Cavendish

13 for 25

Investment ideas for 2025

January 2025

Investment ideas for 2025

- 4imprint* | 64% upside
- Alumasc* | 32% upside
- Antipa Minerals* | 105% upside
- Brickability | 56% upside
- Concurrent* | 43% upside
- Ebiquity | 280% upside
- Eleco* | 36% upside
- Galliford Try * | 38% upside
- HUTCHMED* | 118% upside
- iomart* | 233% upside
- IXICO* | 104% upside
- MP Evans * | 39% upside
- Marlowe* | 27% upside

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13 for 2025

13 investment ideas for 2025

In many ways 2024 was a year of normalisation. As recession risk receded particularly in the US, the US Treasury yield curve dis-inverted in September for the first time since July 2022 to a normal upward sloping yield curve. Interest rates are now more reminiscent of the 2000's than the recent past. The experiments around negative interest rates or even ZIRP seem a long time ago. This normality is healthy and would suggest a positive growth environment. This positive economic backdrop was reflected in global banks share performance with the KBW Global Bank Index up c 30% and another very strong performance from the S&P also up almost 30%. President Trump's election win has further increased future growth expectations. UK equites after a positive start to the year underperformed global equities with FTSE 100 and FTSE 250 up only 6% and 5% respectively. UK equity performance turned on the announcement of the General Election and has subsequently been dominated by the uncertainty ahead of the Budget in October. Then the implications of one of the largest tax raising budgets in modern history have started to hit sentiment and the growth outlook has weakened with two negative months of GDP growth. The outlook for UK equities in 2025 will be determined by how the Bank of England responds to the deteriorating UK economy. With this in mind, we have chosen 13 investment ideas for 2025 that we believe offer potentially strong upside, through organic growth, restructuring or M&A. But first, we look back at 2024 and some of the lessons learnt…

2024 in charts, lessons learnt and a review of our '10 for 2024'

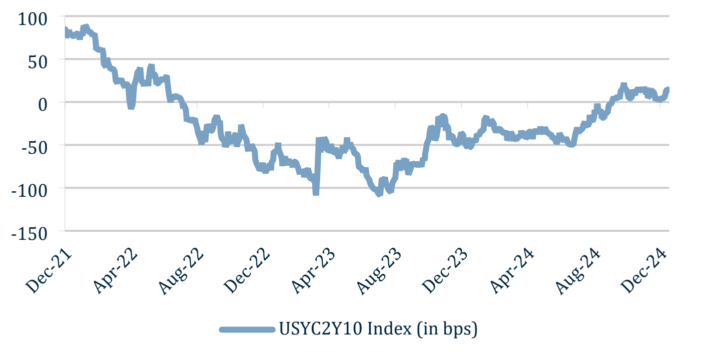
— The US Treasury curve dis-inverted during September for the first time since July 2022 as the recession risk particularly in the US receded. The steepening of the yield curve continued after President Trump election as the market anticipated a higher growth economy.

— The UK General election caused significant uncertainty and the rally in UK equities petered out. Optimism after labour's historic win was short lived and the subsequent lack of confidence ahead of the Budget weighed on sentiment, particularly AIM. The ramifications of the Budget further damaged corporate confidence.

— The fiscal uncertainty, and then subsequent concerns how the UK corporate sector will respond to the NIC and national minimum wage increases tipped the UK into negative growth for September and November.

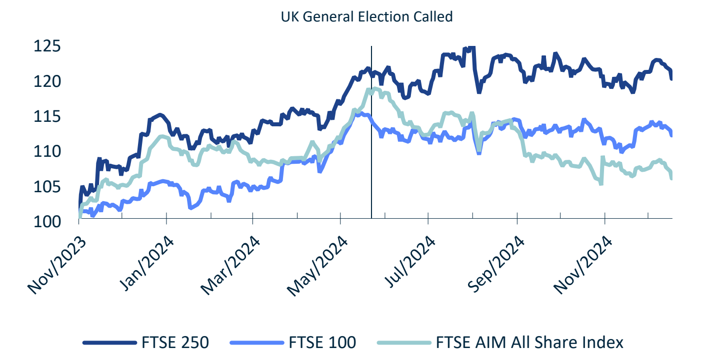
— Despite the slowing UK economy, the market still does not believe that the Bank of England will cut rates aggressively with interest rate expectations in the UK higher than the US. The realisation that the Bank of England may have to cut rates aggressively could be the positive surprise for UK equities in 2025.

Figure 1: US 2s10s Spread since Dec 2021



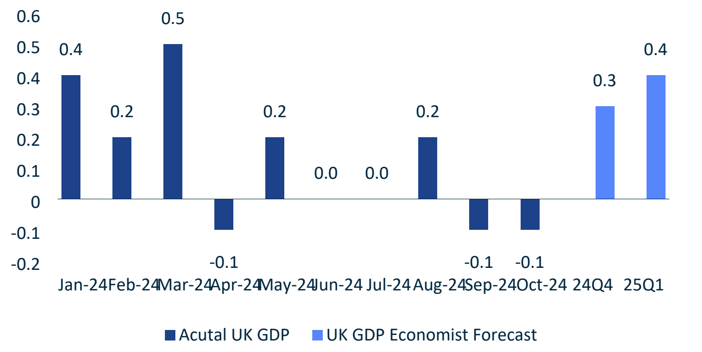
Source: Bloomberg, Cavendish

Figure 2: UK Equity Indices Performance around UK Election



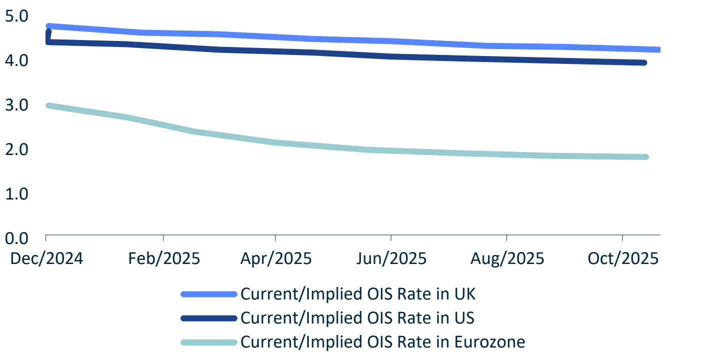
Source: Bloomberg, Cavendish

Figure 3: UK MoM GDP for 2024 and Forecast QoQ GDP



Source: Bloomberg, ONS, Cavendish

Figure 4: Actual/Implicit Interest Rate of EU, UK and US



Source: Bloomberg, Cavendish

2024: How did our ideas perform?

Before looking towards 2025, it is only fair to discuss the performance of our 2024 ideas. In summary, five of our selections ended the year in positive territory, with a strong performance from IQGeo after it was acquired by KKR in May 2024 at a 19% premium to the last close price and 48% premium to the 12-month VWAP. One of our picks was broadly flat, while four performed poorly. This year the average performance was down 8.6%, weighed down by the two poor performers, Surface Transforms (-95.1%) and Shield Therapeutics (-60.1%), and lagged the Small Cap (+11%) and AIM Indices (-4%). Although 2024 was a year in which our average performance underperformed, our track record of outperformance versus the Small Cap index over the past three years (2023: +16%, 2022: +12%, 2021: +24%) underpins our conviction in our picks for 2025.

Figure 5: Performance of Cavendish '10 for 24'

Company	Ticker	Sector	Analyst	Market Cap (£m)	Price (p) 01/01/2024	Price (p) 31/12/2024	Change YTD (div. reinvested)
IQGeo	IQG-GB	Tech	Michael Hil	333.0	309.0	480.0*	55.3%
Elixirr	ELIX-GB	Business Services	Guy Hewett	346.9	620.0	720.0	19.5%
FRP	FRP-GB	Business Services	Peter Renton	374.6	136.5	146.0	11.4%
Brickability	BRCK-GB	Industrials	Edward Stacey	205.4	63.0	64.0	8.7%
Premier Miton	PMI-GB	Financials	Stephen Barrett	97.2	65.0	61.0	7.7%
Brave Bison	BBSN-GB	Media	Andrew Renton	26.8	2.2	2.1	-3.5%
dotDigital	DOTD-GB	Tech	Andrew Darley	261.1	98.9	85.0	-11.9%
Ultimate Products	ULTP-GB	Consumer	Nigel Parson	99.7	151.0	117.0	-17.6%
Shield Therapeutics	STX-GB	Life Sciences	Stuart Harris	27.6	6.7	2.7	-60.1%
Surface Transforms	SCE-GB	Industrials	David Buxton	6.4	10.5	0.5	-95.1%
Performance - average							*-8.6%*
Performance - median							*2.1%*

Source: Cavendish, FactSet. *Delisted in September 2024.

Why did our ideas perform as they did?

— We picked IQGeo (+55.3%) because we expected IQGeo would at least deliver FY23E forecasts at the trading update in January, potentially benefit from an excellent pipeline of contracts that could drive upside to our FY24E forecasts, and potentially be attractive to a strategic or private equity buyer. At the trading update in January, we upgraded FY23E revenue, EBITDA, and EFCF by +5-21%, then upgraded the same metrics by +1-10% at the FY23 results in March. At the same time, we upgraded FY24E revenue, EBITDA, and EFCF by +5-12% in January, and conservatively reiterated our forecasts at the FY23 results in March. On 14 May, the IQGeo Board announced a recommended cash acquisition by KKR at a valuation of 15x FY23 EV/ARR, 7x FY23 EV/Sales, and 48x FY23 EV/EBITDA. The transaction then closed and IQGeo delisted in September 2024.

— Elixirr (+19.5%) produced a strong return in 2024 as its well established and consistent growth strategy continued to deliver. FY23 results detailed EPS growth of +22% (EPS +7% ahead of our forecasts) as the group continued to win market share in a subdued consulting market. This positive theme continued throughout FY24 supplemented by the acquisition of Hypothesis in October that enabled us to upgrade FY25E EPS by +9% and provided a potential step change in cross-selling potential. Elixirr has either met or exceeded forecasts since IPO in 2020, an enviable track record that we expect to continue, supported by its differentiated model.

— FRP Advisory (+11.4%) delivered a solid return in 2024 on the back of strong trading, with FY24A adj. EBITDA of £37.1m significantly ahead of our forecast (£32.0m). Positive trading continued in 1H25, with revenue up 32% YoY to £77.6m (23% organic, 9% inorganic) and adj. EBITDA up 44% YoY to £22.3m, supported by rising demand for restructuring services in the face of continued challenging economic conditions, as well as the contribution from recent bolt-on acquisitions (four completed in 1H25). The strength of FRP's 1H25 results suggests our FY25E forecasts are very achievable. The outlook remains positive for FRP in our view, with the UK government's Budget piling further pressure on businesses through higher employment costs, ensuring that demand for restructuring services is likely to remain high.

— Brickability (+8.7%) delivered a 3.35p dividend in 2024, equal to 5.6% of the 2024 opening share price and at an 8.7% share price appreciation. The company recently announced a positive set of interim results (26 November 2024) and remains on course for FY25E results in-line with market expectations with 2.2% revenue growth, EPS unchanged YoY, and a 5% increase in the annual dividend. In spite of a good financial performance in a very challenging year for the UK construction market, the shares remain modestly valued on a March 2026E EV/Sales ratio of 0.4x and P/E of 5.8x. Brickability is well positioned to benefit from a gradually improving UK construction outlook which comes from a very low 2024 baseline level, and has specific exposure to stronger segments such as building cladding remediation. We are reselecting Brickability as a Best Idea for 2025.

— Premier Miton's (+7.7%) mid-single digit share performance in 2024 reflected resilience amid a continuingly challenging background for UK domestic asset managers. FY24 results showed a 9% growth YoY in closing AUM to £10.7bn, with much improved net outflows of £318m (FY23: £1,147m outflow). Positively, the total dividend of 6.0p was maintained against a 22% YoY fall in adj. PBT to £12.2m, taking the total return for 2024 to +7.7%. The Tellworth acquisition was fully integrated in the year with cost synergies already delivered, and positively Tellworth funds received net inflows since the acquisition. Looking ahead, the improvement in investor sentiment post UK and US elections, with a focus on Fixed Income, US & Global equities and Absolute Return approaches, underpins management's confidence into 2025.

— Brave Bison (-3.5%) has had another year of strong profitable performance that saw its share price remain flat versus the broader index down c.5%. SocialChain has continued to perform well as management leaned into the higher margin influencer segment of the division as clients want to increasingly target younger, more niche audiences. Following the strong 1H24A trading, in September we upgraded our FY24E Adj EPS by 15%, driven by higher margin contracts and the consolidation of lease costs, a very different story to many other peers. In December, Brave Bison acquired Engage Digital Partners, a specialist sports marketing company focused on fan engagement and monetisation for the world's leading sports brands and federations. We see significant cross-selling opportunities in an enlarged sports and entertainment segment with greater operational scale and broader service offering. Similarly to the SocialChain acquisition, management intends to carry out a restructuring and integration strategy to unlock earnings accretion. With significant net cash remaining on the balance sheet, we could see further acquisitions in the year ahead which could drive further revenue and profit growth above and beyond any organic growth.

— With the £25m September 2023 acquisition of Fresh Relevance providing a fillip to the 9% constant currency growth achieved in the year to June 2024, dotDigital's operational performance continued to consistently outperform by c3% (adj EBITDA) to 5% (adj dil EPS). The successful execution of the strategic pillars for growth, particularly restoration of meaningful international revenue growth, was delivered as we would expect, and was what we anticipated to be the catalyst for share price improvement– but it appears the market remains more concerned with the macroeconomic concerns of the "martech" subsector, also including such as Pulsar, than on stock specifics. Even DOTD's routine and consistent delivery of strong cash flow from the rule of 40 is not changing minds. With M&A still anticipated from the expected £50m+ of net cash at June 2025E, DOTD is getting no credit for the additional growth it can buy with the cash, and the opportunity remains a sound one.

- Ultimate Products' (-17.6%) year started positively with the share price reaching a peak in April driven by a good reception to the interims and details of a new share buyback. However, the Q3 trading update in May revealed that shorter-term tougher trading conditions were likely to persist which prompted us to downgrade forecasts. The FY24 results, published in end October, were in-line with expectations but its share price has drifted downwards again. There is no denying that it has been a tough year; however, it has made good strategic progress and there are encouraging signs of the resumption of more normal forward ordering patterns. Current trading was in-line with expectations, we maintain our FY25E and FY26E revenue and EBITDA forecasts. The 6.1% dividend yield for FY25E, rising to 6.8% for FY26E is attractive. We expect it to continue with the share buyback programme at the rate of up to £1m/quarter.
- Shield Therapeutics' (-60.1%) performance demonstrated, fundamentally, a work in progress as the company advanced the commercial footing of the business but with the cash runway acting to constrain the share price. On US ACCRUFeR sales, the Texas Medicaid PBM issue acted as a headwind in early 2024, but with this resolved in April the company saw strong scrip progression and expansion of the average Net Selling Price (NSP) during the course of the year. The trading commentary in October and November further underpinned the NSP trajectory – reaching $225 in October (3Q24: $167, underlying ex-July $192) – albeit the 3Q trading update also highlighted the need to reduce the operating cost base and for additional capital to navigate the route towards becoming cash flow positive by the end of 2025. Shield agreed an expansion of its working capital financing with Sallyport, while the AOP subscription and retail offer at 3p, announced in early December, has placed a cap on the share price in the near term.
- The wooden spoon in 2024 went to Surface Transforms (-95.1%), which experienced another challenging year. At this point last year, the company had experienced a number of operational challenges and equipment issues through 2023. We had anticipated that remedial action by management would have corrected these during 1H24 and having raised additional cash and a capex loan facility in December 2023 we believed finances were tight but manageable. During the year some further operational issues arose and as the year progressed forecasts were reduced with remedial costs, lower production and an outflow on working capital necessitating a second cash call within the year at 1p per share.

2025 year ahead outlook – 'Bad news is Good news'

The year ahead will be dominated by the ramifications from the October Budget. The full impact of the budget is still to be felt but it should not be surprising that the second largest tax raising budget in recent history with one of the largest single increases in an individual tax would have an impact on corporate behaviour.

There is now a clear risk to UK economic growth following the NIC and minimum wage increases as the UK Private sector adjusts to compensate for the higher tax and wage burden. There are already suggestions that corporates will reduce investment, delay broader pay rises and even cut their workforces, so putting pressure on future demand.

After perhaps an initial inflationary spike as corporates try and pass on the NIC and minimum wage increases, we believe the result of the Budget will reduce demand. This ultimately will slow UK growth. The Bank of England will have to respond to this weaker demand environment with lower interest rates than are currently forecast.

In fact, we would go further and suggest that UK growth and inflation will look more like the Eurozone with a similar interest rate back drop. Eurozone interest rates are expected to fall to c2% by end of 2025, yet UK terminal rates are still c4%. Therefore, the risk is that the UK interest rates will have to fall significantly more than currently forecast.

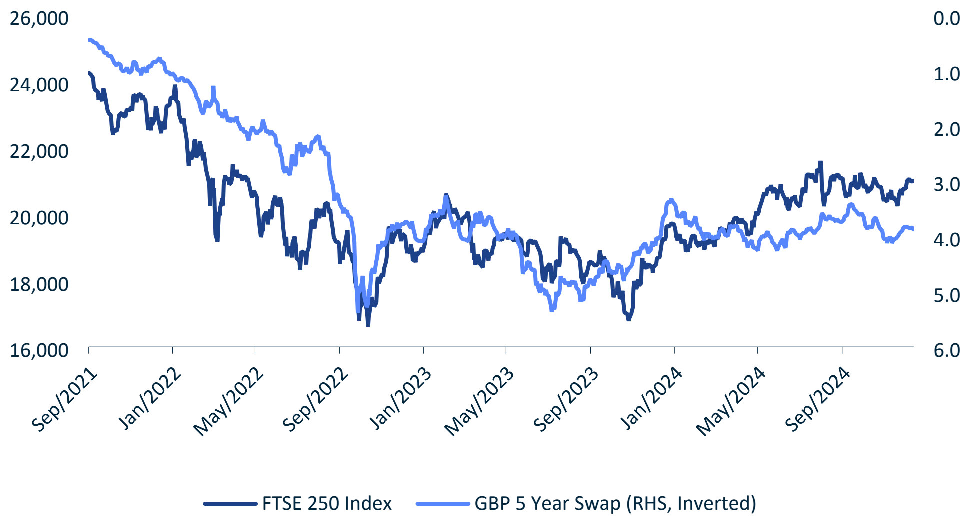
Whilst the risk of falling demand will be a drag on corporate earnings, the fall in interest rates will be the more powerful driver for UK equities.

Intuitively it should be expected that there is a correlation between the performance of the UK economy and interest rates or more specifically interest rate expectations. We demonstrate in the chart below that there is a clear correlation between UK equities, represented by the FTSE 250, and UK interest rate expectations, represented by 5-year OIS SWAP rate (vs SONIA).

If the UK economic outlook weakens as demand falters, then interest rate expectations should start to fall as the market anticipates a Bank of England response. This fall in interest rate expectations should be positive for UK equites. The FTSE 250 should respond positively given the relationship to interest rate expectations. The FTSE 100 should respond positively given that the British pound should weaken as currency market prices in lower rates.

Therefore, paradoxically, as the slower growth of the UK emerges and interest rate expectations fall, this should be positive for UK equites. In our view, 2025, will be one of those unusual but not uncommon years where 'bad news is in fact 'good news' for UK equities.

Figure 6: FTSE 250 vs GBP 5-year swap rate



Source: Bloomberg, Cavendish

Investment ideas for 2025

We have selected 13 investment ideas for 2025. As with previous years, there is no particular theme. We remain optimistic about UK equity markets over the next 12-months and have simply looked for companies we believe offer strong potential upside for investors.

Figure 7: Cavendish '13 for 25'

Company	Ticker	Sector	Analyst	Market Cap (£m)	Price (p) 02/01/2025	Price target (p)	Potential upside (%)
4imprint	FOUR-GB	Media	Guy Hewett	1374.8	4880.0	8026.0	64%
Alumasc	ALU-GB	Industrials	David Buxton	111.5	310.0	330.0	32%
Antipa Minerals	AZY-AU	Mining	Will Dymott	A$148.3	A$0.03	A$0.06	105%
Brickability	BRCK-GB	Industrials	Edward Stacey	205.4	64.0	100.0	56%
Concurrent	CNC-GB	Tech	Ian McInally	118.0	137.5	197.0	43%
Ebiquity	EBQ-GB	Media	Andrew Renton	28.8	20.5	78.0	280%
Eleco	ELCO-GB	Tech	Michael Hill	121.5	147.5	200.0	36%
Galliford Try	GFRD-GB	Industrials	Max Hayes	395.1	383.0	485.0	38%
HUTCHMED	HCM-GB	Life Sciences	Adam McCarter	2152.3	247.0	539.0	118%
iomart	IOM-GB	Tech	Andrew Darley	81.1	72.0	240.0	233%
IXICO	IXI-GB	Life Sciences	Chris Donnellan	10.9	11.8	24.0	104%
MP Evans	MPE-GB	Consumer	Nigel Parson	535.724.4	1050.0	1400.0	39%
Marlowe	MRL-GB	Business services	Peter Renton	267.1	314.0	400.0	27%

Source: Cavendish estimates, FactSet

Cavendish 13 for 2025

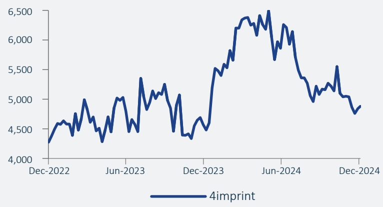
6 January 2025

Corp

Ticker	FOUR:MAIN
Media	
Shares in issue (m)	28.2
Next results	FY Mar
Price	4880.0p
Target price	8026.0p
Upside	64%
Market Cap	£1,374.8m
Net debt/(cash)	-£84.4m
Other EV adjustments	£0.0m
Enterprise value	£1,290.4m

What's changed?	From	To
Adjusted EPS	398.7	n/c
Target price	8,026.0	n/c

Share price performance



%	1M	3M	12M
Actual	-3.7	-0.9	8.9

Company description

Marketing and supply of promotional products in the US.

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* denotes corporate client of Cavendish

4imprint

Proven ability to gain market share in a very large market

A short-term slowdown in market activity and US economic and political uncertainty have driven a de-rating in 4imprint's shares. However, the group's November update detailed revenue growth is expected to be +3% in FY24 and PBT growth +7%. Operating margins continue to increase, evidencing the strength of the model. 4imprint has a very strong track record in winning market share during less buoyant market conditions, providing an enlarged base from which to generate increasing profits when conditions improve. With the uncertainty of the US election now behind us, interest rates falling and a proven track record in dealing with any potential additional tariffs, 4imprint's market could return to more normal growth rates sooner rather than later. Either way, the shares – which are significantly below their long-term trend – represent a strong opportunity for investors.

— What are the underlying industry dynamics? 4imprint has developed a highly efficient direct marketing business model, designed to provide access for millions of potential customers to tens of thousands of customised promotional products. The group largely operates in the North American market, which is worth c.$26bn pa. Hence, despite being one of the largest distributors in North America, it still only has a c.5% market share. The market is large and fragmented, served by 26,000 distributors, of whom fewer than 1,000 have annual revenue greater than $2.5m. Backed by its market-leading service and c.$185m (and growing) annual marketing spend, 4imprint has a strong track record in consistently winning market share with the potential to continue to do so almost undiminished.

— Why is 4imprint going to perform well in 2025? The post US election rally in the US stock market assumes the change in political guard will drive improving GDP growth. If correct, 4imprint will be a major beneficiary, with both the benefit of greater customer activity and market share gains set to come through.

— Why do we think the shares are cheap? 4imprint's FY24E P/E of 15.1x is at the low of its wide 10-year range (see Fig. 9) and we forecast next cash of $138m at December 2024, an all-time high. We believe there is, therefore, significant potential for a re-rating and enhanced returns to shareholders on top of the regular dividend when market conditions improve. This is a powerful combination for shareholder value.

— Where could we be wrong? The US stock market movement could prove temporary, with US GDP failing to improve or declining, delaying an improvement in 4imprint's growth. Further, while 4imprint dealt effectively with tariffs put in place during President Trump's first term, there is uncertainty over the impact of potential additional tariffs during the second term.

Key estimates		2022A	2023A	2024E	2025E	2026E
Year end:		**Dec**	**Dec**	**Dec**	**Dec**	**Dec**
Revenue	$m	1,140.3	1,326.5	1,370.0	1,438.5	1,524.8
Adj EBITDA	$m	108.4	142.6	151.9	158.5	166.7
Adj EBIT	$m	102.9	136.2	144.5	151.0	159.1
Adj PBT	$m	103.7	140.7	150.0	156.0	164.0
Adj EPS	c	284.9	377.0	398.7	413.2	432.8
DPS	p	290.9	173.7	193.9	201.0	210.5
Key valuation metrics						
EV/sales	x	1.4	1.2	1.2	1.1	1.0
EV/EBIT (adj)	x	15.5	11.7	11.1	10.6	10.0
P/E (adj)	x	21.2	16.0	15.1	14.6	14.0
Dividend yield	%	6.0%	3.6%	4.0%	4.1%	4.3%
Free cash yield	%	4.0%	7.4%	5.9%	6.9%	7.3%

Income statement		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Sales	$m	1,326.5	1,370.0	1,438.5	1,524.8
Gross profit	$m	401.9	438.4	460.3	487.9
EBITDA (adjusted)	$m	142.6	151.9	158.5	166.7
EBIT (adjusted)	**$m**	**136.2**	**144.5**	**151.0**	**159.1**
Associates/other	$m	0.0	0.0	0.0	0.0
Net interest	$m	4.5	5.5	5.0	4.9
PBT (adjusted)	**$m**	**140.7**	**150.0**	**156.0**	**164.0**
Total adjustments	$m	0.0	0.0	0.0	0.0
PBT (stated)	$m	140.7	150.0	156.0	164.0
Tax charge	$m	-34.5	-37.5	-39.0	-41.0
Minorities/Disc ops	$m	0.0	0.0	0.0	0.0
Reported earnings	$m	106.2	112.5	117.0	123.0
Adjusted earnings	**$m**	**106.2**	**112.5**	**117.0**	**123.0**
Shares in issue (year end)	m	28.1	28.2	28.3	28.4
EPS (stated)	c	3.8	4.0	4.1	4.3
EPS (adjusted, fully diluted)	**c**	**377.0**	**398.7**	**413.2**	**432.8**
DPS	**p**	**173.7**	**193.9**	**201.0**	**210.5**

Growth analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	16.3%	3.3%	5.0%	6.0%
EBITDA growth	%	31.5%	6.5%	4.4%	5.1%
EBIT growth	%	32.4%	6.1%	4.5%	5.3%
PBT growth	%	35.7%	6.6%	4.0%	5.1%
EPS growth	%	32.3%	5.8%	3.7%	4.7%
DPS growth	%	-40.3%	11.6%	3.7%	4.7%

Profitability analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	30.3%	32.0%	32.0%	32.0%
EBITDA margin	%	10.8%	11.1%	11.0%	10.9%
EBIT margin	%	10.3%	10.5%	10.5%	10.4%
PBT margin	%	10.6%	10.9%	10.8%	10.8%
Net margin	%	8.0%	8.2%	8.1%	8.1%

Valuation analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	11.2	10.5	10.1	9.6
EV/EBIT	x	11.7	11.1	10.6	10.0
P/E	x	16.0	15.1	14.6	14.0

Cash flow		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
EBITDA	$m	142.6	151.9	158.5	166.7
Net change in working capital	$m	29.2	-2.0	-2.0	-2.0
Other operating items	$m	-4.9	1.4	1.4	1.4
Cash flow from op. activities	**$m**	**166.9**	**151.3**	**157.9**	**166.1**
Cash interest	$m	3.9	5.5	5.0	4.9
Cash tax	$m	-33.8	-33.7	-35.1	-36.9
Capex	$m	-9.7	-22.1	-8.5	-8.5
Other items	$m	-1.4	-1.4	-1.4	-1.4
Free cash flow	**$m**	**125.9**	**99.5**	**117.9**	**124.2**
Acquisitions / disposals	$m	0.0	0.0	0.0	0.0
Dividends	$m	-110.8	-64.7	-68.7	-71.6
Shares issued	$m	1.4	-0.6	0.0	0.0
Other	$m	1.2	-0.4	0.0	0.0
Net change in cash flow	**$m**	**17.7**	**33.8**	**49.2**	**52.6**
Opening net cash (debt)	$m	86.8	104.5	138.3	187.5
Closing net cash (debt)	**$m**	**104.5**	**138.3**	**187.5**	**240.1**

Cash flow analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	117.0%	99.6%	99.6%	99.6%
Cash conv'n (FCF / EBITDA)	%	88.3%	65.5%	74.4%	74.5%
U/lying FCF (capex = depn)	$m	129.2	114.2	118.9	125.1
Cash quality (u/l FCF / adj earn)	%	121.7%	101.6%	101.6%	101.7%
Investment rate (capex / depn)	x	2.3	4.2	1.6	1.5
Interest cash cover	x	n/a	n/a	n/a	n/a
Dividend cash cover	x	1.1	1.5	1.7	1.7

Working capital analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	-0.6%	-0.4%	-0.2%	-0.1%
Net working capital / sales	days	-2	-1	-1	-0
Inventory (days)	days	4	4	4	4
Receivables (days)	days	19	18	17	17
Payables (days)	days	25	23	22	21

Balance sheet		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	$m	34.7	48.6	49.6	50.5
Goodwill & other intangibles	$m	1.5	1.5	1.5	1.5
Other non current assets	$m	15.2	13.9	11.8	9.7
Net working capital	$m	-7.5	-5.5	-3.5	-1.5
Other assets	$m	0.0	0.0	0.0	0.0
Other liabilities	$m	-13.9	-12.5	-11.1	-9.7
Gross cash & cash equivs	$m	104.5	138.3	187.5	240.1
Capital employed	**$m**	**134.5**	**184.3**	**235.8**	**290.6**
Gross debt	$m	0.0	0.0	0.0	0.0
Net pension liability	$m	0.0	0.0	0.0	0.0
Shareholders equity	$m	134.5	184.3	235.8	290.6
Minorities	$m	0.0	0.0	0.0	0.0
Capital employed	**$m**	**134.5**	**184.3**	**235.8**	**290.6**

Leverage analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	no debt	no debt	no debt	no debt
Net debt / EBITDA	x	no debt	no debt	no debt	no debt
Liabilities / capital employed	%	0.0%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	79.0%	61.0%	49.6%	42.3%
RoCE (EBIT basis, pre-tax)	%	101.3%	78.4%	64.0%	54.7%
RoCE (u/lying FCF basis)	%	96.1%	62.0%	50.4%	43.0%
NAV per share	c	478.6	654.6	834.6	1,024.9
NTA per share	c	473.2	649.3	829.3	1,019.6

4imprint – investment case

- Large but fragmented market opportunity – $26bn market of which 4imprint only has a c.5% market share but a significant advantage over the majority of competition from its quality of service, supplier relationships and scale of marketing spend.
- Highly efficient business model – based on using innovative marketing techniques to acquire and retain customers, products are 'drop-shipped' direct to customers and a high proportion of orders are paid for by credit card which, combined with low capital expenditure, results in a highly cash-generative model.
- Targeting EPS and dividend increases – 4imprint's operational priority is to balance short-term profitability with marketing investment aimed at growing market share that drives long-term growth. The ultimate objective is to drive consistent profitable revenue growth and strong cash generation that supports rising EPS and dividends.
- Backed by financial strength – we forecast $138m net cash at December 2024 and assume a $50m buffer will be kept to provide the financial strength to continue to invest for the long term during market downturns. Cash above this buffer could ultimately be returned to shareholders.

Valuation

Target price based on free cash flow yield and dividend potential

We continue to value the shares against the market's dividend yield and our average free cash flow forecast over the next 2 years. This assumes future free cash flow can be paid out as dividends – reflecting the predominantly organic strategy, strong finances and cash characteristics. We then add net cash, in excess of a $50m assumed retained balance.

Figure 7: Yield stats

	2024E	2025E	2026E
4imprint dividend yield	4.0%	4.1%	4.3%
4imprint FCF yield	5.8%	6.9%	7.2%
Market dividend yield	3.9%	3.9%	4.2%
Assume (discount)/premium to market	-2%	-2%	-2%
Assume valuation yield	3.9%	4.0%	4.3%

Source: Cavendish estimates

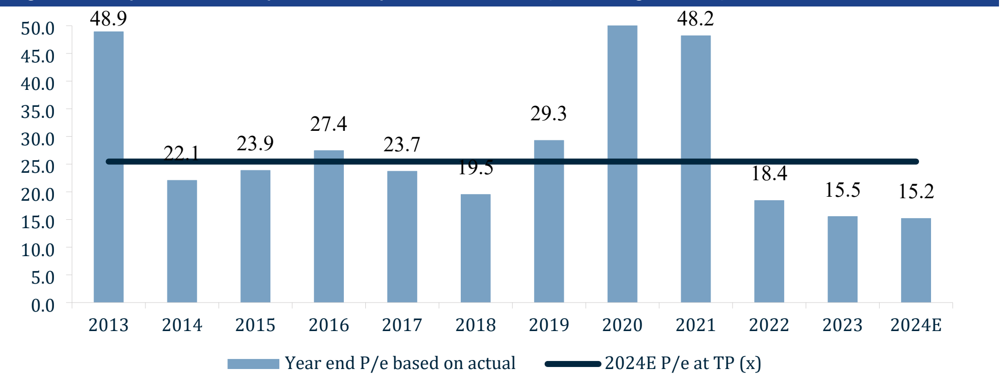
Figure 8: Target price applying valuation yield to FCF and adding potential dividends

	2024E	2025E	2025E
Target price based on valuation yield	6892	8094	7932
Forecast dividends (cumulative)	127	324	530
Potential supplementary	242	374	516
Target price	7260	8792	8977
2-year average		8026	
US$/£		1.30	

Source: Cavendish estimates

Forward P/E is low in the historic range

Figure 9: 10-year P/E history based on year-end actuals (excluding outliers)



Source: Cavendish estimates

4imprint – company overview

FOUR at a glance

Company activities & operations

4imprint is a direct marketer of promotional products with operations in North America, the UK and Ireland. The products are drop-shipped from external suppliers.
Most of the group's revenue is generated in the US and Canada, serviced from an office, production and distribution facilities in Oshkosh and Appleton, Wisonsin.

Company strategy

1. Build a commercially and environmentally sustainable business that delivers value to all stakeholders.
2. Market leadership driving organic revenue growth.
3. Delivering reliable and increasing cash flow while balancing marketing investment opportunities with short term profitability.
4. Maintain a stable and secure balance sheet.

Key products/services

Product	Description
Promotional products	

Management and Board

Name	Description
Paul Moody	Chairman
Kevin Lyons-Tarr	CEO
David Seekings	CFO
Michelle Brukwicki	CFO designate
John Gibney	NED
Christina Southall	NED
Lindsay Bearsell	NED
Jaz Rabadia	NED

Company's stated objectives

Timing	Description
Short term	Balance short-term profitability with marketing investment opportunities aimed at growing market share.
Medium term	Reinvest operating cash flow into multi-year organic growth initiatives.
Long term	Combine consistent, profitable revenue growth with cash conversion to produce sustainable long-term growth in free cash flow.

Share price drivers

Probability	Description
High	Evidence of market share gains and ability to maintain strong margins.
Medium	US GDP performance and impact of any tariffs.
Low	Corporate activity.

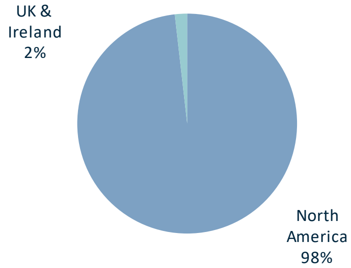
Upcoming events

Date	Description
March 2025	Full-year results.
May 2025	AGM.

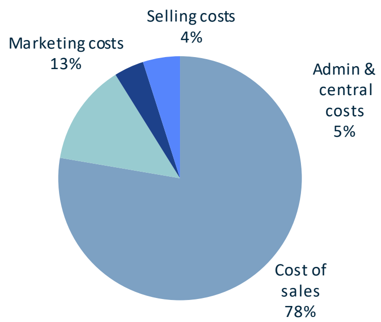
Recent corporate action

Date	Description
April 2022	Purchase of business and assets of a small, nearby apparel screen printing business (a previous supplier) for $1.7m.

Split of FY23 revenue by geography:



Split of FY23 operating costs:



Major shareholders

Name	%
Baillie Gifford	10.0
Blackrock	5.7
JPMorgan	5.1
Montanaro	5.0
Mawer	4.3
abrdn	4.1
Norges	4.0
Liontrust	3.0

Other information

Website: www.4imprint.com
Location of HQ: London

Source: Cavendish

Cavendish

Company Flash

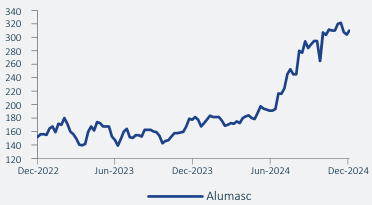
6 January 2025

Corp

Ticker	ALU:AIM
Building Materials & Construction	
Shares in issue (m)	36.0
Next results	H1 Feb
Price	**310.0p**
Target price	410.0p
Upside	32%
Market Cap	**£111.5m**
Net debt/(cash)	£7.3m
Other EV adjustments	£0.0m
Enterprise value	£118.7m

What's changed?	From	To
Adjusted EPS	29.4	n/c
Target price	410.0	n/c

Share price performance



%	1M	3M	12M
Actual	0.0	9.2	71.3

Company description

Supplier of building products, with roof to drain products

David Buxton
Director of Research
dbuxton@cavendish.com
020 7220 0542

Sales desk	020 7220 0522
Trading desk	020 7220 0533

* denotes corporate client of Cavendish

Alumasc*

Rerating to continue with 15-20% target margin progress

The shares have doubled in the past year but still offer good value as it progresses with its 15-20% margin target. It is well positioned to gain from current market trends and has demonstrated it can outperform challenging market conditions. Internal efficiency initiatives, bolt-on acquisitions and market share gains all bode well for continued progress. The shares remain cheap versus its peers, with scope for EPS upgrades from further bolt-on acquisitions. Progress towards a 20% margin would imply significant upside to the shares.

— **What are the underlying industry dynamics?** With a focus on products that encompass the 'roof to drain', the group has pivoted towards products that can be regarded as promoting sustainability. For example, even where long-life plastics are used in housebuilding products, at Timloc around 90% of the materials are recycled. It has a diverse sales base into growth markets, ranging from exports into large construction projects (principally ports and airports), through to commercial flat roofing, drainage products and housebuilding/merchants. We see this diversity as a strength, with its exposure to schools, hospitals and social housing making it well positioned to benefit from UK government spending priorities. Export markets for access covers and drainage products currently account for c.10% of group sales and are gaining from the international expansion of airport construction.

— **Why is Alumasc going to perform well in 2025?** The group is well positioned to benefit from an improving interest rate environment and its expected positive effect on the level of building and construction activity. We also anticipate higher publicly funded projects, with higher RM&I at hospitals and schools. Over the past few years EBIT margins have greatly improved from 5.5% in 2020 to c14% in 2024. Management action has focused on the integration of business units to generate operational and efficiency savings, with a reduction in operating units and overhead structure. In the current year, it is on track to achieve annualised cost savings of £0.8m. We believe there is further scope for acquisitions that will enable further integration and efficiency gains. Management has recently firmed up margin targets from "mid-teens" to being "15-20%" as medium-term targets, which looks a realistic and logical.

— **Why do we think the shares are cheap?** The shares remain very attractively rated, despite the share price doubling over the past year; with the P/E remaining at a significant discount to its sector peer group, which trades on a FY2 P/E of 14.0x. We recently raised our target price from 330p to 410p based on a FY26E P/E of 13.0x and EV/EBITDA of 7.7x. A 20% target margin would imply a share price of 474p, significant upside to current levels, with further upside scope from potential EPS-accretive acquisitions a distinct opportunity.

— **Where could we be wrong?** Interest rates may remain elevated for longer than anticipated and building sector activity may not see the recovery we anticipate. Even in this situation, its export content, exposure to publicly funded markets and its recent track record of margin improvement and outperforming in challenging markets puts the group in a strong position.

Key estimates		2022A	2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	£m	89.4	89.1	100.7	110.5	116.4
Adj EBITDA	£m	16.0	15.0	17.4	18.7	19.6
Adj EBIT	£m	13.3	12.1	14.2	15.6	16.6
Adj PBT	£m	12.7	11.2	13.0	14.2	15.3
Adj EPS	p	28.2	24.7	26.6	29.4	31.4
DPS	p	10.0	10.3	10.8	11.0	11.3
Key valuation metrics						
EV/sales	x	1.3	1.3	1.2	1.1	1.0
EV/EBIT (adj)	x	8.9	9.8	8.3	7.6	7.2
P/E (adj)	x	11.0	12.6	11.6	10.6	9.9
Dividend yield	%	3.2%	3.3%	3.5%	3.5%	3.6%
Free cash yield	%	0.8%	7.4%	8.6%	6.4%	8.7%

Income statement		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Sales	£m	89.1	100.7	110.5	116.4
Gross profit	£m	32.7	38.3	41.7	44.4
EBITDA (adjusted)	£m	15.0	17.4	18.7	19.6
EBIT (adjusted)	**£m**	**12.1**	**14.2**	**15.6**	**16.6**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.9	-1.3	-1.4	-1.3
PBT (adjusted)	**£m**	**11.2**	**13.0**	**14.2**	**15.3**
Total adjustments	£m	-0.6	-1.2	-1.0	-0.2
PBT (stated)	£m	10.5	11.7	13.2	15.1
Tax charge	£m	-2.2	-3.0	-3.5	-3.9
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	8.4	8.7	9.7	11.2
Adjusted earnings	**£m**	**8.9**	**9.7**	**10.7**	**11.4**
Shares in issue (year end)	m	35.8	36.0	36.0	36.0
EPS (stated)	p	18.4	24.3	27.0	31.3
EPS (adjusted, fully diluted)	**p**	**24.7**	**26.6**	**29.4**	**31.4**
DPS	**p**	**10.3**	**10.8**	**11.0**	**11.3**

Growth analysis		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Sales growth	%	-0.3%	13.0%	9.7%	5.3%
EBITDA growth	%	-6.3%	15.6%	7.5%	5.1%
EBIT growth	%	-9.2%	17.6%	9.9%	6.1%
PBT growth	%	-12.2%	16.1%	9.5%	7.7%
EPS growth	%	-12.3%	7.9%	10.2%	7.0%
DPS growth	%	3.0%	4.4%	2.3%	2.7%

Profitability analysis		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Gross margin	%	36.7%	38.0%	37.7%	38.1%
EBITDA margin	%	16.9%	17.3%	16.9%	16.9%
EBIT margin	%	13.6%	14.1%	14.2%	14.3%
PBT margin	%	12.5%	12.9%	12.9%	13.1%
Net margin	%	10.0%	9.6%	9.6%	9.8%

Valuation analysis		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
EV/EBITDA	x	7.9	6.8	6.4	6.0
EV/EBIT	x	9.8	8.3	7.6	7.2
P/E	x	12.6	11.6	10.6	9.9

Cash flow		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
EBITDA	£m	15.0	17.4	18.7	19.6
Net change in working capital	£m	-0.2	0.9	-0.8	-0.7
Other operating items	£m	-2.6	-2.1	-2.2	-1.4
Cash flow from op. activities	**£m**	**12.2**	**16.2**	**15.7**	**17.5**
Cash interest	£m	-0.7	-0.9	-1.4	-1.3
Cash tax	£m	-0.5	-2.1	-3.5	-3.9
Capex	£m	-2.7	-3.6	-3.6	-2.6
Other items	£m	0.0		0.0	0.0
Free cash flow	**£m**	**8.3**	**9.6**	**7.2**	**9.7**
Acquisitions / disposals	£m	-1.7	-8.5	0.1	0.0
Dividends	£m	-3.6	-3.7	-3.9	-4.0
Shares issued	£m	-0.1	-0.6	0.0	0.0
Other	£m	-1.0	-1.1	-0.8	-0.8
Net change in cash flow	**£m**	**1.9**	**-4.4**	**2.6**	**5.0**
Opening net cash (debt)	£m	-4.7	-2.9	-7.3	-4.7
Closing net cash (debt)	**£m**	**-2.9**	**-7.3**	**-4.7**	**0.3**

Cash flow analysis		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Cash conv'n (op cash / EBITDA)	%	81.3%	93.2%	84.1%	89.1%
Cash conv'n (FCF / EBITDA)	%	55.1%	55.1%	38.4%	49.6%
U/lying FCF (capex = depn)	£m	8.1	10.1	7.7	9.3
Cash quality (u/l FCF / adj earn)	%	90.6%	104.2%	72.5%	81.6%
Investment rate (capex / depn)	x	1.0	1.4	1.4	0.9
Interest cash cover	x	18.2	17.8	10.9	13.5
Dividend cash cover	x	2.3	2.6	1.8	2.4

Working capital analysis		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Net working capital / sales	%	14.8%	13.1%	12.6%	12.6%
Net working capital / sales	days	54	48	46	46
Inventory (days)	days	47	48	46	47
Receivables (days)	days	85	78	76	76
Payables (days)	days	78	78	77	77

Balance sheet		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Tangible fixed assets	£m	13.2	15.7	16.6	16.3
Goodwill & other intangibles	£m	10.6	19.3	18.9	18.8
Other non current assets	£m	6.1	6.4	7.6	8.8
Net working capital	£m	13.2	13.2	13.9	14.7
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-10.2	-12.9	-12.3	-11.5
Gross cash & cash equivs	£m	6.0	6.4	9.0	14.0
Capital employed	**£m**	**38.9**	**48.0**	**53.7**	**60.9**
Gross debt	£m	8.8	14.4	14.4	14.4
Net pension liability	£m	4.3	0.0	0.0	0.0
Shareholders equity	£m	25.7	33.5	39.3	46.5
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**38.9**	**48.0**	**53.7**	**60.9**

Leverage analysis		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Net debt / equity	%	11.1%	23.9%	13.8%	1.0%
Net debt / EBITDA	x	0.2	0.5	0.3	0.0
Liabilities / capital employed	%	33.8%	30.1%	26.8%	23.7%

Capital efficiency & intrinsic value		2023A	2024A	2025E	2026E
Year end:		Jun	Jun	Jun	Jun
Adjusted return on equity	%	34.7%	28.8%	27.1%	24.5%
RoCE (EBIT basis, pre-tax)	%	31.1%	29.7%	29.1%	27.3%
RoCE (u/lying FCF basis)	%	20.8%	21.0%	14.4%	15.3%
NAV per share	p	71.9	93.3	109.2	129.2
NTA per share	p	42.3	39.6	56.6	77.0

Alumasc – investment case

Sentiment has significantly improved over the past three years, with a series of positive trading updates, EPS-accretive bolt-on acquisitions, operational efficiency and integration benefits. This is in stark contrast to many peers that have significantly downgraded their guidance in a challenging construction market.

The group's quality of earnings has significantly improved following the disposal of Levolux, as has cash flow, with reducing net working capital needs and strong cash flow reducing net bank debt. It is in a strong financial position to make further bolt-on acquisitions in a fragmented market.

Current trading

The recent AGM trading update in October confirmed the group is on track to achieve current FY forecasts. It commented on trading momentum continuing to be positive in 1Q25, outperforming the sector and against challenging conditions in commercial construction. The trading outperformance has been a combination of its focus on sustainable building products, high service standards, new product development, strong export orders and the benefits of management action and operating efficiency measures.

How achievable is the 15-20% margin target?

Over recent years, the group has significantly improved its margin performance from 8% in FY18, increasing to 14.1% in FY24.

In our view, we consider the lower end of the range close to being achieved. Importantly, if we look at the divisional range in margins, it is clear two out of three divisions are already performing well. Timloc is already generating a very creditable margin of 25%, with Water Management at 15.8%, while Building Envelope stands at 12.3%, so it requires this division to move up a couple of points for the lower end of the target range to be achieved.

Valuation

The shares have seen a period of strong outperformance based on recent positive trading updates, EPS upgrades and clear indications the group is trading better than many of its peers. The shares have doubled, with sentiment also helped by the expectation of a lower interest rate environment and some positive effects from the new government. Despite this, the shares remain attractively rated and continue to trade at a significant 24% FY2 P/E discount to its peer group. With improved cash flow, the group continues to trade at an attractive FCF yield following the near doubling of the share price, and has a respectable dividend yield.

Figure 10: Valuation using rolling EV on current and target prices

		Current price		Target price	
		FY25E	FY26E	FY25E	FY26E
Share price		310	310	410	410
Issued share capital	m	35.8	35.8	35.8	35.8
Mkt cap (full dil)	£m	111	111	147	147
Net cash/(debt)	£m	-4.7	0.3	-4.7	0.3
Lease finance	£m	-5.1	-4.3	-5.1	-4.3
Rolling EV	£m	120.8	115.0	156.6	150.8
EV/Sales	x	1.1	1.0	1.4	1.3
EV/EBITDA	x	6.5	5.9	8.4	7.7
EV/EBIT	x	7.7	6.9	10.0	9.1
P/E	x	10.5	9.9	13.9	13.1
Div Yield	%	3.5%	3.6%	2.7%	2.8%
FCF Yield	%	6.5%	8.7%	4.9%	6.6%

Source: Cavendish estimates

We have recently increased our target price from 330p to 410p, based on a target FY26E P/E of 13x and EV/EBITDA of 7.7x. There is a significant upside opportunity as it progresses towards achieving its medium-term target margin range, which at a 20% margin would generate an EPS of c.45p. On a conservative P/E of 10.5x would imply a share price of 474p. We anticipate further upside scope on forecasts given the potential to make EPS-accretive acquisitions.

Alumasc – company overview

ALU at a glance

Company activities & operations

Alumasc is a sustainable building products manufacturer. It produces roof to drain solutions across three divisions, Water Management, Building Envelope and Housebuilding Products. International sales are generated particulalrly from its Gatic drainage products.

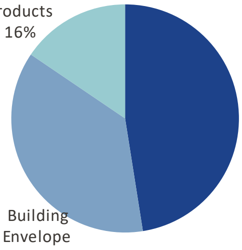
Company strategy

The Group has successfully transformed margin performance and cashflow through the reshaping of its portfolio, including the disposal of Levolux and acquisitons, such as Wade and ARP. The group has restructured operations to a more streamlined base and acquisitions have enabled further synergies and cost savings. Its strategy of ongoing margin improvement offers margin target of 15-20% over the mid term.

Key products/services

Product	Description
Water Management	Integrated water solutions for a sustainable future, promoting efficient use retantion, recycling and disposal of water.
Building Envelope	Rooftop solutions including flat roofing and green roofing.
Housebuilding products	Timloc supples a range of sustainable products 75% from recycled plastic.

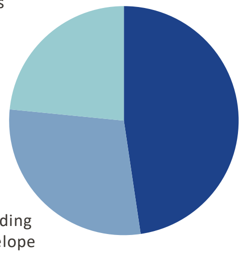
FY 2023E revenues split:



Management & Board

Name	Description
Vijay Thakrar	Non Executive Chairman
Paul Hooper	CEO
Simon Dray	Finance Director
Stephen Beechey	Senior NED
Karen McInerney	NED
Micheal Leaf	Executive Director
Gilbert Jackson	Executive Director

FY 2023E EBIT profit split:



Company's stated objectives

Timing	Description
Short term	Integrate ARP and develop synergies.
Medium term	New product introduction, bolt on acquisition, further scope to enhance margins to its mid to upper teens target.
Long term	New product introduction, bolt on acquisition, further scope to enhance margins.

Share price drivers

Probability	Description
High	Ongoing action to improve margins.
Medium	Bolt on acquisitions, with integration and synergistic benefits.
Low	

Major shareholders

Name	
John McCall	11.2%
AXA Framlington	5.0%
Philip Gwyn	7.6%
Hargreaves Lansdown	7.1%
Charles Stanley	5.1%
Chelverton AM	3.9%
Unicorn AM	3.6%

Upcoming events

Date	Description
Feb-25	Interim results

Recent corporate action

Date	Description
21-Dec-23	Acquisition of ARP
26-Aug-22	Disposal of Levolux

Other information

Website: www.alumasc.co.uk
Location of HQ: Burton Latimer, Kettering

Source: Cavendish

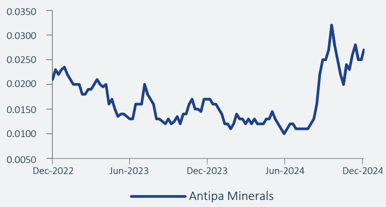
6 January 2025

Corp

Ticker	AZY:ASX
Mining	
Shares in issue (m)	5,493.9
Next results	H1 Apr
Price	A$0.03
Target price	A$0.06
Upside	105%
Market Cap	A$148.3m
Net debt/(cash)	-A$38.0m
Other EV adjustments	A$0.0m
Enterprise value	A$110.3m

What's changed?	From	To
Adjusted EPS	-	n/c
Target price	0.06	n/c

Share price performance



%	1M	3M	12M
Actual	8.0	22.7	54.3

Company description

Antipa is a mineral exploration company focused on the Paterson Province of Western Australia

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* denotes corporate client of Cavendish

Antipa Minerals

Golden 25

Antipa has kept its options open and is a prime acquisition target in the Paterson Province of Western Australia (WA) with 2.9 million gold equivalent ounces just 35km from a processing plant with room to fill. Antipa has A$38m in cash, an active exploration programme and a prefeasibility to start, all in addition to two large partner-funded farm-in projects with majors, so 2025 should be a busy year. We value Antipa at A$0.06 (A$337m) on a standalone sum-of-the-parts basis, underpinned by a solid asset on the development path, all with discovery upside re-rating potential and potential M&A exits that are now more in the spotlight. Following Greatland Golds' (GGP.AIM) acquisition of Telfer and 70% of Havieron from Newmont, the hunt is on for ore to feed the huge Telfer processing facility and Antipa is primely placed to provide that in the near term and so a likely M&A target in 2025.

— What are the underlying industry dynamics? Gold is trading at record levels at over A$4,000/oz, which has changed the outlook for the sector and M&A has increased. Locally to Antipa, Rio Tinto (RIO.LSE), which recently acquired the remaining 32% stake in the Citadel JV Project from Antipa for A$17m, is selling a 30% stake in its Winu copper-gold-silver project in the Paterson to Japan's Sumitomo Metal Mining Co. for US$399m. A prefeasibility study for the Winu project is expected to be completed in 2025. Northern Star (NST.ASX) bid a record A$5bn for De Grey (DEG.ASX), which owns the 13.6Moz Hemi development project in the Pilbara and then Greatland Gold (GGP.AIM) acquired the Telfer Plant, 70% of Havieron and 8.56% of Antipa from Newmont for US$475m.

— Why is Antipa going to perform well in 2025? Antipa operates in the Paterson Province of WA and has 4,000km^2 of prime exploration ground around the Telfer processing facility. The Telfer plant has capacity to take c.22Mtpa of ore and current operations have a 15-month life then a number of open pit and underground brownfield opportunities to be investigated, and Havieron planning to deliver 2.8mtpa, so plenty of ore needs to be found to fill the plant. Antipa holds 100% of Minyari Dome which currently has an initial combined open pit and underground mine schedule of 30.2Mt at 1.5g/t gold for 1.5Moz gold, which could go some way to providing feed to Telfer in the short term. Beyond that a 1,500km^2 portion of Antipa's southern landholding in the Paterson Province is under a farm-in agreement with Newmont and this includes the large Parklands target, just 10km northeast of Telfer.

— Why do we think the shares are cheap? The value on Minyari Dome alone as a standalone project basis more than justifies the current valuation for Antipa. Minyari has room to keep growing at several prospects including GEO-01. It is worth even more without the need for a A$100m capex spend for a processing plant and its strategic value to provide much needed shallow open pit ounces to feed the under-utilised Telfer processing plant and to smooth out the Telfer Havieron production profile.

— Where could we be wrong? The big driver is obviously M&A, but Antipa has A$38m in cash, from the sale of its stake in the Citadel JV Project to Rio Tinto and recent placing, so it is funded to take Minyari forward on its own. While this will obviously take longer, it could generate more value for shareholders. The question is timing and if Antipa will perform in 2025 or if it will just take longer to show its value.

Key estimates		2020A	2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	A$m	0.0	0.0	0.0	0.0	0.0
Adj EBITDA	A$m	-2.4	-4.2	-6.2	-3.3	-1.3
Adj EBIT	A$m	-2.4	-4.3	-6.4	-3.4	-1.4
Adj PBT	A$m	-2.4	-4.3	-6.4	-3.3	-1.2
Adj EPS	c	-0.1	-0.1	-0.2	-0.1	-0.0
DPS	c	0.0	0.0	0.0	0.0	0.0
Key valuation metrics						
EV/sales	x	n/m	n/m	n/m	n/m	n/m
EV/EBIT (adj)	x	-45.5	-25.9	-17.4	-32.3	-79.2
P/E (adj)	x	-27.4	-20.6	-14.3	-33.8	-143.6
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-3.2%	-3.7%	-16.8%	-8.6%	-5.9%

Income statement		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Sales	A$m	0.0	0.0	0.0	0.0
Gross profit	A$m	0.0	0.0	0.0	0.0
EBITDA (adjusted)	A$m	-4.2	-6.2	-3.3	-1.3
EBIT (adjusted)	**A$m**	**-4.3**	**-6.4**	**-3.4**	**-1.4**
Associates/other	A$m	0.0	0.0	0.0	0.0
Net interest	A$m	-0.0	-0.0	0.1	0.2
PBT (adjusted)	**A$m**	**-4.3**	**-6.4**	**-3.3**	**-1.2**
Total adjustments	A$m	0.0	0.0	0.0	0.0
PBT (stated)	A$m	-4.3	-6.4	-3.3	-1.2
Tax charge	A$m	0.0	0.0	0.0	0.0
Minorities/Disc ops	A$m	0.0	0.0	0.0	0.0
Reported earnings	A$m	-4.3	-6.4	-3.3	-1.2
Adjusted earnings	**A$m**	**-4.3**	**-6.4**	**-3.3**	**-1.2**
Shares in issue (year end)	m	3,131.4	3,139.7	3,597.1	4,768.7
EPS (stated)	c	-0.2	-0.2	-0.1	-0.0
EPS (adjusted, fully diluted)	**c**	**-0.1**	**-0.2**	**-0.1**	**-0.0**
DPS	**c**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Sales growth	%	n/m	n/m	n/m	n/m
EBITDA growth	%	-78.3%	-49.0%	47.0%	60.7%
EBIT growth	%	-76.0%	-48.9%	46.3%	59.2%
PBT growth	%	-75.5%	-48.9%	48.7%	63.6%
EPS growth	%	-32.8%	-44.3%	57.7%	76.4%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Gross margin	%	n/m	n/m	n/m	n/m
EBITDA margin	%	n/m	n/m	n/m	n/m
EBIT margin	%	n/m	n/m	n/m	n/m
PBT margin	%	n/m	n/m	n/m	n/m
Net margin	%	n/m	n/m	n/m	n/m

Valuation analysis		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
EV/EBITDA	x	-26.3	-17.7	-33.3	-84.9
EV/EBIT	x	-25.9	-17.4	-32.3	-79.2
P/E	x	-20.6	-14.3	-33.8	-143.6

Cash flow		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
EBITDA	A$m	-4.2	-6.2	-3.3	-1.3
Net change in working capital	A$m	0.3	0.2	-0.0	-0.1
Other operating items	A$m	2.3	3.9	0.6	0.6
Cash flow from op. activities	**A$m**	**-1.5**	**-2.2**	**-2.8**	**-0.8**
Cash interest	A$m	0.0	0.0	0.0	0.0
Cash tax	A$m	0.0	0.0	0.0	0.0
Capex	A$m	-3.9	-22.7	-10.0	-7.9
Other items	A$m	0.0	0.0	0.0	0.0
Free cash flow	**A$m**	**-5.4**	**-24.9**	**-12.7**	**-8.7**
Acquisitions / disposals	A$m	0.0	0.0	0.0	0.0
Dividends	A$m	0.0	0.0	0.0	0.0
Shares issued	A$m	30.1	0.3	11.5	12.0
Other	A$m	0.0	0.0	0.0	0.0
Net change in cash flow	**A$m**	**24.6**	**-24.6**	**-1.2**	**3.3**
Opening net cash (debt)	A$m	6.8	31.4	6.8	5.6
Closing net cash (debt)	**A$m**	**31.4**	**6.8**	**5.6**	**8.9**

Cash flow analysis		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Cash conv'n (op cash / EBITDA)	%	n/m	n/m	n/m	n/m
Cash conv'n (FCF / EBITDA)	%	129.3%	399.0%	384.3%	667.5%
U/lying FCF (capex = depn)	A$m	-1.6	-2.3	-2.9	-0.9
Cash quality (u/l FCF / adj earn)	%	37.8%	36.2%	87.3%	74.2%
Investment rate (capex / depn)	x	51.0	210.2	96.8	84.8
Interest cash cover	x	n/a	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Net working capital / sales	%	n/m	n/m	n/m	n/m
Net working capital / sales	days	n/m	n/m	n/m	n/m
Inventory (days)	days	n/m	n/m	n/m	n/m
Receivables (days)	days	n/m	n/m	n/m	n/m
Payables (days)	days	n/m	n/m	n/m	n/m

Balance sheet		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Tangible fixed assets	A$m	38.2	55.9	65.5	73.1
Goodwill & other intangibles	A$m	0.0	0.0	0.0	0.0
Other non current assets	A$m	0.0	0.0	0.0	0.0
Net working capital	A$m	-7.7	-2.1	-1.5	-1.0
Other assets	A$m	0.0	0.0	0.0	0.0
Other liabilities	A$m	-2.5	-1.1	-0.4	-0.6
Gross cash & cash equivs	A$m	33.7	7.9	5.8	8.0
Capital employed	**A$m**	**61.8**	**60.5**	**69.4**	**79.5**
Gross debt	A$m	0.5	0.5	0.4	0.3
Net pension liability	A$m	0.0	0.0	0.0	0.0
Shareholders equity	A$m	61.2	60.1	69.0	79.2
Minorities	A$m	0.0	0.0	0.0	0.0
Capital employed	**A$m**	**61.8**	**60.5**	**69.4**	**79.5**

Leverage analysis		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Net debt / equity	%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	n/a	n/a	n/a	n/a
Liabilities / capital employed	%	0.9%	0.8%	0.6%	0.4%

Capital efficiency & intrinsic value		2021A	2022A	2023A	2024A
Year end:		Jun	Jun	Jun	Jun
Adjusted return on equity	%	-7.0%	-10.6%	-4.7%	-1.5%
RoCE (EBIT basis, pre-tax)	%	-6.9%	-10.5%	-4.9%	-1.8%
RoCE (u/lying FCF basis)	%	-2.6%	-3.8%	-4.1%	-1.1%
NAV per share	c	2.0	1.9	1.9	1.7
NTA per share	c	2.0	1.9	1.9	1.7

Antipa Minerals – investment case

Antipa has c.A$38m in cash and so is well funded to progress the Minyari Project. A Prefeasibility Study may commence 1Q CY25 and there is plenty of exploration activity scheduled. The market valuation implies that over 2.9Moz gold equivalent in a possible open pit just 35km from a processing facility with huge spare capacity is worth approximately A$130m, which we feel is incredibly conservative at roughly A$44/oz given that ASX listed peers are trading at c.A$55/oz. This is also significantly less than the potential value of the project as shown in the latest Scoping Study on a standalone project basis, let alone what it's worth to help supply the Telfer plant for Greatland. We believe Antipa offers potential for significant upside as the strategic value of its assets are realised either through advancement along the development pathway or M&A.

A growing near surface resource base

Minyari Dome Project Updated Scoping Study

Antipa's updated Scoping Study for its 100%-owned Minyari Dome Gold-Copper-Silver Project reaffirmed the viability of its potential as a stand-alone gold operation, reporting a post-tax NPV7 of A$598m and 46% IRR, assuming A$3,000/oz (c.40% below the current spot price) or post-tax NPV7 of A$1,205m and 79% IRR, assuming A$4,000/oz gold, which is still below spot.

Standalone development potential confirmed

The Minyari Dome Project Updated Scoping Study is based on an initial combined open pit and underground mine schedule of 30.2Mt at 1.5 g/t gold for 1.5Moz gold over +10 years of initial processing life at 3mtpa producing 1.3Moz, at an average rate of 130koz p.a. for the first 10 years. Total pre-production capital cost of A$306m, including A$90m for pre-production mining with a payback period of approximately 2-years. Average AISC of A$1,721/oz (equivalent to US$1,205/oz). Simple, non-refractory metallurgy allows for a standard Carbon-in-Leach (CIL) process plant, delivering an estimated average gold recovery of 90%.

High impact exploration activities ongoing

Minyari Dome is just 35km from Greatland Gold's (formerly Newmont's), Telfer 22Mtpa processing facility. While the base case remains a standalone operation, it makes sense for Greatland to look at Minyari and Antipa as an obvious target to provide ore to help fill its Telfer plant, which Greatland plans to run at 25% capacity and on a campaign basis. With Havieron due to produce 258,000 gold equivalent ozpa, the addition of 130,000 ozpa from Minyari would take Greatlands' production profile close to that of KCGM's Kalgoorlie Superpit. We think that now Greatland has completed its acquisition of Telfer from Newmont and is looking to list on the ASX that once this is completed, Greatland will start to move forward with further consolidation in the Paterson. With Sumitomo buying into Rio's Winu development project, Greatland's Telfer acquisition, and Appian Capital Advisory LLP's offer to acquire Cyprium Metals for its Nifty copper development project, interest in the Paterson has certainly accelerated dramatically.

A$23m in cash

Additional, substantial exploration leverage across the Farm-in portfolio with Greatland and IGO

CY2024 Phase 2 Programme next steps

- Programme targeting further increases to the existing Minyari Dome Mineral Resource which currently stands at 2.3Moz of gold, 84,000t of copper, 661,000oz of silver and 13,000t of cobalt at 1.5g/t gold and 0.18% copper[1]. Expansion to this Mineral Resource is expected to deliver additional strong value enhancement to the existing development opportunity at Minyari Dome.
- The Phase 2 drilling programme has been completed and two assay batches have already been reported, highlighting numerous exciting drill hits, with the remaining assay results to be received in batches over the coming months.
- Based on the highly positive outcomes from the updated Scoping Study, a Prefeasibility Study for Minyari Dome may commence in 1Q CY25.

Exciting Parklands greenfield gold target primed for drill testing

Very large Telfer sized anomaly, 3km long by up to 1.5km wide just 10km northeast of the Telfer gold copper-silver 22mtpa processing facility

Valuation

We value Antipa at A$0.06 (A$337m) on a standalone sum-of-the-parts basis, underpinned by a solid gold-copper asset on the development path, all with discovery upside re-rating potential and potential M&A exits that are now more in the spotlight.

Figure 11: SOTP valuation

	A$m	NAVx	Held	Risked Attributable Value A$m	Per Share ITMFD A$
Minyari Dome NPV 7%	781	0.25	100%	195	0.03
Minyari Exploration	100	0.25	100%	25	0.00
Exploration	67	1	100%	67	0.01
Cash	38	1		38	0.01
Debt	-	1		0	-
ITM Options	12	1		12	0.00
Total	**998**			**337**	**0.06**

Source: Cavendish estimates

Antipa Minerals – company overview

AZY at a glance

Company activities & operations

Antipa Minerals is developing the 100% owned Minyari Dome gold copper project in the Paterson region of Western Australia. The recent PEA confirmed it was a technically robust project with positve economics on a standalone basis (NPV7% Post Tax A$1,205M @ A$4,000/oz Gold). Average of 130kozpa Au over the first ten years. Antipa has c. A$38m in cash and a feasibility study expected to start soon. The Minyari Dome Resource remains open in all directions and is strategically located 35km from the Telfer mine and 22Mtpa processing facility recently acquired by GGP.

Company strategy

Antipa plans to advance its 100% Minyari Dome gold-copper-silver project through prefeasibility while it continues to drill targets for further resource growth (GEO-01) and new discoveries. Alongside its 100% owned projects Antipa has Strategic JV and farm-in agreements with Newmont and IGO with a cumulative potential free-carry exploration spend of up to A$90M+.

Key products/services

Product	Description
Minyari Dome	Standalone development opportunity.
Resource	Post-tax NPV7 of A$1,205m and 79% IRR, assuming A$4,000/oz gold and 0.70 A$/US.
Scoping Study	$2.3 Moz at 1.5g/t gold only Resource with 2.9 Moz gold equivalence at 1.9 g/t.

Management & Board

Name	Description
Mark Rodda	Executive Chairman - Lawyer and Corporate Consultant
Peter Buck	Independent & Non-Executive Director - Geologist
Roger Mason	MD, CEO & Executive Director - Geologist
Stephen Power	Non-Executive Director - Corporate Lawyer
Gary Johnson	Independent & Non-Executive Director - Metallurgist

Company's stated objectives

Timing	Description
Short term	2024 Phase 2 drilling results from Minyari Dome.
Medium term	Minyari Dome advancement in parallel of various technical work streams.
Long term	Strategic JV and farm-in agreements with Newmont and IGO.

Share price drivers

Probability	Description
High	Potential M&A - following Greatland Golds acqisition of Telfer and the 22mtpa processing facility, Minyari Dome is an obvious source of much needed ore to fill the unused capacity and with Antipa would come the consolidation of the JV exploration holdings.
Medium	CY2024 Phase 2 Exploration Programme.
Low	Farm-in exploration programmes.

Upcoming events

Date	Description
Jan-25	CY24 Phase 2 Exploration results.
Jan-25	December 24 Quarterly update.
Feb-25	10 to 1 share consolidation.

Recent corporate action

Date	Description
19-Dec-24	A$16m placement at A$0.025.
25-Oct-24	Sale of Citadel Joint Venture Interest to Rio Tinto, for A$17m cash.
24-Oct-24	Minyari Dome scoping study update.

Major shareholders

Name	
Greatland Gold	7.5%
Lion Selection	4.1%
IGO	2.7%
Board and Management	2.7%
Institutions and Funds	25.6%

Other information

Website: www.antipaminerals.com.au

Location of HQ: Perth, Australia

Source: Company data

Cavendish

Company Flash

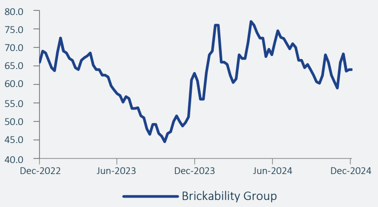
6 January 2025

Buy

Ticker	BRCK:AIM
Building Materials & Construction	
Shares in issue (m)	320.8
Next results	FY Jul
Price	64.0p
Target price	100.0p
Upside	56%
Market Cap	£205.3m
Net debt/(cash)	£56.0m
Other EV adjustments	£0.0m
Enterprise value	£261.3m

What's changed?	From	To
Adjusted EPS	8.5	n/c
Target price	100.0	n/c

Share price performance



%	1M	3M	12M
Actual	6.3	2.4	6.7

Company description

Market leading UK supplier of products and services to the construction industry

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* denotes corporate client of Cavendish

Brickability Group

Supporting the UK's building ambitions

Brickability has demonstrated excellent resilience in 2024 amid pronounced weakness in its end markets, delivering sustained profitability, strong cash flow and an increased dividend. The company has benefitted from prudent financial management and from the benefits of its diversified revenue strategy. The valuation nonetheless remains close to its cycle low-point, offering substantial rerating potential. We believe that 2025 will represent the beginning of a sustained improvement in UK construction demand and that Brickability is ideally positioned to capitalise on this.

— **What are the underlying industry dynamics?** In 2024, UK housing starts and brick dispatches both recorded 10-year lows, based on ONS data and provisional industry data. We believe there is a strong pent-up demand and we see scope for a sustained period of growth and reinvestment for the industry in the coming years. Government policy is highly supportive of new house building, and although we do not expect the target of 1.5m new homes in five years to be achieved, we believe there is considerable upside from the 2024 low point. Furthermore, there are planned regulatory initiatives on specific issues such as energy efficiency and cladding safety that also benefit Brickability. We believe the share price offers strong potential for a re-rating during 2025 as evidence of the recovery becomes more visible.

— **Why is Brickability going to perform well in 2025?** Brickability benefits from multi-year earnings drivers which we believe will be more in evidence as the year progresses. The company is well leveraged to our sector thesis of increasing UK housebuilding activity over the next five years through each of its divisions. Furthermore, in our view, the company stands to benefit from supply constraints in the UK building materials production base, which will potentially shift more demand into the higher-margin Importing division for Brickability. The company also has structural growth drivers over and above the cyclical recovery from activities including cladding remediation and solar and renewables products and services.

— **Why we believe the shares are cheap?** Brickability shares currently trade on FY25E 7.5x P/E compared with 12.0x for our comparator universe of building materials and services companies. We believe there is significant upside potential both for the sector multiples and for Brickability's relative valuation. The shares offer a 5.5% dividend yield which is fully covered by free cash flow.

— **What could go wrong?** We believe that the biggest downside risks to our thesis would be a further sharp downward leg in UK construction activity or a major disruption in pricing or availability for key inputs. However, we take confidence from the robust financial performance of Brickability in FY24 and FY25 to date amid multiple headwinds, and we are comfortable with the conservative assumptions underlying our FY25 forecasts.

Key estimates		2022A	2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	520.2	681.1	594.0	607.4	696.8
Adj EBITDA	£m	39.5	51.5	44.9	47.0	58.0
Adj EBIT	£m	36.1	46.8	39.3	40.9	51.9
Adj PBT	£m	34.9	44.6	35.3	37.1	48.3
Adj EPS	p	9.9	11.7	8.5	8.5	11.0
DPS	p	3.0	3.2	3.4	3.6	3.7
Key valuation metrics						
EV/sales	x	0.5	0.4	0.4	0.4	0.4
EV/EBIT (adj)	x	7.2	5.6	6.7	6.4	5.0
P/E (adj)	x	6.5	5.5	7.5	7.5	5.8
Dividend yield	%	4.7%	4.9%	5.3%	5.5%	5.7%
Free cash yield	%	4.2%	8.9%	5.5%	9.6%	12.3%

Income statement		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	681.1	594.0	607.4	696.8
Gross profit	£m	112.9	105.8	113.9	125.5
EBITDA (adjusted)	£m	51.5	44.9	47.0	58.0
EBIT (adjusted)	**£m**	**46.8**	**39.3**	**40.9**	**51.9**
Associates/other	£m	0.0	0.0	1.0	2.0
Net interest	£m	-2.2	-4.0	-3.8	-3.6
PBT (adjusted)	**£m**	**44.6**	**35.3**	**37.1**	**48.3**
Total adjustments	£m	-7.3	-7.6	-8.0	-6.6
PBT (stated)	£m	37.3	27.7	29.1	41.7
Tax charge	£m	-6.8	-6.1	-7.2	-9.6
Minorities/Disc ops	£m	0.0	-0.0	0.1	0.1
Reported earnings	£m	30.5	21.6	22.1	32.2
Adjusted earnings	**£m**	**35.6**	**26.3**	**27.7**	**36.1**
Shares in issue (year end)	m	0.0	0.0	0.0	0.0
EPS (stated)	p	9.1	5.0	3.3	6.6
EPS (adjusted, fully diluted)	**p**	**11.7**	**8.5**	**8.5**	**11.0**
DPS	**p**	**3.2**	**3.4**	**3.6**	**3.7**

Growth analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	30.9%	-12.8%	2.2%	14.7%
EBITDA growth	%	30.6%	-12.8%	4.6%	23.3%
EBIT growth	%	29.5%	-16.1%	4.2%	26.8%
PBT growth	%	27.8%	-20.8%	5.2%	30.0%
EPS growth	%	18.2%	-27.1%	-0.4%	30.1%
DPS growth	%	5.3%	6.3%	5.7%	2.8%

Profitability analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	16.6%	17.8%	18.8%	18.0%
EBITDA margin	%	7.6%	7.6%	7.7%	8.3%
EBIT margin	%	6.9%	6.6%	6.7%	7.4%
PBT margin	%	6.5%	5.9%	6.1%	6.9%
Net margin	%	5.2%	4.4%	4.6%	5.2%

Valuation analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
EV/EBITDA	x	5.1	5.8	5.6	4.5
EV/EBIT	x	5.6	6.7	6.4	5.0
P/E	x	5.5	7.5	7.5	5.8

Cash flow		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	51.5	44.9	47.0	58.0
Net change in working capital	£m	-1.3	-3.1	-2.7	-6.5
Other operating items	£m	-5.5	-6.7	0.0	0.0
Cash flow from op. activities	**£m**	**44.7**	**35.1**	**44.4**	**51.5**
Cash interest	£m	-2.2	-5.1	-4.3	-4.3
Cash tax	£m	-11.1	-8.6	-11.0	-12.6
Capex	£m	-10.2	-6.5	-6.6	-6.6
Other items	£m	-2.8	-3.6	-2.8	-2.8
Free cash flow	**£m**	**18.4**	**11.3**	**19.7**	**25.2**
Acquisitions / disposals	£m	-18.4	-49.6	-14.0	-13.4
Dividends	£m	-9.1	-9.9	-10.0	-10.3
Shares issued	£m	0.7	0.1	0.0	0.0
Other	£m	-0.1	-0.1	0.0	0.0
Net change in cash flow	**£m**	**-8.6**	**-48.2**	**-4.3**	**1.5**
Opening net cash (debt)	£m	0.8	-7.8	-56.0	-60.3
Closing net cash (debt)	**£m**	**-7.8**	**-56.0**	**-60.3**	**-58.8**

Cash flow analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	86.8%	78.2%	94.4%	88.8%
Cash conv'n (FCF / EBITDA)	%	35.7%	25.2%	41.9%	43.5%
U/lying FCF (capex = depn)	£m	15.5	1.9	9.0	15.2
Cash quality (u/l FCF / adj earn)	%	43.5%	7.3%	32.4%	42.1%
Investment rate (capex / depn)	x	2.2	1.1	1.1	1.1
Interest cash cover	x	19.9	6.9	10.3	12.0
Dividend cash cover	x	2.0	1.1	2.0	2.4

Working capital analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	4.4%	6.3%	6.6%	6.6%
Net working capital / sales	days	16	23	24	24
Inventory (days)	days	18	18	19	19
Receivables (days)	days	69	76	78	72
Payables (days)	days	70	72	73	67

Balance sheet		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	43.3	48.3	51.2	54.1
Goodwill & other intangibles	£m	152.4	225.7	215.1	205.2
Other non current assets	£m	4.1	7.5	7.5	7.5
Net working capital	£m	29.7	37.1	39.8	46.3
Other assets	£m				
Other liabilities	£m	-46.4	-70.8	-59.1	-47.2
Gross cash & cash equivs	£m	21.6	15.6	11.3	12.8
Capital employed	**£m**	**204.8**	**263.4**	**265.8**	**278.7**
Gross debt	£m	29.4	71.5	71.5	71.5
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	175.4	191.9	194.3	207.1
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**204.8**	**263.4**	**265.8**	**278.7**

Leverage analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	4.4%	29.2%	31.0%	28.4%
Net debt / EBITDA	x	0.2	1.2	1.3	1.0
Liabilities / capital employed	%	14.4%	27.2%	26.9%	25.7%

Capital efficiency & intrinsic value		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	20.3%	13.7%	14.3%	17.4%
RoCE (EBIT basis, pre-tax)	%	22.9%	14.9%	15.4%	18.6%
RoCE (u/lying FCF basis)	%	7.6%	0.7%	3.4%	5.5%
NAV per share	p	n/m	n/m	n/m	n/m
NTA per share	p	n/m	n/m	n/m	n/m

Brickability Group – investment case

The Brickability Group brings together specialist products and services to meet the needs of the buildings and construction industry. The group has been serving customer across the UK and Europe for over 37 years, through over 70 locations throughout the UK that employ a workforce of over 700 people.

The company has a leading position in the UK market for sourcing of bricks for the building industry, supplying over 500m bricks annually. Sourcing-to-order is an important segment of the brick supply market in the UK, and Brickability is one of the two major players in this market. The company has strong trading relationships with all the major UK brick producers and selected European manufacturers.

Brickability has implemented a successful strategy of diversification since its IPO in 2019, and now derives more than 50% of its revenue from non-brick business. Business areas include cladding, towel rails and radiators, roofing services, timber, flooring, and other specialised products and services. During 1H25, the company benefitted from its revenue diversification with resilient contributions from the Contracting and Distribution divisions helping to offset demand weakness in the other divisions.

Over the next 3-5 years, we believe that Brickability will benefit from its exposure to some of the main structural growth segments in UK construction, including sustainable technologies and cladding safety remediation. In particular, the UK Government has recently outlined tough new measures to enforce remediation of fire-risk building cladding. This regulatory agenda plays directly into the strengths of the Topek business units within the Contracting division.

The management team and Board of Directors have an unrivalled depth of experience in the building materials sector and in managing economic cycles. Chairman John Richards joined the Board in 2018 and has chaired the group through the IPO and subsequent value-enhancing acquisitions. His experience includes 31 years at Ibstock Brick in various executive roles. CEO Frank Hanna joined the group in April 2024, moving from Michelmersh Brick Holdings plc where he served as Joint Chief Executive Officer.

Since its IPO in 2019, Brickability has completed 14 acquisitions, which include small bolt-on acquisitions as well as two larger strategic deals. In July 2021, the group completed the acquisition of Taylor Maxwell Group for £63.2m. Taylor Maxwell is a leading supplier of timber and non-combustible cladding to the UK construction industry. In October 2023, Brickability completed the acquisition of Topek Ltd for a consideration of up to £45m. Topek is a specialist cladding and cladding remediation contractor. We believe Brickability has a pipeline of potential acquisition opportunities going forward; these are not included in our forecasts and would represent potential upside.

Valuation

The shares currently trade on an FY25E EV/Sales ratio of 0.4x and a P/E multiple of 7.5x. The company has delivered sequential increases in its dividend since listing on the market, and the shares currently offer a dividend yield of 5.5%. We believe that these metrics represent a very attractive entry point for investors. Our target price of 100.0p implies some narrowing of the valuation discount for Brickability versus the market but leaves further potential upside once construction industry recovery becomes established.

Brickability Group – company overview

BRCK at a glance

Company activities & operations

Brickability Group is a leading distributor and provider of specialist products and services to the UK construction industry. The company's specialisms include brick sourcing, cladding, towel rails and radiators, roofing services, solar panels, timber, flooring, and other specialised products and services, operating through more than 70 sites in the UK, with over 700 employees.

Company strategy

Brickability has an ambitious growth strategy with a balanced approach to driving organic growth alongside targeted M&A. The company offers an attractive dividend payout while maintaining sufficient investment to support growth alongside a prudent balance sheet position.

Key products/services

Product	Description
Bricks & Building Materials Importing Distribution Contracting	The BBM division is the largest revenue contributor. The business provides superior quality building materials for house builders, developers, contractors, general builders, and retail channels. The Importing business provides imported materials, the majority of which are on an exclusive basis to the UK market. The Distribution business supplies products including towel rails and radiators, flooring, solar panels and others. The Contracting division includes cladding, flooring and roofing services.

Management & Board

Name	Description
John Richards	Non-Executive Chairman. Industry veteran previously at Ibstock Brick
Frank Hanna	CEO since April 2024. Previously at Michelmersh as joint CEO
Mike Gant	Chief Financial Officer since 2021, previously CFO at Walker Greenbank plc
Clive Norman	Non-Executive Director
David Simpson	Independent Non-Executive Director
Susan McErlain	Independent Non-Executive Director
Sharon Daley (nee Collins)	Independent Non-Executive Director

Company's stated objectives

Timing	Description
Short term	Maintaining and increasing market share, maintaining strong profitability and cash flow.
Medium term	Reacceleration of growth and value accretion.
Long term	Building on market leadership in chosen segments. Creating shareholder value.

Share price drivers

Probability	Description
High	Maintaining robust financial performance.
High	Building on very strong customer relationships.
Low	Rerating of the shares, starting from very low multiples.

Upcoming events

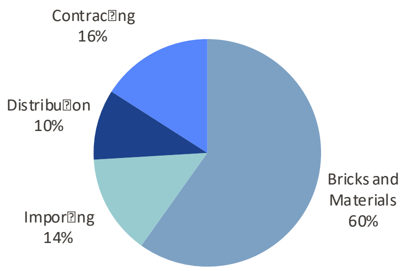
Date	Description
Mar-25	Financial year end.
Jul-25	FY results release, est.

Recent corporate action

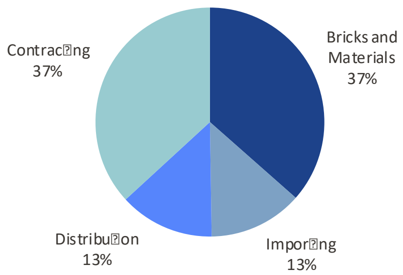
Date	Description
26-Nov-24	H1 results
22-Oct-24	H1 trading update
11-Sep-24	AGM

Source: Cavendish

FY25E revenue split:



FY25E EBITDA split:



Major shareholders

Name	%
Octopus Investments Nominees	15.9%
Alan Jonathan Simpson	11.0%
Liontrust Asset Management	9.9%
Paul Michael Hamilton	5.9%
Otus Capital Management	5.4%
Dexter Copeland	5.4%

Other information

Website: www.brickabilitygroupplc.com
Location of HQ: Bracknell RG12 1RB

Cavendish

Company Flash

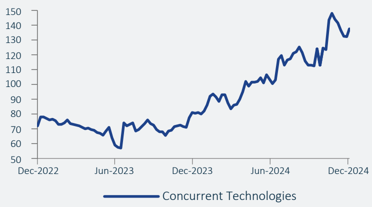
6 January 2025

Corp

Ticker	**CNC:AIM**
Tech Hardware & Equipment	
Shares in issue (m)	85.6
Next results	FY Apr
Price	**137.5p**
Target price	197.0p
Upside	43%
Market Cap	**£117.7m**
Net debt/(cash)	-£11.1m
Other EV adjustments	£0.0m
Enterprise value	£106.6m

What's changed?	From	To
Adjusted EPS	5.3	n/c
Target price	197.0	n/c

Share price performance



%	1M	3M	12M
Actual	-3.2	20.6	69.8

Company description

Design and manufacture of high-end embedded computer products and systems for critical applications

Ian McInally
Director of Research
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Sales desk 020 7220 0522

Trading desk 020 7220 0533

* denotes corporate client of Cavendish

Concurrent Technologies*

Strong growth momentum is just getting started

Concurrent Technologies had a very strong 1H24, with a record 1H revenue of £16.8m in the six months to end-June 2024, up 38.4% versus 1H23, and a 135% increase in PBT to £2.3m. Management's transformation of the business and successful growth strategy implementation has become increasingly evident. Increased R&D investment has led to an expanding product portfolio and a growing number of design wins have been building strong, long-term revenue growth momentum. Order intake in 1H24 was up 23% on 1H23 to £17.8m and the order backlog ended the period at £24.4m. The order book has been evolving to include a greater proportion of multi-period orders with an increase in scheduled and customer project milestone orders. Custom products are also increasingly going through customer specific modifications, helping secure additional non-recoverable engineering (NRE) revenue and positioning the business well competitively versus larger competitors. Concurrent's flexibility and ability to improve potential time to market for customers are significant competitive advantages. We believe Concurrent is now demonstrably on a path towards becoming a materially larger business in coming periods. We maintain our 197p target price.

— **Defence industry tail winds.** Amid geopolitical tensions, the Defence industry is going through a period of expansion. Governments around the world are investing in national security and new technologies are very much at the forefront. Concurrent, with over 80% of group revenue generated from the Defence sector is well placed to benefit from this trend.

— **We expect Concurrent to perform well in 2025.** During FY23 Concurrent concluded 8 major design wins with customers, adding a further 8 in 1H24. This strong 1H24 momentum continued in 2H24 with a healthy pipeline of opportunities across both Products and Systems. These wins include the largest contract win to date, secured in June 2024, worth $4.5m, with a major US Defence Prime and subsequently expanded to $6m in 2H24. The largest ever Systems order ($3.7m) was also recently secured in November 2024, after which a further $3.3m product order was secured from an existing US Defence prime customer in December 2024.

— **Valuation upside potential.** We expect to see design wins from FY23 starting to enter production from late FY25, with activity levels increasing substantially in FY26E and FY27E. Management anticipates a very active period of shipments for the business towards during the second half of the current year, especially 4Q24E. As revenue increases, we expect to see an operational gearing effect improve profit margins. We believe risks to our current forecasts are firmly on the upside, with Concurrent on the path towards becoming a materially larger business. At the current level, our current 197p target price implies a c50% upside.

— **Where could we be wrong?** The areas we are most cognisant of not over estimating performance are in forecasting the operating cost base as the business expands and the timing of revenues from large design wins. Government budget approval processes can also extend order intake beyond expectations. This has driven our conservative approach to forecasts through to FY27E.

Key estimates		2023A	2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	£m	31.7	36.0	40.0	46.9	55.0
Adj EBITDA	£m	6.0	7.1	8.1	10.2	12.3
Adj EBIT	£m	3.7	4.7	5.4	7.2	8.8
Adj PBT	£m	3.7	4.7	5.5	7.3	8.9
Adj EPS	p	5.0	5.3	6.1	7.2	8.4
DPS	p	1.0	1.1	1.3	1.5	1.8
Key valuation metrics						
EV/sales	x	3.4	3.0	2.7	2.3	1.9
EV/EBIT (adj)	x	28.7	22.7	19.8	14.9	12.2
P/E (adj)	x	27.6	26.1	22.7	19.0	16.4
Dividend yield	%	0.7%	0.8%	0.9%	1.1%	1.3%
Free cash yield	%	1.7%	3.2%	6.1%	3.6%	5.2%

Income statement		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Sales	£m	36.0	40.0	46.9	55.0
Gross profit	£m	18.6	20.0	23.0	26.8
EBITDA (adjusted)	£m	7.1	8.1	10.2	12.3
EBIT (adjusted)	**£m**	**4.7**	**5.4**	**7.2**	**8.8**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	0.1	0.1	0.1	0.1
PBT (adjusted)	**£m**	**4.7**	**5.5**	**7.3**	**8.9**
Total adjustments	£m	0.0	0.0	0.0	0.0
PBT (stated)	£m	4.7	5.5	7.3	8.9
Tax charge	£m	0.0	0.0	-0.7	-1.3
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	4.7	5.5	6.5	7.6
Adjusted earnings	**£m**	**4.7**	**5.5**	**6.5**	**7.6**
Shares in issue (year end)	m	85.6	85.6	85.6	85.6
EPS (stated)	p	5.5	6.4	7.6	8.8
EPS (adjusted, fully diluted)	**p**	**5.3**	**6.1**	**7.2**	**8.4**
DPS	**p**	**1.1**	**1.3**	**1.5**	**1.8**

Growth analysis		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	13.8%	11.1%	17.3%	17.2%
EBITDA growth	%	17.6%	14.6%	25.7%	19.8%
EBIT growth	%	26.3%	14.6%	32.9%	22.4%
PBT growth	%	28.3%	15.0%	32.9%	22.7%
EPS growth	%	5.7%	15.0%	19.6%	15.9%
DPS growth	%	10.0%	13.6%	20.0%	16.7%

Profitability analysis		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	51.5%	50.0%	49.0%	48.7%
EBITDA margin	%	19.7%	20.3%	21.8%	22.3%
EBIT margin	%	13.0%	13.5%	15.2%	15.9%
PBT margin	%	13.2%	13.6%	15.5%	16.2%
Net margin	%	13.2%	13.6%	13.9%	13.7%

Valuation analysis		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	15.0	13.1	10.4	8.7
EV/EBIT	x	22.7	19.8	14.9	12.2
P/E	x	26.1	22.7	19.0	16.4

Cash flow		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
EBITDA	£m	7.1	8.1	10.2	12.3
Net change in working capital	£m	1.4	4.0	-0.2	0.8
Other operating items	£m	0.3	0.3	0.3	0.3
Cash flow from op. activities	**£m**	**8.8**	**12.3**	**10.3**	**13.3**
Cash interest	£m	0.0	0.0	0.0	0.0
Cash tax	£m	0.0	0.0	-0.7	-1.3
Capex	£m	-0.7	-0.6	-0.7	-0.8
Other items	£m	-4.3	-4.6	-4.6	-5.1
Free cash flow	**£m**	**3.7**	**7.1**	**4.3**	**6.1**
Acquisitions / disposals	£m	0.0	0.0	0.0	0.0
Dividends	£m	-0.9	-1.0	-1.1	-1.4
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	0.1	0.1	0.1	0.1
Net change in cash flow	**£m**	**2.9**	**6.2**	**3.2**	**4.9**
Opening net cash (debt)	£m	11.1	14.0	20.3	23.5
Closing net cash (debt)	**£m**	**14.0**	**20.3**	**23.5**	**28.4**

Cash flow analysis		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	123.3%	151.7%	100.9%	108.8%
Cash conv'n (FCF / EBITDA)	%	52.8%	87.8%	41.9%	49.6%
U/lying FCF (capex = depn)	£m	2.1	5.0	1.9	3.4
Cash quality (u/l FCF / adj earn)	%	43.5%	91.5%	29.4%	44.9%
Investment rate (capex / depn)	x	1.0	0.8	0.9	0.8
Interest cash cover	x	n/m	n/m	n/m	n/m
Dividend cash cover	x	4.2	7.2	3.7	4.5

Working capital analysis		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	20.3%	8.4%	7.5%	4.9%
Net working capital / sales	days	74	31	28	18
Inventory (days)	days	96	96	88	83
Receivables (days)	days	88	65	60	55
Payables (days)	days	110	130	120	120

Balance sheet		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	£m	2.5	2.3	2.2	2.0
Goodwill & other intangibles	£m	16.5	19.1	21.4	24.0
Other non current assets	£m	0.0	0.0	0.0	0.0
Net working capital	£m	7.3	3.4	3.5	2.7
Other assets	£m	1.5	1.5	1.5	1.5
Other liabilities	£m	-2.9	-3.2	-3.4	-3.7
Gross cash & cash equivs	£m	14.0	20.3	23.5	28.4
Capital employed	**£m**	**38.9**	**43.4**	**48.7**	**55.0**
Gross debt	£m	0.0	0.0	0.0	0.0
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	38.9	43.4	48.7	55.0
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**38.9**	**43.4**	**48.7**	**55.0**

Leverage analysis		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	no debt	no debt	no debt	no debt
Net debt / EBITDA	x	no debt	no debt	no debt	no debt
Liabilities / capital employed	%	0.0%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2024E	2025E	2026E	2027E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	12.2%	12.6%	13.4%	13.8%
RoCE (EBIT basis, pre-tax)	%	12.1%	12.4%	14.7%	15.9%
RoCE (u/lying FCF basis)	%	5.3%	11.5%	3.9%	6.2%
NAV per share	p	45.4	50.6	56.9	64.2
NTA per share	p	26.2	28.3	31.9	36.1

Concurrent Technologies – investment case

- Concurrent Technologies has been successfully establishing a track record for excellence in relation to design-in wins, particularly within the Defence sector often in competition with much larger companies. Historically, Concurrent's revenue has been dominated by the development and sale of Commercial Off the Shelf (COTs) single board computers (SBCs) (also known as plug-in cards (PICs), or boards). Order intake was generally fulfilled in the year orders were received, with exceptions mainly around period ends. The successful implementation of the management's strategy within the business over the past three years has seen the sales pipeline and order intake evolving and spreading over much longer time frames. Total pipeline opportunities are now over £1bn.
- Design-in wins represent a substantial investment in both time and activity (usually larger and more strategic new business winning activity) and increasingly, as described earlier, involve the product R&D team. Management categorises a major design-in win as one expected to produce at least £1m revenue per annum over the lifetime of the customer programme. Accordingly, once such a design-in win is achieved, there is an expectation that there will be multiple years of repeat orders for the relevant product. During 1H24, eight major design-in wins were secured, equal to the number achieved throughout FY23. Along with the major design-in wins, numerous smaller ones were also secured. Management aims to increase the number of design-in wins each year and the impact of layering these multiple design-in wins, year after year, on future revenue is clear.
- The evolving commercial model of the business has also seen a substantial move towards the tailoring of standard COTS boards which can be integrated into whole systems, with Concurrent able to support the whole integration of products into customer product programmes.
- Within the Systems division Phillips Aerospace, acquired just over a year ago, has been merged with the non-US Systems business activities and is performing well. A move to a new facility in LA has taken place and important hires made. Although still at an early stage, the Systems division has started to see increased activity levels, with the most significant Systems order to date, announced in November 2024 and worth over $3.7m, secured against competition with well-established and large sector participants. The rugged systems supplied as part of this new contract will be used in next-generation armoured vehicle demonstrators. These systems could be used to evaluate and operate new technology solutions such as AI applications and autonomous vehicle software. The delivery of Concurrent's finished systems to the customer is due to commence in 2025.
- Our forecasts for growth within the Systems division are very conservative, and we note that the recent $3.7m Systems order, announced in November 2024, is larger than our current £2.9m revenue expectations for the Systems division in FY25E. The Systems division can grow very substantially within a huge end-market. Whilst SBC products may sell for several thousands of pounds, the revenue from a whole system solution could get into hundreds of thousands of pounds and incorporate several individual Concurrent products.
- FY23 was a previously record revenue and profit year for Concurrent and saw a step-change in product launches and improved timing of products to market. 1H24 saw this growth momentum continue, with record first half revenue and profitability achieved. Concurrent has made substantial progress in the past three years, though we firmly believe the business is just at the beginning of a long-term growth phase. We believe that Concurrent is firmly on the path towards becoming a materially larger business.

Valuation

- With revenues growing, Concurrent should increasingly benefit from an operational gearing effect, despite increasing investment in expanding the Systems division and planning for increasing manufacturing capacity within the Products division. This effect is evident throughout our forecast period, with our estimated revenue growth producing a 14.8% CAGR and a 19.5% EBITDA CAGR and 26.5% PBT CAGR, strong growth rates despite our conservative approach to forecasts in future years, particularly out as far as FY27E.
- We compare the valuation of Concurrent to a group of broadly comparable companies, with the most comparable generally having a much larger market value. Despite the larger size of some the more direct comparable companies, none have the expected levels of growth of Concurrent. The main comparable companies are AMETEK Inc, Mercury Systems Inc and Curtis Wright Corp, all in the US. Given the timing proximity to FY24, applying the average Yr2 EV/EBITA multiple to Concurrent with a c10% discount, the implied share price is 197p (c50% upside from current levels).
- At 197p, the FY25E P/E would be 30.9x, a c6% discount to the immediate peer group average P/E of AEMETEK, Mercury Systems and Curtis Wright. We believe this is justifiable given the scale of long-term revenue growth ahead, with increasing profit margins.

Concurrent Technologies – company overview

CNC at a glance

Company activities & operations

Concurrent is world leading developer and manufacturer of high-end embedded plug-in cards and systems for use in a wide range of high-performance, long-life cycle applications within the telecommunications, defence, security, telemetry, scientific and aerospace markets, including applications within extremely harsh environments.

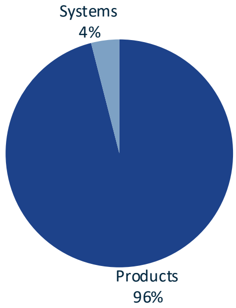
Company strategy

Concurrent has been transformed over the past three years, significantly increasing the number of new products and improing the timing of availblity of products to the market. Increasing the number of design wins delivers long-term revenue visibility. Growth in the provision of whole systems will increase the scale of business activity substantially over time, leading to increase product sales and taking Concurrent futther up the customer value chain.

Key products/services

Product	Description
Single board computers (SBCs)	Designs and manufactures high-end embedded SBCs for critical applications, including ruggedisation and all adhering to open standards.
System level solutions	Growing Systems division providing solutions, from design to manufacture, for the most demanding military and industrial environments.

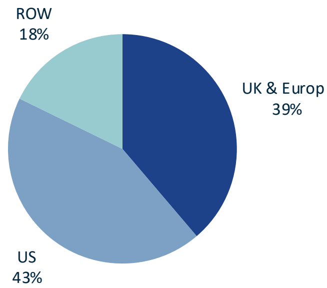
FY24E revenues split:



Management & Board

Name	Description
Miles Adcock (CEO)	Joined in June 2021. Previously at Teledyne Technologies, QinetiQ, BAE Systems and GEC Marconi.
Kim Garrod (CFO)	Joined in May 2022. previously at QinetiQ, Defence Research Agency.
Kim GarrBrent Salgat (CRO)	Joined 2008, Diretcor May 2020. Previously SBS Technologies and GE Intelligent Platforms.
Mark Cubitt (NE Chair)	Joined March 2020 as NED, Chair June 2020. Previously CFO Wolfson, Babtie Group.
Nat Edington (NED)	
Issy Urquhart (NED)	

FY24E revenue by geography split:



Company's stated objectives

Timing	Description
Short term	Increase product portfolio and maintain leading market timing. Grow customer design wins.
Medium term	Significantly expand the scale of the Systems business activities, particulalry in the US.
Long term	Continue to build the company into materially larger organisation with increasing market share.

Share price drivers

Probability	Description
High	Further product portfolio expansion, continued growth in design wins and building US Systems.
Medium	Successful larger-scale M&A opportunities.
Low	Systems division organically overtakes scale of Products division within current forecast period.

Major shareholders

Name	
Premier Miton	13.0%
Lombard Odier	9.2%
Canaccord	7.8%
City Asset Management	3.3%
Hawksmoor	1.1%
Herald	1.0%

Upcoming events

Date	Description
Jan-25	FY24 trading update
Apr-25	FY24 prelim results

Recent corporate action

Date	Description
01-Aug-23	Acquisition of Phillips Aerospace in the US and £6.8m placing and retail offer.

Other information

Website: www.concurrent.tech
Location of HQ: Colchester

Source: Cavendish

6 January 2025

Buy

Ticker	EBQ:AIM
Media	
Shares in issue (m)	140.5
Next results	FY Apr
Price	20.5p
Target price	78.0p
Upside	280%
Market Cap	£28.8m
Net debt/(cash)	£16.7m
Other EV adjustments	£0.0m
Enterprise value	£45.5m

What's changed?	From	To
Adjusted EPS	-	2.8
Target price	-	78.0

Share price performance

%	1M	3M	12M
Actual	-8.9	-8.9	-37.9

Company description

World leader in media investment analysis.

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* denotes corporate client of Cavendish

Ebiquity*

Beginning an epic journey of reinvigorated growth

Ebiquity is primed to capitalise on the dynamic and rapidly expanding digital media market. Under new leadership, we believe it will prioritise high quality earnings by optimising the business model to grow market share in underpenetrated regions such as North America and benefit from a cyclical recovery in marketing spend. On an FY25E EV/EBITDA of just 3.7x versus data management peers on 10.1x, it looks remarkably undervalued and a prime candidate to more than double shareholder value over the next 12-months.

— **What are the underlying industry dynamics?** There are several industry-related factors that provide tailwinds to Ebiquity. The first is the rapid speed at which the media-market has developed and will continue to do so. This leads to a plethora of advertising opportunities and a highly complex media landscape to navigate. The more complex the landscape becomes, the greater demand there is for Ebiquity's services. The complexity and dynamism are particularly prevalent within digital media which is also the market that is forecast to experience the fastest growth of c.10% p.a. until 2032 to over $1.5trn. The US market in particular remains significantly underpenetrated by Ebiquity and will provide a significant opportunity for expanding market share with digital media solutions.

— **Why is Ebiquity going to perform well in 2025?** We believe Ebiquity is at the start of a new epic journey of reinvigoration and growth. The new CEO, Ruben Schreurs, has an extraordinary track record of identifying industry trends, innovating scalable digital products, and delivering profitable growth. He founded Digital Decisions, acquired by Ebiquity in 2020, and grew operating profits manyfold over several years. We believe there are several improvements that can be made to optimise the business model. Internally, a greater focus on sales culture through increased variable compensation incentives will help drive top-line growth and longer-term reduce the highly fixed cost base. Further, the cost base could be made more flexible using contractors given seasonal and cyclical demand dynamics. Seasonal pricing could be introduced to encourage demand in quieter periods and achieve higher margins in busier times.

— **Why do we think the shares are cheap?** Under the new management and strategy, we see much greater focus on earnings quality and cash conversion. As these improve, net debt will reduce, as will the loan margin and with interest rates forecast to fall further, there will be a triple benefit to profitability. Leverage remains modest (1.5x FY24E net debt/adj EBITDA) and well within debt covenants, meaning a return to growth would shift the focus to the enhanced returns leverage delivers to equity holders. On an FY25E EV/EBITDA of just 3.7x versus data management peers on 10.1x, it looks remarkably undervalued and a prime candidate to more than double shareholder value over the next 12-months.

— **Where could we be wrong?** There is execution risk in adapting the business model and aligning the organisation onto the correct course. Overly optimistic guidance can overshadow an effective turnaround, but we are confident management have reset to realistic expectations with potential for upgrades.

Key estimates		2021A	2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	£m	63.1	75.1	80.2	77.5	80.4
Adj EBITDA	£m	8.8	13.3	15.5	11.0	12.4
Adj EBIT	£m	4.7	9.2	12.0	7.6	9.0
Adj PBT	£m	4.1	7.9	9.7	5.6	7.1
Adj EPS	p	2.6	4.4	5.3	2.8	3.5
DPS	p	0.0	0.0	0.0	0.0	0.0
Key valuation metrics						
EV/sales	x	0.7	0.6	0.6	0.6	0.6
EV/EBIT (adj)	x	9.6	4.9	3.8	6.0	5.1
P/E (adj)	x	7.7	4.6	3.8	7.3	5.9
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	19.3%	-6.7%	-9.5%	-16.0%	13.9%

Income statement		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Sales	£m	75.1	80.2	77.5	80.4
Gross profit	£m	68.8	72.8	69.8	72.3
EBITDA (adjusted)	£m	13.3	15.5	11.0	12.4
EBIT (adjusted)	**£m**	**9.2**	**12.0**	**7.6**	**9.0**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-1.3	-2.3	-2.0	-1.9
PBT (adjusted)	**£m**	**7.9**	**9.7**	**5.6**	**7.1**
Total adjustments	£m	-15.2	-12.3	-6.2	-4.7
PBT (stated)	£m	-7.2	-2.6	-0.6	2.4
Tax charge	£m	-0.3	-1.7	-0.8	-1.6
Minorities/Disc ops	£m	-0.0	-0.1	0.0	0.0
Reported earnings	£m	-7.5	-4.3	-1.4	0.8
Adjusted earnings	**£m**	**5.8**	**7.1**	**4.0**	**5.0**
Shares in issue (year end)	m	111.4	140.4	140.5	140.5
EPS (stated)	p	-6.9	-3.4	-1.0	0.5
EPS (adjusted, fully diluted)	**p**	**4.4**	**5.3**	**2.8**	**3.5**
DPS	**p**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	19.0%	6.8%	-3.4%	3.7%
EBITDA growth	%	51.3%	17.1%	-29.3%	12.6%
EBIT growth	%	94.7%	30.3%	-36.7%	18.3%
PBT growth	%	93.2%	22.4%	-42.3%	26.2%
EPS growth	%	67.4%	20.3%	-47.3%	24.0%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	91.6%	90.8%	90.0%	90.0%
EBITDA margin	%	17.7%	19.4%	14.2%	15.4%
EBIT margin	%	12.3%	15.0%	9.8%	11.2%
PBT margin	%	10.6%	12.1%	7.2%	8.8%
Net margin	%	7.8%	8.8%	5.1%	6.2%

Valuation analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	3.4	2.9	4.1	3.7
EV/EBIT	x	4.9	3.8	6.0	5.1
P/E	x	4.6	3.8	7.3	5.9

Cash flow		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
EBITDA	£m	13.3	15.5	11.0	12.4
Net change in working capital	£m	-7.0	0.4	-4.5	0.5
Other operating items	£m	-2.5	-10.9	-2.5	-1.0
Cash flow from op. activities	**£m**	**3.8**	**5.1**	**4.0**	**11.9**
Cash interest	£m	-0.8	-1.7	-2.0	-1.9
Cash tax	£m	-1.9	-1.6	-2.0	-1.6
Capex	£m	-0.4	-1.9	-2.0	-1.8
Other items	£m	-2.6	-2.5	-2.6	-2.6
Free cash flow	**£m**	**-1.9**	**-2.7**	**-4.6**	**4.0**
Acquisitions / disposals	£m	-17.0	0.4	0.0	-3.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	14.4	0.0	0.0	0.0
Other	£m	-0.3	0.0	-0.2	0.0
Net change in cash flow	**£m**	**-4.9**	**-2.3**	**-4.8**	**1.0**
Opening net cash (debt)	£m	-4.8	-8.9	-12.0	-16.7
Closing net cash (debt)	**£m**	**-8.9**	**-12.0**	**-16.7**	**-15.7**

Cash flow analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	28.4%	32.7%	36.4%	96.0%
Cash conv'n (FCF / EBITDA)	%	-14.5%	-17.5%	-41.8%	32.3%
U/lying FCF (capex = depn)	£m	-5.5	-4.3	-6.0	2.4
Cash quality (u/l FCF / adj earn)	%	-94.9%	-60.9%	-150.9%	46.9%
Investment rate (capex / depn)	x	0.2	0.9	1.1	1.0
Interest cash cover	x	4.9	3.0	2.0	6.2
Dividend cash cover	x	n/a	n/a	n/a	n/m

Working capital analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	30.4%	25.2%	32.4%	30.7%
Net working capital / sales	days	111	92	118	112
Inventory (days)	days	0	0	0	0
Receivables (days)	days	162	136	155	138
Payables (days)	days	51	44	37	26

Balance sheet		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	£m	1.3	0.9	1.1	0.9
Goodwill & other intangibles	£m	55.9	49.2	45.8	42.5
Other non current assets	£m	5.5	4.3	6.4	7.6
Net working capital	£m	22.8	20.2	25.1	24.6
Other assets	£m	0.8	0.7	0.7	0.7
Other liabilities	£m	-41.2	-21.7	-21.6	-17.8
Gross cash & cash equivs	£m	12.4	10.0	6.8	6.8
Capital employed	**£m**	**57.5**	**63.7**	**64.3**	**65.3**
Gross debt	£m	21.2	22.0	23.5	22.5
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	36.0	41.3	40.5	42.5
Minorities	£m	0.3	0.4	0.4	0.4
Capital employed	**£m**	**57.5**	**63.7**	**64.3**	**65.3**

Leverage analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	24.7%	29.0%	41.3%	37.0%
Net debt / EBITDA	x	0.7	0.8	1.5	1.3
Liabilities / capital employed	%	36.9%	34.6%	36.5%	34.4%

Capital efficiency & intrinsic value		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	16.2%	17.1%	9.8%	11.8%
RoCE (EBIT basis, pre-tax)	%	16.0%	18.9%	11.8%	13.8%
RoCE (u/lying FCF basis)	%	-9.6%	-6.8%	-9.3%	3.6%
NAV per share	p	32.3	29.4	28.8	30.2
NTA per share	p	-17.9	-5.6	-3.8	-0.0

Ebiquity – investment case

Market-leading position

Ebiquity is the market-leading provider of media investment analysis, with $100bn of media investment and contract value analysed annually. It provides an unmatched breadth and depth of service offering meaning there are numerous entry points to first engage with clients to provide cross-selling opportunities for its other integrated solutions. This leads to sticky long-term client relationships with high repeatability of revenues. Increasing numbers of advertisers include performance incentives in their marketing agency compensation and require comparisons to third-party benchmarks measured by the likes of Ebiquity. Ebiquity's inclusion in contracts helps elevate its leading brand presence and increase relationship stickiness.

Blue-chip clients

Ebiquity's has over 75 of the world's largest 100 advertisers as clients, demonstrating the quality of the work carried out and how well-respected the brand is. One of the key parts of the current strategy is to develop relationships at the most senior levels of the organisations (CEO/CFO/CMO) to help drive interaction across more services and jurisdictions.

Figure 12: Client Roster

Source: Company data

Geographical expansion

The Group currently has c.40% its revenue coming from its home UK market as well as c.30% in Continental Europe. These are relatively mature markets that currently help fund the expansion into the larger, faster growing markets of North America and Asia. For example, Asia represents just c.10% of Ebiquity's revenue, but over 30% of global ad spend and has a media market that is growing 2-3x faster than the rest of the world. There are also an increasing number of local Asian companies that have reached such a scale that now want to expand globally, which requires large marketing expenditure outlays.

Product innovation

New innovative products are designed to be highly scalable and automated to help facilitate both revenue growth and operating margins. Recent product development includes a focus on ad-supported TV streaming, influencer marketing, retail media and CO2 emissions from marketing, in keeping with the evolution of demands on Ebiquity's customers. As the service offering expands, so does the ability to cross-sell and upsell, which in turn increases Ebiquity's proprietary data and competitive moat.

Valuation

Ebiquity's peer group is composed of UK small cap data management and analytics companies given it derives its value from its proprietary data and then uses it to produce actionable insights to improve customers' efficiency. It trades at a deeply discounted FY25E multiple of 3.7x versus its peers on 10.1x. Our 12-month price target of 78p is derived from a rerating in-line with peers, representing nearly 300% upside.

Figure 13: Valuation in context

		Current valuation		Target valuation	
		FY24E	FY25E	FY24E	FY25E
Market cap	£m	28.8	28.8	109.6	109.6
Net cash (debt) ex. leases	£m	-16.7	-15.7	-16.7	-15.7
Rolling EV	£m	45.5	44.5	126.3	125.3
EV/Sales	x	0.6x	0.6x	1.6x	1.6x
Adj EV/EBITDA	x	4.1x	3.7x	11.5x	10.1x
Adj EV/EBIT	x	6.0x	5.0x	16.6x	13.9x
Adj P/E	x	7.3x	5.9x	27.8x	22.4x

Source: Cavendish estimates

Ebiquity – company overview

EBQ at a glance

Company activities & operations

Ebiquity is the world leader in media investment analysis, scrutinising the marketing and media expenditure of advertisers to identify how their spend could be optimised. Ebiquity's unmatched scale sees it servicing over 75 of the world's largest advertisers (including Unilever, Amazon, Loreal and GM) and has access to a proprietary data pool covering $100bn of annual media investment and contract value. It is a data analytics and management company which provides intelligence to the marketing and media buying industry.

Company strategy

The strategy is to prioritise high quality earnings growth through expanding its range and distribution of innovative media investment analysis products. Cash conversion will be improved through optimisation of the cost base for example making it more flexible through the use of more contractors to align cost with seasonal revenue peaks.

Key Services

Service Line	Description
Media Performance	Improve transparency, governance, efficiency and accountability of media investments. Analyses Return on Investment (ROI) on media expenditure.
Marketing Effectiveness	Analyses how to make media investments to optimise business outcomes and increase ROI.
Media Management	Provides advice on agency selection and best practices for partnering with agencies.
Contract Compliance	Focuses on auditing of marketing agencies to ensure terms of agreements have been met, and returning value to advertisers where this has not been the case.

Management & Board

Name	Description
Rob Woodward	Non-Executive Chairman
Ruben Schreurs	CEO
Brian Porritt	Interim CFO
Lara Izlan	NED
Richard Nichols	NED
Sue Farr	NED
Dorcas Murray	Company Secretary

Company's stated objectives

Timing	Description
Short term	Relaunch growth strategy and communicate strategy to stakeholders. Closely manage working capital to reduce net debt.
Medium term	Execute on plan for new products, geographic expansion and automated delivery platform.
Long term	Become a globally dominant diversified media investment analysis firm generating high quality earnings.

Share price drivers

Probability	Description
High	Reduction in net debt and leverage ratios.
Medium	Beating newly reset forecasts through organic earnings growth.
Low	Third party takeover bid for Ebiquity.

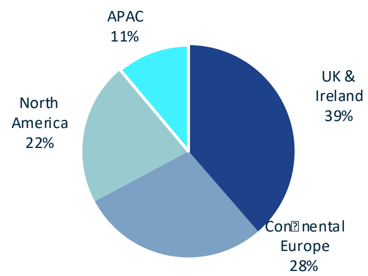
Upcoming events

Date	Description
Mar-25	FY24E Trading Update
May-25	FY24E Annual Results
May-25	AGM Statement

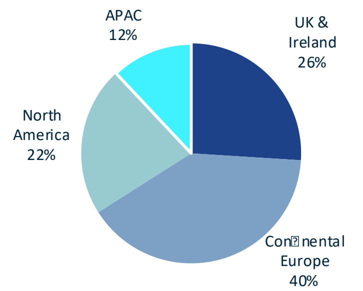
Recent corporate action

Date	Description
Mar-22	£15m equity fundraise to buy Media Path and Media Management Inc.

1H24A revenues split:



1H24A operating profit split:



Major shareholders

Name	
Canaccord	15.1%
BGF	14.0%
FIL Investment	10.1%
Artemis	8.1%
Ruben Schreurs	7.0%
Cosimo Capital	6.4%
Franklin Templeton	4.1%

Other information
Website: www.ebiquity.com
Location of HQ: London

Source: Cavendish

Cavendish

Company Flash

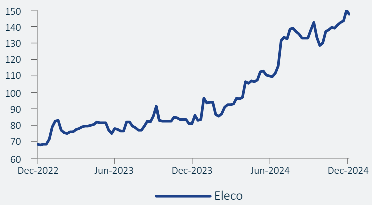
6 January 2025

Corp

Ticker	ELCO:AIM
Software & Computer Services	
Shares in issue (m)	82.4
Next results	FY Apr
Price	147.5p
Target price	200.0p
Upside	36%
Market Cap	£121.5m
Net debt/(cash)	-£12.0m
Other EV adjustments	£0.0m
Enterprise value	£109.5m

What's changed?	From	To
Adjusted EPS	4.6	n/c
Target price	200.0	n/c

Share price performance



%	1M	3M	12M
Actual	5.4	8.5	76.6

Company description

Eleco's SaaS-focused solutions enable the construction and maintenance of buildings and structures.

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* denotes corporate client of Cavendish

Eleco*

Building from a robust foundation

Eleco is focused on scaling its portfolio of best-of-breed Software as a Service (SaaS) solutions for the construction and maintenance of buildings and structures. The company's customer-centric focus has led to the development of trusted solutions for a diverse customer base in verticals from construction to public-sector healthcare, manufacturing, and retail, and the global operations are focused on the UK, Scandinavia, Germany, and the US. The c$11bn global construction and design software market offers ample opportunity to expand with new and existing customers, where Eleco differentiates due to extensive experience developing solutions for the built environment, strong customer relationships, and an excellent reputation, as highlighted by winning Project Management Software of the Year for the 11th consecutive year at the Construction Computing Awards. The successful SaaS migration has driven recurring revenue to over 70% of group, and as revenue scales from new customer wins, upselling, and cross-selling, we expect the c90% gross margin and strong operational gearing will drive robust growth in EBITDA, EFCF, and shareholder returns.

— **What are the underlying industry dynamics?** The building lifecycle software market is expected to deliver high single- to mid- double-digit growth in the medium term, as a diverse range of customers scale their adoption of digital solutions to enhance productivity and cost efficiency, and comply with increasingly demanding regulations. Across its main markets, Eleco works with c90% of the top 100 general contractors in the UK, c80% of Sweden's top 50 construction companies, and c20% of the top 400 ENR general contractors in the US. Where market shares are high, there is ample opportunity to cross-sell and upsell the group's expanding range of complementary solutions, while in markets such as the US, management is selectively investing to achieve scale.

— **Why is Eleco going to perform well in 2025?** Following a robust 1H24, Eleco has already achieved over 50% of FY24E revenue, +27% yoy EBITDA growth in 1H vs +7% yoy for 2H24E, and +£3.0m of 1H EFCF vs FY24E EFCF of +£3.1m. We expect Eleco will at least deliver our FY24E forecasts, could deliver upside to our FY25E-FY26E forecasts from a robust pipeline, and could benefit from attractive M&A opportunities, after the successful acquisitions of BestOutcome and Vertical Digital in 2023 and 2024, and the KKR acquisition of IQGeo in 2024 at 15x FY23 EV/ARR and 48x FY23 EV/EBITDA.

— **Why do we think the shares are cheap?** On our conservative forecasts, Eleco is trading on 12-month forward multiples of 3x EV/Sales with +15% growth, 13x EV/EBITDA with +21% growth, and 3% EFCF yield, which compares to the Architecture, Engineering, Construction, and Operations (AECO) software peer group trading on 8x EV/Sales with +11% growth, 26x EV/EBITDA with +13% growth, and 3% EFCF yield, and an active AECO software M&A market where transactions have typically taken place at 4-27x EV/Sales in the past 4 years.

— **Where could we be wrong?** A loss of customers could affect growth, but we believe this is unlikely, as innovative product launches and net revenue retention of 108% highlight that the differentiated solutions are successfully expanding with existing customers, alongside winning new customers.

Key estimates		2022A	2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	£m	26.6	28.0	32.3	37.2	44.1
Adj EBITDA	£m	5.4	6.1	7.0	8.5	9.9
Adj EBIT	£m	3.7	4.1	4.8	6.2	7.6
Adj PBT	£m	3.6	4.2	4.8	6.3	7.7
Adj EPS	p	3.4	3.9	4.6	6.0	7.3
DPS	p	1.3	0.8	0.9	1.0	1.1

Key valuation metrics						
EV/sales	x	4.1	3.9	3.4	2.9	2.5
EV/EBIT (adj)	x	29.7	26.4	22.9	17.6	14.4
P/E (adj)	x	43.7	37.7	31.9	24.6	20.2
Dividend yield	%	0.9%	0.5%	0.6%	0.7%	0.7%
Free cash yield	%	2.6%	2.3%	2.5%	3.1%	3.8%

Income statement		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Sales	£m	28.0	32.3	37.2	44.1
Gross profit	£m	25.2	29.2	33.8	40.2
EBITDA (adjusted)	£m	6.1	7.0	8.5	9.9
EBIT (adjusted)	**£m**	**4.1**	**4.8**	**6.2**	**7.6**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	0.1	0.0	0.1	0.1
PBT (adjusted)	**£m**	**4.2**	**4.8**	**6.3**	**7.7**
Total adjustments	£m	-0.8	-1.4	-1.3	-1.3
PBT (stated)	£m	3.4	3.5	5.0	6.4
Tax charge	£m	-0.8	-0.7	-1.0	-1.3
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	2.7	2.7	3.9	5.0
Adjusted earnings	**£m**	**3.3**	**3.9**	**5.0**	**6.1**
Shares in issue (year end)	m	82.3	82.4	82.5	82.7
EPS (stated)	p	3.2	3.3	4.7	6.0
EPS (adjusted, fully diluted)	**p**	**3.9**	**4.6**	**6.0**	**7.3**
DPS	**p**	**0.8**	**0.9**	**1.0**	**1.1**

Growth analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	5.4%	15.4%	15.2%	18.4%
EBITDA growth	%	12.5%	15.8%	20.8%	16.7%
EBIT growth	%	12.6%	15.4%	29.8%	22.7%
PBT growth	%	15.5%	14.4%	30.5%	22.3%
EPS growth	%	15.9%	18.4%	29.8%	21.6%
DPS growth	%	-37.5%	12.5%	11.1%	10.0%

Profitability analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	89.8%	90.4%	90.7%	91.1%
EBITDA margin	%	21.7%	21.8%	22.8%	22.5%
EBIT margin	%	14.8%	14.8%	16.7%	17.3%
PBT margin	%	15.0%	14.9%	16.9%	17.4%
Net margin	%	11.7%	12.0%	13.5%	13.9%

Valuation analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	18.0	15.6	12.9	11.0
EV/EBIT	x	26.4	22.9	17.6	14.4
P/E	x	37.7	31.9	24.6	20.2

Cash flow		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
EBITDA	£m	6.1	7.0	8.5	9.9
Net change in working capital	£m	0.6	0.0	0.0	0.0
Other operating items	£m	-0.3	-0.1	0.0	0.0
Cash flow from op. activities	**£m**	**6.4**	**6.9**	**8.5**	**9.9**
Cash interest	£m	0.1	-0.0	0.0	0.0
Cash tax	£m	-0.5	-0.9	-1.2	-1.5
Capex	£m	-2.5	-2.3	-2.9	-3.2
Other items	£m	-0.6	-0.6	-0.6	-0.6
Free cash flow	**£m**	**2.8**	**3.1**	**3.8**	**4.6**
Acquisitions / disposals	£m	-3.3	-1.3	-0.6	-0.1
Dividends	£m	-1.1	-0.7	-0.8	-0.8
Shares issued	£m	0.0	0.1	0.1	0.1
Other	£m	-0.1	0.2	-0.0	-0.1
Net change in cash flow	**£m**	**-1.6**	**1.4**	**2.5**	**3.7**
Opening net cash (debt)	£m	12.5	10.9	12.3	14.8
Closing net cash (debt)	**£m**	**10.9**	**12.3**	**14.8**	**18.5**

Cash flow analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	105.3%	98.7%	100.0%	100.0%
Cash conv'n (FCF / EBITDA)	%	46.8%	43.8%	45.0%	46.6%
U/lying FCF (capex = depn)	£m	3.4	3.2	4.4	5.5
Cash quality (u/l FCF / adj earn)	%	104.9%	81.8%	87.7%	89.7%
Investment rate (capex / depn)	x	4.0	4.1	5.9	6.3
Interest cash cover	x	n/a	231.4	n/a	n/a
Dividend cash cover	x	2.6	4.4	5.0	5.5

Working capital analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	11.6%	10.1%	9.6%	11.4%
Net working capital / sales	days	42	37	35	42
Inventory (days)	days	1	2	2	2
Receivables (days)	days	66	56	56	56
Payables (days)	days	25	21	23	16

Balance sheet		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	£m	2.0	1.9	4.5	4.4
Goodwill & other intangibles	£m	27.5	27.9	27.4	27.3
Other non current assets	£m	0.1	0.3	0.3	0.3
Net working capital	£m	3.2	3.3	3.6	5.0
Other assets	£m	0.2	0.7	0.7	0.8
Other liabilities	£m	-15.3	-15.4	-15.0	-16.2
Gross cash & cash equivs	£m	10.9	12.3	14.8	18.5
Capital employed	**£m**	**28.8**	**30.9**	**36.3**	**40.2**
Gross debt	£m	1.5	1.1	3.0	2.4
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	27.4	29.8	33.3	37.8
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**28.8**	**30.9**	**36.3**	**40.2**

Leverage analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	net cash	net cash	net cash	net cash
Liabilities / capital employed	%	5.1%	3.4%	8.1%	5.9%

Capital efficiency & intrinsic value		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	12.0%	13.0%	15.1%	16.2%
RoCE (EBIT basis, pre-tax)	%	14.4%	15.5%	17.1%	19.0%
RoCE (u/lying FCF basis)	%	11.9%	10.3%	12.2%	13.7%
NAV per share	p	33.2	36.2	40.4	45.8
NTA per share	p	-0.2	2.4	7.2	12.7

Eleco – investment case

Solutions and technology

— Eleco provides specialised software solutions to companies that construct, operate, and maintain buildings and facilities.

— The company's successful SaaS transition has driven recurring revenue to 74% of group revenue in 1H24 from 56% in FY21, with customers typically paying upfront for annual rolling contracts.

— The company's customer-centric focus has led to the development of trusted solutions for a diverse customer base, from industries including construction, food retail, general retail, healthcare, law enforcement, telecoms, energy, and hospitality.

— To provide a scalable and secure service for customers, the solutions are cloud-based in Azure, and in FY23, Eleco achieved ISO 27001 certification, which recognises that the IT systems meet or exceed industry standards for information security and data protection. The launch of Asta Vision Live in July 2024 fully demonstrates Eleco's cloud-based capabilities, with the solution enabling multiple project planners and stakeholders to work simultaneously on a project in an encrypted, cloud-based environment.

— Following a focus on developing the AI roadmap in FY23, AstaGPT was released in March 2024, and was shortlisted for the Innovation of the Year at the Digital Construction Awards 2024 in July, as the solution has successfully enhanced customer experience, retention, and employee utilisation.

Total addressable market and market share

— The global construction and design software market is expected to scale from $1.9bn for Construction Project Management software, $3.4bn for Maintenance and Facility Management software, and c$6bn more broadly for Building Information Modelling (BIM) software solutions covering the building lifecycle, based on FMI research. Across each category, growth rates are expected to be high single- to mid double-digit in the medium term, as customers scale their adoption of digital solutions to enhance productivity and cost efficiency, and comply with increasingly demanding regulation.

— Within each geography and for each solution, Eleco typically faces different competitors, with some situations facing 1-2 large, unspecialised incumbents, while others face fragmented, country-specific competition.

— For Asta (c40% of group revenue), Eleco typically faces the industry-agnostic Microsoft Projects and Oracle's P6. In these cases, Asta differentiates due to its specialised and extensive functionality, and can often be used in addition to a customer's existing Microsoft solutions.

— Across its main markets, Eleco works with: c90% of the UK top 100 general contractors, 6 of the top 10 UK retailers, and 9 of the top 50 UK manufacturers; c80% of Sweden's top 50 construction companies; c70% of European floor manufacturers; and c20% of the top 400 ENR general contractors in the US.

— Where market shares are high within a market, there is ample opportunity to cross-sell and upsell the group's expanding range of complementary solutions, while in markets such as the US, management is selectively investing to achieve scale.

Structural position

— Eleco benefits from a robust structural position, with proprietary software, strong customer relationships, an excellent reputation, and a highly scalable cloud-based platform.

— As Eleco continues to scale organically and inorganically, we expect new customer wins, upselling, and cross-selling will drive robust revenue growth, with strong operational gearing through to adjusted EBITDA and EFCF.

Valuation

— Eleco's Tech 40 and Next 50 peer group is trading on 12-month forward multiples of 2x EV/Sales with +8% Sales growth, 12x EV/EBITDA with +14% EBITDA growth, and 3% EFCF yield; and the Architecture, Engineering, Construction, and Operations (AECO) software peer group, which benefits from economies of scale with a median market cap of c£12.6bn, is trading on 8x EV/Sales with +11% Sales growth, 26x EV/EBITDA with +13% EBITDA growth, and 3% EFCF yield.

— Eleco is operating in an active M&A market for AECO software, where transactions have typically taken place at 4-27x EV/Sales in the past 4 years, with buyers including private equity and global software peers scaling their capabilities and reach.

— We value Eleco at 200p based on 4x FY25E EV/Sales or 18x FY25E EV/EBITDA, and Eleco is currently trading on 12-month forward EV/Sales of 3x with +15% NTM Sales growth, 13x EV/EBITDA with +21% EBITDA growth, 3% EFCF yield, and 1% dividend yield.

Eleco – company overview

ELCO at a glance

Company activities & operations

Eleco provides specialised software solutions to companies that construct, operate, and maintain buildings and facilities. The company's customer-centric focus has led to the development of trusted solutions for a diverse customer base in verticals from construction to public-sector healthcare, manufacturing, and retail, and the global operations are focused on the UK, Scandinavia, Germany, and the US. To provide a scalable and secure service for customers, the solutions are cloud-based in Azure, and Eleco has achieved ISO 27001 certification.

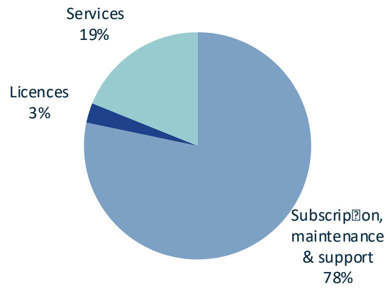
Company strategy

Eleco's strategy is to build on its established position as a trusted and innovative partner for its international customers and the wider built environment through a combination of organic and inorganic growth. Eleco is delivering its purpose through a well-governed, profitable and resilient operating business, which management refers to as the Growth Platform, and underpins the three strategic pillars, which are: Go-to-Market; Technology & Innovation; and M&A.

Key products/services

Product	Description
Subscription, maintenance & support	To generate subscription revenue, Eleco typically has master agreements with customers, which enable them to download and install up to a given number of users. The contracts are typically annual, rolling subscriptions, with customers tending to pay annually upfront.
Licences	Customers in some geographies and verticals prefer upfront licence payments.
Services	Implementation-related and training revenue, which drives adoption and long-term recurring revenue.

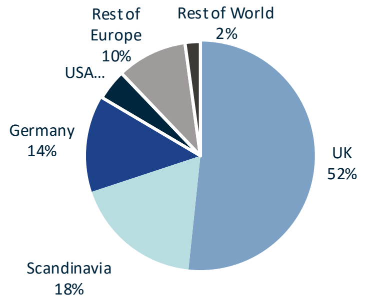
FY24E revenue split by type:



Management & Board

Name	Description
Jonathan Hunter	CEO
Neil Pritchard	CFO
Mark Castle	Non-Executive Chair
Dr Annette Nabavi	Non-Executive Director
Alyson Levett	Non-Executive Director
James Pellatt	Non-Executive Director

FY24E revenue split by geography:



Company's stated objectives

Timing	Description
Purpose	To solve the challenges of the built environment through digital transformation.
Mission	To provide best-of-breed software to companies in the built environment.
Vision	To create certainty for the built environment.
Strategy	To build on its established position as a trusted and innovative partner for its international customers and the wider built environment through a combination of organic and inorganic growth.

Share price drivers

Probability	Description
High	At least deliver FY24E forecasts at the FY24 trading update in January.
Medium	Acquisition and/or partnership opportunities to accelerate the product roadmap, and/or expand into complementary solutions and geographies to then drive cross-selling .
Medium	The launch of new solutions to drive cross-selling and enhance retention.
Medium	Further M&A in the AECO software market at valuations of over 4x EV/Sales.

Major shareholders

Name	%
H A Allen	14.3%
J H B Ketteley	10.7%
J D Lee	6.6%
Jupiter Asset Management	5.4%
Columbia Threadneedle Investments	5.1%
Tikvah Management	4.7%
Hargreaves Lansdown	4.4%

Upcoming events

Date	Description
Jan-25	FY24 trading update
Apr-25	FY24 results
Ongoing	Attractively valued acquistions and/or strategic partnerships, launch of new solutions

Recent corporate action

Date	Description
16-Apr-24	Acquisition of technical consulting firm Vertical Digital in April 2024 for up to €1.6m in cash.
27-Jun-23	Immediately accretive acquisition of project management software BestOutcome in June 2023 for an EV of up to £4.0m in cash.

Other information
Website: https://eleco.com/investor-relations
Location of HQ: London

Source: Cavendish

Cavendish

Company Flash

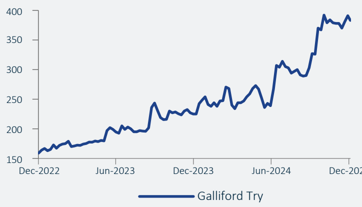
6 January 2025

Corp

Ticker	GFRD:MAIN
Building Materials & Construction	
Shares in issue (m)	100.3
Next results	H1 Mar
Price	383.0p
Target price	527.0p
Upside	38%
Market Cap	£384.3m
Net debt/(cash)	-£227.0m
Other EV adjustments	£238.4m
Enterprise value	£395.7m

What's changed?	From	To
Adjusted EPS	26.6	n/c
Target price	527.0	n/c

Share price performance



%	1M	3M	12M
Actual	1.1	27.7	69.5

Company description

Galliford Try is a major UK construction group, focused mainly on the public and regulated sectors.

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* denotes corporate client of Cavendish

Galliford Try*

Tier 1 leadership to drive premium rating

Galliford Try is a UK construction group operating through Building, Infrastructure, and Investments divisions. The Group's strategy combines steady, low-risk growth in core markets with expansion into higher-margin adjacent sectors, targeting substantial profit growth by 2030. Achieving key milestones such as securing positions across all water companies' AMP8 frameworks, whilst maintaining disciplined risk management with 99% of its order book procured through lower-risk methods, underpins its 70% share price growth in 2024. We expect momentum to continue, with Galliford well-positioned to benefit from planned substantial UK infrastructure investments across public and regulated sectors, where demonstrating material margin expansion towards targets could drive further share price growth. Our 527p target price offers 38% upside to the current share price, with potential for further gains as the Group's strategy progresses.

— What are the underlying industry dynamics? The UK infrastructure sector faces an unprecedented confluence of demand and delivery challenges, with corporate failures at ISG and Carillion highlighting the pitfalls of aggressive growth strategies. The scale of available work, driven by critical requirements across ageing infrastructure networks, modernisation programmes and decarbonisation initiatives across myriad sectors, stands at historic highs and presents a substantial opportunity for contractors with strategies that effectively manage risk.

— Why is Galliford going to perform well in 2025? Galliford is the only Tier 1 contractor included on all Water companies' frameworks (54 in total), which we believe will drive strong Infrastructure revenue growth alongside expected Water sector spend doubling to c.£88bn in AMP8 from 2025. Labour's Affordable Homes focus, requiring supporting infrastructure, underpins opportunities across divisions. Multiple contract wins post FY24 provide additional momentum.

— Why do we think the shares are cheap? Ratings across Tier 1 contractors have halved on average in the past five years, reflecting losses from single-stage fixed price contracts following COVID-19 period input cost inflation. Despite strong sector-wide share price performance YTD, we believe ratings could return to historic peaks, with the market not fully pricing in the scale and long-term nature of opportunities, alongside the substantial improvement in order book quality across the Tier 1 contractors. Galliford's exposure to markets with urgent spending requirements, strong operating margins versus peers, and robust balance sheet supports potential expansion of its premium rating.

— Where could we be wrong? Successfully executing expansion into higher-margin adjacent markets represents the primary risk to achieving Galliford's 2030 targets, as margin progression and growth expectations depend on delivery in these segments. This risk is mitigated by the Group's established relationships, framework positions and diversification across sectors. Additionally, Budget pressures may delay certain infrastructure projects, particularly in Highways. However, we expect Infrastructure revenue to be driven by the Water sector, where required investment is more urgent than elsewhere, and spending is safeguarded by Government obligations to intervene if Water companies default.

Key estimates		2023A	2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun	Jun
Revenue	£m	1,393.7	1,772.8	1,802.6	1,833.2	1,970.7
Adj EBITDA	£m	38.6	49.8	52.1	56.7	64.2
Adj EBIT	£m	22.3	29.1	32.4	36.6	44.2
Adj PBT	£m	26.8	34.5	36.6	41.1	48.7
Adj EPS	p	21.1	24.8	26.6	30.4	35.9
DPS	p	22.5	15.5	16.0	18.2	21.6
Key valuation metrics						
EV/sales	x	0.3	0.2	0.2	0.2	0.2
EV/EBIT (adj)	x	17.7	13.6	12.2	10.8	9.0
P/E (adj)	x	18.2	15.4	14.4	12.6	10.7
Dividend yield	%	5.9%	4.0%	4.2%	4.8%	5.6%
Free cash yield	%	5.5%	10.0%	10.7%	9.0%	10.4%

Income statement		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Sales	£m	1,772.8	1,802.6	1,833.2	1,970.7
Gross profit	£m	131.4	133.4	135.7	145.8
EBITDA (adjusted)	£m	49.8	52.1	56.7	64.2
EBIT (adjusted)	**£m**	**29.1**	**32.4**	**36.6**	**44.2**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	5.4	4.2	4.5	4.5
PBT (adjusted)	**£m**	**34.5**	**36.6**	**41.1**	**48.7**
Total adjustments	£m	-3.6	-1.8	-1.8	-1.8
PBT (stated)	£m	30.9	34.8	39.3	46.9
Tax charge	£m	5.3	-8.7	-9.8	-11.7
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	36.2	26.1	29.5	35.2
Adjusted earnings	**£m**	**25.9**	**27.5**	**30.8**	**36.5**
Shares in issue (year end)	m	100.3	97.3	97.3	0.0
EPS (stated)	p	36.2	26.4	30.3	36.1
EPS (adjusted, fully diluted)	**p**	**24.8**	**26.6**	**30.4**	**35.9**
DPS	**p**	**15.5**	**16.0**	**18.2**	**21.6**

Cash flow		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
EBITDA	£m	49.8	52.1	56.7	64.2
Net change in working capital	£m	0.8	3.0	2.8	2.4
Other operating items	£m	3.3	0.0	0.0	0.0
Cash flow from op. activities	**£m**	**53.9**	**55.1**	**59.5**	**66.7**
Cash interest	£m	2.8	4.2	4.5	4.5
Cash tax	£m	-0.5	0.9	-9.8	-11.7
Capex	£m	-1.0	-3.3	-3.3	-3.4
Other items	£m	-16.7	-15.8	-16.2	-16.2
Free cash flow	**£m**	**38.5**	**41.0**	**34.6**	**39.8**
Acquisitions / disposals	£m	-1.7	0.0	0.0	0.0
Dividends	£m	-24.2	-16.0	-16.3	-18.6
Shares issued	£m	-7.2	-10.0	-2.0	-2.0
Other	£m	1.4	0.0	0.0	0.0
Net change in cash flow	**£m**	**6.8**	**15.1**	**16.3**	**19.2**
Opening net cash (debt)	£m	220.2	227.0	242.1	258.4
Closing net cash (debt)	**£m**	**227.0**	**242.1**	**258.4**	**277.6**

Balance sheet		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Tangible fixed assets	£m	56.7	56.2	55.7	55.3
Goodwill & other intangibles	£m	97.9	97.9	97.9	97.9
Other non current assets	£m	56.8	56.8	56.8	56.8
Net working capital	£m	-238.4	-241.4	-244.2	-246.7
Other assets	£m	11.6	2.0	2.0	2.0
Other liabilities	£m	-89.2	-89.2	-89.2	-89.2
Gross cash & cash equivs	£m	227.0	242.1	258.4	277.6
Capital employed	**£m**	**122.4**	**124.4**	**137.4**	**153.7**
Gross debt	£m	0.0	0.0	0.0	0.0
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	122.4	124.4	137.4	153.7
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**122.4**	**124.4**	**137.4**	**153.7**

Growth analysis		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Sales growth	%	27.2%	1.7%	1.7%	7.5%
EBITDA growth	%	28.9%	4.7%	8.8%	13.2%
EBIT growth	%	30.5%	11.5%	12.9%	20.6%
PBT growth	%	28.7%	6.2%	12.2%	18.3%
EPS growth	%	17.7%	7.5%	13.9%	18.3%
DPS growth	%	-31.1%	3.1%	13.9%	18.3%

Profitability analysis		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Gross margin	%	7.4%	7.4%	7.4%	7.4%
EBITDA margin	%	2.8%	2.9%	3.1%	3.3%
EBIT margin	%	1.6%	1.8%	2.0%	2.2%
PBT margin	%	1.9%	2.0%	2.2%	2.5%
Net margin	%	1.5%	1.5%	1.7%	1.9%

Valuation analysis		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
EV/EBITDA	x	8.0	7.6	7.0	6.2
EV/EBIT	x	13.6	12.2	10.8	9.0
P/E	x	15.4	14.4	12.6	10.7

Cash flow analysis		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Cash conv'n (op cash / EBITDA)	%	108.2%	105.8%	105.0%	103.8%
Cash conv'n (FCF / EBITDA)	%	77.3%	78.8%	61.1%	62.0%
U/lying FCF (capex = depn)	£m	18.8	24.7	17.9	23.2
Cash quality (u/l FCF / adj earn)	%	72.7%	89.9%	58.0%	63.4%
Investment rate (capex / depn)	x	0.1	0.2	0.2	0.2
Interest cash cover	x	n/a	n/a	n/a	n/a
Dividend cash cover	x	1.6	2.6	2.1	2.1

Working capital analysis		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Net working capital / sales	%	-13.4%	-13.4%	-13.3%	-12.5%
Net working capital / sales	days	-49	-49	-49	-46
Inventory (days)	days	0	0	0	0
Receivables (days)	days	76	76	76	76
Payables (days)	days	125	125	125	122

Leverage analysis		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Net debt / equity	%	no debt	no debt	no debt	no debt
Net debt / EBITDA	x	no debt	no debt	no debt	no debt
Liabilities / capital employed	%	0.0%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2024A	2025E	2026E	2027E
Year end:		Jun	Jun	Jun	Jun
Adjusted return on equity	%	21.1%	22.1%	22.5%	23.7%
RoCE (EBIT basis, pre-tax)	%	23.8%	26.1%	26.7%	28.7%
RoCE (u/lying FCF basis)	%	15.4%	19.9%	13.0%	15.1%
NAV per share	p	122.0	127.8	141.1	n/m
NTA per share	p	24.4	27.2	40.5	n/m

Galliford Try – investment case

We believe these five key points underpin Galliford's investment case:

- The group targets and consistently delivers strong revenue visibility, with over 90% of budgeted revenue secured for the following financial year against an 85% minimum target.
- Risk management centres on quality-focused contract selection, with 99% of the order book procured through lower-risk approaches including target cost plus margin or two-stage. This higher-quality order book supports working capital management, with 96% of invoices paid within 60 days to maintain strong supply chain relationships.
- New higher-margin revenue opportunities are emerging from sustainability and regulatory drivers in Environment, particularly through AMP8 in the UK Water market, with expected spend of £88bn versus £57bn in AMP7. The group is also re-entering the Affordable Homes market following a four-year exclusion period.
- The balance sheet demonstrates significant strength, with FY24 closing net cash of £227m, no debt and no pension liabilities. FY24 average month-end cash of £154.8m substantially exceeds industry peers.
- The dividend policy delivers double-digit annual growth in regular dividends with 1.5-1.9x cover. Management targets 1.8x cover through 2030, indicating strong dividend growth potential alongside earnings progression. Investment annuities cover 32% of dividends paid in FY24, excluding special dividend.

Valuation

Galliford's shares have outperformed peers, rising 70% in 2024 compared with the sector average of 43%, with particularly strong momentum following May's Capital Markets Day where management outlined its strategy through to 2030.

Our target price of 527p represents 38% upside potential from the current 383p share price. Our target is based on the group's 2030 strategic objectives, assuming EBIT delivery of £82.3m by 2030. Applying a peer-adjusted EV/EBIT multiple of 8.9x and discounting back at 10% annually generates the 527p target.

Figure 14: 2030 strategy drives target price

	2022	2023	2024	2025E	2026E	2027E	2030E
Sales	1,237	1,394	1,773	1,803	1,833	1,971	2,271
EBIT	**18.1**	**22.3**	**29.1**	**32.4**	**36.6**	**44.2**	**82.3**
EBIT margin	1.5%	1.6%	1.6%	1.8%	2.0%	2.2%	3.6%
Net cash/(debt)	218.9	220.2	227.0	242.1	258.4	277.6	413.2
Net working capital	(228.1)	(238.6)	(238.4)	(241.4)	(244.2)	(246.7)	(291.2)
Adj net cash/(debt)	**(9.2)**	**(18.4)**	**(11.4)**	**0.7**	**14.2**	**31.0**	**122.0**
Peer 2030 EV/EBIT (using adj EV)							**8.9**
Target adj EV in 2030							730.3
Adj net cash/(debt)							122.0
Market cap in 2030							852.3
Target share price in 2030							838.7
Annual discount rate							10%
Target share price (current)							**527**
Current price							383
Upside/(downside)							**38%**

Source: Cavendish estimates, Company data

For the current share price of 383p to reflect fair value, there would need to be, for example, a 5% discount to peers and a 16% discount rate – implying both a significant miss of the 2030 strategic targets and material peer outperformance. Given Galliford Try's track record of delivery under current management and continued progress evidenced in the FY24 results, we believe there is potential for a premium to peers to develop over time, suggesting further upside beyond the current 527p target price.

Figure 15: Target price sensitivity to changes in discount rates

		Premium/(Discount) to Peers				
		-5%	-3%	0%	3%	5%
Discount rate	**3%**	676	691	706	721	736
	6%	612	626	639	653	667
	8%	555	567	580	592	605
	10%	504	516	**527**	538	550
	12%	459	469	480	490	500
	14%	419	428	438	447	456
	16%	383	391	400	408	417

Source: Cavendish estimates

Galliford Try – company overview

GFRD at a glance

Company activities & operations

Galliford Try is a UK construction business, operating in Building, Construction and PPP Investments. Building operates across the UK designing, constructing and refurbishing assets, with Facilities Management providing life-cycle solutions (53% of FY24 revenue); Infrastructure carries out civil engineering projects across water, sewage and road sectors (46% of FY24 revenue); and Investments leads bid consortia, arranging finance for major projects via public-private partnerships (PPP), and is now focusing on the Private Rented Sector (0.8% of FY24 revenue).

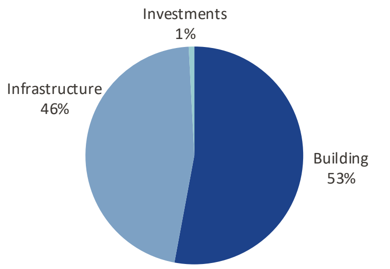
Company strategy

Management focuses on bottom-line performance and margin expansion over revenue growth, building a quality order book predominantly from repeat clients. Complementing stable revenue growth in core operations with expansion into higher-margin adjacent markets, including Specialist Services (Affordable Housing/Facilities Management (FM)) and Environmental solutions (Water Infrastructure), creates a clear pathway to material profit and FCF growth - key to its 2030 strategy.

Key products/services

Product	Description
Building	Revenue diversified over a high volume of smaller contracts, <£20m, in education (28%), defence (19%), custodial (14%), Facilities Management (14%) and health (4%). Will include Affordable Housing contracts.
Infrastructure	Large multi-year contracts, 99% of which are either two-stage, negotiated or cost-plus. Large share of revenue from Water, also has Highways revenue.
Investments	Generates interest income from private partnership and private rented sector investments.

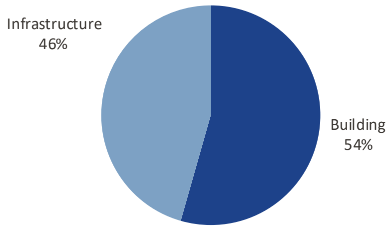
FY24 revenues split:



Management & Board

Name	Description
Alison Wood (NE Chair)	From 1 April 2022, experience includes management positions at BAE Systems and National Grid .
Bill Hocking (CEO)	Appointed CEO in Janauary 2020 after joining the company in 2015 as MD of Construction.
Kris Hampson (CFO)	Joined in Sept 2024, prior to which he held several finance roles at Rentokil Initial.
Sally Boyle (NED)	Joined as a non-exec in May 2022 and became Chair of the Group's Employee Forum on 1 June 2023.
Michael Topham (NED)	Appointed on 1 June 2023 and has been CEO of Biffa since 2018.
Kevin Boyd (NED)	Non-exec from 1 March 2024 and is also Chair of Genuit Group and Non-exec at Bodycote.

FY24 operating profit split:



Company's stated objectives

Timing	Description
Short term	Stable low-margin growth via core operations and expanding into higher margin adjacent markets.
Medium term	Adjacent market contracts start to materialise, driving faster top-line growth and margin expansion.
Long term	2030 targets: Revenue >£2.2bn (FY24: £1.8bn), divisional operating margin: 4.0% (FY24: 2.5%)

Share price drivers

Probability	Description
High	Smooth financial progression with limited exceptionals.
High	Demonstrati ng margin progression via adjacent margin execution.
Medium	Continued public investment in core markets, with limited/no delays to large infrastructure projects.

Major shareholders

Name	
Aberforth Partners	11.4%
J O Hambro Capital Management	8.3%
Premier Miton	7.4%
Hargreaves Landsdown	5.7%
Interactive Investor	4.8%
Columbia Threadneedle	4.4%

Upcoming events

Date	Description
Jan-25	1H25 trading update
Mar-25	1H25 results
Jul-25	FY25 trading update

Recent corporate action

Date	Description
03-Oct-24	£10m share buyback, deadline not announced.
21-Sep-23	£15m share buyback, completed in November 2023.
Since 2021	Made 4 acquisitions, contributing c.£124m to group revenue.

Other information

Website: www..gallifordtry.co.uk
Location of HQ: Cowley, Middlesex

Source: Cavendish

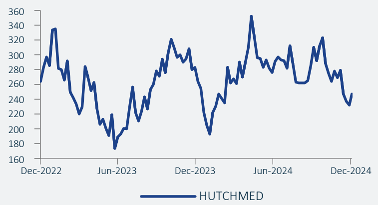
6 January 2025

Corp

Ticker	HCM:AIM
Pharmaceuticals & Biotechnology	
Shares in issue (m)	871.4
Next results	H1 Feb
Price	247.0p
Target price	539.0p
Upside	118%
Market Cap	£2,152.3m
Net debt/(cash)	-£582.1m
Other EV adjustments	£0.0m
Enterprise value	£1,570.2m

What's changed?	From	To
Adjusted EPS	-7.9	n/c
Target price	539.0	n/c

Share price performance



%	1M	3M	12M
Actual	-11.8	-19.3	-11.8

Company description

A China based biopharmaceutical company focused on the development & commercialisation of therapies for oncology and immunological diseases

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HUTCHMED*

Building a global, self-sustaining biopharma franchise

2024 marked a landmark year for HUTCHMED, with the headline story being the commercial success experienced by the company's first US-launched product, Fruzaqla. Fruzaqla is now on track to achieve global sales in excess of $250m in its first full year on the market, and we anticipate this sales momentum to continue as Takeda advances its global rollout. We believe there is plenty more for investors to look forward to in 2025 including (i) the anticipated commercial launch of sovleplenib in China which, in our view, represents a novel, best-in-class treatment for immune thrombocytopenia (ITP) capable of capturing meaningful share of a cUS$500-700m market opportunity, and (ii) FDA regulatory updates for AstraZeneca-partnered savolitinib in non-small cell lung cancer (NSCLC). Positive announcements in the latter would mark a significant step forward in HUTCHMED's bid to enter the US market with its second oncology product. 2025 is also expected to be when HUTCHMED becomes self-sustaining, although with a profitable 1H24 and the receipt of multiple Fruzaqla-linked milestone payments from Takeda in 2H, this goal may be achieved sooner than expected.

— **What are the underlying industry dynamics?** With biopharma emerging from one of the deepest bear cycles in recent memory, we believe investor optimism is beginning to return to healthcare markets. This sentiment is supported by declining global interest rates, the recovery of major pharma indices (XBI, NBI) from the 2023 lows, anticipated acceleration in pharma M&A activity as a necessary response to looming patent cliffs and a growing confidence in a more active IPO pipeline, all of which should provide strong tailwinds for the industry going into 2025.

— **Why is HUTCHMED going to perform well in 2025?** 2025 is set to be a potentially important year in the global savolitinib development story. We expect to hear further regulatory updates from the FDA regarding the Phase II SAVANNAH data which, if positive, may support a pathway for accelerated approval. AstraZeneca's 3Q24 results communicated that the Phase III SAFFRON trial will readout in 2025 and we also expect to hear more detailed clinical results from HUTCHMED's Chinese Phase III SACHI study, which has already reported positive interim analysis data at the start of 2025. We also look forward to the China launch of ITP drug sovleplenib, which we view as a best-in-class product with a unique mechanism of action capable of capturing material share of the cUS$500-700m market.

— **Why do we think the shares are cheap?** HUTCHMED is currently trading at a significant discount to its 10-year historic average FY1 EV/Sales multiple (2.7x vs 10.7x) which we believe is more reflective of the recent harsh conditions of the public biopharma environment and not truly representative of the growth potential of HUTCHMED's existing and future products.

— **Where could we be wrong?** HUTCHMED is susceptible to the same clinical risks that all participants in the biopharma industry are exposed to, and regulatory approval outcomes can be inherently uncertain. Whilst China sentiment may have also been weighed down in recent months from both a geopolitical (US election) and industry standpoint (AstraZeneca fraud probe), we believe that HUTCHMED remains relatively detached from such issues and they should not detract from our underlying long-term investment thesis.

Key estimates		2021A	2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	$m	356.1	426.4	838.0	663.8	790.9
Adj EBITDA	$m	-321.1	-399.0	26.6	-124.6	-34.5
Adj EBIT	$m	-328.3	-407.7	18.4	-134.4	-46.2
Adj PBT	$m	-339.5	-412.3	45.4	-112.9	-30.8
Adj EPS	c	-40.2	-42.8	10.1	-7.9	1.5
DPS	c	0.0	0.0	0.0	0.0	0.0

Key valuation metrics						
EV/sales	x	5.5	4.6	2.3	2.9	2.5
EV/EBIT (adj)	x	-5.9	-4.8	105.8	-14.5	-42.1
P/E (adj)	x	-7.6	-7.1	30.3	-38.6	201.6
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-8.3%	-11.5%	7.0%	-3.3%	-2.5%

Income statement		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Sales	$m	426.4	838.0	663.8	790.9
Gross profit	$m	115.3	453.6	244.8	335.6
EBITDA (adjusted)	$m	-399.0	26.6	-124.6	-34.5
EBIT (adjusted)	**$m**	**-407.7**	**18.4**	**-134.4**	**-46.2**
Associates/other	$m	-13.5	-8.4	0.0	0.0
Net interest	$m	8.9	35.4	21.5	15.3
PBT (adjusted)	**$m**	**-412.3**	**45.4**	**-112.9**	**-30.8**
Total adjustments	$m	0.0	0.0	0.0	0.0
PBT (stated)	$m	-412.3	45.4	-112.9	-30.8
Tax charge	$m	0.3	-4.5	-4.6	-4.7
Minorities/Disc ops	$m	49.3	47.0	47.9	48.9
Reported earnings	$m	-362.7	87.8	-69.6	13.3
Adjusted earnings	**$m**	**-362.7**	**87.8**	**-69.6**	**13.3**
Shares in issue (year end)	m	727.7	871.3	871.3	871.3
EPS (stated)	c	-42.8	10.3	-8.2	1.6
EPS (adjusted, fully diluted)	**c**	**-42.8**	**10.1**	**-7.9**	**1.5**
DPS	**c**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	19.7%	96.5%	-20.8%	19.1%
EBITDA growth	%	-24.3%	106.7%	-568.7%	72.3%
EBIT growth	%	-24.2%	104.5%	-831.5%	65.7%
PBT growth	%	-21.4%	111.0%	-349.0%	72.7%
EPS growth	%	-6.6%	123.6%	-178.4%	119.1%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	27.0%	54.1%	36.9%	42.4%
EBITDA margin	%	-93.6%	3.2%	-18.8%	-4.4%
EBIT margin	%	-95.6%	2.2%	-20.2%	-5.8%
PBT margin	%	-96.7%	5.4%	-17.0%	-3.9%
Net margin	%	-85.1%	10.5%	-10.5%	1.7%

Valuation analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	-4.9	73.1	-15.6	-56.3
EV/EBIT	x	-4.8	105.8	-14.5	-42.1
P/E	x	-7.1	30.3	-38.6	201.6

Cash flow		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
EBITDA	$m	-399.0	26.6	-124.6	-34.5
Net change in working capital	$m	58.7	71.1	-26.4	-87.4
Other operating items	$m	71.7	121.5	93.1	84.3
Cash flow from op. activities	**$m**	**-268.6**	**219.3**	**-57.9**	**-37.7**
Cash interest	$m	0.0	0.0	0.0	0.0
Cash tax	$m	0.0	0.0	0.0	0.0
Capex	$m	-36.7	-32.6	-30.0	-30.0
Other items	$m	0.0	0.0	0.0	0.0
Free cash flow	**$m**	**-305.3**	**186.6**	**-87.9**	**-67.7**
Acquisitions / disposals	$m	0.0	0.0	0.0	0.0
Dividends	$m	0.0	0.0	0.0	0.0
Shares issued	$m	0.2	5.1	0.0	0.0
Other	$m	-66.8	2.4	0.0	0.0
Net change in cash flow	**$m**	**-371.9**	**194.1**	**-87.9**	**-67.7**
Opening net cash (debt)	$m	984.8	612.9	807.0	719.1
Closing net cash (debt)	**$m**	**612.9**	**807.0**	**719.1**	**651.4**

Cash flow analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	n/m	824.8%	n/m	n/m
Cash conv'n (FCF / EBITDA)	%	76.5%	702.2%	70.6%	196.1%
U/lying FCF (capex = depn)	$m	-277.3	211.1	-67.7	-49.3
Cash quality (u/l FCF / adj earn)	%	76.5%	240.3%	97.3%	-370.2%
Investment rate (capex / depn)	x	4.2	4.0	3.1	2.6
Interest cash cover	x	n/a	n/m	n/a	n/a
Dividend cash cover	x	n/a	n/m	n/a	n/a

Working capital analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	19.6%	15.6%	16.1%	16.2%
Net working capital / sales	days	72	57	59	59
Inventory (days)	days	49	22	30	29
Receivables (days)	days	84	51	64	63
Payables (days)	days	61	16	35	33

Balance sheet		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	$m	75.9	99.7	119.9	138.3
Goodwill & other intangibles	$m	0.0	0.0	0.0	0.0
Other non current assets	$m	113.6	83.2	90.0	98.6
Net working capital	$m	83.6	130.8	107.1	127.8
Other assets	$m	54.2	43.4	43.4	43.4
Other liabilities	$m	-303.4	-420.7	-370.6	-303.9
Gross cash & cash equivs	$m	631.0	886.3	767.3	699.6
Capital employed	**$m**	**655.0**	**822.7**	**757.0**	**803.7**
Gross debt	$m	18.1	79.3	48.2	48.2
Net pension liability	$m	0.0	0.0	0.0	0.0
Shareholders equity	$m	610.4	730.5	696.0	742.7
Minorities	$m	26.5	12.8	12.8	12.8
Capital employed	**$m**	**655.0**	**822.7**	**757.0**	**803.7**

Leverage analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	n/a	net cash	n/a	n/a
Liabilities / capital employed	%	2.8%	9.6%	6.4%	6.0%

Capital efficiency & intrinsic value		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	-59.4%	12.0%	-10.0%	1.8%
RoCE (EBIT basis, pre-tax)	%	-62.2%	2.2%	-17.8%	-5.7%
RoCE (u/lying FCF basis)	%	-42.3%	25.7%	-8.9%	-6.1%
NAV per share	c	83.9	83.8	79.9	85.2
NTA per share	c	83.9	83.8	79.9	85.2

HUTCHMED – investment case

The key foundations of our underlying investment thesis for HUTCHMED are:

— **HUTCHMED is a revenue-growing biopharmaceutical company**, with its pharmaceutical products experiencing strong commercial traction in both China and the US.

— **HUTCHMED is expected to become a self-sustaining, profitable business by 2025, at the latest.**

— **HUTCHMED has established strategic partnerships with some of the world's largest pharmaceutical companies** including Takeda, AstraZeneca and Eli Lilly.

— **HUTCHMED has a significant pipeline of 14 drug candidates involved in c40 active clinical studies**, 16 of which are in Phase III registrational or Phase II registration-intent studies, providing multiple shots on goal and helping derisk the company's equity thesis.

In our view, potential near-term value drivers for the HUTCHMED investment case include:

(i) Increasing market penetration of Fruzaqla

— The pace of uptake of Fruzaqla in the US has exceeded 2024 expectations and annual sales of >$250m are on track in the drug's first full year on the market.

— According to IQVIA, in the US, Fruzaqla is already one of the most prescribed therapies in 4L+ mCRC (29% share) and is continuing to see strong uptake in 3L (10% share). We believe Fruzaqla benefits from a more favourable clinical profile compared with competitor late line treatments, giving us confidence that we'll see further increases in this market share.

— Additionally, with Fruzaqla having now received nine regulatory approvals in less than one year, we do not anticipate any decline in near-term commercial momentum and for sales to continue to grow significantly in 2025.

(ii) Crystallisation of the savolitinib global clinical development story

— Whilst we have already acknowledged the value of savolitinib in the 2L NSCLC MET aberration patient setting, our enthusiasm for the asset has been further elevated following the clinically meaningful response rates recently reported (Oct. 2024) from the Phase II SAVANNAH study.

— We expect AstraZeneca to leverage the SAVANNAH data to support discussions with the FDA which could potentially serve as a basis for a potential accelerated approval, a pathway that can expedite market entry by c1-3 years.

— The savolitinib data package could be further strengthened by results from the confirmatory Phase III SAFFRON study. AstraZeneca expects the trial to readout in 2H25 which, if positive, could mark a significant share price catalyst for investor attention.

— HUTCHMED estimates the overall market opportunity for savolitinib in NSCLC to range between $1.6–$2.3bn with the Chinese market representing $850m-$1.2bn and the global market (incl. US) valued at $750m-$1.1bn. Entry to the Chinese market could potentially be supported by the HUTCHMED-sponsored Phase III SACHI study which, at the start of 2025, has reported positive data at interim analysis and an NDA has now been accepted with priority review from the Chinese regulators.

(iii) The China launch of sovleplenib and international progression

— We eagerly anticipate sovleplenib's commercial launch in China in 2025 as a second-line treatment for ITP, a setting which is estimated to provide a cUS$500-700m market opportunity in China alone.

— HUTCHMED has also initiated an international Phase I/II dose finding study and, as data begins to appear from the trial, we believe it will likely open up global developmental partnership opportunities.

— In our view, sovleplenib represents a best-in-class treatment in 2L ITP with a highly competitive clinical profile which, caveating cross trial comparison, has demonstrated more durable responses than those reported from Sanofi's recent Phase III LUNA 3 trial investigating rilzabrutinib, a drug acquired by Sanofi in a $3.6bn acquisition of Principa Biopharma in 2020.

Valuation

— The stock is currently trading on an FY24E EV/Sales multiple of 2.7x, which is at a discount to peers on 7.4x.

Figure 16: Comparable valuations

Company	Price	EV	MCap*	EV/Sales (x)	
	HK$	HK$bn	HK$bn	FY1	FY2
HUTCHMED (China)	23.1	14.2	20.4	2.7x	2.2x
BeiGene	107.8	159.3	172.3	5.5x	4.4x
Innovent Biologics	35.5	55.0	60.8	6.3x	4.8x
Akeso Biopharma	58.6	78.0	81.6	28.8x	18.8x
RemeGen	13.5	15.1	13.4	8.4x	5.9x
Sichuan Kelun-Biotech Biopharmaceutical	167.5	31.6	34.5	15.9x	17.1x
			Median	7.4x	5.4x

Source: Cavendish, FactSet * Fully diluted market cap

HUTCHMED – company overview

HCM at a glance

Company activities & operations

HUTCHMED is a China-based, revenue-generating biopharmaceutical company with core operations centred around the expansion of its differentiated portfolio of innovative oncology and immunology products, targeting disease areas with significant unmet medical need.

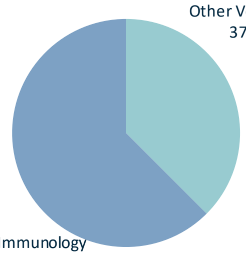
Company strategy

Having launched its first wave of products, the company is strategically positioned to execute on its growth strategy in both domestic and US markets, leveraging strategic partners to support the global (ex-China) development and commercialisation of new drugs.

Key products/services

Product	Description
Fruzaqla (US) / Elunate (China)	Later-line (3L/4L) treatment for metastatic colorectal cancer.
Orpathys (China)	Treatment for MET exon14 skipping non-small cell lung cancer.
Sulanda (China)	Marketed for the treatment of advanced neuroendocrine tumours.
Sovleplenib	Late-stage immunology pipeline asset for treatment of the bleeding disorder immune thrombocytopenia (ITP)

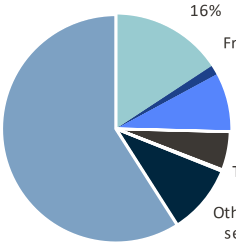
FY23 revenues split by division:



Management & Board

Name	Description
Dr Dan Eldar	Chairman and Non-Executive Director
Dr Wei Guo Su	CEO, Executive Director & Chief Scientific Officer
Mr Johnny Cheng	Chief Financial Officer & Executive Director
Ms Ling Yang	Non Executive Director
Ms Edith Shih	Non Executive Director & Company Secretary

FY23 revenues split by product/service:



Company's stated objectives

Timing	Description
Short term	Establish a self-sustaining business.
Medium term	Expand commercial footprint in domestic and international markets.
Long term	Become a leader in the discovery, development and commercialisation of new medicines.

Share price drivers

Probability	Description
High	Detailed clinical data from Phase III SACHI study to be presented at scientific conference.
Medium	AstraZeneca's US NDA filing for savolitinib.
Medium	FDA accelerated approval for savolitinib.
Medium	Announcement of international development partner for sovleplenib.
Medium	Readout from Phase III SAFFRON trial.

Major shareholders

Name	%
CK Hutchison Holdings Limited	38.2%
M&G Plc	5.0%
CA Fern Parent	3.5%

Upcoming events

Date	Description
Feb-24	Full-year results to December 2024.
Jul-24	Interims to June 2025.

Recent corporate action

Date	Description

Other information

Website: www.hutch-med.com
Location of HQ: Hong Kong

Source: Cavendish

Cavendish

Company Flash

6 January 2025

Corp

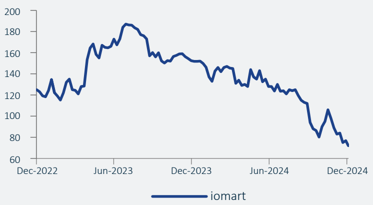
Ticker	IOM:AIM
Software & Computer Services	
Shares in issue (m)	112.7
Next results	FY Jun

Price	72.0p
Target price	240.0p
Upside	233%

Market Cap	£81.1m
Net debt/(cash)	£86.8m
Other EV adjustments	£0.0m
Enterprise value	£167.9m

What's changed?	From	To
Adjusted EPS	7.6	n/c
Target price	240.0	n/c

Share price performance



%	1M	3M	12M
Actual	-19.5	-31.4	-53.5

Company description

Private, public and hybrid cloud, and related services

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* denotes corporate client of Cavendish

iomart

Old iomart, new iomart

iomart has trundled through the past few years, with pedestrian organic growth if any, and an increase in churn from a long tail of one particular product set (self-managed infrastructure) as it struggled to broaden and update the relevance of its historic product set. A few more small bolt-ons were not going to be sufficient hereon in. Nevertheless, M&A has always had a part to play in delivery of IOM's strategy, and this year the group has fully grasped the public-cloud nettle through the acquisition of a high-quality, Microsoft-focused public cloud services provider. Atech was acquired for £57m in a competitive bid process, on a valuation which raised some eyebrows, and yet only equates to the Cavendish Tech 40 Index multiples for EV/Sales and adj EV/EBIT; and introduces 128 Microsoft credentials and a very strong UK presence and referenceability. Our point is that on a sum-of-the-parts basis, it doesn't add up – with Atech's LTM performance valued at market multiples and giving an unchallenging 1.7x EV/sales and 13.9x EV/Adj EBIT, that leaves old IOM on 0.7x FY26 EV/sales, 5.9x EV/Adj EBIT. Even if you're not managed services, or iomart's, biggest fan, a correction is due.

— What are the underlying industry dynamics? Cloud services tend to be delineated as either public or private, or combined as hybrid. Enterprises want a choice of solutions to provide current and future needs, and to include eg storage of data (where private cloud is cheaper) or active flexibility (where public cloud is cheaper). Efficiency and pre-prepared solutions for multiple user-needs are also welcome by customers who prefer a single provider, to consult, deploy and manage all relevant services.

— Why is iomart going to perform well in 2025? Having been apparently written off by the market, the worst iomart shareholders can do is stand still and watch as the transfer of enterprise value from debt to equity benefits shareholders with the free cash flow delivering as expected. Any hint of delivery in line, or outperformance, should create obvious upside. Having now disclosed Atech's LTM performance at acquisition, we note the adj EBIT to September was already above the forecast uplift for FY26, such was its growth since June alone. Although £3.3m adj EBITDA rising to £4.1m adj EBITDA is small beer in the context of £38m at group level, the contribution will only grow – and the track record back to 2022 makes it clear EBITDA is stuck in a rut from which it is struggling to grow.

— Why do we think the shares are cheap? iomart is out of favour after several years in the wilderness, and a change in CEO. Chair in 2022 and CEO since 2023, Lucy Dimes will not be allowed the benefit of hope value due to iomart's history – but with proof of execution it should be apparent that the combination has given life to the old business, new products to existing customers, and new capabilities with which to harvest new customers.

— Where could we be wrong? iomart was my top pick in 2007 – it took longer to grow from 44p than I expected, but management enjoyed a placing at 275p in 2013, 525% later. While cynics would suggest that the old business can still throw some negative surprises at us, forecasts do not set a high bar (-3% organic for FY25!), and the customer base is waiting to be upsold.

Key estimates		2022A	2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	103.0	115.6	127.0	143.0	165.0
Adj EBITDA	£m	38.0	36.2	37.7	37.6	40.8
Adj EBIT	£m	19.1	17.7	19.2	16.8	20.0
Adj PBT	£m	17.0	14.8	15.0	10.4	12.5
Adj EPS	p	12.0	10.9	9.8	7.6	8.3
DPS	p	6.0	5.4	4.9	3.8	4.2
Key valuation metrics						
EV/sales	x	1.6	1.5	1.3	1.2	1.0
EV/EBIT (adj)	x	8.8	9.5	8.7	10.0	8.4
P/E (adj)	x	6.0	6.6	7.3	9.5	8.7
Dividend yield	%	8.4%	7.5%	6.9%	5.3%	5.8%
Free cash yield	%	23.1%	19.7%	19.8%	11.2%	16.8%

Income statement		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	115.6	127.0	143.0	165.0
Gross profit	£m	63.6	69.6	77.6	89.1
EBITDA (adjusted)	£m	36.2	37.7	37.6	40.8
EBIT (adjusted)	**£m**	**17.7**	**19.2**	**16.8**	**20.0**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-2.9	-4.3	-6.4	-7.5
PBT (adjusted)	**£m**	**14.8**	**15.0**	**10.4**	**12.5**
Total adjustments	£m	-6.3	-6.2	-7.7	-4.7
PBT (stated)	£m	8.5	8.7	2.6	7.7
Tax charge	£m	-1.5	-2.3	-0.6	-1.9
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	7.0	6.4	2.0	5.8
Adjusted earnings	**£m**	**12.3**	**11.2**	**8.7**	**9.5**
Shares in issue (year end)	m	110.4	112.2	112.7	112.7
EPS (stated)	p	6.4	5.8	1.7	5.1
EPS (adjusted, fully diluted)	**p**	**10.9**	**9.8**	**7.6**	**8.3**
DPS	**p**	**5.4**	**4.9**	**3.8**	**4.2**

Growth analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	12.3%	9.9%	12.6%	15.4%
EBITDA growth	%	-4.9%	4.3%	-0.3%	8.5%
EBIT growth	%	-7.0%	8.5%	-13.0%	19.1%
PBT growth	%	-12.9%	0.9%	-30.8%	20.3%
EPS growth	%	-9.3%	-9.9%	-22.5%	9.1%
DPS growth	%	-10.3%	-8.5%	-22.9%	9.1%

Profitability analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	55.0%	54.8%	54.3%	54.0%
EBITDA margin	%	31.3%	29.7%	26.3%	24.7%
EBIT margin	%	15.3%	15.1%	11.7%	12.1%
PBT margin	%	12.8%	11.8%	7.2%	7.5%
Net margin	%	10.6%	8.8%	6.1%	5.7%

Valuation analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
EV/EBITDA	x	4.6	4.5	4.5	4.1
EV/EBIT	x	9.5	8.7	10.0	8.4
P/E	x	6.6	7.3	9.5	8.7

Cash flow		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	36.2	37.7	37.6	40.8
Net change in working capital	£m	-1.2	0.7	-1.0	0.1
Other operating items	£m				
Cash flow from op. activities	**£m**	**33.8**	**36.6**	**33.7**	**40.9**
Cash interest	£m	-2.1	-3.1	-5.6	-7.5
Cash tax	£m	0.0	-0.7	-1.1	-1.9
Capex	£m	-10.8	-11.8	-13.5	-13.5
Other items	£m	-4.9	-5.0	-4.4	-4.4
Free cash flow	**£m**	**16.0**	**16.0**	**9.1**	**13.6**
Acquisitions / disposals	£m	-10.3	-9.9	-59.1	0.0
Dividends	£m	-6.1	-6.1	-4.8	-4.4
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	-1.5	-3.7	0.0	0.0
Net change in cash flow	**£m**	**-1.9**	**-3.7**	**-54.8**	**9.2**
Opening net cash (debt)	£m	-18.7	-20.6	-24.2	-79.0
Closing net cash (debt)	**£m**	**-20.6**	**-24.2**	**-79.0**	**-69.9**

Cash flow analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	93.6%	97.1%	89.5%	100.2%
Cash conv'n (FCF / EBITDA)	%	44.2%	42.5%	24.2%	33.3%
U/lying FCF (capex = depn)	£m	8.4	9.4	1.8	6.2
Cash quality (u/l FCF / adj earn)	%	68.4%	83.4%	20.3%	66.0%
Investment rate (capex / depn)	x	0.7	0.8	0.9	0.9
Interest cash cover	x	15.7	11.9	6.0	5.5
Dividend cash cover	x	2.6	2.6	1.9	3.1

Working capital analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	-4.4%	-7.9%	-9.2%	-8.2%
Net working capital / sales	days	-16	-29	-33	-30
Inventory (days)	days	0	0	0	0
Receivables (days)	days	85	76	76	77
Payables (days)	days	101	105	109	107

Balance sheet		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	46.6	46.2	41.8	40.6
Goodwill & other intangibles	£m	112.9	125.1	191.9	185.3
Other non current assets	£m	18.5	17.4	15.5	11.8
Net working capital	£m	-5.1	-10.1	-13.1	-13.6
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-31.8	-30.9	-36.0	-31.3
Gross cash & cash equivs	£m	13.8	15.8	18.0	27.1
Capital employed	**£m**	**155.0**	**163.4**	**218.0**	**219.9**
Gross debt	£m	34.4	40.0	97.0	97.0
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	120.6	123.4	121.0	122.9
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**155.0**	**163.4**	**218.0**	**219.9**

Leverage analysis		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	17.1%	19.6%	65.3%	56.9%
Net debt / EBITDA	x	0.6	0.6	2.1	1.7
Liabilities / capital employed	%	22.2%	24.5%	44.5%	44.1%

Capital efficiency & intrinsic value		2023A	2024A	2025E	2026E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	10.2%	9.1%	7.2%	7.7%
RoCE (EBIT basis, pre-tax)	%	11.4%	11.8%	7.7%	9.1%
RoCE (u/lying FCF basis)	%	5.4%	5.7%	0.8%	2.8%
NAV per share	p	109.2	110.0	107.4	109.0
NTA per share	p	6.9	-1.5	-62.9	-55.4

iomart – investment case

— Cloud managed services was battered with risk after Russia's war on Ukraine affected electricity prices, the key variable pass-on cost for a datacentre operator. Combined with organic growth from a product set more limited than some competitors, and with issues with Broadcom licences which the virtualisation of shared servers requires, prospects appeared to consist of challenge after challenge, with rare positive moments. £75.2m revenue (March FY24) comes from cloud managed services (self managed infrastructure: £28.4m and non recurring: £10.9m). Atech represents the upside to the investment case based on the iomart datacentre business.

— Atech adds to the Microsoft specialisation already adding to iomart's revenue with the Extrinsica acquisition, the two businesses both operating on the M4 corridor and offering consolidation opportunities, while Atech also adds insourced offshore support in India and Poland. The 128 Atech Microsoft credentials, including five Solution Partner Designations and eleven Specialisations, represent a strong UK presence and deliver referenceability and reassurance for customers, the credentials delivering direct recommendations for Atech by Microsoft to customers. In the 12 months to June 2024, Atech delivered £3.3m adj EBITDA (minor D&A if any) from revenue of £32.2m, and a 3-year CAGR of 18%, including some formative acquisitions >18m ago, and 75% recurring revenue. On an LTM basis, Atech delivered £34.4m revenue, 73% recurring, and proforma adj EBITDA of £4.1m (compared with our £3.8m adj EBITDA gross acquisition uplift in FY26, which looks comfortably achievable).

— Atech also introduces the opportunities for efficiencies through the addition of an insourced offshore operation in India. The specific effect of this is not quantified but will clearly represent synergy opportunities. Atech also dilutes the capital intensity of the private cloud iomart business, with low capex requirements.

Valuation

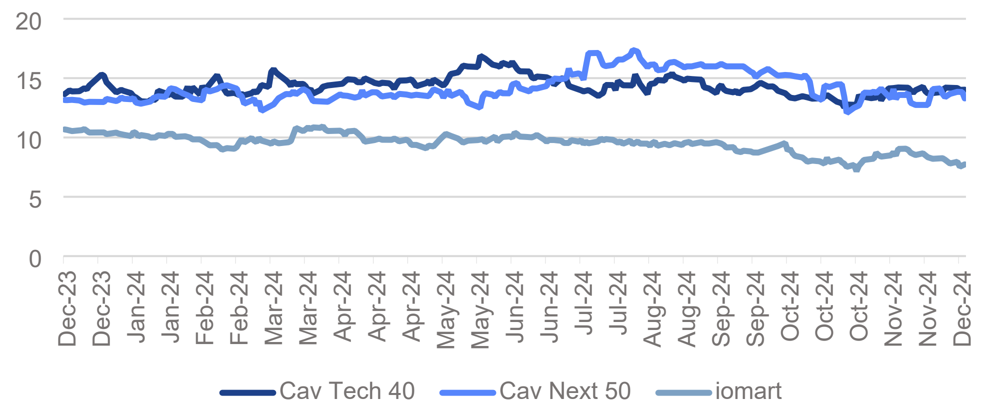
Figure 17: Valuation in context

		Valuation @ 240p target		Valuation @ 72p current	
		FY25E	FY26E	FY25E	FY26E
Fully dil, mkt cap	£m	268.0	268.0	80.4	80.4
Net cash/(debt)	£m	-79.0	-69.9	-79.0	-69.9
Net debt / EBITDA	x	2.1	1.7	2.1	1.7
Rolling EV	£m	347.0	337.9	159.4	150.3
EV/Sales	x	2.4	2.0	1.1	0.9
EV/EBITDA	x	9.2	8.3	4.2	3.7
EV/Adj EBIT	x	20.7	16.9	9.5	7.5
P/E	x	31.5	28.9	9.4	8.7
Div yield	%	1.6%	1.7%	5.3%	5.8%
FCF yield	%	3.4%	5.1%	11.3%	16.9%

Source: Cavendish estimates

Even if you disagree with 240p (which builds in some optimism for outperformance at Atech), the stock looks too cheap.

Figure 18: EV/Adj EBIT – 14x is the right multiple for Atech, to reverse out a residual IOM value which now equates to only 5.9x. Below, we use consensus group forecasts.



Source: Cavendish

iomart – company overview

IOM at a glance

Company activities & operations

iomart is a UK-based secure hybrid cloud provider, with 12 UK datacentres connected via a 2,500m private network and 25 further global Points of Presence enabling global reach. The group provides 24/7 managed services to 9,000 mainly UK HQ'd organisations. The product portfolio comprises managed public cloud; managed private cloud; managed data & cyber security; colocation data centre facilities; customer technology; and dedicated server hosting. Leading technology partners are Microsoft, VMware, Commvault, Dell, Barracuda and Cisco.

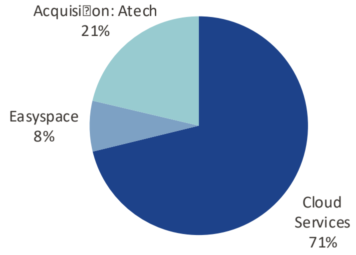
Company strategy

Ultimately, the group aim is to be "the UK's leading secure cloud managed services provider". Near-term aims of the "Bigger Better Bolder" strategy under Lucy Dimes include streamlining and integration; delivering differentiation; and adopting a bolder M&A focus.

Key products/services

Product	Description
Cloud services	Customer on prem technology; colocation datacentre facilities; dedicated servers and hosting; managed private cloud; iomart virtual cloud; managed public cloud.
Easyspace	Easypace is a non core cash generative dedicated hosting platform for WordPress users.
Atech	Atech is a leading Microsoft Solutions Partner in the UK, with 128 Microsoft credentials incl. 5 Solutions Partner designations and 11 specialisations in addition to Microsoft Azure. Expert Managed Services Provider designation (one of only 60 globally).

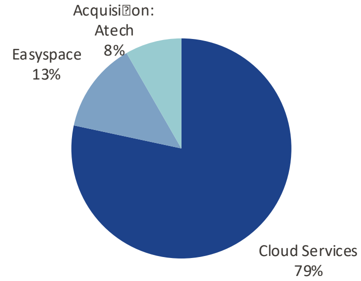
FY26E (so as to include 12M Atech contribution) revenues split:



Management & Board

Name	Description
Richard Last	Chair
Lucy Dimes	Chief Executive Officer
Scott Cunningham	Chief Financial Officer
Karyn Lamont	Non-Executive Director
Angus MacSween	Non-Executive Director (former CEO, Founder)
Annette Nabavi	Non-Executive Director
Adrian Chamberlain	Non-Executive Director

FY26E adj EBITDA split:



Company's stated objectives

Timing	Description
Short term	Bigger Better Bolder in 3 pillars: Streamline and integrate; differentiation enablers; and bolder M&A focus.
Medium term	M&A to further advance objectives.
Long term	Become the UK's leading secure cloud managed services provider.

Share price drivers

Probability	Description
High	Positive newsflow on Atech growth.
Medium	FY25 cash flow recovers more than anticipated in the second half.
Low	Churn fails to calm down within self managed infrastructure.

Major shareholders

Name	
Gresham House	19.3%
Angus MacSween	15.5%
Lombard Odier	11.3%
Octopus Investments	9.8%
Schroder Investment Mgmt	7.5%

Upcoming events

Date	Description
Apr-24	March year-end trading update.
Jun-24	Final results.

Recent corporate action

Date	Description
Recent	None.
2014	Board rejected offer of 285p.
2013	Placing directors' shares raised £4.3m at 275p.

Other information

Website: www.iomart.com
Location of HQ: Glasgow

Source: Cavendish

Cavendish

Company Flash

6 January 2025

Corp

Ticker	IXI:AIM
Healthcare Equipment & Services	
Shares in issue (m)	92.7
Next results	H1 Mar
Price	11.8p
Target price	24.0p
Upside	104%
Market Cap	£10.9m
Net debt/(cash)	-£1.8m
Other EV adjustments	£0.0m
Enterprise value	£9.1m

What's changed?	From	To
Adjusted EPS	-2.1	n/c
Target price	24.0	n/c

Share price performance

%	1M	3M	12M
Actual	-4.1	30.6	-6.0

Company description

Provides medical imaging and AI data analytics services with a focus on CNS conditions

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* denotes corporate client of Cavendish

IXICO*

Innovate, lead, scale

IXICO is an AI-driven medical imaging analytics company whose technology and services support biopharmaceutical companies to generate critical clinical insights as part of the development of their neurological drug candidates. The key aim of IXICO's platform is to support biopharma in their efforts to develop targeted drugs (beyond the classical biomarkers), inform deeper disease understanding, and to develop partnerships with various stakeholders to enable post-marketing patient access, payor savings and large data monitoring. The company's expanded focus is on Alzheimer's, Parkinson's and Huntington's diseases and other rare neurological diseases. We see encouraging signs that the biopharmaceutical industry and data driven analytics environment are improving and expect this to support IXICO's financial performance as the rate of clinical trial initiations increases. We believe IXICO has built a strong foundation of clients, partners and collaborations providing multiple opportunities for the company to win later stage, larger and higher margin trial work, with opportunities to expand into new therapy and vertical service areas driven by the need for precision medicine.

— What are the underlying industry dynamics? Following a period of restricted biotech funding, impacting clinical trial initiations, we believe the biopharmaceutical environment is improving. Assuming these trends are maintained or improve, we believe IXICO is well positioned to benefit from the improving market conditions and return to growth.

— Why is IXICO going to perform well in 2025? We believe FY24 was a strong operational year for IXICO, setting a solid foundation to grow. Operationally, the company has 'gone live' on client trials with its next generation TrialTracker platform, broadened its service offering in Alzheimer's and Parkinson's disease to support growth in these therapy areas and developed its relationships with global neurology consortia. The 2H24 versus 1H24 improvement supports our forecast financial improvement for FY25, while the order book as of 30 September 2024 provides over 75% visibility on the forecast revenues for the current fiscal year.

— Why do we think the shares are cheap? IXICO shares have been affected by the weak underlying environment, which in turn impacted the company's financial results, with double-digit revenue declines in FY22 and FY23. We believe IXICO will return to revenue growth in FY25E, which should be a key factor in supporting the share price.

— Where could we be wrong? As has been demonstrated in recent periods, IXICO's performance is correlated with the strength of the underlying biotech industry. If the current improving environment should deteriorate it could undermine IXICO's recovery.

Key estimates		2021A	2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep	Sep
Revenue	£m	9.2	8.6	6.7	5.8	6.0
Adj EBITDA	£m	1.7	1.5	-0.8	-1.7	-1.4
Adj EBIT	£m	1.1	0.9	-1.4	-2.2	-2.0
Adj PBT	£m	1.0	0.9	-1.3	-2.1	-2.0
Adj EPS	p	2.8	2.0	-2.4	-4.1	-2.1
DPS	p	0.0	0.0	0.0	0.0	0.0
Key valuation metrics						
EV/sales	x	1.0	1.1	1.4	1.6	1.5
EV/EBIT (adj)	x	8.5	10.0	-6.4	-4.2	-4.6
P/E (adj)	x	4.2	5.8	-4.9	-2.8	-5.7
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-14.4%	-8.6%	-16.7%	-21.5%	-22.7%

Income statement		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Sales	£m	8.6	6.7	5.8	6.0
Gross profit	£m	5.2	3.3	2.7	2.7
EBITDA (adjusted)	£m	1.5	-0.8	-1.7	-1.4
EBIT (adjusted)	**£m**	**0.9**	**-1.4**	**-2.2**	**-2.0**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.0	0.1	0.1	0.0
PBT (adjusted)	**£m**	**0.9**	**-1.3**	**-2.1**	**-2.0**
Total adjustments	£m	0.0	0.0	0.0	0.0
PBT (stated)	£m	0.9	-1.3	-2.1	-2.0
Tax charge	£m	0.1	0.2	0.1	0.2
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	1.0	-1.2	-2.0	-1.8
Adjusted earnings	**£m**	**1.0**	**-1.2**	**-2.0**	**-1.8**
Shares in issue (year end)	m	48.2	48.4	48.4	90.5
EPS (stated)	p	2.1	-2.4	-4.1	-2.1
EPS (adjusted, fully diluted)	**p**	**2.0**	**-2.4**	**-4.1**	**-2.1**
DPS	**p**	**0.0**	**0.0**	**0.0**	**0.0**

Cash flow		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
EBITDA	£m	1.5	-0.8	-1.7	-1.4
Net change in working capital	£m	-0.4	1.0	-0.2	0.1
Other operating items	£m	0.4	0.4	0.3	0.0
Cash flow from op. activities	**£m**	**1.5**	**0.6**	**-1.6**	**-1.3**
Cash interest	£m	0.0	-0.1	-0.1	0.0
Cash tax	£m	-0.1	-0.2	-0.1	-0.2
Capex	£m	-2.2	-2.0	-0.5	-0.8
Other items	£m	-0.1	-0.2	-0.1	-0.1
Free cash flow	**£m**	**-0.9**	**-1.8**	**-2.3**	**-2.5**
Acquisitions / disposals	£m	0.0	0.0	0.0	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.0	0.0	0.0	3.6
Other	£m	0.0	0.1	0.1	0.0
Net change in cash flow	**£m**	**-0.9**	**-1.7**	**-2.2**	**1.1**
Opening net cash (debt)	£m	6.7	5.8	4.0	1.8
Closing net cash (debt)	**£m**	**5.8**	**4.0**	**1.8**	**2.9**

Balance sheet		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Tangible fixed assets	£m	0.8	0.5	0.3	0.2
Goodwill & other intangibles	£m	4.6	6.1	6.4	6.7
Other non current assets	£m	0.0	0.0	0.0	0.0
Net working capital	£m	1.5	0.6	0.8	0.7
Other assets	£m	0.5	0.5	0.5	0.7
Other liabilities	£m	-0.4	-0.3	-0.2	-0.1
Gross cash & cash equivs	£m	5.8	4.0	1.8	2.9
Capital employed	**£m**	**12.7**	**11.6**	**9.6**	**11.2**
Gross debt	£m	0.2	0.1	0.2	0.2
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	12.5	11.4	9.5	11.1
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**12.7**	**11.6**	**9.6**	**11.2**

Growth analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Sales growth	%	-6.0%	-22.9%	-13.5%	4.9%
EBITDA growth	%	-7.6%	-151.6%	-110.4%	16.4%
EBIT growth	%	-14.7%	-256.7%	-51.4%	7.9%
PBT growth	%	-10.7%	-250.6%	-57.1%	5.3%
EPS growth	%	-27.1%	-217.1%	-74.0%	50.5%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Gross margin	%	60.7%	49.1%	47.0%	45.0%
EBITDA margin	%	17.9%	-12.0%	-29.1%	-23.2%
EBIT margin	%	10.5%	-21.4%	-37.4%	-32.8%
PBT margin	%	10.2%	-20.0%	-36.3%	-32.8%
Net margin	%	11.9%	-17.3%	-34.7%	-29.5%

Valuation analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
EV/EBITDA	x	5.9	-11.4	-5.4	-6.5
EV/EBIT	x	10.0	-6.4	-4.2	-4.6
P/E	x	5.8	-4.9	-2.8	-5.7

Cash flow analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Cash conv'n (op cash / EBITDA)	%	100.1%	n/m	n/m	n/m
Cash conv'n (FCF / EBITDA)	%	-60.4%	227.9%	139.2%	175.8%
U/lying FCF (capex = depn)	£m	0.7	-0.5	-2.3	-2.2
Cash quality (u/l FCF / adj earn)	%	65.0%	41.8%	117.0%	124.8%
Investment rate (capex / depn)	x	5.0	4.9	2.0	2.8
Interest cash cover	x	n/a	7.4	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Net working capital / sales	%	17.7%	8.5%	13.9%	12.3%
Net working capital / sales	days	64	31	51	45
Inventory (days)	days	0	0	0	0
Receivables (days)	days	128	93	140	117
Payables (days)	days	63	63	89	72

Leverage analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Net debt / equity	%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	net cash	n/a	n/a	n/a
Liabilities / capital employed	%	1.8%	1.2%	1.7%	1.5%

Capital efficiency & intrinsic value		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Adjusted return on equity	%	8.3%	-10.1%	-21.1%	-16.1%
RoCE (EBIT basis, pre-tax)	%	7.1%	-12.3%	-22.4%	-17.6%
RoCE (u/lying FCF basis)	%	5.3%	-4.2%	-24.3%	-19.8%
NAV per share	p	25.9	23.6	19.6	12.3
NTA per share	p	16.4	10.9	6.4	4.8

IXICO – investment case

IXICO operates within the attractive imaging AI-driven precision medicine market opportunity, and we believe the company can establish itself as a partner of choice for biopharmaceutical companies developing neurological disease therapies both within clinical trials and as these drugs move into post market assessments and clinical use. IXICO has executed its strategy of diversifying and broadening its customer base, expanding the potential to work with clients on ensuing higher value later stage trials, while reducing the risk associated with any single client or asset. As previously reported, there has been a slow-down in clinical trial initiations, but we believe IXICO has built a solid foundation from which to grow as the market returns to more normal activity levels and new sources of revenue are being explored through strategic partnerships and collaborations.

Alongside the significant morbidity and mortality effects on patients, neurological conditions are placing an increasing pressure on many economies. The Alzheimer's Association estimates that Alzheimer's disease and other dementias will cost the US $345bn in 2023, while the Parkinson's Foundation estimates the direct and indirect costs of Parkinson's disease will amount to $52bn per year. As such, there is a growing need for better treatments for such conditions, a trend we believe the biopharmaceutical industry is positively reacting to.

As a specialist provider in the neuroimaging data analysis sector, on a global basis, IXICO is well positioned to benefit from the positive trends we expect in the broad CNS precision medicine market and particularly in the Alzheimer's disease clinical trial market. While there is a near-term slowdown in clinical trial starts, we believe the Alzheimer's disease therapy area is particularly optimistic at present following the approval of two high profile products in recent years.

IXICO has been operating in this market for many years, which has allowed it to develop strong relationships within the neurological ecosystem. The company has worked with five of the top 10 pharmaceutical companies in the past five years and has established partnerships with a number of therapy area consortia, which often bring together academic and industry players to accelerate the progress of drug development.

IXICO is currently working on 26 projects, with 12 contracts for phase 1 and phase 2 trial work. This provides IXICO with a diverse portfolio of contracts but as important the opportunity to progress to later stage, larger and more profitable clinical trial work as the asset progresses. By disease area, IXICO is working on seven Alzheimer's disease clinical trials, with an estimated 127 drugs being tested across 164 clinical trials indicating the scale of the opportunity available to IXICO. A similar situation exists in Parkinson's disease, with 139 clinical trials underway in 2023.

The scale of the drug pipelines for Alzheimer's and Parkinson's diseases reflects the high level of interest in these markets and neurological conditions in general. We believe recent FDA approvals of anti-amyloid therapies targeting Alzheimer's disease, including Biogen's Leqembi, has renewed interest in and provided encouragement for the industry developing neurological drugs.

These approvals also offer IXICO the opportunity to move into the post-marketing and safety monitoring market. For example, the label of Biogen's Alzheimer's disease therapy, Leqembi, requires four MRI scans to check for the 'common' side effect of amyloid-related imaging abnormalities (ARIA). We believe IXICO's platform and imaging site relationships mean it is well placed to offer this safety monitoring service. While not included in our financial expectations, this move into the clinical space could be a significant opportunity for the company, particularly as more drugs are approved and patient demand increases.

We believe IXICO has built a solid foundation of AI-driven technologies, contracts and partnerships to support the revenue growth we model and a return to profitability. Importantly, we believe there are encouraging signs that access to capital is improving for the biopharmaceutical industry which will remove a major constraint that has impacted IXICO's recent financial performance. We believe the current raise will support IXICO's development, both of its technology offering, global strategic partnerships and geographic presence.

IXICO – company overview

IXI at a glance

Company activities & operations

IXICO delivers insights in neuroscience to help transform the advancement of investigational therapies for neurological diseases, such as Huntington's disease and Alzheimer's disease. The Company provides clinically meaningful information and valuable new insights in neuroscience by supporting pharmaceutical companies across all phases of CNS clinical research. IXICO has developed and deployed breakthrough data analytics to improve the return on investment in drug development, reduce risk and uncertainty in clinical trials for clients.

Company strategy

Innovate: Via innovation IXICO aims to develop the larger Alzheimer's and Parkinson's disease therapy areas. Lead: IXICO intends to support its penetration of the AD and PD markets through science leadership. Scale: IXICO will target business development with the aim of increasing access to clients.

Key products/services

Product	Description
TrialTracker	TrialTracker is IXICO's proprietary image management platform that facilitates working with the imaging centres scanning the trial participant's brains. TrialTracker ensures images taken by the imaging centres can be standardised (made comparable), provides quality assurance and expedites the reading, analysis and reporting of interpreted data back to the client. TrialTracker operates via a webpage interface and is easily accessible to imaging centres irrespective of their location.

Management & Board

Name	Description
Mark Warne	Non-executive chair
Bram Goorden	Chief Executive Officer
Grant Nash	Chief Financial Officer
Kate Rogers	Non-Executive Director and Senior Independent Director
Dipti Amin	Non-executive Director

Company's stated objectives

Timing	Description
Short term	Return to revenue growth.
Medium term	Return to profitability.
Long term	Advance medicine and human health by turning data into clinically meaningful information.

Share price drivers

Probability	Description
Medium	Meet or beat financial expectations. Win higher value contracts. Grow order book. Develop in the AD and PD therapy areas.

Major shareholders

Name	
Octopus Investments	18.2%
Gresham House	17.7%
Business Growth Fund	13.9%
Amati Global Investors	9.3%
Canaccord Genuity Asset Mgmt	8.1%

Upcoming events

Date	Description
May-25	Half-year Report

Recent corporate action

Date	Description

Other information

Website: www.ixico.com
Location of HQ: London

Source: Cavendish

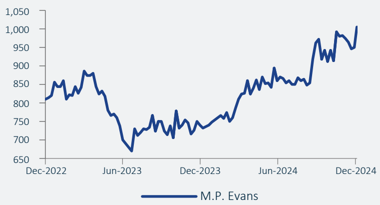
6 January 2025

Corp

Ticker	MPE:AIM
Food Producers	
Shares in issue (m)	53.3
Next results	FY Mar
Price	1005.0p
Target price	1400.0p
Upside	39%
Market Cap	£535.7m
Net debt/(cash)	£6.1m
Other EV adjustments	£8.3m
Enterprise value	£550.0m

What's changed?	From	To
Adjusted EPS	141.0	n/c
Target price	1,400.0	n/c

Share price performance



%	1M	3M	12M
Actual	1.5	6.5	34.4

Company description

Sustainable crude palm oil producer based in Indonesia

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* denotes corporate client of Cavendish

M.P. Evans*

Cultivating the sustainable magic money tree

MP Evans is one of the most efficient producers of sustainable palm oil in Indonesia with a proven track record of developing valuable plantations and, more recently, buying plantations at excellent prices. Its strategy is to drive superior yields through better estate management, and by developing larger estates and commissioning mills to capture the economies of scale and the vertical integration benefits that come from larger and increasingly productive plantations. CPO yield per hectare is double the industry average. MP Evans is in a virtuous position of enjoying rising free cash flow, accelerated by falling capex and strong CPO prices, with 2024 shaping up to be another excellent year. Everything went well in 1H and it is increasingly apparent that the 2H outturn should be even better.

— What are the underlying industry dynamics? Palm oil has three distinct advantages versus other vegetable oils: (1) palm oil accounts for 40% of global vegetable oil production from just 8% of the total land attributed to the crops; (2) palm oil production is cheaper due to lower usage of fertiliser and pesticides compared with other vegetable oils; and (3) palm oil is unique in its versatility with many uses in the food and beverage industry, in personal care and cosmetics, and in biofuel. Demand for palm oil has risen rapidly in the past 50 years and is forecast to continue to grow. In 2023, global production rose to 81.5m tonnes and is projected to rise to c.100m tonnes by 2032.

— Why is MP Evans going to perform well in 2025? The immediate outlook for CPO prices appears to be positive. During 2024 we have increased our CPO mill-gate full-year price assumptions twice from US$700/tonne to US750/tonne post interims and then to US$800/tonne, prompted by the autumn price surge. A range of factors have contributed to the recent surge: Indonesian crop harvests are flat to down this year, crops are experiencing some delay in harvesting which may shift into 1Q24, Indian demand for the product is higher this year and the prices of substitute products such as rapeseed oil and soya remain firm. Our FY25 and FY26 mill-gate forecasts are based on US$750/tonne. Longer term, demand is forecast to run ahead of supply, which suggests a positive pricing outlook.

— Why do we think the shares are cheap? We value MP Evans on a sum-of-the-parts basis with our core assumption that the plantations are worth US$18,400/ha, which is based on a FY23 year-end valuation. The current share price implies the plantations are worth US$11,858 per owned hectare. The dividend yield is an attractive 5.0% for FY24E and rising to 5.3% in FY25E. MP Evans has an unbroken +30-year track record of maintaining or increasing the dividend.

— Where could we be wrong? CPO is a commodity and is priced according to global supply and demand. In the shorter term, prices can vary. In the agricultural business, variable weather and natural disasters are part and parcel of such businesses. In the longer term, we believe that the supply/demand equation is positive for the industry. Other risks include currency fluctuations, relationships with local communities and changes to the regulatory environment and governance in Indonesia.

Key estimates		2022A	2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	$m	326.9	307.4	346.4	347.2	361.3
Adj EBITDA	$m	128.4	100.8	123.0	114.6	118.9
Adj EBIT	$m	106.5	75.9	98.4	89.1	92.7
Adj PBT	$m	105.1	73.5	96.4	88.4	92.5
Adj EPS	c	142.3	98.4	141.0	133.0	141.5
DPS	c	52.7	56.3	62.5	65.6	68.8
Key valuation metrics						
EV/sales	x	2.1	2.2	2.0	2.0	1.9
EV/EBIT (adj)	x	6.4	9.0	6.9	7.6	7.3
P/E (adj)	x	8.7	12.6	8.8	9.4	8.8
Dividend yield	%	4.2%	4.5%	5.0%	5.3%	5.5%
Free cash yield	%	10.7%	6.1%	13.5%	11.4%	12.3%

Income statement		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Sales	$m	307.4	346.4	347.2	361.3
Gross profit	$m	78.5	101.2	92.0	95.8
EBITDA (adjusted)	$m	100.8	123.0	114.6	118.9
EBIT (adjusted)	**$m**	**75.9**	**98.4**	**89.1**	**92.7**
Associates/other	$m	0.0	0.0	0.0	0.0
Net interest	$m	-2.5	-2.1	-0.7	-0.2
PBT (adjusted)	**$m**	**73.5**	**96.4**	**88.4**	**92.5**
Total adjustments	$m	-0.6	0.0	0.0	0.0
PBT (stated)	$m	72.8	96.4	88.4	92.5
Tax charge	$m	-18.8	-22.2	-20.3	-21.3
Minorities/Disc ops	$m	-1.5	0.5	1.1	0.9
Reported earnings	$m	52.5	74.7	69.2	72.2
Adjusted earnings	**$m**	**53.1**	**74.7**	**69.2**	**72.2**
Shares in issue (year end)	m	53.3	52.3	51.3	50.3
EPS (stated)	c	97.2	141.0	133.0	141.5
EPS (adjusted, fully diluted)	**c**	**98.4**	**141.0**	**133.0**	**141.5**
DPS	**c**	**56.3**	**62.5**	**65.6**	**68.8**

Growth analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	-6.0%	12.7%	0.2%	4.1%
EBITDA growth	%	-21.5%	22.0%	-6.8%	3.8%
EBIT growth	%	-28.7%	29.6%	-9.5%	4.1%
PBT growth	%	-30.1%	31.2%	-8.3%	4.7%
EPS growth	%	-30.9%	43.3%	-5.7%	6.4%
DPS growth	%	6.7%	11.1%	5.0%	4.8%

Profitability analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	25.5%	29.2%	26.5%	26.5%
EBITDA margin	%	32.8%	35.5%	33.0%	32.9%
EBIT margin	%	24.7%	28.4%	25.7%	25.7%
PBT margin	%	23.9%	27.8%	25.4%	25.6%
Net margin	%	17.3%	21.6%	19.9%	20.0%

Valuation analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	6.8	5.5	5.9	5.7
EV/EBIT	x	9.0	6.9	7.6	7.3
P/E	x	12.6	8.8	9.4	8.8

Cash flow		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
EBITDA	$m	100.8	123.0	114.6	118.9
Net change in working capital	$m	6.4	5.6	-0.1	-1.0
Other operating items	$m	-0.3	10.3	2.2	2.2
Cash flow from op. activities	**$m**	**106.9**	**138.8**	**116.7**	**120.2**
Cash interest	$m	-3.2	-2.1	-0.7	-0.2
Cash tax	$m	-18.8	-22.2	-20.3	-21.3
Capex	$m	-44.5	-25.0	-20.0	-17.0
Other items	$m	0.0	0.0	0.0	0.0
Free cash flow	**$m**	**40.4**	**89.6**	**75.6**	**81.7**
Acquisitions / disposals	$m	-50.0	-14.0	0.0	0.0
Dividends	$m	-28.3	-32.7	-33.7	-34.6
Shares issued	$m	-9.7	0.0	0.0	0.0
Other	$m	-0.9	0.0	0.0	0.0
Net change in cash flow	**$m**	**-48.6**	**42.9**	**42.0**	**47.1**
Opening net cash (debt)	$m	33.5	-15.1	27.8	69.8
Closing net cash (debt)	**$m**	**-15.1**	**27.8**	**69.8**	**116.9**

Cash flow analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	106.0%	112.9%	101.9%	101.0%
Cash conv'n (FCF / EBITDA)	%	40.1%	72.8%	66.0%	68.7%
U/lying FCF (capex = depn)	$m	60.0	90.0	70.2	72.5
Cash quality (u/l FCF / adj earn)	%	112.9%	120.5%	101.5%	100.4%
Investment rate (capex / depn)	x	1.8	1.0	0.8	0.7
Interest cash cover	x	33.3	67.6	156.9	592.1
Dividend cash cover	x	1.4	2.7	2.2	2.4

Working capital analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	6.7%	6.8%	6.8%	6.8%
Net working capital / sales	days	25	25	25	25
Inventory (days)	days	29	25	25	25
Receivables (days)	days	29	50	50	50
Payables (days)	days	33	50	50	50

Balance sheet		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	$m	486.9	487.6	482.3	473.3
Goodwill & other intangibles	$m	18.1	17.9	17.7	17.5
Other non current assets	$m	20.1	20.3	20.6	20.8
Net working capital	$m	20.7	23.7	23.8	24.7
Other assets	$m	12.5	12.5	12.5	12.5
Other liabilities	$m	-25.7	-26.7	-24.7	-23.7
Gross cash & cash equivs	$m	39.3	75.2	100.2	139.9
Capital employed	**$m**	**571.9**	**610.5**	**632.3**	**665.0**
Gross debt	$m	54.4	47.4	30.4	23.0
Net pension liability	$m	12.4	14.0	16.0	17.0
Shareholders equity	$m	485.1	527.1	562.6	600.2
Minorities	$m	20.0	22.0	23.3	24.8
Capital employed	**$m**	**571.9**	**610.5**	**632.3**	**665.0**

Leverage analysis		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	3.1%	net cash	net cash	net cash
Net debt / EBITDA	x	0.1	net cash	net cash	net cash
Liabilities / capital employed	%	11.7%	10.1%	7.3%	6.0%

Capital efficiency & intrinsic value		2023A	2024E	2025E	2026E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	11.0%	14.2%	12.3%	12.0%
RoCE (EBIT basis, pre-tax)	%	13.3%	16.1%	14.1%	13.9%
RoCE (u/lying FCF basis)	%	10.5%	14.7%	11.1%	10.9%
NAV per share	c	910.3	1,007.8	1,096.4	1,192.6
NTA per share	c	876.3	973.6	1,061.9	1,157.8

M.P. Evans – investment case

We believe MP Evans will continue to grow profits and cash flow by increasing yields from existing plantations, building mills to increase its own production of crude palm oil (CPO) and reduce its reliance on outside mills to process its crop and buying new plantation land. Profitability is sensitive to production volumes and the price of CPO, over which MP Evans has no control, but the macro demand drivers are positive and global supply should grow slower than demand. MP Evans focuses on cost leadership and product differentiation, by complying with Roundtable on Sustainable Palm Oil (RSPO) standards, to achieve a modest pricing premium.

— Continue to grow yields from existing plantations: MP Evans palms are, on average only ten years old and the group continues to enjoy rising yields from its existing estates. Palms are highly productive until they are 25 years old. MP Evans' strategy is to drive superior yields through better estate management, and by developing larger estates and commissioning mills to capture the economies of scale and the vertical integration benefits that come from larger and increasingly productive plantations. CPO yield per hectare is double the industry average.

— Buy new land: We expect MP Evans to remain a consolidator of plantations in what is a fragmented industry in Indonesia. The addition of new hectares and the growing maturity of that land is a key production and revenue driver. MP Evans has tripled the size of its plantations in the past 15 years. The highly perishable nature of newly harvested fresh fruit bunches (FFBs) and the difficultly of transport in remote parts of the country makes it the most likely buyer of land adjacent to its seven existing estates.

— Increase the percentage of owned mills: The commissioning of mills to extract CPO allows MP Evans to capture economies of scale and the benefits of vertical integration. In the past 20 years it has moved from operating just one mill at Pangkatan to six mills open and operating. A mill is viable when an owned plantation is larger than c.5,000 hectares and contains palms with an average age of over four years.

— Differentiation: MP Evans is a member of and operates in full compliance with the RSPO standards, ensuring no deforestation and that only land suitable for cultivation is developed. Certified sustainable palm oil sells at a premium to uncertified palm oil. All FFBs harvested from its own land is grown in line with RSPO standards. In 2023, 62% of production was certified sustainable; it has the aim of moving towards 100%.

Valuation

We value MP Evans on a sum-of-the-parts basis; core assumption is that the plantations are worth US$18,400/ha, based on an independent valuation at end FY23. The current share price implies the plantations are worth just US$11,858 per owned hectare.

The dividend yield is an attractive 5.0% for FY24E and rising to 5.3% in FY25E. MP Evans has an unbroken over 30-year track record of maintaining or increasing the dividend.

The gap between implied and actual share price is a significant driver behind the rationale of the share buy-back programme. It also serves to keep management disciplined on new land acquisition opportunities.

Figure 19: MP Evans sum-of-the-parts valuation

FY23A basis US$m	MPE ownership	Planted land (ha)	Share of net assets	Revenue US$	EV	MPE share (US$)	per share (p)	Comment
Oil palm plantation								
Owned	99%	49,594			912.5	903.4	1354	Valued at US$18,400/ha
Total EV land		**49,594**		**307.4**	**912.5**	**903.4**	**1354**	
Associates								
Kerasaan Plantation	38.0%	2,322	4.0	n/a	33.2	12.6	19	Valued at US$14,300/ha
Bertam Properties	40.0%	nm	17.1	n/a	105.0	46.7	70	2023 Annual Report
Total associates					**138.2**	**59.3**	**89**	
Enterprise Value						**962.7**	**1443**	
add net cash/(debt)						-7.5	-11	1H24A balance sheet
other assets/(liabilities)						-0.2	0	FY23A balance sheet
Equity value						**955.0**	**1431**	
				Shares (m)		52.9		1H24A balance sheet
				US$/£ (period end)		1.26		
				Implied price (p)		**1431**		

Source: Cavendish estimates

M.P. Evans – company overview

MPE at a glance

Company activities & operations

MP Evans is one of the most efficient producers of sustainable palm oil in Indonesia with a proven track record of developing valuable plantations and, more recently, buying plantations at excellent prices.

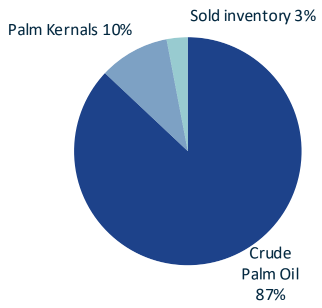
Company strategy

MP Evans' strategy is to drive superior yields through better estate management, building economies of scale by developing larger estates and by commissioning mills to capture the economies of scale and the vertical integration benefits that come from larger and increasingly productive plantations. It has tripled the size of its planted land in the past 15 years, and it has moved from operating just one mill in 2005 to six mills today.

Key products/services

Product	Description
Sustainable crude palm oil Palm kernals	Three-quarters of refined CPO is processed in the food industry as it is relatively long-lasting in terms of storage, is resistant to high temperatures and pressure, has a stable odour, and it is rich in vitamins, cholesterol free, easy to digest and rich in carotenoids and Vitamin A. c.70% of personal care products including soap, shampoo, makeup, and lotion, contain ingredients derived from palm oil. In 2020, 23% (17.5m tonnes) of the global production of palm oil was used in biodiesel.

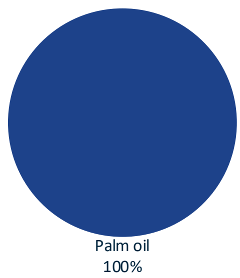
FY 2024E revenues split:



Management & Board

Name	Description
Peter Hadsley-Chaplin	**Non-Executive chairman:** Joined in 1988, direcror 1989, executive chairman 2010.
Matthew Coulson	**CEO:** Joined as CFO in 2016 and was appointed CEO in 2022.
Luke Shaw	**CFO:** Joined in July 2022 as CFO. Qualified chartered accountant.
K.Chandra Sekaran	Non-Executive Director
Lee Yuan Zhang	Non-Executive Director
Bruce Tozer	Independent Non-Executive Director
Tanya Ashton	Independent Non-Executive Director
Michael Sherwin	Independent Non-Executive Director

FY 2024E gross profit split:



Company's stated objectives

Timing	Description
Short term	Grow yields from existing plantations.
Medium term	Buy new land adjacent to its existing plantations.
Long term	Move to 100% certified sustainable CPO production.

Share price drivers

Probability	Description
High	Continued delivery against strategic objectives and forecasts.
Medium	Further CPO mill-gate price strength.
Medium	Ongoing share buy-backs.

Major shareholders

Name	%
Kuala Lumpur Kepong	24.0%
Alcatel Lucent Pensioenfonds	10.6%
James Sharp	8.3%
Abrdn Asia	6.0%
Schroder Investment Management	5.3%
Directors	4.4%
Investec Wealth & Investment	2.0%

Upcoming events

Date	Description
Jan-25	FY24 Crop and production update.
Mar-25	FY24 results.

Recent corporate action

Date	Description
03-Jun-24	US14m purchase of the 5% minority in the majority of its subsidiaries.
27-Nov-23	Purchase of 8,350 managed hectares in East Kalimantan.
06-Mar-23	Purchase of 2,100 planted hectares close to Simpang Kiri estate.

Other information

Website: www.mpevans.co.uk
Location of HQ: Tunbridge Wells

Source: Cavendish

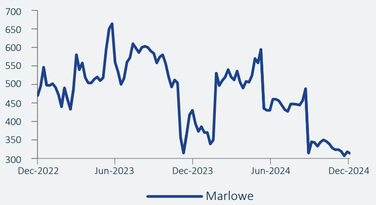
6 January 2025

Corp

Ticker	**MRL:AIM**
Support Services	
Shares in issue (m)	82.9
Next results	FY May
Price	**314.0p**
Target price	400.0p
Upside	27%
Market Cap	**£260.4m**
Net debt/(cash)	-£30.8m
Other EV adjustments	£0.0m
Enterprise value	£229.6m

What's changed?	From	To
Adjusted EPS	13.1	n/c
Target price	400.0	n/c

Share price performance



%	1M	3M	12M
Actual	-3.1	-8.2	-25.2

Company description

Marlowe provides services which assure safety and regulatory compliance.

Peter Renton
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Sales desk 020 7220 0522

Trading desk 020 7220 0533

* denotes corporate client of Cavendish

Marlowe*

Back to the future

2024 was a transformational year for Marlowe, which in June 2024, disposed of certain Governance, Risk & Compliance (GRC) software and services assets for an EV of £430m (121% of Marlowe's pre-announcement market cap), and in September 2024, demerged its Occupational Health division to form a separate PLC under the name Optima Health. These transactions unlocked significant value for shareholders and have left the remaining entity focused on its Testing, Inspection & Certification (TIC) operations; the origins of the group, which has grown to become a UK market leader through c.50 acquisitions since the business was founded in 2016. Marlowe benefits from high recurring revenues (c.75%) underpinned by regulation, lengthy contracts (3-5 years), steady organic revenue growth (mid-single digits), favourable industry tailwinds, improving EBITDA margins (15% medium-term target), and is well placed to drive further consolidation in a highly fragmented market. The shares are trading at a marked discount to historical levels and offer strong upside potential, particularly once Marlowe starts using its strong balance sheet to accelerate growth through M&A.

— What are the underlying industry dynamics? The compliance markets Marlowe serves are underpinned by regulation, resulting in largely non-discretionary spend from customers, which is required throughout economic cycles. Both its Fire Safety & Security and Water & Air Hygiene businesses have structural growth characteristics, and benefit from onerous and evolving regulations, with increasing enforcement action from regulators. Compliance spending continues to grow at attractive rates, with an increasing focus on health & safety and rising insurance requirements.

— Why is Marlowe going to perform well in 2025? As well as crystalising significant shareholder value, last year's transactions have dramatically simplified the business and resulted in a significantly stronger balance sheet, which can be used to support the next stage of growth. Restructuring charges associated with prior acquisitions have now completed, meaning that FCF is set to materially improve, supporting self-funded future M&A and further share buybacks.

— Why do we think the shares are cheap? Trading on a FY25E rolling EV/adj. EBITDA multiple of c.8x, it is valued at a significant discount to its historical levels. Marlowe has regularly traded above a 10x EV/EBITDA in the past (c.14x average since the business was formed in 2016), including back when it was focused solely on TIC. The group should continue delivering mid-single digit organic revenue growth, margin expansion as the group scales and realises further efficiency savings, enhanced FCF now that integration programmes have completed, and with the opportunity for growth to be turbocharged by using its strong balance sheet to pursue accretive, bolt-on acquisitions. We see no reason why Marlowe could not eventually return to the historical multiples it once traded on.

— Where could we be wrong? A weakening in the economic environment may lead some customers to delay (rather than cancel) certain projects. Competition may intensify, impacting growth and/or margins. It may fail to find suitable acquisitions, slowing the group's growth trajectory; or it may experience integration issues with future deals.

Key estimates		2023A	2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	381.6	403.4	306.0	317.0	329.7
Adj EBITDA	£m	54.2	49.2	33.0	34.6	36.9
Adj EBIT	£m	35.8	32.3	19.0	20.6	22.9
Adj PBT	£m	28.9	20.5	15.5	19.6	21.9
Adj EPS	p	24.1	15.9	13.1	18.2	20.4
DPS	p	0.0	0.0	155.0	0.0	0.0
Key valuation metrics						
EV/sales	x	0.6	0.6	0.8	0.7	0.7
EV/EBIT (adj)	x	6.4	7.1	12.1	11.1	10.0
P/E (adj)	x	13.0	19.8	23.9	17.2	15.4
Dividend yield	%	0.0%	0.0%	49.4%	0.0%	0.0%
Free cash yield	%	2.9%	0.6%	1.0%	4.3%	4.7%

Income statement		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	403.4	306.0	317.0	329.7
Gross profit	£m	152.1	115.4	119.5	124.3
EBITDA (adjusted)	£m	49.2	33.0	34.6	36.9
EBIT (adjusted)	**£m**	**32.3**	**19.0**	**20.6**	**22.9**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-11.8	-3.5	-1.0	-1.0
PBT (adjusted)	**£m**	**20.5**	**15.5**	**19.6**	**21.9**
Total adjustments	£m	-39.0	135.8	-8.0	-7.0
PBT (stated)	£m	-18.7	151.3	11.6	14.9
Tax charge	£m	-0.1	-4.0	-4.4	-5.2
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	-18.8	147.3	7.2	9.7
Adjusted earnings	**£m**	**15.4**	**11.6**	**14.7**	**16.4**
Shares in issue (year end)	m	96.4	80.0	80.0	80.0
EPS (stated)	p	-19.5	167.4	9.0	12.1
EPS (adjusted, fully diluted)	**p**	**15.9**	**13.1**	**18.2**	**20.4**
DPS	**p**	**0.0**	**155.0**	**0.0**	**0.0**

Growth analysis		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	5.7%	-24.1%	3.6%	4.0%
EBITDA growth	%	-9.2%	-32.9%	4.8%	6.6%
EBIT growth	%	-9.8%	-41.2%	8.4%	11.2%
PBT growth	%	-29.1%	-24.4%	26.5%	11.7%
EPS growth	%	-34.2%	-17.2%	39.0%	11.7%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	37.7%	37.7%	37.7%	37.7%
EBITDA margin	%	12.2%	10.8%	10.9%	11.2%
EBIT margin	%	8.0%	6.2%	6.5%	6.9%
PBT margin	%	5.1%	5.1%	6.2%	6.6%
Net margin	%	3.8%	3.8%	4.6%	5.0%

Valuation analysis		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
EV/EBITDA	x	4.7	7.0	6.6	6.2
EV/EBIT	x	7.1	12.1	11.1	10.0
P/E	x	19.8	23.9	17.2	15.4

Cash flow		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	49.2	33.0	34.6	36.9
Net change in working capital	£m	1.0	-6.8	-3.5	-3.5
Other operating items	£m	-20.2	-2.1	0.0	0.0
Cash flow from op. activities	**£m**	**30.0**	**24.1**	**31.1**	**33.4**
Cash interest	£m	-10.8	-3.5	-1.0	-1.0
Cash tax	£m	-1.4	-4.0	-4.4	-5.2
Capex	£m	-5.5	-4.5	-5.0	-5.5
Other items	£m	-10.8	-9.5	-9.5	-9.5
Free cash flow	**£m**	**1.5**	**2.6**	**11.2**	**12.2**
Acquisitions / disposals	£m	-11.8	404.5	0.0	0.0
Dividends	£m	0.0	-150.0	0.0	0.0
Shares issued	£m	1.5	-75.0	0.0	0.0
Other	£m	0.0	0.0	0.0	0.0
Net change in cash flow	**£m**	**-8.8**	**182.1**	**11.2**	**12.2**
Opening net cash (debt)	£m	-160.8	-176.6	5.5	16.7
Closing net cash (debt)	**£m**	**-176.6**	**5.5**	**16.7**	**28.9**

Cash flow analysis		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	61.0%	73.0%	89.9%	90.5%
Cash conv'n (FCF / EBITDA)	%	3.0%	7.9%	32.4%	33.0%
U/lying FCF (capex = depn)	£m	-9.9	-6.9	2.2	3.7
Cash quality (u/l FCF / adj earn)	%	-64.4%	-59.4%	15.0%	22.4%
Investment rate (capex / depn)	x	0.3	0.3	0.4	0.4
Interest cash cover	x	2.8	6.9	31.1	33.4
Dividend cash cover	x	n/m	0.0	n/m	n/m

Working capital analysis		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	6.3%	10.5%	11.3%	11.9%
Net working capital / sales	days	23	38	41	43
Inventory (days)	days	9	9	9	9
Receivables (days)	days	89	89	89	89
Payables (days)	days	74	59	56	54

Balance sheet		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	10.1	10.1	10.6	11.6
Goodwill & other intangibles	£m	339.8	255.2	249.2	244.2
Other non current assets	£m	25.3	25.3	25.3	25.3
Net working capital	£m	25.4	32.2	35.7	39.2
Other assets	£m	405.8	3.8	3.8	3.8
Other liabilities	£m	-135.3	-79.7	-79.7	-79.7
Gross cash & cash equivs	£m	55.2	5.5	16.7	28.9
Capital employed	**£m**	**726.3**	**252.4**	**261.6**	**273.3**
Gross debt	£m	231.8	0.0	0.0	0.0
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	494.5	252.4	261.6	273.3
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**726.3**	**252.4**	**261.6**	**273.3**

Leverage analysis		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	35.7%	no debt	no debt	no debt
Net debt / EBITDA	x	3.6	no debt	no debt	no debt
Liabilities / capital employed	%	31.9%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2024A	2025E	2026E	2027E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	3.1%	4.6%	5.6%	6.0%
RoCE (EBIT basis, pre-tax)	%	4.4%	7.5%	7.9%	8.4%
RoCE (u/lying FCF basis)	%	-1.4%	-2.7%	0.8%	1.3%
NAV per share	p	512.9	315.5	327.0	341.6
NTA per share	p	160.4	-3.5	15.5	36.3

Marlowe – investment case

The demerger of Marlowe's Occupational Health business and disposal of its other Governance, Risk & Compliance, shifts its focus back to its origins in TIC, which is where the business started its journey in 2016 (through the acquisition of Swift Fire & Security Group). The continuing operations have multiple attractive features in our view.

- Market-leading positions, as the UK's number 1 player in Water & Air Hygiene and a top three player in Fire Safety & Security. Around 90% of Marlowe's customer base comprises organisations with complex or multi-site operations – a segment that smaller and mid-sized competitors are unable to serve effectively.
- Structural growth drivers – markets are governed by statutory compliance regulation, requiring largely non-discretionary spend by customers. Ongoing professionalisation of procurement is occurring, with smaller sites increasingly being consolidated under multi-site operations, often managed by centralised procurement teams and property management firms. These organisations place a heightened focus on compliance, regulatory adherence and insurance requirements, which positions Marlowe well to be a provider of choice. Being able to demonstrate compliance with regulations is often required to support obtaining or claiming on an insurance policy, or to reduce annual premiums, driving recurring demand.
- High recurring revenues (c.75%), supported by multi-year contracts (3-5 years on average).
- Diverse customer base spread across c.27k entities, with the largest representing only c.3% of group revenue.
- Longstanding client relationships spanning 10+ years on average.
- Economies of scale – greater route density benefits versus the competition, with Marlowe's specialists able to spend less time travelling, and more on revenue-generating jobs.
- Cross-selling across the TIC activities, which are expected to add c.1% to Marlowe's organic growth.
- Strong balance sheet – solid net cash position, presenting the group with multiple options for capital allocation (e.g. bolt-on M&A, investment to accelerate organic growth, dividends, further buybacks etc).
- Acquisition opportunities – Marlowe's total addressable markets are worth c.£8bn (giving Marlowe a market share of c.4%), and highly fragmented, creating considerable consolidation opportunities.
- Attractive financial profile – Marlowe is expected to achieve mid-single digit organic revenue growth, with scope to boost TIC margins to c.15% in the medium term (from c.12% for FY24A).

Valuation

Figure 20: Valuation at current & target price (400p)

		Valuation at current price			Valuation at target price		
		FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Market cap	£m	261.2	261.2	261.2	331.7	331.7	331.7
Net (cash)	£m	5.5	16.7	28.9	5.5	16.7	28.9
Rolling EV	£m	266.7	277.9	290.1	337.2	348.4	360.6
EV / Sales	x	0.9x	0.9x	0.9x	1.1x	1.1x	1.1x
EV / Adj EBITDA	x	8.1x	8.0x	7.9x	10.2x	10.1x	9.8x
EV / Adj EBIT	x	14.0x	13.5x	12.7x	17.7x	16.9x	15.7x
Adj P/E	x	24.0x	17.3x	15.5x	30.5x	21.9x	19.6x
Dividend yield	%	49.2%	0.0%	0.0%	38.8%	0.0%	0.0%
FCF yield	%	1.0%	4.3%	4.7%	0.8%	3.4%	3.7%

Source: Cavendish estimates

Marlowe – company overview

MRL at a glace

Company activities & operations

Marlowe is focused on ensuring the safety and compliance of clients' business premises with evolving regulatory requirements. Specialising in Water & Air Hygiene (largest provider in the UK) and Fire Safety & Security (third-largest provider), it provides a broad range of services to c.27k customers. Operating on largely multi-year contracts (usually 3-5 years), Marlowe's services are underpinned by regulations that make them mandatory, ensuring a high degree of recurring revenues (c.75%).

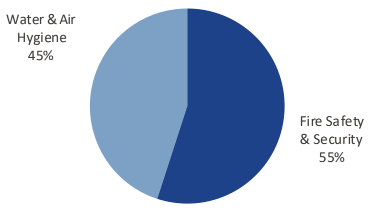
Company strategy

Following last years' business disposals, Marlowe's strategy is to focus on the highly regulated business-critical service markets across Testing, Inspection & Certification (TIC). Near term, the emphasis is on driving margin enhancement and organic growth. Longer term, TIC service markets remain highly fragmented, and bolt-on acquisitions continue to present an attractive route to delivering additional shareholder value.

Key products/services

Product	Description
Fire Safety & Security	Services include: fire risk assessments, design & installation of fire systems, monitoring & maintenance, design & installation of security systems, security monitoring solutions.
Water & Air Hygiene	Services include: water treatment, water & air hygiene compliance, wastewater & effluent treatment, ventilation hygiene, asbestos consultancy, water engineering.

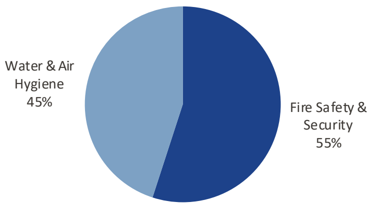
FY25E revenues split:



Management & Board

Name	Description
Lord Ashcroft	Interim Non-Executive Chairman
Adam Councell	Chief Finance Officer
Rachel Addison	Non-Executive Director
Gillian Kent	Non-Executive Director
Peter Gaze	Non-Executive Director
Julia Robertson	Non-Executive Director

FY25E gross profit split:



Company's stated objectives

Timing	Description
Short term	Deliver improved cash generation now that restructuring programmes have completed.
Medium term	Achieve 15% adj. EBITDA margins. Strengthen market position through further bolt-on M&A.

Share price drivers

Probability	Description
High	Share price likely to be supported by share buyback underway.
Medium	Upgrades from earnings enhancing M&A .
Low/Medium	Commencement of a dividend could attract new investors .

Major shareholders

Name	
Lord Ashcroft (Chairman)	17.8%
Slater Investments	8.2%
Octopus Investments	5.8%
Capital Research Global Investors	4.9%
UBS	4.7%
Columbia Threadneedle	3.2%
Canaccord Genuity	2.8%

Upcoming events

Date	Description
Jul-25	Annual results.

Recent corporate action

Date	Description
Sep-24	Demerger of its Occupational Health division as an independent company on AIM.
Jun-24	Sold certain GRC software and services assets to Inflexion for an EV of £430m.

Other information

Website: www.marloweplc.com
Location of HQ: London

Source: Cavendish

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Investing in shares presents risks and opportunities. The past is not necessarily a guide to the future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. The information on future performance in this communication is an illustration and is not a reliable guide to actual future performance.

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Definition of research recommendations
Expected absolute returns
BUY is an expected return greater than 10%
HOLD is an expected return -10% - +10%
SELL is an expected return less than -10%
UNDER REVIEW: recommendation and/or forecasts are under review pending further clarity as to the company's financial and/or operational position
CORP: denotes corporate client of Cavendish Securities plc, Cavendish Capital Markets Limited and Cavendish Corporate Finance LLP

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Distribution of investment recommendations as per 03/01/2025

	Corporate client no.	Corporate client %	Total no.	Total %
Buy	3	2.1%	21	12.6%
Hold	0	0.0%	1	0.6%
Sell	0	0.0%	0	0.0%
Under Review	0	0.0%	0	0.0%
Corp	135	95.7%	145	86.8%

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12-month time horizon unless otherwise stated.

Recommendation history

Company	Disclosures	Date	Rec	Price	Target price
4imprint	2,6,9	7 March 18	Corp	1805.0p	2217.0p
Alumasc	2,6,8,9,11	14 March 18	Corp	137.0p	190.0p
Antipa Minerals	9	19 October 23	Corp	A$0.01	A$0.05
Brickability Group	2,6,9	5 December 24	Buy	64.8p	100.0p
Concurrent Technologies	2,6,8,9,10,11	19 September 23	Corp	72.5p	106.0p
Ebiquity	2,6	6 January 25	Buy	20.5p	78.0p
Eleco	2,6,8,9,10,11	5 May 15	Corp	25.0p	35.0p
Galliford Try	2,6,8,9	15 July 24	Corp	303.0p	417.0p
HUTCHMED	2,6,8,9	10 June 24	Corp	288.0p	550.0p
iomart	2,6,9	30 September 15	Corp	278.5p	290.0p
IXICO	2,6,7,8,9,10,11	29 September 23	Corp	19.0p	35.0p
M.P. Evans	2,6,8,9,10	18 June 18	Corp	748.0p	845.0p
Marlowe	2,6,8,9,10,11	13 September 23	Corp	600.0p	1100.0p

Source: Cavendish

A list of all the recommendations produced/issued by the relevant Sales Person / Research Analyst on any financial instrument or issuer disseminated during the preceding 12 months is available upon request free of charge. Please contact the appropriate Cavendish analyst or your Cavendish contact on 020 7220 0500.

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