ATB RO: H1 2026 Results | NEUTRAL

* **ATB RO: H1 2026 operating profitability was broadly on budget despite the revenue miss, but a materially weaker financial result drove a sizeable shortfall at pre-tax and net-profit level.** Net turnover declined 10.4% Y/Y to RON 299.1m, c.3.3% below the H1 budget, broadly confirming the preliminary KPI indication. Domestic revenue fell 21% Y/Y to RON 154.2m, while international sales increased 5% to RON 144.9m, or 10% in USD terms. The weakness was concentrated in products manufactured at partner sites, where revenue declined 35.5% Y/Y to RON 49.4m, while revenue from products manufactured at ATB's own sites was more resilient, down 2.7% to RON 249.1m.

* **Operating earnings held up considerably better than the top line.** Operating revenue declined 10.8% Y/Y to RON 330.2m, while operating expenses increased 1.5% to RON 299.4m. EBIT consequently fell 59% Y/Y to RON 30.8m, but was just c.2% below the RON 31.4m implied by the H1 budget. Adding back D&A of RON 28.7m gives H1 EBITDA of c.RON 59.5m, down c.41% Y/Y but broadly in line with the c.RON 60.0m implied by the budget. The final numbers are therefore somewhat better than the preliminary KPI release suggested: the EBIT margin was 10.3%, versus the preliminary 9.9% indication and broadly in line with the c.10.2% H1 budget.

* **The larger disappointment sits below EBIT.** The financial loss widened to RON 10.45m from RON 6.85m in H1 2025 and was materially worse than the c.RON 1.88m loss implied by the H1 budget. FX was the main drag, with net exchange-rate losses of RON 7.65m, while net interest expense reached RON 2.80m. As a result, pre-tax profit fell 70% Y/Y to RON 20.35m, c.31% below the RON 29.55m H1 budget. Income-tax expense amounted to RON 4.86m, including RON 3.58m of deferred tax, leaving net profit at RON 15.49m, down 74% Y/Y from RON 59.12m. The BVC does not disclose a clean H1 net-profit target, so I would not manufacture a budget variance at this level; however, H1 net profit represents c.25% of the RON 61.3m FY 2026 budget, leaving RON 45.8m to be delivered in H2.

* **Cash conversion and leverage remain the more concerning elements of the release.** Operating cash flow was negative RON 20.6m, as inventories and receivables absorbed more than RON 112m of working capital, while investment cash outflows reached RON 94.0m. Total bank debt increased by c.50% from December to RON 349.9m, while cash declined to RON 3.1m. More importantly, total bank debt/EBITDA reached 4.25x, above the 3.5x limit embedded in the financing agreements; the company explicitly states that the breach resulted in the reclassification of RON 113.1m of long-term debt as current. Debt/equity remained within the contractual limit at 0.38x and the current ratio stood at 2.08x, but the deterioration in cash generation and leverage leaves considerably less financial headroom as the investment programme accelerates.

Our view: H1 operating performance was broadly on budget, with EBITDA and EBIT within c.1-2% of plan despite a c.3% revenue shortfall. The much weaker bottom line was driven primarily by FX losses rather than a deterioration in underlying operating performance, while operating cash flow, although still negative, improved Y/Y. The main concern is leverage, with bank debt/EBITDA rising to 4.25x, above the 3.5x contractual threshold. The budgeted FY 2026 EBITDA and EBIT of RON 134.4m (+8.4% Y/Y) and RON 77.4m (+8.9% Y/Y), respectively, therefore still look broadly attainable, although the higher debt burden and FX sensitivity leave less room for execution slippage below EBIT | **NEUTRAL**.

* Antibiotice will host its H1 2026 financial results conference call on **August 20, 2026**. **at 11:00 a.m. Romania time**. Participation is available by prior registration at **relatiicuinvestorii@antibiotice.ro** by **19 August 2026 at 2:00 p.m. Romania time**.