Strix Group plc

Well set to double revenue in five years

28 January 2021

Strix yesterday reported 2% growth YoY in adjusted profit after tax for its year ended 31 December 2020. As expected, there was a 'marked recovery' in H2 and that improvement seems to be continuing into 2021 with some seasonal uplift in Q4. There is also the benefit of some healthy order book visibility for Q121, which should underpin investor confidence on the FY21 outlook. In the current year Strix will also consolidate a full year of performance from LAICA, acquired in October 2020.

Dividend reflects Board confidence

The Group also confirmed its intention to pay a total FY20 dividend of **7.7p per share** (inclusive of 2.6p per share interim divi). In a year when so many companies cut, or scrapped, their dividend due to the pandemic, this should be taken as a strong indicator of the strength of this business. The Board's commitment to a progressive dividend even in such a challenging year, underlines the stock's income attractions.

Encouragingly, Strix reports FY20 period end net debt 'lower than previous guidance' (i.e. less than 1.4x ND/EBITDA). This is on the back of strong cashflow, a range of efficiency measures, and it also reflects the upfront cash funding of the €20m LAICA deal.

Product categories

Strix now operates across a range of product areas, which we highlight here:

Kettle Safety Controls: which had a strong H220 that has extended into H121. Strix has maintained its market leading position, with an increased number of platform ranges.

Water Filtration: This area of the business will be key to delivering the doubling of revenue over the next five years that Strix proposed at its recent Capital Markets Day, and the first update since these targets were announced reinforce how achievable this goal should be. The Aqua Optima brand has delivered record sales in FY20. LAICA is being successfully integrated and trading was strong with double digit % revenue growth, something we think investors should be particularly mindful of when considering just how this segment could be turbo-charged. Looking ahead, the expanded brand portfolio for consumer water will be used for geographical expansion in the second half of 2021, both instore and online.

Strix has also recently announced that its HaloPure technology was selected by **Chia Tai Group**, a highly respected livestock company operating in China. With the market for this technology in agriculture alone worth £500m, we will be keeping a close watch for further rapid rollout of this technology.

Appliances: 2021 will see many of the appliances created in 2020 penetrate global consumer markets: notably Aurora (Instant Flow Heater/Chiller) in H1, then both Dual Flo and the expansion of the Baby Care technology range in H2.

Forecasts

Our forecasts are unchanged on the back of this brief announcement, with LAICA on a full year basis giving enhanced profit growth in FY21 and beyond. LAICA was much less profitable than core Strix, and there should be tangible synergies over time. The Group's expanded brand portfolio will be used for planned geographical expansion. Strix also expects many of the new product launches in 2020 to accelerate revenues this year as retailers introduce them to their in-store and online portfolios.

Company Data

EPIC	KETL
Price (last close)	234p
52 weeks Hi/Lo	258p / 112p
Market cap	£490m
Avg. daily volume	364k

Share Price, p

Source: ADVFN

Description

Strix Group Plc (Strix) is a global leader in the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management and water filtration.

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Investment case

Strix's share price has now more than doubled from the lows in March 2020, as investors noted its COVID resilience, income attractions, commitment to ESG best practice and scope for further growth. There has been a material, but deserved, rerating - so on ED forecasts Strix shares trade on 16.4x PE 2020 and 15.3x PE 2021; 14.1x EV/EBITDA 2020, and 12.9x EV/EBITDA 2021.

We are confident that these ratings can expand further as investor awareness grows of the 'new' Strix equity growth story.

The previously mentioned plans to double Group revenues over the next five years, highlighted at their recent November Capital Markets Day, as well as a comprehensive ESG and sustainability strategy, will be key drivers in delivering growth and ongoing consumer demand for their products. In addition, for investors starved of income, the dividend yield is an attractive 3%.

FINANCIALS

Summary forecasts and key ratios

Y/e 31 Dec, £'000s	2017	2018	2019	2020E	2021E	2022E	2023E
Revenue	91,263	93,769	96,876	95,970	118,090	122,697	127,410
y.o.y growth	2.9%	2.7%	3.3%	-0.9%	23.0%	3.9%	3.8%
EBITDA	35,117	36,351	36,904	37,405	40,599	42,439	44,464
EBIT	29,062	30,861	31,361	31,820	34,667	36,413	38,343
Adj. PBT	28,304	29,206	30,199	30,555	32,817	34,863	37,043
Adj PAT	27,517	28,259	28,863	29,332	31,504	33,468	35,561
EPS (p) basic adj.	14.5	14.9	15.2	15.4	15.3	16.3	17.3
EPS (p) ful dil. Adj	14.2	14.2	14.2	14.2	15.3	16.3	17.3
DPS (p)	2.9	7.0	7.7	7.7	8.1	8.3	8.5
Div yield	1.24%	2.99%	3.29%	3.29%	3.46%	3.55%	3.63%
Div cover	0.0	2.0	1.8	1.9	1.9	2.0	2.0
Net debt/cash	45,889	27,479	26,342	45,453	41,894	30,586	17,579
P/E	16.5	16.5	16.4	16.4	15.3	14.4	13.5
EV/EBITDA	15.0	14.5	14.3	14.1	12.9	12.1	10.8
ND / EBITDA	1.3	0.8	0.7	1.2	1.0	0.7	0.4

Source: Company historic data, ED estimates. Based on share price of 234p

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