

A reassuringly solid FY25 performance

10 April 2025

A year-end update from Norcros confirmed modest LFL revenue growth in both divisions (including a slightly better H2 outturn) as well as a firmer group operating margin. Net debt was in line with the prior year, representing c.1x EBITDA. There should be no headwinds from current global tariff machinations, and ongoing business collaboration and active portfolio management should be recurring themes going into FY26.

FY25 performance: In challenging local markets, LFL CER revenue performance improved in both of the company's primary operating regions in H2; marginally in the UK (H1: +0.9%, FY +1.0%), more notably so in South Africa (H1 -1.7%, FY +0.4%). In the **UK**, further market share gains are understood to have accrued from the company's established model, founded on a strong product and customer service offering. Given the importance of mix, we would expect that good performances from Triton, Merlyn and Grant Westfield contributed to the outturn. In addition, distribution consolidation activity (including Vado and Grant Westfield/Merlyn) should have provided some in-year benefits. Operations in **South Africa** have experienced a tough consumer backdrop and additional tile manufacturing capacity coming onstream has further impacted the trading environment. Tile Africa sources from both sister company JTSA and third-party suppliers, so is well-placed to balance its supply chain in these circumstances.

At the group level, using consensus EBIT of £43.0m, infers that H225 group revenue and EBIT were c.£180m and c.£23.3m respectively, giving an EBIT margin of 12.9%. (H1 10.5%, FY24 11.0%). Our FY25E EBIT is slightly above the market (at £43.7m versus £43m consensus), with approaching 90% of this generated in the UK. Norcros ended FY25 with c.£37m net debt (pre IFRS16), flat y-o-y and down from c.£45m at the interim stage.

Outlook: While global growth projections are under review given trade tariff uncertainties, Norcros has minimal US sales exposure and existing sourcing routes from China (into both the UK and South Africa) are unlikely to see any direct impact we feel. Further share gains and margin improvement in the UK - possibly with a faster interest rate cut trajectory – plus a challenged South African economy (including higher interest rates and softer Rand) set the near-term picture for Norcros. A strategic review of tile manufacturing operations in South Africa (JTSA) should complete during H126.

Valuation: On unchanged estimates, **Norcros is trading on a mid-single digit P/E**, offering a **dividend yield above 5%**. The latest DB pension triennial outcome (announced March 13) should have a positive impact on future cash flow and DCF valuation metrics; we will review our estimates and fair value with FY25 results in June.

Company Data

| | |
|-----------------------|-----------|
| EPIC | NXR |
| Price (last close) | 198.5p |
| 52 weeks Hi/Lo | 283p/161p |
| Market cap | £178m |
| ED Fair Value / share | 253.5p |
| FY25E net (debt) | (37.0) |
| Avg. daily volume | 137k |

Share Price, p



Source: investing.com

Description

Norcros is a leading B2B designer and supplier of branded bathroom and kitchen products in its UK/Ireland, South African and selected export markets.

The portfolio of ten operating companies (6 UK, 4 South Africa) is characterised by strong individual brands, together providing product breadth and channel diversity from a strong supply chain base.

Next event

FY25 results – 12 June 2025

Summary financials

| Year to March (£m) | 2023 | 2024 | 2025E | 2026E | 2027E |
|------------------------------------|--------|--------|--------|--------|--------|
| Revenue | 441.0 | 392.1 | 377.5 | 385.2 | 397.3 |
| EBITDA - ED* | 51.7 | 46.6 | 47.9 | 48.8 | 50.8 |
| Pre-Tax Profit - company norm | 41.8 | 36.4 | 37.2 | 38.1 | 40.0 |
| EPS FD - company norm (p) | 37.4 | 32.0 | 31.8 | 32.7 | 34.3 |
| DPS (p) | 10.2 | 10.2 | 10.4 | 10.6 | 10.8 |
| Net cash / (debt) pre-IFRS16 basis | (49.9) | (37.3) | (34.7) | (23.8) | (12.7) |
| P/E (x) | 5.3 | 6.2 | 6.2 | 6.1 | 5.8 |
| EV/EBITDA* (x) | 4.4 | 4.6 | 4.4 | 4.1 | 3.7 |
| Dividend yield (%) | 5.1% | 5.1% | 5.2% | 5.3% | 5.4% |

Source: Company Annual Reports, Equity Development. *pre-IFRS16, before pensions cash.

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Norcross: Income Statement

| Year end: March | £m | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 |
| Revenue | | 300.1 | 331.0 | 342.0 | 324.2 | 396.3 | 441.0 | 392.1 | 377.5 | 385.2 | 397.3 |
| Gross Profit | | 109.7 | 124.2 | 124.5 | 118.4 | 140.8 | 169.3 | 165.0 | 154.8 | 156.0 | 160.9 |
| EBITDA - pre IFRS16 & SBP | | 34.7 | 42.5 | 39.0 | 40.1 | 48.1 | 53.5 | 48.4 | 49.7 | 50.6 | 52.6 |
| EBITDA - company | | 33.8 | 41.3 | 38.6 | 37.9 | 45.4 | 50.5 | 45.7 | 47.0 | 47.9 | 49.9 |
| EBIT - company norm | | 27.4 | 34.4 | 32.3 | 33.7 | 41.8 | 47.3 | 43.2 | 43.8 | 44.5 | 46.2 |
| Net Bank Interest | | (1.1) | (1.8) | (1.6) | (1.5) | (0.8) | (3.7) | (5.2) | (5.0) | (4.8) | (4.6) |
| IFRS16 Interest | | 0.0 | 0.0 | (1.9) | (1.7) | (1.7) | (1.8) | (1.6) | (1.6) | (1.6) | (1.6) |
| Other financial | | (1.9) | (1.7) | (1.7) | (1.6) | (1.9) | (2.5) | (1.8) | (1.1) | (1.3) | (1.3) |
| Profit Before Tax (ED norm)* | | 24.4 | 30.9 | 27.1 | 29.0 | 37.4 | 39.3 | 34.6 | 36.1 | 36.8 | 38.7 |
| Profit Before Tax (company norm) | | 26.3 | 32.6 | 28.8 | 30.6 | 39.3 | 41.8 | 36.4 | 37.2 | 38.1 | 40.0 |
| Intangible Amortisation | | (2.2) | (3.5) | (3.7) | (3.7) | (3.7) | (6.2) | (6.5) | (6.5) | (6.5) | (6.5) |
| Other Non-Underlying Items | | (4.2) | (4.3) | (9.3) | (3.8) | (0.2) | (12.0) | 2.7 | (22.8) | (1.3) | (1.3) |
| Profit Before Tax (reported) | | 13.5 | 25.4 | 15.0 | 18.5 | 33.0 | 21.7 | 32.6 | 7.9 | 30.3 | 32.2 |
| Tax | | (3.6) | (6.0) | (4.1) | (3.5) | (7.3) | (4.9) | (5.8) | (1.6) | (8.5) | (9.0) |
| Other | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit After Tax (reported) | | 9.9 | 19.4 | 10.9 | 15.0 | 25.7 | 16.8 | 26.8 | 6.3 | 21.8 | 23.2 |
| EPS FD - ED norm (p) | | 26.8 | 29.6 | 26.1 | 29.6 | 35.9 | 34.6 | 30.0 | 30.6 | 31.3 | 32.9 |
| EPS FD - company norm (p) | | 29.5 | 31.7 | 28.2 | 31.1 | 38.2 | 37.4 | 32.0 | 31.8 | 32.7 | 34.3 |
| EPS FD - reported (p) | | 14.1 | 23.9 | 13.5 | 18.6 | 31.2 | 18.8 | 29.8 | 7.0 | 24.1 | 25.7 |
| Dividend per share (p) | | 7.8 | 8.4 | 3.1 | 8.2 | 10.0 | 10.2 | 10.2 | 10.4 | 10.6 | 10.8 |
| Shares - Avge (m) | | 68.0 | 80.2 | 80.3 | 80.6 | 80.9 | 88.1 | 89.0 | 89.6 | 89.6 | 89.6 |
| Shares - Period End (m) | | 80.2 | 80.9 | 80.6 | 80.8 | 81.0 | 89.3 | 89.6 | 89.6 | 89.6 | 89.6 |
| Margins (%) | | | | | | | | | | | |
| Gross Profit | | 36.5 | 37.5 | 36.4 | 36.5 | 35.5 | 38.4 | 42.1 | 41.0 | 40.5 | 40.5 |
| EBITDA - pre IFRS16 & SBP | | 11.6 | 12.8 | 11.4 | 12.4 | 12.1 | 12.1 | 12.3 | 13.2 | 13.1 | 13.2 |
| EBITDA - company | | 11.3 | 12.5 | 11.3 | 11.7 | 11.5 | 11.5 | 11.7 | 12.4 | 12.4 | 12.6 |
| EBIT company norm | | 9.1 | 10.4 | 9.4 | 10.4 | 10.6 | 10.7 | 11.0 | 11.6 | 11.5 | 11.6 |

Source: Company, Equity Development (ED). ED norm includes IAS19R administration & other financial costs

Norcross: Cash Flow Statement

| Year end: March | £m | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|----|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 |
| EBITDA pre IFRS16 & SBP | | 34.7 | 42.5 | 39.0 | 40.1 | 48.1 | 53.5 | 48.4 | 49.7 | 50.6 | 52.6 |
| Change in working capital | | (2.8) | (2.1) | (4.8) | 21.8 | (23.6) | (13.3) | 3.3 | (13.1) | (2.2) | (3.4) |
| Other | | (8.4) | (5.1) | 0.6 | (1.9) | (1.2) | (2.5) | (2.7) | (2.0) | 0.8 | 0.6 |
| Operating Cash Flow | | 23.5 | 35.3 | 34.8 | 60.0 | 23.3 | 37.7 | 49.0 | 34.6 | 49.2 | 49.8 |
| Tax paid | | (4.9) | (4.6) | (5.3) | (3.5) | (6.5) | (7.7) | (5.6) | (1.4) | (7.7) | (8.1) |
| Investing Activities | | (66.8) | (7.6) | (14.0) | (2.8) | (5.4) | (84.3) | (7.3) | (9.0) | (9.0) | (9.0) |
| Income from associates & JVs | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tangible Fixed Assets purchased | | (7.7) | (5.6) | (4.8) | (2.8) | (5.4) | (6.0) | (7.3) | (9.0) | (9.0) | (9.0) |
| Tangible Fixed Assets disposed | | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Intangibles | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisition consideration | | (59.1) | (2.1) | (9.2) | 0.0 | 0.0 | (78.3) | 0.0 | 0.0 | 0.0 | 0.0 |
| Disposal proceeds | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other business investments | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing Activities | | 23.4 | (9.3) | (15.1) | (7.2) | (16.2) | (1.2) | (21.8) | (21.9) | (21.6) | (21.6) |
| Net finance income (cost) | | (1.1) | (1.8) | (1.7) | (1.4) | (0.8) | (3.7) | (5.0) | (5.0) | (4.8) | (4.6) |
| IFRS16 interest | | 0.0 | 0.0 | (1.8) | (1.8) | (1.7) | (1.8) | (1.8) | (1.8) | (1.8) | (1.8) |
| IFRS16 lease capital repayments | | 0.0 | 0.0 | (3.8) | (4.3) | (4.7) | (4.6) | (4.9) | (4.9) | (4.9) | (4.9) |
| Equity Issued | | 30.1 | (0.9) | (0.8) | 0.3 | 0.1 | 18.1 | (0.8) | (0.8) | (0.8) | (0.8) |
| Dividends paid | | (5.0) | (6.4) | (7.0) | 0.0 | (9.1) | (9.2) | (9.1) | (9.2) | (9.3) | (9.5) |
| Other | | (0.6) | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | (0.2) | (0.2) | 0.0 | 0.0 |
| Net Cash Flow | | (24.8) | 13.8 | 0.4 | 46.5 | (4.8) | (55.5) | 14.3 | 2.3 | 10.9 | 11.1 |
| Opening cash/(net debt) pre IFRS16 | | (23.2) | (47.1) | (35.0) | (36.4) | 10.5 | 8.6 | (49.9) | (37.3) | (34.7) | (23.8) |
| Change in Net Cash | | (24.8) | 13.8 | 0.4 | 46.5 | (4.8) | (55.5) | 14.3 | 2.3 | 10.9 | 11.1 |
| Other | | 0.9 | (1.7) | (1.8) | 0.4 | 2.9 | (3.0) | (1.7) | 0.3 | 0.0 | 0.0 |
| Closing cash/(net debt) pre IFRS16 | | (47.1) | (35.0) | (36.4) | 10.5 | 8.6 | (49.9) | (37.3) | (34.7) | (23.8) | (12.7) |
| IFRS16 lease liabilities | | | | (25.1) | (24.2) | (24.0) | (24.7) | (22.2) | (23.5) | (23.5) | (23.5) |

Source: Company, Equity Development

Norcros: Balance Sheet

| Year end: March | £m | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|--------------------------------|----|----------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|
| | | | | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 | IFRS16 |
| Non-Current Assets | | 147.9 | 138.0 | 150.8 | 141.2 | 158.8 | 226.8 | 224.5 | 211.3 | 213.3 | 215.2 |
| Intangible Assets | | 98.9 | 94.9 | 96.5 | 93.6 | 90.3 | 167.1 | 161.2 | 155.0 | 148.5 | 142.0 |
| Tangible Assets - Owned | | 45.0 | 42.3 | 29.0 | 28.0 | 29.0 | 24.8 | 28.1 | 12.4 | 16.5 | 20.3 |
| Tangible Assets - RoU | | 0.0 | 0.0 | 20.6 | 19.6 | 19.9 | 20.0 | 18.0 | 19.6 | 19.6 | 19.6 |
| Other Fixed Assets | | 4.0 | 0.8 | 4.7 | 0.0 | 19.6 | 14.9 | 17.2 | 24.3 | 28.7 | 33.3 |
| Current Assets | | 165.1 | 169.5 | 188.7 | 171.0 | 200.7 | 216.2 | 200.8 | 195.9 | 210.1 | 226.1 |
| Inventory | | 74.9 | 79.5 | 78.9 | 78.1 | 100.6 | 103.9 | 97.4 | 83.8 | 85.5 | 88.2 |
| Trade Receivables | | 58.5 | 57.8 | 56.1 | 60.4 | 66.9 | 78.7 | 67.5 | 72.2 | 73.7 | 76.0 |
| Other Debtors | | 5.9 | 5.0 | 6.4 | 4.2 | 5.8 | 4.6 | 5.1 | 8.4 | 8.4 | 8.4 |
| Cash | | 25.8 | 27.2 | 47.3 | 28.3 | 27.4 | 29.0 | 30.8 | 31.6 | 42.5 | 53.6 |
| Current Liabilities | | (89.8) | (85.1) | (79.2) | (104.1) | (110.8) | (112.7) | (99.2) | (95.3) | (100.6) | (106.6) |
| Trade Payables | | (41.1) | (44.6) | (41.2) | (49.5) | (56.6) | (50.8) | (45.4) | (49.1) | (50.1) | (51.7) |
| Other Creditors | | (40.2) | (36.7) | (32.7) | (49.2) | (48.5) | (55.8) | (47.5) | (39.8) | (44.1) | (48.5) |
| IFRS16 Lease Liabilities | | | | (5.2) | (5.4) | (5.7) | (6.1) | (6.3) | (6.4) | (6.4) | (6.4) |
| Short-term Debt | | (8.5) | (3.8) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-Current Liabilities | | (118.6) | (96.7) | (155.9) | (59.7) | (48.4) | (119.9) | (103.7) | (93.6) | (92.8) | (91.9) |
| Long-term Debt | | (64.4) | (58.4) | (83.6) | (17.8) | (18.8) | (78.9) | (68.1) | (66.3) | (66.3) | (66.3) |
| IFRS16 Lease Liabilities | | | | (19.9) | (18.8) | (18.3) | (18.6) | (15.9) | (17.1) | (17.1) | (17.1) |
| Other Long-term Liabilities | | (54.2) | (38.3) | (52.4) | (23.1) | (11.3) | (22.4) | (19.7) | (10.2) | (9.4) | (8.5) |
| Net Assets | | 104.6 | 125.7 | 104.4 | 148.4 | 200.3 | 210.4 | 222.4 | 218.3 | 229.9 | 242.8 |

Source: Company, Equity Development

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