

## Focus on cash generation

The combination of new product launches, a broadening of the distribution/service network and an increase in the proportion of contract manufacturing activity has resulted in rising growth levels at Billi and a return to top-line progress in Consumer Goods. However, the “cash cow” Controls division struggled because of the indirect impact of US tariffs on its Chinese OEM customers, who fulfilled orders from inventories and reduced production activity. This resulted in the Group’s top-and-bottom-lines declining, with indebtedness rising - albeit comfortably within covenant guidelines. The outlook for Billi and Consumer Goods continues to be encouraging.

Looking forward, the production line of the next gen control is operational, with the launch expected in Q4 and several customers signed up. The launch will be beneficial as it is smaller than the previous generation, uses fewer resources, sells at higher margins, is less likely to be copied in the short term, and expands the scope beyond kettles.

As customer inventories decline, we think that it is likely that orders will return and as suggested in the body of the note, operational gearing works both ways on changes to revenues. Shorter term, however, we consider it better to remain cautious on the outlook for Controls.

While net debt rose during the period, reflecting the declining trading levels, the net debt/EBITDA ratio stood at 2.2x at the end of H1, with adequate headroom available. **The focus moving forward is to accelerate the level of debt reduction over the next 12-18 months**, ahead of a future refinancing. The current syndicate of banks remain supportive, having recently increased the covenant ceilings to 3.0x (net debt/EBITDA).

The year end has changed to March, resulting in the current financial period now stretching to 15 months. We have updated our estimates accordingly. One should bear in mind that calendar Q1 tends to not only be the quietest period (following the busy Christmas/Chinese New Year trading periods), but it is also loss-making. As a result, our adj. PBT expectation declines from our previous estimate. The Board has stated that it expects to update investors on trading in November.

## Change in fair value, still significantly above current share price

We have updated our valuation calculation, based on several peer group comparison models, to generate a fair value per share of 95p (previously 108p). This remains materially above the current share price.

Forecasts				
Yr. to Dec, £m	FY22A	FY23A	FY24A	15 mths to Mar '26
Revenue	108.6	143.8	144.0	168.0
Adj. PBT	22.2	22.3	18.5	16.3
Adj. EPS (p)	10.8	9.2	6.6	6.0
DPS (p)	6.0	0.9	1.3	1.9
Net debt	-87.4	-83.7	-63.7	-69.6
EV/EBITDA	5.9	4.7	4.7	4.9
PER	4.3	5.1	7.1	7.8
Yield %	12.9	1.9	2.7	4.1
Net debt/EBITDA	2.7	2.0	1.7	1.9

Source: Company histories, ED estimates

30 September 2025

### Company data

EPIC	KETL
Price (last close)	46p
52 weeks Hi/Lo	71p/39p
Market cap	£105.7m
ED Fair Value / share	95p
Net cash / (debt) H1 25A	(£76.0m)

### 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 major share of its largest market, kettle controls and leading positions within the faster growing personal, domestic and corporate water filtration markets.

### Next event

Trading update - November 2025

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## Progress made in Billi and Consumer Goods

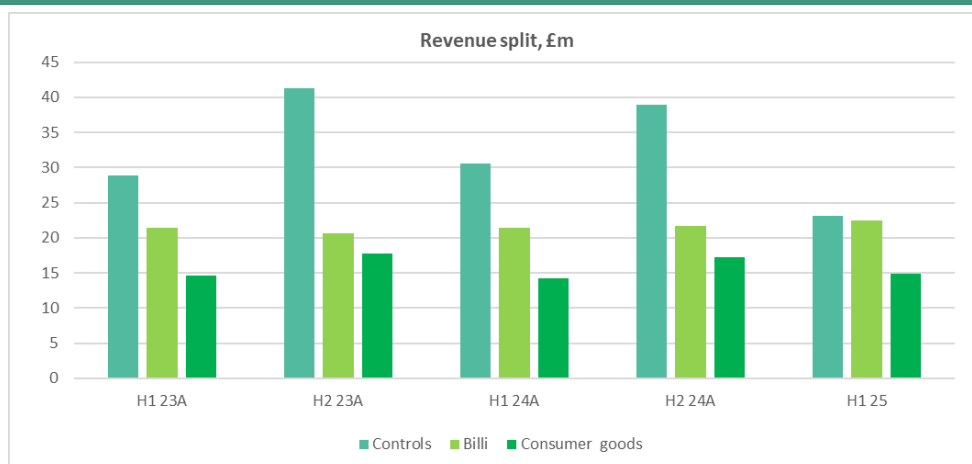
Interim results			
Period to June, £m	H1 24A	H1 25A	Yoy change, %
<b>Controls</b>	30.5	23.1	-24.2%
<b>Billi</b>	21.4	22.4	5.0%
<b>Consumer goods</b>	14.2	14.9	5.0%
<b>Total revenue</b>	66.1	60.5	-8.5%
<b>Cost of sales</b>	-39.7	-38.5	-2.9%
<b>Kettle controls GP</b>	12.6	8.7	-30.4%
<b>Billi GP</b>	10.6	10.9	3.0%
<b>Consumer goods GP</b>	4.6	4.1	-10.0%
<b>Central</b>	-1.3	-1.8	35.3%
<b>Gross profit</b>	26.4	22.0	-16.8%
<b>GP %</b>	39.9%	36.3%	-9.1%
<b>Distribution costs</b>	-5.5	-4.5	-18.4%
<b>Admin. Expenses</b>	-8.3	-8.0	-4.0%
<b>Total OpEx</b>	-13.8	-12.5	-9.7%
<b>Other op. income</b>	0.2	0.2	-18.0%
<b>Adj. EBITDA</b>	16.7	13.7	-18.0%
<b>EBITDA %</b>	25.3%	22.6%	-10.4%
<b>Adj. EBIT</b>	12.8	9.7	-24.4%
<b>EBIT %</b>	19.3%	16.0%	-17.4%
<b>Net interest</b>	-4.9	-3.6	-26.9%
<b>Adj. PBT</b>	7.8	6.1	-22.8%
<b>Exceptionals</b>	-11.7	-2.9	-74.9%
<b>Taxation</b>	-1.2	-2.0	65.8%
<b>Tax %</b>	15.3%	32.9%	114.8%
<b>Adj. PAT</b>	6.6	4.1	-38.8%
<b>Minorities/Discontinued</b>	0.0	-0.1	-359.3%
<b>Adj. Earnings</b>	6.7	4.0	-40.1%
<b>Adj. EPS (p)</b>	2.8	1.7	-39.3%
<b>DPS (p)</b>	0.0	0.0	#DIV/0!
<b>Net cash/(debt)</b>	-68.8	-76.0	10.5%

Source: Company

The year started positively as the momentum built up in Q4 24 within Controls and Billi continued into Q1. However, because of the uncertainty caused by US-imposed tariffs from Q2 onwards, the Group's OEM customers responded by reducing their orders from suppliers to minimise risk, opting instead to shrink their inventories and scale back production output.

Direct exposure to the US amounted to just 10% of revenues of the Kettle Controls division. **Overall, Group revenues declined 8.5% yoy to £60.5m, although with good progress delivered within Billi and the Consumer Goods divisions.**

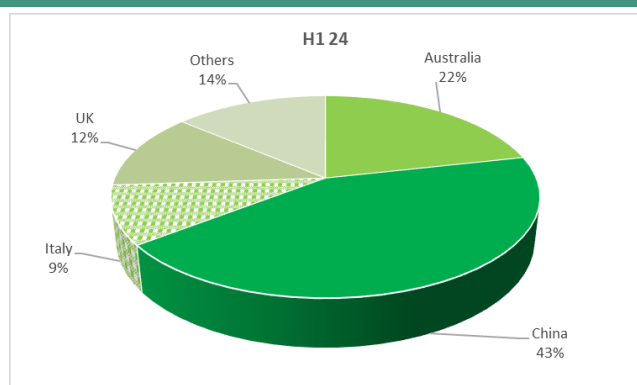
### Revenue by division (£m)



Source: Company

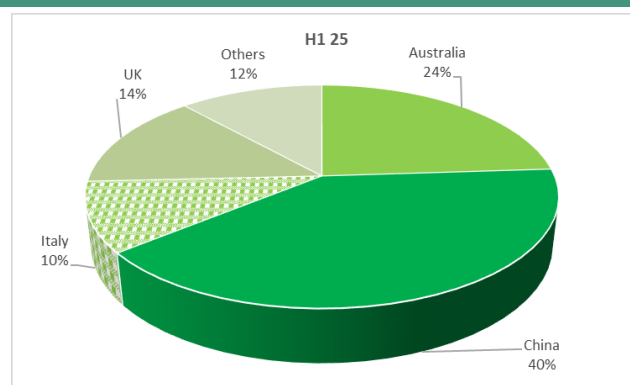
We note the changing shape of revenues, as the reduction in Controls was directly related to a reduction in the proportion of revenues to China (-200 basis points to 40%) and to the US (with the other category declining 200 basis points to 12%). Gains were made in Australia (Billi product launches), Italy (contract manufacturing) and in the UK (new product launches).

### Revenue by nationality of customers, H1 24A (%)



Source: Company

### Revenue by nationality of customer, H1 25A (%)



Source: Company

## Kettle Controls

The disappointing Q2, fully responsible for the 24.2% reduction in divisional sales, resulted in a revenue base modestly ahead of Billi, at £23.1m (Billi delivered revenues of £22.4m during H1 25). The Group's direct exposure to the US amounts to c. £7m, albeit the disruption to orders reflected the indirect impact of tariffs on its Chinese OEM customers. Divisional revenues declined by £7.4m yoy.

The new low-cost control continues to perform strongly in less-regulated markets, gaining market share in the process. A positive launch of the next generation control is expected from Q4 25, with the new production line operational and several of its OEM customers incorporating the new control into new products, thereby widening the scope beyond kettles (e.g. milk frothers, personal flasks and small blenders). The reduced size of the next gen control means the product's margin is less affected by raw material volatility (owing to a lower requirement) and therefore has environmental benefits relative to the previous generation and competing products.

Also, an enhanced industrial design service proved popular at the last Canton Fair (April '25), with several such contracts signed and ensuring the Group's controls are utilised for the duration of a product lifecycle. Such a service reduces the level of switching between a Strix control and a copycat rival product.

The increase in uncertainty has resulted in an increase in copyright infringement and action taken to protect the Group's IP.

The next Canton Fair is held in October. The Fair is likely to prove to be a good measure of the industry's temperature, ahead of the trading update in November. We think it is reasonable to assume that as demand returns and/or when OEM inventory levels need to be replenished, orders will return. The timing of this is, not surprisingly, uncertain.

The rising level of sterling relative to the US dollar further impacted trading during H1. Encouragingly, the rate has flattened during Q3, with current levels below YTD peaks. Approximately half of sales are transacted in US dollars, despite only 10% of revenues being traditionally derived from the nation state.

Gross margins declined 339 basis points to 37.7%, before central costs, reflecting the decline in revenues and the operationally geared nature of the division's operating model.

## Billi

Progress at Billi continued, reflecting two product launches during H2 24 - OmniOne and Multi-Function Tap (MFT) - in Australia. Those products were launched in the UK during H1 25 to an encouraging reception. Elsewhere, new distributors and service agents recruited in FY24 across Europe and SE Asia delivered continued progress into H1 25. Overall, divisional revenues improved 4.7% to £22.4m, albeit at constant exchange rates the increase amounted to 10.4%, thereby continuing the strong yoy progress witnessed during Q4 24. The encouraging strides highlighted the market share gains in its home market following the product launches.

The divisional gross margin continued to be the highest in Group terms at 48.4% (H1 24: 49.7%), reflecting the high level of consumable sales.

## Consumer Goods

Following its restructuring in FY24, prioritising areas with higher profit potential and reducing staff and the number of SKUs, the Consumer Goods division returned to growth during H1 25 after two consecutive years of decline. Revenues improved 7% to £15.2m at constant exchange rates and by 5% at actual rates (to £14.9m). The key driver of the uplift was the contract manufacture of an infant formula appliance product for a leading OEM. Further contract manufacturing wins in water filtration in white label channels and the introduction of bespoke filtration products further drove demand.

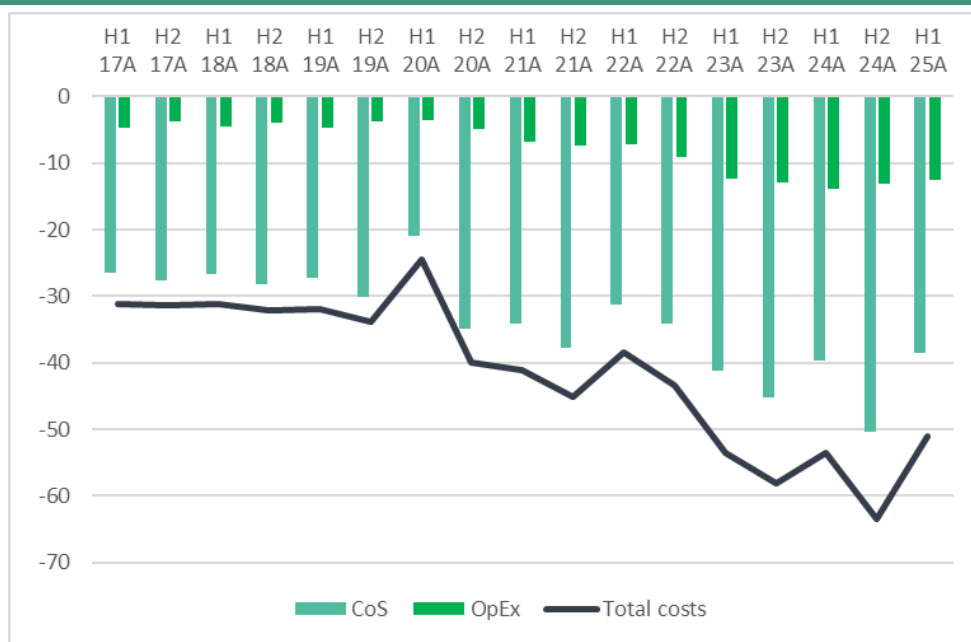
The increase in white label/contract manufacturing led to a reduction in gross margins, which were partially offset by the higher volume throughput at LAICA. Gross margins of 27.6% in H1 declined by 458 basis points yoy, whilst profitability declined 10% to reflect the higher proportion of lower margin activity.

## Costs

With trading proving difficult within Controls, resulting in rising indebtedness, it is hardly surprising that the focus returned to keeping costs under control. Overall, costs (CoS and OpEx) declined by 4.7% to £51.0m. Cost of sales (CoS) declined 2.9% to £38.5m, with operating expenses declining by a more substantial 9.7% yoy to £12.5m.

We note the renewed focus within the results on cash generation, to further reduce debt levels, incorporating an ongoing focus on costs.

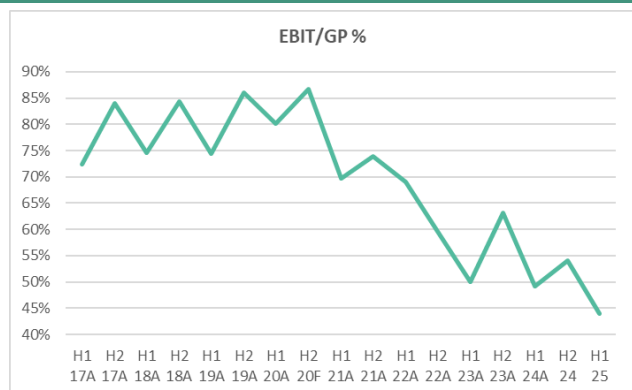
### Half-yearly movement in costs (£m)



Source: Company

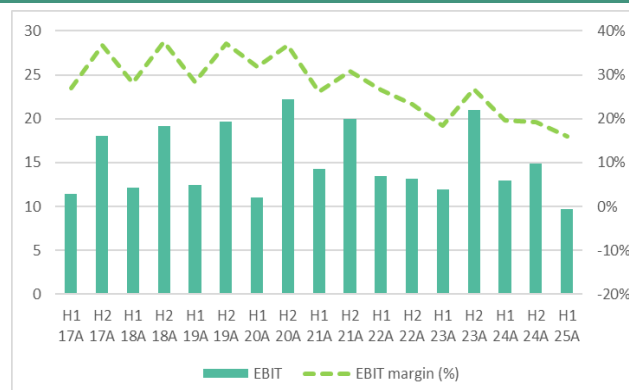
We think it is significant that in a highly operationally geared business the proportion of gross profit feeding through to EBIT and EBIT margins hit historic lows during H1 25. EBIT declined 24.4% to £9.7m, resulting in margins of 16.0% (H1 24: 19.1%). **One should bear in mind that once the controls market turns, operational gearing can rapidly move in the opposite direction.**

### Operational gearing at a historic low (%)



Source: Company

### EBIT & margins at historic low (£m, %)



Source: Company

### Adjusting items

The level of adjusting items declined to -£2.9m (H1 24: -£11.7m), reflecting the relocation of Billi's offices and production to a larger premises in Melbourne, Australia (-£0.3m). The remaining £1.6m cost amounted to advisor fees related to the forthcoming refinancing process (by October 2026) and the clarification of the medium-term growth strategy.

### Adj. earnings

Interest payable fell to £3.6m (H1 24: £4.9m), notwithstanding the increase in indebtedness, as the loan associated with the Billi acquisition was repaid during H2 24.

Income tax increased to £2.0m (H1 24: £1.2m), as tax losses in higher taxation territories are utilised.

As a result of the decline in profitability, the higher tax charge and the increase in shares (conditional share awards), adj. EPS declined to 1.7p (H1 24: 2.9p).

The Group did not pay a dividend at the half-year stage.

### Net debt

Net debt increased 10.8% to £76.0m (FY24: £68.6m), resulting in a net debt/EBITDA ratio of 2.21x (FY24: 1.76x), which is comfortably within the June '25 covenant of 2.75x. The reasons for the increase in borrowings include:

- A deferral of orders within Controls, reducing H1 profitability,
- Capex remained at robust levels of £2.7m (H1 24: £3.6m), highlighting the continued investment into the growth areas of the business, including the next generation kettle control production line in China and Billi's new headquarters in Australia, and
- The £6.8m (H1 24: -£2.8m) increase in working capital, as inventories rose £5.7m in the six months to June. As such, operational cash flow comprised 51.8% of EBITDA (H1 24: 115.4%) compared to a target of 75% to 85%.

The current revolving credit facility was amended at the end of September, consisting of:

- Support for the Group's short-term trading activity, with the net debt leverage ratio increased to 3x (from 2.75x) and the debt service coverage ratio (DSCR) changed to an interest cover ratio of 3.5x, following the repayment of the Billi term loan, and
- Enabling the accelerated debt reduction commitment, with loan repayments of £5m in May 2026 and a further £2.5m in August 2026.

The current RCF is due to be renegotiated by October 2026.

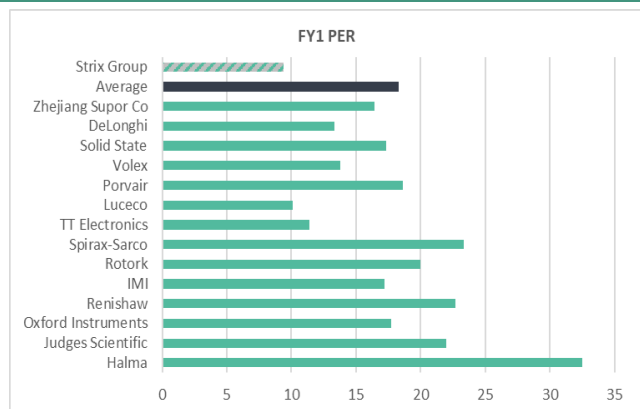
### Valuation

In calculating the fair value of the shares, we have utilised peer group comparison models such as PER, EV/EBITDA and EV/Sales for the 15-month period to March 2026. The first quarter of the calendar year generally equates to the weakest seasonally and as such, we reduced our estimates by 1.2 to approximate a 'normal' 12-month period. We then reduced the suggested outcome by 10% to accommodate a size related discount into the calculation.

**The resulting fair value of 95p (previously 108p) reflects a combination of the reduced March 2026 estimates and the movement in sector ratings.**

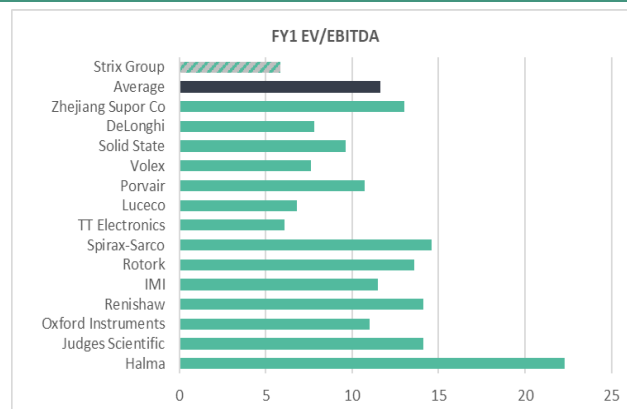
We have left our dividend expectation unchanged at 1.9p/share, producing a yield of 4.1%. This compares to a sector yield of 2.2%.

### Peer group comparison: FY1 PER (x)



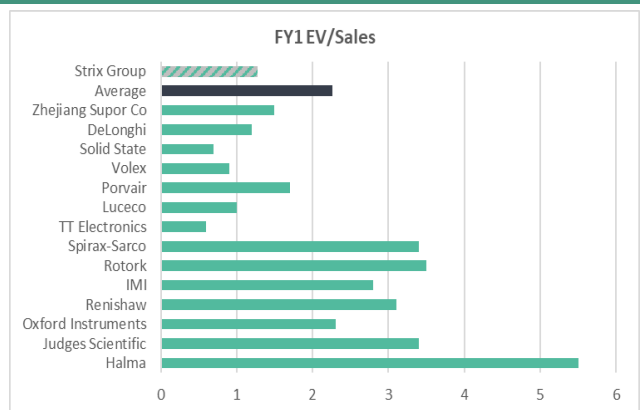
Source: Company

### Peer group comparison: FY1 EV/EBITDA (x)



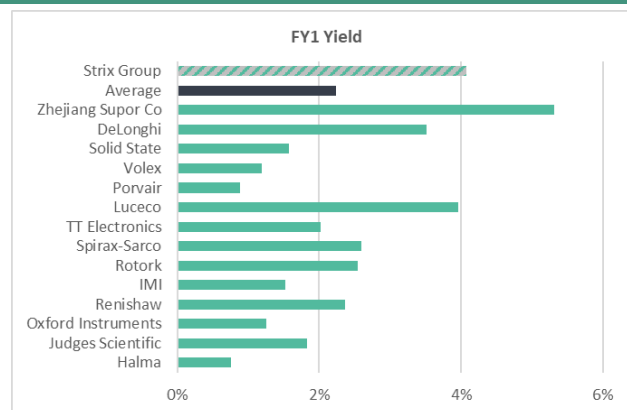
Source: Company

### Peer group comparison: FY1 EV/Sales (x)



Source: Company

### Peer group comparison: FY1 Yield (%)



Source: Company

### Fair value

	15 mths. to Mar '26 fair value
<b>PER (x)</b>	82
<b>EV/EBITDA (x)</b>	109
<b>EV/Sales (x)</b>	93
<b>Average</b>	94.7

Source: Koyfin, ED

## Financials

The change in year-end (to March) is to better reflect trading patterns (relating to Christmas and Chinese New Year), and allowing the Board to incorporate industry insights gained from the Canton Fairs in April and October into its budgeting process.

As such, there will be an additional trading update provided in November (2025) and in the Spring following the end of the financial year. The audited accounts will be published in July, with preliminary results at the end of June.

Although trading remains broadly in line with management expectations to the end of the 15-months to March 2026, the uncertainty regarding the timing of when the deferred orders within Controls will be delivered to its OEM customers is key. **One should also be aware that traditionally, Q1 tends to be loss-making, as order call offs are generally lower following the peak Christmas/Chinese New Year selling periods.**

Following the change in year-end we have updated our estimates to a 15-month period. We highlight those changes in the table below:

Change in estimates			
<u>15-months to Mar, £m</u>	<u>Old 12 mths to Dec '25</u>	<u>New 15 mths to Mar '26F</u>	<u>Chg. %</u>
Revenue	148.0	168.0	13.5%
Adj. PBT	17.2	16.3	-5.3%
Adj. EPS (p)	6.3	6.0	-5.0%
DPS (p)	1.9	1.9	0.0%
Net debt	-67.7	-69.6	2.8%
Net debt/EBITDA	2.0	1.9	-2.5%

Source: ED estimates



Summary Profit & Loss				
Year to Dec/15 months, £m	2022A	2023A	2024A	03/2026F
<b>Controls</b>	68.2	70.1	69.5	73.6
<b>Billi</b>	3.2	41.3	43.1	55.5
<b>Consumer Goods</b>	37.1	32.4	31.5	38.8
<b>Revenue</b>	108.6	143.8	144.0	168.0
<b>CoGS</b>	-67.1	-86.5	-90.0	-107.9
<b>Gross profit</b>	41.5	57.3	54.0	60.1
<b>Gross margin (%)</b>	38.2%	39.8%	37.5%	35.7%
<b>Op costs</b>	-16.4	-25.2	-26.9	-34.8
<b>Other Op. income</b>	0.8	0.4	0.4	0.5
<b>Operating profit</b>	25.9	32.5	27.5	25.8
<b>Op margin (%)</b>	23.8%	22.6%	19.1%	15.4%
<b>Net Interest</b>	-3.7	-10.2	-9.0	-9.5
<b>Associates</b>	0.0	0.1	0.0	0.0
<b>PBT (Adjusted)</b>	22.2	22.3	18.5	16.3
<b>Exceptionals</b>	-5.9	-4.2	-13.5	-2.9
<b>PBT (Reported)</b>	16.2	18.2	5.0	13.4
<b>Tax</b>	0.8	-1.5	-3.0	-2.1
<b>Adj. PAT</b>	23.0	20.8	15.5	14.2
<b>Minority interests</b>	-0.1	0.0	0.0	0.0
<b>Adj. Earnings</b>	22.9	20.5	15.5	14.2
<b>Reported PAT</b>	17.0	16.7	2.0	11.2
<b>Ordinary Dividends</b>	-13.1	-2.0	-2.9	-3.4
<b>EPS (Adjusted) (p)</b>	10.8	9.2	6.6	6.0
<b>DPS (p)</b>	6.0	0.9	1.3	1.9
<b>Ave no of shares (FD) (m)</b>	212.5	222.1	229.8	237.0

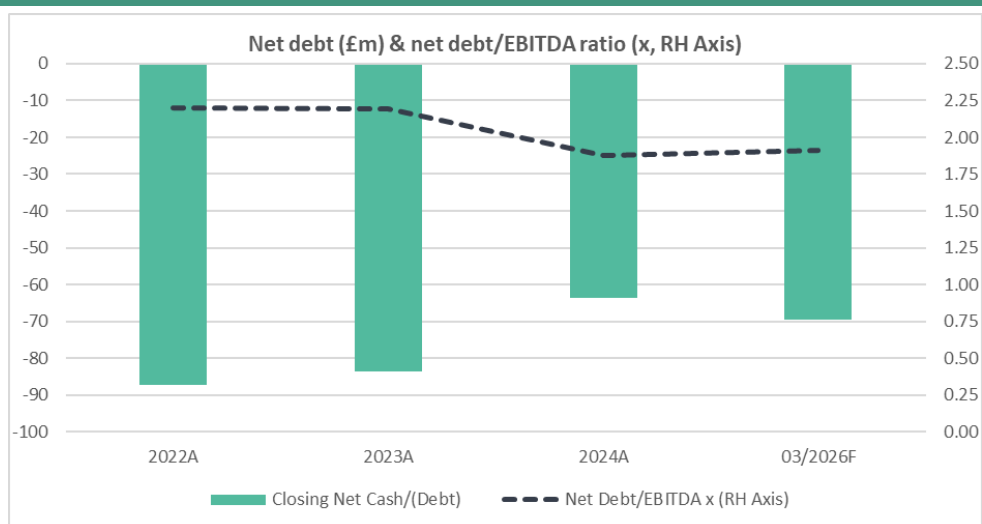
Source: Company histories, Equity Development estimates

### Summary Cash Flow

Year to Dec/15 months, £m	2022A	2023A	2024A	03/2026F
Operating profit	25.9	32.5	27.5	25.8
Depn. & Amortn.	6.3	8.7	9.5	10.6
Working capital movement	-2.6	2.3	4.4	-10.1
Other	-6.3	-7.4	-8.9	-4.1
Operating cash flow	23.2	36.2	32.5	22.2
Net Interest	-3.2	-7.4	-8.5	-9.5
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	-1.8
Net (Acquisitions)/Disposals	-39.3	-6.5	-0.6	0.0
Dividends	-17.3	-9.1	0.0	-4.1
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	-5.9
Opening Net Cash/(Debt)	-51.2	-87.4	-83.7	-63.7
Closing Net Cash/(Debt)	-87.4	-83.7	-63.7	-69.6

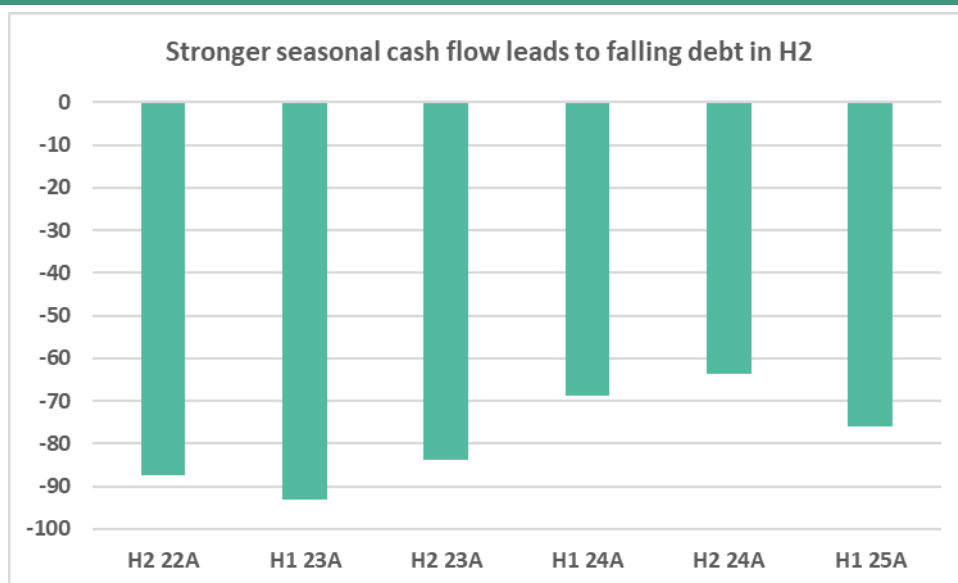
Source: Company histories, Equity Development estimates

### Movement in net debt (£m) and the main debt covenant (x)



Source: Company histories, ED estimates

### Cash flow is traditionally stronger in H2



Source: Company

### Abbreviated Balance Sheet

Year to Dec/15 months, £m	2022A	2023A	2024A	03/2026F
Intangible Assets	73.4	71.6	63.0	59.0
Tangible Assets	43.7	46.2	44.1	49.5
Investments/other	3.7	1.0	1.5	1.5
Net Working Capital	19.0	20.9	12.9	20.4
Capital Employed	139.8	139.7	121.6	130.5
Other	-2.8	-3.6	-2.5	-2.5
Net Cash/(Debt)	-87.4	-83.7	-63.7	-69.6
Provisions Liabilities/Charges	-12.3	-10.8	-9.7	-9.7
Net Assets	37.2	41.6	45.6	48.6

Source: Company historics, Equity Development estimates

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