

Growth reported in key segments

New product launches, coupled with distribution and service agreements across a wider geographical footprint have resulted in growth in Billi and Consumer Goods. The latter was achieved despite rationalisation of costs and product lines during the last two years. Billi has continued its low double-digit yoy revenue growth in H1 25. The one area of the business with exposure to the US is Controls and, in line with other global engineering outfits, it witnessed order deferrals during Q2 following 'Liberation Day', resulting in a 7-8% reduction in bottom-line estimates. Yet we expect gross margins to be unchanged versus previous expectations.

Several new product launches boosted revenue progression in H1 25 across all divisions with more anticipated during H2. These included the new low-cost control for the less regulated markets and China, two new taps from Billi and additional appliances within Consumer Goods, ranging from contract manufacture, white label to filtration products under the LAICA brand.

Rachel Pallett was appointed to the Board as the Chief Commercial Officer. Rachel brings over 30 years of expertise in senior business development roles with leading global engineering firms. Her focus will be on the commercialisation of new products and further internationalisation of Billi and Consumer Goods divisions.

Net debt typically rises during H1, before declining in H2. We expect FY25 to be no exception, as the seasonal bias in trading continues, notwithstanding macroeconomic challenges within Controls. Net debt/EBITDA is expected to be at 2x by the year end. The refinancing of the Group's banking facility is underway, with the aim of supporting the group's medium term growth expectations.

The combination of the weaker dollar and higher US tariffs has resulted in revenue and profit expectations for Controls to decline. Our revenue estimate falls 2.3%, profit forecasts have decreased by 7 to 8%, and net debt is now expected to be 7.5% higher but still well within the key banking covenant (net debt/EBITDA below 2.75x). The Billi term loan will be fully repaid in November, demonstrating the Group's strong cash generation.

A rise in fair value

Our fair value per share increases modestly to 108p, reflecting rising average peer group valuations since the preliminary results in late April and thereby offsetting the effect of the adj. EPS and EBITDA downgrades. The updated fair value is materially above the current share price level.

Forecasts				
Yr. to Dec, £m	FY22A	FY23A	FY24A	FY25F
Revenue	108.6	143.8	144.0	148.0
Adj. PBT	22.2	22.3	18.5	17.2
Adj. EPS (p)	10.8	9.2	6.6	6.4
DPS (p)	6.0	0.9	1.3	1.9
Net debt	87.4	83.7	63.7	67.7
EV/EBITDA	5.8	4.6	4.5	5.0
PER	4.1	4.9	6.8	7.0
Yield %	13.4	2.0	2.9	4.3
Net debt/EBITDA	2.2	2.2	1.9	2.0

Source: Company histories, ED estimates

30 July 2025

Company data

EPIC	KETL
Price (last close)	45p
52 weeks Hi/Lo	92p/39p
Market cap	£103.4m
ED Fair Value / share	108p
Net cash / (debt) 2024A	(£63.7m)

Share price, p



Source: investing.com

Description

Strix Group ("Strix") is a global leader in the design, manufacture and supply of kettle controls, heating and temperature controls, steam management and water filtration technologies.

The Group is backed by extensive and patented IP. It continues to innovate within the small domestic appliance and water filtration segments, with a focus on safety, design and sustainability. It has a majority share of its largest market, kettle controls and leading positions within the faster growing personal, domestic and corporate water filtration markets.

Next event

Interim Results
30 September 2025.

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Progress made within Billi and Consumer Goods

The outlook statement at the end of April within the preliminary results highlighted a slowing of momentum in early Q2 within the Controls division, as the Group's Chinese OEM customers awaited greater clarity on US import tariffs. While the Group's direct US exposure amounts to approximately £7m and representing c.10% of FY24 Control division's revenues, the deferral of orders/lower volumes goes much deeper and reflects declining confidence in the short-term.

Kettle Controls

The stronger trading during Q4 24 continued into Q1, albeit due to the seasonal nature of revenue generation, Q1 remains the weakest quarter. April's Canton Fair was busy, with the general optimism tempered by the uncertainty relating to weaker tariff related demand from the US. It is our understanding that, amid the prevailing uncertainty, OEMs have actively lowered inventory levels, with several also having adjusted shift patterns and, in turn, resulting in a deferral of orders. The order book within Controls is generally short, although we believe that exit run-rates of activity were ahead of those in April.

The US dollar versus sterling is the most important currency translation for the Group, with the Australian dollar vs. sterling of secondary importance. The strong appreciation of sterling compared to the US dollar, which rose to 1.373 at the recent peak (1 July), from 1.217 in mid-January, rising 12.8% during the period, had a negative impact on revenues when converted to sterling. Were the trend to continue it would be detrimental to the Group. There are signs, however, that the trend may be reversing.

Recent appreciation of sterling vs US dollar



Source: Koyfin

Encouragingly, last year's release of the low-cost kettle control and the launch of the next generation control (Project Z) during H2 25 should:

- Result in sales growth, as the Group re-enters less-regulated markets and seeks to enter new related areas within the regulated markets, such as milk frothers, personal flasks and small blenders
- Lead to customer 'stickiness' as customers await the next generation control, and
- Have a lower cost of manufacture and potentially higher margins.

The production line for the new Gen Z control is now complete, with the component specified in appliances manufactured by several Chinese OEM customers.

We note the traditional seasonal bias to trading favouring H2, which excluding FY20 has averaged 54% of revenues in recent years. We expect the weighting in favour of H2 to continue in the remainder of FY25.

Moving forward, our assumption is that the next generation kettle control aimed at regulated markets will begin to have more of an impact on revenues from FY26 onwards.

Billi

Billi returned to low-double digit revenue growth during H2 25, which followed the launch of two new products in its largest market (Australia). This strong momentum has continued into H1 25 as:

- Demand has continued for the newer OmniOne and Multi-Function Tap (MFT) in Australia
- The new products were also launched in the UK, and
- New distributors and service agents were added across Europe and South East Asia during FY24 and are beginning to deliver strong revenue growth.

The division has no exposure to the more competitive US market and no imminent plans to do so, with its geographical expansion focused on the UK, EU and SE Asia, where penetration rates are currently low and the potential for growth high.

Our belief is that gross margins remain high, albeit modestly lower than H1 24, reflecting the new product launches, distribution agreements and benefitting from the recurring revenue streams (sales of consumables and servicing).

Consumer Goods

After experiencing two consecutive years of declining revenue, we are pleased with the progress demonstrated in the first half of FY25. Revenue growth is lower than in Billi, but is positive, led by:

- Appliance manufacturing, reflecting additional products launches within the infant formula segment for a leading brand
- Contract wins in white label channels, including the launch of water filtration products for a major UK retailer, and
- Introduction of bespoke filtration products, including additional product launches by key OEMs.

The contract/white label manufacturing is likely to place a degree of pressure on gross margins, which will be largely offset by the higher volumes. We expect the FY25 outcome to be in-line with previous expectations from a top-and-bottom-line perspective.

Management of OpEx and cash conservation

Over the past two years, management has cut costs - especially in the Consumer Goods division - by reducing staff and SKUs to prioritise areas with higher profit potential. The process extended into H1 25, illustrating the challenging macroeconomic conditions within Controls and consequently constraining the extent of OpEx growth during the period.

Additionally, careful and measured cash conservation is crucial, particularly as net debt rose during H1 25. As one would expect, all capex requires sign off and tighter controls are in place with regards to working capital. **The caveat to this will be the ongoing new product introductions, which ultimately will be responsible for driving the top-line growth of the Group.**

Board appointment

Strix announced at the time of the AGM that the then Chief Commercial Officer Controls and Billi, Rachel Pallett, had been appointed to the Board as the Chief Commercial Officer of the Group.

Rachel has over thirty years of experience with international engineers, not least:

- Spirax Sarco, as Director of Business Development for Steam Specialities
- Watson-Marlow Fluid Technology Group, as EMEA Regional Director of sales, service, distribution, and assembly operations, and
- Renishaw, with experience in various leadership and technical roles

She graduated from Imperial College in Electrical and Electronic engineering.

Rachel's focus on the two smaller divisions and her experience within major global engineering brands is likely to prove beneficial, particularly in the commercialisation of new products and further internationalisation of the business.

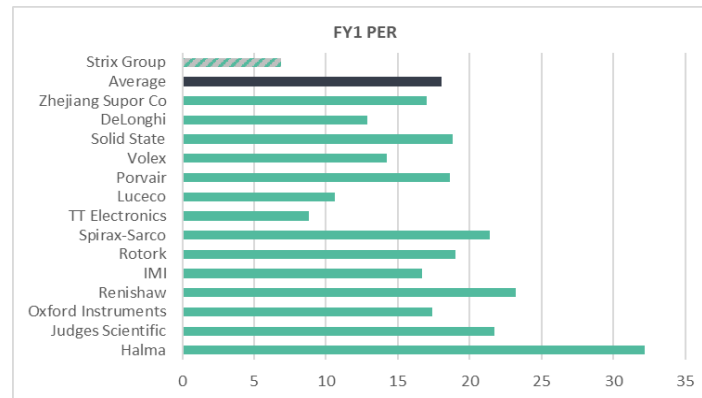
Valuation

Although our revenue, EBITDA, adj. EPS, and DPS estimates have declined since the time of the trading update at the end of April, our revised target price is higher. This reflects higher average peer group valuation ratings than three months ago, as shares prices have risen in the interim period.

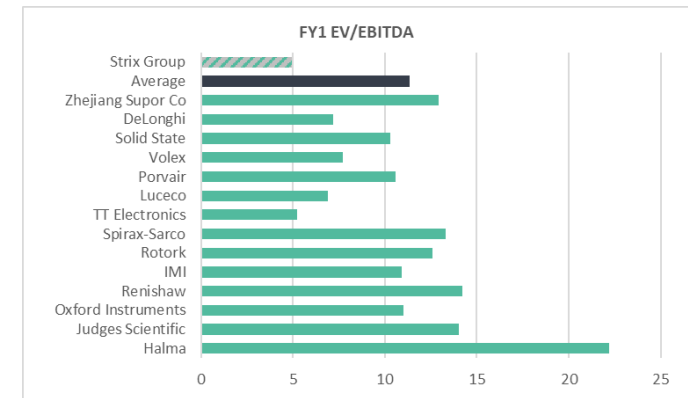
We base our new fair value on peer group comparison models such as FY25 PER, EV/EBITDA, EV/Sales and Price/book ratios, applying a 10% discount to the average of its peers. To make the outcome fairer, we have omitted the price/book rating as this throws up an anomaly, which would otherwise distort the fair value calculation.

The new fair value rises modestly to 108p / share, from 103p at the end of April.

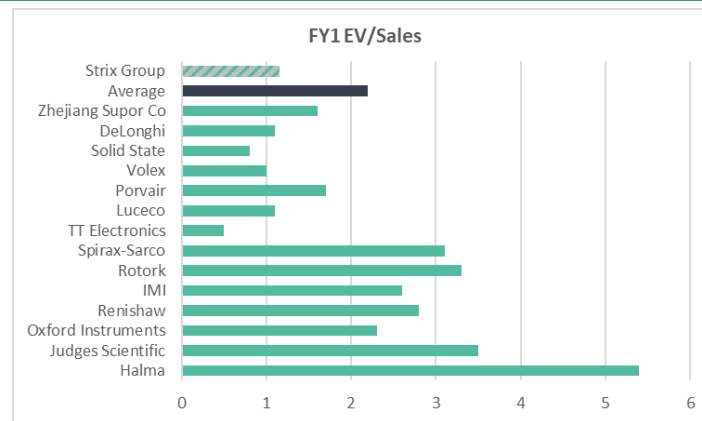
Our revised dividend expectation for FY25 produces a yield of 4.3%, which compares to a sector average of 2.3%.

Peer group comparison: FY25 PER(x)


Source: Koyfin

Peer group comparison: FY25 EV/EBITDA (x)


Source: Koyfin

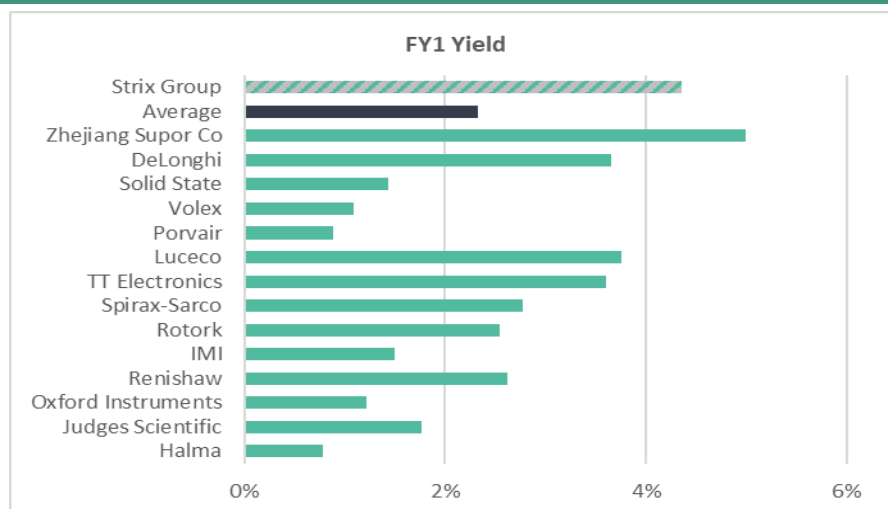
Peer group comparison: FY25 EV/Sales (x)


Source: Koyfin

Peer group comparison: FY25 Price/book (x)


Source: Koyfin

Peer group comparison: FY25 Yield (%)



Source: Koyfin

Fair value

	FY25 fair value / share
PER (x)	103p
EV/EBITDA (x)	125p
EV/Sales (x)	97p
Price/Book (x)	167p
Average	123p

Source: Koyfin, ED

Financials

Changes to estimates

We have adjusted our financial estimates to reflect the challenging Q2 within Controls largely because of the import tariffs imposed by the US administration, coupled with US dollar weakness versus sterling. Our assumptions remain unchanged for the smaller, faster growing divisions, comprising Billi and Consumer Goods.

We expect revenues to decline by c. £3.5m to £148m, which represents half of the Control division's FY24 exposure to the US. We continue to anticipate FY25 gross margins of 36%, with pressure on operating margins from the shortfall in the top-line. The increase in net debt compared to previous expectations results in our interest payment assumptions rising to £8m (from £7.5m previously), leading to a decline in adj. PBT of 7.6% to £17.2m (from £18.6m previously). Our adj. EPS and DPS estimates fall broadly in line with adj. PBT.

The reduction in cash flow (lower EBITDA expectation) sees our year end net debt rise £4.7m to £67.7m, albeit below end H1 levels, which is consistent with previous years. While the level of the key banking covenant measure, net debt/EBITDA, rises yoy from 1.87x to 1.96x by the end of FY25, it declines from the greater than 2x level at the end of H1 25.

Estimate changes

<u>Y/e Dec. £m</u>	<u>Old FY25F</u>	<u>New FY25F</u>	<u>Change</u>
Revenue	151.5	148.0	-2.3%
Adj. PBT	18.6	17.2	-7.6%
Adj. EPS (p)	6.9	6.4	-7.7%
DPS (p)	2.1	1.9	-7.8%
Net debt	-63.0	-67.7	7.5%
Net debt/EBITDA	1.8	2.0	10.8%

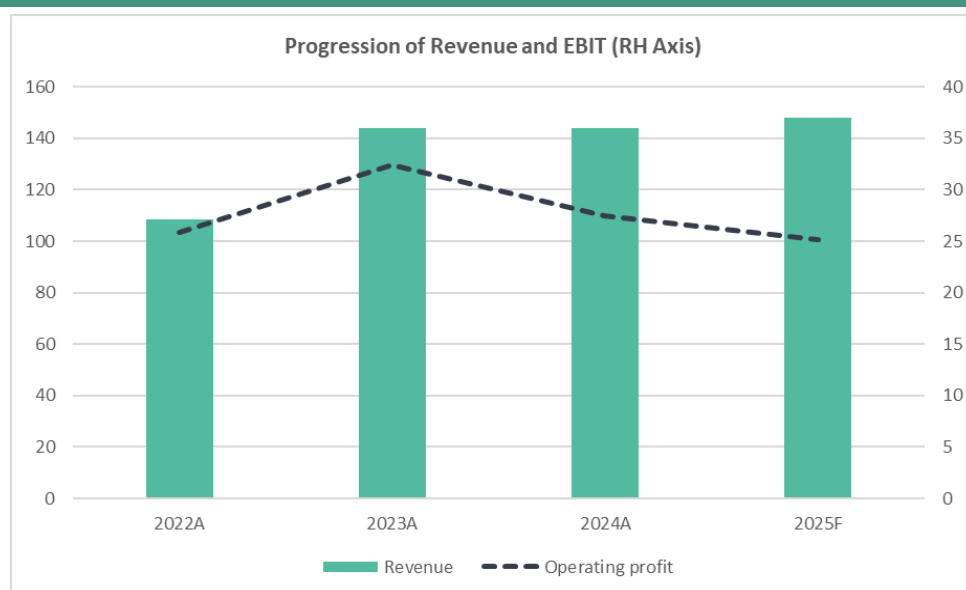
Source: ED estimates

We reiterate the medium-term growth drivers of the business, which include:

- Product innovation across all three divisions
- New applications for the next generation control, resulting in its use in a wider range of appliances
- New routes to market, including a widening of distribution agreements, coupled with further geographical expansion
- Design-in services to OEM customers, further embedding the 'stickiness' of controls
- Recurring revenue streams, particularly sales of consumables, rental and servicing, at generally higher gross margins (Billi and Consumer Goods), and
- Contract manufacturing and white label sales to customers (Consumer Goods), although in such cases the margins tend to be lower than average.

Growth should continue to be higher within Billi and the Consumer Goods division, with the Controls market mature, albeit highly cash generative.

Revenue & EBIT progression, £m



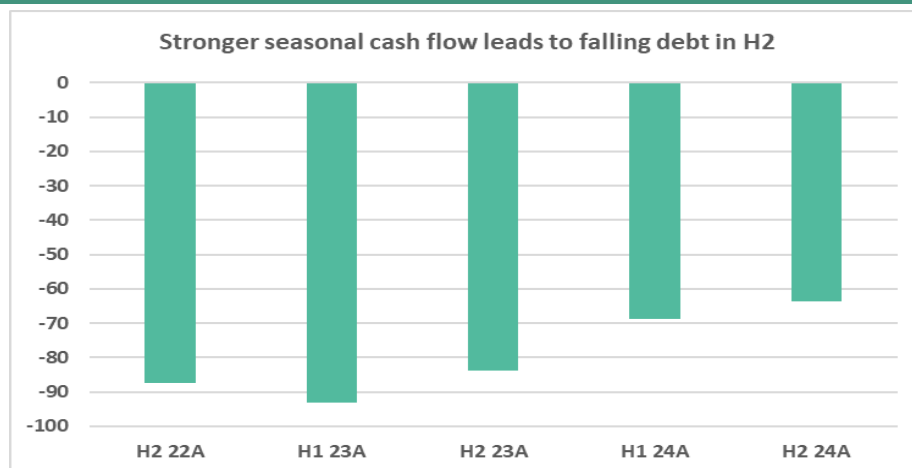
Source: Company histories, ED estimates

Net debt

Strix is a seasonal business, with revenues typically biased in favour of H2, not least the run-up to Christmas and Chinese New Year. The bias is likely to prove greater during FY25 to reflect the volume shortfall in Controls in Q2 25. We highlight in the chart below the level of debt reduction seen during H2, reflecting the stronger seasonal cash flows.

We note the £9.4m and £5.1m reductions in indebtedness during H2 23 and H2 24, respectively. The reduction during H1 24 reflected the proceeds of the £8.5m share placing as well as self-help.

Seasonal debt reduction, £m



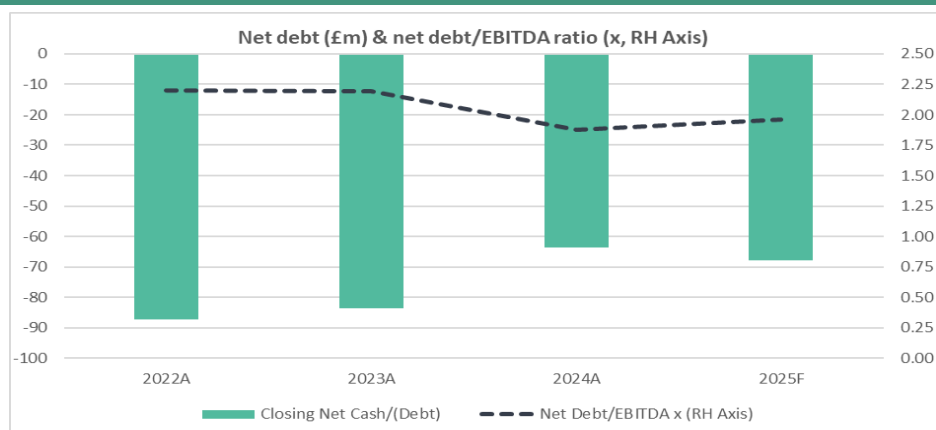
Source: Company

The shortfall in unit volumes in Controls in Q2 25 has resulted in the net debt/EBITDA ratio increasing above 2.0x by the end of June, which compares to a targeted range of 1.0x to 2.0x and a reading of 1.87x at the end of December 2024. **Nevertheless, it remains markedly below the banking covenant limit of 2.75x.**

The Group's last refinancing was at the time of the acquisition of Billi, almost three years ago. The revolving credit facility (RCF) currently totals £80m with a term loan of up to £49m. The term loan repayment has amounted to approximately £14m per annum. The RCF matures in October 2026, providing more than enough time to arrange the refinancing. The Billi term loan is scheduled for final repayment in November 2025, reflecting the Group's robust cash generative capabilities.

The Group is currently engaged in re-financing discussions with multiple banks. The aims of the discussions will be to attract support for the Group's medium-term growth aspirations.

Net debt & net debt/EBITDA progression



Source: Company histories, ED estimates

Summary Financials

Profit & Loss

Year to Dec, £m	2022A	2023A	2024A	2025F
Kettle controls	68.2	70.1	69.5	68.2
Prem. Filtratn. Systems	3.2	41.3	43.1	47.4
Consumer Goods	37.1	32.4	31.5	32.4
Revenue	108.6	143.8	144.0	148.0
CoGS	-67.1	-86.5	-90.0	-94.7
Gross profit	41.5	57.3	54.0	53.3
Gross margin (%)	38.2%	39.8%	37.5%	36.0%
Op costs	-16.4	-25.2	-26.9	-28.6
Other Op. income	0.8	0.4	0.4	0.4
Operating profit	25.9	32.5	27.5	25.2
Op margin (%)	23.8%	22.6%	19.1%	17.0%
Net Interest	-3.7	-10.2	-9.0	-8.0
Associates	0.0	0.1	0.0	0.0
PBT (Adjusted)	22.2	22.3	18.5	17.2
Exceptionals	-5.9	-4.2	-13.5	0.0
PBT (Reported)	16.2	18.2	5.0	17.2
Tax	0.8	-1.5	-3.0	-2.2
Adj. PAT	23.0	20.8	15.5	14.9
Minority interests	-0.1	0.0	0.0	0.0
Adj. Earnings	22.9	20.5	15.5	14.9
Reported PAT	17.0	16.7	2.0	14.9
Ordinary Dividends	-13.1	-2.0	-2.9	-4.5
EPS (Adjusted) (p)	10.8	9.2	6.6	6.4
DPS (p)	6.0	0.9	1.3	1.9
Ave no of shares (FD) (m)	212.5	222.1	229.8	234.8

Source: Company histories, Equity Development estimates

Abbreviated Balance Sheet

Year to Dec, £m	2022A	2023A	2024A	2025F
Intangible Assets	73.4	71.6	63.0	59.5
Tangible Assets	43.7	46.2	44.1	50.3
Investments/other	3.7	1.0	1.5	1.5
Net Working Capital	19.0	20.9	12.9	23.2
Capital Employed	139.8	139.7	121.6	134.5
Other	-2.8	-3.6	-2.5	-2.5
Net Cash/(Debt)	-87.4	-83.7	-63.7	-67.7
Provisions Liabilities/Charges	-12.3	-10.8	-9.7	-9.7
Net Assets	37.2	41.6	45.6	54.5

Source: Company histories, Equity Development estimates

Cash Flow

Year to Dec, £m	2022A	2023A	2024A	2025F
Operating profit	25.9	32.5	27.5	25.2
Depn. & Amortn.	6.3	8.7	9.5	9.4
Working capital movement	-2.6	2.3	4.4	-10.3
Other	-6.3	-7.4	-8.9	-1.2
Operating cash flow	23.2	36.2	32.5	23.0
Net Interest	-3.2	-7.4	-8.5	-8.0
Taxation	-1.2	-1.3	-3.7	-2.6
Net capex	-8.6	-8.0	-8.1	-12.0
Operating FCF	10.3	19.4	12.2	0.4
Net (Acquisitions)/Disposals	-39.3	-6.5	-0.6	0.0
Dividends	-17.3	-9.1	0.0	-4.4
Share Issues	10.7	-0.2	8.4	0.0
Minority payment	0.0	0.0	0.0	0.0
Other financial	-0.6	0.0	0.0	0.0
Increase Cash/(Debt)	-36.2	3.7	20.0	-4.0
Opening Net Cash/(Debt)	-51.2	-87.4	-83.7	-63.7
Closing Net Cash/(Debt)	-87.4	-83.7	-63.7	-67.7

Source: Company histories, Equity Development estimates

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