Cavendish

Company Flash

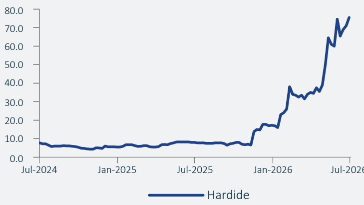
22 July 2026

Buy

Ticker	HDD:AIM
Speciality Chemicals	
Shares in issue (m)	78.7
Next results	FY Dec
Price	74.5p
Target price	115.0p
Upside	54%
Enterprise value	£59.4m
Net cash/(debt)	£1.5m
Other EV adjustments	-£2.2m
Market cap	£58.6m

What's changed?	From	To
Adjusted EPS	4.0	5.4
Target price	60.0	115.0

Share price performance



%	1M	3M	12M
Actual	0.0	112.9	831.3

Company description

A provider of advanced coatings for internal and external surfaces

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

Sales desk 020 7397 1930

Trading desk 020 7220 0533

* denotes corporate client of Cavendish

Hardide*

Strong 3Q trading guidance increased - FY26 EPS +33%

The group reports strong Q3 trading and margin improvements resulting in FY26 expectations being materially ahead of previous expectations. It has achieved its KPI of doubling revenues earlier than expected an introduces a new target of doubling again in 2-3 years. We upgrade FY26E EPS by 33% and introduce FY27 forecasts showing strong YoY EPS growth of 43%. We raise our target price accordingly to 115p, with significant upside scope to the current P/E of 9.7x, with today's positive news flow expected to result in further outperformance.

— Trading update: The group reports trading has remained robust with increased momentum. 3Q to 30 June saw revenue increase to £4.1m, giving year to that date revenues of £8.9m. The growth has been gained from previously announced new contract wins, coupled with ongoing operational improvements that have increased factory utilisation and output rates. With effective management of inflationary input cost effects, increased operating efficiencies and lower than expected investment in support of sales growth, generating higher than expected operating margins. Consequently, management expects FY26 performance materially ahead of previous expectations.

— Ambitious growth: The target to double revenues will be achieved this year, significantly earlier than originally expected. Its next ambition is to double revenues again over the next 2-3 years. This will be achieved by diversifying the customer base, growing existing key customers, including ongoing supply arrangements with its North American energy customer and developing significant revenue potential with a Middle Eastern customer. Its new business pipeline includes in new end users, such as semiconductors. Capacity increases are expected to be met by a total £4.5m investment recently approved by the Board, in three new coatings reactors and associated infrastructure.

— Cost control: The cost of tungsten gas has stabilised recently at higher levels than a year ago, with the extra costs incurred mitigated by management actions. Hardide has recently diversified its tungsten gas supply and secured around 50% of expected gas requirements for FY27, providing greater visibility and certainty. With sufficient financial liquidity, management considers it prudent to hold additional stocks of tungsten gas over the year end to cater for any commodity price volatility.

— Management: To facilitate growth, two new plant managers will be appointed to the UK and US. Dr Yuri Zhuk will become Group Technology Officer, stepping back from the Board to focus on the growth of the group and expanding the product range to meet customer needs.

— Forecasts: We raised our FY26 forecasts with revenue up £0.1m to £13.5m and PBT up £1.2m to £4.6m, resulting in a 33% increase in EPS of 5.4p. Year-end cash is expected at £2.3m. We introduce FY27E forecasts based on revenue growth of 39% and EBITDA margins rising to 36.4% delivering PBT of £6.6m and YoY EPS growth of 43% to 7.7p. Year-end gross cash is forecast at £4.7m.

— Valuation: The shares have been stellar performers over the past year. With new FY28 forecasts showing strong momentum continuing, we raise our target price from 60p to 115p, based on a target P/E of 15.0x, compared with the current P/E of 9.7x. With this new target supporting significant upside to the shares and today's trading update expected to be taken well we reiterate our Buy rating.

Key estimates		2023A	2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep	Sep
Revenue	£m	5.5	4.7	6.0	13.5	18.8
Adj EBITDA	£m	-0.1	0.0	1.0	5.5	8.0
Adj EBIT	£m	-1.0	-0.8	0.3	4.8	6.9
Adj PBT	£m	-1.1	-0.9	0.1	4.6	6.6
Adj EPS	p	-1.8	-1.3	0.21	5.4	7.7
DPS	p	0.00	0.00	0.00	0.00	0.00
Key valuation metrics						
EV/sales	x	10.8	12.5	9.8	4.4	3.2
EV/EBIT (adj)	x	-61.7	-75.0	228.3	12.5	8.7
P/E (adj)	x	-41.8	-57.3	350.3	13.9	9.7
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	0.1%	-0.8%	1.0%	3.2%	4.5%

Strong 3Q trading guidance increased - FY26 EPS +33%

Income statement		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Sales	£m	4.7	6.0	13.5	18.8
Gross profit	£m	2.3	3.5	8.4	11.8
EBITDA (adjusted)	£m	0.0	1.0	5.5	8.0
EBIT (adjusted)	**£m**	**-0.8**	**0.3**	**4.8**	**6.9**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.2	-0.1	-0.2	-0.3
PBT (adjusted)	**£m**	**-0.9**	**0.1**	**4.6**	**6.6**
Total adjustments	£m	-0.4	0.0	0.0	0.0
PBT (reported)	£m	-1.3	0.1	4.6	6.6
Tax charge	£m	0.0	0.1	0.0	0.0
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Earnings (reported)	£m	-1.3	0.2	4.6	6.6
Earnings (adjusted)	**£m**	**-0.9**	**0.2**	**4.6**	**6.6**
EPS (basic)	p	-1.9	0.23	5.9	8.4
EPS (adjusted, fully diluted)	**p**	**-1.3**	**0.21**	**5.4**	**7.7**
DPS	**p**	**0.00**	**0.00**	**0.00**	**0.00**

Growth analysis		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Sales growth	%	-14.0%	27.5%	123.9%	39.3%
EBITDA growth	%	132.3%	n/m	438.7%	45.5%
EBIT growth	%	17.8%	132.9%	n/m	44.2%
PBT growth	%	16.0%	113.2%	n/m	43.8%
EPS growth	%	27.0%	116.4%	n/m	43.3%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Gross margin	%	48.1%	57.3%	61.9%	62.8%
EBITDA margin	%	0.7%	16.9%	40.7%	42.6%
EBIT margin	%	-16.7%	4.3%	35.2%	36.4%
PBT margin	%	-20.0%	2.1%	34.0%	35.1%
Net margin	%	-19.5%	3.0%	34.1%	35.1%

Valuation analysis		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
EV/EBITDA (adjusted)	x	1,854.9	58.1	10.8	7.4
EV/EBIT (adjusted)	x	-75.0	228.3	12.5	8.7
P/E (adjusted)	x	-57.3	350.3	13.9	9.7

Cash flow		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
EBITDA (adjusted)	£m	0.0	1.0	5.5	8.0
Net change in working capital	£m	0.1	-0.3	-1.9	-1.5
Other operating items	£m	-0.4	0.0	0.0	0.0
Cash flow from op. activities	**£m**	**-0.3**	**0.7**	**3.6**	**6.5**
Cash interest	£m	-0.2	-0.1	-0.2	-0.3
Cash tax	£m	0.0	0.1	0.0	0.0
Capex	£m	-0.1	-0.1	-1.6	-3.6
Other items	£m				
Free cash flow	**£m**	**-0.5**	**0.6**	**1.9**	**2.7**
Acquisitions / disposals	£m	0.0	0.0	0.0	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.7	0.0	0.0	0.0
Other	£m	-0.2	-0.3	-0.2	-0.2
Net change in cash flow	**£m**	**0.0**	**0.4**	**1.7**	**2.5**
Opening net cash (debt)	£m	-0.0	-0.0	0.4	2.0
Closing net cash (debt)	**£m**	**-0.0**	**0.4**	**2.0**	**4.5**

Cash flow analysis		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Cash conv'n (op cash / adj EBITDA)	%	n/m	73.3%	65.9%	81.4%
Cash conv'n (FCF / adj EBITDA)	%	n/m	58.2%	34.3%	33.3%
U/lying FCF	£m	-1.2	-0.1	2.7	5.1
Cash quality (u/l FCF / adj earn)	%	135.2%	-55.1%	59.3%	77.4%
Investment rate (capex / depn)	x	0.1	0.1	2.1	3.1
Interest cash cover	x	n/a	5.5	22.6	26.0
Dividend cash cover	x	n/a	n/m	n/m	n/m

Working capital analysis		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Net working capital / sales	%	7.4%	5.7%	16.4%	19.7%
Net working capital / sales	days	27	21	60	72
Inventory (days)	days	13	10	50	62
Receivables (days)	days	76	85	70	70
Payables (days)	days	61	75	60	60

Balance sheet		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Tangible fixed assets	£m	4.0	3.5	4.6	7.3
Goodwill & other intangibles	£m	0.0	0.0	0.0	0.0
Other non current assets	£m	1.5	1.4	1.2	0.9
Net working capital	£m	0.4	0.3	2.2	3.7
Other assets	£m	0.4	0.3	0.3	0.3
Other liabilities	£m	-2.6	-2.0	-1.8	-1.6
Gross cash & cash equivs	£m	0.7	0.8	2.3	4.7
Capital employed	**£m**	**4.4**	**4.4**	**8.8**	**15.3**
Gross debt	£m	0.7	0.5	0.3	0.2
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	3.7	3.9	8.5	15.1
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**4.4**	**4.4**	**8.8**	**15.3**

Leverage analysis		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Net bank debt / equity	%	0.4%	net cash	net cash	net cash
Net bank debt / EBITDA	x	0.4	net cash	net cash	net cash
Liabilities / capital employed	%	16.3%	11.0%	3.2%	1.3%

Capital efficiency & intrinsic value		2024A	2025A	2026E	2027E
Year end:		Sep	Sep	Sep	Sep
Adjusted return on equity	%	-25.2%	4.6%	54.3%	43.7%
RoCE (EBIT basis, pre-tax)	%	-18.1%	6.0%	54.2%	44.8%
RoCE (u/lying FCF basis)	%	-28.5%	-2.2%	31.2%	33.4%
NAV per share	p	4.7	4.9	10.8	19.2
NTA per share	p	4.7	4.9	10.8	19.2

Summary of forecast changes

Figure 1: Summary of forecast changes

		2026E			2027E		
Year to September		Old	New	Delta	Old	New	Delta
Revenue	£m	13.4	13.5	0.7%	~	18.8	n/a
EBITDA (adjusted)	£m	4.3	5.5	27.9%	~	8.0	n/a
PBT (adjusted)	£m	3.4	4.6	33.4%	~	6.6	n/a
EPS (adjusted)	p	4.0	5.4	33.2%	~	7.7	n/a
Dividend	p	0.0	0.0	0.0	~	0.0	n/a
Gross Cash	£m	3.6	2.3	-1.3	~	4.7	n/a
Net cash	£m	3.3	2.0	-1.3	~	4.5	n/a

Source: Cavendish estimates

- We have slightly increased our FY26E revenue forecast by £0.1m implying a Q4 revenue of £4.6m having generated Q3 revenues of £4.1m.
- Our main adjustment comes from a lower-than-expected input cost increase, which boosts gross margin from 53% to almost 62%. This benefit drops straight through to EBITDA which increases from £4.3m to £5.5m, giving PBT of 4.6m and EPS of 5.4p, a 33.2% increase.
- We adjust our year end gross cash from £3.6m to £2.3m, factoring in additional stocks of tungsten gas and the first down payments expected to be made on the three new reactors (two in US and one in UK).
- We introduce FY27 forecasts, with revenue growth of 39% to £18.8m (the current run rate over recent months is indicative of £1.5m per month). Based on similar gross margins of 63% and some uplift in opex we derive EBITDA of £8.0m, with a drop through rate of c.47%. This results in PBT of £6.6m and EPS of 7.7p.
- Our FY27E cash reflects higher trading profit, offset by payment on the new reactors and higher net working capital. This results in gross cash of £4.7m.

Valuation

Figure 2: Valuation based on rolling EV at current and target prices

		Current price		Target price	
		2026E	2027E	2026E	2027E
Share price	p	74.5	74.5	115.0	115.0
Issued share capital	m	78.7	78.7	78.7	78.7
Mkt cap (full dil)	£m	58.6	58.6	90.5	90.5
Net cash/(debt)	£m	2.0	4.5	2.0	4.5
other EV adjustment	£m	-1.7	-1.5	-1.7	-1.5
Rolling EV	£m	58.3	55.7	90.2	87.5
EV/Sales	x	4.3	3.0	6.7	4.7
EV/EBITDA	x	10.6	7.0	16.4	10.9
EV/EBIT	x	12.3	8.1	19.0	12.8
P/E	x	13.9	9.7	21.4	15.0
FCF yield	%	3.2%	4.5%	2.1%	2.9%

Source: Cavendish estimates

On the back of new FY27E forecasts, we roll forward our valuation target. We increase our target price from 60p to 115p, with YoY EPS growth of 43% and robust investment in capacity expected to become operational in FY28 in order to facilitate the targeted further doubling of revenues in the next 2-3 years. The customer base continues to expand, facilitated by increased investment in new design reactors that have a greater revenue capability than the older reactors. Our 115p target price illustrates a FY27 P/E of 15.0x, which we consider to be justifiable. This compares with the current FY27 P/E of 9.7x, which appears too low for the robust growth expected.

This target price offers considerable upside to current levels and underlines the enhanced medium-term growth trajectory and strong investment case. As such, we reiterate our enthusiastic Buy rating.

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Recommendation history

Company	Disclosures	Date	Rec	Price	Target price
Hardide	2,6,8,9,10,11	22 January 26	Buy	17.5p	30.0p

Source: Cavendish

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