

Market: OMXC Small Cap

Ticker: RBLN B

Share price (DKK): 92.0

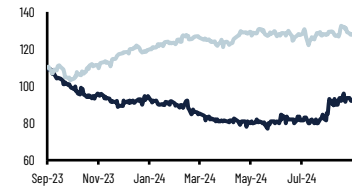
Market cap (DKK): 164.5m

Net debt (DKK): 35.9m

Enterprise value (DKK): 200.4m

¹A and B shares combined

Share information



Ytd	1.1%	1 year:	-15.6%
1 month:	12.9%	3 year:	-37.8%

Note: *We apply the closing price from 26 September 2024
Index rebased to April 2023. Source: S&P Capital IQ

Financials

DKKm	2021/22	2022/23	2023/24*
Revenue	380.9	350.1	~370
Revenue growth	52.4%	-8.1%	-5.7%
Adj EBITDA	23.4	10.9	~25
Adj EBITDA margin	6.1%	3.1%	-6.8%
Adj EBIT	-3.8	-16.0	~0
Adj EBIT margin	-1.0%	-4.5%	-0%
Net Income	-2.3	-3.2	N/A
Net debt	91.6	69.7	N/A

Note: *Roblon's own company guidance for 2023/24. Revenue: DKKm 250 (cont)
DKKm 120 (disc.) Adj. EBITDA DKKm 40 (cont), DKKm -15 (disc.) Adj. EBIT 24 (cont)
DKKm -24, (disc.)

Valuation multiples

	2021/22	2022/23	2023/24*
P/S (x)	0.7	0.5	-0.4
EV/Sales (x)	0.8	0.7	-0.5
EV/EBITDA (x)	15.7	22.8	-8.0
EV/EBIT (x)	N/A	N/A	N/A
P/E (x)	N/A	N/A	N/A
P/B (x)	1.3	0.9	N/A
P/CF (x)	N/A	10.0	N/A

Note: Multiples for 2021/22 and 2022/23 are based on historical numbers
*Multiples in 2023/24E are based on the company's own guidance

Company description

Roblon is a Danish-based developer of high-performance fiber solutions. It manufactures and sells strength-based elements, which are supplied to cable manufacturers, primarily within the fiber optic cable (FOC), oil & gas, and energy transmission cable industries. Roblon has a dual-class share structure with its B-shares listed on Nasdaq Copenhagen. Its A-shares are owned by ES Holding Frederikshavn ApS, representing 25.1% of the total share capital and 68.8% of voting rights.

Investment case

Roblon's two business units, FOC and Composite, which supply strength-based elements for cables, are both supported by macro trends. Digitalization and a greater need for data transmission underpin the long-term growth outlook for fiber optic cables (9.2% CAGR 2023-2030⁽¹⁾), while near-term greater oil & gas activity levels and longer-term green energy transition drive demand within the Composite business unit.

Roblon is working towards a turnaround and return to consistent profitability as the company has faced challenging FOC market conditions due to higher interest rates, reducing investment within FOC, and competition from lower cost producers (China and India). As such, a divestment process for the US FOC business has been initiated to concentrate energies on the profitable European operations (see guidance in the financials table above) and further strengthen the balance sheet, which has improved YTD 2023/24.

During 2023/24, Roblon has faced FOC market challenges that were largely offset by Composite strength, as Q3 saw improving results with guidance maintained ahead of a historically stronger Q4. Falling interest rates may increase investments in both segments and can lift Roblon's turnaround efforts; however, this is not guaranteed. Roblon's valuation on an EV/Sales basis has been depressed due to weak profitability, with the potential to expand if the turnaround materializes.

*Source 1: <https://www.mordorintelligence.com/industry-reports/fiber-optic-cable-market>

Key investment reasons

Roblon is considered a leading provider of cable fiber materials for the fiber optic cable industry and thus can benefit from the macro trend of digitalisation. Its Composite segment benefits from high oil and gas activity levels and from the green energy transition and, therefore, has structurally supported demand over the long term.

A divestment of Roblon USA can re-focus energies on the larger and profitable European business, where Roblon guides for around 10% EBIT margin FY2023/24. The balance sheet has strengthened YTD and would be bolstered by a Roblon US divestment. Balance sheet strengthening and profitability in the ongoing operations could lead to valuation multiples expanding.

Falling interest rates may support improving market conditions as lower rates can facilitate greater investment spending from end-user customers in the telecoms and energy sectors.

Key investment risks

Roblon is executing a turn-around as the company targets growth and a return to consistent positive earnings; however, successful execution could take longer than management expects. An extended weakness in FOC demand may also challenge guidance expectations for 2023/24 and slow a return to profitability.

There is a risk that Roblon can face top-down pressure from its customers, squeezing margins if its larger end customers exert their greater market power. While Roblon's products are somewhat specialised, they are, to some extent, price takers, given the market structure. The dynamic above may somewhat relate to the gross margin contraction in 2022/23.

Chinese suppliers to the FOC market may push products to the US market a low costs, as weakness in the Chinese economy has seen domestic demand fall, leading to an oversupply, while Indian producers have also gained market share in recent years.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales		EV/EBITDA		EV/EBIT		EBIT margin	
					FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	3-yr avg	LTM
Avient Corporation	USD 50.8	24.4%	4,152	1,442	1.6	1.7	10.6	10.9	16.6	18.5	9.5%	11.6%
Coats Group plc	GBP 1.0	34.3%	1,949	426	1.3	1.4	7.1	7.4	8.8	9.5	14.2%	16.7%
Toray Industries, Inc.	JPY 845.6	18.0%	8,374	5,027	0.8	0.8	9.1	8.5	20.5	19.0	4.8%	4.7%
Median		24.4%	4,152	1,442	1.3	1.4	9.1	8.5	16.6	18.5	9.5%	11.6%
Roblon A/S	DKK 92	1.1%	22	2	0.7*	0.5*	22.8*	8.0*	N/A*	N/A*	-6.3%	-1.6%
Premium (+) / Discount (-) to peers					-43.5%	-62.5%	151.8%	-6.1%	N/A*	N/A*		

Note: Data from 27/09/2024

Source: S&P Capital IQ

Note: No adjustments have been made for differences in fiscal calendars. Roblon's financial year: 1 November - 31 October. Market cap and EV include non-listed shares.

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P Capital IQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information. Note: *The forward earnings multiples numbers for Roblon, EV/Sales, EV/EBITDA, and EV/EBIT, have been calculated by HC Andersen Capital, assuming Roblon will recognise its guidance for 2023/24, reflecting a topline growth of approx. 6%. Given that the estimates closely track Roblon's own estimates, they rely on the assumptions outlined in Roblon's 2023/24 financial reporting regarding forward-looking statements.

Selected cable component manufacturing peers overview:

Avient Corp: was formed from the merger of PolyOne Corp and Clariant Colour in 2020. It is a US-based global manufacturer of specialised polymer materials, which include thermoplastic compounds, specialty resins, specialty polymer formulations, engineered films, and colour and additive systems. Avient Corp acquired Fiber-Line Inc, a Roblon peer, in 2019, giving it an entry to the high-performance fiber solutions market.

Coats Group Plc: is a United Kingdom-based industrial thread company. The Company's segment includes Apparel & Footwear, and Performance Materials. It provides complementary products, services and software solutions to the apparel and footwear (A&F) industries. Coats Group Plc acquired Gotex SA, a Roblon peer, in 2016, giving it an entry to the high-performance fiber solutions market.

Toray Industries, Inc: is a Japan-based global leader in advanced materials. The company operates across a wide range of sectors, including fibers & textiles, plastics & chemicals, and life sciences. Toray Industries includes a fiber business, where the company serves a range of industries with strength-based aramid fibers and carbon fiber composites. Toray industries is global and diversified across industrial and chemical products, however, its production of high-performance strength-based fibers enables some comparison to Roblon.