



HARDIDE CHEMICALS

HDD.L

1.68p

Market Cap: £27.5m

SHARE PRICE (p)



Source: LSE Data

KEY INFORMATION

Enterprise value	£26.3m
Index/market	FTSE AIM
Next news	AGM -19 February
Gearing	0%
Interest cover	N/A

**HARDIDE IS A RESEARCH CLIENT OF
PROGRESSIVE**

ANALYSTS

Maggie Schooley	
+44 (0) 20 7781 5312	
mschooley@progressive-research.com	
Gareth Evans	
+44 (0) 20 7781 5301	
gevans@progressive-research.com	

www.progressive-research.com

Completion of the Deferred Subscription

Investing in capacity to support growth

On 13 February Hardide updated the market that it has received advanced assurances from Her Majesty's Revenue and Customs that the Deferred Subscription of £0.82m, as announced on 27 October, is eligible for EIS relief. Following the announcement, Hardide will have successfully raised net proceeds of £2.43m from the fundraising it undertook in October 2017. Admission and trading of the new shares is expected to take place on 19 February. We update estimates to reflect this.

- As indicated at the time of the raise, the Group primarily plans to use the proceeds to fund two new coating reactors in the US facility, upgrades to the UK reactors and to gain aerospace accreditation for the US facility, all in anticipation of future demand, as well as further strengthening of the balance sheet. We would remind investors the current management has a positive track record of anticipating and managing the need for greater capacity to support future growth and enable further development work.
- We have updated our estimates to reflect the inclusion of the cash from the Deferred Subscription, where we now forecast 2018E year-end net cash of £2.3m versus our previous estimate of £1.5m, 2019E £1.4m versus £0.6m and 2020E £1.9m versus £1.1m. In addition, we have updated the shares outstanding to reflect the new share count, which has a minor per share impact, The Summary Financials can be found on page 2 of this note.
- The progress the Group experienced in 2017 is anticipated to continue into 2018 as indicated in the preliminary full year result released in December. We believe Hardide is well placed to capitalise on the current momentum in its key market driven by its investment in capacity expansion, the operational and business achievements delivered over the past 12 months including Nadcap accreditation and the full Airbus approved status for the UK facility, the positive start to 2018 with two new framework agreements signed and the technical development work underway for its patentable applications.
- Recent market volatility has resulted in a c.10% share price decline over the last 5 trading days, with the shares now trading at 1.68p.

Y/E SEPT	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue	2.1	3.2	4.1	5.0	6.0
Adjusted EBITDA	(1.3)	(0.7)	(0.3)	0.2	0.8
Adjusted EBIT	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Fully Adjusted PBT	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Free Cash Flow	(1.9)	(0.7)	(1.3)	(0.9)	0.6
EV/Sales	12.4x	8.2x	6.5x	5.3x	4.4x

Source: Company Information and Progressive Equity Research estimates

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SUMMARY FINANCIALS

PROFIT & LOSS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue	3.0	2.1	3.2	4.1	5.0	6.0
Adj EBITDA	(0.3)	(1.3)	(0.7)	(0.3)	0.2	0.8
Adj EBIT	(0.5)	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Reported PBT	(0.2)	(1.5)	(1.2)	(0.8)	(0.2)	0.3
Fully adj PBT	(0.5)	(1.7)	(1.2)	(0.8)	(0.2)	0.3
NOPAT	(0.5)	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Reported EPS (p)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	0.0
Fully adj EPS (p)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	0.0
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Operating cash flow	(0.2)	(1.4)	(0.8)	(0.3)	0.2	0.8
Free Cash flow (£m)	(1.1)	(1.9)	(0.7)	(1.3)	(0.9)	0.6
FCF per share (p)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	1.6	0.0	2.4	0.0	0.0
Net cash flow	(1.1)	(0.4)	(0.8)	1.3	(0.9)	0.6
Overdrafts / borrowings	0.0	0.0	0.0	(0.2)	(0.2)	(0.2)
Cash & equivalents	2.3	2.0	1.2	2.5	1.6	2.1
Net (Debt)/Cash	2.3	2.0	1.2	2.3	1.4	1.9
NAV AND RETURNS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Net asset value	3.9	4.4	3.3	5.1	4.9	5.3
NAV/share (p)	0.3	0.3	0.2	0.3	0.3	0.3
Net Tangible Asset Value	3.8	4.3	3.2	5.0	4.9	5.2
NTAV/share (p)	0.3	0.3	0.2	0.3	0.3	0.3
Average equity	3.9	4.1	3.8	4.2	5.0	5.1
Post-tax ROE (%)	-3.0%	-32.6%	-28.6%	-19.9%	-4.0%	6.6%
METRICS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue growth	-1%	-29%	51%	26%	22%	20%
Adj EBITDA growth	-366%	301%	-44%	-53%	-163%	271%
Adj EBIT growth	-48700%	254%	-28%	-32%	-76%	-264%
Adj PBT growth	642%	264%	-29%	-32%	-76%	-270%
Adj EPS growth	640%	211%	-29%	-38%	-76%	-270%
Dividend growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adj EBIT margins	-16%	-80%	-38%	-21%	-4%	6%
VALUATION	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
EV/Sales	9.0	12.7	8.4	6.6	5.4	4.5
EV/EBITDA	(83.5)	(20.8)	(36.9)	(78.5)	125.3	33.8
EV/NOPAT	(55.9)	(15.6)	(21.9)	(32.2)	(132.3)	80.7
PER	n.a.	n.a.	n.a.	n.a.	n.a.	89.5
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-4.7%	-6.9%	-2.6%	-4.4%	-3.0%	1.8%

Source: Hardide plc, Progressive Equity Research estimates

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