

10 November 2021

## Corp

**Ticker** RNO:MAIN

**Industrial Engineering**

Shares in issue (m) 214.3

Next results FY Jun

**Price** 31.0p

Target price 46.0p

Upside 48%

**Market cap** £66.4m

Net debt/(cash) £13.9m

Other EV adjustments £100.3m

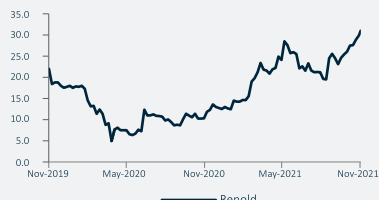
Enterprise value £180.6m

**What's changed?** From To

Adjusted EPS - 3.3

Target price - 46.0

### Share price performance



%	1M	3M	12M
Actual	19.0	55.0	193.8

### Company description

Chain and transmission equipment

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## RENOLD\*

### Interims – uptick in FY guidance – resumption of coverage

Interim results illustrate a strong ongoing recovery in revenues and order books. The group is also experiencing the previously flagged effects of supply chain challenges with rising input prices and lengthening lead times. Action has occurred to mitigate this margin pressure. The group is trading well despite headwinds to achieve a further increase in FY market guidance. The shares are lowly rated despite recent share price outperformance, remaining on a single digit P/E and well below the peer average P/E of 18x, with our 46p PT targeting a P/E of 12.6x offering significant upside.

- **Interim results.** Half-year revenues to 30 September increased 17% to £95.3m with CER growth of 22%. Adjusted EBITDA up 8% to £11.9m and adj. EBIT up 21% to £7.0m. Adjusted PBT increased 52% to £5.0m giving adjusted diluted EPS of 2.0p, up 51%. Reported profits benefitted from £1.7m US PPP loan forgiveness credit, with a £0.5m one-off dilapidation charge on closed sites, giving reported PBT of £6.2m up 121% and EPS of 2.3p up 156%.
- **Operations.** On a CER basis, chain division sales increased 26.2% to £76.6m and delivered a 64% increase in divisional profit of £9.0m, with margins increasing from 9.1% to 11.7%. TT revenue increased 4% to £20.6m, with divisional profit of £1.8m down £0.6m (largely reflecting the £0.7m non-repeat of last year's UK Govt Covid support) with margins of 8.7%. Stripping this out, profit was up slightly. Order intake in the period was £113.0m, up 55% on a CER basis. The order book increased to £72.1m, up c35% from 1H 2020 and standing at a record high.
- **Finances.** Net bank debt stood at £13.9m, a £4.5m reduction in the period, reflecting good underlying cash generation, with resumed capex and an increase in inventory associated with the current supply chain issues. The group's pension deficit stood at £100.3m, down from £102.4m at the March year-end.
- **Forecasts.** We resume coverage and forecasts with FY22 revenue growth of 16%, with raised guidance driving an increase in adjusted PBT to £9.4m and adjusted EPS of 3.2p growth of 67%. Revenue shows the benefit of both volume recovery and higher prices. In FY23, we model revenue growth of 4% and stable margins delivering 11% EPS growth.
- **Valuation.** Despite the outperformance of the shares over the last year, reflecting the pandemic recovery, the shares remain very lowly rated on a FY22 P/E of 9.6x followed by 8.7x – a substantial discount to the industrial peer group. Renold is significantly stronger than a few years ago due to fundamental management action on costs, efficiency and cash generation. We resume coverage with a 46p price target based on a FY23 EV/EBITDA of 9.0x, also being a P/E of 12.6x which appears modest versus the peer median P/E of 18.1x. This offers significant upside as recovery continues and as management signal the prospect of EPS-accretive acquisitions, which should offer further impetus.

Key estimates		2020A	2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	189.4	165.3	191.9	199.6	205.6
Adj EBITDA	£m	23.9	21.4	23.4	24.3	25.1
Adj EBIT	£m	13.4	11.2	13.6	14.5	15.3
Adj PBT	£m	8.2	6.6	9.4	10.4	11.3
Adj EPS	p	2.2	1.9	3.3	3.7	4.0
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2020A	2021A	2022E	2023E	2024E
EV/EBIT (adj)	x	13.5	16.1	13.3	12.4	11.8
P/E (adj)	x	14.2	16.1	9.4	8.5	7.8
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-1.5%	32.5%	11.5%	8.5%	10.2%
Pre-tax ROCE	%	9.0%	8.4%	10.6%	11.4%	12.0%

## Interims – uptick in FY guidance – resumption of coverage

Income statement		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	165.3	191.9	199.6	205.6
Gross profit	£m	78.7	94.9	99.9	103.3
EBITDA (adjusted)	£m	21.4	23.4	24.3	25.1
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>11.2</b>	<b>13.6</b>	<b>14.5</b>	<b>15.3</b>
Associates/other	£m	-0.1	0.0	0.0	0.0
Net interest	£m	-4.5	-4.2	-4.1	-4.0
<b>PBT (adjusted)</b>	<b>£m</b>	<b>6.6</b>	<b>9.4</b>	<b>10.4</b>	<b>11.3</b>
Total adjustments	£m	-0.7	1.1	-0.1	-0.1
PBT (stated)	£m	5.9	10.5	10.3	11.2
Tax charge	£m	-2.1	-1.9	-2.1	-2.3
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	3.8	8.6	8.2	9.0
<b>Adjusted earnings</b>	<b>£m</b>	<b>4.5</b>	<b>7.5</b>	<b>8.3</b>	<b>9.1</b>
Shares in issue (year end)	m	225.4	214.3	214.3	214.3
EPS (stated)	p	1.7	4.0	3.7	4.0
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>1.9</b>	<b>3.3</b>	<b>3.7</b>	<b>4.0</b>
<b>DPS</b>	<b>p</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Growth analysis		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	-12.7%	16.1%	4.0%	3.0%
EBITDA growth	%	-10.5%	9.3%	4.0%	3.2%
EBIT growth	%	-16.4%	21.4%	6.8%	5.4%
PBT growth	%	-19.5%	42.4%	11.0%	8.5%
EPS growth	%	-11.8%	70.6%	11.0%	8.5%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	47.6%	49.5%	50.1%	50.2%
EBITDA margin	%	12.9%	12.2%	12.2%	12.2%
EBIT margin	%	6.8%	7.1%	7.3%	7.5%
PBT margin	%	4.0%	4.9%	5.2%	5.5%
Net margin	%	2.7%	3.9%	4.2%	4.4%

Cash flow		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	21.4	23.4	24.3	25.1
Net change in working capital	£m	5.5	-2.0	-1.7	-1.3
Other operating items	£m	-0.9	-4.0	-6.5	-5.5
<b>Cash flow from op. activities</b>	<b>£m</b>	<b>26.0</b>	<b>17.4</b>	<b>16.1</b>	<b>18.3</b>
Cash interest	£m	-2.0	-2.0	-1.9	-1.8
Cash tax	£m	0.7	-1.5	-2.1	-2.3
Capex	£m	-3.1	-6.2	-6.5	-7.5
Other items	£m				
<b>Free cash flow</b>	<b>£m</b>	<b>21.6</b>	<b>7.7</b>	<b>5.6</b>	<b>6.8</b>
Acquisitions / disposals	£m	0.2	-0.3	-0.2	-0.2
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.0	-4.8	0.0	0.0
Other	£m	-3.6	-3.6	-3.6	-3.6
<b>Net change in cash flow</b>	<b>£m</b>	<b>18.2</b>	<b>-1.0</b>	<b>1.8</b>	<b>3.0</b>
Opening net cash (debt)	£m	-36.6	-18.4	-19.4	-17.6
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>-18.4</b>	<b>-19.4</b>	<b>-17.6</b>	<b>-14.6</b>

Cash flow analysis		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	121.5%	74.2%	66.3%	73.0%
Cash conv'n (FCF / EBITDA)	%	100.9%	32.8%	23.2%	27.0%
U/lying FCF (capex = depn)	£m	14.5	4.1	2.3	4.5
Cash quality (u/l FCF / adj earn)	%	322.2%	54.0%	28.1%	49.5%
Investment rate (capex / depn)	x	0.4	0.8	0.8	0.9
Interest cash cover	x	13.0	8.7	8.5	10.2
Dividend cash cover	x	n/m	n/m	n/m	n/m

Working capital analysis		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	22.1%	20.1%	20.2%	20.2%
Net working capital / sales	days	81	73	74	74
Inventory (days)	days	83	81	82	81
Receivables (days)	days	67	62	62	63
Payables (days)	days	70	70	70	70

Balance sheet		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	47.8	48.8	50.0	52.2
Goodwill & other intangibles	£m	27.8	26.2	24.6	23.0
Other non current assets	£m	31.1	28.4	25.7	23.0
Net working capital	£m	36.5	38.5	40.2	41.5
Other assets	£m	0.2	0.2	0.2	0.2
Other liabilities	£m	-29.2	-28.1	-24.5	-20.9
Gross cash & cash equivs	£m	19.9	13.9	10.7	8.7
<b>Capital employed</b>	<b>£m</b>	<b>134.1</b>	<b>127.9</b>	<b>127.0</b>	<b>127.7</b>
Gross debt	£m	37.8	32.8	27.8	22.8
Net pension liability	£m	102.4	99.5	95.3	92.1
Shareholders equity	£m	-6.1	-4.4	3.9	12.8
Minorities	£m	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>134.1</b>	<b>127.9</b>	<b>127.0</b>	<b>127.7</b>

Leverage analysis		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	n/a	n/a	442.3%	110.1%
Net debt / EBITDA	x	0.8	0.8	0.7	0.6
Liabilities / capital employed	%	104.5%	103.4%	97.0%	90.0%

Capital efficiency & intrinsic value		2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	-73.8%	-171.7%	215.9%	70.6%
RoCE (EBIT basis, pre-tax)	%	8.4%	10.6%	11.4%	12.0%
RoCE (u/lying FCF basis)	%	10.8%	3.2%	1.8%	3.5%
NAV per share	p	-2.7	-2.0	1.8	6.0
NTA per share	p	-15.0	-14.3	-9.7	-4.8

## Valuation

Figure 1: Peer group valuations (calendarised)

Company	Price	MC EV/Sales (x)		EV/EBITDA (x)		P/E (x)		Dividend Yield (%)		Share Price	
		(£m)	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2	YTD %
Avingtrans	450	144	1.2	1.1	9.7	9.2	8.5	19.1	0.9	1.0	59.0
Bodycote	850	1596	2.8	2.5	9.6	7.9	22.0	17.2	2.4	2.6	12.5
Castings	356	155	1.5	1.5	10.5	8.7	20.0	13.0	4.4	4.5	-3.8
Carclo	43	32	0.5		4.6		12.8	8.6	0.0	0.0	169.5
Hill & Smith	1824	1436	2.2	2.1	13.4	12.3	23.3	21.5	1.8	1.9	27.7
Melrose	165	7258	1.2	1.1	10.8	8.4	47.4	20.0	1.1	1.9	-7.9
Senior	152	620	1.2	1.0	13.7	9.8		44.1	0.0	0.7	65.9
Trifast	138	189	0.9	0.8	10.1	7.9	18.9	14.4	1.3	1.6	-9.2
Tsubaki	2081	116609					9.9	8.2	3.2	3.8	16.4
Weir	1838	4707	2.7	2.4	14.8	12.1	26.5	20.0	1.3	1.6	-8.9
<b>Mean</b>			<b>1.6</b>	<b>1.6</b>	<b>10.8</b>	<b>9.5</b>	<b>21.0</b>	<b>18.6</b>	<b>1.6</b>	<b>2.0</b>	<b>32.1</b>
<b>Median</b>			<b>1.2</b>	<b>1.3</b>	<b>10.5</b>	<b>8.9</b>	<b>20.0</b>	<b>18.1</b>	<b>1.3</b>	<b>1.8</b>	<b>14.4</b>

Source: FactSet Consensus

We are of the opinion that the group has some ground to regain in its rating as it re-establishes its credibility in the market. Its resilience through the pandemic was probably better than most would have anticipated. Now we look for strong operational drop-through to accelerate earnings growth through the recovery phase.

We include both net debt and also the pension deficit in the EV calculation. Removing the pension deficit would result in the group's EV/EBITDA rating for FY23 reducing from 7.8x currently to just 3.5x. Clearly, any action on the pension deficit could provide a significant boost to the performance of its share price.

Figure 2: Valuation at price target

PT @46p	2021	2022E	2023E	2024E
EV/Sales	1.3	1.1	1.1	1.1
EV/EBITDA	10.2	9.3	9.0	8.7
EV/EBITA	19.5	16.0	15.0	14.2
P/E	23.8	14.0	12.6	11.6
Yield	0.0	0.0	0.0	0.0

Source: finnCap estimates

We resume coverage with a 1-year price target of 46p based on a FY23 EV/EBITDA of 9.0x and a PE of 12.6x, which in our opinion is a modest rating compared to its more highly rated peer group above (with a median P/E of 18.1x) but also recognises the group's history, debt and pension position.

This still offers significant upside to current price levels, of around 52%, while the group's increasing financial flexibility coupled with the ambition to make earnings-accretive acquisitions should also provide further impetus to the share price in due course.

## Interim results analysis

Interim results illustrate an ongoing recovery in revenues, with the strength in trading experienced in Q4 of last year continuing through H1. Global supply chain issues, including lengthening lead times as well as increases in raw materials, transport and energy costs, are causing some margin pressure.

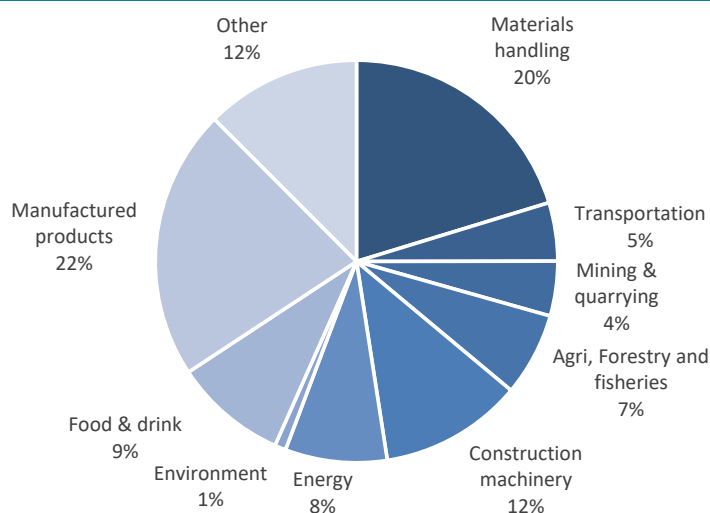
Ongoing proactive initiatives are being taken to mitigate these pressures, including increasing both prices and stock levels, although underlying pressures are expected to continue into H2.

### Results highlights

#### Six months to 30 September (£m)

- Revenue increased 16.9% to £95.3m with a strong post-pandemic recovery continuing and taking the group to 96% of pre-pandemic levels. On a constant exchange rate basis, revenue growth was 22%, with an exchange impact of £3.4m.
- Total operating costs rose 17% to £88.3m, which resulted in adjusted EBITDA increasing 8% to £11.9m, with a £14m reduction in depreciation & amortisation charge.
- Adjusted EBIT at £7.0m increased by 21%. Return on sales rose 30bps from 7.0% to 7.3%.
- Adjusted PBT at £5.0m increased 52%, helped by a reduction in interest costs. Adjusted diluted EPS rose by 85% to 2.0p.
- Reported PBT of £6.2m increased by 121% which benefitted from £1.7m of US PPP loan forgiveness, less a £0.5m dilapidation charge on closed sites. Reported EPS increased 156% to 2.3p
- Net debt at £13.9m, reduced by £4.5m in the six-month period, versus £18.4m at the March year end. This was despite a restoration of capex and inventory increases due to lengthening supply chains.
- The group pensions deficit decreased from £102.4m to £100.3m (or £77.8m net of deferred tax).

Figure 3: Interim revenue by end market – showing significant diversity in end market demand



Source: Company data

In the period OEM demand was down 1% with demand from distributors up 10% and end users down 8%.

### Order book

Order intake in the period was £113.0m, up 54.9% on a CER basis. The order book at 30 September stood at £72.1m – a record high for the group. Excluding the recent £11m long-term order for the RN, underlying order intake increased by 39.7% at CER. The increase was across the group's regions.

- Americas orders up 42.2% giving a book to bill of 104%

- Europe orders up 82.2% with a book to bill of 133%
- India orders up 20.4% with a book to bill of 99%
- China orders up 48% with a book to bill of 122%
- Australasia orders up 22.7% with a book to bill of 124%

## Divisional analysis

Figure 4: Divisional analysis (on CER basis)

Six months to 30 Sept	Revenue			EBIT			Margin	
	1H21	1H20	% Change	1H21	1H20	% Change	1H21	1H20
Chain	76.6	60.7	26.2%	9.0	5.5	64%	11.7%	9.1%
Torque Transmission	20.6	19.8	4.0%	1.8	2.4	-25%	8.7%	12.1%
HQ & Adjustments	-1.9	-2.4		-3.8	-2.4	58%		
Non-recurring items				1.2				
	<b>95.3</b>	<b>78.1</b>	<b>22.0%</b>	<b>8.2</b>	<b>5.5</b>	<b>49%</b>	<b>8.6%</b>	<b>7.0%</b>

Source: Company data

### Chain (80% of sales)

As shown above the Chain division has seen a strong recovery in post-pandemic trading, with revenues rising 26.2% to £76.6m. Revenue saw a strong recovery in most regions. Underlying divisional operating profit (before the boost from PPP loan forgiveness) saw a £3.5m increase to £9.0m at CER with a margin of 11.7%. Order intake increased by 49.8% at CER to £83.3m, with a book to bill ratio of 108.8%, up from 91.7%.

### Europe

European sales increased 41.1% driven by strong domestic markets and being the group's main production centre as well as benefiting from strong demand from the US.

### The Americas

Sales in the Americas increased by 30.9%, boosted by strong demand from US OEM demand, which was especially strong for chain destined for the forklift truck market.

### Australasia

Revenues were broadly unchanged, having seen a significant boost last year from the move to greater domestic production of manufactured goods, offsetting the Covid impact.

### India

The Indian business saw a strong recovery with sales up 64.2% despite experiencing some lockdown effects in the period.

### China

Domestic Chinese sales increased by 22.5%, with strong export demand for Europe, America and notably India driving overall sales growth of 36.9%. The new factory in Jintan continues to improve its operating performance.

### Torque Transmission (20% of sales)

TT revenues increased 4.0% to £20.6m with the main boost to revenues coming from the increased activity on the contract to supply couplings to the Royal Navy. The group also secured an £11m long-term contract with the RN for the second phase of this contract in July. Order intake increased 66%.

Divisional profits declined by £0.6m from £2.4m to £1.8m, mainly as a result of the non-recurrence of last year's £0.7m of UK government Covid support. Stripping out this item saw a small increase in underlying profit.

## Cashflow and finances

**Overall net debt reduced by £4.5m to £13.9m in the interim period, reflecting strong underlying cashflows as well as the resumption of capex spending as well as higher levels of inventory. This gives a leverage ratio of 0.6x EBITDA.**

Net operating cashflow was £10.1m, which gained from the increase in EBITDA to £13.1m. Management continue to keep a tight control on net working capital, which still managed to release cash of £0.2m despite the aforementioned increase in inventory, which rose by £6.3m. Trade creditors saw a significant increase with trade debtors increasing in line with the recovery in trading. There was a £2.4m contribution to the pension scheme. Income tax paid was £1.3m, resulting in net cash from operating activities of £8.8m.

Investing activities totalled £1.6m, up from £1.0m in the prior period, consisting of £0.8m on capex and £0.6m spent on intangibles. This remains well below pre-pandemic levels with purchases of new machinery having been affected by lengthening delivery times and thus some of the benefits from planned projects being postponed. Investment has occurred to improve heat treatment, other production capabilities and the standardised IT system – projects that should continue into H2.

The group also acquired Brooks Ltd for a total consideration of £0.7m, with £0.3m paid on completion in the half year with £0.4m deferred. The proceeds from asset disposals totalled £0.1m.

Cash financing costs dropped from £1.8m last year to £0.8m in the period, reflecting the reduction in net debt. The group also spent £1.8m acquiring shares for its EBT. Repayments on finance leases cost £1.4m, down from £1.7m previously.

### Pensions

The group's IAS19R pension deficit reduced in the period from £102.4m in March 2021 to £100.3m at the end of September. Net of the related deferred tax asset, the deficit stood at £77.8m. The reduction reflects stable UK corporate bond yields, with an increase in the CPI inflation rate resulting in an increase in the present value of future liabilities of £5.2m. Strong asset performances helped mitigate these effects resulting in the UK scheme deficit down £1.9m.

The cash costs of the scheme returned to normal levels following last year's £2.8m one-off reduction in contributions, negotiated as part of the group's pandemic cost and cash-saving initiatives. During the period, the pension contribution cash cost was £2.4m, with annual cash costs stable at circa £5.5m seen over a number of years. The future repayment of the deferred contributions will start in April 2022, at c.£0.6m pa for five years.

Income statement		2020A	2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar	Mar
<b>Sales</b>	<b>£m</b>	<b>189.4</b>	<b>165.3</b>	<b>191.9</b>	<b>199.6</b>	<b>205.6</b>
Cost of sales	£m	-94.7	-86.6	-97.0	-99.7	-102.3
<b>Gross profit</b>	<b>£m</b>	<b>94.7</b>	<b>78.7</b>	<b>94.9</b>	<b>99.9</b>	<b>103.3</b>
Operating expenses	£m	-70.8	-57.3	-71.5	-75.6	-78.2
<b>EBITDA (adjusted)</b>	<b>£m</b>	<b>23.9</b>	<b>21.4</b>	<b>23.4</b>	<b>24.3</b>	<b>25.1</b>
Depreciation	£m	-8.6	-8.3	-8.2	-8.2	-8.2
Amortisation	£m	-1.9	-1.9	-1.6	-1.6	-1.6
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>13.4</b>	<b>11.2</b>	<b>13.6</b>	<b>14.5</b>	<b>15.3</b>
Associates/other	£m	-0.2	-0.1	0.0	0.0	0.0
Net interest	£m	-5.0	-4.5	-4.2	-4.1	-4.0
<b>PBT (adjusted)</b>	<b>£m</b>	<b>8.2</b>	<b>6.6</b>	<b>9.4</b>	<b>10.4</b>	<b>11.3</b>
<i>restructuring costs</i>	<i>£m</i>	<i>-2.4</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>share based payments</i>	<i>£m</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>other adjustments</i>	<i>£m</i>	<i>-0.9</i>	<i>-0.7</i>	<i>1.1</i>	<i>-0.1</i>	<i>-0.1</i>
Total adjustments	£m	-3.3	-0.7	1.1	-0.1	-0.1
<b>PBT (stated)</b>	<b>£m</b>	<b>4.9</b>	<b>5.9</b>	<b>10.5</b>	<b>10.3</b>	<b>11.2</b>
Tax charge	£m	-1.5	-2.1	-1.9	-2.1	-2.3
<i>tax rate</i>	<i>%</i>	<i>30.6</i>	<i>35.6</i>	<i>17.9</i>	<i>20.2</i>	<i>20.2</i>
Minorities	£m	-0.1	0.0	0.0	0.0	0.0
<b>Reported earnings</b>	<b>£m</b>	<b>3.3</b>	<b>3.8</b>	<b>8.6</b>	<b>8.2</b>	<b>9.0</b>
Tax effect of adjustments / other	£m	0.0	0.0	0.0	0.0	0.0
<b>Adjusted earnings</b>	<b>£m</b>	<b>6.6</b>	<b>4.5</b>	<b>7.5</b>	<b>8.3</b>	<b>9.1</b>
<i>shares in issue (year end)</i>	<i>m</i>	<i>225.4</i>	<i>225.4</i>	<i>214.3</i>	<i>214.3</i>	<i>214.3</i>
<i>shares in issue (weighted average)</i>	<i>m</i>	<i>225.4</i>	<i>225.4</i>	<i>214.3</i>	<i>214.3</i>	<i>214.3</i>
<i>shares in issue (fully diluted)</i>	<i>m</i>	<i>233.2</i>	<i>233.2</i>	<i>228.5</i>	<i>228.5</i>	<i>228.5</i>
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>2.2</b>	<b>1.9</b>	<b>3.3</b>	<b>3.7</b>	<b>4.0</b>
EPS (stated)	p	0.8	1.7	4.0	3.7	4.0
<b>DPS</b>	<b>p</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Growth analysis (adjusted basis where applicable)						
Sales growth	%	n/m	-12.7%	16.1%	4.0%	3.0%
EBITDA growth	%	n/m	-10.5%	9.3%	4.0%	3.2%
EBIT growth	%	n/m	-16.4%	21.4%	6.8%	5.4%
PBT growth	%	n/m	-19.5%	42.4%	11.0%	8.5%
EPS growth	%	n/m	-11.8%	70.6%	11.0%	8.5%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	50.0%	47.6%	49.5%	50.1%	50.2%
EBITDA margin	%	12.6%	12.9%	12.2%	12.2%	12.2%
EBIT margin	%	7.1%	6.8%	7.1%	7.3%	7.5%
PBT margin	%	4.3%	4.0%	4.9%	5.2%	5.5%
Net margin	%	3.5%	2.7%	3.9%	4.2%	4.4%

Cash flow		2020A	2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar	Mar
EBITDA	£m	23.9	21.4	23.4	24.3	25.1
Net change in working capital	£m	-4.5	5.5	-2.0	-1.7	-1.3
Share based payments	£m	0.0	0.0	0.0	0.0	0.0
Profit/(loss) on sale of assets	£m	0.0	0.1	0.0	0.0	0.0
Net pensions charge	£m	-4.4	-2.1	-5.1	-6.4	-5.4
Change in provision	£m	0.6	0.7	0.0	0.0	0.0
Other items	£m	-3.1	0.4	1.1	-0.1	-0.1
<b>Cash flow from operating activities</b>	<b>£m</b>	<b>12.5</b>	<b>26.0</b>	<b>17.4</b>	<b>16.1</b>	<b>18.3</b>
Cash interest	£m	-2.7	-2.0	-2.0	-1.9	-1.8
Tax paid	£m	-1.6	0.7	-1.5	-2.1	-2.3
Capex	£m	-9.2	-3.1	-6.2	-6.5	-7.5
Other items	£m					
<b>Free cash flow</b>	<b>£m</b>	<b>-1.0</b>	<b>21.6</b>	<b>7.7</b>	<b>5.6</b>	<b>6.8</b>
Disposals	£m	0.0	0.2	0.0	0.0	0.0
Acquisitions	£m	-1.8	0.0	-0.3	-0.2	-0.2
Dividends on ord shares	£m	0.0	0.0	0.0	0.0	0.0
Other cashflow items	£m	-3.5	-3.6	-3.6	-3.6	-3.6
Issue of share capital	£m	0.0	0.0	-4.8	0.0	0.0
<b>Net change in cash flow</b>	<b>£m</b>	<b>-6.3</b>	<b>18.2</b>	<b>-1.0</b>	<b>1.8</b>	<b>3.0</b>
Opening net cash (debt)	£m	-30.3	-36.6	-18.4	-19.4	-17.6
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>-36.6</b>	<b>-18.4</b>	<b>-19.4</b>	<b>-17.6</b>	<b>-14.6</b>

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	52.3%	121.5%	74.2%	66.3%	73.0%
Cash conversion (free cash flow / EBITDA)	%	-4.2%	100.9%	32.8%	23.2%	27.0%
Underlying free cash flow (capex = depreciation)	£m	-2.3	14.5	4.1	2.3	4.5
Cash quality (underlying FCF / adjusted earnings)	%	-34.8%	322.2%	54.0%	28.1%	49.5%
Investment rate (capex / depn)	x	1.1	0.4	0.8	0.8	0.9
Interest cash cover	x	4.6	13.0	8.7	8.5	10.2
Dividend cash cover	x	n/a	n/m	n/m	n/m	n/m



Balance sheet		2020A	2021A	2022E	2023E	2024E
Year end:		Mar	Mar	Mar	Mar	Mar
Tangible fixed assets	£m	53.3	47.8	48.8	50.0	52.2
Goodwill	£m	24.0	21.7	20.1	18.5	16.9
Other intangibles	£m	8.0	6.1	6.1	6.1	6.1
Other non current assets	£m	31.7	31.1	28.4	25.7	23.0
<i>inventories</i>	<i>£m</i>	<i>46.1</i>	<i>37.7</i>	<i>42.7</i>	<i>44.6</i>	<i>45.8</i>
<i>trade receivables</i>	<i>£m</i>	<i>35.8</i>	<i>30.3</i>	<i>32.8</i>	<i>34.1</i>	<i>35.2</i>
<i>trade payables</i>	<i>£m</i>	<i>-37.6</i>	<i>-31.5</i>	<i>-37.0</i>	<i>-38.5</i>	<i>-39.5</i>
Net working capital	£m	44.3	36.5	38.5	40.2	41.5
Other assets	£m	1.5	0.2	0.2	0.2	0.2
Other liabilities	£m	-29.5	-29.2	-28.1	-24.5	-20.9
Gross cash & cash equivalents	£m	15.6	19.9	13.9	10.7	8.7
<b>Capital employed</b>	<b>£m</b>	<b>148.9</b>	<b>134.1</b>	<b>127.9</b>	<b>127.0</b>	<b>127.7</b>
Gross debt	£m	51.7	37.8	32.8	27.8	22.8
Net pension liability	£m	97.6	102.4	99.5	95.3	92.1
Shareholders equity	£m	-0.4	-6.1	-4.4	3.9	12.8
Minorities	£m	0.0	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>148.9</b>	<b>134.1</b>	<b>127.9</b>	<b>127.0</b>	<b>127.7</b>

Leverage analysis						
Net debt / equity	%	n/a	n/a	n/a	442.3%	110.1%
Net debt / EBITDA	x	1.5	0.8	0.8	0.7	0.6
Liabilities / capital employed	%	100.3%	104.5%	103.4%	97.0%	90.0%

Working capital analysis						
Net working capital / sales	%	23.4%	22.1%	20.1%	20.2%	20.2%
Net working capital / sales	days	85	81	73	74	74
Inventory (days)	days	89	83	81	82	81
Receivables (days)	days	69	67	62	62	63
Payables (days)	days	72	70	70	70	70

Capital efficiency & intrinsic value						
Adjusted return on equity	%	n/m	-73.8%	-171.7%	215.9%	70.6%
RoCE (EBIT basis, pre-tax)	%	9.0%	8.4%	10.6%	11.4%	12.0%
RoCE (underlying free cash flow basis)	%	-1.5%	10.8%	3.2%	1.8%	3.5%
NAV per share	p	-0.2	-2.7	-2.0	1.8	6.0
NTA per share	p	-14.4	-15.0	-14.3	-9.7	-4.8

## Interims – uptick in FY guidance – resumption of coverage

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