

Closing share Price (16/08/2022)

**EUR 6.96**

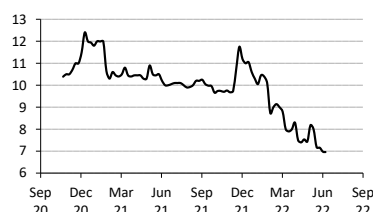
Target valuation range

**EUR 11.00 - 15.50**

Risk	Medium
Reuters	CABKA-AMS
Bloomberg	CABKA NA
Shares number (m)	24.37
Market cap. (m)	170
Net debt 12/21 (m)	54
Net debt/EBITDA 12/21	2.00
1 year price perf.	-30.1%
Diff. with Euro Stoxx	-19.2%
Volume (sh./day)	4,399
H/L 1 year	11.75 - 6.88
Free Float	42.7%
RAM.ON Finance	45.8%
Sponsors	5.6%
Eikenbosch	4.3%
Key Employees	1.6%

### Company description

Cabka produces pallets and large containers made from mainly recycled plastic using proprietary technology. It also manufactures eco products for gardening and transportation, made entirely out of recycled plastic.



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## Cabka

### H1 affected by delay in passing on cost increases

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#### Press Release

Wednesday 17 August 2022, 7:30 CET

#### Webcast

Wednesday 17 August 2022, 10:30 CET, [link](#)

### Healthy revenue growth still lagging cost increases

- **Healthy revenue growth.** Cabka reported healthy 27% revenue growth to EUR 62.7m for H1-22, driven by volume growth and price increases (15% yoy). All product segments showed healthy growth, except for Eco Products due to a temporary shutdown. The United States RTP products showed the highest growth (50%)
- **Margin pressure as price hikes are lagging cost increases.** As price increases lagged rising input costs, the gross margin declined from 52.4% to 46.3%, while EBITDA declined 11% to EUR 13m. Management has implemented a new price increase per 1 August 2022, which should bring prices in line with costs. H1-22 was also affected by a EUR 0.8m negative impact of the restructuring of the the Eco business.
- **Costs to remain volatile.** Management indicates that energy markets remain volatile, and that margins will continue to be impacted in the short-term until prices stabilize. All new contracts include an indexed pricing adjustment, to make them less sensitive to the volatile markets. Management reiterates its mid-term guidance, with the note that "relative EBITDA margin is subject to inflationary developments".

### Our view: Taking the right measures to limit impact of cost volatility

The impact of the delay in passing on cost inflation is larger than we had anticipated, but the situation should clearly improve from H2-22 on. Customers seem to be accepting the price increases easily and despite them Cabka's competitive position is improving as the main competing product (wooden pallets) is seeing higher cost increases due to the much stronger rise in lumber prices. The high organic volume growth also confirms the good market prospects for Cabka's products.

EUR	12/18	12/19	12/20	12/21	12/22e	12/23e	12/24e
<b>Sales</b>	156.9	160.6	134.6	170.6	192.1	210.2	226.5
<b>EBITDA</b>	23.8	24.8	19.0	27.0	31.6	38.6	45.5
<b>Adj. profit</b>	2.7	1.2	-3.4	4.2	6.6	11.4	16.0
<b>EPS</b>	0.00	0.00	0.00	0.00	0.33	0.47	0.66
<b>FCF/share</b>	-	-	-	-	-0.07	0.24	0.41
<b>EV/EBITDA</b>	-	-	2.8	2.0	5.7	4.7	3.8
<b>Adj. P/E</b>	-	-	nm	nm	21.0	14.9	10.6
<b>FCF Yield</b>	-	-	-	-	-0.9%	3.4%	5.9%
<b>Div. Yield</b>	-	-	0.0%	0.0%	2.2%	2.2%	3.1%

Source: Cabka/Degroef Petercam estimates

We believe that Cabka is taking the right measures to make sure that margins recover, and that the company becomes less sensitive to cost increases. Apart from adapting the terms for new contracts, it is implementing 10% cost savings and shifting the use of its own production facilities towards higher added value (customized) products while using tollers as much as possible for more standardized products. The restart of the Eco products production should also support results as from H2-22.

We will review our estimates and expect to cut our gross margin expectations for the near term. The mid-term impact should be limited as the measures taken by management should allow Cabka to fully offset the cost increases over time.

### Target valuation EUR 11-15.5 p/s based on DCF and peers

We have a target valuation range of EUR 11-15.5 p/s for Cabka, based on DCF and peer group valuation. We will adjust this range in line with the changes in our estimates. We see the following drivers for an increase in its share price:

- **Confirmation of higher revenue growth.** We expect that Cabka can realize organic revenue growth at the high end or above its high single digit target in the next few years, thanks to strong demand and rising prices. That should create operating leverage and thus allow the company to realize double-digit EPS growth as from 2023.
- **Acquisitions.** Acquisitions of complementary companies can be an effective way to accelerate Cabka's growth. They can allow the company to quickly expand its geographical coverage, while adding new products to its offering. Alternatively, they may enhance access to plastic waste, reinforcing its competitive advantage in raw material sourcing.
- **Shift to ESG investing.** Cabka is a clear frontrunner in circularity. We expect that this will attract the growing group of ESG-investors. However, we also expect non-ESG investors to increasingly value companies that are well prepared for future regulations regarding recycling and sustainability.

<b>Exhibit 1</b>	<b>H1 results</b>		
<i>m euros</i>	<b>H1-21</b>	<b>H1-22</b>	<b>Chg yoy</b>
Sales	80.7	102.2	+27%
Gross Margin	42.3	47.3	+12%
EBITDA	14.7	13.1	-11%
EBIT	4.8	3.7	-23%
Net Profit	1.7	-1.9	N.M.
Gross margin	52.4%	46.3%	
EBITDA-margin	18.2%	12.8%	
EBIT-margin	5.9%	3.6%	
Source: Degroof Petercam estimates			

<b>Profit &amp; Loss (EUR m)</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
<b>Revenues</b>	<b>162.6</b>	<b>169.7</b>	<b>138.8</b>	<b>177.5</b>	<b>198.3</b>	<b>216.6</b>	<b>233.1</b>
(of which Sales)	156.9	160.6	134.6	170.6	192.1	210.2	226.5
(Y/Y - %)	13%	2%	-16%	27%	13%	9%	8%
(of which Other revenues)	5.7	9.1	4.2	6.9	6.2	6.4	6.6
Cost of goods sold	-81.0	-85.5	-64.5	-89.7	-103.5	-111.6	-118.0
Gross profit	81.6	84.2	74.3	87.8	94.8	105.0	115.1
Personnel costs	-33.0	-34.4	-31.1	-32.4	-35.0	-38.7	-40.8
Other costs	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>23.8</b>	<b>24.8</b>	<b>19.0</b>	<b>27.0</b>	<b>31.6</b>	<b>38.6</b>	<b>45.5</b>
EBITA	8.2	7.0	0.7	10.3	11.7	18.0	24.3
(Ebita margin - %)	5.3%	4.4%	0.6%	6.0%	6.1%	8.6%	10.7%
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	-	-	-	-	-	-	-
EBIT	8.2	7.0	0.7	10.3	11.7	18.0	24.3
Net Financial Result	-2.2	-3.6	-2.3	-2.0	-1.4	-1.4	-1.4
(of which Net interest charges)	-2.2	-3.6	-2.3	-2.0	-1.4	-1.4	-1.4
(of which Other)	-	-	-	-	-	-	-
Pre-tax result	6.0	3.5	-1.6	8.3	10.3	16.7	22.9
Taxes	-3.2	-2.2	-1.6	-3.1	-3.4	-5.0	-6.5
Associates	-	-	-	-	-	-	-
Minorities	-0.1	0.0	-0.2	-0.3	-0.3	-0.3	-0.4
Net earnings excl. exceptionals	-	-	-	-	-	-	-
Except. / Discort. operations	0.0	0.0	0.0	-0.8	-5.0	0.0	0.0
Net declared earnings	2.7	1.2	-3.4	4.2	1.6	11.4	16.0
<b>Net adjusted earnings</b>	<b>2.7</b>	<b>1.2</b>	<b>-3.4</b>	<b>4.2</b>	<b>6.6</b>	<b>11.4</b>	<b>16.0</b>
<b>Cash Flow (EUR m)</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
EBIT	8.2	7.0	0.7	10.3	11.7	18.0	24.3
Depreciation	15.6	17.8	18.2	16.7	19.9	20.5	21.3
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	-	-	-	-	-	-	-
Changes in provision	0.1	1.1	0.4	2.3	0.0	0.0	0.0
Changes in working capital	-1.4	-2.6	0.2	-6.0	-5.8	-3.2	-2.7
Others	-1.2	0.0	0.7	0.0	0.0	0.0	0.0
<b>Operational Cash Flow</b>	<b>21.4</b>	<b>23.4</b>	<b>20.4</b>	<b>23.3</b>	<b>25.7</b>	<b>35.3</b>	<b>42.8</b>
Tax expenses	-1.5	-1.1	-2.6	-3.9	-3.4	-5.0	-6.5
Dividends from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest charges	-1.4	-3.1	-2.1	-2.0	-1.4	-1.4	-1.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>18.5</b>	<b>19.1</b>	<b>15.6</b>	<b>17.4</b>	<b>21.0</b>	<b>29.0</b>	<b>34.9</b>
CAPEX	-26.0	-13.9	-12.4	-16.5	-19.2	-20.0	-21.5
Investments in intangibles	-0.3	-0.6	-0.1	-0.4	-0.3	-0.3	-0.3
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Divestments	0.2	0.3	4.1	1.1	0.0	0.0	0.0
Others	0.5	0.0	0.0	0.0	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>-25.6</b>	<b>-14.1</b>	<b>-8.5</b>	<b>-15.8</b>	<b>-19.5</b>	<b>-20.3</b>	<b>-21.8</b>
Dividend payment	0.0	0.0	0.0	0.0	0.0	-3.7	-3.7
Minor. & pref. dividends	0.0	0.0	-0.2	-0.3	-0.3	-0.3	-0.4
Equity financing	0.0	0.0	0.0	0.0	45.0	0.0	0.0
Others	0.1	0.1	0.0	0.0	-2.9	-3.0	-3.1
<b>CF from financing activities</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.3</b>	<b>41.8</b>	<b>-7.0</b>	<b>-7.2</b>
Changes in consolidation scope	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate impact	-0.4	-0.2	0.8	0.0	0.0	0.0	0.0
<b>Net debt/cash change</b>	<b>7.5</b>	<b>-4.9</b>	<b>-7.8</b>	<b>-1.3</b>	<b>-43.2</b>	<b>-1.8</b>	<b>-5.9</b>
FCF to Enterprise	-4.9	8.9	7.8	6.4	3.3	12.1	17.9
FCF to Equity	-7.8	4.7	3.1	0.5	-1.4	5.8	10.0

**Notes** Source: company statements, 'e' indicates Degroof Petercam estimates

Balance Sheet (EUR m)	12/18	12/19	12/20	12/21	12/22e	12/23e	12/24e
<b>Fixed assets</b>	<b>79.6</b>	<b>76.1</b>	<b>65.5</b>	<b>66.0</b>	<b>77.0</b>	<b>79.7</b>	<b>83.4</b>
Tangible fixed assets	76.9	73.9	64.3	65.3	67.5	69.9	73.3
Goodwill	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Other intang. assets	2.6	2.0	1.0	0.5	0.9	1.2	1.5
Financial fixed assets	0.1	0.1	0.1	0.1	8.6	8.6	8.6
Other fixed assets	-	-	-	-	-	-	-
<b>Current assets</b>	<b>57.3</b>	<b>73.6</b>	<b>58.6</b>	<b>75.5</b>	<b>110.8</b>	<b>119.9</b>	<b>133.6</b>
Inventories	25.8	30.3	25.2	31.1	33.6	36.8	39.6
Trade receivables	21.5	20.1	20.5	27.1	29.8	31.5	34.0
Other current assets	3.3	3.8	3.8	7.3	5.6	6.1	6.6
Cash & Equivalents	6.8	19.5	9.2	10.0	41.7	45.5	53.4
Discontinued assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>136.9</b>	<b>149.7</b>	<b>124.1</b>	<b>141.5</b>	<b>187.8</b>	<b>199.7</b>	<b>217.0</b>
<b>Total Equity</b>	<b>36.9</b>	<b>38.3</b>	<b>33.8</b>	<b>38.6</b>	<b>90.1</b>	<b>97.8</b>	<b>110.1</b>
Equity	35.9	37.3	33.4	38.5	89.9	96.6	107.9
Minorities & preferred	1.0	0.9	0.4	0.1	0.2	1.2	2.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions	-	-	-	-	-	-	-
Deferred taxes	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-
Other LT liabilities	6.6	7.7	7.2	8.7	8.7	8.7	8.7
LT interest bearing debt	0.0	0.0	0.0	0.0	35.0	36.0	37.0
<b>Current liabilities</b>	<b>93.4</b>	<b>103.8</b>	<b>83.1</b>	<b>94.2</b>	<b>53.9</b>	<b>57.1</b>	<b>61.2</b>
ST interest bearing debt	68.7	79.5	62.5	64.0	26.1	27.1	28.1
Accounts payables	19.9	20.8	15.2	25.4	23.1	25.2	28.3
Other ST liabilities	4.8	3.5	5.4	4.8	4.8	4.8	4.8
Discontinued liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>136.9</b>	<b>149.7</b>	<b>124.1</b>	<b>141.5</b>	<b>187.8</b>	<b>199.7</b>	<b>217.0</b>
<b>EV and CE details (EUR m)</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
<b>Market cap.</b>	-	-	<b>0.0</b>	<b>0.0</b>	<b>169.6</b>	<b>169.6</b>	<b>169.6</b>
+ Net financial debt	62.0	60.0	53.3	54.0	19.3	17.6	11.6
(of which LT debt)	0.0	0.0	0.0	0.0	35.0	36.0	37.0
(of which ST debt)	68.7	79.5	62.5	64.0	26.1	27.1	28.1
(of which Cash position)	6.8	19.5	9.2	10.0	41.7	45.5	53.4
+ Provisions (pension)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Minorities (MV)	1.0	0.9	0.4	0.1	0.2	1.2	2.2
- Peripheral assets (MV)	-0.1	-0.1	-0.1	-0.1	-8.6	-8.6	-8.6
+ Others	-	-	-	-	-	-	-
<b>Enterprise Value</b>	-	-	<b>53.6</b>	<b>54.0</b>	<b>180.6</b>	<b>179.8</b>	<b>174.9</b>
<b>Equity (group share)</b>	<b>35.9</b>	<b>37.3</b>	<b>33.4</b>	<b>38.5</b>	<b>89.9</b>	<b>96.6</b>	<b>107.9</b>
+ Net financial debt	62.0	60.0	53.3	54.0	19.3	17.6	11.6
+ Provisions (pension)	-	-	-	-	-	-	-
+ Minorities	1.0	0.9	0.4	0.1	0.2	1.2	2.2
- Peripheral assets	-0.1	-0.1	-0.1	-0.1	-8.6	-8.6	-8.6
+ Others	-	0.0	0.0	0.0	0.0	0.0	0.0
<b>Capital employed (for ROCE)</b>	<b>98.7</b>	<b>98.2</b>	<b>87.0</b>	<b>92.5</b>	<b>100.9</b>	<b>106.8</b>	<b>113.1</b>
+ Accumulated goodwill amortiz.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CE (for ROCE grossed gdwll)</b>	<b>98.7</b>	<b>98.4</b>	<b>87.1</b>	<b>92.6</b>	<b>100.9</b>	<b>106.8</b>	<b>113.1</b>

**Notes** Source: company statements, 'e' indicates Degroof Petercam estimates

Per Common Share (EUR)	12/18	12/19	12/20	12/21	12/22e	12/23e	12/24e
<b>Adjusted EPS (*)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.33</b>	<b>0.47</b>	<b>0.66</b>
Adjusted EPS (fully diluted)	-	-	-	-	-	-	-
Declared EPS	0.00	0.00	0.00	0.00	0.08	0.47	0.66
CFS	0.00	0.00	0.00	0.00	1.08	1.31	1.53
FCF (to Equity)	-	-	-	-	-0.07	0.24	0.41
Dividend	0.00	0.00	0.00	0.00	0.15	0.15	0.21
Book Value	0.00	0.00	0.00	0.00	3.69	3.96	4.43
<b>Shares (m)</b>							
At the end of F.Y.	0.000	0.000	0.000	0.000	24.375	24.375	24.375
Average number	0.000	0.000	0.000	0.000	19.824	24.375	24.375
Fully diluted Average number	0.000	0.000	0.000	0.000	28.566	28.566	28.566
(*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items							
Ratios	12/18	12/19	12/20	12/21	12/22e	12/23e	12/24e
<b>Valuation analysis</b>							
P/E	-	-	nm	nm	21.0	14.9	10.6
P/CF	-	-	nm	nm	6.4	5.3	4.6
P/BV	-	-	nm	nm	1.9	1.8	1.6
EV/Sales	-	-	0.4	0.3	0.9	0.9	0.8
EV/EBITDA	-	-	2.8	2.0	5.7	4.7	3.8
EV/EBITA	-	-	71.6	5.3	15.4	10.0	7.2
EV/EBIT	-	-	71.6	5.3	15.4	10.0	7.2
EV/CE	-	-	0.6	0.6	1.8	1.7	1.5
EV/CE (grossed goodwill)	-	-	0.6	0.6	1.8	1.7	1.5
EV/FCF (1)	-	-	6.9	8.5	54.1	14.9	9.7
FCF yield (2)	-	-	-	-	-0.9%	3.4%	5.9%
Dividend yield	-	-	0.0%	0.0%	2.2%	2.2%	3.1%
<b>Financial ratios</b>							
Interest cover	3.7	2.0	0.3	5.3	8.3	13.3	17.2
Net Debt/EBITDA	2.6	2.4	2.8	2.0	0.6	0.5	0.3
Net Debt/Equity	168.1%	156.8%	157.7%	140.1%	21.4%	17.9%	10.6%
Net Debt/FCF (2)	-7.9	12.9	17.3	109.0	-13.4	3.0	1.2
Capital turnover	1.6	1.6	1.5	1.8	1.9	2.0	2.0
ROCE pre-tax	8.3%	7.1%	0.9%	11.1%	11.6%	16.9%	21.5%
ROCE post-tax	8.3%	7.1%	0.9%	11.1%	11.6%	16.9%	21.5%
ROCE pre-tax (grossed goodwill)	8.3%	7.1%	0.9%	11.1%	11.6%	16.9%	21.5%
ROCE post-tax (grossed gdwill)	8.3%	7.1%	0.9%	11.1%	11.6%	16.9%	21.5%
ROE	7.9%	3.4%	-9.6%	11.6%	2.5%	12.2%	15.6%
Working capital (in % of sales)	17.5%	18.4%	22.6%	19.3%	21.0%	20.5%	20.0%
DSO (days)	49.5	47.3	55.0	50.9	54.0	53.2	52.8
Average payment period (days)	47.4	46.3	48.9	43.4	46.0	41.9	43.1
Inventory turn (days)	-	-	-	-	-	-	-
Payout	-	-	-	-	45.2%	33.0%	32.5%
<b>Margin analysis and tax rate</b>							
Gross margin	50.2%	49.6%	53.5%	49.5%	47.8%	48.5%	49.4%
EBITDA margin	15.2%	15.5%	14.1%	15.8%	16.4%	18.3%	20.1%
EBITA margin	5.3%	4.4%	0.6%	6.0%	6.1%	8.6%	10.7%
Adjusted profit margin	1.7%	0.8%	-2.5%	2.4%	3.4%	5.4%	7.1%
Tax rate	53.1%	63.1%	-101.7%	36.9%	32.8%	29.8%	28.5%
<b>Growth analysis</b>							
Sales	13%	2%	-16%	27%	13%	9%	8%
EBITDA	32%	4%	-24%	42%	17%	22%	18%
EBITA	101%	-15%	-89%	1272%	14%	54%	35%
Adjusted profit	+chg	-55%	-chg	+chg	58%	73%	41%
Adjusted EPS	-	-	-	-	+chg	40%	41%
Dividend	-	-	-	-	+chg	3%	39%

(1) Based on FCF to Enterprise - (2) Based on FCF to Equity

**Notes** Source: company statements, 'e' indicates Degroef Petercam estimates

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## Report completion and updates

This report was first disseminated by Degroof Petercam on 17 August 2022 08:55 CET

Valuations are continuously reviewed by the analyst and will be updated and/or refreshed regularly. The rationale behind a change in target valuation will be explained in such a refresher/update.

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This report has not been reviewed by the company prior to publication.

The report has been reviewed by Michael Roeg, Senior Equity Analyst.

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