

## Tredegar (TG)

Stock Price: \$7.42 (As of 12/26/2025)

**Zacks Recommendation:** Neutral  
(Since: 11/18/2024)  
**Prior Recommendation:** Underperform

### Summary

Tredegar posted a strong Q3 2025 rebound, with Aluminum Extrusions EBITDA surging 172% YoY on higher volumes, improved pricing and cost controls. Net income swung to \$7.1 million vs. a \$3.4 million loss in Q3 2024, supported by stronger operating cash flow and reduced interest burden. Despite 50% aluminum tariffs, the company maintained its market position through pricing flexibility and posted 34% YoY volume growth in specialty products. PE Films remained a stable cash contributor, with cost initiatives underway for 2026. Net debt dropped from \$54.8 million to \$36.2 million, aided by divestiture proceeds, improving financial flexibility. Risks include elevated corporate costs, high customer concentration in PE Films, rising working capital, and volatile earnings, historically marked by large impairments and restructuring charges. Shares trade at a steep discount (0.36X EV/sales) vs. peers.

### Stock Price History

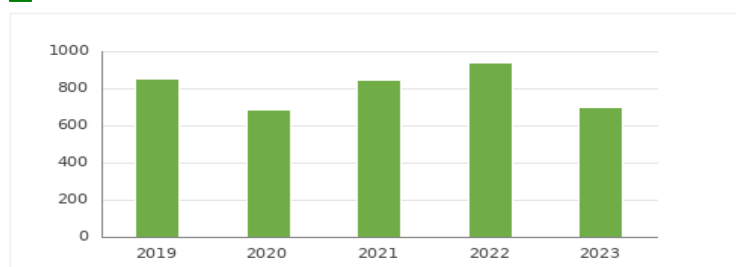


Source: Zacks Investment Research

### Data Overview

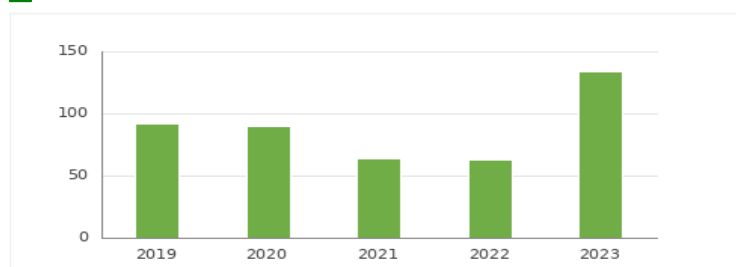
52 Wk High-Low	\$9.43 - \$6.25
20-Day Average Volume (Shares)	166,607
20-Day Average Trading Value	\$1.24M
Market Cap	\$259.04M
Year-To-Date Price Change	-3.39%
Beta	0.76
Cash	\$13.29M
Debt	NA
FCF TTM	\$22.73M
<b>Valuation</b>	
P/E TTM	15.79
EV/EBITDA	5.27
EV/SALES	0.35
P/BV	1.28
Industry	Chemical - Plastic
Zacks Industry Rank	Top 40% (96 out of 243)
Expected Report Date	03/11/2026
<b>Last Reported Quarter</b>	
Sales Growth YOY	7.08%
EPS Growth	2,500.00%
EBITDA Growth	96.06%
FCF Growth	NA

### Sales TTM (millions of \$)



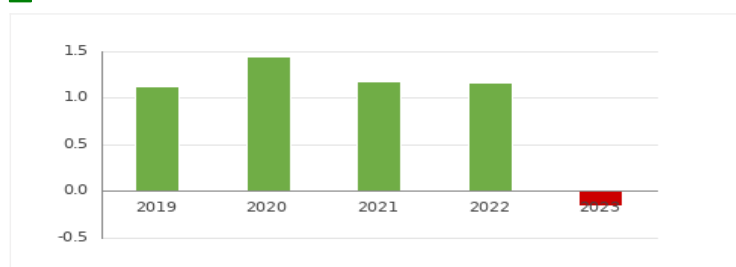
Source: Zacks Investment Research

### EBITDA TTM (millions of \$)



Source: Zacks Investment Research

### EPS TTM (\$/share)



Source: Zacks Investment Research

The charts and tables reflect data as of 12/26/2025, while the textual content of the report is as of 12/17/2025

## Overview

Tredegar Corporation, headquartered in Richmond, VA, was founded in 1983 and operates primarily in the manufacturing sector, focusing on aluminum extrusions and polyethylene and polypropylene plastic films. The company has two reportable business segments: Aluminum Extrusions and PE Films.

For the year ended Dec. 31, 2024, Tredegar reported total revenues of \$474.8 million, reflecting a decline of 25.6% from the previous year. The Aluminum Extrusions segment accounted for approximately 82% of total revenues, while the PE Films segment contributed around 18%. In 2024, PE Films experienced a significant increase in net sales, rising by 37.0% compared to 2023, primarily driven by a 57% increase in sales volume for surface protection films.

The Aluminum Extrusions segment, also known as Bonnell Aluminum, produces a variety of aluminum products for diverse markets, including building and construction, automotive, consumer durables, and electrical sectors. The segment's sales are cyclical and seasonal, with a notable focus on non-residential building and construction, which represented 56% of its net sales in 2024.

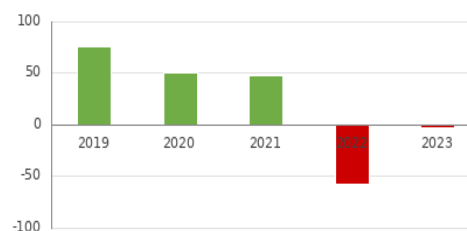
Tredegar's PE Films segment manufactures films used in high-technology applications, with a strong customer base concentrated in the United States and Asia. The top four customers in this segment accounted for 88% of net sales in 2024. As of Dec. 31, 2024, Tredegar held 32 patents and 35 registered trademarks, underscoring its commitment to innovation in its PE Films segment.

Tredegar's competitive landscape includes domestic producers of aluminum extrusions, which face challenges from economic uncertainties, high interest rates, and increased foreign imports.

In terms of financial structure, Tredegar has a \$180 million senior secured asset-based revolving credit facility, which was reduced to \$125 million following the sale of its flexible packaging films business, Terphane, to Oben Group on Nov. 1, 2024. As of Dec. 31, 2024, the company had \$43.8 million available to borrow under this facility.

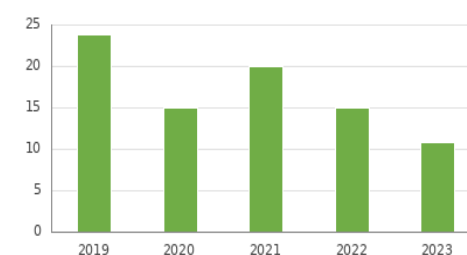
*The data and facts mentioned in this section are as of 12/31/2024.*

### FCF TTM (millions of \$)



Source: Zacks Investment Research

### Gross Margin % TTM



Source: Zacks Investment Research

## Reasons To Buy

- ▲ **Robust Recovery in Aluminum Extrusions Segment Performance:** Tredegar's Aluminum Extrusions segment has staged a significant operational and financial turnaround in Q3 2025, with EBITDA from ongoing operations rising to \$16.8 million from \$6.2 million a year earlier. This 172% increase reflects not only a 20% surge in volume but also improvements in pricing and cost control. A \$12.7 million contribution margin gain was supported by favorable material yield and lower FIFO inventory-related charges. EBITDA expansion was further enhanced by a \$5.3 million swing in aluminum cost timing effects, stemming from volatility in U.S. Midwest transaction prices. These developments mark a decisive improvement in operational leverage and pricing strategy amid evolving trade dynamics and raw material conditions.
- ▲ **Earnings Reversal and Strengthened Cash Generation:** Tredegar returned to solid profitability in Q3 2025, reporting net income from continuing operations of \$7.1 million compared to a loss of \$3.4 million in Q3 2024. For the first nine months of 2025, net income rose to \$18.9 million, more than doubling from the prior-year period. Operating cash flow stood at \$17.3 million, significantly ahead of the \$6.1 million recorded during the same period in 2024. This surge in profitability and cash generation came alongside disciplined cost management and lower interest burden. With positive free cash flow and earnings momentum now in place, the company has entered a phase of improved financial health and reinvestment capacity that can support future growth or additional deleveraging.
- ▲ **Market Share Opportunities Despite Tariff Volatility:** While the Section 232 aluminum tariffs increased to 50% in June 2025, creating some headwinds, Tredegar has retained its competitive positioning through operational agility and pricing flexibility. Net new orders declined post-tariff hike, but shipments outpaced bookings, helping draw down open orders from peak levels to a still-healthy 19 million pounds at quarter-end. Notably, specialty products in the extrusions segment showed strong resilience, with Q3 volume in this category increasing 34% year over year. Although the tariffs have yet to yield a full shift toward domestic suppliers, Tredegar's market presence and cost pass-through mechanisms place it in a favorable position to capitalize on future enforcement or demand normalization.
- ▲ **Steady PE Films Contribution With Efficiency Upside:** The PE Films segment contributed \$7.2 million in EBITDA for Q3 2025, up 23% from the prior year. This was driven by higher surface protection volumes, favorable productivity, and improved cost alignment. The segment continues to generate consistent cash flow, averaging roughly \$5 million in EBITDA per quarter over the past three and three-quarter years. Despite modest top-line growth, PE Films remains a stable contributor, particularly with its focus on high-value optical display applications and semiconductor markets. Management is also evaluating cost reduction initiatives expected to benefit 2026 earnings, offering additional upside to a segment that already underpins Tredegar's base-level cash generation.
- ▲ **Deleveraging Enhances Strategic Flexibility:** Tredegar has effectively reduced its net debt from \$54.8 million at the start of 2025 to \$36.2 million by the end of Q3, aided by strong internal cash flow and \$9.8 million in proceeds from the Terphane divestiture. With total available borrowing capacity under the ABL facility standing at approximately \$73 million and no covenant violations reported, the company has gained both financial stability and optionality. This deleveraging supports a more resilient balance sheet and positions Tredegar to pursue growth or return capital as macro conditions evolve.

Tredegar's turnaround with strong EBITDA growth and profitability, amidst cost control, operational leverage, and efficient deleveraging, positions for growth/flexibility.

## Reasons To Sell

- ▼ **Elevated Corporate and Non-Recurring Expenses:** Tredegar's corporate expense profile has expanded meaningfully, driven by non-operational factors. In the first nine months of 2025, corporate expenses rose to \$21.6 million from \$16.7 million the prior year, reflecting \$5.3 million in business development costs and \$2 million in incentive compensation. These costs contributed to operating leverage deterioration and reduced net income conversion efficiency. While some of these expenses are non-recurring, management has not yet demonstrated offsetting revenue or cost synergies from such initiatives. Sustained elevated overhead without clear returns could draw investor scrutiny.
- ▼ **Customer Concentration Risk in PE Films:** Tredegar's PE Films segment remains heavily reliant on a narrow customer base, which introduces considerable earnings vulnerability. In the first nine months of 2025, the top four customers accounted for 88% of total segment revenue. While recent gains in surface protection film volumes have supported results, the concentration risk remains high, especially amid volatile demand cycles in consumer electronics. Any strategic shift, sourcing change, or volume reduction by a key customer could result in a disproportionate revenue impact, with limited diversification to offset such a loss.
- ▼ **Working Capital Expansion Weighs on Free Cash Flow:** Tredegar experienced notable growth in receivables and inventory during the first nine months of 2025, with accounts receivable rising \$23.1 million and inventory climbing \$10.6 million. This reflects both higher aluminum costs and seasonal demand buildup, but also points to an increase in working capital consumption. While accounts payable increased \$14.5 million, the net cash tied up in operations still creates pressure on free cash flow. If customer payment cycles lengthen or demand falters, the company may face difficulty converting earnings into sustainable cash generation.
- ▼ **High Earnings Volatility Undermines Valuation Stability:** Tredegar's historical earnings profile reflects considerable volatility, with net income fluctuating from a \$28.5 million gain in 2022 to a \$105.9 million loss in 2023 and a further \$53.8 million loss in the latest twelve months through Q3 2025. These swings have been driven by a combination of goodwill impairments, pension settlement losses and restructuring costs. Even when isolating ongoing operations, net income remains erratic, which impairs the company's valuation predictability. Such volatility makes it challenging for investors to assign reliable forward earnings multiples, increasing the risk premium demanded in the stock and potentially depressing the share price in the absence of sustained earnings clarity.

Tredegar's rising corporate costs, customer base concentration in PE Films, increased working capital, and earnings volatility pose significant investment risks.

## Last Earnings Report

### TG's Q3 Earnings Surge Y/Y on Strong Aluminum Demand

Tredegear reported an adjusted net income from ongoing operations of 26 cents per share in the third quarter of 2025, sharply higher than 1 cent per share in the prior-year period.

Consolidated revenues rose 33.5% to \$194.9 million, up from \$146.1 million in the same quarter last year. This improvement was driven primarily by the Aluminum Extrusions segment, which posted a 40.4% increase in net sales to \$162.5 million. Meanwhile, PE Films contributed \$25.9 million in revenues, up 4% from the third quarter of 2024.

Net income from continuing operations came in at \$7.1 million against a net loss of \$3.4 million in the third quarter of 2024. On a non-GAAP basis, net income from ongoing operations was \$9.2 million, up from \$0.2 million in the prior-year period.

### Operational Highlights

#### Aluminum Extrusions (Bonnell Aluminum)

Earnings before interest, taxes, depreciation, and amortization (EBITDA) from ongoing operations for the segment reached \$16.8 million, a sharp rise from \$6.2 million in the third quarter of 2024. This 172.1% increase was driven by 19.5% growth in sales volume to 41.3 million pounds and favorable pricing dynamics. Higher volumes of non-residential building and construction products, especially curtainwall and storefront components, along with increased specialty product shipments such as solar panel materials and distribution goods, helped boost performance.

An inventory flow-through timing benefit due to aluminum price trends also contributed \$4.3 million to earnings, reversing a \$1 million charge in the year-ago quarter. However, net new orders declined 5% year over year, primarily due to the increase in Section 232 tariffs on aluminum extrusions to 50%, which reduced customer demand and created uncertainty.

#### PE Films

In the PE Films segment, EBITDA from ongoing operations increased 22.9% to \$7.2 million, up from \$5.9 million in the third quarter of 2024. Net sales for the segment rose 4% year over year to \$25.9 million. This growth was attributed to higher volume in surface protection films, which rose 10.9% year over year and 16.1% sequentially. The improvement in contribution margin within the segment was supported by both volume growth and cost savings.

However, overwrap films saw a volume decline of 11%, negatively impacting segment performance. Despite the gains, management noted that surface protection volumes are expected to moderate later in the year.

### Management Commentary

CEO John Steitz described the quarter as a "good" one across both business units. He noted that the resolution of earlier manufacturing inefficiencies at Bonnell helped boost performance, even as net new orders remained at "depressed levels" following the increase in tariffs.

Steitz highlighted that shipments have outpaced new orders, resulting in lower open orders. However, he pointed to encouraging order activity in October, with weekly averages reaching 3 million pounds, suggesting a potential stabilization.

For PE Films, Steitz commended the segment's "strong cash generation," which contributed to a notable reduction in net debt, from \$54.8 million at the start of the year to \$36.2 million at the end of the third quarter.

### Factors Influencing Quarterly Performance

The sharp increase in earnings for the Aluminum Extrusions segment was driven by a \$12.7 million boost in contribution margin, helped by higher sales volumes, improved pricing, and better manufacturing yields. These were partly offset by cost pressures from higher labor rates, maintenance, utilities, and onboarding new employees. A favorable FIFO inventory accounting effect, reflecting rising aluminum prices, added to earnings momentum. The average U.S. Midwest transaction price for aluminum was \$1.90 per pound in the third quarter of 2025, up from \$1.27 in the same quarter last year.

The PE Films segment's improvement was less dramatic but still meaningful. A \$1.8 million margin increase from surface protection films was the key driver, helped by higher volume and productivity gains. Overwrap films, however, detracted from results due to lower demand and inefficiencies.

### Guidance

Management indicated that cost-reduction initiatives are being evaluated and expected to begin bearing fruit in 2026. Capital expenditures for 2025 are projected at \$17 million for Bonnell Aluminum and \$2 million for PE Films, focused on both productivity enhancements and maintenance.

### Other Developments

Tredegear did record a \$9.8 million cash inflow in the first quarter related to the post-closing settlement of the previously completed sale of its Terphane business. This transaction contributed to the company's debt reduction in 2025. Additionally, Tredegear completed the sale of corporate-owned land during the third quarter, resulting in a \$1.5 million gain.

## ■ Valuation Discussion

Tredegear shares are down 13.4% in the past six months and down 1.6% over the past year. Stocks in the Zacks sub-industry and the Zacks Basic Materials sector are up 59.9% and 16.8% in the past six months, respectively. Over the past year, the Zacks sub-industry has increased 44.4%, while the sector has increased 27%.

The S&P 500 Index is up 16.5% in the past six months and up 18.1% in the past year.

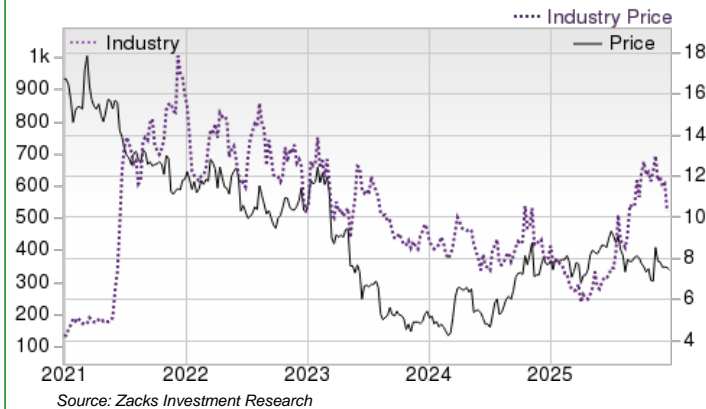
The stock is currently trading at 0.36X trailing 12-month EV/sales value, which compares to 3.16X for the Zacks sub-industry, 3.86X for the Zacks sector and 5.72X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.07X and as low as 0.22X, with a five-year median of 0.5X.

Our Neutral recommendation indicates that the stock will perform in line with the market.

## Industry Analysis

Zacks Industry Rank: Top 40% (96 out of 243)



## Top Peers

Company (Ticker)	Recommendation
Asahi Kasei Corp. (AHKSY)	Neutral
Air Liquide (AIQUY)	Neutral
BASF SE (BASFY)	Neutral
Brenntag AG (BNTGY)	Neutral
Dow Inc. (DOW)	Neutral
Linde PLC (LIN)	Neutral
LyondellBasell Indus...(LYB)	Neutral
The Sherwin-Williams...(SHW)	Neutral

## Industry Comparison

Industry: Chemical - Plastic

	TG	X Industry	S&P 500	Industry Peers		
				BASFY	DOW	LYB
<b>Zacks Recommendation (Long Term)</b>	Neutral	-	-	Neutral	Neutral	Neutral
Market Cap	\$259.04M	\$590.61M	\$39.26B	\$45.80B	\$16.55B	\$13.92B
Dividend Yield	0.00%	0.00%	1.4%	3.46%	6.01%	12.67%
<b>Value Metrics</b>						
Cash/Price	0.05	0.05	0.04	0.05	0.28	0.13
EV/EBITDA	5.27	4.58	14.73	7.93	5.59	6.29
Price/Book	1.28	1.31	3.38	1.16	0.87	1.31
Price/Cash Flow	4.38	6.68	15.45	5.43	3.99	3.87
Price/Sales	0.37	1.66	3.15	0.66	0.40	0.43
Earnings Yield	NA	NA%	4.94%	6.00%	-4.42%	5.13%
Debt/Equity	0.00	0.03	0.57	0.56	0.93	1.00
Cash Flow (\$/share)	1.70	1.32	8.98	2.36	5.83	11.19
<b>Growth Metrics</b>						
Hist. EPS Growth (3-5 yrs)	-30.30%	-17.37%	8.21%	-18.10%	-39.07%	-21.70%
Curr. Cash Flow Growth	-3.04%	3.47%	7.00%	4.90%	-2.56%	-17.05%
Hist. Cash Flow Growth (3-5 yrs)	-7.16%	-8.20%	7.48%	-0.76%	-5.70%	-5.14%
Current Ratio	1.67	2.11	1.19	1.82	1.94	1.57
Debt/Capital	0.00%	6.42%	38.15%	35.82%	48.16%	50.34%
Net Margin	-7.75%	-3.34%	12.77%	0.43%	-2.77%	-3.70%
Return on Equity	8.64%	-7.04%	17.03%	6.86%	-2.25%	7.50%
Sales/Assets	1.88	0.99	0.53	0.80	0.70	0.93
<b>Momentum Metrics</b>						
Daily Price Chg	0.00%	0.00%	-0.03%	-0.39%	1.00%	0.89%
1 Week Price Chg	-0.40%	-0.20%	1.40%	-3.11%	-2.96%	-2.93%
4 Week Price Chg	-4.87%	-1.90%	1.18%	-1.31%	-2.35%	-11.72%
12 Week Price Chg	-3.89%	-15.21%	3.19%	-1.16%	-2.23%	-12.57%
52 Week Price Chg	-3.39%	-18.60%	16.06%	16.11%	-41.82%	-41.66%
20 Day Average Volume	166,607	7,592	2,767,182	107,719	10,746,566	5,464,711
20-Day Average Trading Value	\$1.24M	NA	NA	\$1.40M	\$250.82M	\$237.82M

Source: Zacks Investment Research

## Zacks Microcap Rating System and Research Methodology

The Zacks Microcap Research effort is focused on small companies that have no coverage from sell-side research analysts.

Empirical research shows that the “size effect” (i.e. outperformance by smaller companies) can be strengthened if qualitative factors are applied in screening a universe of stocks. Our favored qualitative metric is the Marx ratio, defined as Gross Profit/Total Assets. The legacy Zacks rating system, predicated upon empirical research on the predictive value of EPS estimate revisions, is not applicable to this universe of stocks as they don’t have earnings estimates.

Why Gross Profit? First recall that Gross Profit is defined as Revenue minus Cost of Goods Sold (COGS). Gross Profit is distinct from other profitability metrics (e.g., EPS, Operating income, etc.) for two important reasons. Firstly, revenue contains the “selling price” of the goods and/or services provided. The selling price is market driven; consumers and businesses can accept or reject the given price. Secondly, in the COGS line, these direct expenses e.g., direct labor, raw materials are also predominantly market driven, unlike expense items in SG&A which can be more discretionary, like levels of salary compensation and advertising spend. In our opinion, Gross Profit is the purest profitability metric with the least risk of financial engineering which can distort market valuation.

But the balance sheet also needs to be factored in, hence Total Assets in the denominator. We defer to academic research that prefers the use of Total Assets vs. for instance, Net Assets or Tangible Assets, as the best proxy for the financial state of the business.

The Zacks process starts with a universe of about 2000 companies that have market capitalization of under one billion dollars and have no sell-side research coverage. We eliminate companies headquartered outside of the U.S. or with insufficient trading liquidity. Pre-revenue companies are excluded as well, they have no Gross Profit and an undefined Marx ratio. This results in a “quantitatively” derived list of eligible stocks for rating.

A team of analysts then applies a “qualitative” screening process to assess if specific companies may have a distortedly high ranking because of temporal, anomalous factors like commodity price deflation, market supply shortage induced pricing power, etc.-factors that are unsustainable and not a true reflection of the state of the business. Analysts also perform trend analysis to determine if the business is gaining operational momentum and is on the cusp of more pronounced leverage and scalability. Cash flow, debt usage, valuation, and dilution risk are also considered within a holistic assessment.

A rating of Outperform, Neutral, or Underperform is then assigned. The proportion of the universe assigned Outperform and Underperform ratings is typically comparable, with ratings updated quarterly.

Outperform rankings are based on a number of positive, compelling catalysts. Conversely, Underperforms are based on several negative catalysts. Neutral ratings are generally based on a lack of several convincing catalysts, either to the upside or downside, a kind of indifferent conclusion. A change in rating will be a function of an improvement or deterioration in specific industry conditions, lack of or better than expected business execution, or the macro environment.

A research report is then generated utilizing an AI utility under the guidance of an analyst. The prompt questions have been engineered and standardized in an effort to present information that the analyst believes is highly relevant to the investment thesis and importantly saves the reader time in retrieving. This activity is more along the lines of “vertical thinking”, whereby the AI utility is summarizing and synthesizing information. We have found AI to be quite adept at this function. This frees up the analyst to engage in “deeper” thinking, or contemplation of the factors influencing the rating as well as additional research like industry research.

The “source material” for the AI utility are company filings such as 10K’s, 10Q’s, press releases, earnings call transcripts, and investor presentations. Subsequent updates of the report will also make use of the previously published versions of the Zacks Microcap Research report as a source material. Our research shows that this enclosed ecosystem, which excludes accessing the world wide web, is necessary to prevent possible AI ‘hallucinations’. Thus far we have found little evidence of ‘hallucinations’ because of this contained ecosystem. We have also found only rare instances of hyperbole. All reports are reviewed by a human editor to further safeguard against these conditions and to ensure readability.

The research reports will incorporate key financial data e.g. Sales, EBITDA, FCF, etc. derived from our proprietary database over a five-year period. We believe the presentation of this expansive data will save investors valuable due diligence time and effort. We believe the valuation data for the past five years is especially helpful and valuable.

Lastly, we have deliberately refrained from price targets and financial models. Choosing a valuation method and specific multiple is an inherently subjective practice. We therefore provide multiple valuation metrics including where the stock is currently trading based on historical terms. In time, AI may become adept at financial modeling. Our rating, however, implies some back of the envelope calculations and valuation prognostication.



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