Sanok RC

(Neutral, TP Dec'26 PLN25.2)

Santander Biuro Maklerskie

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Industrials, Poland

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Challenging organic growth

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3Q25 results review

3Q25 results - summary

- Main P&L items were roughly in line with market expectations;
- Group reported ca. PLN34mn in operating cash flow in the period under review (nearly PLN 100mn ytd), which allowed it to maintain a relatively good balance sheet structure EOP September 2025, despite the pay-out of dividend from 2024 net profit;
- We estimate that consolidated net debt (including the valuation of the earn-out option of the remaining stake in Teknikum) amounted to nearly PLN300mn EOP 3Q25, implying a net debt/LTM EBITDA ratio of ca. 2.1x;
- Operating margins were supported by lower SG&As, that stood at 15.8% of revenues, compared to approx. 17.2% in 1H25;
- From the perspective of business segments, construction and industry & agriculture stood out positively, recording satisfactory levels of revenues and operating margins; as in previous quarters, the automotive business performed poorly.

Fig. 1. Sanok RC: key quarterly results

PLNmn	3Q24	4Q24	1Q25	2Q25	3Q25	y/y	q/q	FY24	LTM	SANe	Cons.
Sales	374.7	334.2	357.4	389.4	365.9	-2%	-6%	1,446	1,447	377.9	372.3
EBITDA	37.7	28.5	28.7	43.0	40.6	8%	-6%	137	141	40.3	39.0
EBITDA margin	*10.1%*	*8.5%*	*8.0%*	*11.1%*	*11.1%*	*102.5*	*3.3*	*9.5%*	*9.7%*	*10.7%*	*10.5%*
EBIT	21.1	5.1	8.7	22.1	19.8	-6%	-11%	62	56	19.3	18.0
EBIT margin	*5.6%*	*1.5%*	*2.4%*	*5.7%*	*5.4%*	*-23.6*	*-27.0*	*4.3%*	*3.8%*	*5.1%*	*4.8%*
Net profit	21.3	2.5	7.2	13.4	11.1	-48%	-17%	51	34	12.4	11.8
Net margin	*5.7%*	*0.7%*	*2.0%*	*3.4%*	*3.0%*	*-264.2*	*-41.5*	*3.5%*	*2.4%*	*3.3%*	*3.2%*
OCF	45.6	37.2	32.5	33.0	34.3	-25%	4%	125	137	37.0	
Net debt	267	301	236	225	247	-7%	10%	301	247	242	
Net debt / LTM EBITDA	1.9	2.2	1.7	1.6	1.8	-0.2	0.1	2.2	1.8	1.7	
SG&A	59.8	69.0	62.9	65.3	57.7	-3%	-12%	242.3	254.9	64.2	
% revenues	15.9%	20.6%	17.6%	16.8%	15.8%	*-0.2*	*-1.0*	16.8%	17.6%	17.0%	
Revenues split by segment											
Automotive	176.9	152.2	168.5	172.0	157.4	-11%	-9%	715	650	153	
Construction	56.6	48.1	42.0	48.7	56.6	0%	16%	198	195	63	
Agriculture and industry	104.3	99.4	107.1	125.6	107.1	3%	-15%	374	439	111	
Rubber mixtures	79.6	64.0	75.1	73.9	77.4	-3%	5%	289	290	86	

Source: Company data, Santander Brokerage Poland estimates

Comment: We interpret the reported set of 3Q25 results neutrally, in line with our expectations. However, we would like to emphasize that the business environment in July-September 2025 period remained challenging due to persistently historically low industrial activity and the level of investment, and, perhaps most importantly, structural changes in the functioning of the European automotive industry. In the short term, we do not see any reasons for a significant change in this situation, which seems to be in line with the group's market diagnosis. In this context, FY26E, and especially 1H26E, may bring a continuation of challenges, we believe. However, we expect that throughout the year, the Sanok RC Group could manage to deliver y/y increase of the results (excluding the potential effect of acquisitions) thanks to the expected recovery of economic activity in Europe. However, this will not be an easy task. For this reason, we consider our current model assumptions to be optimistic.

Fig. 2. Sanok RC: 3Q25 results split by business segment

	Automotive industry	Construction	Agriculture and industry	Mixtures	Other	Total
Total revenues	**157.4**	**56.6**	**107.1**	**77.4**	**8.9**	**407.4**
Segment's revenues	157.4	56.6	107.1	35.9	8.9	365.9
Inter-segments revnues	0.0	0.0	0.0	41.5	0.0	41.5
Costs	**141.7**	**41.9**	**85.1**	**68.1**	**4.4**	**341.4**
Net operational result	**15.7**	**14.6**	**22.0**	**9.2**	**4.5**	**66.0**
SG&A						**-46.6**
Sales costs						0.0
Management costs						-46.6
Other sales / costs net						**0.3**
Other revenues						0.9
Other costs						-0.6
Financial revnes / costs net						**-3.1**
Financial revenues						1.9
Other financial revenues						1.6
Financial costs						-6.6
Other items						**-6.4**
Income tax						-5.9
Profit attributable to non controlling parties						-0.8
Other profit or loss						0.3
Net profit / loss on continuing operations						**10.3**

Source: Company data, Santander Brokerage Poland estimates

Group's comments on current market trends

On the occasion of the publication of its financial statements for 9M25, Sanok RC presented its perception of current market trends. The main points are presented below:

- Company indicated that the group is characterized by consistent high cash generation, and current activities are aimed at maintaining such a state in place; however, cash turnover ratios are already demanding;
- Sanok RC's investment policy should remain balanced and responsible; FY25 capex is expected to be in the range of PLN70-80mn, and FY26E one may amount to ca. PLN80mn, due to a slight postponement of some projects (including devulcanization) initially awaited to be delivered in 2025;
- From a business segments perspective, the compounding and construction businesses performed particularly well in July-September 2025;
- Teknikum Group is undergoing operational restructuring in order to monetize synergies related to the acquisition;
- Sanok Rubber Company is working on two acquisition targets and expects to finalize the acquisition processes in 1H26 (the total EV of both entities may near approximately EUR30mn);
- 4Q25E results may be under pressure due to challenging market trends, especially in the automotive business; Sanok RC also highlighted the increasingly challenging situation of the company in the construction segment;
- Group's goal is to reduce net debt (excluding the effect of potential acquisitions) to around 1.5x of the LTM EBITDA, which is already considered comfortable from a balance sheet perspective;
- In the context of 2026, the group intends to continue diversifying its business towards new products and sectors other than automotive; the greatest hopes for higher growth dynamics are associated with M&A projects, as organic growth is very challenging at this point; 2026 may be challenging, especially in the automotive segment, however, Sanok RC may benefit from its perception as a stable business partner.

Fig. 3. Sanok RC: financial summary

PLNmn	2022	2023	2024	2025E	2026E	2027E
Revenues	1,385	1,446	1,446	1,498	1,594	1,701
EBITDA	119	150	141	143	167	192
EBIT	57	86	65	70	93	117
Net profit	57	74	53	46	63	83
P/E (x)	6.5	7.2	10.9	12.1	8.8	6.7
EV/EBITDA (x)	4.3	4.0	6.3	5.8	4.8	4.0
FCF Yld	4.5%	7.0%	1.6%	6.5%	1.6%	6.8%
DY	0.0%	5.8%	5.2%	7.2%	4.1%	5.7%

Source: Company data, Santander Brokerage Poland estimates

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The comparative valuation method is based on the economic rule of "one price". Some advantages of the comparative valuation method are that the analyst need only estimate a small number of parameters; the valuation is based on current market conditions; the relatively large accessibility of indicators for companies being compared; and that there is an extensive knowledge of the comparative method among investors. Some disadvantages of valuation by the comparative method are the considerable sensitivity of the results of the valuation on the choice of companies to the comparative group; the method can lead to a simplification of the picture of the company which in turn can lead to omitting certain important factors (e.g. growth dynamics, extra-operational assets, corporate governance, the repeatability of results, differences in applied accounting standards); and the uncertainty of the effectiveness of a market valuation of companies being compared.
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The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
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