EDISON

QinetiQ Group

Investing for growth

Interim results

Aerospace & defence

The transformation at QinetiQ continues. The H118 report has demonstrated the contribution from recent acquisitions, the longer-term nature of contracts and the broadening international reach of the company. While the UK defence market is not without challenges, QinetiQ's strategy is focused on delivering efficiencies for the UK MOD and investing for medium-term growth. Importantly, FY18 guidance has been maintained. We make small adjustments to our FY18 and FY19 estimates.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	755.7	108.6	16.3	5.7	13.3	2.6
03/17	783.1	116.1	18.1	6.0	12.0	2.8
03/18e	823.9	111.9	17.1	6.4	12.7	2.9
03/19e	838.4	110.2	16.9	6.8	12.9	3.1

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Progress made

QinetiQ has delivered good progress in what could be described as not the easiest of markets. The H1 results showed stable orders and FY guidance is maintained. The group's total funded order backlog was £2.0bn at 1 October 2017, supported by the Long-Term Partnering Agreement (LTPA) amendment signed in December 2016. FY18 revenue under contract stands at 89% for the group (H117: 94%), with 91% revenue cover for EMEA Services. It is important to see the longer-term nature of contracts as insulation against further Single Source Regulations Office (SSRO) headwinds. Also, the range in both nature and geography of the orders in H1 has changed, as 26% of QinetiQ revenues are now generated outside the UK. M&A has had a key role to play in the international footprint expansion. Meanwhile, on an organic basis, reported H118 revenue of £392.5m (H117: £361.8m) was up 3%, with 4% growth at EMEA Services and flat performance at Global Products.

Investing for growth

The transformation of QinetiQ is underway. The order book reflects longer-term contracts and the company anticipates that by FY19 just c £100m of revenue will be exposed to potential annual SSRO pressures. The company is actively embracing the UK defence environment to help the MOD achieve the cost savings that it needs. In addition, the company is investing to enable it to service a broader addressable market and ensure that its facilities are best in class. In this report, we address some of the key concerns identified in H118.

Valuation: Discount to UK peers

Our new forecasts have QinetiQ currently trading on 12.9x FY19e P/E, at a significant discount to the average UK aerospace and defence multiple. However, the shorter-term, multiple-based valuation does not fully reflect the strategy change and the future growth opportunities. Our newly introduced, cash-based capped DCF model on a calculated WACC of 8.0% currently delivers a value of 241p.

30 November 2017

Price	**217.3p**
Market cap	**£1,228m**

Net cash (£m) at 30 Sept 2017	194.7
Shares in issue	564.9m
Free float	96%
Code	QQ.
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(12.5)	(4.4)	(10.4)
Rel (local)	(11.3)	(5.5)	(18.8)

52-week high/low	319.7p	201.5p

Business description

QinetiQ provides technical support services to customers in the global aerospace, defence and security markets. The group operates through two divisions: EMEA Services (78% of FY17 sales) and Global Products (22% of FY17 sales).

Next events

Preliminary results	24 May 2018

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QinetiQ Group is a research client of Edison Investment Research Limited

H118 overview

Exhibit 1: QinetiQ income statement, half-yearly breakdown (underlying basis)

Consolidated income statement	2017			2018e			% change		
Year to March (£m)	H117	H217	FY17	H118	H218e	FY18e	H1	H2e	FYe
Revenues	361.8	421.3	783.1	392.5	431.4	823.9	8.5%	2.4%	5.2%
EBITDA	65.1	80.2	145.3	71.0	72.6	143.6	9.1%	-9.4%	-1.1%
Depreciation	-12	-14	-26	-11.7	-17	-29			
EBITA (underlying)	53.1	65.8	118.9	59.3	55.4	114.7	11.7%	-15.7%	-3.5%
Amortisation	-1.2	-1.4	-2.6	-1.8	-0.8	-2.6			
EBIT (underlying)	51.9	64.4	116.3	57.5	54.6	112.1	10.8%	-15.2%	-3.6%
Exceptional items	-0.2	16.6	16.4	10.0	-14.2	-4.2			
Net financial interest	0.1	-0.3	-0.2	-0.3	0.1	-0.2			
Pension interest	-0.6	-0.4	-1.0	2.1	-3.1	-1.0			
Financial Items	-0.5	-0.7	-1.2	1.8	-3.0	-1.2			
Pre-tax profit (underlying)	52.0	64.1	116.1	57.2	54.7	111.9	10.0%	-14.6%	-3.6%
Taxation	-6.5	-1.7	-8.2	-6.1	-8.3	-14.4			
Tax rate (%)	12.5%	-5.4%	7.1%	10.7%	15.2%	12.9			
Profit after taxation	45.5	62.4	107.9	51.1	46.4	97.5			
Net income (ongoing underlying)	45.5	62.4	107.9	51.1	46.4	97.5	12.3%	-21.6%	-6.7%
EPS (p) - reported	8.6	12.9	21.5	11.3	5.0	16.3	31.4%	-60.8%	-23.9%
EPS (p) - ongoing underlying	7.9	10.2	18.1	9.0	8.1	17.1	13.9%	-20.1%	-5.2%
DPS (p)	2.0	4.0	6.0	2.1	4.3	6.4	5.0%	7.5%	6.7%

Source: Company reports, Edison Investment Research estimates

We give an outline of the H118 performance as follows:

- **Orders** were £276.3m, where the comparable H117 £376.8m included £109m 11-year NCSISS contract. The group's total funded order backlog was £2.0bn at 1 October 2017, supported by the LTPA amendment signed in December 2016. FY18 revenue under contract stands at 89%, which is up from 74% at the start of the year, but actually below 94% seen at this point last year, when Global Products order cover was exceptionally high.
- **Revenue** at £392.5m (H117 £361.8m) was up 3% on an organic basis, with 4% growth at EMEA Services and flat performance at Global Products. Acquisitions and currency drove revenue growth to 8%.
- **Underlying operating profit** of £57.5m (H118: £51.9m). Non-recurring items included in this rose to £6.5m from £1.3m. Excluding non-recurring items, currency and acquisitions, underlying operating profit fell by £3.6m in EMEA Services primarily due to lower baseline profit margin on single source contracts (c 75% of the division).
- **Underlying basic earnings per share** of 9.0p (H118: 7.9p) increased by 14%, with lower effective tax charge and a reduced number of shares due to the share buyback programme (completed in H217).
- The H118 **dividend** increased 5% to 2.1p (H118: 2.0p), as we expected.
- **Capital expenditure** of £32.9m in H118 is expected to be between £70-90m for the financial year as investment is made, as per the LTPA contract amendment announced in December 2016.
- A general **working capital** unwind in H118 was £19.7m, in part related to timing that is expected to reverse in H2, plus £6.5m non-recurring trading items in EMEA Services. FY18 working capital is anticipated between £15-25m.
- As at 30 September 2017 QinetiQ had **net cash** of £194.7m (31 March 2017: £221.9m; 30 September 2016: £271.2m).

EMEA Services

Excluding the 11-year £109m NCSISS contract, order decline in the division of £30.1m was accounted for with one-third due to the aggregation of smaller aircraft engineering orders (under the Strategic Enterprise order from 2015) and two-thirds from lower MOD commitments. However, order cover at the start of H218 stood at 91%, down from 93% last year but up from 79% at the start of the year. Reported revenue at £311.6m (H117: £293.3m) was up 4% at constant currency. Underlying operating profit of £47.3m (H117: £43.0m) was flattered by £6.5m of one-off items, leaving the underlying number down £3.6m without the benefit of acquisitions and currency. This fall in operating profit was primarily due to the lower baseline profit for single-source contracts and was in line with company expectations. We will discuss this in more detail in our section on margin pressure below.

The H118 report is demonstrating the structural challenges that the EMEA Services division is currently facing. The UK MOD is becoming more commercial in how it does business. In many ways this is a positive step away from the historic more chaotic, slow-moving and unpredictable nature of UK MOD procurement. However, the new dawn has brought a reduction in customer advances on contracts and currently budgetary pressures are putting a spotlight on shorter-term contracts.

QinetiQ is actively embracing the UK defence environment to help the MOD achieve the cost savings that it needs. The Air Strategic Enterprise and the first part of the LTPA amendment demonstrate a win-win for both parties and training is another area where further efficiencies can be delivered. In addition, QinetiQ is seeking to bolster its presence in international markets. H118 has seen record order success in Australia, which QinetiQ actually considers a home market, facilitated in part by the RubiKon acquisition. The outlook for EMEA Services remains in line with FY guidance stated at the FY17 results. The division is expected to deliver modest revenue growth in FY18 with lower baseline profit due to single-source contract dynamics.

Global Products

The order picture here was quite encouraging, with orders of £122.4m (H117: £92.5m) boosted by a €24.2m order from the European Space Agency (ESA) for a spacecraft docking mechanism. The QinetiQ Target Systems acquisition also added to the order backlog. FY18 order cover was 80% at the start of H217, down from the exceptionally high 98% last year but up from the start of the year at 55%.

Reported H117 revenue of £80.9m (H117: £68.5m) was flat on an organic basis. Underlying operating profit of £10.2m (H117: £8.9m) was an increase of just £1.0m on an organic basis, taking prior year non-recurring items, currency and acquisitions into account.

While the shorter order cycle at Global Products can leave the division’s results looking inherently lumpy compared to the stability of the EMEA Services division, the business is progressing in many areas. QinetiQ North America (QNA) addresses a market that the company believes is growing and the US DOD accounts for 8% of group revenues today. The business recorded significant orders in H118, with the maritime system market in focus. In addition, QNA demonstrated its technology in the areas of unmanned systems. The company acknowledges that this is a very competitive area, but it remains confident of future order success here.

Staying with the international theme, the company has established a joint venture with the UAE to manufacture aerial targets. This is very much building on the QTS acquisition. It also gives a foothold in the region and the chance to move further up the value chain into greater advice and Test & Evaluation (T&E) work. The Middle East is an attractive market for QinetiQ and it is working on a number of opportunities to provide pre-procurement advice, capability assurance and support for defence transformation.

OptaSense is QinetiQ's fibre sensing solutions business and it has seen an improvement in performance as confidence returns to the oil field market. The business has undergone a change to both align itself to the customer and improve its commercial proposition. The stabilisation of the oil price has allowed capital expenditure commitments to increase in specific areas and more parties are alert to OptaSense's portfolio. There is also a security angle to this business, with power facilities and rail lines.

QinetiQ's Space Products business develops satellites, payload instruments, subsystems and ground station systems. Returning to the ESA contract, this is a three-year deal whereby QinetiQ will qualify and produce a first flight model of its International Berthing and Docking Mechanism. While in itself the system is lighter and more versatile than the competition, it also operates with both larger and small spacecraft. In addition, work on this project establishes a new product line for the business going forward.

The outlook for Global Products remains in line with FY guidance stated at the FY17 results. The division is expected to continue to grow in FY18, supported by contracted orders, the pipeline of opportunities and acquisition contribution.

H118 sensitivities

There were a number of factors that we believe influenced the market at the time of QinetiQ's H118 report and we address some of them here. Overall, we believe that QinetiQ's strategy is to build for the medium-term a platform to supply a broad range of technical capabilities to address the global defence, security and critical infrastructure market.

UK defence market backdrop

The UK defence market has been under considerable scrutiny over recent months, not least with ongoing budgetary pressure concerns and a National Security Capability Review underway. In addition, the change of Defence Secretary earlier this month has also been stated, by some market participants, to have brought additional uncertainty. It is worth highlighting commentary from Ultra Electronics' trading statement this month:

"The UK market has been difficult and has become increasingly so in the second half. There are mounting pressures in the funding of UK defence programmes and this has resulted in the UK MOD pausing, cancelling or delaying numerous programmes. Within the last few weeks a number of our UK orders budgeted for 2017 have been affected."

The sector has understandably been concerned, not least with senior management changes and the perceived risk of further order delay or cancellation. With c 65% exposure to the UK MOD, it is understandable that investors want to understand developments here.

We believe that QinetiQ is continuing to manage things within its control and adapting swiftly to the change in UK MOD procurement that we described earlier. Key to this is longer-term contracts and delivering savings to the UK MOD while reducing margin headwinds. In addition, building the international portfolio from 26% of the group today to closer to half in the medium term will help QinetiQ to reduce its dependence on the UK MOD while leveraging the growth that overseas markets represent. There is also a potential to drive operating margins, as we will discuss later, as international business typically delivers a higher margin.

Order backdrop

We understand the importance of order book development for QinetiQ, not least as an indicator of success for the campaign strategy for the new management team. This is not just a question of overall quantum but more a focus on mix with a growing proportion of longer-term contracts. At the FY17 results, we said:

"CEO Steve Wadey has stated that most of the campaigns will take three to five years to have a meaningful impact on revenue. Therefore, in the next two years we would hope to see a number of important contract wins, a growing order book and continued organic revenue growth." (Edison update report, Momentum Building, published on 5 June 2017)

Taking these items in turn, we described the H118 order performance as stable. While there was some anticipated impact from shorter-term R&D related weakness in the UK, we were encouraged to see new contracts across different areas of the group and order success at the acquisitions. In EMEA Services, the non-repeat of the £109m, 11-year Naval Combat System Integration Support Services (NCSISS) contract exaggerated the y-o-y step down in orders. However, the lower level of MOD commitments for the reporting period was just c £20m. In Global Products, the order total was boosted by the €24.2m ESA order we described earlier, which in itself establishes a new product line for future sales into space supply missions.

Order cover is the benefit provided by revenue under contract giving visibility and insulation from the SSRO regime. In each division, H118 order cover was lower than the prior period. However, it did in both cases, as one would hope, move up as H1 progressed. For EMEA Services, order cover at the start of H218 stood at 91%, down from 93% last year but up from 79% at the start of the year. For Global Products, order cover was 80% at the start of H218, down from 98% last year (which was exceptional) but up from the start of the year at only 55%. While we understand that the market may need to adjust its expectations of order cover downwards, we remain comfortable with the level of cover at the end of H118.

Leveraging the international opportunity is one of three core parts of the group strategy and order growth here is being supported by investment in the sales function. QinetiQ has unique and very exportable skills in the Test & Evaluation sector that support International growth. This is outlined further in the conversation on addressable markets later on. For international to contribute to half of group sales in the medium term, from 26% today, future acquisitions will also play a part.

Margin pressure

EMEA Services is facing margin headwinds because of the baseline profit rate, which is set by the UK Single Source Regulations Office (SSRO) and is applied to all MOD contracts that are uncompeted. For new and renewed single-source contracts signed in FY18 the baseline profit rate will fall by 149bp from 8.95% in FY16/17 to 7.46% in FY17/18. It is important to note, though, that the rate is the starting point but companies can earn higher returns through adjustments for risk, capital requirements and good execution of contracts.

Around 75% of EMEA Services revenue is derived from single-source contracts. However, an increasing proportion of QinetiQ's revenue is contracted on a long-term basis, which provides some protection from falling rates. For example, the £1bn 11-year contract amendment to the LTPA was contracted at the FY17 rate. Going forward, there is an additional c £100m of non-tasking revenues to be negotiated under the LTPA and the company is aiming to achieve conclusion by April 2018. With these actions fully underway, by FY19 only c £100m of revenue per year will be subject to annual repricing, hence protecting QinetiQ from feeling the full impact of the SSRO's declining single-source baseline margin.

Cash conversion

The H118 rate of cash conversion (after capex) progression does look somewhat alarming at first glance, moving from 94% in H116 to 98% in H117 to just 8% in H118. The key factor in this decline is the previously announced significant step-up in capex for the LTPA and hence within company guidance. The 11-year amendment saw QinetiQ committed to an additional £60-70m of capital expenditure on the programme, bringing the total to £180m, of which £120m will be spent in the

next three years. Investment in the LTPA is reimbursed through the life of the contract itself which in turn adds visibility to contract return levels.

For detail on the capex spend, c £95m is being invested in modern tracking equipment, instrumentation and range infrastructure at the MOD Aberporth and MOD Hebrides ranges. This will help reduce the overall operating costs of the ranges, ensuring they remain competitive with the latest capabilities. QinetiQ is targeting the repatriation of UK defence money that defence primes spend on the MOD's behalf. The company estimates that approximately half the UK's test and evaluation money is currently spent overseas because the UK is not deemed to have the correct facilities. The Hebrides has the potential to provide 'best in class' facilities, unrivalled in size and interoperability of range, which should attract defence primes to use it as one of their testing grounds. The investment should also make the UK ranges world class, thus attracting international customers. This is a win-win situation. The MOD gets a higher return out of its fixed asset and it provides a platform for growth for QinetiQ. The Formidable Shield 2017 ballistic missile defence live-fire exercise showed the capabilities of the Hebrides range in a good light for the eight nations involved.

£85m will be spent developing the future military test pilot programme. QinetiQ will replace the oldest aircraft in the current flying fleet with new systems-rich aircraft that can deliver the new syllabus while costing less to maintain, thus reducing the overall running costs of the RAF's Air Warfare Centre at Boscombe Down. A new commercial test pilot qualification will also be introduced, opening up the school to a wider range of students.

From a working capital perspective, the H118 movement was in part related to timing that is expected to reverse in H2; as such the working capital outflow for FY18 is expected to be in the £15-25m guidance range.

Accounting non-recurring items

Reported H118 figures included a number of non-recurring items that have caused some consternation. While this is clearly a factor of accounting, and the company has been very detailed here, it is also a consequence of the company's strategy in action.

To explain more detail, a £5.3m credit related to the release of engine servicing obligations with the investment in new aircraft for test aircrew training within EMEA Services. As we understand it, this is part of the strategy to invest in new aircraft and sell the old fleet. As the old fleet aged, it was becoming more expensive to maintain, hence the original provision was taken. With the new fleet acquired and the old fleet disposed of, the servicing costs have become much lower and thus the provision has been released. The investment in the new fleet is aligned with management's strategy to invest in core UK Test & Evaluation capabilities. This delivers enhanced services and, particularly in this case, lower operational costs. So the non-recurring item here is essentially the manifestation of this strategy taking effect.

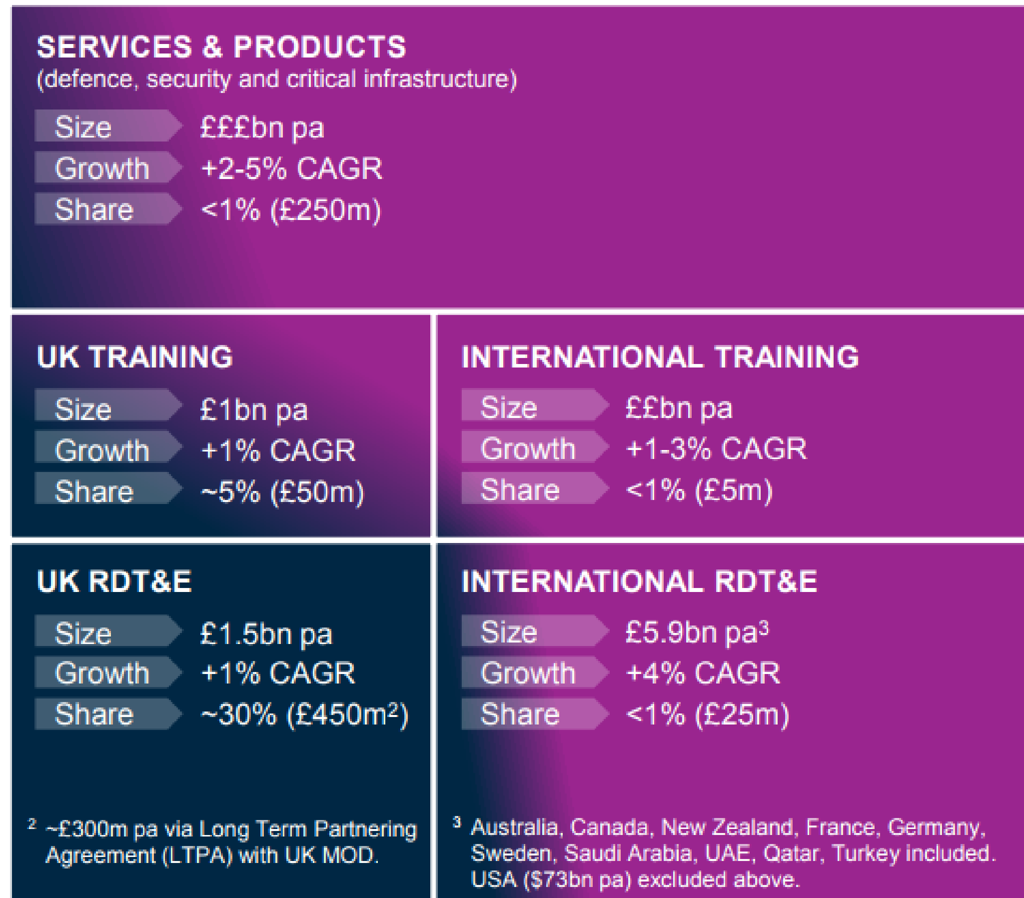
Strategy

It is worth reminding ourselves of QinetiQ's capital allocation policy as it is clearly aligned with the future size and shape of the company.

- **Priority one:** Invest in our organic capabilities complemented by bolt-on acquisitions where there is a strong strategic fit.
- **Priority two:** Maintain the necessary balance sheet strength.
- **Priority three:** Provide a progressive dividend to shareholders.
- **Priority four:** Return excess cash to shareholders.

As we detailed before, CEO Steve Wadey has set in place a campaign strategy that will take three to five years to have a meaningful impact on revenues. The company is in a period of investment to deliver against future growth and has taken steps to outline its addressable markets. Exhibit 2 outlines the addressable markets, with a strategy of growing market share and leveraging strengths into adjacent markets.

Exhibit 2: QinetiQ market opportunities



Source: QinetiQ H1 results presentation

We touched on the international theme in the discussion above. However, it is clear that the addressable markets include building a widening geographic reach for the company. QinetiQ has already started to invest in its business so that it can meet future growth. However, strategic M&A is going to play its part. Where today QinetiQ considers the UK, US and Australia home markets, adding new home markets could prove lucrative. Overall, the international business could grow to be worth 50% of the group from 26% today.

Revisions to estimates

Following the H118 report, we have adjusted our FY18 and FY19 estimates. We have moved down our FY18 revenue estimate, but slightly moved up profitability on better underlying divisional performance. We have reduced our somewhat more optimistic FY19 expectations.

Exhibit 3: QinetiQ estimates revisions

Year to March (£m)	2018e			2019e		
	Prior	New	% change	Prior	New	% change
EMEA Services	638.8	629.6	-1.4%	658.0	642.2	-2.4%
Global Products	192.6	194.2	0.8%	192.6	196.2	1.9%
Sales	**831.4**	**823.9**	**-0.9%**	**850.6**	**838.4**	**-1.4%**
EBITDA	**143.1**	**143.6**	**0.4%**	**150.1**	**141.7**	**-5.6%**
EMEA Services	86.2	86.9	0.7%	92.1	83.5	-9.4%
Global Products	24.3	25.2	4.0%	25.4	25.9	1.9%
Underlying EBITA	**110.5**	**112.1**	**1.5%**	**117.5**	**109.4**	**-6.9%**
Underlying PTP	**110.3**	**111.9**	**1.5%**	**118.4**	**110.2**	**-6.9%**
EPS - underlying continuing (p)	**16.9**	**17.1**	**1.5%**	**18.1**	**16.9**	**-6.9%**
DPS (p)	6.4	6.4	0.0%	6.7	6.8	0.6%
Net debt/(cash)	(198.6)	(197.2)	-0.7%	(189.1)	(195.8)	3.5%

Source: Edison Investment Research estimates

Valuation

We have introduced a cash-based capped DCF valuation, which is, in our view, a conservative basis for estimating cash flow values as it does not assume any growth in the terminal value. While we normalise working capital to zero and capex to equal depreciation, it still eliminates some element of the potential tail value. The DCF on a calculated WACC of 8.0% currently delivers a value of 241p.

Our new forecasts have QinetiQ currently trading on 12.9x FY19e P/E, at a significant discount to the average UK aerospace and defence multiple. However, the shorter-term, multiple-based valuation does not fully reflect the strategy change and the future growth opportunities and we see upside for the stock price. As the company grows market share and leverages international opportunities, the improved profitability should support a higher valuation multiple.

Exhibit 4: Financial summary

£m	2015	2016	2017	2018e	2019e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	763.8	755.7	783.1	823.9	838.4
Cost of Sales	0.0	0.0	0.0	0.0	0.0
Gross Profit	763.8	755.7	783.1	823.9	838.4
EBITDA	134.5	134.7	145.3	143.6	140.7
Operating Profit (before amort. and except.)	113.5	111.3	118.9	114.7	111.9
Intangible Amortisation	(1.5)	(2.5)	(2.6)	(2.6)	(2.5)
Exceptionals	(3.1)	(18.4)	15.4	(5.2)	(4.6)
Other	0.0	0.0	0.0	0.0	0.0
Operating Profit	108.9	90.4	131.7	107.0	104.8
Net Interest	(3.5)	(0.2)	(0.2)	(0.2)	0.8
Profit Before Tax (norm)	108.5	108.6	116.1	111.9	110.2
Profit Before Tax (FRS 3)	105.4	90.2	131.5	106.8	105.6
Tax	12.0	8.4	(8.2)	(14.4)	(14.3)
Profit After Tax (norm)	96.7	95.8	103.8	96.8	95.3
Profit After Tax (FRS 3)	117.4	98.6	123.3	92.4	91.4
Average Number of Shares Outstanding (m)	630.9	587.0	573.9	564.9	564.9
EPS - normalised (p)	15.3	16.3	18.1	17.1	16.9
EPS - normalised and fully diluted (p)	15.2	16.2	17.9	17.0	16.7
EPS - (IFRS) (p)	18.6	16.8	21.5	16.3	16.2
Dividend per share (p)	5.4	5.7	6.0	6.4	6.8
Gross Margin (%)	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)	17.6	17.8	18.6	17.4	16.8
Operating Margin (before GW and except.) (%)	14.9	14.7	15.2	13.9	13.3
BALANCE SHEET					
Fixed Assets	354.8	317.4	384.1	431.0	473.7
Intangible Assets	122.5	81.4	142.5	137.9	134.1
Tangible Assets	229.6	233.4	238.8	290.2	336.8
Investments	2.7	2.6	2.8	2.8	2.8
Current Assets	386.1	453.8	587.8	593.4	590.3
Stocks	18.5	19.0	28.9	39.5	40.6
Debtors	143.4	129.9	143.5	152.4	155.1
Cash	195.5	274.5	221.9	198.2	177.8
Other	28.7	30.4	193.5	203.2	216.7
Current Liabilities	(370.6)	(383.9)	(372.0)	(367.6)	(373.7)
Creditors	(370.6)	(383.9)	(372.0)	(367.6)	(373.7)
Short term borrowings	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities	(72.2)	(62.5)	(67.3)	(67.9)	(48.4)
Long term borrowings	0.0	0.0	0.0	(1.1)	18.0
Other long term liabilities	(72.2)	(62.5)	(67.3)	(66.9)	(66.4)
Net Assets	298.1	324.8	532.6	588.8	641.8
CASH FLOW					
Operating Cash Flow	112.5	182.4	113.6	106.2	127.2
Net Interest	0.0	(3.5)	(0.2)	(0.2)	(0.2)
Tax	0.0	(17.3)	(4.1)	(13.7)	(13.6)
Capex	(29.0)	(30.2)	(32.9)	(82.5)	(77.7)
Acquisitions/disposals	75.9	27.4	(65.7)	0.0	0.0
Financing	(106.8)	(48.6)	(48.1)	0.0	0.0
Dividends	(31.7)	(32.3)	(33.4)	(34.5)	(37.1)
Other	4.1	1.1	18.2	0.0	0.0
Net Cash Flow	25.0	79.0	(52.6)	(24.7)	(1.4)
Opening net debt/(cash)	(170.5)	(195.5)	(274.5)	(221.9)	(197.2)
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0
Other	(0.0)	(0.0)	0.0	(0.0)	0.0
Closing net debt/(cash)	(195.5)	(274.5)	(221.9)	(197.2)	(195.8)

Source: Company reports, Edison Investment Research estimates

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