

24 July 2023

## Encouraging H2 supports a positive outlook

For the year to 30 April 2023 Kromek reported revenue of £17.3m, +44%YoY, and an EBITDA (adj.) loss of £1.0m. The salient feature was the reversal of the H1 (adj.) EBITDA loss of £2.61m to a **H2 (adj.) EBITDA profit of £1.63m**. Gross profitability also improved, from a 46.8% margin in FY22 to 51.6%, again with a strong H2 improvement at a 59.3% margin. The year-end cash position was £1.1m, with a H1 reduction in cash of £4.7m reversed to a £1.0m contribution in H2. Post year-end the Group raised £8.0m (gross) to fund growth prospects. We estimate FY23 revenue in the **Advanced Imaging** division of £7.6m +65%YoY, and in the CBRN segment £7.4m, +38%YoY. Importantly, the balance of revenue generation continued to shift towards Products, comprising 85% of total (FY22: 82%), rather than R&D-related projects.

## FY23 results dominated by major agreements for FY24 and beyond

On 18 April Kromek announced a major seven-years agreement with a Tier 1 OEM to develop and incorporate its CZT-based detectors in advanced medical imaging scanners, a further agreement with Analogic Inc., (Tier 2), for next-generation photon counting CT (PCCT) medical imaging scanners, and (post period-end, 2 May) a US\$1.4m CZT-based detector modules OEM order. We base our outlook on the assumption that the Tier 1 OEM agreement addresses the **CT scanner market**, estimated to be worth c.US\$10bn by 2029<sup>1</sup>; for Kromek adding over **£100m to revenue by 2029** (see: Equity Development report *Funding the opportunity in medical imaging* 26 May 2023).

## Order book strength and visibility

Kromek reports visibility of 60% of FY24 revenue outlook - comprising 45% contracted or shipped; 4% of contracts awarded and being processed; 11% repeat business – and expects continued strong revenue growth in both the Advanced Imaging and CBRN segments.

## Financed for growth

In order to fund the development costs and working capital required to grasp in particular the opportunities in Advanced Imaging, in May the Group raised £8m (gross) through the issue of equity and is in the process of finalising refinancing of the £5.0m HSBC RCF due by 31 August.

## Forecasts and valuation

**Our FY24 outlook remains unchanged. We introduce FY25 forecasts, with estimated revenue of £25.1m and (adj.) EBITDA of £2.6m, indicative of an EV/EBITDA multiple of 6x.**

**Our Fair Value is also maintained at 26p/share.**

### Summary Financials

Yr to 30 Apr (£'000)	2020	2021	2022	2023	2024E	2025E
Revenue	13.12	10.35	12.06	17.31	21.00	25.11
EBITDA (adj)	(1.93)	(1.69)	(1.16)	(0.98)	0.91	2.59
Pre-Tax Profit (adj)	(5.80)	(6.28)	(6.03)	(7.02)	(5.41)	(4.36)
EPS (adj, p)	(1.16)	(1.48)	(1.11)	(1.35)	(0.67)	(0.55)
Net debt / (cash)	(3.84)	(7.40)	1.38	5.26	1.67	1.44
P/E	(4.3)x	(3.4)x	(4.5)x	(3.7)x	(7.4)x	(9.1)x
EV/EBITDA	(8.4)x	(9.7)x	(14.1)x	(16.7)x	17.9x	6.3x

Source: Company data. Equity Development estimates. <sup>1</sup> Source: www.fortunebusinessinsights.com

### Company Data

EPIC	KMK.L
Price (last close)	5.0p
52 weeks Hi/Lo	14.4 p/ 4.8p
Market cap	£21.6m
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 advanced 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 computer tomography), is particularly important, utilising Kromek's cadmium-zinc-telluride (CZT) materials technology.

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

Headquartered in Sedgefield (NE UK), the company has c.160 employees: over 100 are involved in R&D, with 2 US operations (California and Pittsburgh). Kromek has filed or registered over 280 patents.

### 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)

## FY23 performance – H2 rebound

The key features of FY23 performance were:

- **Strong revenue growth.** Revenue grew 43.6%YoY, with a continued shift, as expected, towards sales of Product, +48.6%YoY; up from 56% of total in FY21 and 82% in FY22 to 85% of total.
- **Improved gross profitability.** The gross margin improved by 4.9% to 51.6% (ED E was 47.0%) with a marked H2 improvement (59.3%) compared to H1 (40.4%), reflecting change in revenue mix and easing of supply chain pressure. Distribution and Admin expenses totalled 15.2m (with forex translation adding £0.8m) compared to £12.8m in FY22); including other income, this declined from 94.1% of revenue to 87.0%, and in H2 68.6% in H2.
- **A strong H2 shift towards EBITDA (adj.) profitability,** from a H1 loss of £2.61m to a second half profit of £1.63m resulting in an overall full year loss of £0.98m compared to £(1.16)m a year earlier

By product area we estimate revenue from Advanced Imaging of £7.6m, 44% of total, +65%YoY; revenue from CBRN operations of £7.4m, 43% of total, +38%YoY; and a contribution to revenue from R&D projects of £2.3m, 13% of total.

### FY23 results summary

Year to 30 Apr (£m)	FY20	FY21	FY22	FY23	23 YoY
Revenue	13.12	10.35	12.06	17.31	43.6%
Gross	6.21	5.01	5.64	8.94	58.5%
Margin	47.3%	48.4%	46.8%	51.6%	4.9%
EBIT Adjusted	(5.26)	(5.73)	(5.48)	(5.77)	
EBITDA Adjusted	(1.93)	(1.69)	(1.16)	(0.98)	
PBT Adjusted	(5.80)	(6.28)	(6.03)	(7.02)	
Net cash from operations	0.18	(1.31)	(3.53)	0.20	
Net OpFCF	(10.98)	(7.38)	(9.95)	(5.07)	
Net cash from financing	(0.91)	14.13	(1.57)	1.29	
Net change in cash	(11.88)	6.75	(11.51)	(3.79)	
Cash at period-end	9.44	15.60	5.08	1.10	
Net debt / (cash)	(3.84)	(7.40)	1.38	5.26	
<b>Semi-annual (£m)</b>	<b>H1 22</b>	<b>H2 22</b>	<b>H1 23</b>	<b>H2 23</b>	<b>YoY</b>
Revenue	4.71	7.35	6.86	10.45	45.8%
Gross	2.20	3.43	2.74	6.20	24.3%
Margin	46.8%	46.7%	39.9%	59.3%	
EBIT Adjusted	(2.75)	(2.73)	(5.03)	(0.74)	
EBITDA Adjusted	(0.63)	(0.53)	(2.61)	<b>1.63</b>	
PBT Adjusted	(3.03)	(3.00)	(5.49)	(1.52)	
Net cash from operations	(2.21)	(1.32)	(3.97)	<b>4.16</b>	
Net OpFCF	(5.69)	(4.26)	(6.81)	<b>1.74</b>	
Net cash from financing	(0.63)	(0.94)	2.12	(0.83)	
Net change in cash	(6.32)	(5.20)	(4.69)	0.91	
Cash at period-end	10.24	5.08	1.02	1.10	
Net debt / (cash)	(3.45)	1.38	8.24	5.26	

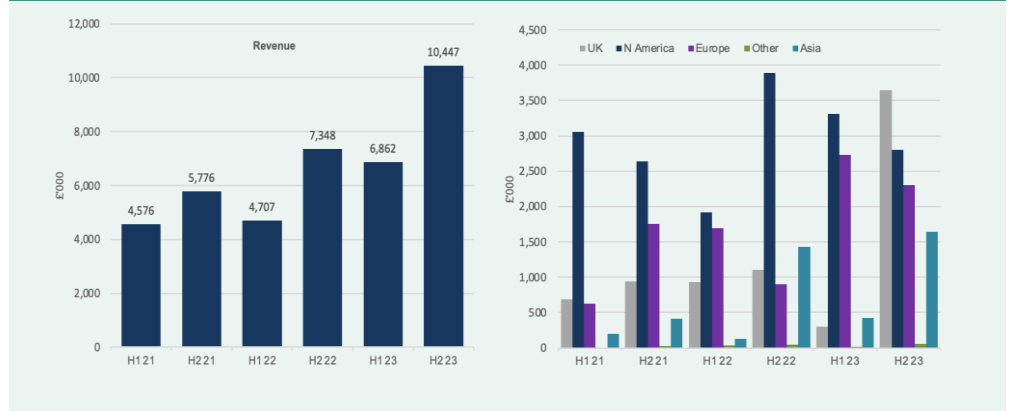
Source: Company data. Equity Development estimates.

## Geographical performance – UK & US

For reporting purposes, Kromek aggregates the product and services units, Advanced Imaging, CBRN and Biological Threat Detection by end customer market and primary business units - in the UK (Kromek Group plc and Kromek Ltd.), and in the US (Kromek Inc., eV Products Inc, and Nova R&D Inc.). As illustrated, the stand-out features of FY23 regional performance were:

- The step change in total revenue visible on a semi-annual basis, also evident in the rate of annual growth, from +17%YoY in FY22 to +44% in FY23..
- A significant increase in contributions from the UK and Europe, from a combined 39% of total in FY22 to 52% in FY23.

### Total revenue and revenue by geography, semi-annual H1 21 – H2 23



Source: Company data, Equity Development estimates

### Revenue by geography, FY21 – FY23

£m	FY21	FY22	FY23	FY23 YoY
UK	1.63	2.03	3.94	94.0%
N America	5.69	5.81	6.11	5.2%
Europe	2.39	2.60	5.03	93.4%
Asia, Australasia	0.65	1.61	2.22	37.8%
<b>Sum</b>	<b>10.35</b>	<b>12.06</b>	<b>17.31</b>	<b>43.6%</b>
<b>Share of total</b>				
UK	15.7%	16.9%	22.8%	
N America	55.0%	48.2%	35.3%	
Europe	23.1%	21.6%	29.1%	
Asia, Australasia	6.2%	13.4%	12.8%	
Sum	100.0%	100.0%	100.0%	

Source: Company data, Equity Development estimates

## Advanced Imaging division

### 2023 – a pivotal year

We estimate FY23 Advanced Imaging revenue of £7.6m, +65%YoY, 44% of total. Of this, we estimate medical imaging systems and components comprised £6.1m (80% of the division) - namely CZT detector platforms for SPECT, MBI, BMD and CT<sup>2</sup> diagnostic systems – with a £1.5m contribution from components and equipment for security and industrial screening systems.

FY23 divisional performance may be characterised as **pivotal: transitioning from a phase of product development and innovation towards a step-change in deployment and scale**, albeit with an initial short period of collaborative development. In the CT medical imaging market this step change is represented by the replacement of imaging equipment based on the conversion of X-ray scintillation into electrical impulses via photodiode, to systems and equipment photon counting-based CT: the basis for which is the cadmium zinc telluride (CZT) or cadmium telluride (CdTe) technology for which Kromek is **the only independent provider**.

<sup>2</sup>SPECT: single photon emission computed tomography. MBI: molecular breast imaging. BMD: bone mineral densitometry. CT: computed tomography.

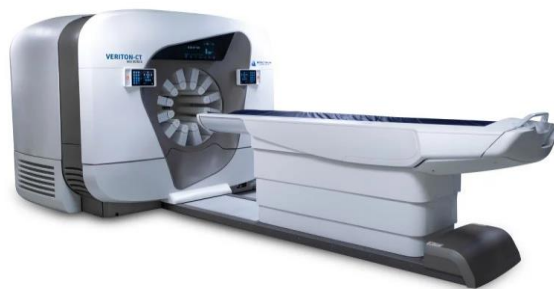
### Medical imaging FY23 highlights

For FY 23 Kromek highlights:

- 18<sup>th</sup> April 2023: seven-year agreement with a Tier 1 OEM to develop and incorporate its CZT-based detectors in the OEM's advanced medical imaging scanners – which we ascribe to the CT scanner segment worth an estimated US\$6.7bn in 2022, expected to reach US\$9.92bn by 2029 (6% CAGR)<sup>1</sup>.
- 19<sup>th</sup> April 2023: agreement with Tier 2 supplier Analogic Inc., for the application of CZT-based detection technology to photon counting CT (PCCT) medical imaging.
- Post year-end, May 2<sup>nd</sup> 2023: US\$1.425m CZT-based detector modules order from a new OEM customer.
- October 2022: introduction of the Spectrum Dynamics VERITON-CT 400 Series digital SPECT/CT scanner. At the time, Spectrum Dynamics CEO Gilad Yoeli said: *“The increased sensitivity, improved energy resolution, and broader energy range of Kromek’s detector technology make it the right choice for the 400 Series and the advanced imaging and quantitative accuracy clinical users ask for.”*

Kromek notes that the initiative with Spectrum Dynamics is “tracking as expected”.

### Spectrum Dynamics VERITON-CT 400



Source: Company data. <https://www.medicaldevice-network.com/news/spectrum-dynamics-czt-veriton-series/>

The Group reports nine SPECT/CT OEM customers and agreements, noted two H1 BMD and gamma probe orders (totalling US\$0.75m) and, in H2, three SPECT-related orders totalling US\$1.1m. In addition, development of low-doses CZT-based molecular breast imaging (MBI) is expected to enter clinical study phase via a US OEM in 2024 (a collaboration with Newcastle-Upon-Tyne Hospitals NHS Trust, Newcastle University and University College London, backed by £2.0m in Innovate UK funding).

### Security and industrial screening systems

We estimate that security screening comprised £0.5m of FY23 divisional total, and industrial screening £1.0m. In addition to OEM and government customers, the development agreement with Analogic includes security screening applications.

### Advanced imaging division FY 23 estimated and outlook

For FY23 we estimate revenue of £7.6m +65%YoY comprising:

- Medical imaging, £6.1m +49%YoY (80% of divisional total); security screening, £0.5m, +1.5x; industrial screening, £1.0m +2.3x (boosted by the US OEM contract).
- For FY24 we estimate divisional revenue of £9.9m, +30%YoY, rising in FY25 to £12.2m.

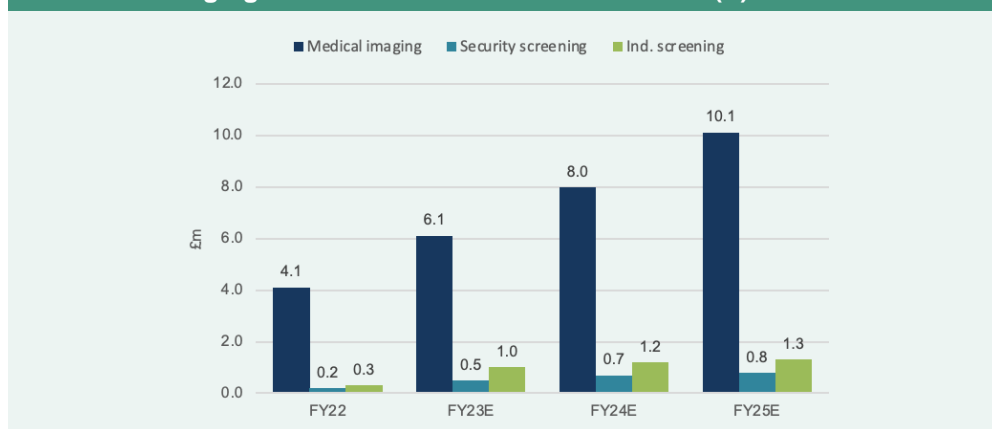
#### Advanced Imaging divisional revenue, FY23 and outlook to FY25

£m	FY22	FY23E	FY24E	FY25E	FY23 YoY	FY24 YoY	FY25 YoY
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%			

Source: Company data, Equity Development estimates.

Below illustrates our divisional revenue outlook to FY25.

#### Advanced Imaging divisional revenue outlook to FY25 (E)



Source: Company data, Equity Development estimates.

## CBRN Detection division

At an estimated £7.4m, FY23 CBRN revenue rose 38%YoY, comprising nuclear security devices at £6.3m and civil nuclear detection devices at £1.1m. During the year Kromek highlights:

- 25 May 2022: US\$0.695 US Federal orders for D3S-ID wearable radiation detector devices, following the US\$1.2m two-year contract of September 2021.
- 7 July 2022: distribution agreement with Smiths Detection ([www.smithsdetection.com](http://www.smithsdetection.com): Smiths Group) for (D3 and D5 series) wearable radiation detection and identification equipment in N. and S. America.
- Post year-end, 5 June 2023: a US\$1.5m civil nuclear detection contract for three customers in Asia (with development co-funded via the local Kromek partner).

### CBRN Detection division outlook

For FY24 we estimate revenue of £9.1m +23%YoY comprising: nuclear security, £7.6m +21%YoY, and civil nuclear detection, £1.5m, +36%YoY; and for FY25, revenue of £10.7m +17%YoY.

#### CBRN Detection division revenue, FY23 and outlook to FY25

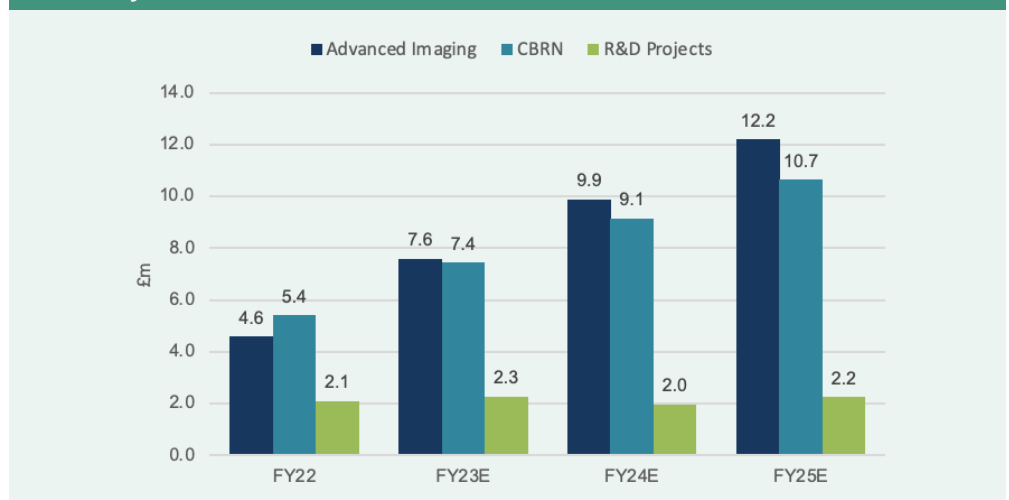
£m	FY22	FY23E	FY24E	FY25E	FY23 YoY	FY24 YoY	FY25 YoY
Nuclear security	4.4	6.3	7.6	8.2	44%	21%	7%
Civil nuclear	1.0	1.1	1.5	2.5	10%	36%	67%
<b>CBRN</b>	<b>5.4</b>	<b>7.4</b>	<b>9.1</b>	<b>10.7</b>	<b>38%</b>	<b>23%</b>	<b>17%</b>
Nuclear security		85%	84%	77%			
Civil nuclear		15%	16%	23%			

Source: Company data, Equity Development estimates

The Group concluded its biological threat detection development programme with the US DARPA, whilst the UK government 3-year (£4.9m) collaboration is ongoing.

The following illustrates the relative contribution to revenue growth of the Advanced Imaging and CBRN divisions, and R&D.

#### Summary divisional outlook to FY25



Source: Company data, Equity Development estimates.

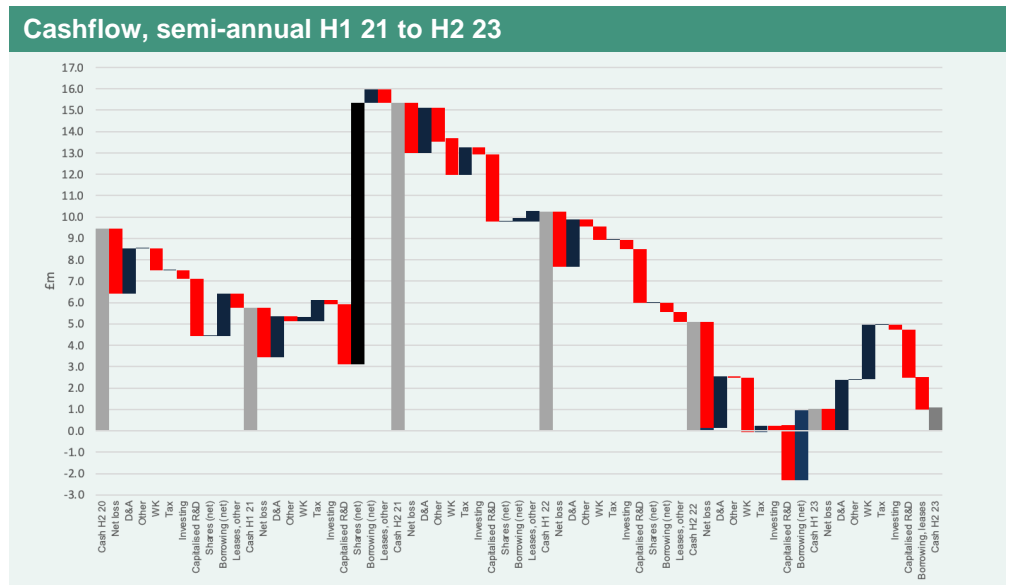
## FY23 cashflow – a tale of two halves

The Group closed FY23 with cash of £1.1m, with a net £3.8m reduction in cash over the period. Post year-end, to fund the Tier 1 development phase, Kromek has raised £8.0m (gross): £7.0m (gross) through the placing of 140.0m shares at 5.0p/share, plus an open offer of c.£1.0m (gross) through the issue of up to 20.564m shares at 5.0p/share. On August 5<sup>th</sup> Kromek also announced a fund-raise of £1.7m through the issue of convertible loan notes priced at 15p/share providing additional cashflow headroom, and on 14<sup>th</sup> August a further convertible loan note fund raise of £1.14m; total CLNs raised, £2.84m.

### In FY23 there is evidence of an improvement in H2 cashflow performance:

- The full year reported net loss of £6.1m contained a H2 reversal of losses from £4.97m in H1 to a reduced £1.1m loss in H2.
- Operating cashflow was £(1.0)m overall, with a H2 improvement from H1 absorption of £2.6m to a positive £1.6m contribution in H2. Working capital also contributed £2.6m in H2, offsetting £(2.6)m in H1, resulting in a neutral overall movement for the year so that, inclusive of tax receipts, FY23 net cash from operations was marginally positive at £0.2m.
- With minimal capital investment (£269k), capitalised (IAS 38) R&D consumed the majority of investment, at £4.8m, reduced from the levels of recent years (FY22, £5.6m; FY21, £5.5m).
- Net of scheduled repayments, debt increased by £2.7m, contributing to an overall £1.3m contribution from financing.

The semi-annual pattern shown below reveals the positive contribution from working capital in H2 23, in contrast to previous periods.



Source: Company data, Equity Development estimates.

## Finance update

The key features of ongoing financing activity are: conversion of the August 2022 £2.8m in convertible loan notes in January/February 2024 at up to 15p/share; refinancing of the HSBC £5.0m RCF, extended from from11/03/23 to 31/08/23 for which Kromek reports that an alternative facility will be secured.

## Outlook to FY25

### Key assumptions

The key features of our outlook are:

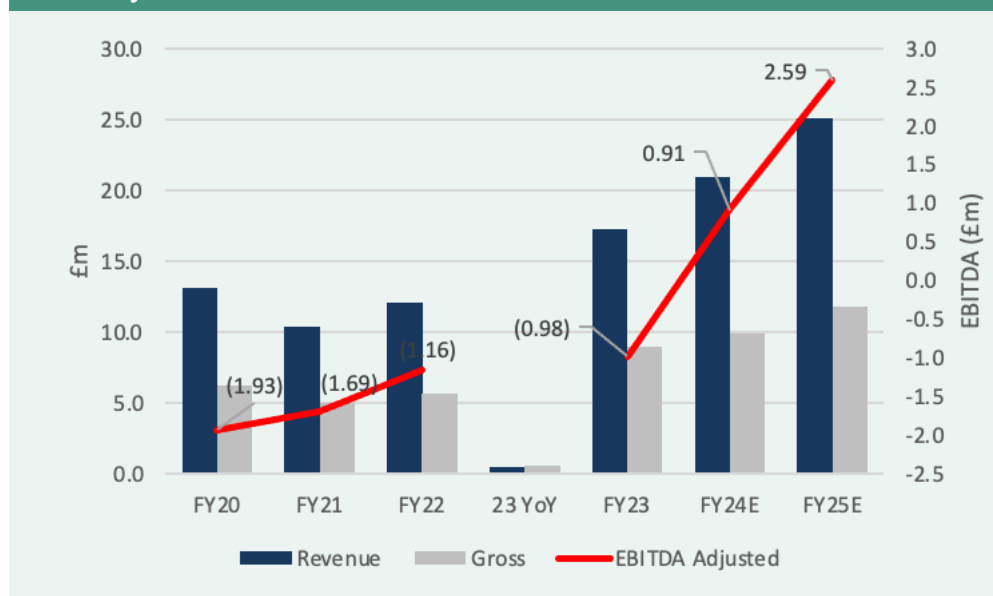
- FY24 revenue of £21.0m, +21%YoY.
- FY25 revenue of 25.1m, +20%YoY.
- FY24 (adj.) EBITDA £0.9m rising to £2.6m in FY25.

### Summary outlook to FY25

Year to 30 Apr (£m)	FY23	FY24E	FY25E	YoY24	YoY25
Revenue	17.31	21.00	25.11	21.3%	19.6%
Gross	8.94	9.93	11.80	11.2%	18.8%
Margin	51.6%	47.3%	47.0%		
EBIT Adjusted	(5.77)	(4.31)	(3.26)		
<b>EBITDA Adjusted</b>	<b>(0.98)</b>	<b>0.91</b>	<b>2.59</b>		
PBT Adjusted	(7.02)	(5.41)	(4.36)		
Net cash from operations	0.20	3.00	4.98		
Net OpFCF	(5.07)	(2.42)	(0.04)		
Net cash from financing	1.29	7.50	(1.80)		
Net change in cash	(3.79)	5.08	(1.84)		
Cash at period-end	1.10	6.18	4.34		
Net debt / (cash)	5.26	1.67	3.51		

Source: Company data. Equity Development estimates.

### Summary outlook to FY25



Source: Company data. Equity Development estimates.. EBITDA (adj.) RH scale, data £m.



## Summary P&L

Profit & Loss FY21 – FY25E							
Year-end Apr 30, £m	FY21	FY22	H1 23	H2 23	FY23	FY24E	FY25E
Advanced Imaging		4.60	3.38	4.22	7.60	9.89	12.21
CBRN		5.40	3.16	4.28	7.43	9.14	10.65
R&D Projects		2.06	0.25	2.03	2.27	1.97	2.24
<b>Revenue</b>	<b>10.35</b>	<b>12.06</b>	<b>6.86</b>	<b>10.45</b>	<b>17.31</b>	<b>21.00</b>	<b>25.11</b>
Gross	5.01	5.64	2.74	6.20	8.94	9.93	11.80
<i>Margin</i>	<i>48.4%</i>	<i>46.8%</i>	<i>39.9%</i>	<i>59.3%</i>	<i>51.6%</i>	<i>47.3%</i>	<i>47.0%</i>
COGS	(5.35)	(6.42)	(4.12)	(4.25)	(8.37)	(11.07)	(13.31)
Other income	0.38	1.41	0.06	0.06	0.12	0.00	0.00
Distribution	(0.29)	(0.55)	(0.32)	(0.29)	(0.61)	(0.64)	(0.66)
Admin	(10.94)	(12.21)	(7.63)	(6.94)	(14.57)	(13.85)	(14.40)
<b>Sum Op-ex</b>	<b>(10.84)</b>	<b>(11.35)</b>	<b>(7.89)</b>	<b>(7.17)</b>	<b>(15.06)</b>	<b>(14.48)</b>	<b>(15.06)</b>
Exceptional items	0.05	0.13	0.04	0.04	0.08	0.00	0.00
EBIT Reported	(5.79)	(5.58)	(5.11)	(0.94)	(6.05)	(4.55)	(3.26)
<b>EBIT Adjusted</b>	<b>(5.73)</b>	<b>(5.48)</b>	<b>(5.03)</b>	<b>(0.74)</b>	<b>(5.77)</b>	<b>(4.31)</b>	<b>(3.26)</b>
Amortisation	(2.36)	(2.57)	(1.47)	(1.43)	(2.89)	(3.20)	(3.83)
Depreciation	(1.69)	(1.75)	(0.96)	(0.94)	(1.90)	(2.03)	(2.03)
EBITDA Reported	(1.74)	(1.26)	(2.69)	1.43	(1.26)	0.67	2.59
<b>EBITDA Adjusted</b>	<b>(1.69)</b>	<b>(1.16)</b>	<b>(2.61)</b>	<b>1.63</b>	<b>(0.98)</b>	<b>0.91</b>	<b>2.59</b>
Financial income	0.00	0.03	0.00	0.00	0.00	0.00	0.00
Financial expense	(0.55)	(0.58)	(0.46)	(0.79)	(1.25)	(1.10)	(1.10)
PBT Reported	(6.33)	(6.13)	(5.57)	(1.72)	(7.29)	(5.65)	(4.36)
<b>PBT Adjusted</b>	<b>(6.28)</b>	<b>(6.03)</b>	<b>(5.49)</b>	<b>(1.52)</b>	<b>(7.02)</b>	<b>(5.41)</b>	<b>(4.36)</b>
Tax	0.98	1.21	0.60	0.59	1.19	1.30	1.00
PAT Reported	(5.35)	(4.92)	(4.97)	(1.13)	(6.10)	(4.35)	(3.36)
<b>PAT Adjusted</b>	<b>(5.30)</b>	<b>(4.81)</b>	<b>(4.89)</b>	<b>(0.93)</b>	<b>(5.82)</b>	<b>(4.11)</b>	<b>(3.36)</b>
Basic wtd. av. shares	358.9	431.9	431.9	431.9	431.9	609.2	611.3
Diluted wtd. av. shares	359.3	432.2	432.2	432.2	432.2	616.1	618.3
EPS Reported Basic (p)	(1.5)	(1.1)	(1.2)	(0.3)	(1.4)	(0.7)	(0.6)
EPS Adjusted Basic (p)	(1.5)	(1.1)	(1.1)	(0.2)	(1.3)	(0.7)	(0.6)

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

## Summary cashflow

Cashflow FY21 – FY25E							
Year-end Apr 30, £m	FY21	FY22	H1 23	H2 23	FY23	FY24E	FY25E
Net profit/loss	(5.35)	(4.92)	(4.97)	(1.13)	(6.10)	(4.35)	(3.36)
Finance (net)	0.55	0.55	0.46	0.79	1.24	1.10	1.10
Tax	(0.98)	(1.21)	(0.60)	(0.59)	(1.19)	(1.30)	(1.00)
Amortisation	2.36	2.57	1.47	1.43	2.89	3.20	3.83
Depreciation	1.69	1.75	0.96	0.94	1.90	2.03	2.03
Share-based payment	0.14	0.24	0.12	0.23	0.35	0.24	0.00
Other non-cash	0.08	(1.44)	(0.04)	(0.04)	(0.08)	0.00	0.00
<b>Operating Cash Flow</b>	<b>(1.52)</b>	<b>(2.47)</b>	<b>(2.61)</b>	<b>1.63</b>	<b>(0.98)</b>	<b>0.91</b>	<b>2.59</b>
Working capital							
(Increase)/Decrease inventories	0.21	(4.30)	(0.36)	(0.03)	(0.39)	2.26	1.06
(Increase)/Decrease in receivables	1.57	0.22	(0.26)	1.16	0.90	(2.53)	0.14
Increase/(Decrease) in payables	(2.57)	1.74	(1.93)	1.40	(0.53)	1.15	1.94
<b>Change working capital</b>	<b>(0.79)</b>	<b>(2.35)</b>	<b>(2.56)</b>	<b>2.54</b>	<b>(0.02)</b>	<b>0.89</b>	<b>3.15</b>
<b>Cash from operations</b>	<b>(2.31)</b>	<b>(4.81)</b>	<b>(5.16)</b>	<b>4.16</b>	<b>(1.00)</b>	<b>1.80</b>	<b>5.74</b>
Tax (paid)/received	1.01	1.28	1.20	0.00	1.20	1.20	1.30
Net cash from operations	(1.31)	(3.53)	(3.97)	4.16	0.20	3.00	7.04
Investing activities							
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.03	0.00	0.00	0.00	0.00	0.00
PPE	(0.45)	(0.65)	(0.19)	(0.08)	(0.27)	(0.10)	(0.10)
Other intangibles	0.00	0.00	(0.04)	0.04	0.00	(0.06)	(0.06)
ROU	(0.16)	(0.18)	(0.04)	(0.14)	(0.18)	(0.06)	(0.06)
Capitalised R&D	(5.46)	(5.62)	(2.58)	(2.24)	(4.82)	(5.20)	(4.80)
<b>Net cash used in investing</b>	<b>(6.07)</b>	<b>(6.42)</b>	<b>(2.85)</b>	<b>(2.42)</b>	<b>(5.27)</b>	<b>(5.42)</b>	<b>(5.02)</b>
Net OpFCF	(7.38)	(9.95)	(6.81)	1.74	(5.07)	(2.42)	2.02
Financing activities							
Shares (net)	12.22	0.00	0.00	0.00	0.00	10.34	0.00
Borrowings short-term	0.00	0.00	0.50	2.34	2.84	0.00	0.00
Borrowings short-term repaid	0.00	0.00	(0.52)	0.52	0.00	(8.84)	0.00
Borrowings long-term	3.22	0.76	3.34	(2.24)	1.10	7.80	0.00
Borrowings long-term repaid	(0.60)	(1.34)	(0.52)	(0.73)	(1.26)	0.00	0.00
Leases	(0.40)	(0.65)	(0.35)	(0.35)	(0.69)	(0.70)	(0.70)
Interest	(0.31)	(0.34)	(0.33)	(0.38)	(0.70)	(1.10)	(1.10)
<b>Net cash from financing</b>	<b>14.13</b>	<b>(1.57)</b>	<b>2.12</b>	<b>(0.83)</b>	<b>1.29</b>	<b>7.50</b>	<b>(1.80)</b>
Net change in cash	6.75	(11.51)	(4.69)	0.91	(3.79)	5.08	0.22
Cash at start of year	9.44	15.60	5.08	1.02	5.08	1.10	6.18
Forex	(0.59)	0.99	0.63	(0.83)	(0.20)	0.00	0.00
<b>Cash at period-end</b>	<b>15.60</b>	<b>5.08</b>	<b>1.02</b>	<b>1.10</b>	<b>1.10</b>	<b>6.18</b>	<b>6.40</b>

Source: Company data. Equity Development estimates.

## Summary balance sheet

Balance sheet FY21 – FY25E							
Year-end Apr 30, £m	FY21	FY22	H1 23	H2 23	FY23	FY24E	FY25E
Goodwill net	1.28	1.28	1.28	1.28	1.28	1.28	1.28
Intangible assets	24.14	28.38	30.54	30.55	30.55	32.62	33.65
PPE net	11.20	10.94	10.80	9.83	9.83	8.41	6.99
RoU net	4.08	3.87	4.26	3.76	3.76	3.31	2.87
<b>Fixed Assets</b>	<b>40.70</b>	<b>44.47</b>	<b>46.87</b>	<b>45.42</b>	<b>45.42</b>	<b>45.62</b>	<b>44.78</b>
Inventories	6.20	10.50	10.87	10.89	10.89	8.63	7.57
Trade receivables	6.64	6.43	6.69	5.53	5.53	8.05	7.91
Tax assets	1.02	0.94	0.35	0.94	0.94	1.30	1.00
Cash, Equivalents	15.60	5.08	1.02	1.10	1.10	6.18	6.40
<b>Current Assets</b>	<b>29.46</b>	<b>22.96</b>	<b>18.92</b>	<b>18.46</b>	<b>18.46</b>	<b>24.16</b>	<b>22.88</b>
Total Assets	70.16	67.42	65.80	63.88	63.88	69.78	67.66
Trade payables	(6.17)	(7.86)	(5.99)	(7.44)	(7.44)	(9.21)	(11.35)
Borrowings	(5.39)	(5.72)	(5.69)	(8.32)	(8.32)	0.52	0.52
Leases, Financial Insts.	(0.40)	(0.38)	(0.41)	(0.92)	(0.92)	(0.92)	(0.92)
<b>Current Liabilities</b>	<b>(11.96)</b>	<b>(13.95)</b>	<b>(12.09)</b>	<b>(16.68)</b>	<b>(16.68)</b>	<b>(9.61)</b>	<b>(11.75)</b>
Total Assets less Current Liabilities	58.20	53.48	53.71	47.20	47.20	60.17	55.91
Deferred income	(1.07)	(1.13)	(1.07)	(1.02)	(1.02)	(0.40)	(0.20)
Leases	(4.26)	(4.16)	(4.51)	(4.09)	(4.09)	(3.39)	(2.69)
Borrowings	(2.82)	(0.75)	(3.57)	(0.57)	(0.57)	(8.37)	(8.37)
<b>Long-term liabilities</b>	<b>(8.14)</b>	<b>(6.04)</b>	<b>(9.14)</b>	<b>(5.68)</b>	<b>(5.68)</b>	<b>(12.16)</b>	<b>(11.26)</b>
<b>Total liabilities</b>	<b>(20.10)</b>	<b>(19.99)</b>	<b>(21.23)</b>	<b>(22.35)</b>	<b>(22.35)</b>	<b>(21.76)</b>	<b>(23.01)</b>
Net Assets	50.06	47.44	44.56	41.52	41.52	48.02	44.65
Share Capital	4.32	4.32	4.32	4.32	4.32	6.11	6.11
Share Premium	72.94	72.94	72.94	72.94	72.94	81.49	81.49
Capital redemption reserve	21.85	21.85	21.85	21.85	21.85	21.85	21.85
Translation reserve	0.00	2.06	4.08	1.90	1.90	3.70	4.70
Accumulated losses	(49.06)	(53.74)	(58.69)	(59.49)	(59.49)	(65.14)	(69.50)
<b>Equity</b>	<b>50.06</b>	<b>47.44</b>	<b>44.50</b>	<b>41.52</b>	<b>41.52</b>	<b>48.02</b>	<b>44.65</b>
Net debt / (cash)	(7.40)	1.38	8.24	7.79	5.26	1.67	1.44

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