

16 November 2022

## Corp

**Ticker** RNO:MAIN

**Industrial Engineering**

Shares in issue (m) 207.0

Next results FY Jun

**Price** 23.3p

Target price 50.0p

Upside 115%

**Market cap** £48.2m

Net debt/(cash) £34.0m

Other EV adjustments £61.3m

Enterprise value £143.5m

**What's changed?** From To

Adjusted EPS 4.4 4.5

Target price 50.0 n/c

### Share price performance



%	1M	3M	12M
Actual	5.9	-3.7	-27.6

### Company description

Chain and transmission equipment

### David Buxton

 Director of Research  
 dbuxton@finncap.com  
 020 7220 0542

**Sales desk** 020 7220 0522

**Trading desk** 020 7220 0533

\* denotes corporate client of finnCap

## RENOLD\*

### Strong H1 result – robust H2 expected on strong order book

Interims show a strong performance in challenging markets. Underlying demand remained robust, with a strong uplift in order intake and record order book. Revenues were boosted by the YUK acquisition. Price rises have recouped input cost increases with internal efficiency measures also assisting margins. Debt has risen due to the YUK acquisition, but leverage remains comfortable at 1.2x rolling EBITDA. The pension deficit has fallen further. Mindful of H2 challenges, but with a strong order book the group is well positioned. We raise trading forecasts based on synergy gains and a strong order book, with increases in interest costs and tax rate pegging the advance in EPS. We retain our existing 50p target price, with the current low P/E of just 5.0x undervaluing a company that continues to improve its quality of earnings.

- **Results.** Results for the six months to 30 September saw revenue increase by 22% to £116.3m, with a CER growth rate of 14%. Adj operating profit increased by 33% to £9.6m, with margins rising from 7.6% to 8.3%. Adjusted PBT at £7.3m increased by 40%, with adj diluted EPS up 21% to 2.4p. Net debt increased by £20.1m to £34.0m. The order book remains at a record level at £99.0m, up 37.3%, with order intake of 121.3m, up 18.9% (or up 11% at CER). The IAS19 pension deficit has reduced further from £87.1m in March to 61.3m at the period end, a reduction of 30%.

- **Divisional trading.** Chain revenue grew by 24% to £94.7m, (up 16.4% in CER) generating sales growth in all geographies, with price increases achieved and YUK performing ahead of expectations. Adj operating profit increased 36% to £12.5m, with margins rising from 12.1% to 13.2%, with strong order intake and book to bill of 104%. TT division saw sales growth of 13.1% to £21.6m, with adjusted operating profit of £1.5m, down 17%, with margins moving from 9.4% to 6.9%. The profit out-turn was affected by the transition between military contracts and a timing gap in profit recognition points. A stronger H2 is anticipated.

- **Forecasts.** On the back a robust H1 performance and stronger H2 expected, we upgrade FY23 forecasts, with a 9.1% increase in revenue to £229.1m, generating a 4.7% increase in Adj PBT to £13.5m and a 2.7% increase in adj diluted EPS at 4.5p. In FY24, we raise revenue by 6.1% to £233.8m, with adj PBT level at £13.9m reflecting interest cost increases and EPS of 4.6p down 4.5%, building in an expectation of higher taxes.

- **Valuation.** The shares continue to trade at very low multiples. The current P/E indicates a P/E of 5.2x in the current year, which we still believe undervalues the group, versus the peer group. Trading looks more encouraging than many other industrials currently, with acquisition enhancement and cashflow improvements driving a mid-teens FCF yield next year. We maintain our 50p price target, based on at target P/E of just 10.9x and EV/EBITDA of 6.4x, which we acknowledge may require an improvement in market sentiment to achieve.

Key estimates		2021A	2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	165.3	195.2	229.1	233.8	237.3
Adj EBITDA	£m	22.3	24.7	29.0	31.2	32.5
Adj EBIT	£m	11.4	15.3	18.5	20.0	20.9
Adj PBT	£m	6.8	11.5	13.5	13.9	14.8
Adj EPS	p	2.3	4.0	4.5	4.6	4.9
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2021A	2022A	2023E	2024E	2025E
EV/EBIT (adj)	x	12.6	9.4	7.8	7.2	0.0
P/E (adj)	x	10.3	5.8	5.2	5.1	4.8
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	44.8%	25.9%	0.5%	14.5%	16.2%
Pre-tax ROCE	%	9.1%	13.1%	13.7%	14.7%	14.8%

## Strong H1 result – robust H2 expected on strong order book

Income statement		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	195.2	229.1	233.8	237.3
Gross profit	£m	97.1	108.2	112.6	114.9
EBITDA (adjusted)	£m	24.7	29.0	31.2	32.5
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>15.3</b>	<b>18.5</b>	<b>20.0</b>	<b>20.9</b>
Associates/other	£m	-0.1	0.0	0.0	0.0
Net interest	£m	-3.7	-5.0	-6.1	-6.1
<b>PBT (adjusted)</b>	<b>£m</b>	<b>11.5</b>	<b>13.5</b>	<b>13.9</b>	<b>14.8</b>
Total adjustments	£m	0.9	-1.2	-0.8	-0.8
PBT (stated)	£m	12.4	12.3	13.1	14.0
Tax charge	£m	-2.2	-3.4	-3.8	-4.0
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	10.2	8.9	9.3	10.0
<b>Adjusted earnings</b>	<b>£m</b>	<b>9.3</b>	<b>10.1</b>	<b>10.1</b>	<b>10.8</b>
Shares in issue (year end)	m	214.8	207.0	207.0	207.0
EPS (stated)	p	4.7	4.9	4.9	5.2
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>4.0</b>	<b>4.5</b>	<b>4.6</b>	<b>4.9</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		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	18.1%	17.4%	2.1%	1.5%
EBITDA growth	%	10.8%	17.4%	7.6%	4.2%
EBIT growth	%	34.2%	20.9%	8.1%	4.5%
PBT growth	%	69.1%	17.4%	3.0%	6.5%
EPS growth	%	76.6%	12.6%	1.2%	6.2%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	49.7%	47.2%	48.2%	48.4%
EBITDA margin	%	12.7%	12.7%	13.3%	13.7%
EBIT margin	%	7.8%	8.1%	8.6%	8.8%
PBT margin	%	5.9%	5.9%	5.9%	6.2%
Net margin	%	4.8%	4.4%	4.3%	4.6%

Cash flow		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	24.7	29.0	31.2	32.5
Net change in working capital	£m	-0.3	-6.5	-0.5	-0.7
Other operating items	£m	-3.4	-6.9	-7.3	-7.4
<b>Cash flow from op. activities</b>	<b>£m</b>	<b>21.0</b>	<b>15.6</b>	<b>23.4</b>	<b>24.4</b>
Cash interest	£m	-1.5	-2.9	-4.0	-4.0
Cash tax	£m	-1.7	-3.7	-4.3	-4.5
Capex	£m	-5.3	-8.8	-8.1	-8.1
Other items	£m				
<b>Free cash flow</b>	<b>£m</b>	<b>12.5</b>	<b>0.2</b>	<b>7.0</b>	<b>7.8</b>
Acquisitions / disposals	£m	-0.3	-18.0	-1.7	-1.7
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	-4.9	0.0	0.0	0.0
Other	£m	-2.7	-2.8	-3.4	-3.4
<b>Net change in cash flow</b>	<b>£m</b>	<b>4.6</b>	<b>-20.6</b>	<b>1.9</b>	<b>2.7</b>
Opening net cash (debt)	£m	-18.4	-13.8	-34.4	-32.4
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>-13.8</b>	<b>-34.4</b>	<b>-32.4</b>	<b>-29.8</b>

Cash flow analysis		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	85.0%	54.0%	74.9%	75.1%
Cash conv'n (FCF / EBITDA)	%	50.6%	0.8%	22.5%	24.0%
U/lying FCF (capex = depn)	£m	8.4	-1.5	3.9	4.3
Cash quality (u/l FCF / adj earn)	%	90.3%	-14.4%	38.5%	39.8%
Investment rate (capex / depn)	x	0.7	1.0	0.9	0.9
Interest cash cover	x	14.0	5.4	5.8	6.1
Dividend cash cover	x	n/m	n/m	n/m	n/m

Working capital analysis		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	18.2%	18.4%	18.2%	18.2%
Net working capital / sales	days	67	67	66	67
Inventory (days)	days	91	78	77	77
Receivables (days)	days	67	64	62	62
Payables (days)	days	91	75	72	72

Balance sheet		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	49.3	70.3	73.9	77.3
Goodwill & other intangibles	£m	27.8	25.8	23.5	21.0
Other non current assets	£m	23.4	20.7	18.0	15.3
Net working capital	£m	35.6	42.1	42.6	43.3
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-29.9	-26.8	-22.9	-19.0
Gross cash & cash equivs	£m	10.5	2.9	0.9	3.5
<b>Capital employed</b>	<b>£m</b>	<b>116.7</b>	<b>135.0</b>	<b>136.0</b>	<b>141.5</b>
Gross debt	£m	23.8	36.8	32.8	32.8
Net pension liability	£m	87.1	83.5	79.1	74.6
Shareholders equity	£m	5.8	14.7	24.1	34.1
Minorities	£m	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>116.7</b>	<b>135.0</b>	<b>136.0</b>	<b>141.5</b>

Leverage analysis		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	229.3%	229.9%	132.7%	85.8%
Net debt / EBITDA	x	0.5	1.2	1.0	0.9
Liabilities / capital employed	%	95.0%	89.1%	82.3%	75.9%

Capital efficiency & intrinsic value		2022A	2023E	2024E	2025E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	160.3%	68.8%	42.2%	31.7%
RoCE (EBIT basis, pre-tax)	%	13.1%	13.7%	14.7%	14.8%
RoCE (u/lying FCF basis)	%	7.2%	-1.1%	2.9%	3.0%
NAV per share	p	2.7	7.1	11.6	16.5
NTA per share	p	-10.2	-5.4	0.3	6.3

## Summary of forecast changes

Figure 1: Summary of forecast changes

		2023E			2024E			2025E		
FY March estimates		Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	£m	209.9	229.1	9.1%	220.3	233.8	6.1%	n/a	237.3	n/a
EBITDA (adjusted)	£m	26.7	29.0	8.6%	28.9	31.2	8.0%	n/a	32.5	n/a
PBT (adjusted)	£m	12.9	13.5	4.7%	14.4	13.9	-3.5%	n/a	14.8	n/a
EPS (adjusted)	p	4.4	4.5	2.7%	4.8	4.6	-4.5%	n/a	4.9	n/a
Dividend	p	0.0	0.0		0.0	0.0		n/a	0.0	n/a
Net Cash (Debt)	£m	-32.5	-34.4	-1.8	-30.2	-32.4	-2.3	n/a	-29.8	n/a

Source: finnCap estimates

- We adjust our forecasts recognising increases in revenue of 9.1% and 6.1%, driven by price increases and growth from the strong order book.
- EBITDA has increased by 8.6% and 8.0% respectively, helped by sales mix, internal improvements including synergies from YUK. After higher interest costs, the effect on adj PBT is 2.7% and -3.5% respectively.
- This results in an EPS upgrade of 2.7% in FY23. We factor in higher tax rates effective in FY24, which reduces EPS by 4.5%.

## Interim results

Half year results show a strong performance in challenging market circumstances. The increase in revenue driven by a combination of a record order book, good continuing demand, price increases and initial revenues from the YUK acquisition. Order intake continues to run ahead of sales.

Margin growth was creditable in the challenging macro-economic environment and supply chain disruption, with price increases recouping inflationary pressures (raw materials, labour, energy and transport costs), with internal efficiency measures also assisting the advance. These cost pressures are expected to continue through H2.

In August the group acquired Industrias YUK in Valencia, a manufacturer of high-quality conveyor chain for €24m, with an initial cash consideration of €20m. YUK has traded ahead of expectations, with sales of €2.2m and profit of €0.2m, giving a return on sales of 9.1%. A full six months of trading coupled with manufacturing and sales synergies are expected to provide a much stronger contribution in H2 and thereafter.

### Highlights

#### *Six months to 30 September (£m)*

- Revenue grew by 22% to £116.3m, with constant currency growth of 14.3%
- Adj operating profit at £9.6m increased by 33%, with margin rising from 7.5% to 8.3%, an increase of 80bps, (or 50bps at CER)
- Adj PBT increased by 40% to £7.3m
- Adj diluted EPS of 2.4p, increased by 21%
- Adjustments totalled £0.8m (of which £0.6m were acquisition-related costs), versus a credit of £1.5m due to US loan forgiveness
- Reported PBT of £6.5m compared with £6.7m
- Basic EPS at 2.3p versus 2.6p
- Net debt increased by £20.1m to £34.0m, due to the acquisition of YUK costing an initial cash consideration of €20m and additional investment in inventory of £10.9m.
- The order book remains at record levels at £99.0m an increase of 37.3%, (up 24.3% at CER) with strong order intake in the period of £121.3m (excluding the large £11m long-term military contract) up 18.9%, an increase of 11% at CER.

## Divisional trading

Figure 2: Divisional performance

Six months to 30 Sept	Revenue			Adj EBIT			Margin	
	1H23	1H22	% change	1H23	1H22	% change	1H23	1H22
Chain	94.7	76.2	24.3%	12.5	9.2	36%	13.2%	12.1%
TT	21.6	19.1	13.1%	1.5	1.80	-17%	6.9%	9.4%
Adjustments				-4.4	-3.80	16%		
	<b>116.3</b>	<b>95.3</b>	<b>22.0%</b>	<b>9.60</b>	<b>7.2</b>	<b>33%</b>	<b>8.3%</b>	<b>7.6%</b>

Source: Company data

### Chain Division (81% of sales)

Overall revenue increased 24.3%, or up 16.4% at CER, with growth achieved in all regions. Adjusted operating profit was £12.5m, or £11.7m at CER an increase of £2.5m, with margins up 110bps. Order intake was up 12.4% to £93.7m at CER, with a book-to-bill ratio of 105%.

- EU revenues increased 8.6% at CER. OEM demand and market activity remained strong. The revenue increase was assisted by pricing as well as the initial sales generated by YUK. Trading is ahead of expectations with integration benefits including cross-selling conveyor chain through the group's European network and selling the group's transmission chain in Iberia. Actions have already been taken to substitute externally sourced products
- The Americas saw CER sales growth of 19.2%, driven by price rises to recoup cost increases. There was also growth from new aftermarket business in transmission chain and strong demand for capital equipment in the food processing, ethanol and mining industries.
- Revenues from Australasia increased 27.6% at CER, gaining from the group's strategy of targeting more domestically manufactured goods. Demand from the mining sector remained strong, while trading activity in Malaysia and Indonesia was also positive. Investment in a new machining centre in Melbourne became operational. There was also progress on chain development for the cement and coal industries.
- India saw sales growth of 13.9% at CER with a post pandemic recovery in market activity continuing. The group has expanded its dealer network, with work underway to expand the number of local warehouses, which will enhance service and geographic coverage.
- In China, revenues increased by 15.4% at CER, driven by US and EU demand growth. Efficiency and productivity measures are being undertaken to improve returns at the Jintan factory. These include standardisation of products, efficiency improvements, commissioning new equipment. The factory is increasingly moving capability towards higher specification products.

### Torque Transmission Division (19% of sales)

Overall revenues increased by 13.1% to £21.6m, or £21.5m at CER. Divisional profit slipped by £0.3m to £1.5m, with margins of 6.9% versus 9.4%. At CER divisional profit was £1.4m.

The increase in revenue was driven by higher demand for couplings in Australia and further recovery in the North American market. There was also a negative effect from the timing of long-term military contracts. Additionally, some customers with long-term supply arrangements in Eastern Europe were affected by war in the Ukraine.

At the profit level, the timing of some military contracts and a weaker product mix between higher margin spare parts and lower OEM business affected profitability.

H2 momentum is expected to improve, driven by order book visibility and order intake, which has increased 27.1% at CER (excluding the large military contract).

## Cashflow and finances

Period end net bank debt stood at £34.0m, an increase of 20.2m. Including £21.4m of lease liabilities total debt stood at £55.4m.

Working capital overall absorbed £7.6m, with a £10.9m increase in inventories and a £0.9m increase in trade debtors partly offset by a £4.2m release of cash from trade creditors. The cash contribution to the pension scheme was £3.1m, up from £2.4m previously reflecting the underlying payment, plus the £0.6m deferred contribution as noted below. After tax paid of £1.3m net cash from operating activities was £2.4m.

Investing activities totalled £19.4m a significant increase over the prior period reflecting the normalisation of capex following the pandemic but more particularly the initial cash consideration of £17.2m paid on the acquisition of YUK. There was also £0.6m of capitalised intangibles and a £0.3m asset disposal.

Debt financing costs paid were £1.1m, with £1.2m also paid on finance leases. This resulted in a change in cash and cash equivalents of £19.3m, with currency adjustment of £0.7m and non-cash adjustment of £0.2m resulting in a change in bank debt of £20.2m.

### Pension fund

The group's IAS 19 net pension deficit at the end of September stood at £61.3m (or £56.6m net of deferred tax), a notable reduction from £87.1m (or £76.1m net of deferred tax) at 31 March 2022. On 30 September 2021 the pension deficit stood at £100.3m, so changes to discount rates have significantly reduced liabilities and only partly offset by increased inflation and lower asset values. The group's policy of essentially hedging its exposures to minimise volatility has been valuable. Management continues to see further reductions to the deficit in the near term.

The reduction primarily reflects the change in discount rates and employer contributions made in the first half. The cashflow statement shows cash contributions of £3.1m in the period, including the first of five annual deferred payments of c£0.6m (following the deferral of contributions during COVID of £2.8m).

## Valuation

The shares have drifted in weak market conditions, though have recently been more resilient than its peers. Nevertheless, the rating continues to look very cheap relative to its peer group at a significant discount of 64% to its peer average, as shown below.

Figure 3: Peer group valuations (calendarised)

Company	Price	MC EV/Sales (x) (£m)	EV/EBITDA (x)		EV/EBITDA (x)		EV/EBITDA (x)		P/E (x)		Dividend Yield (%)		Share Price	
			FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2	FY1	YTD %
Avingtrans	410	132	1.1	1.0	13.2	12.3	8.8	8.2	19.8	17.6	1.0	1.1	1.1	-4.7
Bodycote	589	1122	1.7	1.6	11.5	9.7	6.5	5.9	14.9	13.1	3.6	3.7	3.7	-31.9
Carclo	16	11	0.3	0.3	6.7	5.6	3.1	2.8	4.5	3.5	0.0	0.0	0.0	-61.0
Caastings	346	151	0.6	0.5	7.6	6.2	4.8	4.1	13.3	11.9	5.9	4.9	4.9	-3.4
Hill & Smith	1128	895	1.4	1.3	11.2	10.0	8.0	7.4	13.8	13.3	3.0	3.1	3.1	-37.6
Melrose	127	5265	0.9	0.8	15.4	10.4	8.4	6.7	23.8	13.6	1.7	2.5	2.5	-18.8
Renishaw	3982	2938	4.0	3.8	16.9	16.5	13.8	13.1	21.7	20.9	1.9	2.0	2.0	-15.6
Rolls Royce	92	7639	1.0	0.9	24.2	15.1	8.8	6.9	253.6	27.0	0.0	0.6	0.6	-25.7
Rotork	289	2475	3.7	3.4	17.0	14.9	14.9	13.2	23.6	21.1	2.3	2.4	2.4	-19.4
RHI Magnesita	2264	1065	0.8	0.7	7.3	6.6	5.0	4.6	5.5	5.3	6.1	6.4	6.4	-31.5
Senior	123	512	0.8	0.7	26.4	15.9	8.9	6.8	33.7	19.1	0.8	1.9	1.9	-16.9
Severfield	56	179	0.4	0.4	6.7	6.0	5.3	4.8	7.2	6.8	5.6	6.1	6.1	-15.0
Spirax Sarco	11885	8807	5.9	5.3	24.7	22.1	21.5	19.4	33.0	30.3	1.2	1.3	1.3	-25.5
Trifast	60	79	0.5	0.4	7.3	5.9	5.5	4.5	7.2	6.1	4.1	4.7	4.7	-63.2
Weir	1754	4557	2.3	2.1	14.0	12.4	11.8	10.6	18.9	17.1	1.8	1.9	1.9	2.6
<b>Mean</b>			<b>1.7</b>	<b>1.6</b>	<b>14.0</b>	<b>11.3</b>	<b>9.0</b>	<b>7.9</b>	<b>33.0</b>	<b>15.1</b>	<b>2.6</b>	<b>2.9</b>	<b>2.9</b>	<b>-24.5</b>
<b>Median</b>			<b>1.0</b>	<b>0.9</b>	<b>13.2</b>	<b>10.4</b>	<b>8.4</b>	<b>6.8</b>	<b>18.9</b>	<b>13.6</b>	<b>1.9</b>	<b>2.4</b>	<b>2.4</b>	
Tsubaki	1876	114803							7.8	7.5	4.1	4.2	4.2	-1.9
Regal Rexnord	10772	8361	1.8	1.7	12.4	10.7	8.6	7.5	12.0	11.5	1.1	1.2	1.2	-25.7
<b>Mean</b>			<b>1.8</b>	<b>1.7</b>	<b>12.4</b>	<b>10.7</b>	<b>8.6</b>	<b>7.5</b>	<b>9.9</b>	<b>9.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	
<b>Median</b>			<b>1.8</b>	<b>1.7</b>	<b>12.4</b>	<b>10.7</b>	<b>8.6</b>	<b>7.5</b>	<b>9.9</b>	<b>9.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	

Source: FactSet consensus estimates

Figure 4: Valuation at price target

PT @ 50p	2022	2023E	2024E	2025E
EV/Sales	1.0	0.9	0.9	0.8
EV/EBITDA	8.0	6.9	6.4	6.1
EV/EBITA	13.0	10.7	9.9	9.5
P/E	12.5	11.1	10.9	10.3

Source: finnCap estimates

We retain our 50p target price, implying a FY24 P/E of 9.9x and an EV/EBITDA of 6.4x, which we consider a fair valuation. Given market circumstances, we acknowledge that to achieve this would need a change in general market sentiment and conditions.

## Strong H1 result – robust H2 expected on strong order book

Research					
Mark Brewer	020 7220 0556	mbrewer@finncap.com	Michael Hill	020 7220 0554	mhill@finncap.com
David Buxton	020 7220 0542	dbuxton@finncap.com	Stephen McGarry	020 7220 0550	smcgarry@finncap.com
Kimberley Carstens	020 7220 0548	kcarstens@finncap.com	Mark Paddon	020 7220 0541	mpaddon@finncap.com
Michael Clifton	020 3772 4682	mclifton@finncap.com	Nigel Parson	020 7220 0544	nparson@finncap.com
Lorne Daniel	020 7220 0545	ldaniel@finncap.com	Martin Potts	020 3772 4683	mpotts@finncap.com
Andrew Darley	020 7220 0547	adarley@finncap.com	Jonathan Wright	020 7220 0543	jwright@finncap.com
Guy Hewett	020 7220 0549	ghewett@finncap.com			
Equity Capital Markets					
Andrew Burdis	020 7220 0524	aburdis@finncap.com	Sunila de Silva	020 7220 0521	sdesilva@finncap.com
Barney Hayward	020 7220 0518	bhayward@finncap.com	Charlotte Sutcliffe	020 7220 0513	csutcliffe@finncap.com
Alice Lane	020 7220 0523	alane@finncap.com	Harriet Ward	020 7220 0512	hward@finncap.com
Tim Redfern	020 7220 0515	tredfern@finncap.com			
Sales					
James Fletcher	020 3772 4657	jfletcher@finncap.com	Ruth Watts	020 7220 0520	rwatts@finncap.com
Louise Talbot	020 3772 4651	ltalbot@finncap.com	Rhys Williams	020 7220 0522	rwilliams@finncap.com
Jonathon Webb	020 7220 0511	jwebb@finncap.com			
Investor Relations					
Brittany Henderson	020 7220 0592	bhenderson@finncap.com	Brittany Stevens	020 3772 4653	bstevens@finncap.com
Lucy Nicholls	020 7220 0528	lnicholls@finncap.com	Helen Worrall	020 3772 4652	hworrall@finncap.com
Sales Trading					
Kai Buckle	020 7220 0529	kbuckle@finncap.com	Daniel Smith	020 7220 0533	dsmith@finncap.com
Charlie Evans	020 7220 0531	cevans@finncap.com			
Market Makers					
Steve Asfour	020 7220 0539	sasfour@finncap.com	Oliver Ratcliff	020 7220 0530	oratcliff@finncap.com
Jamie Dunleavy	020 7220 0534	jdunleavy@finncap.com	James Revell	020 7220 0532	jrevell@finncap.com
Investment Companies					
Johnny Hewitson	020 7220 0558	jhevitson@finncap.com	Pauline Tribe	020 7220 0517	ptribe@finncap.com
Monica Tepes	020 3772 4698	mtepes@finncap.com	Mark Whitfeld	020 3772 4697	mwhitfeld@finncap.com

\* finnCap is contractually engaged and paid by the issuer to produce this material on an ongoing basis and it is made available at the same time to any person wishing to receive it.

*A marketing communication under FCA Rules, this document has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.*

This research cannot be classified as objective under finnCap Ltd research policy. Visit [www.finncap.com](http://www.finncap.com)

The recommendation system used for this research is as follows. We expect the indicated target price to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected share price performance of +/-10%, a 'Buy' indicates an expected increase in share price of more than 10% and a 'Sell' indicates an expected decrease in share price of more than 10%.

Approved and issued by finnCap Ltd for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to Professional customers. Retail customers who receive this document should ignore it. finnCap Ltd uses reasonable efforts to obtain information from sources which it believes to be reliable, but it makes no representation that the information or opinions contained in this document are accurate, reliable or complete. Such information and opinions are provided for the information of finnCap Ltd's clients only and are subject to change without notice. finnCap Ltd's salespeople, traders and other representatives may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to or inconsistent with the opinions expressed herein. This document should not be copied or otherwise reproduced. finnCap Ltd and any company or individual connected with it may have a position or holding in any investment mentioned in this document or a related investment. finnCap Ltd may have been a manager of a public offering of securities of this company within the past 12 months, or have received compensation for investment banking services from this company within the past 12 months, or expect to receive or may intend to seek compensation for investment banking services from this company within the next three months. Nothing in this document should be construed as an offer or solicitation to acquire or dispose of any investment or to engage in any other transaction. finnCap Ltd is authorised and regulated by the Financial Conduct Authority, London E20 1JN, and is a member of the London Stock Exchange.



**Additional Information for U.S. Persons**

To the extent that any finnCap research is furnished to U.S. recipients, it is furnished in reliance on Rule 15a-6 ("Rule 15a-6") under the U.S. Securities Exchange Act of 1934, as amended. The information contained in this research is intended solely for certain "major U.S. institutional investors" (as such term is defined in Rule 15a-6, an "MII") and may not be used or relied upon by any other person for any purpose. Each U.S. recipient of this research represents and agrees, by virtue of its acceptance thereof, that it is a MII and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this research that wishes to discuss or receive additional information regarding any security mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of Beech Hill Securities, Inc., a U.S. broker-dealer registered with the Securities and Exchange Commission and a Member of FINRA, located at 880 Third Avenue, 16th Floor, New York, NY 10022. Any transaction by a U.S. person (other than a registered U.S. broker-dealer or bank acting in a broker-dealer capacity) must be effected with or through Beech Hill Securities, Inc., which may be contacted via telephone at +1 (212) 350-7200.

This research was prepared by the analyst named on the cover of this research, who is a non-U.S. research analyst of finnCap and, as such, may not be subject to all requirements applicable to U.S.-based analysts.

All of the views expressed in this research accurately reflect the research analyst's personal view about all of the subject securities or research subjects and no part of such analyst's compensation was, is, or will be related to the specific recommendation or view contained in this research.

To the extent this research relates to non-U.S. securities, note that investing in non-U.S. securities may entail particular risks. Such securities may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Financial statements included in research with respect to such securities, if any, may have been prepared in accordance with non-U.S. accounting standards that may not be comparable to the financial statements of U.S. companies. Available information regarding the issuers of such securities may be limited, and such issuers may not be subject to the same auditing and reporting standards as U.S. issuers. Fluctuations in the values of national currencies, as well as the potential for governmental restrictions on currency movements, can significantly erode principal and investment returns. Market rules, conventions and practices may differ from U.S. markets, adding to transaction costs or causing delays in the purchase or sale of such securities. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies.

The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this research are qualified in their entirety by this cautionary statement.

No finnCap party accepts any liability whatsoever for any direct or consequential loss of any kind arising out of the use or reliance on the information given. Research does not take into account the specific investment objectives and financial situation of any recipient, nor do they provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. Investors seeking to buy or sell any financial instruments discussed or recommended in research, should seek independent financial advice relating thereto.

The products discussed in research are not FDIC insured, may lose value and are not guaranteed by any finnCap party.



1 Bartholomew Close

London EC1A 7BL

Tel 020 7220 0500

Fax 020 7220 0597

Email [info@finncap.com](mailto:info@finncap.com)

Web [www.finncap.com](http://www.finncap.com)

finnCap is registered as a company in England with number 06198898.

Authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange