

# Walker Greenbank

Year-end update

Estimates maintained at FY20 year end

A reassuring year-end update confirms Walker Greenbank's FY20 ended in line with management expectations. There do not appear to have been any major changes in market conditions in H2 for each of the three reporting regions. Going into FY21, a progressive strategy roll-out by the new management team will set the scene for future growth aspirations. Our estimates are unchanged and the company's P/E remains below 10x.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
01/18**	112.2	12.3	14.1	4.4	5.5	5.8
01/19	113.3	9.1	10.2	3.2	7.4	4.3
01/20e	109.8	7.4	8.3	2.5	9.1	3.3
01/21e	112.8	7.8	9.1	2.7	8.4	3.6

Note: \*PBT and EPS (fully diluted) are normalised, excluding exceptional items and LTIP charges. \*\*Restated for IFRS 15.

## FY20 sales performance consistent with estimates

Indicative FY20 revenues of £111m are in line with our estimate as are the headline components: total Brand division sales were c £90m (c -3.5% y-o-y comprising product-based -3.0%, core licence income +13.9%, other licence income c 40% lower) with Manufacturing sales to third parties c £20m (+5.5% y-o-y). Strong progress from Morris & Co appears to have contributed to slightly improved year-on-year trends in the **UK** and certain **north European** markets, implicitly with an equivalent offset in other brands/international markets. Steps taken in H2 include Clarke & Clarke's (C&C's) new **North American** distributor arrangement with Kravet Inc and a sales hire in Germany should progressively feed into international brand sales as FY21 progresses. The update contained no specific commentary regarding group profitability, save for a reiteration that c £1m of cost savings from consolidating C&Cs support functions was achieved in H2. Pre IFRS 16 net funds of c £1m at the year-end were in line with those seen at the interim stage.

## Strategic impetus for FY21

A new management team is substantially in place – pending a CFO appointment – and the process of building out and executing its multi-year strategic plan is underway. An enhanced brand and core product focus should start to become apparent over FY21; we noted the Sanderson/National Trust collaboration (announced 30 January) and will be looking for other markers with the FY20 results announcement (23 April). Some positive post UK general election commentary (eg Coutts Real Estate, Savills and Bovill) may feed through to higher residential transactions in due course and this would benefit Walker Greenbank in its domestic market, which accounts for around half of revenues.

## Valuation: Single digit P/Es

Walker Greenbank's share price rallied strongly from the beginning of December but has given up most of those gains in 2020 trading so far. Consequently, the company's valuation is little changed [from our December note](#) with a closing year P/E of 9.1x and EV/EBITDA (adjusted for pensions cash) of 5.5x and reductions in both metrics expected over our estimate horizon.

Care & household goods

12 February 2020

**Price** 76.0p

**Market cap** £54m

Net cash (£m) at end July 2019 (excludes IFRS 16 lease liabilities £8.7m) 0.9

Shares in issue 70.9m

Free float 92%

Code WGB

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (11.9) (3.1) (7.2)

Rel (local) (11.2) (6.1) (13.2)

52-week high/low 91.0p 56.2p

### Business description

Walker Greenbank is a luxury interior furnishings group combining specialist design skills with high-quality upstream UK manufacturing facilities. Leading brands include Harlequin, Sanderson, Morris & Co, Scion, Anthology, Zoffany and Clarke & Clarke. FY19 revenue was split UK 53%, international 41% and licence income 6%.

### Next events

FY20 results 23 April

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**Exhibit 1: Financial summary**

	£'ms	2013	2014	2015	2016	2017	2018	2018R	2019	2020e	2021e	2022e
January y/e		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>												
Revenue		75.7	78.4	83.4	87.8	92.4	108.8	112.2	113.3	109.8	112.8	115.5
Cost of Sales		(30.2)	(30.3)	(32.7)	(35.9)	(36.2)	(43.3)	(44.0)	(45.3)	(40.1)	(41.2)	(42.1)
Gross Profit		45.5	48.1	50.7	52.0	56.2	65.5	68.2	68.0	69.7	71.7	73.3
EBITDA (pre IFRS16)		8.6	9.7	10.7	11.8	13.4	15.5	15.7	12.9	11.6	12.0	12.2
Op Profit (before GW, except. & LTIP)		6.6	7.5	8.3	9.1	10.6	12.4	12.6	9.4	7.9	8.3	8.3
Op Profit (before GW and except.) – rptd		5.8	6.5	7.3	8.2	9.8	12.0	12.2	10.0	7.9	7.7	7.7
Net Interest		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)	(0.4)
Intangible Amort - acquired		0	0	0	0	(0.3)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Pension net finance charge		(0.7)	(0.9)	(0.8)	(0.7)	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Exceptionals		0	0	0	0	(1.8)	2.3	2.3	(2.2)	(1.0)	0.0	0.0
Other		0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		6.4	7.3	8.1	8.9	10.4	12.1	12.3	9.1	7.4	7.8	7.9
Profit Before Tax (statutory)		4.9	5.5	6.3	7.3	7.0	12.8	13.0	6.3	5.2	6.0	6.1
Tax		(1.0)	(0.5)	(1.2)	(1.5)	(1.6)	(1.0)	(1.1)	(1.2)	(1.3)	(1.4)	(1.4)
Profit After Tax (norm)		5.4	6.6	6.9	7.5	8.6	11.1	10.0	7.3	6.1	6.4	6.5
Profit After Tax (statutory)		4.0	5.0	5.1	5.9	5.4	11.8	11.9	5.1	3.9	4.6	4.7
Average Number of Shares Outstanding (m)		57.5	58.5	59.3	60.0	62.7	70.4	70.4	71.0	71.0	71.0	71.0
EPS - normalised (p) FD		9.4	10.7	11.2	11.6	12.9	13.9	14.1	10.2	8.3	9.1	9.2
EPS - statutory (p)		6.9	8.6	8.6	9.8	8.6	16.7	16.9	7.2	5.5	6.5	6.6
Dividend per share (p)		1.5	1.9	2.3	2.9	3.6	4.4	4.4	3.2	2.5	2.7	2.8
Gross Margin (%)		60.1	61.3	60.8	59.2	60.8	60.2	60.8	60.0	63.5	63.5	63.5
EBITDA Margin (%)		11.4	12.4	12.8	13.4	14.6	14.2	14.0	11.4	10.6	10.7	10.6
Op Margin (before GW and except.) (%)		7.7	8.3	8.8	9.3	10.7	11.0	10.9	8.8	7.2	6.8	6.7
<b>BALANCE SHEET</b>												
Fixed Assets		18.5	21.1	21.5	18.9	47.5	47.7	47.7	46.0	51.8	47.2	42.6
Intangible Assets		6.7	7.3	7.2	7.1	31.6	31.8	31.8	30.8	29.6	28.4	27.2
Tangible Assets		9.8	11.7	12.7	11.7	15.8	16.0	16.0	15.2	22.2	18.8	15.4
Investments		2.0	2.2	1.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets		32.6	35.3	37.1	40.3	51.3	51.9	52.1	49.3	49.8	53.4	56.9
Stocks		16.8	18.4	22.0	18.1	30.3	29.4	29.5	28.0	28.5	29.3	30.0
Debtors		12.8	13.9	14.1	19.3	19.5	21.2	21.3	18.9	18.0	18.8	19.5
Cash		2.9	2.8	1.0	2.9	1.5	1.3	1.3	2.4	3.3	5.3	7.3
Other		0.1	0.2	0.0	0.0							
Current Liabilities		(17.3)	(19.4)	(20.7)	(19.4)	(34.8)	(28.9)	(28.9)	(23.8)	(25.5)	(26.8)	(26.5)
Creditors		(16.9)	(19.0)	(20.3)	(19.0)	(28.0)	(22.4)	(22.4)	(21.8)	(24.0)	(25.2)	(25.0)
Short term borrowings		(0.4)	(0.4)	(0.4)	(0.4)	(6.8)	(6.6)	(6.6)	(2.0)	(1.5)	(1.5)	(1.5)
Long Term Liabilities		(9.6)	(10.2)	(10.9)	(4.5)	(12.7)	(9.1)	(9.1)	(10.6)	(10.2)	(5.2)	(1.5)
Long term borrowings		(1.4)	(0.9)	(0.6)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities		(8.2)	(9.2)	(10.4)	(4.3)	(12.7)	(9.1)	(9.1)	(10.6)	(10.2)	(5.2)	(1.5)
Net Assets		24.2	26.9	26.9	35.3	51.3	61.6	61.8	60.9	65.9	68.7	71.4
<b>CASH FLOW</b>												
Operating Cash Flow		6.0	6.2	3.5	7.1	12.4	7.0	7.0	12.6	10.8	11.2	11.3
Net Interest		(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.5)	(0.4)	(0.4)
Tax		(0.0)	(0.0)	(0.0)	(0.6)	(2.3)	(2.2)	(2.2)	(0.8)	(1.3)	(1.4)	(1.4)
Capex		(3.1)	(4.7)	(3.2)	(2.5)	(6.7)	(3.5)	(3.5)	(2.8)	(3.0)	(3.0)	(3.0)
Acquisitions/disposals		0.0	0.0	0.0	0.0	(27.1)	0.0	0.0	0.0	0.0	0.0	0.0
Financing		(0.1)	(0.0)	(0.4)	(0.1)	18.3	1.8	1.8	0.0	0.0	0.0	0.0
Dividends		(0.7)	(0.9)	(1.1)	(1.4)	(1.8)	(2.7)	(2.7)	(3.1)	(2.2)	(1.8)	(1.9)
Net Cash Flow		1.8	0.3	(1.5)	2.3	(7.4)	0.1	0.1	5.7	3.9	4.6	4.6
Opening net debt/(cash)		0.7	(1.2)	(1.5)	(0.0)	(2.3)	5.3	5.3	5.3	(0.4)	(1.8)	(3.8)
Net finance leases		0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	(2.6)	(2.6)	(2.6)
Other		0.0	0.0	0.0	0.0	(0.2)	(0.1)	(0.1)	0.0	0.1	0.0	0.0
Closing net debt/(cash)		(1.2)	(1.5)	(0.0)	(2.3)	5.3	5.3	5.3	(0.4)	(1.8)	(3.8)	(5.8)
Lease finance (IFRS16)										7.3	4.4	1.9

Source: Walker Greenbank, Edison Investment Research. Note: 2018 results restated for IFRS 15 Revenue from Contracts with Customers; the primary P&L effects were to reclassify some marketing materials/services as net other income and carriage recoveries to revenue and, as they were previously netted out of distribution costs, increase this cost line. From FY20 onwards (ie the three estimate years) figures are presented on an IFRS 16 basis.

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