

Northbridge Industrial Services



Experience delivering results

04 May 2020

Northbridge Industrial Services ("Northbridge IS") has issued an encouraging trading update that highlights: strength of demand for manufactured loadbanks (Crestchic); maintained factory production; strong liquidity; tight control of costs; continued deliveries/pick-ups within rental; a degree of uncertainty at Tasman regarding medium-term projects.

The management team has experience of previous downturns and has swiftly taken appropriate action, albeit the starting point is better than in 2015. The balance sheet is healthy, and the group has high asset backing, with strong cash generation and, significantly, costs are relatively low.

Northbridge IS has released an update on trading considering the ongoing COVID-19 pandemic. Although trading had begun to dip by the end of March, overall, the momentum built during 2019 continued. Significantly, the volume uplift within **Tasman** had resulted in that division moving **into profitability ahead of our expectations.**

The record manufacturing order book at **Crestchic**, which further improved in recent weeks, is impressive and requiring the factory to work at, or close to, full capacity for the remainder of the year. The factory has remained operational throughout the lockdown period, testimony to the newly introduced working practices and the critical nature of some of the end markets for the loadbanks (including healthcare). We anticipate that the results from manufacturing will part-mitigate shortfalls experienced within rental. Cash planning/liquidity is also aided by manufactured sales frequently being paid in full ahead of shipment.

Considering actual and anticipated revenue shortfalls within rental during Q2 and Q3, management has sought to both preserve cash and to reduce variable costs where possible. The wage bill has declined, reflecting the furloughing of some staff, coupled with a voluntary pay cut (of 20%, until the end of June) by all senior salaried employees. Furthermore, with many offices closed and staff working from home, one should anticipate savings on utilities and rent. In most instances, capex has been deferred. The combination of such savings and receipt of government-related payments amount to approximately £0.5m during Q2.

The Group's rental operations remain mostly active, with deliveries/pick-up of equipment to new and existing customers ongoing, albeit at reduced levels. There remains uncertainty of the degree of recovery once lockdown concludes, but Crestchic seems likely to fare better in the short term than Tasman. The current oil price downturn may well influence investment decisions made by Tasman's customers on projects previously anticipated to commence from Q4 2020 and throughout 2021. However, a focus predominantly on gas, used for essentials such as power generation, cooking and heating, places the division on a more resilient footing than if just exposed to oil, which is primarily used for transportation-related purposes and likely to be more badly affected.

We remain encouraged by the management actions to date, coupled with healthy financial liquidity and the ongoing strong performance of manufacturing. The share price stands at a substantial discount to the NAV and a price-to-book ratio of just 0.6x.

Company Data

EPIC	NBI
Price (last close)	71p
52 weeks Hi/Lo	180p/62p
Market cap	£20m
NAV / share (Dec '19)	124p
Net debt (Dec '19)	£6.4m

Share Price, p



Source: ADVFN

Description

Northbridge Industrial Services is a holding company focused on two divisions.

Crestchic Loadbanks, the larger division, is a specialist provider of electrical equipment used primarily to commission, test and service within power reliability and power security markets globally.

Tasman Oil Tools (Tasman) is a rental specialist of downhole tools to the oil & gas, geothermal energy and coal-bed methane markets.

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