Strix Group Plc

9 March 2026

Regulated markets still difficult, costs being addressed

Strix Group's trading update includes some emerging positives: volumes continue to build, particularly in less-regulated control markets, growth has returned to Consumer Goods, and the recent disposal of Billi has transformed the balance sheet, leaving the group with net cash and capacity for shareholder returns. However, activity levels in the higher-margin regulated segment are recovering more slowly, and the combination of softer revenue expectations, a lower-margin mix and rising commodity prices leads to reduced estimates. Management has reinforced its cash-conservation focus and implemented further cost-reduction measures, while notifying customers of upcoming price increases. Given the operational uncertainty, we continue to base our fair value assessment on the estimated NAV of 62p per share.

- Other features of the update to note are slower recovery in the higher margin regulated kettle control market and the marked increase in commodity prices (silver and copper). The traditional rally in orders and deliveries ahead of Christmas and Chinese New Year was more constrained in key markets. Growth in Q1 of CY26 in less-regulated control markets and within Consumer Goods continued, strengthening in the former.
- Progress in the latter areas resulted in a reduction in the gross margin mix, exacerbated by commodity price inflation. We have reduced estimates accordingly, with revenues 2.6% lower than previously expected for FY26 and adj. PBT and EPS declining by 19%.
- Cash conservation implemented during H2'26 has continued along with a new cost reduction plan, saving before investments, a gross annualised £2m over the next 18 months.
- The balance sheet was transformed by the disposal of Billi, completed in early February and generating net proceeds of £105m. This has resulted in net cash of £35m, with £10m set aside for the ongoing share buyback programme. Details of any further returns of cash to shareholders will be announced within the preliminary results in late June/early July.
- News on a new CEO is expected during May and ahead of Mark Bartlett's retirement.

Fair value reflected in NAV

We list several positives likely to benefit estimates beyond FY27 (page 5), not least the adoption of the next generation controls, continued product innovation across both divisions and the potential for a manufacturing tie-up with Billi. **With the shares trading on a discount to the average of its peers on most metrics, these challenges mean that we base fair value on the NAV of 62p/share.**

Estimates

Yr. to Dec/Mar from FY26, £m	FY22	FY23	FY24	FY26	FY27
Revenue	108.6	143.8	144.0	148.5	93.5
Adj. PBT	22.2	22.3	18.5	9.8	6.0
Adj. EPS (p)	10.8	9.2	6.6	3.6	2.2
DPS (p)	6.0	0.9	0.0	0.0	0.6
Net (debt)/cash	-87.4	-83.7	-63.7	29.2	28.0
EV/EBITDA	5.9	4.7	4.7	2.9	6.7
PER	4.4	5.1	7.1	13.1	21.7
Yield %	12.8%	1.9%	0.0%	0.0%	1.4%
Net debt/EBITDA	2.7	2.0	1.7	-1.0	-2.3

Source: Company historics/ED estimates

Company data

EPIC	KETL.L
Price (last close)	47p
52 weeks Hi/Lo	73p/33p
Market cap	£106.8m
ED Fair Value / share	62p
Net cash 02/2026A	£35m

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

Update on CEO succession, May

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Slower recovery and commodity price inflation

Ahead of Chinese New Year there were early signs of an improvement in trading within the Controls division as the level of call offs by its OEM customers improved modestly during Q4, a trend which has continued into the new calendar year. However, this was more pronounced in the reduced margin low-cost controls (selling predominantly into less regulated markets), rather than in regulated markets.

Previous updates had highlighted that Strix Group required a strong final quarter of the 15-month period (Q1 CY26) to achieve consensus financial estimates. Traditionally the first calendar quarter is the weakest from a trading standpoint. There was, however, an expectation of a build-up of volumes following two quarters of deferred orders (Q2 and Q3) from its Chinese OEM customers (reaction to higher imposed tariffs) and catch up of lost orders. In the event, the continued build-up of volumes across its markets occurred, albeit at a slower pace than hoped. However, the catch up in orders failed to happen. The outcome, as highlighted in greater detail within the financial section, is therefore not entirely unexpected.

The regulated markets were affected by ongoing weak demand in the UK and Germany and increased levels of copyist activity into the US online market.

Trading volumes in regulated markets, where gross margins are higher, have been slower to build, thereby exacerbating the impact to profitability. Trading in less-regulated markets has witnessed greater improvement and largely follows the launch of the low-cost control approximately a year ago. The low-cost control generally sells at a lower price point and at a reduced gross margin, thereby reducing the margin mix of sales. Order levels into the final month of the 15-month period remain ahead of a year earlier.

A further issue impacting profitability is commodity pricing. To date plastics have broadly been unaffected by the recent Iran-related oil price volatility, albeit this could change in due course. What has proved more problematic in recent quarters is the price appreciation of silver and copper, weighted towards the former. Silver is currently priced at US$86.34 / troy ounce, a rise of 164% in the last year. By the same token, copper has appreciated 24% to US$5.84 over the same period. Consistent with competitors, the Group is in the process of negotiating price increases with customers, with the main benefits of this expected in FY27. We recognise the challenge of fully offsetting higher costs, given the scale of commodity price increases and the competitive markets in which the Group operates.

Silver price appreciation (US$)

Source: Trading Economics

Less pronounced copper appreciation (US$)

Source: Trading Economics

In addition to the price increases, production has been reset to meet demand and inventories have been reduced. This was part of the H2 target to accelerate net debt reduction, in part via a closer control of working capital and the introduction of debt factoring at LAICA. The focus on maintaining balance sheet efficiency continues, in part to offset the ongoing challenging economic and geopolitical conditions.

The Consumer goods division generated a revenue uplift of 5% at AER during H126 and followed a restructuring of the division in the previous year. The combination of the introduction of bespoke filtration products, and a rise in the level of contract manufacturing in infant formula and water filtration markets have resulted in a broadening of the product base. This helped ensure that growth continued in the final nine months of the 15-month period. The top-line growth is notwithstanding volatility in the small domestic appliance market.

The Board has instituted a cost optimisation programme, expected to deliver annualised gross savings, before investment, od £2m over the next 18 months. We note that Rachel Pallett has joined Billi as its new CEO. Rachel previously held the position of Group Chief Commercial Officer (CCO) within Strix Group. The Group will not look to replace Rachel, and this will form part of the cost-saving initiative. The Board plans to provide greater detail on where the bulk of the savings will be made within the preliminary results.

We have reduced our financial projections for the periods to March 2026 and 2027, reflecting the above. We have provided greater detail on the changes within the financials section.

Board changes

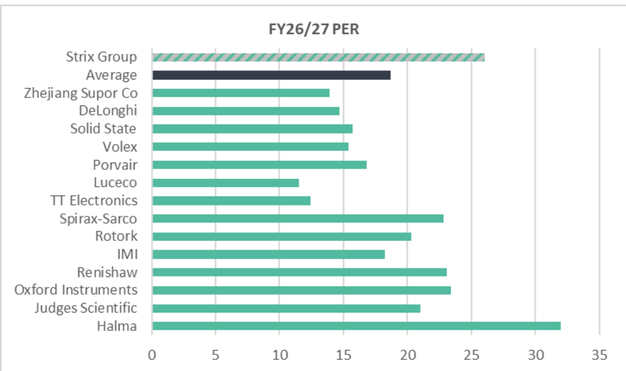
The Chairman, Gary Lamb, is leading the process to replace the CEO, Mark Bartlett, who retires at the end of May. Further information will be provided in May. Rachel Pallett stepped down as Group CCO following the disposal of Billi and has now joined Billi as CEO. We wish Rachel every success in her new role.

Valuation

Three of the four peer group valuation methodologies suggests that Strix Group trades at a marked discount to the average rating of its peers. The exception to the rule is PER, which displays a premium. However, the market capitalisation includes net cash of £28m (March 2027 estimates), resulting in a debt-free capitalisation of £78.8m and similarly, debt-free PAT of £5.6m, suggesting a more reasonable adjusted PER multiple of 14.2x. Incidentally, this debt-free adjusted multiple represents a discount to the average sector PER for the corresponding period of 18.7x.

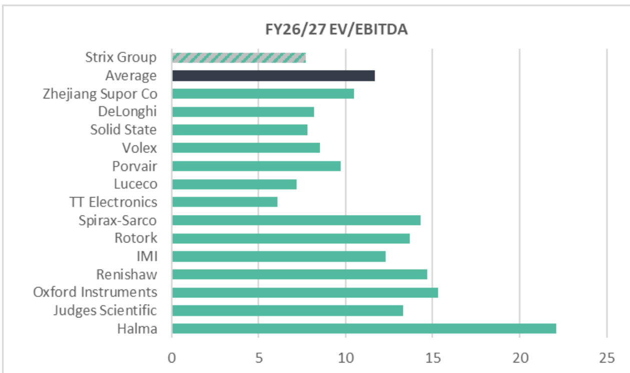
Following the influx of the cash consideration from the disposal of Billi, we estimate that the net asst value has increased to c. £150m (as the balance sheet was transformed following the influx of the net £105m of consideration). On this basis, we estimate that the NAV equates to c. 62p / share. This represents a premium of 32% to the closing share price on 6 March 2026. We think the NAV represents a sensible fair value considering the current market uncertainty.

Peer group comparison: FY26/27 PER (x)



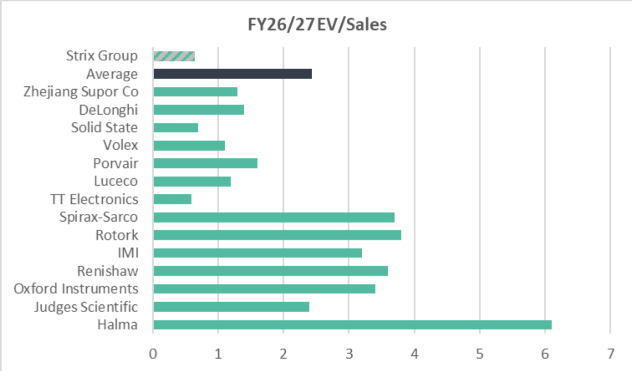
Source: Koyfin

Peer group comparison: FY26/27 EV/EBITDA (x)



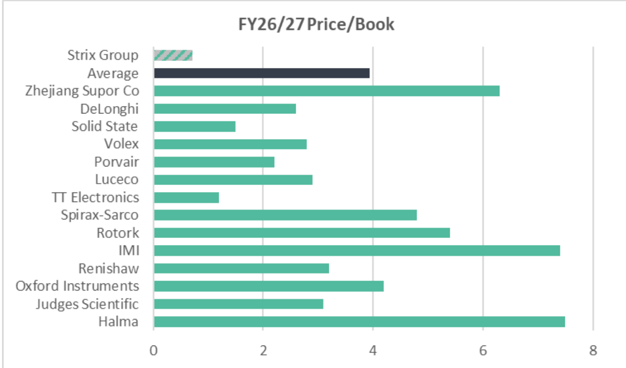
Source: Koyfin

Peer group comparison: FY26/27 EV/Sales (x)



Source: Koyfin

Peer group comparison: FY26/27 P/Book (x)



Source: Koyfin

Financials

We have adjusted estimates to take account of the current economic and geopolitical uncertainty. Our revenue estimates decline by £4m in each of FY26 and FY27, which is more pronounced post-Billi (representing a decline of 4% in FY27). With most of the shortfall in the topline impacting regulated kettle control markets, the blended gross margin declines disproportionately to 24.4% in FY27 (previously 27.5%). The rise in commodity prices, driven by silver and to a lesser extent copper, places greater pressure on the bottom-line, with price increases unlikely to have much effect until FY27. As such, FY27 adj. PBT/EPS decline by 35% to £6m and 2.2p respectively. Our dividend estimates decline accordingly.

Revised estimates

Period to March, £m	Old FY26	New FY26	Change	Old FY27	New FY27	Change
Revenue	152.5	148.5	*-2.6%*	97.5	93.5	*-4.1%*
Adj. PBT	12.1	9.8	*-19.1%*	9.3	6.0	*-35.2%*
Adj. EPS (p)	4.5	3.6	*-19.2%*	3.3	2.2	*-35.2%*
DPS (p)	0.0	0.0		1.0	0.6	
Net (debt)/cash	30.1	29.2	*-2.9%*	30.0	28.0	*-6.6%*
Net debt/EBITDA	-1.0	-1.0	*5.4%*	-1.9	-2.3	*19.2%*

Source: ED estimates

Remember that our estimates for FY26 relate to a 15-month period to March. As such, our revenue estimates for the 12 months to March 2027 factor in growth across both divisions. However, the annualised run-rate of growth is slower than previously anticipated as the recovery within regulated kettle controls is behind previous expectations, reflecting a combination of lower demand in the UK and Germany and copyist activity hampering online sales in the US.

We envisage the following to benefit revenues and margin beyond the scope of our financial estimates to March 2027:

- Should the R&D link up with Billi progress to a contract manufacturing relationship, the benefits should accrue from FY28 onwards as Billi targets the residential multi-tap market
- The adoption of the next generation control by its OEM customers should result in improved margins and widen the use from just kettles to include small appliances in related product segments
- The next generation control should enable Strix to potentially take and secure market share from the copyists, as its adoption will make like-for-like replacement more difficult
- Continued product innovation to underpin growth within the Consumer Goods division, and

- Action on costs, with a further £2m of gross (before investment) annualised savings to be removed in the next 18 months.

While we have adjusted the cash impact of the £10m share buyback programme to be weighted towards FY27, the combination of the cost reduction programme and a close management of working capital are likely to temper the effect on overall cash flow into FY27. As such, we expect net cash to remain in the high £20m’s for the duration of our financial estimates, subject to further revision in the capital allocation policy.

The Board stated at the time of the disposal of Billi that there is the potential for a further return of cash to shareholders. We anticipate further detail to emerge at the time of the preliminary results in June/July and as such we have excluded this from our projections currently.

Our projection of £28m of cash equates to 11.8p / share at the end of FY27.

The balance sheet was transformed by the disposal of Billi, with the net proceeds of £105m after final adjustments, resulting in the move from a position of net debt to c. £35m of net cash, prior to the share buy-back programme commencing. As such, we estimate that the NAV rises to c. 62p / share, which represents a 32.5% premium to the current share price.

Summary Profit & Loss					
Year to Dec/15 months, £m	**2022A**	**2023A**	**2024A**	**03/2026F**	**03/2027F**
Controls	68.2	70.1	69.5	63.1	58.2
Billi	3.2	41.3	43.1	46.5	0.0
Consumer Goods	37.1	32.4	31.5	38.8	35.3
Revenue	108.6	143.8	144.0	148.5	93.5
CoGS	-67.1	-86.5	-90.0	-97.6	-70.7
Gross profit	41.5	57.3	54.0	50.9	22.8
Gross margin (%)	*38.2%*	*39.8%*	*37.5%*	*34.3%*	*24.4%*
Op costs	-16.4	-25.2	-26.9	-33.0	-16.6
Other Op. income	0.8	0.4	0.4	0.4	0.3
Operating profit	25.9	32.5	27.5	18.3	6.5
Op margin (%)	*23.8%*	*22.6%*	*19.1%*	*12.3%*	*7.0%*
Net Interest	-3.7	-10.2	-9.0	-8.5	-0.5
Associates	0.0	0.1	0.0	0.0	0.0
PBT (Adjusted)	22.2	22.3	18.5	9.8	6.0
Exceptionals	-5.9	-4.2	-13.5	-2.9	0.0
PBT (Reported)	16.2	18.2	5.0	6.9	6.0
Tax	0.8	-1.5	-3.0	-1.3	-0.9
Adj. PAT	23.0	20.8	15.5	8.5	5.1
Minority interests	-0.1	0.0	0.0	0.0	0.0
Adj. Earnings	22.9	20.5	15.5	8.5	5.1
Reported PAT	17.0	16.7	2.0	5.6	5.1
Ordinary Dividends	-13.1	-2.0	0.0	0.0	-1.5
EPS (Adjusted) (p)	10.8	9.2	6.6	3.6	2.2
DPS (p)	6.0	0.9	0.0	0.0	0.6
Ave no of shares (FD) (m)	212.5	222.1	229.8	237.0	237.0

Source: Company historics, Equity Development estimates

Summary Cash Flow					
Year to Dec/15 months, £m	**2022A**	**2023A**	**2024A**	**03/2026F**	**03/2027F**
Operating profit	25.9	32.5	27.5	18.3	6.5
Depn. & Amortn.	6.3	8.7	9.5	9.5	5.9
Working capital movement	-2.6	2.3	4.4	-10.1	5.5
Other	-6.3	-7.4	-8.9	-4.1	-1.0
Operating cash flow	23.2	36.2	32.5	13.6	16.9
Net Interest	-3.2	-7.4	-8.5	-8.5	-0.5
Taxation	-1.2	-1.3	-3.7	-2.1	-1.1
Net capex	-8.6	-8.0	-8.1	-12.0	-9.0
Operating FCF	10.3	19.4	12.2	-9.1	6.3
Net (Acquisitions)/Disposals	-39.3	-6.5	-0.6	105.0	0.0
Dividends	-17.3	-9.1	0.0	0.0	-0.5
Share Issues	10.7	-0.2	8.4	-3.0	-7.0
Minority payment	0.0	0.0	0.0	0.0	0.0
Other financial	-0.6	0.0	0.0	0.0	0.0
Increase Cash/(Debt)	-36.2	3.7	20.0	92.9	-1.2
Opening Net Cash/(Debt)	-51.2	-87.4	-83.7	-63.7	29.2
Closing Net Cash/(Debt)	-87.4	-83.7	-63.7	29.2	28.0

Source: Company historics, Equity Development estimates

Abbreviated Balance Sheet					
Year to Dec/15 months, £m	**2022A**	**2023A**	**2024A**	**03/2026F**	**03/2027F**
Intangible Assets	73.4	71.6	63.0	59.3	57.1
Tangible Assets	43.7	46.2	44.1	50.3	55.6
Investments/other	3.7	1.0	1.5	1.5	1.5
Net Working Capital	19.0	20.9	12.9	23.0	17.6
Capital Employed	139.8	139.7	121.6	134.2	131.8
Other	-2.8	-3.6	-2.5	-2.5	-2.5
Net Cash/(Debt)	-87.4	-83.7	-63.7	29.2	28.0
Provisions Liabilities/Charges	-12.3	-10.8	-9.7	-9.7	-9.7
Net Assets	37.2	41.6	45.6	151.1	147.6

Source: Company historics, Equity Development estimates

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