

29 January 2025

## Corp

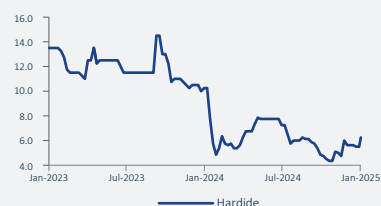
Ticker HDD:AIM  
 Speciality Chemicals  
 Shares in issue (m) 77.4  
 Next results H1 May

Price 6.3p  
 Target price Under review  
 Upside n/a

Enterprise value £4.9m  
 Net cash/(debt) £0.7m  
 Other EV adjustments -£0.7m  
 Market cap £4.8m

What's changed? From To  
 Adjusted EPS -0.13 -0.13  
 Target price U/R n/c

## Share price performance



%	1M	3M	12M
Actual	11.1	31.6	-39.0

## Company description

A provider of advanced coatings for internal and external surfaces

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\* denotes corporate client of Cavendish

## Hardide\*

## FY results – stronger 2H24 points to FY25 EBITDA profit

FY24 results were in line with expectations, while revenue declined modestly YoY, there was a significantly stronger 2H as some customers recovered, also gaining from new revenue streams. Management has a much clearer focus on near-term growth opportunities, which are starting to pay off, while pricing initiatives and right sizing the business is also having a positive effect. The difference between 1H and 2H performance is stark. 2H delivered revenue growth a stronger gross margin and a positive EBITDA of £0.5m, with year-end cash of £0.7m subsequently increased to £1.0m by the end of December. Trading momentum has remained positive, and the business is trading in line with full-year expectations; we therefore make no change to our profit forecast and slightly nudge up our FY25E cash balance to £1.1m.

- **Results:** There was a marked improvement in performance with a stronger 2H generating a profit following a weaker 1H, which was loss making. Revenues for the year to 30 September decreased 14% to £4.7m. Gross profit dipped 15% to £2.3m, with gross margins 60bps firmer at 48.1% (1H 41%, 2H 54%). Adj EBITDA at breakeven (1H loss £0.5m, 2H profit £0.5m) versus a £0.1m loss. Adj PBT loss at £0.9m, improved by £0.18m, with adj LPS of 1.3p versus LPS of 1.8p previously. The group's cash balance held steady at £0.7m.
- **Operations:** In terms of end markets, Energy revenues declined 44% to £1.9m, reflecting weaker 1H trading particularly from oil sector destocking and effects of lower US drilling activity, albeit there was some recovery seen in 2H. Industrial grew by 12% to £1.9m, with some recovery in volumes after a weaker 1H when some destocking occurred. The new pre-coated copper nozzle business has also started to gain traction at modest initial levels. Aerospace grew by 147% to £0.9m, with a growing base load of demand from its main airframe manufacturer. The UK operation saw revenue down 1% at £3.1m, but with the loss significantly reduced from £0.78m to £0.44m. The US operation saw revenue decline 32% to £1.6m, reflecting the destocking in oil & gas, with profit decreasing from £0.76m to £0.3m. Unallocated costs were broadly flat at £1.04m.
- **New management and strategy:** Senior management hires over the past two years are starting to turn the business around, with a clearer commercial focus and drive to near-term revenue opportunities, including a tight focus on relevant project opportunities that is sector agnostic. Key account management is more proactive in seeking new opportunities. Near-term product and service of after sales markets are being prioritised, versus longer-term projects on new products that take a long time to come to fruition.
- **Outlook:** Trading is in line with FY25 expectations. Current trading momentum has been improving through 4Q and into 1Q. Revenues are expected to further improve from 2Q supported by the start of the recently announced aerospace contract award.
- **Forecasts:** No change to our overall FY25 trading expectations, a higher gross margin of 54.4% and slightly higher opex costs generating a maintained positive EBITDA of £0.7m. We forecast a slightly better cash performance expected to result in a cash balance rising to £1.1m.

Key estimates		2021A	2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep	Sep
Revenue	£m	3.6	5.0	5.5	4.7	5.7
Adj EBITDA	£m	-1.5	-1.0	-0.1	0.0	0.7
Adj EBIT	£m	-2.6	-2.2	-1.0	-0.8	0.0
Adj PBT	£m	-2.7	-2.3	-1.1	-0.9	-0.2
Adj EPS	p	-4.6	-3.9	-1.8	-1.3	-0.13
DPS	p	0.00	0.00	0.00	0.00	0.00

Key valuation metrics		2021A	2022A	2023A	2024A	2025E
EV/sales	x	1.3	1.0	0.9	1.0	0.9
EV/EBIT (adj)	x	-1.9	-2.2	-5.0	-6.1	n/m
P/E (adj)	x	-1.4	-1.6	-3.5	-4.8	-48.4
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-46.6%	-27.1%	1.2%	-10.0%	17.0%

## FY results – stronger 2H24 points to FY25 EBITDA profit

Income statement		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Sales	£m	5.0	5.5	4.7	5.7
Gross profit	£m	1.9	2.6	2.3	3.1
EBITDA (adjusted)	£m	-1.0	-0.1	0.0	0.7
<b>EBIT (adjusted)</b>	<b>£m</b>	<b>-2.2</b>	<b>-1.0</b>	<b>-0.8</b>	<b>0.0</b>
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.1	-0.2	-0.2	-0.2
<b>PBT (adjusted)</b>	<b>£m</b>	<b>-2.3</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-0.2</b>
Total adjustments	£m	0.0	-0.1	-0.4	0.0
PBT (reported)	£m	-2.3	-1.2	-1.3	-0.2
Tax charge	£m	0.1	0.1	0.0	0.1
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Earnings (reported)	£m	-2.2	-1.1	-1.3	-0.1
<b>Earnings (adjusted)</b>	<b>£m</b>	<b>-2.2</b>	<b>-1.0</b>	<b>-0.9</b>	<b>-0.1</b>
EPS (basic)	p	-3.8	-1.9	-1.9	-0.13
<b>EPS (adjusted, fully diluted)</b>	<b>p</b>	<b>-3.9</b>	<b>-1.8</b>	<b>-1.3</b>	<b>-0.13</b>
DPS	p	0.00	0.00	0.00	0.00

Cash flow		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
EBITDA (adjusted)	£m	-1.0	-0.1	0.0	0.7
Net change in working capital	£m	0.0	0.4	0.1	0.3
Other operating items	£m		-0.1	-0.4	0.0
<b>Cash flow from op. activities</b>	<b>£m</b>	<b>-1.0</b>	<b>0.2</b>	<b>-0.3</b>	<b>1.0</b>
Cash interest	£m	-0.1	-0.2	-0.2	-0.2
Cash tax	£m	0.1	0.2	0.0	0.1
Capex	£m	-0.3	-0.1	-0.1	-0.1
Other items	£m				
<b>Free cash flow</b>	<b>£m</b>	<b>-1.3</b>	<b>0.1</b>	<b>-0.5</b>	<b>0.8</b>
Acquisitions / disposals	£m	0.0	0.0	0.0	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.5	0.0	0.7	0.0
Other	£m	-0.2	0.4	-0.2	-0.2
<b>Net change in cash flow</b>	<b>£m</b>	<b>-1.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.6</b>
Opening net cash (debt)	£m	0.6	-0.4	-0.0	-0.0
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>-0.4</b>	<b>-0.0</b>	<b>-0.0</b>	<b>0.6</b>

Balance sheet		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Tangible fixed assets	£m	5.4	4.6	4.0	3.6
Goodwill & other intangibles	£m	0.1	0.0	0.0	0.0
Other non current assets	£m	1.7	1.7	1.5	1.3
Net working capital	£m	0.4	0.1	0.4	0.0
Other assets	£m	0.5	0.3	0.4	0.4
Other liabilities	£m	-2.1	-2.4	-2.6	-2.4
Gross cash & cash equivs	£m	0.7	0.7	0.7	1.1
<b>Capital employed</b>	<b>£m</b>	<b>6.5</b>	<b>5.1</b>	<b>4.4</b>	<b>4.0</b>
Gross debt	£m	1.0	0.8	0.7	0.5
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	5.5	4.3	3.7	3.6
Minorities	£m	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>6.5</b>	<b>5.1</b>	<b>4.4</b>	<b>4.0</b>

Growth analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Sales growth	%	39.4%	9.7%	-14.0%	20.5%
EBITDA growth	%	36.0%	89.6%	132.3%	n/m
EBIT growth	%	17.6%	55.4%	17.8%	n/m
PBT growth	%	16.0%	50.8%	16.0%	78.8%
EPS growth	%	14.2%	54.6%	27.0%	90.1%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Gross margin	%	37.5%	47.5%	48.1%	54.4%
EBITDA margin	%	-18.9%	-1.8%	0.7%	12.3%
EBIT margin	%	-43.0%	-17.5%	-16.7%	0.0%
PBT margin	%	-45.5%	-20.4%	-20.0%	-3.5%
Net margin	%	-43.8%	-19.1%	-19.5%	-1.8%

Valuation analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
EV/EBITDA (adjusted)	x	-5.1	-49.0	151.7	6.9
EV/EBIT (adjusted)	x	-2.2	-5.0	-6.1	n/m
P/E (adjusted)	x	-1.6	-3.5	-4.8	-48.4

Cash flow analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Cash conv'n (op cash / adj EBITDA)	%	n/m	n/m	n/m	145.8%
Cash conv'n (FCF / adj EBITDA)	%	138.2%	-56.6%	n/m	117.3%
U/lying FCF	£m	-2.2	-0.7	-1.2	0.2
Cash quality (u/l FCF / adj earn)	%	101.1%	66.4%	135.2%	-220.8%
Investment rate (capex / depn)	x	0.2	0.1	0.1	0.1
Interest cash cover	x	n/a	1.0	n/a	5.1
Dividend cash cover	x	n/a	n/m	n/a	n/m

Working capital analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Net working capital / sales	%	7.3%	1.1%	7.4%	0.5%
Net working capital / sales	days	27	4	27	2
Inventory (days)	days	35	16	13	9
Receivables (days)	days	70	49	76	55
Payables (days)	days	78	61	61	62

Leverage analysis		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Net debt / equity	%	5.9%	0.5%	0.4%	net cash
Net debt / EBITDA	x	n/a	n/a	0.4	net cash
Liabilities / capital employed	%	15.5%	15.1%	16.3%	11.9%

Capital efficiency & intrinsic value		2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep
Adjusted return on equity	%	-39.7%	-24.4%	-25.2%	-2.8%
RoCE (EBIT basis, pre-tax)	%	-33.0%	-19.0%	-18.1%	0.0%
RoCE (u/lying FCF basis)	%	-33.9%	-13.8%	-28.5%	5.5%
NAV per share	p	9.6	7.3	4.7	4.6
NTA per share	p	9.4	7.3	4.7	4.6

## FY25 outlook and current trading

Overall, the business is seeing positive momentum into the current year and is trading in line with FY25 expectations. 1Q25 revenues have risen to £1.3m versus £1.1m achieved in 1Q24. 2Q is expected to gain from the additional volumes commencing from its recent contract award, and demand is also building for pre-coated product range within the Enhanced Products range.

Actions have been taken to right size the business and improve margins. The group has returned to revenue growth, boosted by the recent additional aerospace award. A sharper commercial focus on near-term repeat business targets the better utilisation of the group's spare production capacity. Trading continues to generate a positive EBITDA.

Cash balances have benefitted by positive trading momentum, having increased to £1.0m at the end of December.

## Summary of forecast changes

Figure 1: Summary of forecast changes

Year to September		FY25E		
		Old	New	Delta
Revenue	£m	5.7	5.7	0.0
EBITDA (adjusted)	£m	0.7	0.7	0.0
PBT (adjusted)	£m	-0.2	-0.2	0.0
EPS (adjusted)	p	-0.1	-0.1	0.0
Dividend	p	0.0	0.0	0.0
Gross cash	£m	0.9	1.1	0.2
Net cash	£m	0.5	0.6	0.1

Source: Cavendish estimates

- We have maintained overall positive EBITDA profit of £0.7m, while in the detail we have raised the gross margin to 54% to reflect the expected continuation of the margin generated in 2H24. Offsetting this, we anticipate some additional headcount and resource opex.
- We have raised the forecast gross cash balance by £0.2m to £1.1m, on the anticipated trading momentum and working capital control.

## FY24 results

FY results were in line with the company's trading update, with an encouraging outlook. There is a stark improvement in performance and commercial traction visible in 2H. The second half generated revenues of £2.6m, up from 1H at £2.1m. Gross margins responded to both higher volume, sales mix and pricing initiatives, thereby rising from 41% in 1H to 54% in 2H. On lower 2H overheads, the business went from an EBITDA loss of £0.5m to an EBITDA profit of £0.5m, resulting in an overall EBITDA breakeven for the year.

Significant commercial and management actions have both lowered the cash breakeven of the business by 30% in the past two years, reducing breakeven from £7m to £5m of revenue, through internal efficiencies and pricing initiative. Management is refocusing on near-term revenues and a sharper commercial approach and key account management. With strong working capital management, the year-end cash balance remained at £0.7m.

The Energy business has seen weaker volumes, still affected by the Ukraine/Russia situation and US land drilling, coupled with the end of some legacy work that finished in 1H. Energy has seen some recovery in 2H, which has continued into 1Q this year. Industrial saw destocking in 1H but then turned around to generate double digit growth in 2H. Aerospace saw revenues grow over 100%, with growing volumes and good order book visibility. This has been further enhanced by the recently announced contract that will contribute from 2Q onwards and is expected to add revenue of £0.5m in FY25.

As such, there has been a significant shift in revenue mix, with greater balance from a reduced dependence on the oil & gas sector with aerospace growing 147% in the year to 20% of group revenue.

## Results highlights

12-months to 30 September (£m)

- Revenue decreased by 14% to £4.73m, with £2.6m booked in 2H, showing good growth from the weaker 1H.
- Gross profit at £2.45m dipped 15% with gross margins of 48.1% up 60bps. 2H gross margins increased to 53.9%, versus 41.0% in 1H.
- Adj EBITDA was broadly breakeven, versus a loss of £99k in FY23. The 2H EBITDA profit of £0.5m points to an EBITDA margin of 19%.
- Adj EBITA loss was £0.79m, an improvement on the £0.96m loss last year.
- Adj pre-tax loss at £0.95m compared with a £1.19m loss in FY23.
- Adj LPS stood at 1.3p, versus a LPS of 1.8p previously.
- Adjustments totalled £0.4m.
- Reported pre-tax loss increased from £1.19m to £1.34m.
- Basic LPS at 1.86p similar to the LPS of 1.90p in FY23.
- Cash balances were stable at £0.7m, after loans of £0.8m net borrowing were £0.1m, including IFRS16 leases total net debt is £2.3m, up from £2.1m last year.

Figure 2: Results in context

		Six-month results				FY results		Momentum		
		1H23	2H23	1H24	2H24	FY23	FY24	1H24	2H24	FY24
Revenue	£m	2.9	2.6	2.1	2.6	5.5	4.7	-27%	0%	-14%
Gross profit	£m	1.3	1.3	0.9	1.4	2.6	2.3	-36%	11%	-13%
Gross margin	%	46.7%	48.5%	41.0%	53.9%	47.5%	48.1%			
adj opex	£m	-1.3	-1.4	-1.4	-0.9	-2.7	-2.2	1%	-35%	-17%
Adj EBITDA	£m	0.0	-0.1	-0.5	0.5	-0.1	0.0	-5456%	-576%	-132%
EBITDA margin	%	0.3%	-4.1%	-22.8%	19.7%	-1.8%	0.7%			
Adj EBIT	£m	-0.5	-0.4	-0.9	0.1	-1.0	-0.8	67%	-121%	-18%
EBIT margin	%	-18.3%	-16.6%	-41.7%	3.5%	-17.5%	-16.7%			
Adj PBT	£m	-0.6	-0.5	-1.0	0.0	-1.1	-0.9	57%	-103%	-16%
Adj EPS	p	-1.0	-0.7	-1.6	0.3	-1.8	-1.3	50%	-136%	-27%
Dividend	p	0.0	0.0	0.0	0.0	0.0	0.0			
Net op cashflow	£m	-0.1	0.3	-0.4	0.0	0.2	-0.4	413%	-95%	-300%
Net cash/(debt)	£m	0.7	0.8	0.8	0.7	0.8	0.7	11%	-5%	-5%

Source: Company data

## Operational performance

Figure 3: Revenue by end market

	Revenue		
	2024	2023	Growth
Energy	1.9	3.4	-45%
Industrial	1.9	1.7	12%
Aerospace	0.9	0.4	147%
<b>Revenue</b>	<b>4.7</b>	<b>5.5</b>	<b>-14%</b>

Source: Company data

### Energy (40% of sales)

During the year revenues were severely affected by a combination of factors resulting in revenues down 45% to £1.9m. 1H in particular saw the brunt of the lower volumes, with several oil & gas customers destocking, with some legacy contracts ending and the continued affect from the impact of sanctions on Russia. In the US market, drilling activity was affected by some new drilling regulations.

The new commercial team has re-energised relationships with existing oil customers, which has resulted in some new projects now under discussion. New customer engagement in FY24 is also resulting in several new applications and the successful completion of a customer funded development project. 1Q25 volumes have seen an encouraging improvement.

There has been no repeat business since FY22 for the coating of industrial gas turbine blades. After reassessment of the commercial scope of this niche application, while some opportunities do exist, this area is now no longer a focus of current business development.

During the year there was modest demand from the green and renewable markets. Where some traction had been gained in the European solar panels market, this opportunity has now been severely affected by the flooding of cheap product from China.

Medium-term opportunities remain for Hardide coatings for battery technology, hydrogen production and power storage, with development efforts continuing. The Innovate UK grant for the development of a new CVD coating variant to support green hydrogen is expected to complete in April 2025, with initial successful tests providing some encouragement for future suitability in this application. The next step is seeking a customer to help industrialise the product for volume production.

### Industrial (40% of sales)

Revenue growth for the year was 12% to £1.9m, with a weak 1H followed by stronger 2H. The first half was affected by significant destocking by one of their major customers, with volumes reflecting better activity in 2H. This customer is refreshing its product ranges, so near-term stock levels are being closely managed.

The Airport scanning device customer has seen stronger volumes reflecting the post COVID recovery in aviation numbers.

### Aerospace (20% of sales)

There was a significant step up in revenues in the year, up around 125% to £0.9m. Late in FY24, the business gained a customer award to supply coating of parts used in commercial passenger aircraft. During the year, the volumes of work for this customer have progressed well. With good visibility on this customer's current build rates, 1Q has seen further growth.

In December, a new contract award was announced with the same major customer. This is expected to generate £0.5m in additional revenue in FY25 based on expected customer build rates, followed by a further £6-8m in revenues expected over the course of the 10-year contract time frame.

Figure 4: Operational performance

	Sales			EBITA			Margin	
	FY24	FY23	% change	FY24	FY23	% change	FY24	FY23
FY results to 30 Sept								
UK	3.13	3.15	-1%	-0.44	-0.78	-43%	-14%	-25%
US	1.60	2.35	-32%	0.30	0.76	-61%	18%	32%
Corporate				-1.04	-1.01	3%		
	<b>4.73</b>	<b>5.50</b>	<b>-14%</b>	<b>-1.19</b>	<b>-1.03</b>	<b>15%</b>	<b>-25%</b>	<b>-19%</b>

Source: Company data

## Business development

The existing strategy in place over the past two years is starting to reap rewards.

- **A greater focus on becoming profitable and cash generative as soon as possible**, driving increased sales especially to new near-term customers and re-engaging with key accounts.
- **Better utilisation of the group's well invested capacity**. The group currently has around 50% spare capacity, indicating space to generate a further £5m of revenues. Higher utilisation will have a strong drop through effect. This is especially the case in developing N. American business to leverage Martinsville capacity.
- **Taking a more holistic commercial approach**, pursuing near-term opportunities in pre-coated Enhanced Products to OEMs that generate more reliable repeat business. This highlights Hardide's ability to extend components lifespan by between 3-20x and significantly reduce customers' production downtimes. Initial success in components for thermal spray coating has been encouraging, with several major global coatings companies, and is expected to result in further growth this year.
- **A more sector agnostic approach**, which still recognises the existing markets but also targets applications where Hardide coating are unique and can add value to customer products. This focuses on Hardide's differentiation and value proposition versus the competition. This is more focused on rapid end product application rather than longer-term development projects on new OEM products that take a long time to convert into production volumes.
- **Seeking to increase customer funded development work**.
- **Recognising market opportunities** that the group's pre-coating nickel strike line and laboratory services offer as stand-alone customer offerings.

## Cash flow and finances

Second half cash flows were significantly improved versus 1H, with a stabilisation of finances and working capital.

Net working capital released £68k of cash; this was principally gained from lower inventories as its process gas purchases were more efficiently achieved. The movement in trade payables and receivables balanced out. After interest paid of £0.15m, this resulted in an outflow of £0.422m. Crucially, all this outflow occurred in 1H with a small positive cash generation achieved in 2H.

The business remains well invested with low capex needs, which were £64k was down on the £108k spent last year.

Financing activities included the £0.7m net proceeds from the placing earlier in the year. Lease payments were steady at £0.27m. This resulted in a small reduction in cash balance of £0.04m to £0.7m. It is encouraging that since the year end the cash balance has increased to £1.0m at the end of December and is expected to modestly increase to end the year at £1.1m.

After net bank borrowings of £0.7m net cash was neutral, similar to FY23. IFRS16 lease debt totalled £2.1m.

Figure 5: Company overview

**Company activities & operations**

Hardide has developed a specialist range of advanced Chemical Vapour Deposition coating technologies using tungsten carbide/tungsten metal matrix composites coatings. These have exceptional characteristics including enhanced wear, abrasion and corrosion resistance with toughness and ductility.

Divisions	% of sales
Energy	40%
Industrial	40%
Aerospace	20%

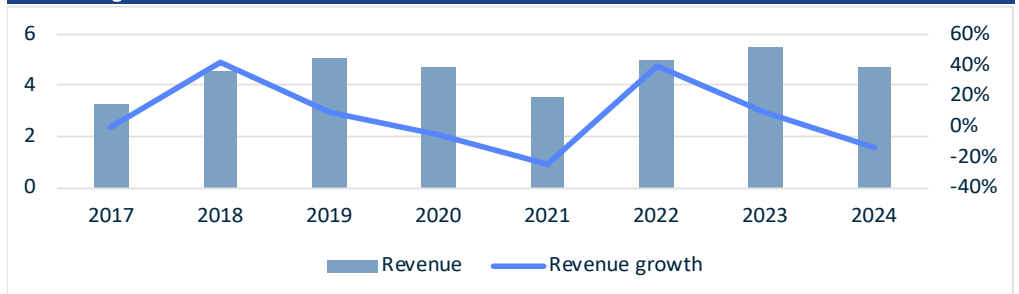
Name	Description
Andrew Magson	Non-Executive Chair
Matt Hamblin	Chief Executive Officer
Simon Hallam	Finance Director
Dr Yuri Zhuk	Technical Director
Dr Bryan Allcock	Non-Executive Director
Andrew Boyce	Non-Executive Director

**Major shareholders**

A Boyce & Assocs	12.8%
Hargreave Hale AIM VCT	7.5%
A Badenoch & Assocs	7.1%
Interactive Investor	5.2%
Amati Global Investors	5.0%
P Evershed	4.8%
Unicorn AM	4.1%
Marlborough Nanocap Growth Fur	4.6%

**Other information**

Company HQ	Bicester UK
Company website	<a href="http://www.hardide.com">www.hardide.com</a>

**Revenue growth rate****Significant M&A**

Source: Company data



## FY results – stronger 2H24 points to FY25 EBITDA profit

Income statement		2021A	2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep	Sep
Sales	£m	3.6	5.0	5.5	4.7	5.7
Cost of sales	£m	-2.3	-3.1	-2.9	-2.5	-2.6
Gross profit	£m	1.3	1.9	2.6	2.3	3.1
Operating expenses	£m	-2.8	-2.8	-2.7	-2.2	-2.4
EBITDA (adjusted)	£m	-1.5	-1.0	-0.1	0.0	0.7
Depreciation	£m	-1.1	-1.2	-0.9	-0.8	-0.7
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	£m	-2.6	-2.2	-1.0	-0.8	0.0
Associates/other	£m	0.0	0.0	0.0	0.0	0.0
Net interest	£m	-0.1	-0.1	-0.2	-0.2	-0.2
PBT (adjusted)	£m	-2.7	-2.3	-1.1	-0.9	-0.2
restructuring costs	£m	0.0	0.0	-0.1	-0.4	0.0
share based payments	£m	-0.2	0.0	0.0	0.0	0.0
other adjustments	£m	-0.0	0.0	0.0	0.0	0.0
Total adjustments	£m	-0.2	0.0	-0.1	-0.4	0.0
PBT (reported)	£m	-2.9	-2.3	-1.2	-1.3	-0.2
Tax charge	£m	0.1	0.1	0.1	0.0	0.1
tax rate	%	n/a	n/a	n/a	n/a	n/a
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Earnings (reported)	£m	-2.8	-2.2	-1.1	-1.3	-0.1
Tax effect of adjustments / other	£m	0.0	0.0	0.0	0.0	0.0
Earnings (adjusted)	£m	-2.6	-2.2	-1.0	-0.9	-0.1
shares in issue (weighted average)	m	55.0	56.1	58.9	70.8	77.4
shares in issue (fully diluted)	m	56.8	56.1	58.9	70.8	77.4
EPS (adjusted, fully diluted)	p	-4.6	-3.9	-1.8	-1.3	-0.13
EPS (basic)	p	-5.2	-3.8	-1.9	-1.9	-0.13
DPS	p	0.00	0.00	0.00	0.00	0.00

Growth analysis (adjusted basis where applicable)						
Sales growth	%	-24.4%	39.4%	9.7%	-14.0%	20.5%
EBITDA growth	%	-226.2%	36.0%	89.6%	132.3%	n/m
EBIT growth	%	-114.6%	17.6%	55.4%	17.8%	n/m
PBT growth	%	-107.2%	16.0%	50.8%	16.0%	78.8%
EPS growth	%	-93.8%	14.2%	54.6%	27.0%	90.1%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	36.4%	37.5%	47.5%	48.1%	54.4%
EBITDA margin	%	-41.3%	-18.9%	-1.8%	0.7%	12.3%
EBIT margin	%	-72.8%	-43.0%	-17.5%	-16.7%	0.0%
PBT margin	%	-75.6%	-45.5%	-20.4%	-20.0%	-3.5%
Net margin	%	-72.1%	-43.8%	-19.1%	-19.5%	-1.8%



## FY results – stronger 2H24 points to FY25 EBITDA profit

Cash flow		2021A	2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep	Sep
EBITDA (adjusted)	£m	-1.5	-1.0	-0.1	0.0	0.7
Net change in working capital	£m	-0.3	0.0	0.4	0.1	0.3
Profit/(loss) on sale of assets	£m	0.0		-0.2	0.0	0.0
Net pensions charge	£m	0.0		0.0	0.0	0.0
Change in provision	£m	-0.2	-0.0	0.0	0.0	0.0
Other items	£m	-0.2	0.0	0.0	-0.4	0.0
<b>Cash flow from operating activities</b>	<b>£m</b>	<b>-1.9</b>	<b>-1.0</b>	<b>0.2</b>	<b>-0.3</b>	<b>1.0</b>
Cash interest	£m	-0.1	-0.1	-0.2	-0.2	-0.2
Tax paid	£m	0.1	0.1	0.2	0.0	0.1
Capex	£m	-0.3	-0.3	-0.1	-0.1	-0.1
Other items	£m					
<b>Free cash flow</b>	<b>£m</b>	<b>-2.3</b>	<b>-1.3</b>	<b>0.1</b>	<b>-0.5</b>	<b>0.8</b>
Disposals	£m	0.0	0.0	0.0	0.0	0.0
Acquisitions	£m	0.0	0.0	0.0	0.0	0.0
Dividends on ord shares	£m	0.0	0.0	0.0	0.0	0.0
Other cashflow items	£m	-0.1	-0.2	0.4	-0.2	-0.2
Issue of share capital	£m	0.8	0.5	0.0	0.7	0.0
<b>Net change in cash flow</b>	<b>£m</b>	<b>-1.6</b>	<b>-1.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.6</b>
Opening net cash (debt)	£m	2.2	0.6	-0.4	-0.0	-0.0
<b>Closing net cash (debt)</b>	<b>£m</b>	<b>0.6</b>	<b>-0.4</b>	<b>-0.0</b>	<b>-0.0</b>	<b>0.6</b>

Cash flow analysis						
Cash conversion (op cash flow / adjusted EBITDA)	%	n/m	n/m	n/m	n/m	145.8%
Cash conversion (free cash flow / adjusted EBITDA)	%	152.0%	138.2%	-56.6%	n/m	117.3%
Underlying free cash flow	£m	-3.1	-2.2	-0.7	-1.2	0.2
Cash quality (underlying FCF / adjusted earnings)	%	118.5%	101.1%	66.4%	135.2%	-220.8%
Investment rate (capex / depn)	x	0.3	0.2	0.1	0.1	0.1
Interest cash cover	x	n/a	n/a	1.0	n/a	5.1
Dividend cash cover	x	n/a	n/a	n/m	n/a	n/m

## FY results – stronger 2H24 points to FY25 EBITDA profit

Balance sheet		2021A	2022A	2023A	2024A	2025E
Year end:		Sep	Sep	Sep	Sep	Sep
Tangible fixed assets	£m	5.7	5.4	4.6	4.0	3.6
Goodwill	£m	0.1	0.1	0.0	0.0	0.0
Other intangibles	£m	0.0	0.0	0.0	0.0	0.0
Other non current assets	£m	1.9	1.7	1.7	1.5	1.3
<i>inventories</i>	£m	0.5	0.5	0.2	0.2	0.1
<i>trade receivables</i>	£m	0.6	1.0	0.7	1.0	0.9
<i>trade payables</i>	£m	-0.7	-1.1	-0.9	-0.8	-1.0
Net working capital	£m	0.4	0.4	0.1	0.4	0.0
Other assets	£m	0.4	0.5	0.3	0.4	0.4
Other liabilities	£m	-2.2	-2.1	-2.4	-2.6	-2.4
Gross cash & cash equivalents	£m	1.5	0.7	0.7	0.7	1.1
<b>Capital employed</b>	<b>£m</b>	<b>7.9</b>	<b>6.5</b>	<b>5.1</b>	<b>4.4</b>	<b>4.0</b>
Gross debt	£m	0.9	1.0	0.8	0.7	0.5
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	6.9	5.5	4.3	3.7	3.6
Minorities	£m	0.0	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>£m</b>	<b>7.9</b>	<b>6.5</b>	<b>5.1</b>	<b>4.4</b>	<b>4.0</b>

Leverage analysis						
Net debt / equity	%	net cash	5.9%	0.5%	0.4%	net cash
Net debt / EBITDA	x	n/a	n/a	n/a	0.4	net cash
Liabilities / capital employed	%	12.0%	15.5%	15.1%	16.3%	11.9%

Working capital analysis						
Net working capital / sales	%	10.8%	7.3%	1.1%	7.4%	0.5%
Net working capital / sales	days	39	27	4	27	2
Inventory (days)	days	51	35	16	13	9
Receivables (days)	days	59	70	49	76	55
Payables (days)	days	71	78	61	61	62

Capital efficiency & intrinsic value						
Adjusted return on equity	%	-37.5%	-39.7%	-24.4%	-25.2%	-2.8%
RoCE (EBIT basis, pre-tax)	%	-33.3%	-33.0%	-19.0%	-18.1%	0.0%
RoCE (underlying free cash flow basis)	%	-39.1%	-33.9%	-13.8%	-28.5%	5.5%
NAV per share	p	12.6	9.6	7.3	4.7	4.6
NTA per share	p	12.4	9.4	7.3	4.7	4.6

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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%

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Hold	0	0.0%	2	1.2%
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Under Review	0	0.0%	0	0.0%
Corp	135	96.4%	146	86.9%

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### Recommendation history

Company	Disclosures	Date	Rec	Price	Target price
Hardide	2,6,7,8,9,10,11	28 May 14	Corp	84.0p	84.0p

Source: Cavendish

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