

Genuit Group

H122 results

Outlook maintained

Revenue momentum has remained strong well into H221 and Genuit's profit expectations for FY21 are in line with the market's. The company's share price has retraced to start-year levels recently (and underperformed the FTSE All-Share Index by 10% in the last month), with no change to business fundamentals in our view. While short-term challenges (such as supply chain strains) are present, we consider that overall market risk is lower now compared to the lockdown-driven uncertainties of 2020.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/19	447.6	70.8	29.2	4.0	19.9	0.7
12/20	398.6	35.7	13.3	4.8	43.8	0.8
12/21e	593.0	86.7	28.6	12.0	20.3	2.1
12/22e	604.3	94.3	31.1	13.0	18.7	2.2

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. FY19 DPS represents the H1 payment only (no final dividend was declared) and FY20 DPS represents the final payment only (no interim was declared).

Good organic and acquisition revenue progress

Genuit's November trading update indicated a similar strong rate of group revenue growth thus far in H2 compared to H1 (ie +31.1% for the four months to October and +32.4% respectively) compared to the (pre-COVID) 2019. Against the same base year, the latest four-month period is also well ahead on a I-f-I basis (+10.8%), although slightly behind the +13.8% seen in H1. Factoring in a stronger pricing effect as FY21 has progressed suggests that underlying demand has begun to normalise, but we are unable to quantify this at this stage. We believe that the revenue contribution from three Q1 acquisitions has been strong, most probably led by momentum at Adey (a residential heating filter and consumables supplier).

Outlook for FY21 and beyond unchanged

The aforementioned price increases aim to recover cost inflation and, while this will dilute margin in the short term, management anticipates that the FY21 profit outturn will be within existing market expectations (EBIT range £92.5–95.9m). Updating our estimates for H1 results and the latest update, we now reflect progressive pricing effects on top of firm volumes, which raises both revenue and EBIT – diluting FY21 margins only – compared to our last published estimates and we are at the lower end of the market range. Genuit's senior team is undergoing a well-flagged transition with a new COO at the start of November and CEO-elect Joe Vorih expected to join in early 2022 after a handover from Martin Payne. Genuit's positive long-term residential and infrastructure sector drivers are very much intact and, increasingly, underpinned by environmental and wider ESG considerations.

Valuation: Share price back to start of FY21 levels

Genuit's share price has traded above its pre-COVID peak (of 607p) for much of this year, but has recently retraced below 600p for the first time since May. On our earnings estimates, Genuit's EPS is expected to exceed the FY19 level in FY22, and the P/E and EV/EBITDA multiples for this year have compressed to 18.7x and 11.6x respectively currently.

Building & construction

2 December 2021

Price **582p**
Market cap **£1,443m**

€1.18/€

Net debt (£m) at end October 2021 (excluding IFRS 16 lease liabilities) 157

Shares in issue 248m

Free float 93%

Code PLP

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (12.6) (27.3) 12.8

Rel (local) (11.2) (26.6) (0.3)

52-week high/low 801p 457p

Business description

Genuit (formerly Polypipe) is a leading supplier of largely plastic building products and systems. Operations in the UK (c 90% of revenue) address a broad range of sectors including residential, commercial and civil building demand and a number of subsectors within them. Overseas revenues are generated through exports, particularly to the Middle East, and a small Italy-based specialist fittings business.

Next events

FY21 year end December 2021

FY21 results 15 March 2022

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Exhibit 1: Financial summary

	£m	2014	2015	2016	2016*	2017*	2018	2019	2020	2021e	2022e	2023e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS												
Revenue		327.0	352.9	436.9	387.2	411.7	433.2	447.6	398.6	593.0	604.3	638.3
Cost of Sales		(202.4)	(210.0)	(256.8)	(219.1)	(236.0)	(251.9)	(255.2)	(242.5)	(353.5)	(347.4)	(367.0)
Gross Profit		124.6	142.9	180.1	168.1	175.7	181.4	192.4	156.1	239.4	256.8	271.3
EBITDA		60.8	69.3	86.4	84.5	88.3	90.6	99.1	63.4	118.8	128.3	137.3
Operating Profit (underlying)		46.3	54.2	70.4	69.5	73.4	75.0	79.3	43.6	94.4	103.5	112.2
SBP		0.0	0.0	(1.0)	(1.0)	(0.8)	(1.0)	(1.2)	(1.4)	(2.0)	(2.0)	(2.0)
Operating Profit (reported)		46.3	54.2	69.4	68.5	72.6	74.0	78.1	42.2	92.4	101.5	110.2
Net Interest		(7.7)	(5.3)	(6.6)	(6.6)	(5.8)	(5.8)	(6.2)	(4.2)	(4.5)	(6.5)	(6.0)
Other finance		(1.0)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(2.3)	(1.2)	(0.7)	(0.7)
Intangible Amortisation		0.0	(3.0)	(6.8)	(6.8)	(5.5)	(5.9)	(7.5)	(7.8)	(13.5)	(13.5)	(13.5)
Exceptionals		(20.7)	(3.5)	(0.6)	(0.6)	(4.6)	(2.7)	(3.2)	(4.1)	(6.1)	0.0	0.0
Profit Before Tax (norm)		37.6	48.0	61.8	60.9	65.7	67.1	70.8	35.7	86.7	94.3	103.5
Profit Before Tax (statutory)		16.9	41.5	54.4	53.5	55.6	58.5	60.1	23.8	67.1	80.8	90.0
Tax		(5.4)	(9.2)	(11.8)	(10.1)	(11.8)	(10.5)	(11.9)	(6.3)	(15.6)	(17.0)	(18.6)
Profit After Tax (norm)		32.2	38.8	50.0	49.2	53.9	56.5	58.9	29.4	71.1	77.3	84.9
Profit After Tax (statutory)		11.5	32.3	42.6	43.4	43.8	49.1	49.6	18.5	46.2	66.3	73.8
Average Number of Shares Outstanding (m)		199.9	199.3	198.9	198.9	198.4	199.0	199.3	218.1	245.8	245.8	245.8
EPS - normalised (p)		16.1	19.4	25.0	24.6	26.9	28.1	29.2	13.3	28.6	31.1	34.2
EPS - statutory (p)		5.8	16.2	21.4	22.2	22.1	24.7	24.9	8.5	18.8	27.0	30.0
Dividend per share (p)		4.5	7.8	10.1	10.1	11.1	11.6	4.0	4.8	12.0	13.0	14.0
Gross Margin (%)		38.1	40.5	41.2	43.4	42.7	41.9	43.0	39.2	40.4	42.5	42.5
EBITDA Margin (%)		18.6	19.6	19.8	21.8	21.4	20.9	22.1	15.9	20.0	21.2	21.5
Operating Margin (underlying) (%)		14.2	15.4	16.1	17.9	17.8	17.3	17.7	10.9	15.9	17.1	17.6
BALANCE SHEET												
Fixed Assets		324.2	476.5	472.6		455.1	520.3	542.4	540.9	815.4	812.7	809.6
Intangible Assets		235.0	378.4	371.6		356.5	401.9	401.8	393.8	638.3	624.8	611.3
Tangible Assets		89.2	98.1	101.0		98.6	118.4	140.6	147.1	177.1	187.9	198.3
Investments		0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets		103.9	99.6	119.5		147.7	141.7	148.2	158.9	210.6	248.4	299.1
Stocks		39.9	47.5	52.2		53.5	58.1	59.7	52.6	71.7	70.5	74.5
Debtors		20.2	29.3	38.9		32.6	37.2	40.5	61.1	79.7	84.8	89.0
Cash		43.1	21.6	26.5		35.7	46.2	47.7	44.1	55.2	85.5	124.2
Current Liabilities		(69.8)	(87.2)	(104.5)		(108.8)	(108.7)	(108.1)	(119.1)	(146.3)	(144.6)	(150.3)
Creditors		(69.8)	(87.2)	(104.5)		(108.8)	(108.7)	(108.1)	(119.1)	(146.3)	(144.6)	(150.3)
Short term borrowings		0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities		(120.6)	(227.9)	(200.2)		(192.0)	(222.1)	(221.1)	(79.8)	(260.9)	(263.3)	(265.7)
Long term borrowings		(118.0)	(215.9)	(190.8)		(184.1)	(210.4)	(197.7)	(58.9)	(197.2)	(197.2)	(197.2)
Other long-term liabilities		(2.6)	(12.0)	(9.4)		(7.9)	(11.7)	(23.4)	(20.9)	(63.7)	(66.1)	(68.5)
Net Assets		237.7	261.0	287.4		302.0	331.2	361.4	500.9	618.8	653.2	692.6
CASH FLOW												
Operating Cash Flow		50.6	72.6	86.5		79.2	90.0	89.4	61.5	99.8	120.7	132.5
Net Interest		(10.4)	(5.7)	(7.3)		(6.6)	(6.1)	(7.4)	(5.4)	(4.9)	(6.9)	(6.4)
Tax		(3.7)	(5.2)	(10.1)		(12.6)	(11.2)	(12.4)	(8.2)	(14.0)	(15.6)	(17.0)
Capex		(14.9)	(18.9)	(18.7)		(22.0)	(23.2)	(18.0)	(24.5)	(35.9)	(31.0)	(31.0)
Acquisitions/disposals		(0.3)	(149.5)	0.0		0.0	(42.5)	(12.2)	(1.8)	(237.0)	0.0	0.0
Financing		(1.7)	0.0	(2.9)		(0.7)	0.3	2.4	118.5	92.0	(1.5)	(1.5)
Dividends		(3.0)	(10.6)	(17.1)		(21.0)	(22.3)	(23.7)	0.0	(21.8)	(30.4)	(32.9)
Net Cash Flow		16.6	(117.3)	30.5		16.3	(15.1)	18.1	140.1	(121.8)	35.3	43.8
Opening net debt/(cash)		84.7	74.9	194.3		164.3	148.4	164.2	150.0	14.8	142.0	111.7
Finance leases		(9.6)	(1.7)	0.0		0.0	(1.6)	(3.5)	(4.0)	(5.0)	(5.0)	(5.0)
Other		2.8	(0.4)	(0.5)		(0.4)	0.8	(0.4)	(0.9)	(0.4)	0.0	0.0
Closing net debt/(cash)		74.9	194.3	164.3		148.4	164.2	150.0	14.8	142.0	111.7	73.0
Lease finance (under IFRS 16)								14.8	12.9	21.8	21.8	21.8

Source: Company accounts, Edison Investment Research. Note: *Continuing operations.

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