

## Capital Markets Day snap reaction

4th November 2020

### Strix unveiled their long-term growth plans, and the completion of LAICA deal also leads to FY 20 upgrades

Yesterday Strix hosted a CMD, which contained a very useful 'route map' for investors over the next five years, which we summarise below. In addition, there is a positive update on current trading. FY 20 PBT expectations are now upgraded to c£30.4m (from £30.2m previously), benefiting in part from the early completion of the LAICA acquisition. The shares are already up materially YTD, but Strix now has a compelling growth story for the first time.

**Strix's 5-year revenue plans.** From proforma revenue of c£94m in FY20, to £199m in 2025. This is a doubling of the 'prize', which will clearly appeal to growth investors. The key top line drivers are Appliances and Water (both > 200% target growth), with them accounting for more than 50% of group revenue by the period end.

**Long term financial projections.** Strix also now projects c£67m gross profit by 2025 period end (vs c£39m, FY20). There is also an ongoing commitment to a progressive dividend policy (linked to underlying EPS). Furthermore, Strix is keen to grow via acquisition, as well as organically. As a reminder in terms of terms of firepower, **H1'20 period end net debt was £36.9m** and leverage ratios are conservative. Equity is also attractive currency.

**Diversification, growth in new markets and factory.** Strix investors will be greatly encouraged by the explosive market growth forecast in both Appliances (c9% CAGR) and Water (c16% CAGR), augmented by new products in tandem with Global Brand partners. Strix confirmed that the new, enlarged manufacturing facility is well on track, with completion still expected in Aug 2021. Automation should have long-run margin benefits.

**Still the leading player in the global kettle controls market.** This is a resilient market, now expected to grow at c3% pa to 2025. The company highlights ambitions for 57% market share (e.g. + 300bps), driven by new products and commercial initiatives. This highlights an enduring competitive advantage and unrivalled OEM relationships.

**FY 20 Trading update.** Strix has proven its resilience during the pandemic. Manufacturing is fully operational in China, IoM and now Italy. Markets are said to be 'holding up well' with strong order book visibility. The €31.6m LAICA acquisition makes sense strategically and has completed ahead of schedule. Synergy benefits could yet be material in terms of cross-selling and efficiencies.

**Investment case.** At 233p, the share price has already rallied very strongly up from its March lows (at the peak of COVID market anxiety). Strix remains **a unique strategic asset on AIM, with industry leading margins. There is a lot to digest on the back of the CMD, including organic growth initiatives and the group's sustainability strategy, which should in our view appeal to investors with an ESG mandate.**

**Valuation multiples of 16.9x PER and 14x EV/EBITDA do not look rich with the new growth plans being outlined, whilst a 3% yield at the current price is also attractive.** Current levels still offer attractive entry multiples.

#### Company Data

EPIC	KETL
Price	233p
52 weeks Hi/Lo	254p/118.2p
Market cap	£457.4m

#### Share Price, p



Source: ADVFN

#### Description

Strix Group Plc (Strix) is a global leader in the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management and water filtration.

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