infrastructure works.
- A positive effect as a result of the development of projects from the PNRR and the "Anghel Saligny" Program is foreseeable from quarter 3/2023, as more projects will go through tenders and the execution will be accelerated in the context in which 2024 is an election year.
- Also, the residential segment underperformed at the beginning of 2023 (-1.9% Jan-Feb 2023 vs Jan-Feb 2022 according to INS).
- Demand in Western Europe for recycled material, micronized and regranulated, has decreased since the second half of last year and the trend has continued in Q1. The market has seen a significant flow of raw material at low prices, which has reduced the attractiveness of recycled material.



## TeraPlast Group

- Group-wide volumes decreased by 15% compared to Q1/2022 amid the complex macroeconomic climate and the underperformance of water-sewer infrastructure works.
- Utilities costs have increased as a result of new contracts coming into effect. This means increasing prices after a period where we have benefited from very favorable ones.
- The raw materials costs had a slight downward trend compared to Q1/22, which positively influenced the growth of the gross margin to 38% in the first 3 months of 2023.
- The increase in the minimum wage in construction negatively affected the results of TeraGlass, which since January 1st faced a 30% increase in wage costs.
- The first quarter results are compared to the record results from the first quarter of 2022 when the evolution of Q1/22 versus Q1/21 was 58%.
- Compared to Q4 last year, margins improved, with Group-wide margin going from 2.1% in Q4/22 to 6.1% in Q1/23, and EBITDA doubling quarter-on-quarter.
- Improvements in the results of operationalized investments over the last 2 years are already visible, albeit at lower levels due to the time required for them to reach critical size and high performance.
- EBITDA margins for Installations, Compounds and Recycling are above the group average.
- We have started to implement cost reduction measures.



- The first quarter of 2023 concludes a period of transition in the perspective of a new growth cycle, in which efforts were directed towards consolidating and expanding market shares, simultaneously with the management of current difficulties, generated by the unstable macroeconomic and geopolitical framework, full of challenges and short-term uncertainties.

-14%

**TURNOVER**

**147  
MIL. LEI**

(Q1/2022: 171 MIL. LEI)

-42%

**EBITDA**

**9  
MIL. LEI**

(Q1/2022: 15,6 MIL. LEI)

**EBITDA  
MARGIN**

**6,1%**

(Q1/2022: 9,2%)

-20%

**VOLUME**

**16.810 TONS**

(Q1/2022: 21.055 TONS)

We do not have the performance we have been used to lately, but we are aware of the impact of the cyclical nature of the economy and the need for time for new investments to reach critical mass.

The first quarter results are in line with the forecasted budget, so short-term developments do not scare us or derail us from our strategy.

As this year unfolds, we expect a stabilization and improvement in the climate of the markets we operate in, which will translate into recovery in sales volumes and improvement in operating margins.

<i>Lei, thousands</i>	Group Total	Installations & Recycling	Compounds & Recycling	Windows & Doors	Flexible Packaging
Turnover	147,190	102,534	20,452	12,333	11,872
% vs Q1 2022	-14%	-10%	-42%	2%	23%
EBITDA	9,025	9,207	2,000	(117)	(2,065)
% vs Q1 2022	-42%	-29%	-63%	n/a	n/a
EBITDA margin	6.1%	9.0%	9.8%	-0.9%	-17.4%

*Through our investment plans involving diversification and streamlining, we seek to deliver solid long-term performance. We do not let the current results discourage us, especially since we are referring to successive periods of record results. We aim for a good mix of activity in several markets that will provide future opportunities and at the same time reduce the Group's dependence only on certain segments that can suffer temporary shocks.*

## INSTALLATION & RECYCLING

- 70% contribution to the turnover of the Group;
- Turnover decreased by 10%, as a result of the reduction in sales volumes;
- The most profitable division of the Group;

## WINDOWS & DOORS

- Slight increase in turnover, +2%;
- Impacted by the increase in wages in the construction sector;
- 75% of the turnover generated by exports.

## COMPOUNDS & RECYCLING

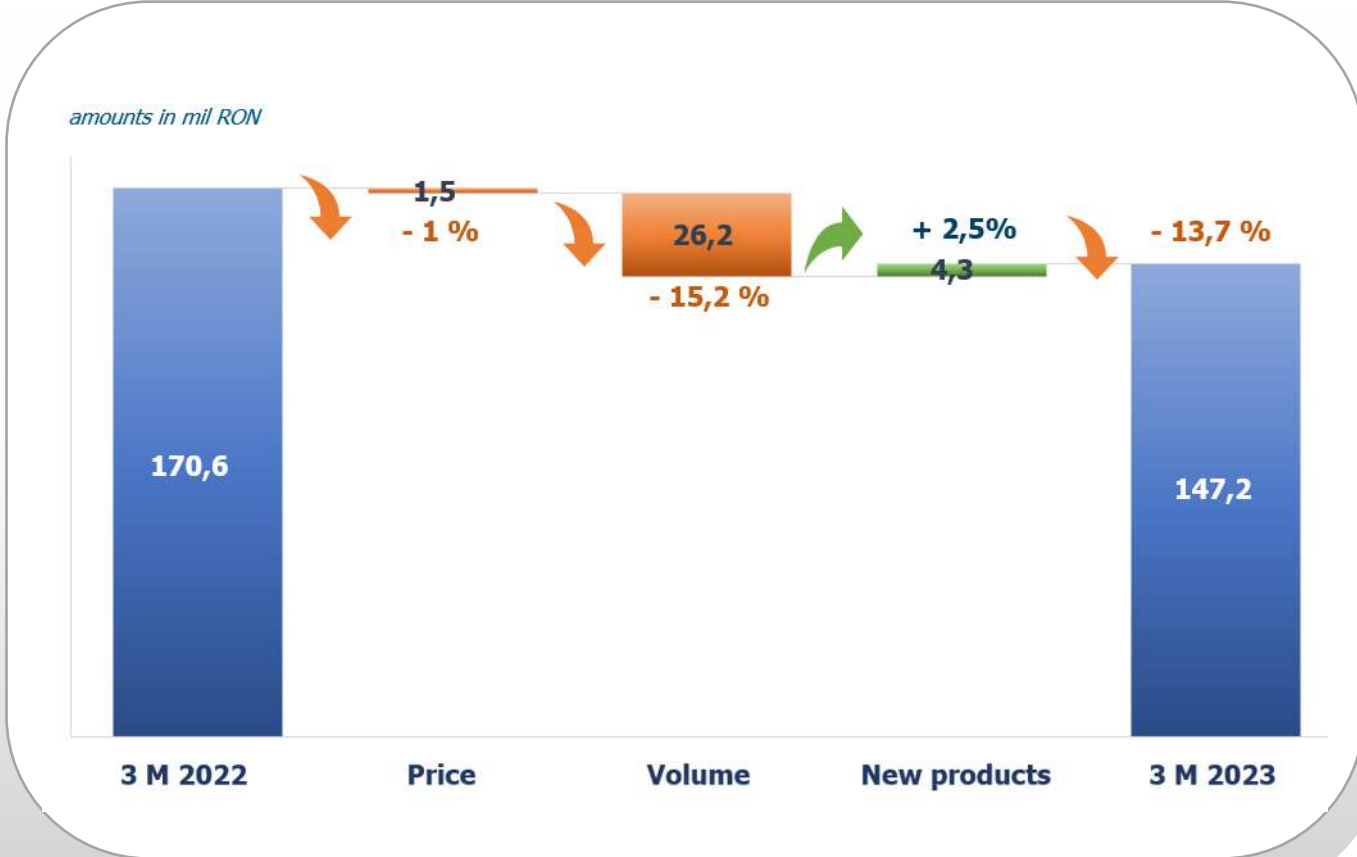
- Impacted by loss of attractiveness of recycled material compared to virgin raw material;
- EBITDA affected by the general drop in raw material prices;
- Margin is the highest within the Group: 9,8%

## FLEXIBLE PACKAGING

- Customer base expanded and, implicitly, the volumes increased;
- Negative EBITDA due to insufficient equipment loading;
- Bringing EBITDA into positive territory is expected by the end of 2023.

# -13.7% decrease in turnover Q1 2023 vs Q1 2022

- Decreases in volume due to the decrease in public works of water, sewerage and gas installation. Decreases recorded in recycled PVC, windows and doors.
- The decrease in prices is a result of decrease in the cost of production.
- The turnover of new products relates to the new products launched in 2022 TeraDuct (telecommunications infrastructure and fiber optic tubing) and NeoTer (floor heating systems) which were commissioned at the end of H1 2022.



RON '000	Teraplast Group			Teraplast Group		
	FY'2022	FY'23B	Var %	3m'2022	3m'2023	Var %
<b>Net Sales</b>	<b>711.126</b>	<b>847.759</b>	<b>19%</b>	<b>170.560</b>	<b>147.190</b>	<b>-14%</b>
Other operating income	655	704	8%	123	778	534%
<b>Total Operating Income</b>	<b>711.781</b>	<b>848.463</b>	<b>19%</b>	<b>170.683</b>	<b>147.968</b>	<b>-13%</b>
Raw materials, consumables & merch	(486.499)	(560.627)	15%	(114.537)	(90.693)	-21%
Salaries and employee benefits	(83.556)	(97.196)	16%	(19.401)	(21.738)	12%
Amortization, impairments, provisions	(26.285)	(30.880)	17%	(6.152)	(7.750)	26%
Other operating expenses	(89.008)	(115.634)	30%	(21.127)	(26.512)	25%
<b>Total Operating Costs</b>	<b>(685.349)</b>	<b>(804.337)</b>	<b>17%</b>	<b>(161.217)</b>	<b>(146.693)</b>	<b>-9%</b>
<b>EBIT</b>	<b>26.433</b>	<b>44.126</b>	<b>67%</b>	<b>9.466</b>	<b>1.275</b>	<b>-87%</b>
<b>EBITDA</b>	<b>52.718</b>	<b>75.006</b>	<b>42%</b>	<b>15.618</b>	<b>9.025</b>	<b>-42%</b>
<b>EBITDA %</b>	<b>7,4%</b>	<b>8,8%</b>		<b>9,2%</b>	<b>6,1%</b>	
Financial result, net	(2.344)	(20.196)	762%	(1.149)	(3.498)	204%
<b>Profit before tax</b>	<b>24.089</b>	<b>23.930</b>	<b>-1%</b>	<b>8.316</b>	<b>(2.223)</b>	<b>-127%</b>
Income tax expense	(8.684)	(4.544)	-48%	(1.451)	(401)	-72%
<b>Net Profit</b>	<b>15.405</b>	<b>19.385</b>	<b>26%</b>	<b>6.865</b>	<b>(2.624)</b>	<b>-138%</b>
<b>Net Profit %</b>	<b>2,2%</b>	<b>2,3%</b>		<b>4,0%</b>	<b>-1,8%</b>	

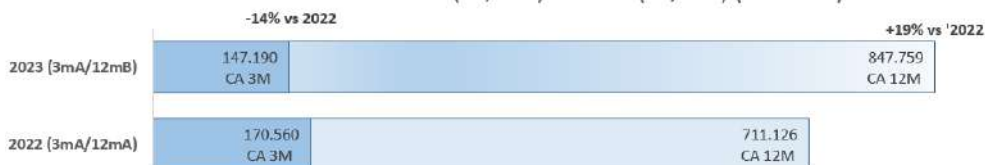
## Net sales

- Consolidated turnover decrease by 14% in the first quarter of 2023 compared to the first quarter of 2022, due to the reduced volumes.
- The Installations & Recycling division, which generates almost 70% of the consolidated turnover, had a rough start at the beginning of the year, and the acceleration of orders is expected from the Q3.
- The Flexible Packaging business line experienced a 23% increase in turnover.

## EBITDA

- EBITDA 9 million lei, decrease with 42% compared to Q1/2022, but with improving margins compared to the end of last year.

Net sales evolution 2023 (3a/12B) vs 2022 (3a/12a) (RON'000)



all amounts in thousands of RON unless otherwise specified

EBITDA 2023 (3a/12B) vs 2022 (3a/12a) (RON'000)





# FINANCIAL PERFORMANCE

RON '000	Teraplast Group			Installations and recycling			Compounds and recycling			Windows&Doors			Flexible Packaging		
	3m'2022	3m'2023	Var %	3m'2022	3m'2023	Var %	3m'2022	3m'2023	Var %	3m'2022	3m'2023	Var %	3m'2022	3m'2023	Var %
<b>Net Sales</b>	<b>170.560</b>	<b>147.190</b>	<b>-14%</b>	<b>113.736</b>	<b>102.534</b>	<b>-10%</b>	<b>35.104</b>	<b>20.452</b>	<b>-42%</b>	<b>12.072</b>	<b>12.333</b>	<b>2%</b>	<b>9.648</b>	<b>11.872</b>	<b>23%</b>
Other operating income	123	778	534%	85	778	816%	31	-	-100%	5	-	-100%	2	-	-100%
<b>Total Operating Income</b>	<b>170.683</b>	<b>147.968</b>	<b>-13%</b>	<b>113.821</b>	<b>103.312</b>	<b>-9%</b>	<b>35.135</b>	<b>20.452</b>	<b>-42%</b>	<b>12.078</b>	<b>12.333</b>	<b>2%</b>	<b>9.650</b>	<b>11.872</b>	<b>23%</b>
Raw materials, consumables & merch	(114.537)	(90.693)	-21%	(73.234)	(59.854)	-18%	(25.756)	(15.306)	-41%	(7.605)	(6.872)	-10%	(7.942)	(8.661)	9%
Salaries and employee benefits	(19.401)	(21.738)	12%	(11.784)	(14.175)	20%	(2.106)	(1.445)	-31%	(2.677)	(2.965)	11%	(2.834)	(3.153)	11%
Amortization, impairments, provisions	(6.152)	(7.750)	26%	(4.330)	(5.850)	35%	(536)	(648)	21%	(381)	(365)	-4%	(905)	(887)	-2%
Other operating expenses	(21.127)	(26.512)	25%	(15.845)	(20.076)	27%	(1.925)	(1.701)	-12%	(1.912)	(2.613)	37%	(1.446)	(2.123)	47%
<b>Total Operating Costs</b>	<b>(161.217)</b>	<b>(146.693)</b>	<b>-9%</b>	<b>(105.193)</b>	<b>(99.954)</b>	<b>-5%</b>	<b>(30.324)</b>	<b>(19.100)</b>	<b>-37%</b>	<b>(12.574)</b>	<b>(12.815)</b>	<b>2%</b>	<b>(13.126)</b>	<b>(14.823)</b>	<b>13%</b>
<b>EBIT</b>	<b>9.466</b>	<b>1.275</b>	<b>-87%</b>	<b>8.628</b>	<b>3.357</b>	<b>-61%</b>	<b>4.811</b>	<b>1.352</b>	<b>-72%</b>	<b>(496)</b>	<b>(482)</b>	<b>-3%</b>	<b>(3.476)</b>	<b>(2.952)</b>	<b>-15%</b>
<b>EBITDA</b>	<b>15.618</b>	<b>9.025</b>	<b>-42%</b>	<b>12.958</b>	<b>9.207</b>	<b>-29%</b>	<b>5.347</b>	<b>2.000</b>	<b>-63%</b>	<b>(115)</b>	<b>(117)</b>	<b>1%</b>	<b>(2.572)</b>	<b>(2.065)</b>	<b>-20%</b>
<b>EBITDA %</b>	<b>9,2%</b>	<b>6,1%</b>		<b>11,4%</b>	<b>9,0%</b>		<b>15,2%</b>	<b>9,8%</b>		<b>-1,0%</b>	<b>-0,9%</b>		<b>-26,7%</b>	<b>-17,4%</b>	

The first quarter of 2023 was a transition period in the perspective of a new growth cycle.

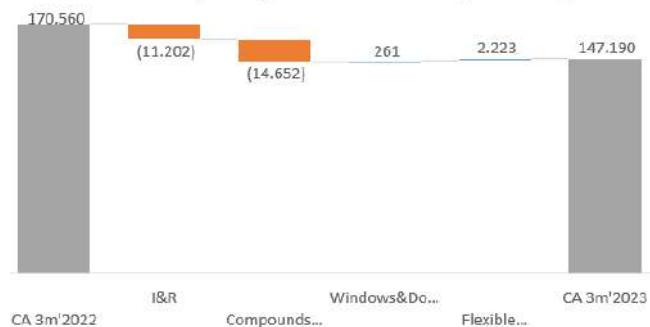
A positive effect as a result of the development of the PNRR projects and the "Anghel Saligny" Program is foreseeable from quarter 3/2023.

Demand for recycled material declined, causing a sharp decline in EBITDA and volumes

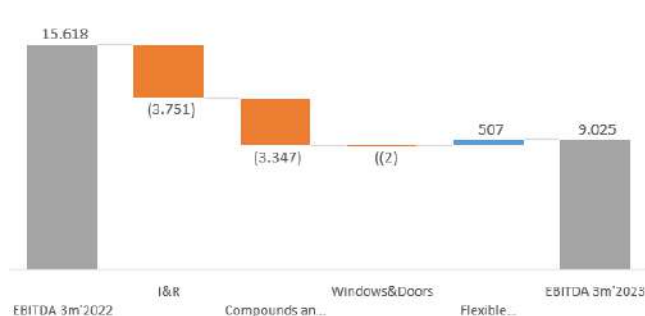
The increase in the minimum wage in construction generated operational losses. Transferring costs into prices is difficult.

The segment's performance improved from previous quarters

Net sales | Bridge 3M'22 - 3M'23 (RON'000)



EBITDA | Bridge 3M'22 - 3M'23 (RON'000)

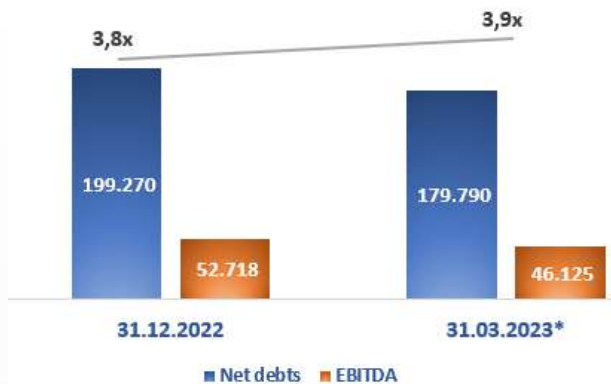


## Q1 2023 | Balance-sheet summary

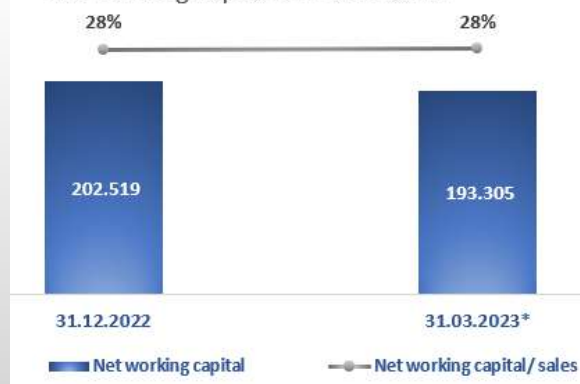
RON '000	TRP Group	
	31.12.2022	31.03.2023
Intangibles assets	3.772	4.061
Tangible assets	355.953	353.094
Investment Property	4.915	4.915
Other non-current assets	2.158	2.058
<b>Total fixed assets</b>	<b>366.797</b>	<b>364.128</b>
Inventories	129.120	146.383
Trade receivables	146.302	145.210
Trade debts	(79.523)	(106.005)
<b>Trade working capital</b>	<b>195.899</b>	<b>185.588</b>
Other payables	(2.002)	(2.002)
Other receivables	8.622	9.719
<b>Working capital - other</b>	<b>6.620</b>	<b>7.717</b>
<b>Net working capital</b>	<b>202.519</b>	<b>193.305</b>
Cash and cash equivalents	10.713	3.828
Finance lease loans and debts	(200.659)	(174.443)
Other long-term debts	(8.372)	(8.223)
Provisions	(953)	(953)
<b>Net (debt) / cash</b>	<b>(199.270)</b>	<b>(179.790)</b>
Investments grants	(60.566)	(70.268)
<b>Net assets</b>	<b>309.479</b>	<b>307.376</b>
Share capital	217.405	217.900
Reserves	52.516	52.532
Retained earnings	36.296	33.743
Non-controlling interest	3.262	3.200
<b>Equity</b>	<b>309.479</b>	<b>307.376</b>

## Key aspects

Net debts / EBITDA ('000 RON, x)



Net working capital and % in sales



For 2023, we plan to invest 120 million lei, out of which 84 lei in a stretch film production plant with two production lines for polyethylene films for industrial use, which represents a capacity of over 14,000 tons annually. The investment is co-financed by state aid.

In Q1 2023 we collected subsidies in the amount of 11.5 million lei, and the last installment of state aid of 12.4 million lei will be collected in Q3.

Net working capital remained similar to the previous period, with inventories increasing at the start of the season.

\*Turnover and EBITDA from the last 12 months.

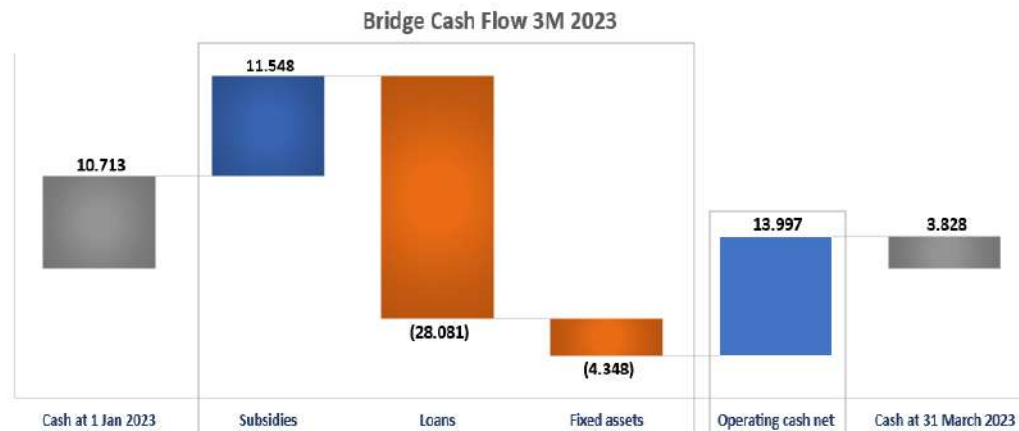
# FINANCIAL PERFORMANCE

## Q1 2023 | Cash Flow summary

RON '000

Cash flow summary	3 M 2022	3 M 2023
Net profit before tax	8.316	(2.223)
Net profit adjustments	9.723	14.365
<b>(+) Operating profit before changes in working capital</b>	<b>18.040</b>	<b>12.142</b>
Net impact working capital	(10.574)	6.952
Income tax paid	1.491	15
Interest paid	(1.043)	(3.266)
Income from subsidies	(793)	(1.846)
<b>(-) Subtotal changes in working capital and other</b>	<b>(10.919)</b>	<b>1.855</b>
<b>=&gt; Cash from operating activities</b>	<b>7.121</b>	<b>13.997</b>
Payments for fixed assets acquisitions	(17.958)	(4.440)
Receipts from sales of fixed assets	111	92
Receipts from subsidies	5	11.548
<b>(+) Net cash used for investments</b>	<b>(17.843)</b>	<b>7.199</b>
Net repayments of loans and leasing	11.617	(28.090)
Share repurchased	-	9
<b>(-) Net cash from finance activities</b>	<b>11.617</b>	<b>(28.081)</b>
Net variance	896	(6.885)
<b>Cash &amp; Equiv la Jan 1, 2022/ 2023</b>	<b>7.712</b>	<b>10.713</b>
<b>Cash &amp; Equiv la March 31, 2022/ 2023</b>	<b>8.608</b>	<b>3.828</b>

## Bridge 31 March 2023



- The improvement in operating cash in Q1 2023 vs Q1 2022 is due to better performance in working capital management.
- The main outflows were for the financing of ongoing investments (stretch film project) and for repayment of loans.

- The first quarter of 2023 concludes a period of transition in the perspective of a new growth cycle.
- Signals regarding the stabilization trend of the market climate are visible, beyond the seasonality of the Installations business, from the evolution compared to Q4 of 2022.
- With turnover at the same level as Q4/2022, EBITDA doubled quarter-on-quarter, while EBITDA margin went from 2.8% in Q4/2022 to 6.1% in Q1/2023.
- The consolidated result is also weighed down by the diversification of assets within TeraPlast, aimed at guaranteeing long-term growth and the fruition of opportunities when demand reconfigures.
- In this complex climate, the Group's management has taken measures to maintain financial resilience, through rigorous cost control and a solid cash-flow.
- The first quarter results are in line with the forecasted budget, so short-term developments do not scare us or derail us from our strategy.
- As this year unfolds, we expect a stabilization and improvement in the climate of the markets in which we operate, which will translate into recovery in sales volumes and improvement in operating margins.
- A positive effect as a result of the development of projects from the PNRR and the "Anghel Saligny" Program is foreseeable from quarter 3/2023, as more projects will go through tenders and the execution will be accelerated in the context in which 2024 is an election year.
- We have a solid business that can adapt to the momentary discontinuities and a management team that has successfully gone through difficult periods before, so it knows what it has to do.
- We maintain our estimates on the consolidated budget presented to shareholders for the full year 2023



# Q&A



**TeraPlast**<sup>®</sup>

since 1896

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