Strix Group Plc

Deal completed, debt eradicated

2 February 2026

Strix Group ("Strix") has completed the disposal of Billi receiving net proceeds of £105m after costs and estimated completion account adjustments. The bulk of the proceeds will be utilised in repaying the Group's indebtedness (£68m as of November 2025) and initiating a £10m share buyback programme. An update on further returns to shareholders will be made in due course. We have updated estimates to exclude Billi and to recognise continuing challenging trading conditions, notwithstanding the modest recent improvement in Controls.

The debt monkey off the Group's back

- The Group's shares have previously struggled under the weight of the indebtedness (net debt/EBITDA of 2.5x as of November 2025). The disposal of Billi and the receipt of the consideration transform the balance sheet, with net cash of c.£35m currently. The return of £10m via a share buyback programme is to commence shortly, with a further distribution of capital expected to be announced alongside the full year results.
- Billi was acquired by Birmingham Bidco Pty Ltd, owned by its manager Crescent Capital Partners, a private equity business based in Sydney.
- The disposal will reduce gross profit and EBITDA. With Strix retaining a market leading position within the global controls market and with significant IP, this may make it an attractive target for an approach from a competitor or alternatively from private equity.
- Two issues have impeded trading YTD – the deferral of orders by its OEM customers following the implementation of tariffs in Q2 and increased copyist activity, who have targeted US online sales. Call offs improved modestly during Q4, with further improvements ahead of the Chinese New Year. The launch of two controls during CY25, coupled with greater investment into related markets, and a more aggressive defence against copyists should underpin growth.

A reduced fair value

The reduction in estimates following the sale of Billi, coupled with challenging markets is reflected in a lower fair value / share of 52p (based on our DCF model). We retain our belief that a FY27 EV/EBITDA estimate of 5.2x remains undemanding.

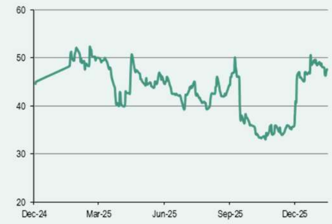
Estimates					
Yr. to Dec/Mar from FY26, £m	**FY22**	**FY23**	**FY24**	**FY26**	**FY27**
Revenue	108.6	143.8	144.0	152.5	97.5
Adj. PBT	22.2	22.3	18.5	12.1	9.3
Adj. EPS (p)	10.8	9.2	6.6	4.5	3.3
DPS (p)	6.0	0.9	0.0	0.0	1.0
Net (debt)/cash	-87.4	-83.7	-63.7	30.1	30.0
EV/EBITDA	6.0	4.7	4.7	2.7	5.2
PER	4.4	5.2	7.2	10.7	14.2
Yield	12.6%	1.9%	0.0%	0.0%	2.1%
Net debt/EBITDA	2.7	2.0	1.7	-1.0	-1.9

Source: Company historics/ED estimates

Company data

EPIC	KETL.L
Price (last close)	47p
52 weeks Hi/Lo	53p/33p
Market cap	£108.1m
ED Fair Value / share	52p
Net cash / (debt) 03/2026A	£30m

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

Next event

Year-end update late February 2026

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Positive signs in recent trading

We have adjusted estimates to take account of the disposal of Billi and the continuation of challenging markets. The loss of Billi for the final two months of the 15-month trading period (to March 2026) accounts for most of the revision, modestly offset by a reduced interest charge. The latter can be seen more clearly when considering the transformation of the level of net debt and the banking covenant ratio. We have introduced estimates for the FY27 financial year.

We provide greater detail within the trading update section, including early signs of an improvement in activity levels within Controls.

Revised estimates

Period to March, £m	Old FY26	New FY26	Change	New FY27
Revenue	163.0	152.5	*-6.5%*	97.5
Adj. PBT	14.7	12.1	*-17.5%*	9.3
Adj. EPS (p)	5.4	4.5	*-17.7%*	3.3
DPS (p)	0.0	0.0		1.0
Net debt	-64.0	30.1	*-147.1%*	30.0
Net debt/EBITDA	1.9	-1.0	*-153.8%*	-1.9

Source: ED estimates

Expected utilisation of proceeds

The likely use of the £105m disposal proceeds, net of costs associated with the disposal/warranties/working capital, include:

- Reduce ongoing costs
- Repayment of indebtedness, which at the time of the bid amounted to £68m
- A balance sheet capable of supporting the growth of the two remaining businesses, Controls and Consumer Goods, including the retention of cash. A £25m revolving credit facility has been retained with the same maturity date of October 2026, which the Group may look to extend before refinancing once the new medium-term strategy is live
- We expect a share buyback programme, amounting to £10m, to be completed during H127, and
- The potential return of further capital to shareholders, with an update on methodology provided at the FY26 results presentation in early July.

Strategic drivers

The strategic drivers are set out below, albeit the medium-term objectives may change following the appointment of a new CEO:

- Continued investment in IP, to support the strong gross margins (particularly in Controls) and to defend the market-leading brands
- The expansion of the addressable market for controls beyond kettles, widening the use of controls into products of the Consumer Goods division
- A broadening of applications of the heating and safety control technologies on behalf of its OEM and branded customers
- A focusing of LAICA on filtration and 'wellness at home' applications

- Adapting the kettle controls product, pricing and sales strategy to latest market conditions
- A further streamlining of the business to maximise profitability during the current challenging market conditions, while providing the necessary capital to facilitate growth
- Defending market share via increased actions to deter copyist activity, particularly in relation to the US market
- Strengthening commercial activities to leverage design and manufacturing services, filtration and appliance IP/know-how
- Leveraging value-added services such as, industrial design and application engineering to secure and retain customers and to aid the ability to maintain a sustainable price premium, and
- A return to a stable dividend stream.

Trading

Q4 witnessed a modest improvement in call offs by its largely OEM customer base (within Controls), which has continued to build into Q5 (15-month period) and suggesting early but modest improvement in its markets. However, this follows a challenging trading period earlier in the year, in which its Chinese OEM customers deferred orders as it waited for greater certainty following the US tariff shock and increased copyist activity as they targeted online sales in the US.

Little mention was made of activity levels within the Consumer goods division, leading us to assume there has been no change from the modest growth experienced in the first nine months of the trading period. The 5% uplift reflected a higher proportion of contract manufacturing, whether on a white label basis within filtration products or with its large infant formula appliance customer.

A further update will be made in due course and following the important Chinese New Year trading period.

Valuation

The Group's valuation has previously been weighed down by the high level of indebtedness. Following the disposal of Billi this is no longer the case and as such, the business can be valued on fundamentals. We anticipate that following the £10m share buyback programme the Group will end FY27 with net cash levels of £30m or 12.6p/share, highlighting the cash generative nature of the Controls division now that interest payable has reduced significantly. This figure does not include further returns of capital to shareholders, with an announcement anticipated alongside the preliminary results.

We have constructed a discounted cash flow model using estimates for FY26 and FY27 to determine the fair value of the business. The DCF incorporates the revised estimates for Strix within the calculations. We believe that we have used conservative assumptions, including a discount rate of 8.75% and a terminal growth rate of 2.5%.

On this basis, the fair value/share for the Group amounts to 52p, which represents a premium of 11% to the current share price.

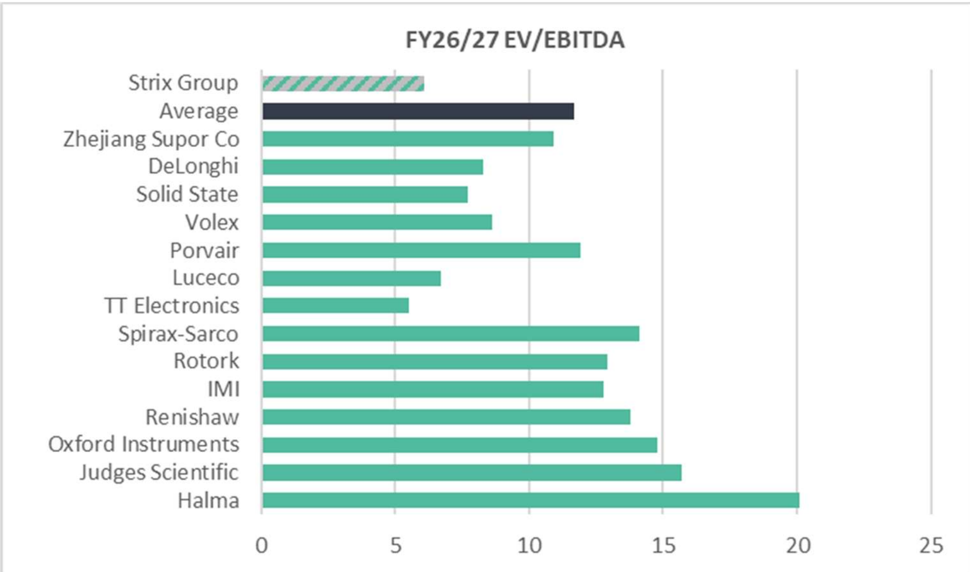
Strix Group DCF calculation

£m, year to March	2025/26 F	2026/27 F	2027/28 F	2028/29 F	2029/30 F	2030/31 F	2031/32 F	2032/33 F	2033/34 F	2034/35 F
Free cash flow	3.4	6.0	6.2	6.3	6.5	6.6	6.8	7.0	7.1	7.3
WACC (%)	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75
Timing factor	0.83	1.83	2.83	3.83	4.83	5.83	6.83	7.83	8.83	9.83
Discount rate	0.93	0.86	0.79	0.73	0.67	0.61	0.56	0.52	0.48	0.44
Present value	3.1	5.1	4.9	4.6	4.3	4.1	3.8	3.6	3.4	3.2
Sum of discounted cash flows	40.1									
Terminal growth rate (%)	2.50									
Terminal value	51.3									
Net debt	30.1									
Equity value	121.5									
No. of shares (m)	232.0									
Value per share (p)	52.4									

Source: Equity Development

We highlight in the following chart the scale of rating discount that Strix sits at relative to its closest peers. We prefer the EV/EBITDA metric as it is capital structure neutral.

Peer group comparison: FY2026/27 EV/EBITDA (x)



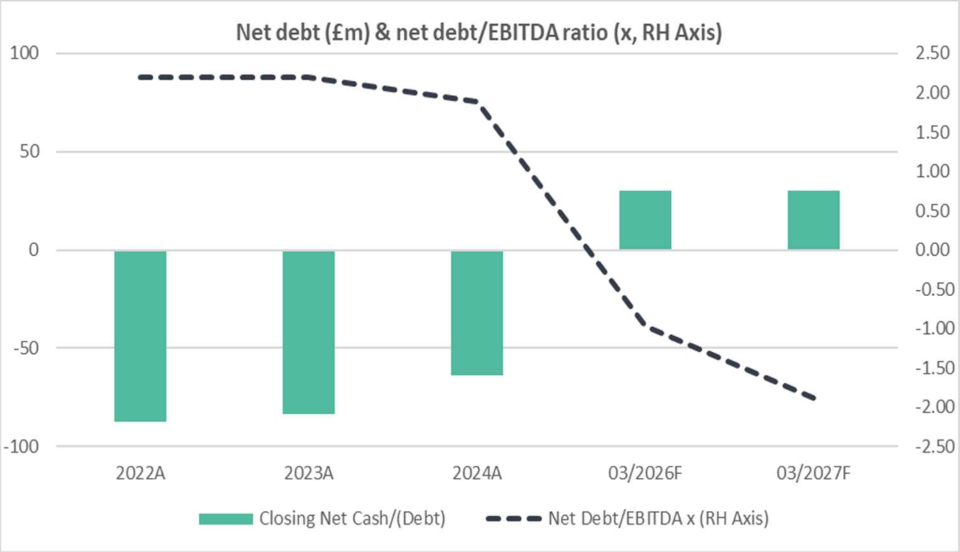
Source: Koyfin

Financials

We present the revised income and cash flow statements below. However, we do not include the balance sheet post-disposal of Billi, except the £30m estimate of period end cash in both FY26 and FY27. We expect the level of net assets to rise post-Billi as the transition from debt to cash more than offsets the loss of Billi's asset base.

Although no mention was made of the cash savings anticipated ahead of the March period end, we believe this suggests that they remain on track. The cash influx amounts to £8m as the Controls-related inventory is reduced and a further £2m from the introduction of debt factoring at LAICA.

Movement in net debt and the key banking covenant (£m, x)



Source: Company historics/ED estimates

Summary Profit & Loss					
Year to Dec/15 months, £m	**2022A**	**2023A**	**2024A**	**03/2026F**	**03/2027F**
Controls	68.2	70.1	69.5	67.1	62.2
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	152.5	97.5
CoGS	-67.1	-86.5	-90.0	-98.6	-70.7
Gross profit	41.5	57.3	54.0	53.9	26.8
Gross margin (%)	*38.2%*	*39.8%*	*37.5%*	*35.3%*	*27.5%*
Op costs	-16.4	-25.2	-26.9	-33.7	-17.3
Other Op. income	0.8	0.4	0.4	0.4	0.3
Operating profit	25.9	32.5	27.5	20.6	9.8
Op margin (%)	*23.8%*	*22.6%*	*19.1%*	*13.5%*	*10.1%*
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	12.1	9.3
Exceptionals	-5.9	-4.2	-13.5	-2.9	0.0
PBT (Reported)	16.2	18.2	5.0	9.2	9.3
Tax	0.8	-1.5	-3.0	-1.6	-1.4
Adj. PAT	23.0	20.8	15.5	10.6	7.9
Minority interests	-0.1	0.0	0.0	0.0	0.0
Adj. Earnings	22.9	20.5	15.5	10.6	7.9
Reported PAT	17.0	16.7	2.0	7.6	7.9
Ordinary Dividends	-13.1	-2.0	0.0	0.0	-2.4
EPS (Adjusted) (p)	10.8	9.2	6.6	4.5	3.3
DPS (p)	6.0	0.9	0.0	0.0	1.0
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	20.6	9.8
Depn. & Amortn.	6.3	8.7	9.5	9.6	6.1
Working capital movement	-2.6	2.3	4.4	-9.5	1.8
Other	-6.3	-7.4	-8.9	-4.1	-1.0
Operating cash flow	23.2	36.2	32.5	16.6	16.7
Net Interest	-3.2	-7.4	-8.5	-8.5	-0.5
Taxation	-1.2	-1.3	-3.7	-2.3	-1.5
Net capex	-8.6	-8.0	-8.1	-12.0	-9.0
Operating FCF	10.3	19.4	12.2	-6.2	5.7
Net (Acquisitions)/Disposals	-39.3	-6.5	-0.6	105.0	0.0
Dividends	-17.3	-9.1	0.0	0.0	-0.8
Share Issues	10.7	-0.2	8.4	-5.0	-5.0
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	93.8	-0.1
Opening Net Cash/(Debt)	-51.2	-87.4	-83.7	-63.7	30.1
Closing Net Cash/(Debt)	-87.4	-83.7	-63.7	30.1	30.0

Source: Company historics, Equity Development estimates

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