

28 April 2021

Corp

Ticker **PEB:AIM**

Software & Computer Services

Shares in issue (m) 124.6

Next results H1 Sept

Price **9.0p**

Target price 20.0p

Upside 122%

Market cap **£11.2m**

Net debt/(cash) £7.7m

Other EV adjustments £0.0m

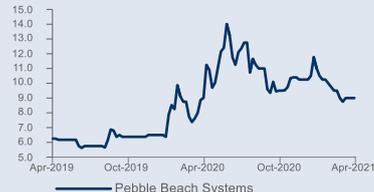
Enterprise value £18.9m

What's changed? **From To**

Adjusted EPS U/R 1.0

Target price U/R 20.0

Share price performance



%	1M	3M	12M
Actual	2.9	-18.2	0.0

Company description

Broadcast automation solutions software

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* denotes corporate client of finnCap

▶ Pebble Beach Systems*

Post-COVID recovery in sight

After a COVID-blighted year which nevertheless delivered robust performance, profitability and positive free cashflow without furloughs or redundancies, 1Q21 orders are up to £4.0m, +86% compared with (pre-COVID) 1Q20, and equal to orders in both 1H20 and 2H20 (both £3.9m). Slow customer decision-making impacted orders and revenue in 2020, but subsequent customer behaviour indicates a lockdown-driven realisation of the need for digital transformation. With the loan agreement extended to November 2022, and confidence derived from revitalisation of the order book, we introduce forecasts for FY21 & FY22, alongside a target price of 20p, which leaves both significant upside and upgrade potential.

▶ **Pebble** has delivered adj. EBITDA of £2.7m (FY19: £3.8m) from revenue of £8.4m (£11.2m), with free cash flow of £0.7m (£1.0m). Sales & marketing and admin costs reduced, while income statement R&D was maintained, and capitalised R&D increased; even so, net debt reduced from £8.4m to £7.7m. No government furlough facilities were taken on, nor government loan support, although a close relationship with the group's bank enabled a payment holiday in June 2020. The current £8.5m loan agreement (fully drawn) has been extended to November 2022. **Trading highlights:** Long-term prospects remain undimmed despite a year of paralysed customer decision-making. Linear broadcast channels face the challenges of balancing increased content costs, new entrants, and competing digital platforms, meriting digital workflow alongside all of the benefits of Pebble Beach's existing product set enabling broadcast automation. Accordingly, Pebble's 'Oceans' platform was released in FY20 to combine the functionality accordingly, and the group is optimistic about opportunities, as the 86% growth in order book shows in 1Q21, even after total orders fell to £7.8m in FY20 from £10.3m in FY19. As the ability to change, enabled by the Pebble suite of products, matches the need for change, we expect the FY order book to recover dramatically.

▶ **Forecasts and outlook:** We reinstate forecasts assuming 15% revenue growth in FY21 and FY22 on the basis of the restored +86% energy in orders in 1Q21, especially when compared with the predominantly pre-lockdown nature of 1Q20. With EBITDA margins assumed maintained at 29% and 30% in FY21 and FY22 (FY19: 34%; FY20: 32%) we allow for investment in growing sales and marketing spend, at the same time as showing increased R&D in Oceans and its further cloud native modules. Net debt falls to £5.2m or 1.6x EBITDA by FY22, a significant achievement from £9.4m or 3.8x EBITDA in FY18. At 20p, still only 9x FY22 EV/EBITDA and a healthy 5.4% FCF yield, proof of execution – after successful debt reduction – should really get this stock going.

Key estimates		2018A	2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	£m	9.2	11.2	8.4	9.7	11.1
Adj EBITDA	£m	2.5	3.8	2.7	2.8	3.3
Adj EBIT	£m	1.5	2.7	1.6	1.7	2.0
Adj PBT	£m	1.2	2.3	1.2	1.4	1.7
Adj EPS	p	0.7	1.7	0.9	1.0	1.2
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics						
EV/EBIT (adj)	x	12.5	7.0	11.7	11.3	9.4
P/E (adj)	x	12.1	5.4	9.6	9.4	7.6
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	8.1%	8.5%	5.9%	10.5%	12.2%
Pre-tax ROCE	%	33.6%	57.5%	31.9%	30.7%	37.4%

Post-COVID recovery in sight

Income statement		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Sales	£m	11.2	8.4	9.7	11.1
Gross profit	£m	8.3	6.4	7.4	8.5
EBITDA (adjusted)	£m	3.8	2.7	2.8	3.3
EBIT (adjusted)	£m	2.7	1.6	1.7	2.0
Associates/other	£m				
Net interest	£m	-0.4	-0.4	-0.3	-0.3
PBT (adjusted)	£m	2.3	1.2	1.4	1.7
Total adjustments	£m	-1.0	-0.2	0.0	0.0
PBT (stated)	£m	1.3	1.1	1.4	1.7
Tax charge	£m	0.1	0.2	0.0	0.0
Minorities/Disc ops	£m				
Reported earnings	£m	1.4	1.3	1.4	1.7
Adjusted earnings	£m	2.1	1.2	1.2	1.5
Shares in issue (year end)	m	124.6	0.0	0.0	0.0
EPS (stated)	p	1.1	1.0	1.1	1.4
EPS (adjusted, fully diluted)	p	1.7	0.9	1.0	1.2
DPS	p	0.0	0.0	0.0	0.0

Cash flow		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
EBITDA	£m	3.8	2.7	2.8	3.3
Net change in working capital	£m	-1.3	-0.2	0.4	0.1
Other operating items	£m	-0.0	0.0	0.0	0.0
Cash flow from op. activities	£m	2.4	2.5	3.2	3.5
Cash interest	£m	-0.4	-0.4	-0.3	-0.3
Cash tax	£m	-0.0	-0.0	0.0	0.0
Capex	£m	-1.0	-1.4	-1.7	-1.8
Other items	£m				
Free cash flow	£m	0.9	0.7	1.2	1.4
Acquisitions / disposals	£m	0.0	0.0	0.0	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	0.0	0.0	0.0	0.0
Net change in cash flow	£m	1.0	0.7	1.2	1.4
Opening net cash (debt)	£m	-9.4	-8.4	-7.7	-6.5
Closing net cash (debt)	£m	-8.4	-7.7	-6.5	-5.2

Balance sheet		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	£m	1.2	1.2	1.1	1.0
Goodwill & other intangibles	£m	4.7	5.0	5.8	6.4
Other non current assets	£m	0.0	0.0	0.0	0.0
Net working capital	£m	1.5	1.4	1.5	1.7
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-3.8	-3.4	-3.9	-4.2
Gross cash & cash equivs	£m	1.1	0.8	1.0	0.6
Capital employed	£m	4.7	5.1	5.5	5.4
Gross debt	£m	9.6	8.6	7.6	5.8
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	-4.8	-3.5	-2.1	-0.4
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	£m	4.7	5.1	5.5	5.4

Growth analysis		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	22.1%	-25.1%	15.0%	15.0%
EBITDA growth	%	53.5%	-29.6%	3.4%	21.0%
EBIT growth	%	78.7%	-40.1%	3.5%	19.7%
PBT growth	%	89.4%	-46.1%	10.4%	24.0%
EPS growth	%	126.0%	-44.5%	2.5%	24.0%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	73.8%	76.6%	77.0%	77.0%
EBITDA margin	%	33.9%	31.8%	28.6%	30.1%
EBIT margin	%	24.2%	19.3%	17.4%	18.1%
PBT margin	%	20.7%	14.9%	14.3%	15.4%
Net margin	%	18.7%	14.1%	12.6%	13.5%

Cash flow analysis		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	63.9%	93.0%	115.5%	103.9%
Cash conv'n (FCF / EBITDA)	%	25.0%	24.6%	42.8%	40.9%
U/lying FCF (capex = deprn)	£m	0.9	1.0	1.8	1.8
Cash quality (u/l FCF / adj earn)	%	43.3%	85.9%	148.8%	122.3%
Investment rate (capex / deprn)	x	4.4	6.0	7.3	7.7
Interest cash cover	x	6.2	6.7	10.6	11.6
Dividend cash cover	x	n/m	n/m	n/m	n/m

Working capital analysis		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	13.1%	17.1%	15.3%	14.9%
Net working capital / sales	days	48	62	56	54
Inventory (days)	days	5	6	6	4
Receivables (days)	days	113	136	132	130
Payables (days)	days	70	80	82	80

Leverage analysis		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	n/a	n/a	n/a	n/a
Net debt / EBITDA	x	2.2	2.9	2.4	1.5
Liabilities / capital employed	%	202.8%	168.2%	138.2%	107.1%

Capital efficiency & intrinsic value		2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	-43.3%	-34.1%	-58.1%	-396.0%
RoCE (EBIT basis, pre-tax)	%	57.5%	31.9%	30.7%	37.4%
RoCE (u/lying FCF basis)	%	19.3%	20.0%	33.0%	34.2%
NAV per share	p	-3.9	n/m	n/m	n/m
NTA per share	p	-7.6	n/m	n/m	n/m

Finals in context

Figure 1: Finals in context

		1H19	2H19	1H20	2H20	FY19	FY20	1H20 growth	2H20 growth	FY20 growth
Revenue	£m	5.6	5.6	4.5	3.9	11.2	8.4	-20%	-30%	-25%
Gross profit	£m	4.2	4.1	3.4	3.1	8.3	6.4	-20%	-25%	-22%
Gross margin	%	75%	72%	75%	78%	74%	77%	-23 bps	598 bps	277 bps
Adjusted opex	£m	-2.2	-2.2	-1.8	-1.9	-4.5	-3.8	-17%	-15%	-16%
Adj EBITDA	£m	2.0	1.8	1.5	1.1	3.8	2.7	-23%	-37%	-30%
EBITDA margin	%	35%	32%	34%	29%	34%	32%	-134 bps	-307 bps	-204 bps
Adj PBT	£m	1.2	1.1	0.8	0.5	2.3	1.2	-34%	-60%	-46%
Adj PBT margin	%	22%	20%	18%	12%	21%	15%	-373 bps	-833 bps	-581 bps
Movement in working cap	£m	-0.9	-0.4	0.0	-0.2	-1.3	-0.2	n.m	n.m	n.m
Net capex	£m	-0.5	-0.6	-0.7	-0.7	-1.0	-1.4	43%	28%	35%
FCF	£m	0.4	0.6	0.7	-0.1	1.0	0.7	95%	-110%	-31%
Net cash /(debt)	£m	-9.0	-8.4	-7.8	-7.7	-8.4	-7.7	-14%	-8%	-8%

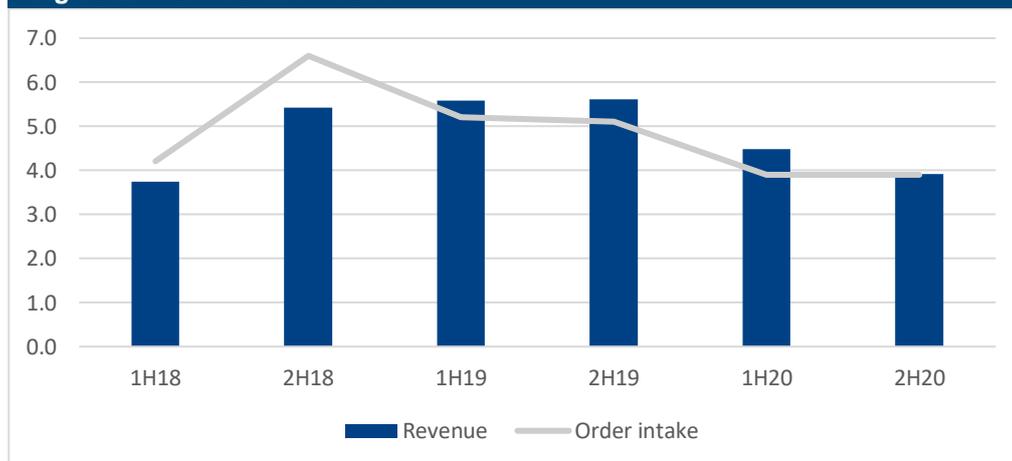
Source: finnCap

Results are in line with the robust trading update in February, delivering £2.7m EBITDA vs £2.6m estimated as guidance at the time.

Pebble Beach has delivered robust results despite a challenging year including at least 9 months of the full effect of COVID on customer decision-making and appetite for change. To the group's benefit, the effect of COVID on longer-term customer activity is expected to include acknowledgement that digital transformation is vital, and urgent, accelerating customer strategic roadmaps.

£4m of orders were closed in 1Q21, +86% compared with £2.2m in 1Q20, and of which £1.5m had been pushed back from 2H20 – without which orders were still ahead of the previous pre-COVID 1Q20. Notably, orders for 1Q21 exceeded orders in 1H20 and 2H20, which were constant at £3.9m.

Figure 2: Orders and revenue



Source: finnCap

Figure 2 above shows the response to order flow, in revenue. We believe our assumptions of 15% revenue growth in FY21 (and FY22) are reasonable, and relatively cautious, and we await details of the company's experience in continuing order book development to ascertain whether this represents a one-off easing of a log jam, or a permanent new level of orders.

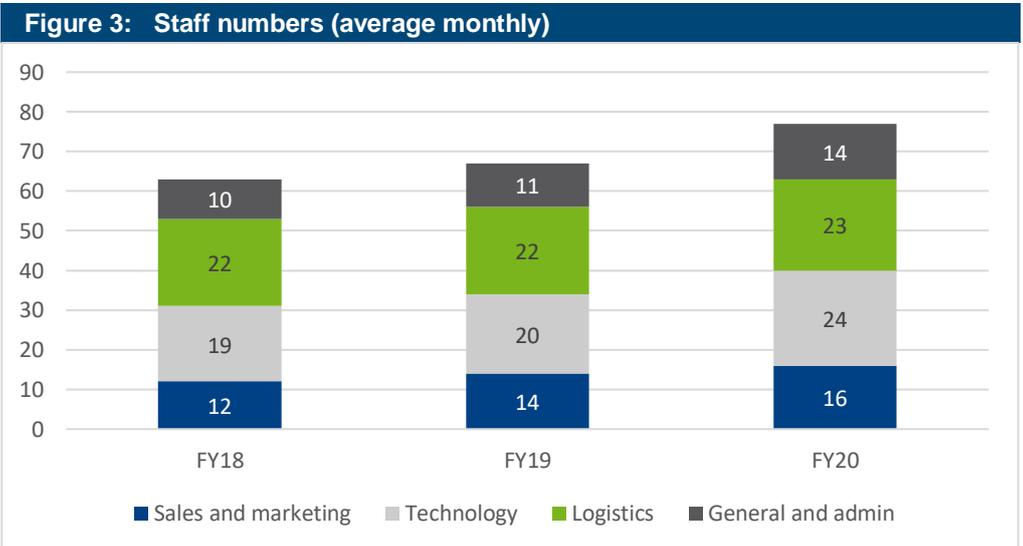
Margins, opex and capacity for growth

Trade shows are traditionally a key lead generator, and the largest shows in 2020 (like NAB in Las Vegas in April, and IBC in Amsterdam in September) were cancelled – saving marketing costs in the year. Where virtual exhibits offered a short-term substitute, in FY21 IBC will be hybrid of physical and virtual, and NAB is clustering beside it in October, reducing its impact although still having a territorially distinct focus. A function of both the catalyst and consequence of the return to growth will be an expansion in sales, marketing and travel costs, which will only reach full capacity in 2022.

The table of results in context all the way back in figure 1 above shows the reduction in adjusted opex (pre D&A, SBP and exceptionals) in the period, down from £4.5m in FY19 to £3.8m in FY20. We expect c£0.5m of the reduction related to saved marketing costs in FY20.

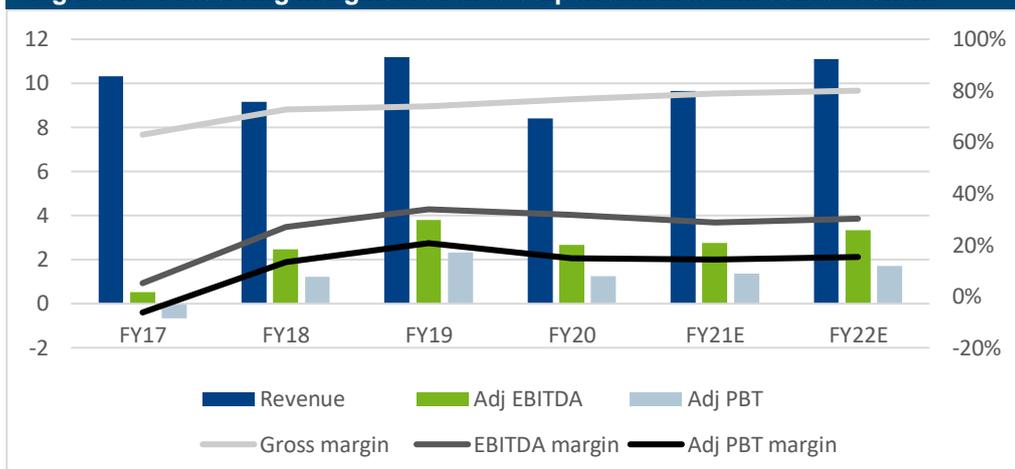
The group continued to operate at full efficiency, making no furloughs or redundancies during the period. Early risk mitigation from internal assessments in March enabled the group to swiftly transition to home working, with 95% of staff working remotely (the exception being the CEO and a few admin staff spread across the two offices to man the ship) and continue to deliver both new and existing projects. Where the installation team would previously travel to customers sites for training and implementation, this successfully transitioned to remote installation, which the group expects to practise going forward where possible.

Staff numbers have continued to expand in the period, particularly in technology. Capacity for growth persist, with cost savings delivered from reduced travel and marketing spend, rather than staffing or property. A new VP sales LatAm was appointed September 2020, with each team expanding to some extent.



Source: finnCap

- ▶ With new hires planned during the period, some of the assumed increase in opex will remain dependent on sourcing staff with appropriate capabilities, although ironically remote working means Weybridge is now not so remote to potential hires.
- ▶ Staff hired for part year will have a full-year effect in FY22, therefore we continue to see adjusted opex and capitalised R&D costs increase FY21 to FY22.
 - ▶ Adjusted opex fell to £3.8m in FY20 from £4.5m in FY19, and is expected to expand to £5.2m in FY22.
 - ▶ Capitalised R&D grew from £1.0m in FY19 to £1.3m in FY20 and is expected to continue to expand to £1.7m in FY22.

Figure 4: Preserving margins: revenue outperformance will deliver benefit

Source: finnCap

Forecasts are targeted to consistent gross margins with historical performance, (FY19: 74%; FY20: 77%) at 77% with chance for improvement given the higher expected levels of software sales in the mix (although no breakdown between software licences, SLAs/maintenance, and implementation is available – nevertheless, hardware sales as a proportion of total revenue are expected to reduce). An unusually high level of revenue derived from SLAs in FY20 (close to half of group revenue ie c£4.2m), which remains the bedrock of revenue visibility, while highest margins are derived from software licence sales.

Cost management is also expected to maintain EBITDA margin close to historical levels, at 29% rising to 30% in FY22.

Figure 5: Getting back to a normal year: from FY19 to FY22

	FY19	FY20	FY21E	FY21 growth	FY22E	FY22 growth
Revenue	11.2	8.4	9.7	15%	11.1	15%
Gross margin	74%	77%	77%	40 bps	77%	0 bps
Adjusted opex	-4.5	-3.8	-4.7	24%	-5.2	11%
Adj EBITDA	3.8	2.7	2.8	3%	3.3	21%
Adj EBIT	2.7	1.6	1.7	4%	2.0	20%
Adj PBT	2.3	1.2	1.4	10%	1.7	24%
Diluted adjusted EPS	1.7	0.9	1.0	2%	1.2	24%
Movement in working cap	-1.3	-0.2	0.4	0%	0.1	0%
Net capex	-1.0	-1.4	-1.7	21%	-1.8	6%
FCF	1.0	0.7	1.2	80%	1.4	16%
Net cash /(debt)	-8.4	-7.7	-6.5	-15%	-5.2	-21%

Source: finnCap

Free cash flow is expected to improve consistently to £1.4m by FY22, reducing net debt to £5.2m, or 1.6x EBITDA, by FY22.

The group extended the loan facility with Santander to November 2022, after a payment holiday in June 2020, and a reduced level of repayment in December 2020. £1.0m of the RCF was repaid in the year, and the model includes repayments of £1.0m in FY21, rising to £1.8m in FY22, reducing gross debt to £5.75m by the time of the next refinancing horizon.

Figure 6: All about Pebble Beach Systems - reminder

Core activity	<ul style="list-style-type: none"> ▶ Pebble Beach Systems delivers playout automation software, channel-in-a-box and content management solutions for TV broadcasters and channel operators worldwide. Its portfolio of proprietary cloud-based solutions is central to the playout of uninterrupted broadcast, for both live and pre-recorded content, and enables broadcasters to transition from traditional hardware-heavy infrastructure to powerful IP-based systems, delivering scalable playout automation for multi-channel transmission across legacy, hybrid or IP-native systems.
The portfolio	<ul style="list-style-type: none"> ▶ Oceans: released in 2020, Oceans both complements the existing product set and includes Oceans' native development to expand capabilities in the cloud and offer all IP workflows: Oceans enables broadcasters to deploy, manage, host and upgrade their broadcast workflows and services from a single UI. ▶ Marina - <i>enterprise level playout automation</i> - automates the playout process for systems from 1 to over 100 channels within a centralised system; from content ingest, to preparation and content management (e.g. advert scheduling, regionalisation) and final transmission. It is also available as an entry level solution, Marina Lite, operating up to 6 channels. ▶ Dolphin - <i>the integrated channel system</i> - operating under Marina, delivers highly automated integrated audio, video and graphics for multi-channel playout, and enables users to design the virtual output chain for each channel, to specify the order in which playout functions are managed within the system. ▶ Orca - <i>software-only implementation</i> - delivers IP-based channels in a totally virtualised environment, hosted in either a private or public (AWS) cloud, enabling users to run IP-based channels almost immediately without the need for specialised hardware and associated set-up times. ▶ Stingray - <i>the Channel-in-a-Box</i> - is the combined Marina and Dolphin solution, delivering the technology required for full HD ingest and playout to set up as many as 6 channels within a single 'box' solution. ▶ Lighthouse - <i>remote control</i> - offers remote access and control of multiple Marina systems (and any Dolphin or Orca systems sitting beneath Marina) by business users and operational staff both inside and outside of the broadcast facility, enabling control and management of broadcast playout via web-based dashboards.
Customer profile	<ul style="list-style-type: none"> ▶ PEB serves c.150 customers across 47 countries, spanning from the large global playout centres to single channel TV centres. The target client base are mid-market broadcasters/TV operators, who host multiple channels with distinct requirements - for example, a news channel which broadcasts live content, and a film channel which transmits pre-defined video files.
Sales drivers	<ul style="list-style-type: none"> ▶ There are three catalysts for the purchase of, transition to, or replacement of IP-playout services: relocation, when broadcasters relocate offices and upgrade its playout system in the process; M&A, where companies acquired by another are likely to transition to the same playout system; and end of life, when broadcast hardware reaches end of life after an average of five years. COVID has underlined the benefits of transformation to IP playout / cloud and digital workflow.
Revenue model	<ul style="list-style-type: none"> ▶ Solutions are sold as a one-off licence, with annual Service Level Agreements (SLAs) including customer support and software upgrades. The SLA is recognised once installation is complete on a monthly basis for the duration of the SLA contract. ▶ Approximately 20% of sales relates to hardware resales, from a small number of carefully selected vendors, including Dell, modelled at gross margin of c.20%.
Competitive position	<ul style="list-style-type: none"> ▶ Where competing vendors offer a 'one-stop-shop' for broadcast playout systems (e.g. Grass Valley and Imagine Communications), PEB is among the small proportion of independent best-of-breed vendors in the market. ▶ As such, whilst it competes with these vendors in terms of playout automation systems, its solutions are frequently deployed in parallel with its competitors'.
Realigned strategy	<ul style="list-style-type: none"> ▶ 2018 marked a "turnaround" year (following the sale of the Vislink hardware business in 2017), with a new management team and realignment of strategy. PEB refocused its strategy to align with the evolution of the broader market - the growing threat posed by OTT media providers and the pressures these place on traditional broadcasters. ▶ A meticulous focus on cost control has delivered long-term margin improvements, whilst committed R&D investment (specifically to enhance existing product functionality and to explore future product opportunities) enables PEB to maintain its leading tech stack and invest for future growth.
Industry drivers	<ul style="list-style-type: none"> ▶ The industry shift to IP-based solutions is gaining momentum, with broadcasters and advertisers identifying the underlying transition to cloud-based playout systems. As a long-standing member of the playout automation market, Pebble Beach Systems has earned industry-wide recognition as a best-of-breed vendor, and we believe the company is well placed to benefit from the growing appetite for IP infrastructure within the market.

Reference tables

Figure 7:

		Valuation @ current 9p		Valuation @ target 20p	
		FY21E	FY22E	FY21E	FY22E
Fully dil.mkt cap	£m	11.4	11.4	25.4	25.4
Net cash/(debt)	£m	(6.6)	(5.2)	(6.6)	(5.2)
Cash/(debt) per share	GBp	(5.2)	(4.1)	(5.2)	(4.1)
Net debt/ EBITDA		2.4	1.6	2.4	1.6
Rolling EV	£m	18.0	16.6	31.9	30.6
EV/Sales	x	1.9	1.5	3.3	2.75
EV/EBITDA	x	6.5	5.0	11.6	9.1
EV/Adj EBIT	x	10.7	8.3	19.0	15.2
P/E	x	9.4	7.6	20.9	16.9
Equity FCF yield (mkt cap)	%	10.3%	12.0%	4.6%	5.4%
Equity FCF yield (EV)	%	6.5%	8.2%	3.7%	4.5%

Source: finnCap

Figure 8: Shareholders >3%

Holder	%
Kestrel Partners	29.8
Mr Bob Morton	7.9
Hargreaves Lansdown	6.7
Interactive Investor	5.7

Source: finnCap

Figure 9: The Board

Position	Directors	Date appointed
Non-Executive Chairman	John Varney	2011
Chief Executive Officer	Peter Mayhead	2018
Chief Financial Officer	David Dewhurst	2020
Senior Independent Non-Executive Director	Graham Pitman	2018
Non-Executive Director	Richard Logan	2020

Source: finnCap

Figure 10: Need to know table

HQ	Weybridge (UK)
Offices	Weybridge (UK), Newark (USA)
Staff	75
Revenue	Licence and maintenance ("SLAs")
Number of customers	150+
Founded	2000
IPO	20 Jan 2014
Last funding activity	11 Feb 2005: £4.64m at 23p
Last M&A	20 Oct 2016: Disposal of Vislink Communication Systems

Source: finnCap

Post-COVID recovery in sight

Income statement		2018A	2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec	Dec
Sales	£m	9.2	11.2	8.4	9.7	11.1
Cost of sales	£m	-2.5	-2.9	-2.0	-2.2	-2.6
Gross profit	£m	6.7	8.3	6.4	7.4	8.5
Operating expenses	£m	-4.2	-4.5	-3.8	-4.7	-5.2
EBITDA (adjusted)	£m	2.5	3.8	2.7	2.8	3.3
Depreciation	£m	-0.1	-0.2	-0.2	-0.2	-0.2
Amortisation	£m	-0.8	-0.8	-0.8	-0.9	-1.1
EBIT (adjusted)	£m	1.5	2.7	1.6	1.7	2.0
Associates/other	£m					
Net interest	£m	-0.3	-0.4	-0.4	-0.3	-0.3
PBT (adjusted)	£m	1.2	2.3	1.2	1.4	1.7
<i>restructuring costs</i>	<i>£m</i>	<i>-0.3</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>-1.4</i>	<i>-1.0</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.0</i>
Total adjustments	£m	-1.7	-1.0	-0.2	0.0	0.0
PBT (stated)	£m	-0.5	1.3	1.1	1.4	1.7
Tax charge	£m	0.3	0.1	0.2	0.0	0.0
<i>tax rate</i>	<i>%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>0.0</i>	<i>0.0</i>
Minorities/Disc ops	£m					
Reported earnings	£m	-0.2	1.4	1.3	1.4	1.7
Tax effect of adjustments / other	£m	-0.0	-0.1	0.1	-0.2	-0.2
Adjusted earnings	£m	0.9	2.1	1.2	1.2	1.5
<i>shares in issue (year end)</i>	<i>m</i>	<i>124.5</i>	<i>124.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>shares in issue (weighted average)</i>	<i>m</i>	<i>124.5</i>	<i>124.6</i>	<i>124.6</i>	<i>124.6</i>	<i>124.6</i>
<i>shares in issue (fully diluted)</i>	<i>m</i>	<i>124.5</i>	<i>124.7</i>	<i>126.9</i>	<i>126.9</i>	<i>126.9</i>
EPS (adjusted, fully diluted)	p	0.7	1.7	0.9	1.0	1.2
EPS (stated)	p	-0.2	1.1	1.0	1.1	1.4
DPS	p	0.0	0.0	0.0	0.0	0.0

Growth analysis (adjusted basis where applicable)						
Sales growth	%	-11.1%	22.1%	-25.1%	15.0%	15.0%
EBITDA growth	%	367.8%	53.5%	-29.6%	3.4%	21.0%
EBIT growth	%	582.5%	78.7%	-40.1%	3.5%	19.7%
PBT growth	%	288.4%	89.4%	-46.1%	10.4%	24.0%
EPS growth	%	242.5%	126.0%	-44.5%	2.5%	24.0%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	72.6%	73.8%	76.6%	77.0%	77.0%
EBITDA margin	%	26.9%	33.9%	31.8%	28.6%	30.1%
EBIT margin	%	16.5%	24.2%	19.3%	17.4%	18.1%
PBT margin	%	13.3%	20.7%	14.9%	14.3%	15.4%
Net margin	%	10.1%	18.7%	14.1%	12.6%	13.5%

Post-COVID recovery in sight

Cash flow		2018A	2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec	Dec
EBITDA	£m	2.5	3.8	2.7	2.8	3.3
Net change in working capital	£m	-0.3	-1.3	-0.2	0.4	0.1
Share based payments	£m	0.0	0.0	0.0	0.0	0.0
Profit/(loss) on sale of assets	£m	0.0	0.0	0.0	0.0	0.0
Net pensions charge	£m	0.0	0.0	0.0	0.0	0.0
Change in provision	£m	0.0	0.0	0.0	0.0	0.0
Other items	£m	-0.1	-0.0	0.0	0.0	0.0
Cash flow from operating activities	£m	2.0	2.4	2.5	3.2	3.5
Cash interest	£m	-0.3	-0.4	-0.4	-0.3	-0.3
Tax paid	£m	-0.0	-0.0	-0.0	0.0	0.0
Capex	£m	-0.8	-1.0	-1.4	-1.7	-1.8
Other items	£m					
Free cash flow	£m	0.9	0.9	0.7	1.2	1.4
Disposals	£m	0.0	0.0	0.0	0.0	0.0
Acquisitions	£m	0.0	0.0	0.0	0.0	0.0
Dividends on ord shares	£m	0.0	0.0	0.0	0.0	0.0
Other cashflow items	£m	-0.0	0.0	0.0	0.0	0.0
Issue of share capital	£m	0.0	0.0	0.0	0.0	0.0
Net change in cash flow	£m	0.9	1.0	0.7	1.2	1.4
Opening net cash (debt)	£m	-10.3	-9.4	-8.4	-7.7	-6.5
Closing net cash (debt)	£m	-9.4	-8.4	-7.7	-6.5	-5.2

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	82.6%	63.9%	93.0%	115.5%	103.9%
Cash conversion (free cash flow / EBITDA)	%	36.8%	25.0%	24.6%	42.8%	40.9%
Underlying free cash flow (capex = depreciation)	£m	0.8	0.9	1.0	1.8	1.8
Cash quality (underlying FCF / adjusted earnings)	%	82.9%	43.3%	85.9%	148.8%	122.3%
Investment rate (capex / depn)	x	6.4	4.4	6.0	7.3	7.7
Interest cash cover	x	7.0	6.2	6.7	10.6	11.6
Dividend cash cover	x	n/m	n/m	n/m	n/m	n/m

Post-COVID recovery in sight

Balance sheet		2018A	2019A	2020A	2021E	2022E
Year end:		Dec	Dec	Dec	Dec	Dec
Tangible fixed assets	£m	0.2	1.2	1.2	1.1	1.0
Goodwill	£m	0.0	0.0	0.0	0.0	0.0
Other intangibles	£m	5.4	4.7	5.0	5.8	6.4
Other non current assets	£m	0.0	0.0	0.0	0.0	0.0
<i>inventories</i>	£m	0.2	0.1	0.1	0.2	0.1
<i>trade receivables</i>	£m	2.4	3.5	3.1	3.5	4.0
<i>trade payables</i>	£m	-2.0	-2.1	-1.8	-2.2	-2.4
Net working capital	£m	0.6	1.5	1.4	1.5	1.7
Other assets	£m	0.0	0.0	0.0	0.0	0.0
Other liabilities	£m	-3.1	-3.8	-3.4	-3.9	-4.2
Gross cash & cash equivalents	£m	1.3	1.1	0.8	1.0	0.6
Capital employed	£m	4.5	4.7	5.1	5.5	5.4
Gross debt	£m	10.7	9.6	8.6	7.6	5.8
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	-6.1	-4.8	-3.5	-2.1	-0.4
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Capital employed	£m	4.5	4.7	5.1	5.5	5.4
Leverage analysis						
Net debt / equity	%	n/a	n/a	n/a	n/a	n/a
Net debt / EBITDA	x	3.8	2.2	2.9	2.4	1.5
Liabilities / capital employed	%	236.4%	202.8%	168.2%	138.2%	107.1%
Working capital analysis						
Net working capital / sales	%	7.1%	13.1%	17.1%	15.3%	14.9%
Net working capital / sales	days	26	48	62	56	54
Inventory (days)	days	8	5	6	6	4
Receivables (days)	days	96	113	136	132	130
Payables (days)	days	78	70	80	82	80
Capital efficiency & intrinsic value						
Adjusted return on equity	%	-15.1%	-43.3%	-34.1%	-58.1%	-396.0%
RoCE (EBIT basis, pre-tax)	%	33.6%	57.5%	31.9%	30.7%	37.4%
RoCE (underlying free cash flow basis)	%	17.0%	19.3%	20.0%	33.0%	34.2%
NAV per share	p	-4.9	-3.9	n/m	n/m	n/m
NTA per share	p	-9.3	-7.6	n/m	n/m	n/m

Post-COVID recovery in sight

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