

30 January 2024

## H1 24: profitability up, costs reduced

Results highlight the momentum of demand for Kromek's Advanced Imaging and CBRN detection, evidenced by contract wins and active collaboration agreements. Supported by strong financial discipline and persistent geopolitical risk, our fair value remains at 26p/ share.

For the six months to 31 October 2023 Kromek reported revenue of £7.1m, +5%YoY, gross profit of £3.9m, +41%, a **54.2% margin compared to 40.4% a year earlier**, and an (adj.) EBITDA loss of £0.1m (H1 23: £(2.7)m loss). The loss before tax was £(3.5)m, reduced from £(5.7)m a year earlier. As of October 2023 the cash position was £3.7m, with net debt at £5.2m (H1 23: 8.3m). Significant cost controls are also evident, with administration and distribution costs reduced from £7.6m in H1 23 to £6.2m (-20%).

### H1 orders increased 7x YoY; H2 has started strongly

Kromek announced 4 contracts worth a total of £8.0m in H1, (£1.2m a year earlier) and commenced work on collaboration agreements at the end of FY23 with strong long-term commercial potential in the field of next-generation medical imaging. In addition to a Tier 1 OEM, we note Analogic Corp. for its next-generation CZT-based single-photon emission CT (SPECT scanners), whilst Spectrum Dynamics launched its SPECT Veriton-CT 300 based on Kromek's technology. This represents a major shift in demand for Kromek's CZT technology which lies at the core of this generational shift in medical imaging ([Funding the opportunity in medical imaging](#)). Kromek remains the only independent source for this technology. Post period-end Kromek also initiated collaboration with a major OEM with >100,000 customers including CT and SPECT applications.

In October the Group received its first contract, worth US\$5.9m (£4.84m), from the US Department of Homeland Security Countering Weapons of Mass Destruction (CWMD) Office to develop technologies for agent-agnostic bio-detection (ED report [Bio-detection becomes a reality](#)), and \$1.0m in CBRN orders from new and existing customers in nuclear security and for development of bio-security technology. In the same context, on 25 January (post period-end) the Group announced a contract in excess of £1.4m for its D3M compact radiation detection devices from the EU as part of its *rescEU* equipment stockpile designed to prepare for responses to CBRN risks.

### Forecasts and valuation

H1 has seen **building demand** in both the Advanced Imaging (notably medical imaging) and CBRN segments from major OEMs and government agencies, and **strong financial discipline**. Our revenue outlook remains unchanged. H124 cost control discipline has been particularly impressive and, if continued and backed by sound gross margins – we estimate c.47% going forward – provides the basis for improvement beyond our current revenue-driven outlook. Peer comparison indicates a market cap-weighted +1 year EV/EBITDA multiple of 15.1x<sup>1</sup>; our DCF valuation indicates a **Fair Value maintained at 26p/share**.

#### Summary Financials

Yr to 30 Apr (£m)	2021	2022	2023	2024E	2025E
Revenue	10.4	12.1	17.3	21.0	25.1
EBITDA (adj)	(1.7)	(1.2)	(1.0)	0.6	1.7
Pre-Tax Profit (adj)	(6.3)	(6.0)	(7.0)	(6.1)	(4.9)
EPS (adj, p)	(1.5)	(1.1)	(1.3)	(0.9)	(0.7)
Net debt / (cash)	(7.4)	1.4	7.8	2.4	3.7
EV/EBITDA	(23.5)x	(34.2)x	(40.5)x	65.0x	22.8x

Source: Company data. Equity Development estimates. <sup>1</sup>Source: Koyfin

#### Company Data

EPIC	KMK.L
Price (last close)	5.7p
52 weeks Hi/Lo	10.4p / 3.0p
Market cap	£34.2m
ED Fair Value / share	26p

#### Share Price, p



Source: ADVFN

#### Description

Kromek is a detection and advanced imaging specialist operating globally in the fields of medical imaging and hazard detection (CBRN: chemical, biological, radiation and nuclear). Within the advanced imaging segment, medical imaging, including BMD (bone mineral density), CT (computer tomographic) and SPECT (single photon emission computed tomography), utilises Kromek's cadmium zinc telluride (CZT) materials technology, where it is the only independent provider.

Other key advanced imaging markets include airport security screening and industrial imaging. Principally focused on radiation detection, CBRN also includes development of biohazard threat detection, including the presence of COVID-19.

Kromek is headquartered in Sedgfield, with US operations in California and Pittsburgh. Kromek holds over 240 patents.

Next event: FY24 Results, July 2024

#### Mike Jeremy (Analyst)

0207 065 2690

[mike.jeremy@equitydevelopment.co.uk](mailto:mike.jeremy@equitydevelopment.co.uk)

#### Andy Edmond

0207 065 2691

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

## H1 24 performance

The key features of H1 24 performance were:

- Revenue growth of 4.6%YoY, with the contribution from UK end-user demand sharply up from £0.3m to £1.3m, Asia from £0.4m to £2.3m, a combined 50% of total.
- Revenue from Products (Advanced Imaging and CBRN) was £5.91m compared to £6.54m in H123, reflecting the phasing-in of next-generation equipment, whilst the contribution from R&D collaborations – as evident, for example in the US Homeland Security order – increased from £0.245m to £1.185m (17% of total).
- Gross profit of £3.9m (H123: £2.7m) with margin improvement from 40.4% to 54.2% reflecting easing of global supply chain and parts constraints and continued improvement in manufacturing processes.
- Operating costs were reduced by 20%YoY to £6.4m, a significant achievement, resulting in an (adj.) EBIT loss of £(2.3m) compared to a £(5.1)m loss a year earlier. With depreciation (£0.9m) and amortisation (£1.4m) at similar levels YoY, the adjusted EBITDA loss was £(0.1)m compared to £(2.7)m in October 2022.
- The cost of financing increased from £0.458m in H123 and £0.787m in H223 to £0.945m, with an additional £246k associated with debt re-financing. Consequently H124 reported PBT was £(3.5)m compared to £(5.7)m in H123 as the benefits of improved gross profitability and reduced operating costs flowed through.
- In line with improved profitability, operating cashflow was £(0.4)m compared to £(2.7)m in H123, with a similar YoY movement in working capital (£(2.3)m) resulting in operating cashflow net of tax of £(1.6)m compared to £(4.0)m in H123. Refinancing of debt was largely neutral (+£5.9m, less £5.7m repaid) and the Group added £7.9m (net) through an equity issue.
- Product development at £2.6m reflects the ongoing commitment to innovation, focused on (i) improved productivity and manufacturing processes in both CZT crystal growth and advanced imaging equipment, in anticipation of demand for higher-margin next generation medical imaging equipment, and (ii) a focus on the development of autonomous bio security detection equipment.

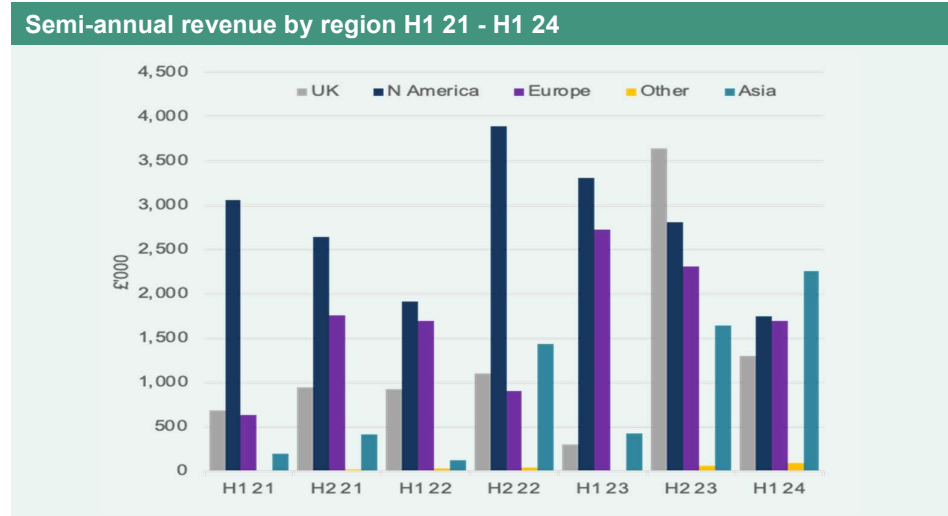
### Semi-annual results summary H1 22 – H1 24

Semi-annual (£m)	H1 22	H2 22	H1 23	H2 23	H1 24	YoY/beta
<b>Revenue</b>	<b>4.71</b>	<b>7.35</b>	<b>6.79</b>	<b>10.52</b>	<b>7.10</b>	4.6%
Gross	2.20	3.43	2.74	6.20	3.85	40.5%
Margin	46.8%	46.7%	40.4%	58.9%	54.2%	13.9%
EBIT Adjusted	(2.75)	(2.73)	(5.09)	(0.68)	(2.36)	
<b>EBITDA Adjusted</b>	<b>(0.63)</b>	<b>(0.53)</b>	<b>(2.67)</b>	<b>1.69</b>	<b>(0.12)</b>	
PBT Adjusted	(3.03)	(3.00)	(5.55)	(1.46)	(3.27)	
Net cash from operations	(2.21)	(1.32)	(4.03)	4.22	(1.61)	
Net OpFCF	(5.69)	(4.26)	(6.87)	1.80	(4.38)	
Net cash from financing	(0.63)	(0.94)	2.12	(0.83)	6.91	
Net change in cash	(6.32)	(5.20)	(4.75)	0.97	2.53	
Cash at period-end	10.24	5.08	0.96	1.10	3.72	
<b>Net debt</b>	<b>(3.45)</b>	<b>1.38</b>	<b>8.30</b>	<b>7.79</b>	<b>5.18</b>	

Source: Company data. Equity Development estimates.

## H1 24 revenue trends

Below summarises revenue by region in H1 by destination: UK, £1.305m (H123: £0.298m); N. America, £1.745m (£3.306m); Asia, £2.255m (£0.424m); Europe. £1.698m (£2.726m); 'Other', £0.92m (£0.31m). We note the recent increase in demand from Asia.



Source: Company data, Equity Development estimates.

## Contracts and agreements

In the six months to 31 October 2023 Kromek signed four contracts worth a total of £8.0m, compared to £1.2m signed a year earlier, and added/activated three major collaboration agreements with strong long-term commercial potential in the field of next-generation medical imaging.

**We note that H124 orders totalling £8.0m exceeded the H123 total of £1.2m.**

Summary of H1 23/24 and H2 23 contracts			
	US\$m	£m	
	1.425	1.156	SPECT OEMs
	1.500	1.217	CBRN Asia
	5.900	4.788	Homeland Security
	1.000	0.811	CBRN
<b>Sum H1 24</b>	<b>9.825</b>	<b>7.973</b>	
H1 23	1.446	1.173	
post H1 24	1.630	1.323	4 CBRN orders
	1.775	1.400	EU D3M order
<b>sum to date</b>	<b>3.405</b>	<b>2.723</b>	

Source: Company data. US\$0.78873:GB£1.00

- Kromek commenced work on collaboration agreements established towards the end of the prior period: from 18 April 2023, an initial 7-year agreement with a Tier 1 OEM to develop CZT-based detectors for use in advanced medical imaging scanners; a short development phase prior to commercial supply; from 19 April 2023, collaboration with Analogic Corp. for development of next-

generation CZT-based detector solutions for photon counting, PCCT-based medical imaging and security applications.

- 2 May 2023: Asia-based US\$1.425m OEM SPECT 3-part order.
- 5 June 2023: US\$1.5m CBRN civil nuclear contract in Asia via a distribution partner, three customers.
- 12 September 2023: CZT detectors integrated into Spectrum Dynamics' VERITON-CT 300 SPECT/CT systems.
- 26 October 2023: first US Department of Homeland Security Contract for Biosecurity, worth US\$5.9m; a four-year programme worth US\$0.874m in year one.
- 31 October 2023: CBRN orders worth over US\$1.0m from new and existing customers; two orders in nuclear security and one order for the further development of bio-security technology.

### Post-H1 contracts and collaboration agreements

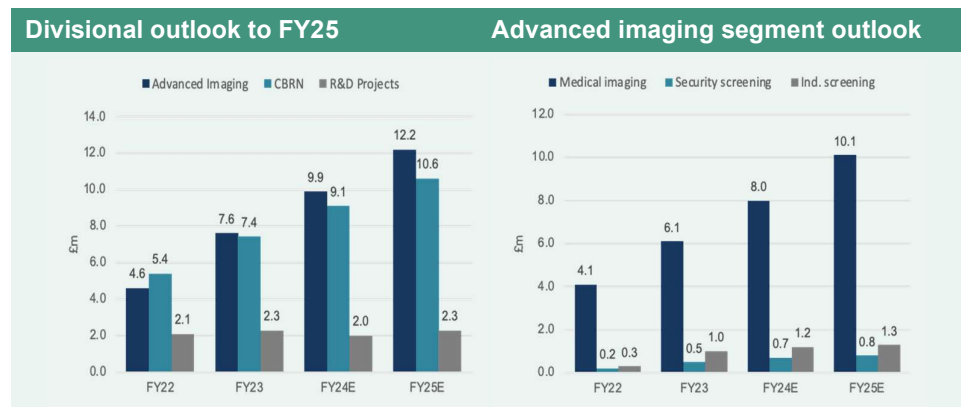
Post-October, Kromek has announced one collaboration and 5 new orders worth a total of £2.7m:

- 7 November 2023: collaboration agreement with a new partner to develop CZT for PCCT applications in the medical imaging sector.
- 18 January 2024: four orders totalling US\$1.63m (£1.3m) in advanced imaging and CBRN detection from existing OEM customers; two for delivery in FY24 and two for delivery within 24 months.
- 25 January: an order of >£1.4m for D3M radiation detectors and network solutions (revenue within FY25) from the EU European Civil Protection and Humanitarian Aid Operations *rescEU* stockpile.

### Outlook

Our outlook to FY25 based on (ED) estimated divisional revenue performance – Advanced Imaging, CBRN and R&D-related, remains unchanged with double digit growth in each major segments.

- Advanced Imaging: FY24 E, £9.9m, +30%YoY; FY25 E, £12.2m, +24%YoY, with Medical Imaging comprising 81% of FY24 and 83% of FY25 estimates.
- CBRN: FY24 E, £9.1m, +23%YoY; FY25 E, £10.6m, +17%YoY, with Nuclear Security comprising 84% of FY24 and 76% of FY25 estimates.



Source: Company data, Equity Development estimates.

Below summarises our divisional outlook to FY25 contributing to overall growth of 21%YoY in FY24 and 20%YoY in FY25.

We estimate that c.75% of FY24 Advanced Imaging revenue and c60% of CBRN revenue will be H2-weighted; the overall FY23 H2 revenue weighting was 61%. As the extent of Tier 1 OEM collaborations in medical imaging which went live in H1 indicates, the medium-term prospects for the introduction of the new generation of CT and SPECT imaging remain a strong positive driver for demand for Kromek's proprietary CZT technology. As we described in our report of 26 May 2023 *Funding the opportunity in medical imaging*, we estimate the market opportunity in next-generation medical imaging equipment – such as single-photon emission computed tomography - available to Kromek by FY29 at a cumulative US\$100m (£79m).

Revenue outlook to FY25 by Product and Segment							
£m	FY22	FY23	FY24E	FY25E	FY23E	FY24E	FY25E
Advanced Imaging	4.6	7.6	9.9	12.2	65%	30%	24%
CBRN	5.4	7.4	9.1	10.6	38%	23%	17%
R&D Projects	2.1	2.3	2.0	2.3	8%	-12%	14%
<b>Sum</b>	<b>12.1</b>	<b>17.3</b>	<b>21.0</b>	<b>25.1</b>	<b>43%</b>	<b>21%</b>	<b>20%</b>
<i>Pct of</i>							
Advanced Imaging	38.0%	43.9%	47.1%	48.6%			
CBRN	44.6%	42.9%	43.4%	42.3%			
R&D Projects	17.4%	13.1%	9.5%	9.1%			
<b>Medical imaging (£m)</b>							
Medical imaging	4.1	6.1	8.0	10.1	49%	31%	27%
Security screening	0.2	0.5	0.7	0.8	1.5x	40%	14%
Ind. screening	0.3	1.0	1.2	1.3	2.3x	20%	8%
<b>Advanced imaging</b>	<b>4.6</b>	<b>7.6</b>	<b>9.9</b>	<b>12.2</b>	<b>65%</b>	<b>30%</b>	<b>24%</b>
<i>Pct of</i>							
Medical imaging	89.1%	80.3%	80.8%	82.8%			
Security screening	4.3%	6.6%	7.1%	6.6%			
Ind. screening	6.5%	13.2%	12.1%	10.6%			
<b>CBRN</b>							
Nuclear security	4.4	6.3	7.6	8.1	44%	20%	7%
Civil nuclear	1.0	1.1	1.5	2.5	10%	36%	67%
<b>CBRN</b>	<b>5.4</b>	<b>7.4</b>	<b>9.1</b>	<b>10.6</b>	<b>38%</b>	<b>23%</b>	<b>17%</b>
<i>Pct of</i>							
Nuclear security		85%	84%	76%			
Civil nuclear		15%	16%	24%			

Source: Company data, Equity Development estimates.

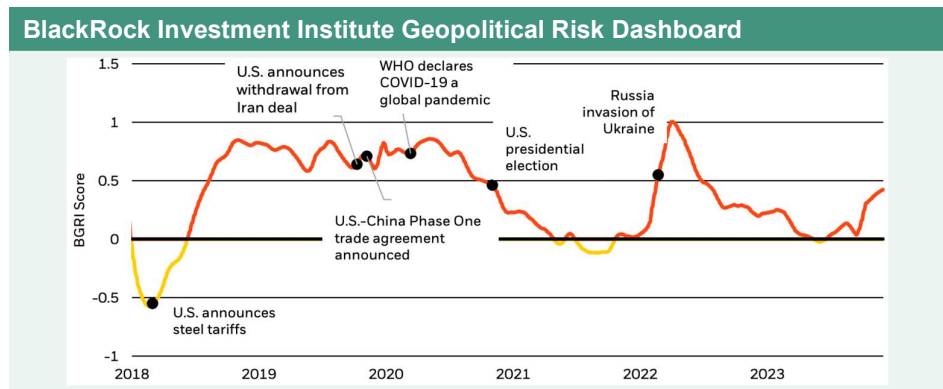
### Changes to FY24 and FY 25 outlook.

- For FY24 our PBT estimate of £(6.1)m replaces a prior estimate of £(5.3)m due to a reduction in available R&D tax credits.
- Refinancing occasioned an increase in estimated FY24 interest payments from £1.1m to £2.0m.

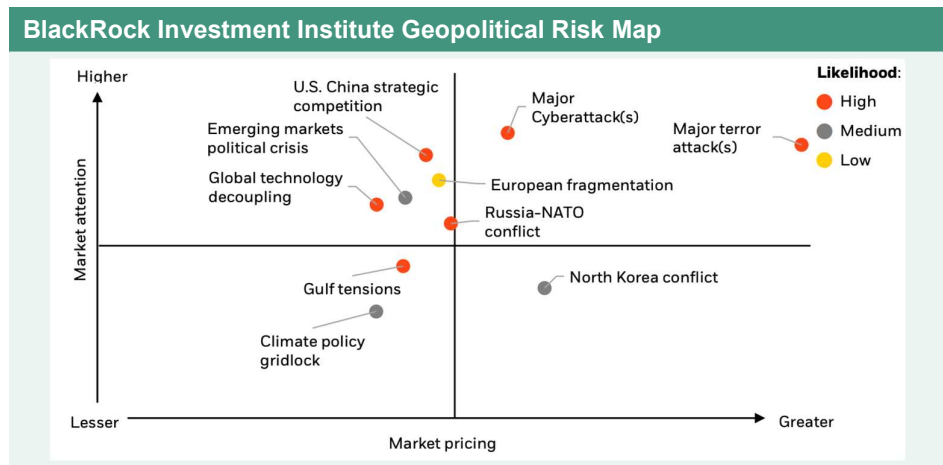
## Geopolitical risk – ‘accelerated long-term fundamental changes’

According to the BlackRock Investment Institute assessment of geopolitical risk, the backdrop to demand for Kromek’s CBRN products in 2023 developed into a “persistent and structural market risk” where “shocks have accelerated long-term fundamental changes in the global order”<sup>1</sup>.

The latest December 2023 BlackRock Investment Institute report on the global risk landscape - the ‘Geopolitical Risk Dashboard’ shown below - retained a ‘High’ risk rating for terror attacks, alongside cyber-attacks, US-China strategic competition and “global technology decoupling” between the US and China. As the ‘Risk Map’ shown below illustrates, the threat from ‘Major terrorist attack(s)’ is seen as attracting greater market attention, a reflection of an ongoing level of awareness which equates, in our view, to continued visibility for Kromek’s CBRN segment detection devices. We note that Kromek received its first US Department of Homeland Security Contract for Biosecurity (US\$5.9m) in October 2023. Blackrock noted: “The global terrorism risk is high and rising. Market attention has hit its highest level in more than a year. The conflict in the Middle East increases the threat in the region, in the U.S. and in Europe, in our view. Law enforcement and intelligence officials have cited violent extremists and lone actors as the biggest concern. Al-Qaida and ISIS continue to rebuild and re-establish their global reach, and new terrorist hotspots are emerging. The Sahel region is of particular concern as military takeovers have threatened the West’s efforts to fight against terrorism. In the U.S., the Biden administration has underscored the threat of domestic terrorism. We see heightened risk ahead of the 2024 presidential election”.



Source: <sup>1</sup> BlackRock Investment Institute Geopolitical Risk Dashboard December 2023.



Source: BlackRock Investment Institute Geopolitical Risk Dashboard December 2023.

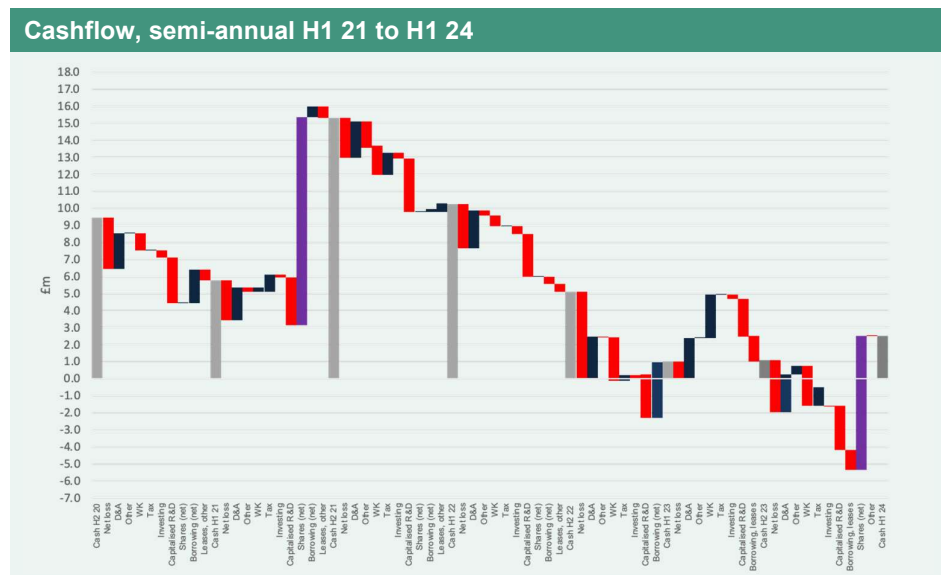
## Cashflow

The cash position of £3.72m at 31 October 2023 resulted from:

- Operating cashflow of £(0.36)m propelled by a reduced net loss of £(3.1)m (H123: £(5.1)m), and Cash from operations of £(2.67)m after a £2.31 increase in working capital (H123: £2.56m) through increases in inventories, receivables and payables, indicative of improved momentum.
- Capex was restrained at just £57,000 (H123: £186,000), whilst capitalised R&D of £2.62m matched H123 at £2.58m. R&D tax receipts contributed £1.1m (H123: £1.2m). Net operating free cashflow of £(4.38)m was reduced from £(6.87)m a year earlier; we note the H223 positive contribution of £1.8m.
- On 28 September the Group completed refinancing of the HSBC RCF through a new £5.5m secured loan from Polymer N2 Ltd., 9.6% Kromek shareholder, repayable by 27 March 2025 (12-months extendable), with interest at 9.5% (payable quarterly), +0.4% above the prior facility. The net increase in borrowings was £0.19m.
- In May, a Placing raised £7.0m, augmented by an open offer of £1.0m resulting in net proceeds of £7.89m which, as shown below, resulted in a year-end cash balance of £3.72m.

## Borrowings

In September the Revolving Credit Facility of £5.0m was replaced by a £5.5m term loan as described above, with additional borrowings of £1.07m. During H1 15% of the outstanding convertible loan was converted by 3 shareholders resulting in the issue of 7.83m shares equating to 1.8% dilution and a reduction in the outstanding amount of £0.26m to £2.58m. Of total debt, £3.17m is due within 12 months and £5.74m thereafter.



Source: Company data, Equity Development estimates.

## Valuation considerations

Our **Fair Value of 26.0p** per share is based on the following five-year DCF valuation.

DCF valuation					
Year to 30 Apr (£m)	FY24E	FY25E	FY26E	FY27E	FY28E
Revenue	21.00	25.11	34.97	45.03	52.23
OCF	1.85	4.28	6.00	13.16	16.84
Cash tax	1.07	1.30	0.00	0.00	0.00
Capex, investments	(4.80)	(4.30)	(3.90)	(3.50)	(3.10)
FCF	(2.21)	1.06	1.88	9.24	13.12
DCF	(0.51)	0.95	1.58	7.33	9.82
Cash	3.66	2.32	2.00	9.24	20.56
EV/EBITDA (x)	257.8x	90.4x	17.0x	10.7x	8.5x
EBITDA	0.61	1.74	9.24	14.67	18.40
EBITDA margin	2.9%	6.9%	26.4%	32.6%	35.2%
WACC	6.0%				
Terminal growth rate	3.0%				
Terminal multiple (x)	13x		EV (£m)		157.1
Terminal value (£m)	130.1		PV of equity (£m)		149.3
PV of DCF (£m)	19.2		Shares (m)		431.9
Net debt / (cash)	7.8		<b>Fair value/sh (p)</b>		<b>26.0</b>

Source: Equity Development estimates.

Below further illustrates the comparative valuation location (EV/EBITDA vs PE) for Kromek (FY24E earnings) versus a range of peers in the LSE AIM technology segment +1 year estimated (Koyfin). The selected peers are:

- Image Scan (IGE, mkt cap £2.3m), Crimson Tide (TIDE, £11.8m), Polarean Imaging (POL, £17.4m), Thruvision (THRU, £31.3m), Filtronic (FTC, £50.4m), CML Microsystem (CML, £70.6m), Oxford Metrics (OMG, £144.3m) and Judges Scientific (JDG, £640.4m).

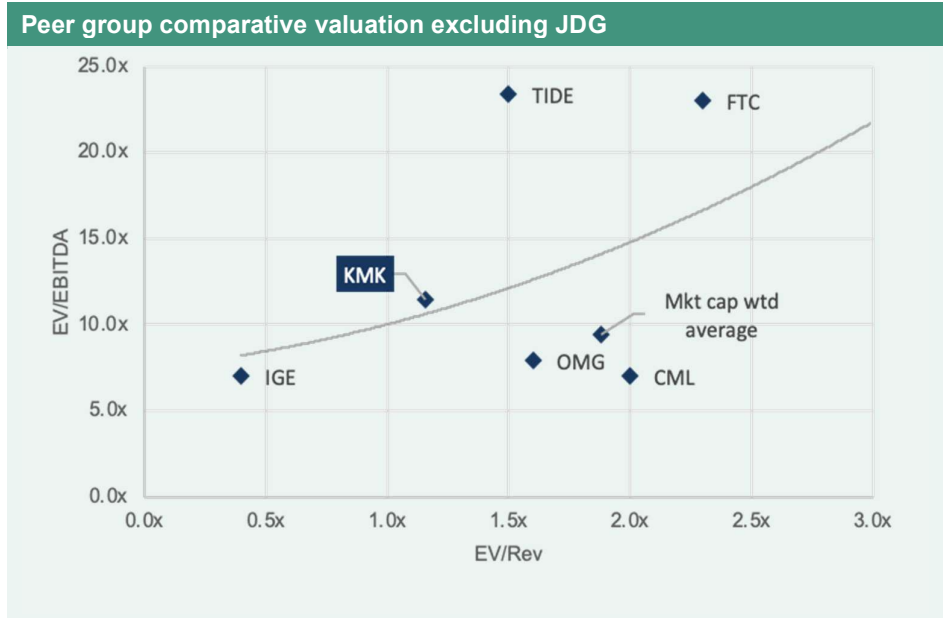
### Peer group comparative valuation



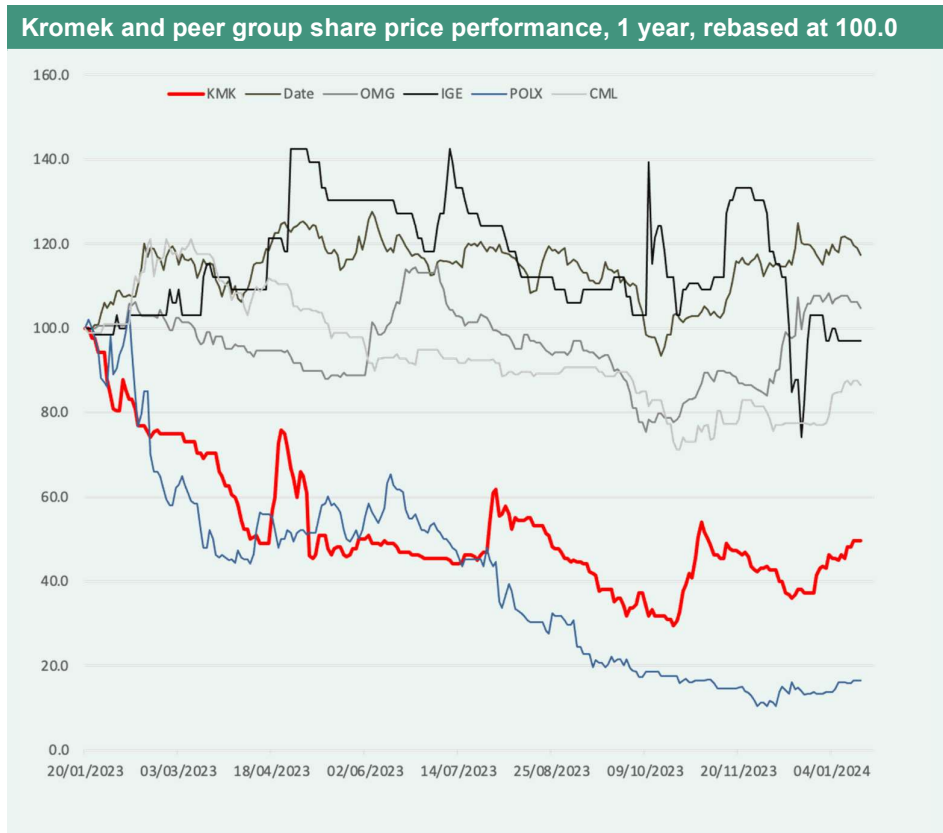
Source: Koyfin, Equity Development estimates.



The following resets comparative valuation with JDG removed (due to its outlier market capitalisation) and market cap-weighted average adjusted accordingly.



Source: Koyfin, Equity Development estimates. Polynomial best-fit trendline shown.



Source: LSE, Equity Development estimates.

## FINANCIAL SUMMARY

### P&L

Profit & Loss semi-annual H1 22 – H1 24					
Six months (£m)	H1 22	H2 22	H1 23	H2 23	H1 24
Revenue	4.71	7.35	6.79	10.52	7.10
Gross Margin	46.8%	46.7%	40.4%	58.9%	54.2%
COGS	(2.50)	(3.92)	(4.05)	(4.33)	(3.25)
Other income	1.34	0.07	0.00	0.12	0.00
Distribution	(0.27)	(0.28)	(0.32)	(0.29)	(0.22)
Admin	(6.14)	(6.07)	(7.63)	(6.94)	(6.17)
Sum Op-ex	<b>(5.07)</b>	<b>(6.28)</b>	<b>(7.95)</b>	<b>(7.11)</b>	<b>(6.38)</b>
Exceptional items	0.09	0.04	0.00	0.08	0.20
EBIT Reported	(2.78)	(2.80)	(5.21)	(0.84)	(2.33)
EBIT Adjusted	<b>(2.75)</b>	<b>(2.73)</b>	<b>(5.09)</b>	<b>(0.68)</b>	<b>(2.36)</b>
Amortisation	(1.27)	(1.30)	(1.47)	(1.43)	(1.36)
Depreciation	(0.85)	(0.90)	(0.96)	(0.94)	(0.88)
EBITDA Reported	(0.66)	(0.60)	(2.79)	1.53	(0.09)
EBITDA Adjusted	<b>(0.63)</b>	<b>(0.53)</b>	<b>(2.67)</b>	<b>1.69</b>	<b>(0.12)</b>
Financial income	0.01	0.03	0.00	0.00	0.03
Financial expense	(0.28)	(0.30)	(0.46)	(0.79)	(0.95)
PBT Reported	(3.06)	(3.07)	(5.67)	(1.62)	(3.49)
PBT Adjusted	<b>(3.03)</b>	<b>(3.00)</b>	<b>(5.55)</b>	<b>(1.46)</b>	<b>(3.27)</b>
Tax	0.71	0.50	0.60	0.59	0.43
PAT Reported	(2.35)	(2.57)	(5.07)	(1.03)	(3.07)
PAT Adjusted	<b>(2.32)</b>	<b>(2.50)</b>	<b>(4.95)</b>	<b>(0.87)</b>	<b>(2.84)</b>
Basic wtd. av. shares	431.9	431.9	431.9	431.9	573.6
Diluted wtd. av. shares	432.2	432.2	432.2	432.2	574.3
EPS Reported Basic (p)	(0.5)	(0.6)	(1.2)	(0.2)	(0.5)

Source: Company data. Equity Development estimates. Diluted basis EPS not reported.

## P&L

Profit & Loss FY21 – FY 25E					
Year to 30 Apr (£m)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>10.35</b>	<b>12.06</b>	<b>17.31</b>	<b>21.00</b>	<b>25.11</b>
Gross	5.01	5.64	8.94	9.93	11.80
COGS	(5.35)	(6.42)	(8.37)	(11.07)	(13.31)
Other income	0.38	1.41	0.12	0.00	0.00
Distribution	(0.29)	(0.55)	(0.61)	(0.64)	(0.66)
Admin	(10.94)	(12.21)	(14.57)	(13.85)	(14.40)
<b>Sum Op-ex</b>	<b>(10.84)</b>	<b>(11.35)</b>	<b>(15.06)</b>	<b>(14.48)</b>	<b>(15.06)</b>
Exceptional items	0.05	0.13	0.08	0.20	0.00
EBIT Reported	(5.79)	(5.58)	(6.05)	(4.35)	(3.26)
<b>EBIT Adjusted</b>	<b>(5.73)</b>	<b>(5.48)</b>	<b>(5.77)</b>	<b>(4.19)</b>	<b>(3.26)</b>
Amortisation	(2.36)	(2.57)	(2.89)	(3.00)	(3.20)
Depreciation	(1.69)	(1.75)	(1.90)	(1.80)	(1.80)
EBITDA Reported	(1.74)	(1.26)	(1.26)	0.45	1.74
<b>EBITDA Adjusted</b>	<b>(1.69)</b>	<b>(1.16)</b>	<b>(0.98)</b>	<b>0.61</b>	<b>1.74</b>
Financial income	0.00	0.03	0.00	0.05	0.05
Financial expense	(0.55)	(0.58)	(1.25)	(2.00)	(1.70)
PBT Reported	(6.33)	(6.13)	(7.29)	(6.54)	(4.91)
<b>PBT Adjusted</b>	<b>(6.28)</b>	<b>(6.03)</b>	<b>(7.02)</b>	<b>(6.14)</b>	<b>(4.91)</b>
Tax	0.98	1.21	1.19	0.60	0.60
PAT Reported	(5.35)	(4.92)	(6.10)	(5.94)	(4.31)
<b>PAT Adjusted</b>	<b>(5.30)</b>	<b>(4.81)</b>	<b>(5.82)</b>	<b>(5.54)</b>	<b>(4.31)</b>
Basic wtd. av. shares	358.9	431.9	431.9	609.2	611.3
Diluted wtd. av. shares	359.3	432.2	432.2	616.1	618.3
EPS Reported Basic (p)	(1.5)	(1.1)	(1.4)	(1.0)	(0.7)

Source: Company data. Equity Development estimates. Diluted basis EPS not reported.

## Balance sheet

Balance sheet H1 22 – H1 24					
Six months (£m)	H1 22	H2 22	H1 23	H2 23	H1 24
Goodwill net	1.28	1.28	1.28	1.28	1.28
Intangible assets	26.24	28.38	30.54	30.55	32.36
PPE net	10.88	10.94	10.80	9.83	9.37
RoU net	3.88	3.87	4.26	3.76	3.72
<b>Fixed Assets</b>	<b>42.28</b>	<b>44.47</b>	<b>46.87</b>	<b>45.42</b>	<b>46.73</b>
Inventories	7.34	10.50	10.87	10.89	11.41
Trade receivables	7.17	6.43	6.69	5.53	6.59
Tax assets	0.42	0.94	0.35	0.94	0.30
Cash, Equivalents	10.24	5.08	0.96	1.10	3.72
<b>Current Assets</b>	<b>25.17</b>	<b>22.96</b>	<b>18.86</b>	<b>18.46</b>	<b>22.02</b>
<b>Total Assets</b>	<b>67.45</b>	<b>67.42</b>	<b>65.74</b>	<b>63.88</b>	<b>68.75</b>
Trade payables	(5.96)	(7.86)	(5.99)	(7.44)	(6.75)
Borrowings	(4.81)	(5.72)	(5.69)	(8.32)	(3.17)
Leases, Financial Insts.	(0.39)	(0.38)	(0.41)	(0.92)	(0.76)
<b>Current Liabilities</b>	<b>(11.16)</b>	<b>(13.95)</b>	<b>(12.09)</b>	<b>(16.68)</b>	<b>(10.67)</b>
<b>Total Assets less Current Liabilities</b>	<b>56.29</b>	<b>53.48</b>	<b>53.64</b>	<b>47.20</b>	<b>58.07</b>
Deferred income	(1.22)	(1.13)	(1.07)	(1.02)	(0.97)
Leases	(4.11)	(4.16)	(4.51)	(4.09)	(4.05)
Borrowings	(1.98)	(0.75)	(3.57)	(0.57)	(5.74)
<b>Long-term liabilities</b>	<b>(7.31)</b>	<b>(6.04)</b>	<b>(9.14)</b>	<b>(5.68)</b>	<b>(10.76)</b>
<b>Total liabilities</b>	<b>(18.47)</b>	<b>(19.99)</b>	<b>(21.23)</b>	<b>(22.35)</b>	<b>(21.43)</b>
<b>Net Assets</b>	<b>48.98</b>	<b>47.44</b>	<b>44.50</b>	<b>41.52</b>	<b>47.31</b>
Share Capital	4.32	4.32	4.32	4.32	6.00
Share Premium	72.94	72.94	72.94	72.94	79.14
Capital redemption reserve	21.85	21.85	21.85	21.85	21.85
Translation reserve	1.15	2.06	4.08	1.90	2.71
Accumulated losses	(51.29)	(53.74)	(58.69)	(59.49)	(62.39)
<b>Equity</b>	<b>48.98</b>	<b>47.44</b>	<b>44.50</b>	<b>41.52</b>	<b>47.31</b>
<b>Net debt / (cash)</b>	<b>(3.45)</b>	<b>1.38</b>	<b>8.30</b>	<b>7.79</b>	<b>5.18</b>

Source: Company data. Equity Development estimates.

## Balance sheet

Balance sheet FY21 – FY25E					
Year to 30 Apr (£m)	FY21	FY22	FY23	FY24E	FY25E
Goodwill net	1.28	1.28	1.28	1.28	1.28
Intangible assets	24.14	28.38	30.55	32.35	33.51
PPE net	11.20	10.94	9.83	8.68	7.43
RoU net	4.08	3.87	3.76	3.31	2.92
<b>Fixed Assets</b>	<b>40.70</b>	<b>44.47</b>	<b>45.42</b>	<b>45.62</b>	<b>45.14</b>
Inventories	6.20	10.50	10.89	10.01	8.80
Trade receivables	6.64	6.43	5.53	7.19	7.57
Tax assets	1.02	0.94	0.94	0.60	0.60
Cash, Equivalents	15.60	5.08	1.10	2.73	1.38
<b>Current Assets</b>	<b>29.46</b>	<b>22.96</b>	<b>18.46</b>	<b>20.53</b>	<b>18.35</b>
Total Assets	70.16	67.42	63.88	66.15	63.49
Trade payables	(6.17)	(7.86)	(7.44)	(9.72)	(12.73)
Borrowings	(5.39)	(5.72)	(8.32)	(5.48)	(5.48)
Leases, Financial Insts.	(0.40)	(0.38)	(0.92)	(0.92)	(0.92)
<b>Current Liabilities</b>	<b>(11.96)</b>	<b>(13.95)</b>	<b>(16.68)</b>	<b>(16.12)</b>	<b>(19.13)</b>
Total Assets less Current Liabilities	58.20	53.48	47.20	50.03	44.36
Deferred income	(1.07)	(1.13)	(1.02)	(0.80)	(0.20)
Leases	(4.26)	(4.16)	(4.09)	(3.39)	(2.69)
Borrowings	(2.82)	(0.75)	(0.57)	(0.57)	(0.57)
<b>Long-term liabilities</b>	<b>(8.14)</b>	<b>(6.04)</b>	<b>(5.68)</b>	<b>(4.76)</b>	<b>(3.46)</b>
<b>Total liabilities</b>	<b>(20.10)</b>	<b>(19.99)</b>	<b>(22.35)</b>	<b>(20.88)</b>	<b>(22.58)</b>
Net Assets	50.06	47.44	41.52	45.27	40.91
Share Capital	4.32	4.32	4.32	6.11	6.11
Share Premium	72.94	72.94	72.94	81.49	81.49
Capital redemption reserve	21.85	21.85	21.85	21.85	21.85
Translation reserve	0.00	2.06	1.90	1.85	2.40
Accumulated losses	(49.06)	(53.74)	(59.49)	(66.03)	(70.95)
<b>Equity</b>	<b>50.06</b>	<b>47.44</b>	<b>41.52</b>	<b>45.27</b>	<b>40.91</b>
Net debt / (cash)	(7.40)	1.38	7.79	3.32	4.66

Source: Company data. Equity Development estimates.

## Cashflow

Cashflow H1 22 – H1 24					
Six months (£m)	H1 22	H2 22	H1 23	H2 23	H1 24
Net profit/loss	(2.35)	(2.57)	(5.07)	(1.03)	(3.07)
Finance (net)	0.28	0.27	0.46	0.79	0.91
Tax	(0.71)	(0.50)	(0.60)	(0.59)	(0.43)
Amortisation	1.27	1.30	1.47	1.43	1.36
Depreciation	0.85	0.90	0.96	0.94	0.88
Share-based payment	0.12	0.12	0.12	0.23	0.18
Other non-cash	(1.25)	(0.19)	0.00	(0.08)	(0.20)
Operating Cash Flow	<b>(1.79)</b>	<b>(0.67)</b>	<b>(2.67)</b>	<b>1.69</b>	<b>(0.36)</b>
Working capital					
(Increase)/Decrease inventories	(1.13)	(3.17)	(0.36)	(0.03)	(0.52)
(Increase)/Decrease in receivables	(0.52)	0.74	(0.26)	1.16	(1.06)
Increase/(Decrease) in payables	(0.06)	1.80	(1.93)	1.40	(0.74)
Change working capital	<b>(1.72)</b>	<b>(0.63)</b>	<b>(2.56)</b>	<b>2.54</b>	<b>(2.31)</b>
Cash from operations	<b>(3.51)</b>	<b>(1.30)</b>	<b>(5.22)</b>	<b>4.22</b>	<b>(2.67)</b>
Tax (paid)/received	1.30	(0.02)	1.20	0.00	1.07
Net cash from operations	(2.21)	(1.32)	(4.03)	4.22	(1.61)
Investing activities					
Investments	0.00	0.00	0.00	0.00	0.00
Interest	0.01	0.03	0.00	0.00	0.03
PPE	(0.26)	(0.39)	(0.19)	(0.08)	(0.06)
Other intangibles	0.00	0.00	(0.04)	0.04	(0.12)
ROU	(0.10)	(0.08)	(0.04)	(0.14)	0.00
Capitalised R&D	(3.13)	(2.49)	(2.58)	(2.24)	(2.63)
Net cash used in investing	<b>(3.48)</b>	<b>(2.94)</b>	<b>(2.85)</b>	<b>(2.42)</b>	<b>(2.77)</b>
Net OpFCF	(5.69)	(4.26)	(6.87)	1.80	(4.38)
Financing activities					
Shares (net)	0.00	0.00	0.00	0.00	7.88
Borrowings short-term	0.00	0.00	0.50	2.34	5.90
Borrowings short-term repaid	0.00	0.00	(0.52)	0.52	(5.71)
Borrowings long-term	0.56	0.20	3.34	(2.24)	0.00
Borrowings long-term repaid	(0.70)	(0.64)	(0.52)	(0.73)	0.00
Leases	(0.32)	(0.32)	(0.35)	(0.35)	(0.34)
Interest	(0.16)	(0.18)	(0.33)	(0.38)	(0.82)
Net cash from financing	<b>(0.63)</b>	<b>(0.94)</b>	<b>2.12</b>	<b>(0.83)</b>	<b>6.91</b>
Net change in cash	(6.32)	(5.20)	(4.75)	0.97	2.53
Cash at period start	15.60	10.24	5.08	0.96	1.10
Forex	0.96	0.03	0.63	(0.83)	0.10
Cash at period-end	<b>10.24</b>	<b>5.08</b>	<b>0.96</b>	<b>1.10</b>	<b>3.72</b>
Net debt	(3.45)	1.38	8.30	7.79	5.18

Source: Company data. Equity Development estimates.

## Cashflow

Cashflow FY21 – FY25E					
Year to 30 Apr (£m)	FY21	FY22	FY23	FY24E	FY25E
Net profit/loss	(5.35)	(4.92)	(6.10)	(5.94)	(4.31)
Finance (net)	0.55	0.55	1.24	1.95	1.65
Tax	(0.98)	(1.21)	(1.19)	(0.60)	(0.60)
Amortisation	2.36	2.57	2.89	3.00	3.20
Depreciation	1.69	1.75	1.90	1.80	1.80
Share-based payment	0.14	0.24	0.35	0.36	0.00
Other non-cash	0.08	(1.44)	(0.08)	0.00	0.00
<b>Operating Cash Flow</b>	<b>(1.52)</b>	<b>(2.47)</b>	<b>(0.98)</b>	<b>0.57</b>	<b>1.74</b>
Working capital					
(Increase)/Decrease inventories	0.21	(4.30)	(0.39)	0.88	1.21
(Increase)/Decrease in receivables	1.57	0.22	0.90	(1.66)	(0.37)
Increase/(Decrease) in payables	(2.57)	1.74	(0.53)	2.07	2.40
<b>Change working capital</b>	<b>(0.79)</b>	<b>(2.35)</b>	<b>(0.02)</b>	<b>1.29</b>	<b>3.23</b>
<b>Cash from operations</b>	<b>(2.31)</b>	<b>(4.81)</b>	<b>(1.00)</b>	<b>1.85</b>	<b>4.97</b>
Tax (paid)/received	1.01	1.28	1.20	0.60	0.60
Net cash from operations	(1.31)	(3.53)	0.20	2.45	5.57
Investing activities					
Investments	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.03	0.00	0.00	0.00
PPE	(0.45)	(0.65)	(0.27)	(0.20)	(0.10)
Other intangibles	0.00	0.00	0.00	(0.12)	(0.06)
ROU	(0.16)	(0.18)	(0.18)	0.00	(0.06)
Capitalised R&D	(5.46)	(5.62)	(4.82)	(4.80)	(4.30)
<b>Net cash used in investing</b>	<b>(6.07)</b>	<b>(6.42)</b>	<b>(5.27)</b>	<b>(5.12)</b>	<b>(4.52)</b>
Net OpFCF	(7.38)	(9.95)	(5.07)	(2.67)	1.05
Financing activities					
Shares (net)	12.22	0.00	0.00	10.34	0.00
Borrowings short-term	0.00	0.00	2.84	6.00	0.00
Borrowings short-term repaid	0.00	0.00	0.00	(8.84)	0.00
Borrowings long-term	3.22	0.76	1.10	0.00	0.00
Borrowings long-term repaid	(0.60)	(1.34)	(1.26)	0.00	0.00
Leases	(0.40)	(0.65)	(0.69)	(0.70)	(0.70)
Interest	(0.31)	(0.34)	(0.70)	(2.00)	(1.70)
<b>Net cash from financing</b>	<b>14.13</b>	<b>(1.57)</b>	<b>1.29</b>	<b>4.80</b>	<b>(2.40)</b>
Net change in cash	6.75	(11.51)	(3.79)	2.13	(1.35)
Cash at period start	9.44	15.60	5.08	0.60	2.73
Forex	(0.59)	0.99	(0.20)	0.00	0.00
<b>Cash at period-end</b>	<b>15.60</b>	<b>5.08</b>	<b>1.10</b>	<b>2.73</b>	<b>1.38</b>
Net debt	(7.40)	1.38	7.79	3.32	4.66

Source: Company data. Equity Development estimates.



## Contacts

### Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

### Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

## Equity Development Limited is regulated by the Financial Conduct Authority

## Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

More information is available on our website [www.equitydevelopment.co.uk](http://www.equitydevelopment.co.uk)

Equity Development, 2<sup>nd</sup> Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) | 020 7065 2690