May 2021 Investor Forum

Join us for the May 2021 Investor Forum, hosted by Hardman & Co, on Wednesday 12 May, at 3:00pm.

Hardman has been holding investor forums for over seven years, giving all types of serious investors the opportunity to meet company managements, hear their stories and pose questions.

2020 may have been a little different, but the success of our first virtual forum last July, and subsequent programme of digital events from webinars to interviews, shows that investor appetites remain undimmed and the screen experience is similarly engaging.

In this pack you will find profiles of the company speakers and brief notes on each of the companies presenting. I would encourage you to read these before the forum to get the most out of the event.

During the forum we will conduct a number of polls; we will also be collecting feedback in other ways. These are excellent ways to influence management. You are also invited to submit questions to management during presentations, using the Q&A function in the webinar.

For professional investors, the forum has been authorised to count towards your Continuing Professional Development time. Click here to request certification after the event.

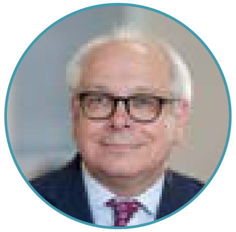
I hope you enjoy the event.

Keith Hiscock
CEO, Hardman & Co

CPD MEMBER The CPD Certification Service

HARDMAN & CO.

Chair of the Forum



Keith Hiscock

CEO, Hardman & Co

Keith is personally responsible for the firm's relationships with its corporate clients and also for corporate finance. In addition, he is the author of several articles tackling the issues facing companies in today's climate. Keith has more than 35 years' stockbroking experience and has developed long-standing relationships with many major institutional investors, including Private Client Brokers and Wealth Managers. He started his career at James Capel, at the time the top-ranked research house in London. He was a founding member of Schroder Securities and of Agency Partners, a leading research boutique house, and was a member of the five-man securities board at Evolution. Keith was part of the group of investors that acquired Hardman & Co in late 2012. He holds an MA in Philosophy, Politics & Economics from the University of Oxford.

Q&A Host

Richard Angus

Head of Business Development, Hardman & Co

Richard has more than 30 years of City experience. His primary focus has been US equity capital markets, and he has been involved predominantly in the development of growth companies. He has experience on both the buy and sell sides. Having worked for M&G as a fund manager, Richard then worked for US investment banks Alex Brown & Sons and Furman Selz. Latterly, he was Managing Director and Head of Institutional Sales for Europe at FBR & Co. Besides being involved in many public flotations, Richard's experience includes pre-IPO capital raises. He joined Hardman & Co in September 2014. He holds a BA (Hons) in Economics from the University of Liverpool and is a Chartered Accountant.

Company Speakers

Jason Sayers

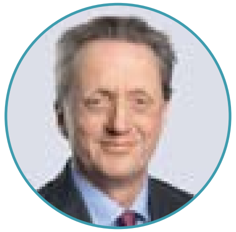
Group CEO, Filta

Jason founded Filta in the UK in 1996 and has since been the driving force for the business. As Group CEO, he has ultimate responsibility for all of its operations worldwide. Jason has a degree in European Business Systems, major Systems Analysis. He lives in Florida, USA.

Nigel Hanbury

CEO, Helios Underwriting

Nigel was appointed CEO in October 2012. He joined Lloyd's in 1979 as an external member and became a Lloyd's broker in 1982. He later moved to the members' Agency side, latterly becoming Chief Executive and then Chairman of Hampden Agencies Limited. He serves on the board of the Association of Lloyd's Members and was elected to the Council of Lloyd's for the "Working Names" constituency, serving 1999-2001 and 2005-08, as well as participating on the Market Board and other Lloyd's committees. In December 2009 he ceased being Chairman of Hampden and in 2011 acquired a majority stake in HIPCC, a Guernsey cell Company, formerly wholly owned by Hampden plc. Nigel and/or his direct family underwrite at Lloyd's through two LLVs.



Arthur Manners

Finance Director, Helios Underwriting

Arthur has over 20 years' experience in the insurance industry. He has been a consultant to Helios since June 2015 and joined the Board in April 2016. His role as Finance Director at Helios is part time. He previously worked for Beazley Group plc from 1993 to 2009 as Finance Director and latterly as Company Secretary. He remains Chairman of the Trustees of the Beazley Furlonge Pension Scheme. Arthur and his family underwrite at Lloyd's through an LLV.

Tim Roberts

CEO, Henry Boot

Tim joined Henry Boot as Chief Executive Officer in January 2020. He is responsible for developing and implementing Group Strategy and has ultimate responsibility for Group profitability. Tim leads on engagement with all the Company's stakeholders, including interaction with investors and employees. He is also the Director responsible for all health, safety and environmental matters.

Darren Littlewood

Group Finance Director, Henry Boot

Darren joined Henry Boot in 1999 prior to his appointment as Group Finance Director in 2016. He became qualified as a member of the Chartered Institute of Management Accountants in 2007 and is responsible for all financial and risk matters relating to the Group. He is heavily involved in investor communications and, along with Tim Roberts, is also responsible for communicating strategy and results to both private and institutional investors.

Graham Clarke

CEO, Emmerson

Graham is a highly experienced potash mining executive. During his 26 years at Cleveland Potash, he held multiple positions from Graduate Trainee through to Director of Mining and, finally, as Managing Director of ICL UK (the owner of Cleveland Potash) with full operational responsibility. From 2011, he was on the senior executive team at Sirius Minerals, overseeing the development of the Woodsmith Mine, one of the most complex underground mine developments in the UK for a generation. Graham was instrumental in delivering technical and engineering work, as well as the receipt of permissions to build the mine.

Company research from Hardman & Co analysts

Click on the title to jump to each note.

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HARDMAN & CO.

May 2021

Industrial

Source: Refinitiv

Market data

EPIC/TKR	**EML**
Price (p)	**5.8**
12m High (p)	8.5
12m Low (p)	3.7
Shares (m)	825.4
Mkt Cap (£m)	47.9
EV (£m)	54.2
Free Float*	81.7%
Country of listing	UK
Market	AIM

**As defined by AIM Rule 26*

Description

Emmerson PLC (EML) is a junior potash miner with assets in Northern Morocco. The Khemisset mining project is highly competitive, with potentially strong commercial opportunities.

Company information

CEO	Graham Clarke
ED	Hayden Locke
NED	James Kelly

+44 207 236 1177
www.emmersonplc.com

Key shareholders

Jarvis Clients	15.0%
Hargreaves Lansdowne	11.9%
Robert Wrixon	5.4%
Other directors	0.3%

Diary

2021	Final results

Analyst

Paul Singer 020 3693 7075
ps@hardmanandco.com

EMMERSON PLC

A competitively well-placed potash play

EML is well-placed to benefit from the opportunities that the demand for potash to feed the world's rapidly increasing population is creating. The Khemisset mining project in Morocco has the potential to be among the lowest in terms of capital cost, and, also, as a result of its location, one of the highest-margin potash projects in the world. With the project, EML has the potential to become a major producer of both MOP (Muriate of Potash) and SOP (Sulphate of Potash).

- **Strategy:** EML's focus is on developing the Khemisset Potash Project, located in Northern Morocco. The project offers a large JORC (Joint Ore Reserves Committee)-compliant resource with low capital cost and high-margin product development.

- **Finance:** In late February 2021, EML successfully completed a £5.5m fundraising to finance the final critical path components of development work at Khemisset.

- **Valuation:** It is widely considered by the stock market that junior resources companies can be expected to trade at around 20%-25% of NAV, if corporate positioning is strong and the project economics are top-quality. EML currently trades at around 5% of NAV, suggesting share price upside potential.

- **Risks:** EML faces the normal risks for a junior miner, albeit without the funding risk faced by explorers/developers. These include volatility in potash prices, political risks, environmental risks, and operational risks in successfully executing the mining plan and operating downstream processing facilities.

- **Investment summary:** In our opinion, EML offers an attractive investment, with a defined development path and a long-term investment programme for creating a mid-tier, multi-nutrient fertiliser company with sound finances and an appealing valuation.

Financial summary and valuation

Year-end Dec (£000)	2019	2020E	2021E	2022E
Sales	0.0	-	-	-
Underlying EBITDA	-1.1	-	-	-
Underlying EBIT	-1.1	-	-	-
Reported EBIT	-1.1	-	-	-
Underlying PTP	-1.1	-	-	-
Statutory PTP	-1.1	-	-	-
Underlying EPS (p)	-0.17	-	-	-
Net (debt)/cash	2.1	-	-	-
Shares issued (m)	686.0	-	-	-
P/E (x)	-	-	-	-
EV/sales (x)	-	-	-	-

Source: Company data, Hardman & Co Research

Investment case

The go-to junior mining potash play

We believe EML offers an attractive investment, with a defined development path and a long-term investment programme for creating a mid-tier, multi-nutrient fertiliser company. The group's primary focus is on developing the Khemisset Potash Project, located in Northern Morocco – the Number 1 African investment mining jurisdiction country in 2018. The project offers a large JORC-compliant resource with significant upside from exploration targets with low capital cost and high-margin development, confirmed by a recent Feasibility Study. The project is supported by strong long-term fundamentals for potash and by the company's experienced board and management.

The need to feed the world's rapidly increasing population is driving demand for potash, and EML is well-placed to benefit from the opportunities this presents.

Strategy – focus on developing Khemisset potash project

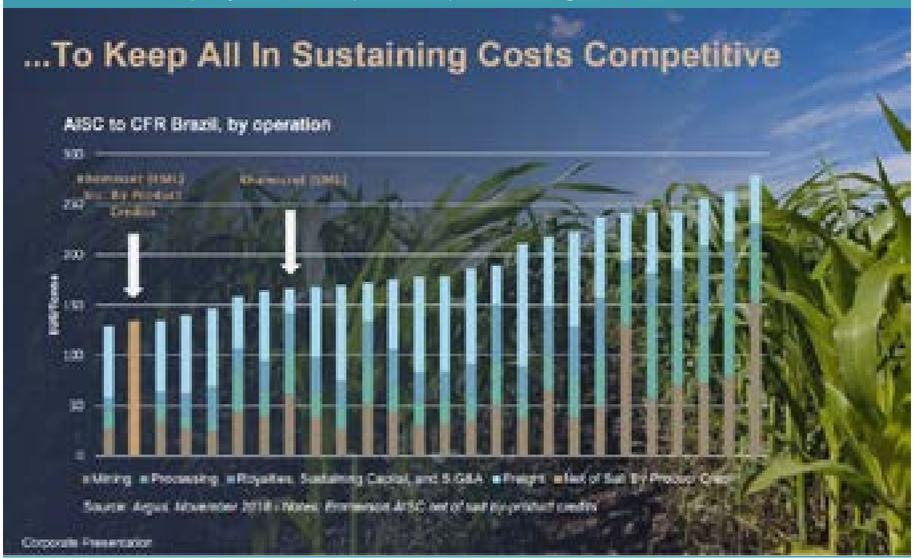
Khemisset has potential to be world-class, low capital-cost, high-margin potash mine

EML's strategic focus is on developing the Khemisset Potash Project, located in Northern Morocco, ca.90km from the capital city, Rabat, and the planned bulk port of Kenitra Atlantique, 175km from the port of Mohammedia.

The project has a large JORC resource estimate (2019) of 537Mt @ 9.24% K2O and significant exploration potential with an accelerated development pathway. The Feasibility Study, completed by Golder Associates in June 2020, has shown that Khemisset has the potential to be a world-class, low-capital-cost, high-margin potash mine, which we believe to be a very rare asset in the industry today. The study also demonstrated robust economics for Khemisset, with a post-tax NPV10 of US$1.4bn and an IRR of 38.5%, to produce ca.810,000 tonnes of K60 MOP p.a. during steady-state operations over the initial 19-year mine life. Equally importantly, Khemisset has demonstrated an incredibly low pre-production capital cost of US$387m, less than half of its global peer-average capital intensity.

Khemisset is ideally located to benefit from the expected high growth in demand for NPK fertilisers on the African continent. Its location, close to a number of potential export ports, and on the doorstep of European, Brazilian and US markets, means that the project will receive a premium netback price relative to many of its peers.

The Khemisset project – competitive positioning



Source: Emmerson

Recent developments – concept study now completed

Following on from the Feasibility Study, EML has recently completed a concept study to examine the potential to develop Khemisset, using a four-phased approach to reduce upfront capital costs and execution risk, and plan additional expansion stages to ensure that its economic value is fully developed. This concept plan resulted in major value-enhancing opportunities: significantly reduced upfront capex of US$254.6m; the potential for subsequent phases to be funded from internal cashflows; an estimated NPV8 of US$2.37bn; and forecast EBITDA in the first full year of Phase 4 production of US$491.4m. The study also demonstrated the flexibility and additional potential of Khemisset, and has led EML to continue project developments, utilising outputs of this phased approach study.

EML still intends to build full-scale project as identified in Feasibility Study

The company's intention remains to build the full-scale project as identified in the Feasibility Study. However, the report, undertaken for scoping study levels, identifies the opportunity to commence with a smaller-scale startup operation producing MOP, to be followed by a series of expansion phases to increase the level of MOP produced, and add in the production of de-icing salt in increasing quantities, as well as the premium potash product, SOP. The upfront capex for this strategy, including contingency, is estimated at US$287m. Subsequent phases through to full production would likely be financed from internal cashflows. In full production, the Khemisset Project could produce 800ktpa of MOP, 240ktpa of SOP and 4mtpa of de-icing salt. This production rate is a significant increase to the existing Feasibility Study, which the company believes is justified, given the scale and quality of the Khemisset orebody.

Commercial opportunity – the potash market

As noted, the need to feed the world's rapidly increasing population is driving demand for potash and other fertilisers, and EML is well-placed to take full advantage of the opportunities this presents. Potash plays a central role in helping feed the world's growing population, and demand is driven by the ongoing requirement to feed a population from declining arable land. Around 95% of world potash production is used as fertiliser. There is no substitute for potash, and MOP remains the cheapest and most important source of potassium for agricultural purposes.

Increasing potash demand tightening up pricing for producers – helpful situation for EML

There is currently a tailwind in the potash market, with increasing demand tightening up the pricing that producers can obtain. This is a helpful situation, as EML looks to negotiate the strategic financing options to construct the mine. In recent weeks, several of the producers have reported improving prices, as strengthening fundamentals show their effect; the reasons are a combination of diminished inventories, rising commodity prices, compelling farm economics and a cyclical recovery under way.

The leading fertiliser industry analysts at consultants Argus forecast price increases from the lows of mid-2020 for the short/medium term. The more encouraging potash market outlook will assist in the ongoing strategic and debt-financing discussions for Khemisset.

The potash industry and market

Source: Emmerson

Finances

Successful February 2021 fundraise

In late February 2021, EML successfully completed a £5.5m fundraising, which was led by several new institutional investors, as well as a number of existing shareholders. The purpose of the fundraising was to finance the final critical path components of development work at Khemisset and to ensure that the timeline was not delayed as the company moves towards securing project finance through debt and equity for the mine construction in 2H'21. Around £2.5m will be used for design for mine decline and infrastructure, as well as for deep hole drilling. Around £1.6m is earmarked for general working capital requirements.

Valuation – significant share price upside potential

Trading at ca.5% of NAV, suggesting significant upside potential from current share price levels

It is widely considered by the stock market that junior resources companies can be expected to trade at around 20%-25% of NAV, if the project's economics are top-quality, the project's capex is much lower than the NAV, the management team is credible and strong shareholders join the register. Comparable exploration and development potash stocks include Sirius Minerals (SXX), Highfield Resources (HFR) Salt Lake Potash (SO4), Kalium Lakes (KLL) and Kazakhstan Potash (KPC). EML currently trades at around 5% of NAV, suggesting that there is significant upside potential from current share price levels.

Morocco – an attractive African mining jurisdiction

Project's location relative to target markets will deliver premium netback price versus many peers

The Kingdom of Morocco ranked 53rd out of 190 countries in the World Bank's 2020 Ease of Doing Business Index – or second in terms of African countries. Morocco is a major producer of phosphate and oil, and benefits from a stable government that is supportive of mining investments. For example, new mines enjoy a five-year tax holiday from production commencement, and mining royalties are negligible. The Moroccan government has, so far, appeared to be very supportive of EML and the Khemisset project.

Morocco is one of the fastest-growing potash-consuming countries in the world, indicating that there will be strong local demand for the potash product. Furthermore, and, more importantly, Morocco is ideally located to service four key export markets for MOP in the Atlantic corridor, including South Africa. The project's location relative to its target markets will deliver a premium netback price versus many of its peers.

Background – potash industry basics

Potash is a term used for potassium fertiliser. It is used predominantly to help the agricultural industry improve yields and produce crops of better overall quality. It is a naturally occurring substance, and there are several sources of potash. The two predominate ones are potassium chloride, also known as MOP, and potassium sulphate, also known as SOP. Potash production is currently heavily concentrated in just four countries: more than 75% of the world's potash production comes from Canada, Russia, Belarus and China – and more than half of the world's reserves lie within the top two producing nations.

May 2021

Support Services

Source: Refinitiv

Market data

EPIC/TKR	**FLTA**
Price (p)	**154**
12m High (p)	160
12m Low (p)	62
Shares (m)	29
Mkt Cap (£m)	45
EV (£m)	44
Free Float*	33%
Country of listing	UK
Market	AIM

**As defined by AIM Rule 26*

Description

Filta Group (Filta) provides cooking oil filtration, fryer and drain management services in North America, the UK and Europe to commercial kitchens, primarily through franchisees.

Company information

CEO	Jason Sayers
CFO	Brian Hogan
Chairman	Tim Worlledge

+44 1788 550100
www.filtaplc.com

Key shareholders

Directors	66.4%
Gresham House	16.5%
Cannacord Genuity	4.5%

Diary

Nov'21	Interim results

Analyst

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js@hardmanandco.com

FILTA GROUP

Robust and necessary

Filta announced FY'20 results in line with expectations. We are not changing the forecasts we published last month. What is clear is that the business has performed robustly during COVID-19, adding new clients and becoming an important part of its clients' processes. With business levels back to 70% of pre-COVID-19 levels and with its largest clients yet to reopen, Filta is emerging from this fog stronger than ever. Assuming there is no reversion to widescale lockdowns, our forecasts should prove conservative.

- **FY'20 results:** Revenue was down by a third, and adjusted EBITDA came in at £1.05m. The company ended the year with net debt of just £0.5m, showing the effectiveness of its cash management in a very tricky period. Overheads were reduced by £1.4m, and efficiency gains were made throughout the business.

- **2021 outlook:** The US has been better than the UK, which has been better than Europe (only 3% of business). We are forecasting a 22% pickup in revenue for 2021, followed by 30% in 2022. Business is bouncing back strongly, with economic stimulus and huge pent-up demand. Filta has shifted its FOG business in the UK to a capital-light franchise model, and its Cyclone model is now well-established.

- **Valuation:** Our DCF-derived valuation delivers a central value of £49m, or 169p per share, and equates to 10x 2023E EBITDA.

- **Risks:** The clear risk for Filta is that COVID-19 returns aggressively and its customers are unable to stay open or reopen. In the UK-owned operations, the business is heavily weighted towards 20 large operations that are well-positioned to survive. Its balance sheet is relatively strong, with cash balances and low net debt.

- **Investment summary:** Filta is an attractive business, in our view, focusing on the capital-light franchise model developed in North America, and now widespread in the UK and growing in Europe. As businesses continue to reopen, the focus on cleanliness, efficiency and environmental friendliness is unlikely to be abated. This is a business that did not sit idly by while its customers were shut; it has improved efficiency across the operations, which will drive profitability this year and next. The company is currently hiring 100 staff to cope with the resurgent demand, and, with its FiltaFog Cyclone product being specified for exclusive use in some of the world's largest restaurant chains, it is here to thrive for the foreseeable future.

Financial summary and valuation

Year-end Dec (£000)	2017	2018	2019	2020	2021E	2022E
Revenue	11,547	14,213	24,923	16,402	20,000	26,000
Adjusted EBITDA	2,116	2,642	3,163	1,054	2,553	4,430
Underlying EBIT	2,059	1,941	1,504	-402	1,070	2,970
Reported EBIT	1,699	1,782	1,208	-589	1,070	2,970
Underlying PTP	1,968	1,900	1,233	-679	820	2,770
Statutory PTP	1,608	1,742	936	-866	820	2,770
Underlying EPS (p)	5.05	5.39	2.40	-2.81	2.21	7.46
Statutory EPS (p)	3.85	4.88	1.39	-3.46	2.21	7.46
Net (debt)/cash	2,992	2,040	-2,094	-516	415	2,580
Shares issued (m)	27	29	29	29	29	29
P/E (x)	30.5	28.6	64.1	-54.7	69.7	20.6
EV/EBITDA (x)	18.4	16.1	14.8	42.9	17.4	9.5

Source: Hardman & Co Research

Summary

Plenty of scope for future growth

Filta has an attractive repeat revenue business. Serving mostly commercial kitchens, it provides contracted-out services covering fryer management, replacing refrigeration seals, and fat oil and grease management (FOG). These jobs are usually left to the most junior employee, or until an emergency service is needed. Filta has little in the way of competition in the first two categories, and the FOG sector is very fragmented, with Filta's 2018 acquisition of Watbio making it probably the largest player in the UK.

The business in North America and continental Europe is run as a franchise operation, which means relatively low capital and employee requirements. The franchisees are supported by a Filta sales team, which helps them grow their businesses, and is responsible for managing the national accounts of multi-site commercial catering operations. The UK is a mixture of company-owned operations and fryer management franchises, but the franchisees are typically one-van operations, in contrast to the North American market, where the average van count is three per franchise and where top franchisees had annual revenues in excess of $2.5m in a normal (non-COVID-19) year.

Filta had seen steady growth in its various businesses, as the number of franchises had increased and as the franchisees had grown their own businesses. With around just 2% of the addressable fryer market currently being served, we see steady growth being achievable for many years to come, once everything is open again. Large parts of the USA are now allocated to franchisees – including the largest metro areas – but the growth of the American franchisees themselves, the steady upgrading of the franchisee network, as territories are recycled, and the opportunity to repeat the US pattern in Europe provide plenty of scope for future growth.

Grease management services a promising addition

The expansion into grease management was a natural next step. There is more competition here, and Filta's acquisition of Watbio was a significant move, but it remains a very fragmented market, in which Filta is one of the largest or possibly *the* largest players in the UK. Regulation is only likely to get tougher, making Filta's FOG services even more important.

The FOG business is similar to the fryer business in that it requires regular visits to the kitchens to maintain the equipment *in situ*. The requirement for scheduled maintenance makes the organisation of the teams' rotas a critical factor in the efficient running of the business and, here, Filta believes there is substantial scope for increasing the productivity within this sector.

Filta's new grease recovery product, FiltaFOG Cyclone, was launched during the year and has had a very positive reaction from customers. It has now been specified for exclusive use in the UK in some of the world's largest restaurant chains. It produces better oil separation at a lower operating cost than any other product on the market. Filta is using its franchise network to deliver this service in areas where it doesn't have adequate in-house coverage.

Unique proposition in seal replacement market – replacing seals onsite in one visit

The fridge seal replacement operation is less suited to franchising because, typically, it needs client visits only annually, or less frequently, so the business is company-owned. Filta has a unique proposition in this market – it replaces the seals onsite in one visit, making it a very attractive solution for the kitchens by avoiding prolonged disruption. Once the clients are signed up, they should remain for as long as they stay in business. We expect the steady progress of this business to continue and its profitability to marginally outgrow sales, as scale efficiencies kick in and as clients migrate from reactive repairs to scheduled maintenance or replacement.

Has developed efficient sanitising and disinfection service

Since the spread of COVID-19, Filta has also established a sanitising and disinfecting service that eliminates all envelope viruses, flu and 99.9% of bacteria from the premises. This service has been taken up by many of Filta's existing clients, as well as some new ones.

COVID-19 action

Well-positioned in US

In the US, Filta supported its franchisees through the pandemic with reduced royalties, based on revenues. Many states are reopening, following the vaccine programmes being rolled out. We expect a rapid recovery within the restaurant and leisure sectors. The US has remained profitable and cash-generative throughout the period and, by the end of 2020, recurring revenue levels had recovered to over 65% of the levels that were achieved in 2019, despite some of the group's major existing customers, including stadia and universities, not having reopened. This has been achieved by some 20% growth in the total US customer base, and leaves Filta well-positioned to capitalise on both the additional revenues that will derive from further reopenings and from the US recovery generally.

Filta made six US franchise sales in 2020, and it continues to receive new franchisee interest. Unemployment frequently prompts greater interest in entrepreneurial types going it alone.

Has developed strong sales pipeline in UK

In the UK, margins have improved as a result of efficiency measures introduced in 2019. As with the US, the group's major UK customers are yet to reopen and, in consequence, business levels are at ca.60% of pre-COVID-19 levels. However, investment in its sales teams has seen an increase in activity, and it has developed a strong sales pipeline.

Significant scope to grow in Europe once hospitality business returns

Europe has been hit harder and taken longer to reopen. It accounts for less than 3% of group revenues, but has significant scope to grow once the hospitality business returns.

Forecasts and valuation

We use a DCF valuation, given that Filta has no comparable businesses…

Our forecasts assume that the steady reopening in the USA continues and that the UK begins to reopen from April onwards. Nevertheless, our revenue numbers for 2021 are still 20% below 2109 levels. By 2022, we estimate revenue at a new record, reflecting the growth in franchises, and the benefits of the investment in new products and in the sales teams.

We estimate a constant gross margin of 44% in both forecast years, and administration costs as a percentage of revenue to fall from 43% in 2020 to 38% in 2021 and 32% in 2022.

We expect net debt to be eliminated in 2021, excluding ca.£1m of finance leases.

With no comparable businesses, we use a DCF valuation. Using a constant discount rate of 10% derives a range of values depending on the growth rate chosen between the end of our forecast period (December 2022) and when the perpetuity calculation starts (we have used 2026).

…delivering a central value of £49m, or 169p per share

Our forecast range of values, based on the DCF methodology, gives a wide-range value of 114p to 269p per share, with a central value, at a 10% mid-term growth rate and using our 10% discount rate, of 169p. This equates to 10.5x 2022E EBITDA.

DCF sensitivity table				
Mid-term growth rate	**6%**	**8%**	**10%**	**12%**
Discount rate	(p)	(p)	(p)	(p)
8%	231	243	256	269
10%	153	161	169	178
12%	114	120	126	132

Source: Hardman & Co Research

Of course, these mid-term growth rates are a fraction of what Filta has achieved in the past and what we expect it can achieve in the future. They take no account of future potential acquisitions, either.

The current share price, still using a 10% discount rate, implies and assumes no mid-term growth rate at all.

The relatively high, implied multiples of earnings and EBITDA would be justified, we believe, by the high gross margins, the low capital intensity, the lack of competition, and the persistency and widespread nature of the client base.

Income statement, 2017-22E						
Year-end Dec (£000)	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**
Revenue	11,547	14,213	24,923	16,402	20,000	26,000
Cost of sales	-5,870	-7,131	-14,756	-9,484	-11,200	-14,560
Gross profit	5,677	7,083	10,166	6,918	8,800	11,440
Other income	38	25	191	77	50	50
Distribution costs	-125	-151	-203	-88	-180	-200
Admin. expenses	-3,532	-5,015	-8,650	-7,308	-7,600	-8,320
Operating profit	2,059	1,941	1,504	-402	1,070	2,970
Adjusted EBITDA	*2,116*	*2,642*	*3,163*	*1,054*	*2,553*	*4,430*
Finance expenses	-91	-40	-271	-277	-250	-200
Underlying PBT	1,968	1,900	1,233	-679	820	2,770
Exceptional costs	-360	-159	-296	-187		
Tax	-590	-422	-532	-140	-164	-554
PAT	1,017	1,320	404	-1,006	656	2,216
Discontinued operations	33	19				
Net profit	1,050	1,339	404	-1,006	656	2,216
Exchange differences	-94	-29	-149	-168		
Comprehensive income	956	1,309	255	-1,174	656	2,216
Underl. EPS (fully-dil., adj., p)	5.1	5.4	2.4	-2.8	2.2	7.5
DPS (p)	0.0	1.6	1.0	0.0	0.7	2.5
Gross profit margin	*49%*	*50%*	*41%*	*42%*	*44%*	*44%*
EBIT margin	*18%*	*14%*	*6%*	*-2%*	*5%*	*11%*
Growth YoY						
Revenue	36%	*23%*	*75%*	*-34%*	22%	30%
Operating profit	104%	*-6%*	*-23%*	*-127%*	-366%	178%
EPS	38%	*7%*	*-55%*	*-217%*	-179%	238%

Source: Hardman & Co Research

HELIOS UNDERWRITING

Timing its growth with the insurance cycle

Over the last few months, Helios has transformed itself. Having raised £64m, and acquired over £10m of additional capacity, it has greatly increased its ability to add to its exposure to its desired Lloyds syndicates. It can do this through continuing to acquire new vehicles, increasing its retention by reducing its quota share arrangement, or obtaining tenancy agreements with existing syndicates. The timing for doing this looks ideal: after several years of losses, premium rates have been increasing strongly since 2018. Notwithstanding the recent COVID-19-related claims, the prospects for improved underwriting results are very good.

- **Strategy:** Helios has aims to build a portfolio of exposure to high-quality syndicates at Lloyds of London. Its primary method for executing this has been to buy out Names through the limited liability vehicles (LLVs) through which they now conduct their business, generally acquiring these at a discount.

- **2020 interims:** The interim results reflected a mixed pattern. While the 2018 and 2019 underwriting years showed a positive development, reserving for COVID-19 losses in 2020 reduced underwriting income to £154,000. Helios made a small loss of £96,000.

- **Valuation:** Post the November fundraise, the adjusted NAV per share was 151p. Helios currently trades at a 13% premium to this book value. Helios management views NAV per share as a key metric, and aims to grow it over time. It will take a little while to see the financial benefits of the increased balance sheet.

- **Risks:** While increased premium rates bode well for underwriting profitability, and Helios has reinsurance protection, it is still subject to the usual variations in claims. The final effect of COVID-19 remains uncertain in some areas, and there are the usual ongoing risks of large adverse events.

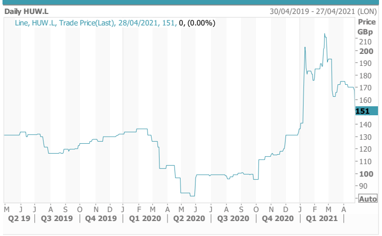
- **Investment summary:** Although it will take a couple of years for the full effect of the larger balance sheet to come through, Helios appears to have increased this at the right time in the insurance cycle. With the benefits of premium rate increases to come and increased share liquidity, we believe it has some attractions for investors.

Financial summary and valuation

Year-end Dec (£000)	2016	2017	2018	2019
Net earned premium	22,908	29,426	30,952	42,688
Claims	-12,805	-18,032	-18,972	-27,624
Expenses	-11,788	-13,107	-12,933	-17,528
Pre-tax profit	779	-1,305	327	4,287
Total assets	109,431	117,920	173,242	179,938
Net assets	22,519	21,010	21,045	28,148
EPS (p)	6.2	-4.8	3.1	25.6
DPS (p)	5.5	1.5	3.0	0.0
NAV/share (p)	154	139	139	153
P/E (x)	24.5	-32.1	48.6	5.9
Dividend yield	3.6%	1.0%	2.0%	0.0%
P/NAV	1.0	1.1	1.1	1.0

Source: Hardman & Co Research

Non-life insurance



Source: Refinitiv

Market data

EPIC/TKR	**HUW**
Price (p)	**170.0**
12m High (p)	214.0
12m Low (p)	81.7
Shares (m)	67.8
Mkt Cap (£m)	115.2
Adj NAV (£m)	102.3
Free Float*	65%
Country of listing	UK
Market	AIM

**As defined by AIM Rule 26*

Description

Helios Underwriting is a corporate Lloyds vehicle that is building a portfolio of exposure to high-quality syndicates.

Company information

CEO	Nigel Hanbury
CFO	Arthur Manners
Chairman	Michael Cunningham

www.huwplc.com

Key shareholders

ILS Capital & associated funds (Tom Libassi)	19.3%
Nigel Hanbury	13.6%
Other directors	2.1%
Hudson Structured Capital	18.6%
Polar Capital	14.2%
Will Roseff	7.7%
Ardnave Capital	4.2%

Diary

May 2021	Annual results

Analyst

Brian Moretta 020 3693 7075
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Strategy

Aiming to add exposure to desired Lloyds syndicates

Helios aims to build a portfolio of exposure to high-quality syndicates at Lloyds of London. Its primary method for executing this has been to buy out Names through the LLVs through which they now conduct their business.

As Names age, and with some recent underwriting losses, their desire to exit makes this an attractive option for Helios, which can acquire these vehicles at a discount to their underlying value. From a Name's perspective, there are few buyers in the market, with Helios being the largest, and the main alternative is to close down the LLV, which is not tax-efficient. Any gain on purchase also contributes reverse goodwill to earnings.

The acquisition of each LLV gives Helios rights to the following:

- A share of future underwriting profits/losses in the underlying syndicates, plus the investment returns, pro-rata with its capacity ownership. This includes returns from any open years (Lloyds closes underwriting years after 36 months).
- The net assets in the LLV.
- Pre-emption rights, whereby it automatically gets a pro-rata share of any increase in capacity at no cost. This represents a substantial saving over buying at auction.

Recent fundraising and acquisitions

Raised £64m across two fundraisings plus acquired four LLVs

The latest accounts (Jun'20 interims) list 38 corporate vehicles that Helios owns, with at least half a dozen more having been acquired since then. Over the past couple of years, Helios has grown its balance sheet quickly. In particular, the last six months have seen two significant fundraisings, a summary of which is given in a table on page 4.

The Nov'20 issue was combined with the acquisition of four LLVs; the executive directors held an interest in three of these. As well as £6.96m of shares, the consideration included £2.37m of cash, of which £1.17m was retained by Helios to repay an intercompany loan. This leaves the executive directors with no underwriting exposure outside the company, reducing potential conflicts of interest. Terms were set by the non-executive directors and were subject to shareholder approval. The 120p issue price was dilutive to net assets, but the benefits were judged to offset this.

These were bought at an average discount of 21% to the Humphrey's Valuation (which includes the net assets, the auction value of capacity and adjustments for open underwriting years). We understand that this is a larger discount than may be expected for future acquisitions.

The Mar'21 raise was much larger, at £55m. In aggregate, the amount raised, less consideration (pre-expenses), across the two fundraisings was £64m. Given that the net assets at the Jun'20 interims were £28m, these have been transformative in terms of scale. This also brought in some credible institutional insurance industry investors.

Getting the right syndicates

Helios seeks exposure to high-quality syndicates…

While there are usually a number of LLVs available at any one time, Helios aims to have exposure to high-quality ones. While Lloyds has effectively closed many of the worst-performing syndicates, Helios rightly looks for capacity in the better ones. For the 2021 underwriting year, it started with exposure to 20 different syndicates; the syndicates managed by the top eight agents represented 83% of capacity.

The ideal LLV acquisition will most likely have exposure to these syndicates. However, Helios expects to do some management after purchase, selling unwanted capacity in auctions and focusing on its desired syndicates.

Current activities

Helios's capacity in past four underwriting years				
£m	2018	2019	2020	2021
Retained at 17/11/20	27.6	23.3	21.1	
Reinsured at 17/11/20	38.2	39.0	49.1	
Retained – acquired post 17/11/20	8.5	8.0	9.7	
Retained at 31/3/21	36.1	31.3	30.8	58.6
Reinsured at 31/3/21	38.2	39.0	49.1	51.6
Total capacity 31/3/21	74.3	70.3	80.0	110.3

Source: Hardman & Co Research

Reinsurance policies

...but needs to manage exposure carefully

With its small capital base, Helios needed to be careful to manage its exposure appropriately. A key part of this has been the use of reinsurance, the largest part of which has been a quota share arrangement. Up to the 2020 underwriting year, 70% of capacity was reinsured at the start of the year. The larger balance sheet allowed this to be reduced in 2021 to just under 47%. The expectation is that retentions will increase further in 2022, although the amount will be contingent on the amount of acquisitions this year.

In addition to the quota share, Helios has a stop loss policy, which kicks in when overall losses exceed 5% of capacity. This also covers any potential solvency gap. A bank facility of £4m is in place, if required.

Acquisitions effectively increase retentions. The capacity from open years at the time of purchase is usually not reinsured. However, the purchase price is adjusted for the forecast performance – so net exposure is effectively reduced.

Financial results

Insurance cycle been challenging in last few years, but Helios has outperformed market

The insurance cycle has been challenging for the last few years. 2017 saw a combined ratio for Lloyds as whole of 114%. While 2018 and 2019 were better, losses are still expected for these years. Helios has outperformed the market in each of the last six years. For 2018, the final result was a loss of 0.3%, against a market average loss of 5.9%. For 2019, the latest mid-point estimates are a Helios loss of 2.15%, versus a 5.19% loss for the market – a 3% outperformance.

COVID-19 claims have adversely affected development...

Generally, Helios expects years to improve as they develop. Managing agents are incentivised to show that they are adding value by reducing claims, so tend to be conservative with initial estimates. This was not the case for 2019, as COVID-19 claims adversely affected development. Helios estimates an additional 5% on its combined ratio for 2020 as a consequence of COVID-19 on event cancellation lines. There may be further employment and health claims to come.

...but underwriting losses have had positive effect on premium rates

These underwriting losses have had a positive effect on premium rates. Since the start of 2018, premium rates have increased by 28%, with 10.5% in 2020 alone, and Lloyds seeing "positive rate momentum continuing in the first quarter of 2021". While the pandemic has cost money, these higher rates bode well for profitability in the next few years.

Until 2018, Helios paid a base dividend of 1.5p per share, increased by special dividends, as appropriate. Recently, it announced that the dividend would be reinstated with a base of 3p. Surplus over salaries, reinsurance and the base dividend will be paid as a special dividend, or reinvested if opportunities are available.

Financial summary and valuation				
Year-end Dec (£000)	**2016**	**2017**	**2018**	**2019**
Net earned premium	22,908	29,426	30,952	42,688
Other revenue	3,019	1,242	1,561	4,891
Claims	-12,805	-18,032	-18,972	-27,624
Expenses	-11,788	-13,107	-12,933	-17,528
Pre-tax profit	**779**	**-1,305**	**327**	**4,287**
Reported taxation	-66	611	129	-233
Underlying net income	713	-694	456	4,054
Underlying Basic EPS (p)	**6.22**	**-4.75**	**3.14**	**25.64**
DPS (p)	5.50	1.50	3.00	0.00
P/E (x)	24.5	-32.1	48.6	5.9
Dividend yield	3.6%	1.0%	2.0%	0.0%
Balance sheet				
Intangible assets	10,732	12,175	16,051	21,178
Financial assets	45,580	48,074	58,075	67,151
Reinsurance assets	12,222	17,190	26,755	30,783
Cash	6,212	2,844	12,202	6,037
Total assets	**109,431**	**117,920**	**173,242**	**179,938**
Claim reserves	50,087	59,833	88,032	95,616
Unearned premium	16,821	15,916	24,772	26,522
Borrowings	0	1,094	9,196	2,000
Net assets	**22,519**	**21,010**	**21,045**	**28,148**
Number of shares (m)	14.6	15.1	15.1	18.4
Book NAV/s (p)	154	139	139	153
Helios adjusted NAV/s (p)	196	160	190	206
P/book NAV	1.0	1.1	1.1	1.0
P/adjusted NAV	0.8	1.0	0.8	0.7

Source: Hardman & Co Research

Fundraisings since last interims (Jun'20)				
	Gross amount (£m)	**No. shares (m)**	**Price (p)**	**Comment**
Nov'20 – placing, subscription and offer	11.7	9.75	120	
Nov'20 - acquisition of 4 LLVs	9.32	5.79	120	Cost includes £2.37m cash
Mar'21 – placing and offer	54.8	34.24	160	

Source: Hardman & Co Research

May 2021

HENRY BOOT PLC

What's in a name?

Shakespeare said it first. What someone or something is called or labelled is arbitrary compared with their or its intrinsic qualities; this is especially true of sobriquets. Henry Boot has been monikered a Luddite because of its mix of businesses. Unfashionable, maybe, but intrinsically valuable, singularly and in concert. These include property development, land promotion, construction, plant hire, housing and a dash of PFI. Having traded for more than 100 years, Henry Boot is also old enough to know better; and it does. Not just in mix but in terms of blooming financial metrics; and it pays dividends through thick and thin. "A rose by any other name would smell as sweet".

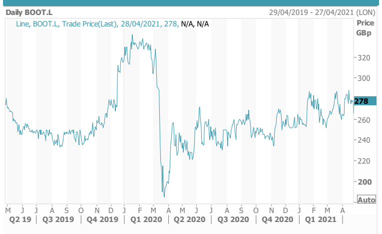
- **Strategy:** The group possesses a high-quality strategic land portfolio, an enviable reputation in the property development market, an expanding, jointly-owned housebuilding business plus a first-class construction business, Banner Plant ,and it enjoys strong cashflow from its PFI unit: Road Link (A69) Ltd.
- **Metrics:** Boot generates a double-digit RoCE in a normal year, turns its capital at least once and sports a Quick Ratio above 1.0 year after year; and no-one can remember when it did not pay an annual dividend. It has also had a new CEO since January 2020 in Tim Roberts, a former Main Board Director of British Land.
- **Valuation:** After a COVID-19-impacted-2020, the current year is one of recovery; and hence a PER in the mid-teens. But for fiscal 2022 and 2023, the valuation is only just in double digits, with a yield nudging 3%. "Our balance sheet remains rock solid" and there are "encouraging signs of recovery in our key markets".
- **Risks:** There's only one really: will the tortuous path of COVID-19 de-rail the international economic and construction recovery? Right now, the smart money is on 5%-7% growth in UK GDP this year and next. Plus, Experian talks of double-digit growth in construction this year, followed by 3% or 4% p.a.
- **Investment summary:** Henry has been around the track a bit. It has also shown terrific dynamism. Luddite it is not – either original or neo. The group possesses a high-quality strategic portfolio, an enviable reputation and polished metrics. And, it has strength in diversity, fresh leadership and budding recognition.

Financial summary and valuation

Year-end Dec (£m)	2018	2019	2020	2021E	2022E	2023E
Revenue	397	380	222	264	320	336
Gross profit	78.0	81.0	40.5	60.7	72.8	76.5
EBIT	50.0	50.4	17.5	30.1	43.5	47.8
EBIT margin	12.6%	13.3%	7.9%	11.4%	13.6%	14.2%
PBT	48.6	49.1	17.1	29.8	43.3	47.6
EPS (p)	28.3	28.3	9.0	15.6	22.7	24.9
DPS (p)	9.0	5.0	5.5	6.0	7.1	8.0
Cover (x)	3.1	3.1	1.6	2.6	3.2	3.1
NAV	302	319	314	334	365	399
Net (debt)/cash	-18.4	27.0	27.0	15.2	5.0	3.4
PER (x)	9.4	9.4	29.6	17.1	11.7	10.7
Yield	3.4%	1.9%	2.1%	2.3%	2.7%	3.0%

Source: Hardman & Co Research

Property



Source: Refinitiv

Market data

EPIC/TKR	**BOOT**
Price (p)	**266**
12m High (p)	290
12m Low (p)	220
Shares (m)	133.211
Mkt Cap (£m)	354
EV (£m)	327
Free Float*	80%
Country of listing	UK
Market	LSE

**As defined by AIM Rule 26*

Description

Henry Boot was established 135 years ago, and is one of the UK's leading land promotion, investment/development and construction groups. Based in Sheffield, it comprises Hallam Land Management, HB Developments, Stonebridge Homes, HB Construction, Banner Plant, and Road Link (A69) Ltd.

Company information

Chairman	Jamie Boot
CEO	Tim Roberts
CFO	Darren Littlewood

+44 114 255 5444
www.henryboot.co.uk

Key shareholders

Directors	4.57%
Reis family	15.74%
Canaccord Genuity	6.28%
Unicorn AM	5.13%
Fulmer Trust	4.31%
London & Amsterdam	4.14%

Diary

20 May	AGM

Analyst

Tony Williams 020 3693 7075
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Prologue

A Luddite is a member of any of the bands of English workers who destroyed machinery, especially in cotton and woollen mills, between 1811 and 1816. He believed that mechanisation was threatening his job and the jobs of others. In turn, Neo-Luddism is a philosophy opposing many forms of modern technology. At its best, it raises precautionary concerns about the technological impact on individuals, communities and the environment. Either term, however, is generally a pejorative.

Lessons from history

The traditional UK construction industry model mixed cash-generative contracting with asset-based activities, such as housebuilding, property development and other businesses, like plant hire. This dissipated in the wake of a near doubling of interest rates in the 12 months or so from June 1988 (7.38%) and a very difficult period for the domestic economy through 1995. In any or either event, the large contractors exited development, housebuilding, in particular, *et al* (who remembers Trafalgar House, for example?) and the behemoths like Persimmon and Taylor Wimpey were incipient – and they grew and grew.

Kier is clearly not a candidate for poster child

This was less true for the contractors, and there was real pain experienced over time. Ultimately, there were casualties in the private and listed sectors (Connaught and Roc, for example), and the evisceration of the likes of Mowlem and Alfred McAlpine. A number of combined businesses survived, although Carillion (in 2018) did not, and Kier is clearly not a candidate for a poster child here.

Henry Boot was founded in 1886, before debuting on the London Stock Exchange (LSE) in 1919. It was already then double-handed in construction and development, including housebuilding; and, in fact, it was the first-ever quoted housebuilder on the LSE. Between WW1 and WW2, it also built more houses (public and private) than any other company. Nor did it operate exclusively in residential – it had many strings to its bow, including a railway engineering business, which it later took internationally. Success away from home, though, was mixed and, in 1985, the group lost £7m. In the following year, Jamie Boot (great grandson of Henry) became Chairman and he remains in the post today. In 1988, the railway engineering business was sold. Much later, in 2003, Henry Boot cited competing cash demands from its property development and plant divisions and sold its 700-unit-a-year private housing unit to Wilson Bowden (now part of Barratt) for £48m.

Luddite it is not – either original or neo

The group has been around the track a bit and garnered several T-shirts along the way. It has also shown terrific dynamism. Luddite it is not – either original or neo. Today, it possesses a high-quality strategic land portfolio, an enviable reputation in the property development market – which, in turn is backed by a substantial investment property portfolio – and an expanding, jointly-owned, housebuilding business. It has a construction specialism in both the public and private sectors, a long-standing plant hire business (Banner) and enjoys strong cashflow from its PFI contract through Road Link (A69) Ltd. Financially, too, it generates a double-digit RoCE in a normal year, turns its capital at least once and sports a Quick Ratio above 1.0 year after year. Henry Boot, pretty much, always pays a dividend, too – even in 2020.

New CEO, Tim Roberts, is ex-British Land – a very significant choice

Note, too, that the group has a (relatively) new CEO in Tim Roberts – incumbent since January 2020; and his background is significant, given that he was at British Land for 15 years, running its office team. He also developed a strategy for shifting the London office focus towards more mixed-use campuses including a residential offering. Tim was also a Main Board member at British Land and he is also an NED at Songbird PLC, whose principal subsidiary is Canary Wharf Group plc. In 2020-21, Tim has also undertaken a strategic review of the group, which will sharpen its focus on "our three long-term markets: industrial & logistics; residential; and urban development", all of which "benefit from structural tail winds" right now. He has also revamped Boot's ESG (Environmental, Social and Governance) strategy, which will be led by "135 Henry Boot", which also celebrates the group's 135th anniversary. The latter is nothing short of extraordinary.

Outlook

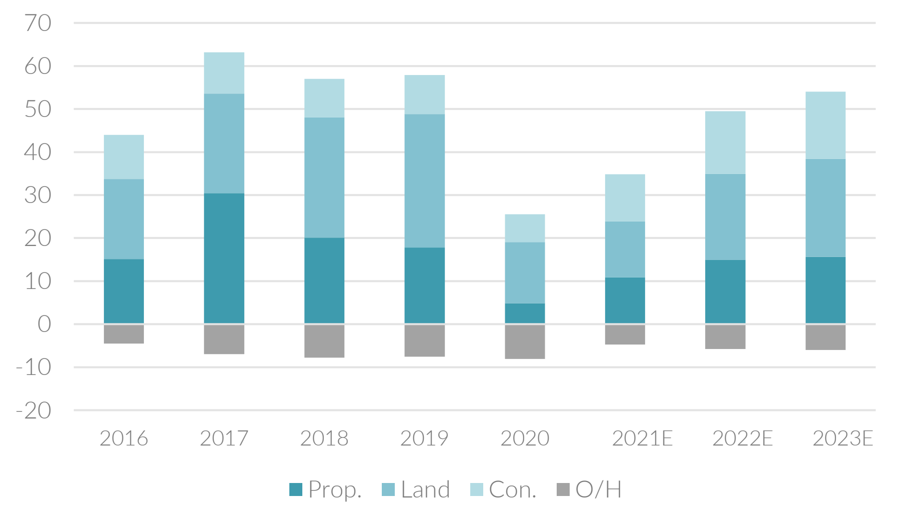
A useful windfall profit of £7.4m came from land and business divestments

COVID-19 was, predictably, writ large in calendar 2020. Group revenue dropped 41% to £222m, with Property-Investment-and-Development, plus Land Promotion, hardest-hit and, together, almost £160m lighter, at ca.£107m, which meant that Construction revenue (across three businesses) actually nudged up 1.5% to £116m. At the same time, the gross margin shed 310 basis points to 18.2%, while EBIT was struck at just 35% of the previous year's tally, i.e. £17.5m (2019: £50.4m). Okay, this includes an additional one-off profit of £7.4m, which was made from disposals, largely land, in 2020 (2019: nil); and it's a good job that it had them.

By division, too, Property's EBIT was impacted the most, dropping from £17.8m to £4.9m (rounded), with Land Promotion more than halving to £14.2m (including sale profits), and Construction, including Henry Boot Construction, Banner Plant and Road Link (A69) reporting EBIT of £6.5m (2019: £9.1m). Thereafter, statutory PBT for Boot was almost two-thirds lower, at £17.1m. EPS behaved similarly, but the rebased dividend was increased by a sturdy 10% to 5.5p, with cover at 1.6x (2019: 3.1x).

In terms of the balance sheet, RoCE was academic, at 6.1% (2019: 17.5%); and the target remains 10%-15%. However, the Quick Ratio remained luxuriant, at 1.34 (2019: 1.48); and Boot sported virtually unchanged net cash of £27m at 31 December, in a tough year, which had risen to £38.5m by end-February.

Composition of EBIT, 2016 through 2023E (£m)



Source: Hardman & Co Research

HBD completed an heroic GDV of £58m in 2020

In terms of actual trading, Land Promotion (*aka* Hallam Land Management) "performed well" after housing recovered and was "unexpectedly buoyant in H2" – which meant the sale of 2,000 plots (2019: 3,427) on nine sites. It also closed the year with 88,070 plots in hand, of which 27% had, or were in-for, planning. Henry Boot Developments (HBD) completed an heroic GDV of £58m in 2020 (with the group's share at £55m), where all schemes were sold, let or retained as investments. Note, too, "committed developments" stand at £312m (HBD share £85m), with "our development pipeline" maintained at £1.4bn (HBD share £1.1bn), of which 78% is in industrial and logistics.

In addition, 50%-owned housebuilder, Stonebridge Homes, sold 115 units last year (2019: 159 sales), which was ahead of target. Similarly, 2021 has started well, with sales already agreed on 69 units to date – which is, again, well ahead of expectations. For the record, too, Stonebridge's landbank runs to 1,119 plots (2019: 1,023 plots). At the same time, Henry Boot Construction entered 2021 with a full order book; it also finished the year on 95% of planned site activity. Similarly, Banner Plant increased its activity to 95% of year-on-year sales, while Road Link (A69) "generated encouraging returns".

Financial summary and metrics

Year-end Dec (£m)	2018	2019	2020	2021E	2022E	2023E
Revenue	**397**	**380**	**222**	**264**	**320**	**336**
Gross profit	78.0	81.0	40.5	60.7	72.8	76.5
Admin.	-24.1	-29.7	28.8	28.0	28.5	28.7
Pension	-6.0	-4.5	-4.6	-5.0	-4.5	-4.0
Investments	1.2	2.1	1.2	0.0	0.0	0.0
JV/Associates	0.8	1.5	1.8	2.4	3.7	4.0
Asset sale	0.0	0.0	7.4	0.0	0.0	0.0
EBIT	**50.0**	**50.4**	**17.5**	**30.1**	**43.5**	**47.8**
Net interest	-1.4	-1.3	-0.4	-0.3	-0.2	-0.1
PBT	**48.6**	**49.1**	**17.1**	**29.8**	**43.3**	**47.6**
Tax	-8.2	-9.7	-3.4	-5.9	-8.5	9.4
Minorites/Pref.	-2.9	-1.9	-1.8	-3.2	4.6	5.1
Tax	*16.9%*	*19.7%*	*19.6%*	*19.6%*	*19.6%*	*19.6%*
Earnings	37.5	37.6	11.9	20.8	30.2	33.2
EPS (p)	**28.3**	**28.3**	**9.0**	**15.6**	**22.7**	**24.9**
Diluted EPS (p)	28.0	28.1	8.9	15.5	22.6	24.8
DPS (p)	**9.0**	**5.0**	**5.5**	**6.0**	**7.1**	**8.0**
Shares in issue (m)	132.6	132.6	132.7	133.2	133.2	133.2
Diluted shares in issue (m)	133.7	133.7	133.4	133.9	133.9	133.9
Margins						
Gross	19.6%	21.3%	18.2%	23.0%	22.8%	22.8%
EBIT	12.6%	13.3%	7.9%	11.4%	13.6%	14.2%
PBT	12.2%	12.9%	7.7%	11.3%	13.6%	14.2%
Shareholders' funds	302.3	318.5	313.5	334.0	365.2	399.4
Capital employed	339.5	336.2	332.3	352.0	385.7	422.4
Net (debt)/cash	-18.4	27.0	27.0	15.2	5.0	3.4
RoCE	15.4%	17.5%	6.1%	9.6%	12.2%	12.2%
Capital turn (x)	1.17	1.13	0.67	0.75	0.83	0.80
Quick ratio	1.00	1.48	1.34	1.23	1.24	1.21

Source: Hardman & Co Research

Disclaimer

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