

Making material strategic progress

24 July 2025

H1'26 to date has been characterised by progressive portfolio development actions – one acquisition and one exit – while Norcros has also managed some top line progress against the prior year in Q1. The proposed Fibo acquisition offers geographic diversity and synergy benefits. We have made no estimate changes arising from the AGM trading update or the Fibo acquisition at this stage (pending its formal completion), although revenue has nudged down to reflect JTSA as a discontinued operation.

H1 trading: Overall, market conditions are said to 'remain challenging'. In Q1'26 trading, group revenue was ahead by 0.6% LFL yoy. The dominant UK & Ireland division grew revenue by 1.0%; this is in line with both FY25 half years and – following an implicitly stronger June – an improvement from the -1.1% position recorded to the end of May. South Africa saw a 0.6% decline on the same basis; H1'25 was similarly soft, though H2'25 had shown modest positive LFL progress. On 23 June, the results of a previously announced strategic review of JTSA were announced, with a decision to cease tile manufacturing at the end of June and a managed run down of operations.

No further group trading details were given, save for unchanged management expectations for FY26. Momentum in margin improvement has been encouraging, and we look for further progress here.

Fibo acquisition: Norcros has flagged a proposed c.£45m acquisition of Fibo Holding – a leading European supplier of branded premium waterproof decorative wall panels, based in Norway. This prospectively offers a strong fit in the wallcoverings sector with Grant Westfield (acquired March 2022) with an attractive historic entry multiple of c.6.2x. The transaction is subject to UK CMA clearance with comments invited until 30 July and a decision expected before the end of October.

Hence, Fibo is not included in our estimates at this stage. We note and concur with management expectations that the acquisition could provide 'material earnings accretion in the first full year of ownership'. If completed, Fibo will represent Norcros' first operating company in Mainland Europe.

Valuation: On the announcement of the Fibo acquisition, Norcros' share price jumped by c.8% and is now up by c.12% YTD. As a result, it is now trading near our 300p fair value level, noting that the Fibo deal is has been reflected in the share price, but is yet to be factored into our estimates and fair value calculation. On conventional earnings metrics, Norcros still offers attractions – trading on single-digit P/Es and an EV/EBITDA ratio which compresses to 5x by FY28 (pre-Fibo).

Company Data

EPIC	NXR
Price	293p
52 weeks Hi/Lo	304p/184p
Market cap	£258m
ED Fair Value / share	300p
Net debt	£36.8m
End FY25, pre IFRS 16	
Avg. daily volume	249k

Share Price, p



Source: Investing.com

Description

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

The portfolio of nine operating companies (6 UK, 3 South Africa) is characterised by strong individual brands, together providing product breadth and channel diversity from a strong supply chain base.

Next events

FY25 DPS final 6.9p: to be paid 1 Aug
H1'26 period end: September 30

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Summary financials

Year to March (£m)	2024	2025	2026E	2027E	2028E
Revenue	392.1	368.1	361.7	371.2	379.6
EBITDA - ED*	46.6	46.4	49.9	52.0	53.7
Pre-Tax Profit - company norm	36.4	36.5	38.2	40.3	42.0
EPS FD - company norm (p)	32.1	32.4	33.5	35.3	36.7
DPS (p)	10.2	10.4	10.6	10.8	11.0
Net cash / (debt) pre-IFRS16 basis	(37.3)	(36.8)	(29.6)	(17.2)	(0.7)
P/E (x)	9.1	9.0	8.8	8.3	8.0
EV/EBITDA* (x)	6.4	6.4	6.1	5.5	5.1
Dividend yield (%)	3.5%	3.5%	3.6%	3.7%	3.8%

Source: Company, Equity Development. *pre-IFRS16, before pension cash

FIBO acquisition: expanding wall-covering horizons

On July 15, Norcros announced the proposed acquisition of Fibo Holding AS a leading European supplier of branded premium waterproof decorative wall panels, based in Norway. Around 70% of revenues are generated in continental Europe – chiefly Scandinavia - and c.30% in the UK. Grant Westfield also operates in this segment and clearance from the UK CMA is required for the transaction to proceed.

Rationale: Most obviously, Fibo brings geographic diversity to Norcros and a European-based business in a segment the company knows well. Market and channel access are important strategy drivers for Norcros and Fibo fits these criteria. There are also other differences in base board materials, locking characteristics and the degree of manufacturing automation (ie it is more prevalent in Fibo compared to Grant Westfield) through which best practice disciplines can be shared. Moreover, Fibo is understood to have capacity headroom for growth which is another Norcros strategy driver. As with other group companies, Fibo would operate as a standalone business within Norcros but stand to benefit from group-wide expertise in supply chain sourcing, new product development and channel development among other things. Management and senior staff are to be retained with a multi-year incentive arrangement up to £3.5m to be put in place on completion.

Financials: Expected consideration payable is c.£45m (excluding prospective retention payments referenced above). Norcros is to fund the transaction from existing borrowing facilities¹. Based on reported calendar 2024 results (revenue c.£63m, EBITDA margin c.11.6%), the proposed consideration would represent an historic entry multiple of c.6.2x.

We understand that Fibo's capacity utilisation was c.50% in FY24 suggesting significant manufacturing headroom, so higher volumes driving margins towards the group strategic target of 15% represents a potential opportunity. Its new financial year has started well with revenue 21% above the prior year in Q125, generating an EBITDA margin of 16.9%, including a strong UK performance.

At the end of FY25, Norcros had pre-IFRS net debt on hand of c.£37m, representing 0.8x EBITDA generated in the year. On a simple pro forma basis (ie excluding any trading effects since the companies' respective year-ends), enlarged group net debt of c.£92m would equate to 1.7x EBITDA (noting the company's stated c.1.6x pro forma metric). This is obviously prior to any group synergy benefits also.

JTSA: run-down underway

As announced on 23 June, JTSA's manufacturing operations were closed at the end of June and the subsequent run-down of operations is expected to run into FY27. JTSA will be reported as a Discontinued activity (and the FY25 Income Statement will be re-stated for consistency) and there is expected to be a small cash outflow which is offset in FY27 being neutral overall. Implicitly, closure costs will be covered by the conversion of tile inventory built up during H225 and Q126 into sales and cash.

JTSA traded at around the break-even level in FY25. At this stage we assume that this continues to be the case though the company P&L construction will clearly be different ex manufacturing. Associated non-recurring costs are still to be disclosed and we have not factored any in for the time being. (One would also assume that there will be Fibo acquisition costs to be reported also.)

Given the exit from UK tile manufacturing in Q125, the JTSA closure decision was not entirely surprising and consistent with the company's stated strategy of developing its capital-light business model. We note that approximately £12m revenue (two thirds of JTSA's total) was externally generated with one third supplied to sister company Tile Africa (TAF). In the near term, TAF can facilitate JTSA's inventory run-down while also building up its tile sourcing arrangements with other existing and new supplies in the region.

¹ £130m banking facilities, plus a further £70m accordion facility (both to October 2027)

Norcross: Income Statement

Year end: March	£m	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
			IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenue		331.0	342.0	324.2	396.3	441.0	392.1	368.1	361.7	371.2	379.6
Gross Profit		124.2	124.5	118.4	140.8	169.3	165.0	154.6	151.9	155.9	159.4
EBITDA - pre IFRS16 & SBP		42.5	39.0	40.1	48.1	53.5	48.4	48.2	49.9	52.0	53.7
EBITDA - company		41.3	38.6	37.9	45.4	50.5	45.7	46.1	47.8	49.9	51.6
EBIT - company norm		34.4	32.3	33.7	41.8	47.3	43.2	43.2	44.7	46.6	48.1
Net Bank Interest		(1.8)	(1.6)	(1.5)	(0.8)	(3.7)	(5.2)	(5.0)	(4.8)	(4.6)	(4.4)
IFRS16 Interest		0.0	(1.9)	(1.7)	(1.7)	(1.8)	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)
Other financial		(1.7)	(1.7)	(1.6)	(1.9)	(2.5)	(1.8)	(1.4)	(1.8)	(1.8)	(1.8)
Profit Before Tax (ED norm)*		30.9	27.1	29.0	37.4	39.3	34.6	35.1	36.4	38.5	40.2
Profit Before Tax (company norm)		32.6	28.8	30.6	39.3	41.8	36.4	36.5	38.2	40.3	42.0
Intangible Amortisation		(3.5)	(3.7)	(3.7)	(3.7)	(6.2)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)
Other Non-Underlying Items		(4.3)	(9.3)	(3.8)	(0.2)	(12.0)	2.7	(28.0)	(1.8)	(1.8)	(1.8)
Profit Before Tax (reported)		25.4	15.0	18.5	33.0	21.7	32.6	2.0	29.9	32.0	33.7
Tax		(6.0)	(4.1)	(3.5)	(7.3)	(4.9)	(5.8)	1.5	(8.0)	(8.5)	(8.8)
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)		19.4	10.9	15.0	25.7	16.8	26.8	3.5	21.9	23.6	24.9
EPS FD - ED norm (p)		29.6	26.1	29.6	35.9	34.6	30.1	30.9	31.5	33.3	34.7
EPS FD - company norm (p)		31.7	28.2	31.1	38.2	37.4	32.1	32.4	33.5	35.3	36.7
EPS FD - reported (p)		23.9	13.5	18.6	31.2	18.8	29.8	3.9	24.3	26.1	27.5
Dividend per share (p)		8.4	3.1	8.2	10.0	10.2	10.2	10.4	10.6	10.8	11.0
Shares - Avge (m)		80.2	80.3	80.6	80.9	88.1	89.0	89.5	89.8	89.8	89.8
Shares - Period End (m)		80.9	80.6	80.8	81.0	89.3	89.6	89.8	89.8	89.8	89.8
Margins (%)											
Gross Profit		37.5	36.4	36.5	35.5	38.4	42.1	42.0	42.0	42.0	42.0
EBITDA - pre IFRS16 & SBP		12.8	11.4	12.4	12.1	12.1	12.3	13.1	13.8	14.0	14.2
EBITDA - company		12.5	11.3	11.7	11.5	11.5	11.7	12.5	13.2	13.5	13.6
EBIT company norm		10.4	9.4	10.4	10.6	10.7	11.0	11.7	12.4	12.6	12.7

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

Norcross: Cash Flow Statement

Year end: March	£m	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
			IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
EBITDA pre IFRS16 & SBP		42.5	39.0	40.1	48.1	53.5	48.4	48.2	49.9	52.0	53.7
Change in working capital		(2.1)	(4.8)	21.8	(23.6)	(13.3)	3.3	(14.0)	(3.6)	(2.9)	(2.6)
Other		(5.1)	0.6	(1.9)	(1.2)	(2.5)	(2.7)	(5.9)	(1.1)	1.8	4.2
Operating Cash Flow		35.3	34.8	60.0	23.3	37.7	49.0	28.3	45.2	50.9	55.3
Tax paid		(4.6)	(5.3)	(3.5)	(6.5)	(7.7)	(5.6)	(3.4)	(7.2)	(7.6)	(8.0)
Investing Activities		(7.6)	(14.0)	(2.8)	(5.4)	(84.3)	(7.3)	(3.4)	(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		(5.6)	(4.8)	(2.8)	(5.4)	(6.0)	(7.3)	(6.9)	(9.0)	(9.0)	(9.0)
Tangible Fixed Assets disposed		0.1	0.0	0.0	0.0	0.0	0.0	3.5	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		(2.1)	(9.2)	0.0	0.0	(78.3)	0.0	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		(9.3)	(15.1)	(7.2)	(16.2)	(1.2)	(21.8)	(20.8)	(21.8)	(21.8)	(21.8)
Net finance income (cost)		(1.8)	(1.7)	(1.4)	(0.8)	(3.7)	(5.0)	(4.6)	(4.8)	(4.6)	(4.4)
IFRS16 interest		0.0	(1.8)	(1.8)	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
IFRS16 lease capital repayments		0.0	(3.8)	(4.3)	(4.7)	(4.6)	(4.9)	(5.1)	(5.1)	(5.1)	(5.1)
Equity Issued		(0.9)	(0.8)	0.3	0.1	18.1	(0.8)	(0.1)	(0.8)	(0.8)	(0.8)
Dividends paid		(6.4)	(7.0)	0.0	(9.1)	(9.2)	(9.1)	(9.2)	(9.4)	(9.5)	(9.7)
Other		(0.2)	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0
Net Cash Flow		13.8	0.4	46.5	(4.8)	(55.5)	14.3	0.7	7.2	12.4	16.5
Opening cash/(net debt) pre IFRS16		(47.1)	(35.0)	(36.4)	10.5	8.6	(49.9)	(37.3)	(36.8)	(29.6)	(17.2)
Change in Net Cash		13.8	0.4	46.5	(4.8)	(55.5)	14.3	0.7	7.2	12.4	16.5
Other		(1.7)	(1.8)	0.4	2.9	(3.0)	(1.7)	(0.2)	0.0	0.0	0.0
Closing cash/(net debt) pre IFRS16		(35.0)	(36.4)	10.5	8.6	(49.9)	(37.3)	(36.8)	(29.6)	(17.2)	(0.7)
IFRS16 lease liabilities			(25.1)	(24.2)	(24.0)	(24.7)	(22.2)	(20.6)	(20.6)	(20.6)	(20.6)

Source: Source: Company, Equity Development

Norcros: Balance Sheet

Year end: March	£m	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
			IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Non-Current Assets		138.0	150.8	141.2	158.8	226.8	224.5	200.2	201.4	202.5	201.0
Intangible Assets		94.9	96.5	93.6	90.3	167.1	161.2	153.5	147.0	140.5	134.0
Tangible Assets - Owned		42.3	29.0	28.0	29.0	24.8	28.1	21.8	26.2	30.4	34.4
Tangible Assets - RoU		0.0	20.6	19.6	19.9	20.0	18.0	16.7	16.7	16.7	16.7
Other Fixed Assets		0.8	4.7	0.0	19.6	14.9	17.2	8.2	11.5	14.9	15.9
Current Assets		169.5	188.7	171.0	200.7	216.2	200.8	187.8	198.4	215.5	236.3
Inventory		79.5	78.9	78.1	100.6	103.9	97.4	88.2	90.2	92.5	94.6
Trade Receivables		57.8	56.1	60.4	66.9	78.7	67.5	65.8	66.6	68.4	69.9
Other Debtors		5.0	6.4	4.2	5.8	4.6	5.1	11.1	11.7	12.3	12.9
Cash		27.2	47.3	28.3	27.4	29.0	30.8	22.7	29.9	42.3	58.8
Current Liabilities		(85.1)	(79.2)	(104.1)	(110.8)	(112.7)	(99.2)	(95.2)	(96.0)	(101.9)	(107.7)
Trade Payables		(44.6)	(41.2)	(49.5)	(56.6)	(50.8)	(45.4)	(46.0)	(45.2)	(46.4)	(47.5)
Other Creditors		(36.7)	(32.7)	(49.2)	(48.5)	(55.8)	(47.5)	(42.6)	(44.3)	(48.9)	(53.7)
IFRS16 Lease Liabilities			(5.2)	(5.4)	(5.7)	(6.1)	(6.3)	(6.5)	(6.5)	(6.5)	(6.5)
Short-term Debt		(3.8)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Current Liabilities		(96.7)	(155.9)	(59.7)	(48.4)	(119.9)	(103.7)	(84.9)	(84.1)	(83.3)	(82.4)
Long-term Debt		(58.4)	(83.6)	(17.8)	(18.8)	(78.9)	(68.1)	(59.5)	(59.5)	(59.5)	(59.5)
IFRS16 Lease Liabilities			(19.9)	(18.8)	(18.3)	(18.6)	(15.9)	(14.1)	(14.1)	(14.1)	(14.1)
Other Long-term Liabilities		(38.3)	(52.4)	(23.1)	(11.3)	(22.4)	(19.7)	(11.3)	(10.5)	(9.7)	(8.8)
Net Assets		125.7	104.4	148.4	200.3	210.4	222.4	207.9	219.7	232.9	247.2

Source: Source: Company, Equity Development

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