

Successful placing to accelerate deleveraging

12 June 2024

Strix has completed a new equity placing initiated by an investor that will raise approx. £8m of proceeds, with the placing shares expected to be admitted to trading on 14 June. The funds will accelerate the pace at which it achieves self-imposed targets on the level of headroom on its key banking covenant. As such, the refinancing of the Group's banking facility set for 2025 should now be on more favourable terms. The group can now speed up investment in sustainable growth should suitable opportunities arise, while remaining cognisant of the balance sheet.

10.9m shares have been placed at a price of 80p representing **nil discount to the prior closing level**. The placing shares represent approximately 5% of the issued share capital. The driver for the placing originated from an enquiry from an existing investor wishing to invest in up to a further 5% of the Company. 20% of the placing had been subject to clawback from existing shareholders, with the unnamed investor allocated 80%.

Concern that the Group may have missed its key banking covenant had resulted in the Strix share price falling by 38% overnight at the time of the interim results in September last year. Since then, the Company has intensified its actions on cash conservation, which are currently ahead of plan.

We have estimated net proceeds of £8.1m. Although the interest rate payable is currently in high single digits, we have applied a very conservative coupon on the cash saving. As such, our view is that there is limited dilution to adj. EPS in the current year (-0.6%) on a diluted and weighted average shares basis and modest dilution (-6.0%) in FY25 as the higher number of shares fully kicks in.

The placing enables the Group to achieve its stated goal of a net debt/EBITDA ratio of 2.0x ahead of the year end. Our previous estimate was 1.9x by the end of FY24; this now falls to 1.7x, leaving significant headroom on all covenants. The Company has guided that it should achieve the 2x target four to six months earlier. Similarly, the covenant reduces to 1.4x by the end of FY25 following the placing. The headroom is likely to result in improved terms when the bank facility is renewed in 2025 and will allow the Group to take opportunities to invest in new technology should opportunities arise.

Fair value

We have slightly reduced our fair value to 167p / share, reflecting the level of adj. EPS dilution. In our view, the Group remains materially undervalued relative to its peers, particularly now its balance sheet has been strengthened.

Company Data

EPIC	KETL
Price (last close)	80p
52 weeks Hi/Lo	113p/51p
Market cap	£175.1m
ED Fair Value / share	167p
Net debt (Dec '23)	£85.7m

Share Price, p



Source: ADVFN

Description

Strix Group plc ("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.

The Group has a majority share in value terms of its largest market, kettle controls and leading positions within the faster growing personal, domestic, and corporate water filtration markets.

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Forecasts

Yr. to Dec, £m	FY22A	FY23A	FY24F	FY25F
Revenue	108.6	144.6	154.2	169.0
Adj. PBT	22.2	21.9	24.3	25.8
Adj. EPS (p)	10.8	9.1	9.4	9.5
DPS (p)	6.0	0.9	1.9	2.9
Net debt	-87.4	-85.7	-70.4	-60.5
EV/EBITDA	8.2	6.6	6.0	5.8
PER	7.4	8.8	8.5	8.4
Yield %	7.5	1.1	2.3	3.6
Net debt/EBITDA	2.2	2.1	1.7	1.4

Source: Company historic, ED estimates

Modest dilution to adj. EPS

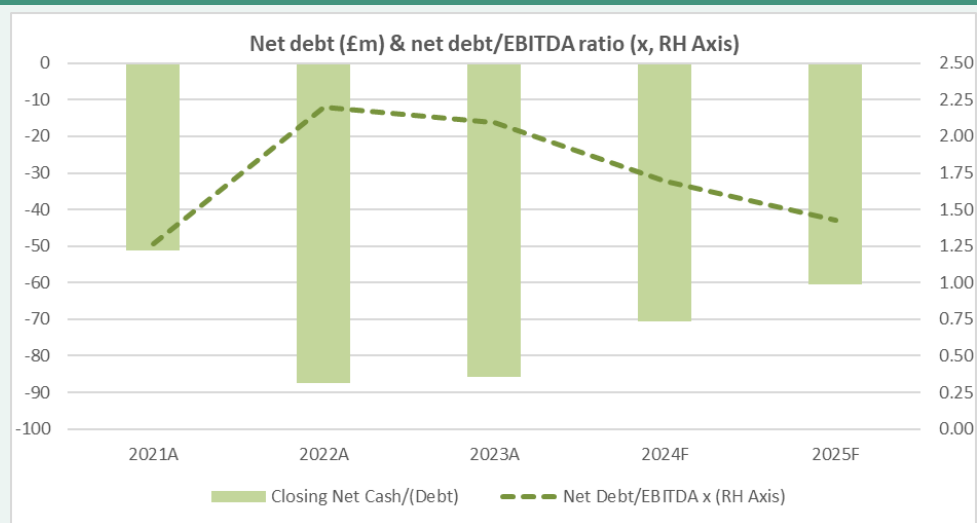
Forecast changes						
Y/e Dec, £m	Old FY24F	New FY24F	Chg. %	Old FY25F	New FY24F	Chg. %
Adj. PBT	24.1	24.3	0.7%	25.8	25.8	0.0%
Adj. EPS (p)	9.4	9.4	-0.6%	10.1	9.5	-6.0%
Net debt	-78.7	-70.4	-10.5%	-68.8	-60.5	-12.1%
Net debt/EBITDA	1.9	1.7	-10.9%	1.6	1.4	-10.5%

Source: ED estimates

Key Financials

Summary Profit & Loss						
Year to Dec, £m	2021A	2022A	2023A	2024F	2025F	
Kettle controls	85.1	68.2	70.1	74.3	79.3	
Prem. Filtratn. Systems		3.2	42.1	46.6	51.7	
Consumer Goods	34.3	37.1	32.4	33.3	38.0	
Revenue	119.4	108.6	144.6	154.2	169.0	
CoGS	-72.0	-67.1	-87.4	-96.6	-108.7	
Gross profit	47.4	41.5	57.2	57.6	60.3	
Gross margin (%)	39.7%	38.2%	39.6%	37.4%	35.7%	
Op costs	-14.3	-16.4	-25.6	-25.5	-28.1	
Other Op. income	0.6	0.8	0.4	0.5	0.5	
Operating profit	33.7	25.9	32.1	32.5	32.7	
Op margin (%)	28.2%	23.8%	22.2%	21.1%	19.3%	
Net Interest	-1.4	-3.7	-10.2	-8.4	-7.0	
Associates	-0.1	0.0	0.1	0.1	0.1	
PBT (Adjusted)	32.2	22.2	21.9	24.3	25.8	
Exceptionals	-10.7	-5.9	-4.2	-4.0	0.0	
PBT (Reported)	21.5	16.2	17.8	20.4	25.9	
Tax	-0.9	0.8	-1.5	-2.6	-3.4	
Adj. PAT	31.4	23.0	20.4	21.6	22.4	
Minority interests	0.0	-0.1	0.0	0.0	0.0	
Adj. Earnings	31.3	22.9	20.1	21.6	22.4	
Reported PAT	20.6	17.0	16.2	17.6	22.4	
Ordinary Dividends	-17.3	-13.1	-2.0	-4.2	-6.7	
EPS (Adjusted) (p)	14.9	10.8	9.1	9.4	9.5	
DPS (p)	8.4	6.0	0.9	1.9	2.9	
Ave no of shares (FD) (m)	209.7	212.5	221.3	230.2	235.2	

Source: Company histories, Equity Development estimates

Movement in indebtedness and the net debt/EBITDA ratio


Source: Company, Equity Development

Summary Cash Flow

Year to Dec, £m	2021A	2022A	2023A	2024F	2025F
Operating profit	33.7	25.9	32.1	32.6	32.8
Depn. & Amortn.	6.9	6.3	8.7	8.9	9.5
Working capital movement	-11.4	-2.6	2.3	-5.5	0.3
Other	-4.9	-6.3	-0.1	-4.0	-1.2
Operating cash flow	24.2	23.2	43.1	32.1	41.4
Net Interest	-2.7	-3.2	-8.9	-8.4	-7.0
Taxation	-1.9	-1.2	-1.3	-2.1	-3.0
Net capex	-15.4	-8.6	-8.0	-12.0	-15.0
Operating FCF	4.2	10.3	24.9	9.6	16.4
Net (Acquisitions)/Disposals	-1.6	-39.3	-6.5	0.0	0.0
Dividends	-16.5	-17.3	-9.1	0.0	-6.5
Share Issues	0.0	10.7	-0.2	8.1	0.0
Minority payment	-0.3	0.0	0.0	0.0	0.0
Other financial	0.2	-0.6	-7.5	-2.5	0.0
Increase Cash/(Debt)	-14.0	-36.2	1.7	15.3	9.9
Opening Net Cash/(Debt)	-37.2	-51.2	-87.4	-85.7	-70.4
Closing Net Cash/(Debt)	-51.2	-87.4	-85.7	-70.4	-60.5

Source: Company historics, Equity Development estimates

Abbreviated Balance Sheet

Year to Dec, £m	2021A	2022A	2023A	2024F	2025F
Intangible Assets	30.5	73.4	73.4	75.2	71.7
Tangible Assets	39.5	43.7	46.2	52.7	61.8
Investments/other	3.3	3.7	1.0	1.0	1.0
Net Working Capital	11.2	19.0	22.9	28.4	28.1
Capital Employed	84.4	139.8	143.5	157.3	162.5
Other	-2.6	-2.8	-3.6	-3.6	-3.6
Net Cash/(Debt)	-51.2	-87.4	-85.7	-70.4	-60.5
Provisions Liabilities/Charges	-4.7	-12.3	-11.2	-11.2	-11.2
Net Assets	26.0	37.2	43.0	72.1	87.2

Source: Company historics, Equity Development estimates



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