EDISON

Walker Greenbank

COVID-19 update

Production restarted

Care & household goods

The phased reopening of Walker Greenbank's two manufacturing facilities (both in the UK) is underway with Standfast & Barracks already operational and Anstey restarting this week. The company's business model is such that near-term activity levels can be rebuilt gradually. It may also support new business development in the UK in due course compared to overseas supply sources. No new financial information was provided ahead of the company's scheduled FY20 results announcement on 30 June, at which point activity levels during FY21 to date should also be disclosed. Our estimates remain suspended at this time.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
01/18**	112.2	12.3	14.1	4.4	2.7	11.5
01/19	113.3	9.1	10.2	3.2	3.7	8.4
01/20e	109.8	7.4	8.3	0.5	4.6	1.3

Note: *PBT and EPS (fully diluted) are normalised, excluding exceptional items and LTIP charges. **Restated for IFRS 15. The FY20 DPS represents the declared interim dividend; no final dividend is expected for the year.

Print operations rolling again

The easing of UK government lockdown restrictions, together with customer orders, has permitted Walker Greenbank's production facilities to reopen. Standfast & Barracks (fabric printing) has restarted printing of third-party branded orders and around half of the usual workforce will be progressively engaged to carry this out. Standfast has a larger digital printing capability (over 50% of sales), which may facilitate a faster restart, although it is not specified what proportion is via this process. Our initial read on this is that sales demand – albeit at unspecified lower levels – has reduced carried inventory levels such that a relatively low-risk production restart is warranted against orders on hand. Print runs at Anstey (wallpaper printing) are also starting this week, beginning with internal Brand print runs for Zoffany's new Palladio collection ahead of launch later this year. Typically, around 60% of gross Manufacturing division revenues are to external customers (the other c 40% to support internal Brand division sales).

UK manufacturing business benefits

Walker Greenbank's oft-stated business model benefits – scale, high-quality, UK-based manufacturing facilities, well-known brands all backed by carried inventory – appear to have been reinforced during the coronavirus disruption. Sales have continued to be serviced and the discrete nature of printing operations means that the manufacturing restart can be done in phases. Investment in digital printing capability also looks to be beneficial. Caution will continue to be the order of the day in the near term, managing costs and cash inflows carefully during the staff and inventory rebuild period. UK government furlough scheme cash receipts began in April, although the company has now clearly started to reduce the number of employees required to be registered here. Further out, with the benefits of near-shoring emphasised in current market conditions (especially customer access and shorter supply chain) could stimulate new business development in the UK market.

28 May 2020

Price	**38.2p**
Market cap	**£27m**

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	(3.8)	(47.6)	(49.7)
Rel (local)	(8.7)	(41.6)	(41.0)
52-week high/low		91.0p	27.5p

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	30 June 2020

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Edison profile page

Exhibit 1: Financial summary

£m	2013	2014	2015	2016	2017	2018	2018R	2019	2020e
Year end 31 January	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS									
Revenue	75.7	78.4	83.4	87.8	92.4	108.8	112.2	113.3	109.8
Cost of Sales	(30.2)	(30.3)	(32.7)	(35.9)	(36.2)	(43.3)	(44.0)	(45.3)	(40.1)
Gross Profit	45.5	48.1	50.7	52.0	56.2	65.5	68.2	68.0	69.7
EBITDA (pre IFRS16)	8.6	9.7	10.7	11.8	13.4	15.5	15.7	12.9	11.6
Op Profit (before GW, except. & LTIP)	6.6	7.5	8.3	9.1	10.6	12.4	12.6	9.4	7.9
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
Net Interest	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.5)
Intangible Amort - acquired	0	0	0	0	(0.3)	(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)
Exceptionals	0	0	0	0	(1.8)	2.3	2.3	(2.2)	(1.0)
Other	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
Profit Before Tax (statutory)	4.9	5.5	6.3	7.3	7.0	12.8	13.0	6.3	5.2
Tax	(1.0)	(0.5)	(1.2)	(1.5)	(1.6)	(1.0)	(1.1)	(1.2)	(1.3)
Profit After Tax (norm)	5.4	6.6	6.9	7.5	8.6	11.1	10.0	7.3	6.1
Profit After Tax (statutory)	4.0	5.0	5.1	5.9	5.4	11.8	11.9	5.1	3.9
Average number of shares outstanding (m)	57.5	58.5	59.3	60.0	62.7	70.4	70.4	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
EPS - statutory (p)	6.9	8.6	8.6	9.8	8.6	16.7	16.9	7.2	5.5
Dividend per share (p)	1.5	1.9	2.3	2.9	3.6	4.4	4.4	3.2	0.5
Gross Margin (%)	60.1	61.3	60.8	59.2	60.8	60.2	60.8	60.0	63.5
EBITDA Margin (%)	11.4	12.4	12.8	13.4	14.6	14.2	14.0	11.4	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
BALANCE SHEET									
Fixed Assets	18.5	21.1	21.5	18.9	47.5	47.7	47.7	46.0	51.8
Intangible Assets	6.7	7.3	7.2	7.1	31.6	31.8	31.8	30.8	29.6
Tangible Assets	9.8	11.7	12.7	11.7	15.8	16.0	16.0	15.2	22.2
Investments	2.0	2.2	1.6	0.1	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
Stocks	16.8	18.4	22.0	18.1	30.3	29.4	29.5	28.0	28.5
Debtors	12.8	13.9	14.1	19.3	19.5	21.2	21.3	18.9	18.0
Cash	2.9	2.8	1.0	2.9	1.5	1.3	1.3	2.4	3.3
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)
Creditors	(16.9)	(19.0)	(20.3)	(19.0)	(28.0)	(22.4)	(22.4)	(21.8)	(24.0)
Short term borrowings	(0.4)	(0.4)	(0.4)	(0.4)	(6.8)	(6.6)	(6.6)	(2.0)	(1.5)
Long Term Liabilities	(9.6)	(10.2)	(10.9)	(4.5)	(12.7)	(9.1)	(9.1)	(10.6)	(10.2)
Long term borrowings	(1.4)	(0.9)	(0.6)	(0.2)	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)
Net Assets	24.2	26.9	26.9	35.3	51.3	61.6	61.8	60.9	65.9
CASH FLOW									
Operating Cash Flow	6.0	6.2	3.5	7.1	12.4	7.0	7.0	12.6	10.8
Net Interest	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.5)
Tax	(0.0)	(0.0)	(0.0)	(0.6)	(2.3)	(2.2)	(2.2)	(0.8)	(1.3)
Capex	(3.1)	(4.7)	(3.2)	(2.5)	(6.7)	(3.5)	(3.5)	(2.8)	(3.0)
Acquisitions/disposals	0.0	0.0	0.0	0.0	(27.1)	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
Dividends	(0.7)	(0.9)	(1.1)	(1.4)	(1.8)	(2.7)	(2.7)	(3.1)	(2.2)
Net Cash Flow	1.8	0.3	(1.5)	2.3	(7.4)	0.1	0.1	5.7	3.9
Opening net debt/(cash)	0.7	(1.2)	(1.5)	(0.0)	(2.3)	5.3	5.3	5.3	(0.4)
Net finance leases	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	(2.6)
Other	0.0	0.0	0.0	0.0	(0.2)	(0.1)	(0.1)	0.0	0.1
Closing net debt/(cash)	(1.2)	(1.5)	(0.0)	(2.3)	5.3	5.3	5.3	(0.4)	(1.8)
Lease finance (IFRS 16)									7.3

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 figures are presented on an IFRS 16 basis.

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