Rektron Group Inc. - Leading Global Trader with a Strong Growth Outlook

Rektron Group Inc. - Initiating Coverage with a BUY Recommendation and a $6.00 Target Price

We are initiating coverage of Rektron Group Inc. with a **BUY** recommendation and a target price of $6.00 per share. Companies operating in the commodity trading, banking, and brokerage industries are valued at approximately 11.5x their projected 2026 EBITDA. To derive our $6.00 target price, we applied an 11.5x EBITDA multiple to our F2026 forecasts.

Solid growth fundamentals will lead to strong revenue and earnings growth through F2026

Rektron Group Inc. is a leading global trader of metals and energy commodities, including recycled metals and EURO VI-compliant fuels. With operations in 10 countries, the company excels in logistics, risk management, and clean energy initiatives. Planned expansions into renewables and mining, industrial and recycled assets position Rektron for strong revenue and earnings growth over our forecast period.

Rektron Group Inc. employs a distinctly risk-averse and conservative approach in its risk management practices, focusing on minimizing exposure to price and currency risks in commodity trading. The company mitigates market volatility by utilizing futures and derivatives through trusted brokerage partners, a strategy not all industry participants can access due to stringent credit requirements. This approach is reinforced by a specialized trading team dedicated to precise risk oversight. In addressing currency risks, Rektron hedges exposures by engaging in currency futures and derivatives trading, given that commodity pricing is predominantly in US dollars while operational expenses and buyer preferences may involve local currencies. These structured measures reflect Rektron's commitment to operational efficiency and financial resilience, underscoring its conservative philosophy and prudent business approach. By maintaining robust risk management strategies, Rektron ensures greater financial predictability and stability, safeguarding its operations in a volatile market environment.

We forecast strong growth through 2026, with revenue increasing from $2.8 billion in 2025 to $3.1 billion in 2026, driven by expanded metals and energy trading. Gross profit is projected to rise from $40.1 million to $44.8 million, maintaining a 1.4% margin. EBITDA is forecasted to grow from $27.7 million to $32.9 million, reflecting operational efficiencies. Earnings per share are set to increase from $0.21 in F2025 to $0.29 in F2026.

Our forecasts do not account for acquisitions that will enhance core trading activities and strengthen the balance sheet with non-current assets. This improved financial position should enhance the company's standing with banks and financial institutions, potentially increasing access to working capital facilities. Notably, on February 5, 2025, Rektron announced a non-binding term sheet to acquire a 68% stake in R.K. Batra Group (Batra), a prominent India-based LPG company. This strategic move aims to leverage Batra's market presence in India and further diversify Rektron's portfolio.

RATING & TARGET PRICE

Rating	BUY
Price	3.75
Price Target	6.00
Market Cap ($M)	229.50
Projected Return	60.0%

MARKET DATA

REK.U-CSE	3.75
Average Daily Volume	15.10
52 Week Range	$4.35 - $1.25
Shares Out. (MM)	61.2

All numbers are in USD

ANALYST INFORMATION

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Detailed Investment Thesis

Rektron is driving growth by expanding its non-ferrous metals trading, with a strong pipeline of trades already established in Europe and Asia. The company is strategically focused on high-demand metals like aluminum, copper, lead, and zinc. The company's recent September 2024 IPO provided a cash infusion, which it plans to use as collateral for working capital. This will unlock new trading opportunities. Benefiting from enhanced financial strength, established industry relationships, and a market driven by growing demand, Rektron is well-positioned to boost trading volume and expand its presence in key industrial sectors.

Rektron is experiencing robust growth in its two primary markets: non-ferrous metals and energy commodities. The global non-ferrous metals market is projected to reach $1,746.9 billion by 2033, with a CAGR of 4.2% from 2024 to 2033, driven by increasing demand in industries like automotive, aerospace, construction, and electronics. This growth is fueled by technological advancements and a shift towards sustainable materials. In the energy sector, the commodity trading industry is undergoing significant transformations due to environmental regulations and a global shift towards cleaner energy sources. According to the International Energy Agency's Oil Market Report for February 2025, global oil demand growth is expected to average 1.1 million barrels per day in 2025, up from 870,000 barrels per day in 2024. Despite this growth in traditional fuels, the industry is diversifying into alternative and cleaner energy sources, aligning with broader sustainability trends.

Rektron is aggressively expanding its energy trading, prioritizing crude oil and establishing a strong presence in the Balkans. With global registrations for crude oil supply, Rektron is positioned as a key international player. They are innovating by offering sales based on receivables, through credit insurance partnerships. This unique approach, offering extended credit terms, has generated significant buyer interest and provides a competitive advantage. Rektron's crude oil pipeline is geographically diverse, primarily sourced from the Middle East and South America, supplying Asian customers. Simultaneously, Rektron is building a robust network in the Balkans, extending to the Mediterranean and Central Asia, focusing on fuel and liquified petroleum gas (LPG). Their goal is to establish consistent trading in these products, meeting the rising Balkan demand and diversifying their energy portfolio.

DL Hudson's growth strategy centers on sustainable metals trading and asset expansion, featuring an integrated recycling supply chain. Management's goal is to partner with capital-constrained recyclers, purchasing scrap, managing processing, and buying back recycled metals, acting as both buyer and seller. Strong demand, exceeding current supply, highlights scalability. Recycled metals' discounted pricing compared to London Metal Exchange (LME) registered metal enhances profitability. DL Hudson is also pursuing controlling stakes in recycling facilities to boost core trading activity.

Rektron is actively pursuing strategic acquisitions to enhance its core trading operations and strengthen its balance sheet. By acquiring non-current assets, Rektron aims to improve its financial position and solidify relationships with banks and financial institutions. The company recently announced (February 5, 2025) a non-binding term sheet to acquire a 68% stake in R.K. Batra Group (Batra), a leading India-based LPG company. Established in 1981, Batra has a dominant presence across India and Nepal, with a fleet of over 950 LPG road tankers, two bottling plants, and an LPG cylinder manufacturing plant approved for the U.S. market. If closed, this acquisition will significantly expand Rektron's LPG capabilities and bolster its energy infrastructure assets. Rektron plans to double Batra's bottling and manufacturing capacity, develop LPG terminals along India's western and eastern ports, and directly import LPG to meet growing demand. The acquisition, structured as a share swap or a combination of share swap and cash, is expected to close by March 31, 2025, subject to due diligence, definitive agreements, and regulatory approvals.

Company Overview

Rektron functions as a holding company, with DL Hudson Ltd. serving as its principal trading entity. This structure effectively manages shareholder interests and streamlines global trading operations. Headquartered in London, DL Hudson prioritizes sustainable growth through responsible trading practices, client value, and strong relationships with suppliers and customers. The company has two main divisions: Metals and Oil.

Metals Division: This division specializes in the trading of non-ferrous products, including aluminum, copper, lead, nickel, and zinc, as well as recycled metals such as recycled copper, aluminum, lead, and nickel. It also engages in the trade of primary and recycled ferrous products. Furthermore, the company maintains a diverse bulk product portfolio, including concentrates and manganese. The value addition is realized through entering long-term bulk contracts with producers, strategically enabling the division to procure at competitive pricing and subsequently supply end users and other customers on a "just-in-time" basis, optimizing inventory management and reducing logistical risks. Trading activities are centralized in London, bolstered by local teams that provide efficient and timely access to global markets. Strong established market positions, particularly in Asia and Europe, present significant growth opportunities, driven by sustained industrial demand and favorable market dynamics, as reflected in management commentary and recent financial performance metrics.

Oil Division: Rektron Group Inc.'s Oil Division is strategically positioned in niche markets, focusing on Euro VI-compliant fuels, crude oil, LPG, and petrochemicals. The company is proactively expanding into biofuels, renewable natural gas, and liquefied natural gas (LNG) to capitalize on the global shift towards cleaner energy solutions. This strategic move not only enhances competitiveness and revenue stability but also leverages regulatory changes favoring sustainable energy sources. Furthermore, Rektron places significant emphasis on fostering strong relationships with state-owned entities, combining pricing advantages with logistical efficiencies to cater to their specific needs. By leveraging these relationships, the company is poised to enter the LPG and LNG markets effectively, further solidifying its presence in the energy sector. This approach aligns with Rektron's broader strategy of diversifying its energy portfolio while maintaining a strong operational footprint across multiple markets.

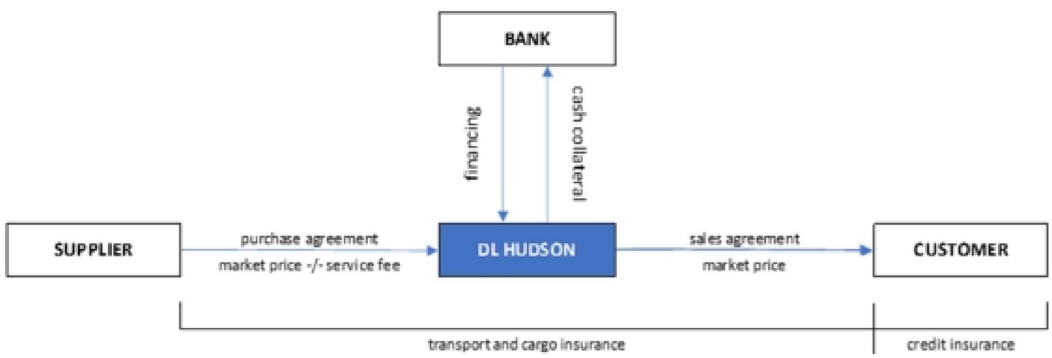
Business Model

DL Hudson generates income from the margin or spreads on the underlying commodities it trades and its business model centers on efficiently connecting commodity buyers and sellers while managing risk and ensuring profitability. Traders identify and secure both supply and demand for a transaction concurrently, adhering to the company's risk policy.

Commodity pricing is based on benchmarks from major exchanges like the London Metal Exchange and publications like Platts. Suppliers quote prices using these benchmarks, adjusted by premiums or discounts, and defined by Incoterms. DL Hudson adds a margin (or service fee) to the supplier's quote, incorporating transport, hedging, or financing costs as needed. For example, if DL Hudson manages logistics, transport costs per metric ton or barrel are included in the final price.

The following diagram illustrates this business model, outlining the operational steps and profit generation.

Figure 1: Rektron Group Inc. - Business Model



Source: Company documents

Before executing a trade, traders prepare a detailed proposal outlining all critical transaction details, including supplier and buyer information, product specifications, pricing structures, logistics costs, delivery schedules, and projected margins. The proposal undergoes approval from the CEO, CIO, and CFO. Once approved, the operations team collaborates with counterparties' back offices to draft purchase and sales contracts, which are subsequently reviewed by DL Hudson’s legal team and approved by management. Contracts adhere strictly to Incoterms 2020, clearly defining risk transfer responsibilities.

Following contract finalization, the supplier issues an invoice, which DL Hudson submits to banking partners to secure financing under established working capital facilities. These facilities enable banks to finance up to 100% of the purchase value through cash or Letters of Credit, secured by the underlying materials. Occasionally, banks may request 10-20% cash collateral from DL Hudson.

Risk management is integral to DL Hudson’s trading operations. The company maintains comprehensive transport and cargo insurance policies, with banks designated as loss payees. Customer receivables are insured against credit risk to protect against potential non-payment. The CFO, in coordination with the CEO and trading team, regularly reviews these credit insurance policies each quarter to confirm adequate coverage. Additionally, DL Hudson’s back office verifies credit limits with insurers prior to trade approvals.

The back-office team plays an essential role in supporting seamless trade execution. Responsibilities include drafting and managing contracts, managing invoices, negotiating Letters of Credit with financial institutions, coordinating logistics and shipping (in collaboration with agents or ground personnel), and overseeing payment collections, all while ensuring compliance with regulatory standards.

Working Capital: DL Hudson maintains a strategic advantage through its efficient working capital management, enabling it to execute trades and offer favorable terms to both suppliers and buyers. As of January 31, 2025, the company held $437.5 million in uncommitted working capital finance lines, representing a pool of potential funding from a network of established banks and financial institutions.

These lines operate under pre-negotiated framework agreements, providing DL Hudson with flexibility. While the terms are set, lenders assess each transaction individually, ensuring prudent risk management. This structure is akin to a high-limit, pre-approved credit card: funds are readily available, but usage is discretionary and subject to lender approval.

Crucially, these facilities are 'self-liquidating.' This means the financing used to purchase commodities is directly repaid upon receipt of payment from the buyer. As of January 31, 2025, DL Hudson had $54.9 million of these lines actively utilized, reflected as 'Current Liabilities' on the balance sheet.

DL Hudson strategically deploys these working capital lines across its metals and energy trading activities, tailoring their application to the specific needs of each transaction. Here is a detailed look:

- **Letter of Credit (LOC) Lines (Energy Trading):** In energy trading, DL Hudson utilizes a 'back-to-back' Letter of Credit system. When DL Hudson purchases energy from Supplier A and sells it to Buyer B, Buyer B often issues a documentary LOC, guaranteeing payment upon receipt of shipping documents. DL Hudson then uses this LOC to secure its own LOC from its bank, paying Supplier A. This process mitigates risk through documentary LOCs, requiring proof of goods meeting specifications, a crucial factor in ensuring quality and preventing disputes in energy trades.

- **Transactional Lines (Creditworthy Buyers):** For sales to large, creditworthy companies, DL Hudson utilizes transactional lines. Here, the financier assumes the buyer's credit risk directly. This allows DL Hudson to obtain an LOC for its supplier, guaranteeing payment based on the buyer's financial strength, not DL Hudson's own. This strategy enables DL Hudson to secure favorable supplier terms without tying up its own capital.

- **Bill of Lading Financing (Metals Trading):** In metals trading, DL Hudson employs bill of lading financing. Upon paying a supplier when metals are loaded onto a ship, DL Hudson receives a 'bill of lading,' a document confirming ownership and shipment details. DL Hudson then secures financing against this document, covering the period between supplier payment and buyer payment, which can span 15-60 days. This financing ensures smooth cash flow during the shipping period.

- **Receivables Financing (Extended Credit for Metals Buyers):** DL Hudson extends credit terms up to 90 days to select metals buyers. To facilitate this, DL Hudson secures credit insurance on the buyer's payment ability. This insurance allows DL Hudson to borrow against outstanding invoices (receivables), receiving immediate cash instead of waiting for buyer payments.

- **Warrant Purchase Financing (LME Metals Trading):** For metals traded on the LME, DL Hudson uses warrant purchase financing. LME metals are represented by 'warrants,' ownership certificates. DL Hudson finances the purchase of these warrants, as well as transportation and storage costs, until the final buyer's payment. The financier holds title to the metal as security until the transaction is completed.

Logistics Solutions: Streamlining Global Commodity Flows: DL Hudson provides comprehensive logistics solutions, managing sea and land transport, storage, and dispatch through strategic partnerships with third-party providers. While outsourcing physical operations, DL Hudson's operations team maintains rigorous oversight, ensuring precise process execution and documentation to minimize costly errors. These solutions extend beyond coordination to include financing, offering clients a comprehensive, end-to-end service. By collaborating with reputable industry partners, DL Hudson enhances service quality and mitigates operational risks. While air transport is currently not offered, DL Hudson's integrated logistics framework significantly strengthens supply chains and improves operational efficiency. This approach enhances margins and reinforces DL Hudson's competitive edge in the global commodities trading market.

Risk Management: Safeguarding Against Market Volatility: DL Hudson prioritizes robust risk management to mitigate price, and currency risks inherent in commodity trading. Commodities are subject to frequent price fluctuations due to their exchange-traded nature, such as metals on the London Metal Exchange and energy products on the Intercontinental Exchange, as well as reliance on daily pricing mechanisms like Platts.

To address price risk, DL Hudson utilizes margin lines with brokers, enabling the execution of futures and derivatives. This capability, supported by a specialized trading team, provides a significant competitive advantage in large-scale physical trades.

Currency risk management is equally critical, as commodity prices are primarily denominated in US Dollars. DL Hudson hedges currency exposure for both suppliers and buyers using currency futures and derivatives through its brokerage lines. This protects suppliers with local currency operating costs and accommodates buyers requiring transactions in their domestic currencies.

This comprehensive risk management approach safeguards DL Hudson's financial stability, facilitates larger trade execution, and enhances its ability to navigate market volatility. These capabilities contribute to improved trading margins and a stronger competitive position in the global commodities market.

Global Network: A Strategic Advantage in Commodity Trading: Rektron operates in 10 countries and its extensive global network is a key competitive differentiator in international commodity trading. Strategically positioned traders across major global hubs cultivate strong relationships with suppliers and customers, generating valuable market insights and identifying new trading opportunities.

To further expand its deal flow, DL Hudson collaborates with commission-based independent agents. The company's successful registration with industry leaders like Petroineos, Aramco (2222-SE), and BP (BP-NYSE) demonstrates its established capabilities and creates significant barriers to entry for competitors.

DL Hudson maintains a robust local presence in key strategic locations worldwide, enabling efficient operational oversight, including pre-purchase inspections, loading supervision, and customs management. This network spans critical ports and trading hubs across the Americas, Europe, the Middle East, Africa, and Asia.

This comprehensive global infrastructure, combining relationship-driven trading, strategic partnerships, and a strong local operational presence, positions DL Hudson for success in the international commodity trading landscape. It enhances the company's ability to capitalize on market opportunities, effectively manage risks, and deliver value across diverse global regions.

Industry Overview

Metals Markets: The global non-ferrous metals market is experiencing substantial growth, projected to reach $1,746.9 billion by 2033 (Source IMARC Group), with a compound annual growth rate (CAGR) of 4.2% from 2024 to 2033. This growth is driven by increasing demand across various industries, including automotive, aerospace, construction, and electronics, fueled by technological advancements and the shift towards sustainable materials. The versatility and critical roles of non-ferrous metals in these sectors underscore their importance in modern manufacturing.

DL Hudson has strategically positioned itself as a key player in this dynamic market, focusing on the trade of a diverse range of non-ferrous metals, including aluminum, copper, lead, nickel, and zinc. This diversified portfolio mitigates risks associated with price fluctuations in individual metals. Each metal plays a critical role in various sectors: aluminum in aerospace and packaging, copper in electrical applications, lead in batteries, nickel in stainless steel production, and zinc in galvanization. This strategic diversification allows DL Hudson to capitalize on the growth potential across multiple industries.

DL Hudson places a significant emphasis on the growing recycled metals market, particularly recycled copper, aluminum, lead, and nickel. This aligns with the global recycled metal market's projected growth, reaching $5.0 billion by 2034, with a CAGR of 6% from 2025 to 2034 (Source: Precedence Research) The prominence of the recycling sector is driven by increasing environmental concerns and the demand for sustainable resource management. Recycled metals offer significant environmental benefits, reducing mining impact and requiring less energy for processing compared to primary metals. This focus on sustainability positions DL Hudson well in an industry increasingly prioritizing environmental stewardship.

DL Hudson's product portfolio extends beyond non-ferrous metals to include primary and recycled ferrous products, as well as bulk products like concentrates and manganese. This comprehensive offering allows the company to serve a broad range of industrial needs and capitalize on diverse market segments. The inclusion of ferrous products, primarily iron and steel, expands DL Hudson's market reach, as these materials are fundamental to construction, infrastructure, and manufacturing globally. By catering to both ferrous and non-ferrous markets, DL Hudson enhances its competitive position and ability to meet varied customer demands.

DL Hudson has strategically established a strong presence in Asia and Europe, two key regions driving the global metals trade. Asia, led by China, is the world's largest consumer and producer of many non-ferrous metals. The Asia Pacific region dominated the global recycled metal market with a 67% share in 2024 and is projected to maintain its leading position. This positions DL Hudson to capitalize on the growing demand in emerging Asian economies, fueled by rapid industrialization and urbanization. The company's presence in Asia allows it to leverage the region's vast market potential and contribute to the growth of sustainable metal recycling practices.

Europe, meanwhile, leads in sustainability initiatives and circular economy practices. The European Union's focus on increased recycling rates and reduced industrial carbon emissions aligns with DL Hudson's emphasis on recycled metals. This favorable regulatory environment creates significant opportunities for companies like DL Hudson that prioritize sustainable metal sourcing and trading. By aligning its business strategy with these environmental goals, DL Hudson can benefit from Europe's commitment to sustainable practices and further enhance its market position.

Energy Markets: The commodity trading industry, particularly in the energy sector, is undergoing significant transformations driven by environmental regulations and the global shift towards cleaner energy sources. According to the International Energy Agency's Oil Market Report for February 2025, global oil demand growth is projected to average 1.1 million barrels per day in 2025, up from 870,000 barrels per day in 2024. Despite this growth in traditional fossil fuels, the industry is increasingly diversifying into alternative and cleaner fuel sources, reflecting a broader trend towards sustainability.

A report by Expert Market Research indicates that the diesel fuel market, a key component of Euro VI-compliant fuels, is projected to reach $330.1 billion by 2034, growing at a compound annual growth rate (CAGR) of 3.9% between 2025 and 2034. This growth is primarily driven by the expansion of the construction and e-commerce sectors, as well as the increased adoption of diesel engines in personal vehicles. Simultaneously, IMARC Group's analysis shows that the global liquefied petroleum gas (LPG) market is forecast to grow from $144.8 billion in 2024 to $197.3 billion by 2033, exhibiting a CAGR of 3.3%. Additionally, the petrochemicals market is expanding, with projected growth from $681.1 billion in 2025 to $1,045.2 billion by 2033, at a CAGR of 5.5% (Source: Straits Research). These trends highlight the ongoing relevance of traditional energy sources alongside emerging alternatives.

In response to environmental concerns and regulatory pressures, the industry is witnessing a significant shift towards cleaner energy alternatives. According to The Business Research Company, the biofuels market is expected to grow from $188.9 billion in 2025 to $258.1 billion in 2029, with a CAGR of 8.1%. This growth is driven by increasing demand for environmentally friendly fuels in road transportation and efforts to reduce greenhouse gas emissions. The renewable natural gas market is also gaining traction, forecast to grow at a CAGR of 30% from $20.3 billion in 2024 to $165.4 billion by 2032 (Source: Global Information Inc.). These emerging sectors are transforming the energy landscape and creating new opportunities for commodity traders.

The commodity trading industry is at a pivotal point, balancing traditional fuel markets with rapidly growing alternative energy sectors. A McKinsey report highlights that traders are adapting their strategies to capitalize on these market shifts. Many are expanding into niche markets and leveraging their expertise to provide specialized services. Some traders are developing "trading as a service" offerings, providing full-service solutions to clients without the need for internal trading capabilities. This approach is particularly attractive to industrial players and governments looking to participate more actively in commodity markets while managing energy transition and national security agendas. As the industry evolves, traders must navigate these complex dynamics to remain competitive and drive growth.

Key Management:

Swapnil Mokashi – Chairman & Director: Mr. Mokashi brings a wealth of experience in finance, sales, marketing, and management to Rektron Group. His career spans diverse industries and geographies, demonstrating a proven track record of success. Most recently, Mr. Mokashi served as President of Commodities Trading Group (CTG) in Singapore (2017-2018), where he oversaw subsidiary functions, spearheaded new business strategies, and cultivated key relationships with financial institutions. Prior to that, he served as Director at CTG Hong Kong Ltd (2010-2017), leading operations and business development in the Hong Kong market. Before his international experience, Mr. Mokashi held key positions in Mumbai, India, at Renewable International LTD, Religare Ltd, and K & A Securities Ltd. Notably, he played a pivotal role in facilitating over $1 billion in deals within the renewable energy sector. Mr. Mokashi's educational background includes a PGDM (Post Graduate Diploma in Management) from the prestigious Indian Institute of Technology (IIT) Mumbai.

Atanas Kolarov – CEO: Mr. Kolarov is a seasoned leader with over forty years of experience in the oil sector, bringing a wealth of strategic insight and operational expertise to Rektron. His career highlights include successful partnerships with Fortune 500 companies, spearheading the modernization of production platforms in the Caspian Sea, and establishing key operations in Jebel Ali, United Arab Emirates. In the United States, Mr. Kolarov founded and led a company specializing in crude oil processing and distribution in the Southeast region, achieving significant operational success. As the founder and CEO of a major holding company in the Balkan region, Mr. Kolarov spearheaded the acquisition and operation of a refinery, along with the processing, distribution, and trading of petroleum products. This marked a significant milestone as the first privately held refinery on the eastern seaboard of the Black Sea.

Jigar Desai – Interim CFO: Mr. Desai is a highly accomplished finance professional with over 19 years of experience in the financial sector. He is a Fellow of the Association of Chartered Certified Accountants (ACCA) in the UK, demonstrating his expertise and commitment to professional standards. Since gaining his practicing membership with ACCA in 2010, Mr. Desai has held a prominent leadership role at Goldwyns, a leading accounting firm headquartered in London.

Financial Forecast:

Figure 2: Rektron Group Inc. - Financial Forecast through 2026

In $000	2023	2024	2025E	2026E
Revenue	$2,027,529	$2,542,386	$2,822,504	$3,140,302
Gross profit	$23,597	$30,531	$40,131	$44,779
Gross margin	1.2%	1.2%	1.4%	1.4%
EBITDA	$14,902	$19,684	$27,715	$32,942
Net Income	$13,264	$13,013	$11,692	$16,509
EPS f.d.	$0.18	$0.17	$0.19	$0.26

Source: Company documents and Research Capital

Valuation & Recommendation:

We are initiating coverage of Rektron Group Inc. with a **BUY** recommendation and a target price of $6.00 per share. Companies in the commodity trading, banking, and brokerage industries are valued at approximately 11.5x their projected 2026 EBITDA. To derive our $6.00 target price, we applied an 11.5x EBITDA multiple to our F2026 forecasts.

Appendix 1: Detailed Financial Forecast

Figure 3: Rektron Group Inc. - Income Statement ($000s)

July 31	F2023	%	F2024	%	F2025E	%	F2026E	%
Revenue	**2,027,529**	**100**	**2,542,386**	**100**	**2,822,504**	**100**	**3,140,302**	**100**
Cost of goods sold	2,003,932	99	2,511,855	99	2,782,373	99	3,095,523	99
Gross Profit	**23,597**	**1.2**	**30,531**	**1.2**	**40,131**	**1.4**	**44,779**	**1.4**
Personnel	4,468	0	4,564	0	3,592	0	3,733	0
Sales & marketing expenses	19	0	26	0	82	0	105	0
Professional fees	2,305	0	3,020	0	5,950	0	4,918	0
Office rent & utilities	1,069	0	2,207	0	1,648	0	1,869	0
Other G&A	834	0	1,030	0	1,145	0	1,212	0
Other	0	0	0	0	0	0	0	0
EBITDA	**14,902**	**1**	**19,684**	**1**	**27,715**	**1**	**32,942**	**1**
Depreciation & amortization	2,046	0	1,750	0	52	0	52	0
EBIT	**12,856**	**1**	**17,934**	**0.7**	**27,663**	**1**	**32,890**	**1**
Interest income	5,951	0	3,358	0	0	0	0	0
Interest expense	5,342	0	7,384	0	15,697	1	14,546	0
Other income	0	0	0	0	1,025	0	0	0
Earnings before taxes	**13,465**	**1**	**13,908**	**1**	**12,991**	**0**	**18,343**	**1**
Current taxes	201	1	895	0	1,299	0	1,834	0
Future Taxes	0	0	0	0	0	0	0	0
Taxes	201	0	895	0	1,299	0	1,834	0
Net Income	**13,264**	**1**	**13,013**	**1**	**11,692**	**0**	**16,509**	**1**
Non controlling interest	**259**		**201**		**78**		**330**	
Net Income	**13,523**		**13,214**		**11,770**		**16,839**	
EPS Basic	$0.18		$0.17		$0.19		$0.27	
EPS f.d.	$0.18		$0.17		$0.19		$0.26	

Source: Company reports, Research Capital

Figure 4: Rektron Group Inc. - Balance Sheet ($000s)

July 31	F2023		F2024		F2025E		F2026E	
Assets								
Cash	9,783	4	7,679	3	5,535	2	6,905	2
Accounts receivable	201,931	81	241,351	84	317,532	97	353,284	97
Inventories	0	0	3,275	1	3,275	1	3,275	1
Other	0	0	0	0	1,117	0	1,117	0
Total Current Assets	**211,714**	**85**	**252,305**	**88**	**327,458**	**100**	**364,581**	**100**
Gross prop., plant & equip.	42,969	17	42,979	15	321	0	321	0
Less: accum. depreciation	5,514	2	7,264	3	129	0	181	0
Net property, plant & equip.	37,455	15	35,715	12	192	0	140	0
Other assets	0	0	0	0	0	0	0	0
Total Assets	**249,169**	**100**	**288,020**	**100**	**327,650**	**100**	**364,721**	**100**
Liabilities								
Demand loan and bank debt	36,591	15	43,789	15	51,041	16	56,788	16
Accounts payable	101,605	41	118,516	41	131,574	40	146,388	40
Other	694	0	2,409	1	5,456	2	5,456	1
Taxes payable	306	0	910	0	910	0	910	0
Total Current Liabilities	**139,196**	**56**	**165,624**	**58**	**188,981**	**58**	**209,542**	**57**
LTD	1,933	1	1,537	1	1,306	0	1,306	0
Other	0	0	0	0	0	0	0	0
Total Liabilities	**141,129**	**57**	**167,161**	**58**	**190,287**	**58**	**210,848**	**58**
Shareholders Equity								
Common stock & paid-in cap.	148	0	4,844	2	9,657	3	9,657	3
Share premium	20,719	8	20,719	7	20,719	6	20,719	6
Other reserves	46,495	19	41,604	14	41,604	13	41,604	11
Retained earnings	34,268	14	47,482	16	59,174	18	75,682	21
Total Shareholder's Equity	**108,040**	**43**	**120,859**	**42**	**137,364**	**42**	**153,872**	**42**
Non-controlling interest	6,410		6,210		**6,210**		**6,210**	
Total Liab. & Shareholders Eq.	**249,169**	**100**	**288,020**	**100**	**327,650**	**100**	**364,721**	**100**

Source: Company documents & Research Capital

Figure 5: Rektron Group Inc. - Statement of Cash Flows ($000s)

July 31	F2023	F2024	F2025E	F2026E
Operating Activities				
Operating Profit	12,856	17,934	11,692	16,509
Depreciation	2,046	1,750	66	52
Net finance costs	0	0	15,697	14,546
Other	0	0	0	0
Cash Flow from ops. before NCWC	**14,701**	**18,789**	**27,455**	**31,107**
Net change in working capital	(19,656)	(16,265)	(61,959)	(20,938)
Cash Flow from operations	**(4,955)**	**2,524**	**(34,504)**	**10,169**
Investing Activities				
Purchase of capital assets	0	(10)	0	0
Business acquisition (disposal)	0	0	36,537	0
Other	0	0	0	0
Total	**0**	**(10)**	**36,537**	**0**
Financing Activities				
Inc. (dec.) in debt	1,933	(396)	7,021	5,747
Issue of common shares	0	0	4,499	0
Financing costs	(5,235)	(7,384)	(15,697)	(14,546)
Financing income	5,951	3,358	0	0
Total	**2,649**	**(4,422)**	**(4,177)**	**(8,799)**
FX	242	(196)	0	0
Inc. (dec.) in cash position	(2,064)	(2,104)	(2,144)	1,370
Effect of FX	0	0	0	0
Cash position, beg. of year	11,847	9,783	7,679	5,535
Cash position, YE (bank indebt.)	**9,783**	**7,679**	**5,535**	**6,905**

Source: Company documents & Research Capital

Company Description:

Rektron, a holding company, uses DL Hudson Ltd. as its primary trading arm, managing global operations from London. DL Hudson focuses on sustainable growth through responsible trading in its Metals and Oil divisions. The Metals division trades diverse ferrous and non-ferrous metals, including recycled materials, with a strong presence in Asia and Europe. The Oil division handles fuels, crude oil, and petrochemicals, and is expanding into biofuels and LNG to meet evolving energy demands and regulatory shifts.

Risks:

Volatility of Commodity Prices: Changes in global macroeconomic conditions, such as trade tariffs, market volatility, supply chain constraints, and price competition, can significantly influence commodity prices. This volatility may lead to market access constraints, supply shortages, reduced utilization, and demand imbalances. To mitigate these risks, the Issuer uses financial derivatives to hedge its positions.

Fluctuations in Currency Exchange Rates: Rektron operates globally, with suppliers and customers across multiple countries and currencies. Fluctuations in exchange rates, particularly between the Euro, Sterling, and Dollar, can have a material impact on financial results. While most transactions are executed in dollars, any remaining exposure is hedged using appropriate instruments.

Government or Regulatory Policy: The industry is subject to government regulations and policies, which can impact the Issuer's ability to transact. Management closely monitors these developments to adapt strategies as needed.

Competition: The global oil and metals industry is highly competitive, with risks including increased costs, infrastructure strain, and volatile margins. This competition could adversely affect the Issuer's business and financial condition.

Access to Capital and Liquidity: Access to sufficient capital and liquidity is crucial for operations and growth. Failure to meet greenhouse gas emissions targets could impact the Issuer's reputation and ability to attract capital. Maintaining diverse financing options helps mitigate liquidity risks.

Credit Risk: The Issuer is exposed to credit risks from customers, although most are considered creditworthy or provide security. Economic downturns could affect customer creditworthiness, potentially impacting earnings and cash flows. Credit insurance is used to mitigate this risk.

Margin Risk: Losses from managing risks using options can reduce liquidity, emphasizing the importance of daily cash flow management to meet repayment obligations.

Infrastructure, Transport, and Counterparties: Despite careful planning, risks remain related to infrastructure availability and transport disruptions. Counterparty risks are also assessed before transactions.

Financial Institutions: The business relies on trade finance and working capital solutions. Unavailability of these could negatively impact operations. Insurance coverage is also critical, although there is a risk of inadequate coverage or non-performance by insurers.

Tax Law Environment: Operating in multiple countries exposes the Issuer to risks from changes in tax regimes, which could adversely affect the business.

Legal: Entering numerous contracts with suppliers and customers carries legal risks, including potential arbitration and adverse effects.

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