

## Steering a steady course in H125

Norcros' H125 pre-close statement infers that headline trading in Q2 was similar to Q1, leaving group revenue flat overall y-o-y for continuing businesses. On the same basis, while profitability looks to be slightly lower - which may reflect mix effects - company expectations for the full year are unchanged. Management is continuing to execute its recently relaunched strategy and focusing on business performance enhancements, the benefits of which should become more apparent as market conditions improve.

### Unchanged market backdrop in H1, strategic actions ongoing

While easing inflation and interest rates have been welcomed in Norcros' primary markets, any significant pick-up in economic activity is still pending as new governments bed in in both cases. H125 LFL revenues nudged ahead in the UK (continuing operations +1%) and declined modestly in South Africa (-2% at constant currency) giving a flat y-o-y performance at group level, excluding the exited Johnson Tiles UK and Norcros Adhesive businesses. Underlying EBIT of 'at least' £19.5m infers a broadly similar margin to H124 - albeit with a different business mix - and management expectations remain consistent with consensus estimates of £43.2m for the full year.

A seasonal working capital outflow - including some inventory buffer - and cash costs of business improvement actions plus the c.£6m FY23 final dividend payment contributed to a c.£8m net debt uplift to c.£45m over the first half on a pre-IFRS16 basis. We continue to expect a significantly lower end FY25 position, leaving gearing comfortably below the current 1.0x EBITDA position.

We expect management to report more fully on strategic actions taken to date with the H124 results. The completion of Vado's warehouse consolidation moves and streamlining Grant Westfield's distribution are two examples of positioning these businesses for growth with more efficient service platforms and greater alignment in these areas across operating companies.

### Valuation: Strategy key to further significant share price upside

After a pause for breath mid-year, Norcros' share price has pushed on again and sits slightly above the level attained following its CMD in May. Having risen c.30% YTD, it has significantly outperformed the FTSE All-Share Index. We make no changes to our estimates or fair value of 253.5p per share ahead of the H1 results announcement in November. As before, we believe that translating strategy into enhanced earnings growth will be the catalyst for generating share price upside that could be well in excess of our current fair value estimate.

#### Company Data

EPIC	NXR
Price (last close)	236p
52 weeks Hi/Lo	249p/134p
Market cap	£211m
ED Fair Value / share	253.5p
Net (debt) H125	(c.£45m)
Avg. daily volume	158k

#### Share Price, p



Source: ADVFN

#### 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.

#### Summary financials

Year to March (£m)	2023	2024	2025E	2026E	2027E
Revenue	441.0	392.1	374.8	385.2	397.3
EBITDA - ED*	51.7	46.6	46.7	48.6	50.6
Pre-Tax Profit - company norm	41.8	36.4	37.2	39.1	41.0
EPS FD - company norm (p)	37.4	32.1	32.6	34.2	35.9
DPS (p)	10.2	10.2	10.4	10.6	10.8
Net cash / (debt) pre-IFRS16 basis	(49.9)	(37.3)	(29.3)	(20.2)	(10.2)
P/E (x)	6.3	7.4	7.3	6.9	6.6
EV/EBITDA* (x)	5.0	5.3	5.1	4.8	4.4
Dividend yield	4.3%	4.3%	4.4%	4.5%	4.6%

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

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## Financial Summary

### 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
<b>Revenue</b>		<b>300.1</b>	<b>331.0</b>	<b>342.0</b>	<b>324.2</b>	<b>396.3</b>	<b>441.0</b>	<b>392.1</b>	<b>374.8</b>	<b>385.2</b>	<b>397.3</b>
Gross Profit		109.7	124.2	124.5	118.4	140.8	169.3	150.5	143.9	147.9	152.5
EBITDA - pre IFRS16 & SBP		34.7	42.5	39.0	40.1	48.1	53.5	48.4	48.5	50.4	52.4
EBITDA - company		33.8	41.3	38.6	37.9	45.4	50.5	45.7	45.8	47.7	49.7
<b>EBIT - company norm</b>		<b>27.4</b>	<b>34.4</b>	<b>32.3</b>	<b>33.7</b>	<b>41.8</b>	<b>47.3</b>	<b>43.2</b>	<b>43.8</b>	<b>45.5</b>	<b>47.2</b>
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)	(1.7)	(1.7)	(1.7)
<b>Profit Before Tax (ED norm)*</b>		<b>24.4</b>	<b>30.9</b>	<b>27.1</b>	<b>29.0</b>	<b>37.4</b>	<b>39.3</b>	<b>34.6</b>	<b>35.5</b>	<b>37.4</b>	<b>39.3</b>
<b>Profit Before Tax (NXR norm)</b>		<b>26.3</b>	<b>32.6</b>	<b>28.8</b>	<b>30.6</b>	<b>39.3</b>	<b>41.8</b>	<b>36.4</b>	<b>37.2</b>	<b>39.1</b>	<b>41.0</b>
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	(22.7)	(1.7)	(1.7)
Profit Before Tax (reported)		13.5	25.4	15.0	18.5	33.0	21.7	32.6	8.0	30.9	32.8
Tax		(3.6)	(6.0)	(4.1)	(3.5)	(7.3)	(4.9)	(5.8)	(7.8)	(8.2)	(8.7)
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax (reported)</b>		<b>9.9</b>	<b>19.4</b>	<b>10.9</b>	<b>15.0</b>	<b>25.7</b>	<b>16.8</b>	<b>26.8</b>	<b>0.2</b>	<b>22.6</b>	<b>24.2</b>
<b>EPS FD - ED norm (p)</b>		<b>26.8</b>	<b>29.6</b>	<b>26.1</b>	<b>29.6</b>	<b>35.9</b>	<b>34.6</b>	<b>30.0</b>	<b>30.7</b>	<b>32.3</b>	<b>34.1</b>
<b>EPS FD - company norm (p)</b>		<b>29.5</b>	<b>31.7</b>	<b>28.2</b>	<b>31.1</b>	<b>38.2</b>	<b>37.4</b>	<b>32.1</b>	<b>32.6</b>	<b>34.2</b>	<b>35.9</b>
<b>EPS FD - reported (p)</b>		<b>14.1</b>	<b>23.9</b>	<b>13.5</b>	<b>18.6</b>	<b>31.2</b>	<b>18.8</b>	<b>29.8</b>	<b>0.2</b>	<b>25.1</b>	<b>26.8</b>
<b>Dividend per share (p)</b>		<b>7.8</b>	<b>8.4</b>	<b>3.1</b>	<b>8.2</b>	<b>10.0</b>	<b>10.2</b>	<b>10.2</b>	<b>10.4</b>	<b>10.6</b>	<b>10.8</b>
Shares - Avge (m)		68.0	80.2	80.3	80.6	80.9	88.1	89.0	89.3	89.3	89.3
Shares - Period End (m)		80.2	80.9	80.6	80.8	81.0	89.3	89.3	89.3	89.3	89.3
<b>Margins (%)</b>											
<b>Gross Profit</b>		<b>36.5</b>	<b>37.5</b>	<b>36.4</b>	<b>36.5</b>	<b>35.5</b>	<b>38.4</b>	<b>38.4</b>	<b>38.4</b>	<b>38.4</b>	<b>38.4</b>
EBITDA - pre IFRS16 & SBP		11.6	12.8	11.4	12.4	12.1	12.1	12.3	12.9	13.1	13.2
EBITDA - company		11.3	12.5	11.3	11.7	11.5	11.5	11.7	12.2	12.4	12.5
<b>EBIT company norm</b>		<b>9.1</b>	<b>10.4</b>	<b>9.4</b>	<b>10.4</b>	<b>10.6</b>	<b>10.7</b>	<b>11.0</b>	<b>11.7</b>	<b>11.8</b>	<b>11.9</b>

Source: Company, Equity Development (ED). ED norm includes IAS19R administration & other financial costs. NB FY24 Gross Profit is an ED estimate pending the publication of the Annual Report.

## 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	48.5	50.4	52.4
Change in working capital		(2.8)	(2.1)	(4.8)	21.8	(23.6)	(13.3)	3.3	(2.5)	(3.5)	(4.1)
Other		(8.4)	(5.1)	0.6	(1.9)	(1.2)	(2.5)	(2.7)	(0.5)	0.3	0.1
<b>Operating Cash Flow</b>		<b>23.5</b>	<b>35.3</b>	<b>34.8</b>	<b>60.0</b>	<b>23.3</b>	<b>37.7</b>	<b>49.0</b>	<b>45.5</b>	<b>47.2</b>	<b>48.4</b>
<b>Tax paid</b>		<b>(4.9)</b>	<b>(4.6)</b>	<b>(5.3)</b>	<b>(3.5)</b>	<b>(6.5)</b>	<b>(7.7)</b>	<b>(5.6)</b>	<b>(7.0)</b>	<b>(7.4)</b>	<b>(7.8)</b>
<b>Investing Activities</b>		<b>(66.8)</b>	<b>(7.6)</b>	<b>(14.0)</b>	<b>(2.8)</b>	<b>(5.4)</b>	<b>(84.3)</b>	<b>(7.3)</b>	<b>(9.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>
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
<b>Financing Activities</b>		<b>23.4</b>	<b>(9.3)</b>	<b>(15.1)</b>	<b>(7.2)</b>	<b>(16.2)</b>	<b>(1.2)</b>	<b>(21.8)</b>	<b>(21.7)</b>	<b>(21.6)</b>	<b>(21.6)</b>
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)	0.0	0.0	0.0
<b>Net Cash Flow</b>		<b>(24.8)</b>	<b>13.8</b>	<b>0.4</b>	<b>46.5</b>	<b>(4.8)</b>	<b>(55.5)</b>	<b>14.3</b>	<b>7.8</b>	<b>9.2</b>	<b>10.0</b>
<b>Opening cash/(net debt) pre IFRS16</b>		<b>(23.2)</b>	<b>(47.1)</b>	<b>(35.0)</b>	<b>(36.4)</b>	<b>10.5</b>	<b>8.6</b>	<b>(49.9)</b>	<b>(37.3)</b>	<b>(29.5)</b>	<b>(20.4)</b>
Change in Net Cash		(24.8)	13.8	0.4	46.5	(4.8)	(55.5)	14.3	7.8	9.2	10.0
Other		0.9	(1.7)	(1.8)	0.4	2.9	(3.0)	(1.7)	0.0	0.0	0.0
<b>Closing cash/(net debt) pre IFRS16</b>		<b>(47.1)</b>	<b>(35.0)</b>	<b>(36.4)</b>	<b>10.5</b>	<b>8.6</b>	<b>(49.9)</b>	<b>(37.3)</b>	<b>(29.5)</b>	<b>(20.4)</b>	<b>(10.4)</b>
<b>IFRS16 lease liabilities</b>				<b>(25.1)</b>	<b>(24.2)</b>	<b>(24.0)</b>	<b>(24.7)</b>	<b>(22.2)</b>	<b>(22.2)</b>	<b>(22.2)</b>	<b>(22.2)</b>

Source: Company Equity Development

## Norcross: Balance Sheet

Year end: March	£m	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
<b>Non-Current Assets</b>		<b>147.9</b>	<b>138.0</b>	<b>150.8</b>	<b>141.2</b>	<b>158.8</b>	<b>226.8</b>	<b>224.5</b>	<b>207.5</b>	<b>210.5</b>	<b>213.4</b>
Intangible Assets		98.9	94.9	96.5	93.6	90.3	167.1	161.2	154.7	148.2	141.7
Tangible Assets - Owned		45.0	42.3	29.0	28.0	29.0	24.8	28.1	13.6	18.9	23.9
Tangible Assets - RoU		0.0	0.0	20.6	19.6	19.9	20.0	18.0	18.0	18.0	18.0
Other Fixed Assets		4.0	0.8	4.7	0.0	19.6	14.9	17.2	21.2	25.4	29.8
<b>Current Assets</b>		<b>165.1</b>	<b>169.5</b>	<b>188.7</b>	<b>171.0</b>	<b>200.7</b>	<b>216.2</b>	<b>200.8</b>	<b>212.9</b>	<b>226.7</b>	<b>242.1</b>
Inventory		74.9	79.5	78.9	78.1	100.6	103.9	97.4	98.1	100.8	104.0
Trade Receivables		58.5	57.8	56.1	60.4	66.9	78.7	67.9	69.9	71.8	74.1
Other Debtors		5.9	5.0	6.4	4.2	5.8	4.6	4.7	6.3	6.3	6.3
Cash		25.8	27.2	47.3	28.3	27.4	29.0	30.8	38.6	47.7	57.7
<b>Current Liabilities</b>		<b>(89.8)</b>	<b>(85.1)</b>	<b>(79.2)</b>	<b>(104.1)</b>	<b>(110.8)</b>	<b>(112.7)</b>	<b>(99.2)</b>	<b>(104.9)</b>	<b>(109.9)</b>	<b>(115.3)</b>
Trade Payables		(41.1)	(44.6)	(41.2)	(49.5)	(56.6)	(50.8)	(40.9)	(41.1)	(42.2)	(43.6)
Other Creditors		(40.2)	(36.7)	(32.7)	(49.2)	(48.5)	(55.8)	(52.0)	(57.5)	(61.4)	(65.4)
IFRS16 Lease Liabilities				(5.2)	(5.4)	(5.7)	(6.1)	(6.3)	(6.3)	(6.3)	(6.3)
Short-term Debt		(8.5)	(3.8)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-Current Liabilities</b>		<b>(118.6)</b>	<b>(96.7)</b>	<b>(155.9)</b>	<b>(59.7)</b>	<b>(48.4)</b>	<b>(119.9)</b>	<b>(103.7)</b>	<b>(102.9)</b>	<b>(102.1)</b>	<b>(101.2)</b>
Long-term Debt		(64.4)	(58.4)	(83.6)	(17.8)	(18.8)	(78.9)	(68.1)	(68.1)	(68.1)	(68.1)
IFRS16 Lease Liabilities				(19.9)	(18.8)	(18.3)	(18.6)	(15.9)	(15.9)	(15.9)	(15.9)
Other Long-term Liabilities		(54.2)	(38.3)	(52.4)	(23.1)	(11.3)	(22.4)	(19.7)	(18.9)	(18.1)	(17.2)
<b>Net Assets</b>		<b>104.6</b>	<b>125.7</b>	<b>104.4</b>	<b>148.4</b>	<b>200.3</b>	<b>210.4</b>	<b>222.4</b>	<b>212.6</b>	<b>225.1</b>	<b>239.0</b>

Source: Company Equity Development. NB Certain FY24 balance sheet line items are ED estimates pending the publication of the Annual Report



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