

# Reconstruction Capital II Ltd

("RC2" or the "Fund")

## Quarterly Report



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## Policolor Group



### Background

RC2 has a 40.0% shareholding in Policolor, the parent company of the Policolor Group (“Policolor” or the “Group”), which operates along the following business lines: coatings, resins and specialty chemicals. The Romanian company Policolor SA and its 100%-owned Bulgarian subsidiary Orgachim AD produce and sell coatings, primarily in Romania and Bulgaria. The Group also includes Orgachim Resins, a producer of resins, and Ruse Chemicals, a producer of anhydrides, both being located in Bulgaria.

### Group Financial results and operations

| (EUR '000)                                 | 2022A*        | 2023A*        | 2024B         | 9M 2023       | 9M 2024       | 9M 2024B      |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Group Consolidated Income statement</b> |               |               |               |               |               |               |
| Sales revenues                             | 85,593        | 71,205        | 77,710        | 58,681        | 55,393        | 62,194        |
| sales growth year-on-year                  | 7.8%          | -16.8%        | -9.2%         | -16.3%        | -5.6%         | 6.0%          |
| Other operating revenues                   | -             | 226           | -             | 107           | 106           | -             |
| <b>Total operating revenues</b>            | <b>85,593</b> | <b>71,431</b> | <b>77,710</b> | <b>58,788</b> | <b>55,499</b> | <b>62,194</b> |
| Gross margin                               | 20,531        | 21,660        | 25,695        | 18,036        | 18,091        | 21,295        |
| Gross margin %                             | 24.0%         | 30.4%         | 33.1%         | 30.7%         | 32.7%         | 34.2%         |
| Other operating expenses                   | (20,483)      | (19,794)      | (22,518)      | (15,921)      | (15,896)      | (17,346)      |
| <b>Operating profit</b>                    | <b>48</b>     | <b>1,500</b>  | <b>3,177</b>  | <b>2,115</b>  | <b>2,195</b>  | <b>3,949</b>  |
| Operating margin                           | 0.1%          | 2.6%          | 4.1%          | 3.6%          | 4.0%          | 6.3%          |
| <b>EBITDA</b>                              | <b>2,810</b>  | <b>4,282</b>  | <b>6,350</b>  | <b>4,232</b>  | <b>4,241</b>  | <b>6,192</b>  |
| EBITDA margin                              | 3.3%          | 5.3%          | 8.2%          | 7.2%          | 7.7%          | 10.0%         |
| Nonrecurring items / Extraordinary Items   | -             | -             | -             | 705           | 397           | -             |
| Financial Profit/(Loss)                    | (383)         | (1,426)       | (1,484)       | (849)         | (719)         | (1,092)       |
| <b>Profit before tax</b>                   | <b>(335)</b>  | <b>823</b>    | <b>1,693</b>  | <b>1,971</b>  | <b>1,873</b>  | <b>2,858</b>  |
| Income tax                                 | (183)         | (251)         | -             | -             | 168           | -             |
| <b>Profit after tax</b>                    | <b>(518)</b>  | <b>572</b>    | <b>1,693</b>  | <b>1,971</b>  | <b>2,041</b>  | <b>2,858</b>  |
| avg exchange rate (RON/EUR)                | 4.91          | 4.97          | 4.97          | 4.97          | 4.97          | 4.97          |

Note: \* IFRS audited, \*\* IFRS unaudited

During the first nine months of 2024, the Policolor Group recorded sales of € 55.4m, 5.6% below the previous year and 10.9% below budget.

The Coatings division achieved sales of € 38.9m, 6.0% below the € 41.3m registered in 2023 and 10.3% below budget, generating a gross margin of € 15.5m, which was a 4.0% improvement on the prior year's € 14.9m, but 8.3% below the budgeted € 17.0m. In percentage terms, the gross margin reached 40.0% over the first nine months of the year, which is 3.8 percentage points above the same period of 2023, and 0.9 percentage points above budget.

Including inter-company sales, the Resins division generated turnover of € 16.6m, compared to a budgeted € 19.0m and € 19.6m the same period of the prior year. The division achieved a gross margin of 18.9%, 1.1 percentage points lower than the 20.0% achieved in same period in 2023, and well below the budget target of 23.6%, due to weaker demand across Europe and higher than expected input costs.

Over the first nine months of 2024, the anhydrides division generated sales of € 3.9m (50% above the same period of the prior year), of which € 2.5m to third parties. The plant has only worked for two months so far in 2024, due to ongoing difficulties in sourcing higher quantities of orthoxylene due to the disruption in supplies from the war in Ukraine, and the plant's reliance on a neighbouring power plant for steam, which is necessary for its production process, and which the neighbouring plant has stopped supplying from May to September. The division is in the process of obtaining construction authorization for an in-house steam generator, which would end its reliance on the neighbouring plant

The total Group consolidated gross margin was 32.7% over the first nine months of 2024, 2 percentage points higher than the same period of 2023, but below the budget target of 34.2%. The underperformance versus budget was entirely generated by the resins and anhydrides divisions.

The consolidated EBITDA of € 4.2m generated over the period is similar to the prior year's nine month result, but 31.5% below budget, mainly due to the underperformance of the resins and anhydrides divisions.

On the other hand, the net profit was slightly higher at € 2.0m, also helped by a € 0.4m non-recurring profit generated by the sale of a non-core asset and the increase of a deferred tax asset which generated a further positive effect of € 0.17m.

## Telecredit

### Background

Telecredit IFN S.A. (“Telecredit” or the “Company”) is a Romanian Non-Banking Financial Institution (“IFN”) whose main activity is providing factoring, discounting, and microloans to small and medium-sized companies (“SMEs”). RC2 owns an 85% shareholding, with the balance of 15% being owned by the Company’s CEO, Elisa Rusu.



### Financial Results and operations

| (EUR '000)  | 2022*        | 2023A**        | 2024B          | 9M 2023      | 9M 2024      | 9M 2024B     |
|---|--------------|----------------|----------------|--------------|--------------|--------------|
| <b>Income Statement</b>   |              |                |                |              |              |              |
| Interest revenues from SMEs lending, of which:                    | 1,625        | 1,973          | 2,513          | 1,354        | 2,471        | 1,705        |
| Factoring and Discounting   | 1,606        | 1,889          | 2,266          | 1,301        | 2,399        | 1,554        |
| Microloans  | 19           | 84             | 247            | 54           | 72           | 151          |
| <b>Total operating expenses:</b>                                  | <b>(999)</b> | <b>(1,078)</b> | <b>(1,357)</b> | <b>(782)</b> | <b>(818)</b> | <b>(920)</b> |
| Provisions, of which:   | 27           | (37)           | (196)          | (78)         | (35)         | (146)        |
| Pay day lending   | 32           | 62             | -              | 35           | 11           | -            |
| SMEs lending  | (5)          | (99)           | (196)          | (113)        | (46)         | (146)        |
| Other Operating expenses  | (1,027)      | (1,042)        | (1,160)        | (705)        | (783)        | (775)        |
| <b>Operating profit before depreciation and interest expenses</b> | <b>626</b>   | <b>895</b>     | <b>1,156</b>   | <b>572</b>   | <b>1,653</b> | <b>785</b>   |
| Depreciation  | (97)         | (109)          | (108)          | (80)         | (82)         | (81)         |
| <b>Operating profit before interest expenses (EBIT)</b>           | <b>529</b>   | <b>786</b>     | <b>1,049</b>   | <b>492</b>   | <b>1,571</b> | <b>704</b>   |
| <b>EBIT margin, %</b>   | <b>32.6%</b> | <b>39.8%</b>   | <b>41.7%</b>   | <b>36.3%</b> | <b>63.6%</b> | <b>41.3%</b> |
| <b>Profit after tax</b>   | <b>174</b>   | <b>356</b>     | <b>549</b>     | <b>210</b>   | <b>973</b>   | <b>379</b>   |
| <b>net margin %</b>   | <b>10.7%</b> | <b>18.0%</b>   | <b>21.8%</b>   | <b>15.5%</b> | <b>39.4%</b> | <b>22.2%</b> |
| <b>Avg exchange rate (RON/EUR)</b>                                | <b>4.92</b>  | <b>4.97</b>    | <b>4.97</b>    | <b>4.93</b>  | <b>4.97</b>  | <b>4.97</b>  |

Note: \* RAS audited, \*\* IFRS audited

Telecredit achieved total interest revenues of € 2.5m over the first nine months of 2024, a 82.5% increase compared to the same period in 2023 and 45% above budget. Revenue growth was driven by a steady increase in the value of the financing book, which reached € 8.3m at the end of September 2024 (net of provisions), 30% higher than at the end of 2023.

The non-performing loan (NPL) rate (defined as the balance of receivables accelerated or over 90 days overdue or accelerated, divided by the gross book value of the portfolio) was 4.3% at the end of September, slightly up from 4.2% at the end of June.

Due to the growth in the loan book and the low provisioning rate, the net profit increased over fourfold, reaching € 0.97m over the first nine months, compared to € 0.21m over the same period last year.

At the end of the first semester, net debt amounted to € 5.7m, slightly lower than the € 6.0m reported at the end of June, whilst shareholder funds increased by 22% to € 2.3m.

As announced on 19 September, RC2 has agreed to sell its entire 85% shareholding in the Company to PragmaGO, a leading non-bank provider of SME financing in Poland, for an initial consideration of €5.5 million payable at closing, plus an earn-out payment of between €0.212m and €0.425 million to be paid in 2026 if the 2025 net profit (adjusted to strip out various effects resulting from the change of ownership) exceeds €0.72m. A General Meeting of RC2 held on 14<sup>th</sup> October has approved the transaction, and completion is conditional on a number of factors, including, non-exhaustively, approval of the transaction by Romania’s Commission for Examining Foreign Direct Investment, by certain of Telecredit’s lenders, and no objection to the transaction from the National Bank of Romania. It is expected that completion will take place sometime before the end of the year.

## Mamaia Resort Hotels



### Background

Mamaia Resort Hotels SRL (the “Company”) is the owner and operator of the ZENITH – Conference & Spa Hotel (the “Hotel”) in Mamaia, Romania’s premium seaside resort next to the city of Constanta. RC2 owns 63% of the Company, with the remaining 37% being owned by a Romanian private individual.

### Financial results and operations

| (EUR '000)                          | 2022A*     | 2023A*       | 2024B      | 9M 2023      | 9M 2024    | 9M 2024B   |
|-------------------------------------|------------|--------------|------------|--------------|------------|------------|
| Total Operating Revenues, of which: | 3,932      | 2,916        | 3,314      | 2,648        | 3,063      | 2,828      |
| Accommodation revenues              | 2,433      | 1,545        | 1,778      | 1,413        | 1,575      | 1,570      |
| Food & beverage revenues            | 1,347      | 1,282        | 1,423      | 1,099        | 1,364      | 1,145      |
| Other operating revenues            | 152        | 89           | 113        | 137          | 124        | 113        |
| Total Operating Expenses            | (3,394)    | (3,379)      | (3,076)    | (2,753)      | (2,900)    | (2,462)    |
| <b>Operating Profit</b>             | <b>538</b> | <b>(463)</b> | <b>238</b> | <b>(105)</b> | <b>163</b> | <b>366</b> |
| Operating margin, %                 | 13.7%      | -15.9%       | 7.2%       | -4.0%        | 5.3%       | 12.9%      |
| <b>EBITDA</b>                       | <b>657</b> | <b>(358)</b> | <b>392</b> | <b>(12)</b>  | <b>265</b> | <b>470</b> |
| EBITDA margin, %                    | 16.7%      | -10.1%       | 11.8%      | -0.5%        | 8.7%       | 16.6%      |
| <b>Profit after Tax</b>             | <b>370</b> | <b>(678)</b> | <b>87</b>  | <b>(252)</b> | <b>10</b>  | <b>233</b> |
| Net margin, %                       | 9.4%       | -23.2%       | 2.6%       | -9.5%        | 0.3%       | 8.2%       |
| <b>Operational KPIs</b>             |            |              |            |              |            |            |
| Occupancy rates                     | 49%        | 27%          | 36%        | 33%          | 41%        | 39%        |
| Average net tariff per room (EUR)   | 51.2       | 58.4         | 59.0       | 59.4         | 60.5       | 63.4       |
| avg exchange rate (RON/EUR)         | 4.92       | 4.97         | 4.97       | 4.94         | 4.98       | 4.97       |

Note: \* RAS, audited

The Hotel generated total operating revenues of € 3.1m over the first nine months of 2024, 8.3% above budget and 15.6% better than the same period last year. The occupancy rate was 41%, 8 percentage points above the same period last year and 2 percentage points above budget.

Operating revenues were boosted by a strong performance from the Food and Beverage department, where revenues grew by 24.1% compared to the same period of the prior year, and were 19.1% above budget. This in turn was supported by an increase in the number of group events hosted by the hotel. Accommodation revenues were also

significantly higher, growing by 11.5% year-on-year and exceeding the budget by 0.3%.

On the other hand, total operating expenses were 5.3% above the prior year and 17.8% above budget, mainly due to higher personnel costs.

The EBITDA generated over the first nine months of the year was € 0.27m, a significant improvement over the € -12,000 loss generated during the same period of 2023, but 43.6% below budget, mainly due to higher-than-budgeted salary expenses.

The Company’s net debt fell slightly from € 2.1m at the end of December to € 1.9m at the end of September.

As announced on 12 November 2024, the Company has entered into an agreement to rent out the Hotel, to Paradis Vacante de Vis SRL, a tour and hotel operator specialised in the Romanian seaside, for ten years at an annual rent of € 556,000 per annum. The handover of the Hotel to the new tenant is due to take place by the end of November.

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