

Factory extension open to satisfy demand

7 July 2022

A site visit to Burton-on-Trent for the official opening of the new manufacturing facility proved most encouraging. On an annualised basis, the new facility increases production by 60%, while reducing the backlog of orders, increasing the rental fleet, and providing the necessary space to refurbish additional equipment.

With no reason yet to adjust recently upgraded estimates our fair value / share remains unchanged at a materially higher level than the current price, and we would remind readers that:

- The new loadbank production facility was **completed on time and on budget** and officially opened on 6 July. The new 1,200m² manufacturing site in Burton-on-Trent and adjacent to the existing facility, increases production capacity by c.60%. In total, 25 additional skilled employees have been recruited and trained in anticipation of the expansion in production.
- The order book had a backlog of approximately six months, which is expected to decline markedly by the year end following the **removal of the production bottleneck**. The new facility will manufacture not only for outright sales but also for the higher margin rental market. The target is to further lower the carbon footprint of the manufacturing and refurbishment facilities.
- There is **accelerating momentum** within the business, combined with a strong pipeline of orders into H2, price increases, and project wins. The momentum reflects the combination of structural growth in the data centre and energy transition markets in Europe and North America, coupled with recovery in the marine sector (predominantly in Asia) and oil & gas markets (Middle East).
- The Company continues to purchase and refurbish used loadbanks, benefitting from a dedicated section within the new facility. The condition of the load bank determines the level of refurbishment, ranging from the superficial (repainting) to installing class leading operating control systems plus enhanced flexibility and resilience using fibre optics. **Refurbishment can add a further ten years usage** on equipment within the rental fleet. The evidence of minimal inventory on site confirms the increased focus on fleet utilisation is underway, potentially further improving the gross margin mix.
- The new factory is **not the only new development**. Two new branches – one in the US (Fort Worth, Texas) and the move to a larger facility in Antwerp, Belgium to ultimately include the rental of loadbanks (currently transformers only) - further targets the buoyant datacentre market across two of the Group's largest geographical regions. The new manufacturing facility will supply both new branches with inventory.

Positive outlook maintained

No trading update was provided, suggesting that the Group remains in line with upwardly revised financial expectations (as of June '22).

We leave our DCF-based fair value / share unchanged at 249p, representing a 30% premium to the current price.

Company Data

EPIC	LOAD
Price	191p
52 weeks Hi/Lo	210p/158p
Market cap	£54m
ED Fair Value/share	249p
Net cash (Dec '21)	£1.1m

Share Price, p



Source: ADVFN

Description

Crestchic is a specialist provider of electrical equipment used primarily to commission, test, and service within the global power reliability and power security markets.

It operates from 14 locations in 12 countries, including agents and distributors in California, China, UAE and Singapore. The Group supplies utilities, data centres, energy companies, shipbuilding, construction, and the public sector with loadbanks and transformers.

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Official opening and site visit

John Pienaar opens the new facility in Burton-on-Trent



Source; ED

Two skilled operatives at the early stages of a four-week build



Source; ED

The new building to refurbish the rental fleet



Source; ED

Customer specific loadbanks during their three-week build



Source; ED

Financials

Summary Profit & Loss					
Year to end Dec, £m	2019A	2020A	2021A	2022E	2023E
Crestchic	25.4	24.6	29.5	37.0	40.7
Tasman Oil Tools	8.2	9.4	9.4	2.0	0.0
Revenue	33.6	34.0	38.8	39.0	40.7
CoGS	-17.8	-19.3	-20.9	-19.9	-21.0
Gross profit	15.8	14.7	17.9	19.1	19.7
Gross margin	47.0%	43.2%	46.2%	48.9%	48.5%
Op costs	13.6	13.4	13.7	13.6	13.6
Other operating income	-0.1	0.4	0.0	0.0	0.0
Associates/JVs	-0.8	-0.6	-0.4	0.0	0.0
Operating profit	1.2	1.1	3.8	5.5	6.2
Op margin	3.5%	3.3%	9.9%	14.1%	15.2%
Net Interest	-0.9	-0.7	-0.5	-0.3	-0.3
PBT (Adjusted)	0.3	-0.2	3.0	5.2	5.8
Exceptionals	0.0	-7.8	-7.6	0.0	0.0
PBT (Reported)	0.3	-8.5	-4.7	5.2	5.8
Tax	-0.6	-0.1	-0.7	-1.0	-1.2
PAT	-0.2	-8.7	-5.3	4.2	4.7
Minority interests	0.0	0.0	0.0	0.0	0.0
Earnings	-0.2	-8.7	-5.3	4.2	4.7
Ordinary Dividends	0.0	0.0	-0.3	-0.6	-0.8
Retained Profit	-0.2	-8.7	-5.6	3.6	3.9
EPS (Adjusted) (p)	-0.8	-0.7	9.3	14.2	15.9
DPS (p)	0.0	0.0	1.0	2.0	2.8
Ave no of shares (FD) (m)	28.2	28.2	28.5	29.3	29.3

Source: Company historics, Equity Development estimates

Summary Cash Flow					
Year to end Dec, £m	2019A	2020A	2021A	2022E	2023E
Operating profit	1.2	1.1	3.8	5.5	6.2
Depn. & Amortn.	5.8	5.3	4.6	3.1	2.8
Working capital movement	0.6	0.2	-1.0	-1.5	-0.9
Other	0.0	0.0	-0.5	0.0	0.0
Operating cash flow	7.6	6.6	6.9	7.2	8.1
Net Interest	-0.9	-0.7	-0.5	-0.3	-0.3
Taxation	-0.6	-0.5	-0.5	-0.8	-1.1
Net capex	-2.2	-2.6	-0.8	-6.2	-4.3
Operating FCF	4.0	2.8	5.1	-0.2	2.3
Net (Acquisitions)/Disposals	-0.1	0.0	0.0	4.2	0.5
Dividends	0.0	0.0	0.0	-0.5	-0.7
Share Issues	0.0	0.0	1.1	-1.9	0.0
Minority payment	-1.4	-0.3	0.0	0.0	0.0
Other financial	-0.3	-1.5	-1.9	0.0	0.0
Increase Cash/(Debt)	2.3	1.0	4.3	1.7	2.2
Opening Net Cash/(Debt)	-8.7	-6.4	-5.4	-1.1	0.6
Closing Net Cash/(Debt)	-6.4	-5.4	-1.1	0.6	2.8

Source: Company historics, Equity Development estimates

Abbreviated Balance Sheet					
Year to end Dec, £m	2019A	2020A	2021A	2022E	2023E
Intangible Assets	11.6	4.5	4.3	4.3	4.3
Tangible Assets	25.6	24.5	12.1	15.2	16.7
Investments/other	0.9	1.0	2.8	2.8	2.8
Net Working Capital	5.8	5.2	2.8	4.2	5.1
Assets held for sale			4.7		
Capital Employed	43.9	35.1	26.8	26.6	29.0
Other	0.0	0.0	0.0	0.0	0.0
Net Cash/(Debt)	-6.4	-5.4	-1.1	0.6	2.8
Provisions Liabilities/Charges	-2.2	-2.0	-2.3	-2.3	-2.3
Net Assets	35.2	27.7	23.3	24.9	29.5

Source: Company historics, Equity Development estimates



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