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Morgan Advanced Materials

Industrials

14 August 2026

Growth and self-help support margin recovery

Morgan's H1 results were in line with company expectations, with revenue up 4.8% in organic constant-currency terms (OCC) to £518.1m, or 3.0% excluding an £8.9m semiconductor take-or-pay phasing benefit. Adjusted operating margin increased to 11.2%, or 9.6% excluding the phasing benefit, from 7.9% in H225, supported by efficiency and simplification benefits. Management maintained FY26 OCC revenue growth guidance of c 2% and its 12% margin target for 2028, with site turnarounds and procurement expected to contribute at least £20m of margin improvement. The strategic review of Thermal Products is progressing.

Technical Ceramics leads growth

Technical Ceramics OCC revenue grew 7.8%, supported by aerospace and defence and energy, while margin improved 130bp to 13.0% on strong operating leverage. Performance Carbon OCC revenue grew 4.0%, but fell 1.8% excluding the take-or-pay phasing benefit, as growth in wind was offset by weaker body-armour and industrial demand. Thermal Products OCC revenue increased 2.5%, although margin fell 130bp to 6.4% following Q1 operational issues in North America, which have since been addressed. Management also noted softer demand in European industrial markets.

Leverage expected to decline

Net debt/EBITDA of 2.0x remains above the 1.0–1.5x target, while H1 free cash flow of £3.5m included a £23.5m seasonal working-capital outflow that management expects to substantially reverse in H2. Leverage is expected to fall to c 1.7x by year-end, supported by improving free cash flow and proceeds from the c £49m Foseco India stake. Simplification spending completes this year and ERP investment winds down towards end-2027, while lower ongoing capital requirements should support positive free cash flow by end-2027. The Thermal Products review is progressing with management confirming disposal is one option, but no decision has yet been made.

Valuation: Discount despite margin recovery

On 2026 consensus estimates, Morgan trades at 14.4x P/E and 7.0x EV/EBITDA, compared with peer averages of 16.6x and 8.4x. These fall to 11.6x and 6.5x on 2027e consensus as margins recover. In our view, the discount reflects a combination of near-term end-market uncertainty and the need to demonstrate further margin progression. Sustaining the underlying H1 margin into H2 and further progress on the Thermal Products review would strengthen evidence that the recovery remains on track.

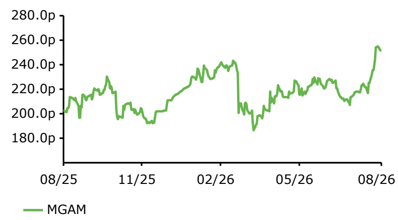
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)	EV/EBITDA (x)
12/25	996.6	133.9	70.6	0.16	0.12	15.4	5.0	7.0
12/26e	1,009.0	133.1	75.5	0.17	0.12	14.4	5.0	7.0
12/27e	1,045.0	144.1	89.4	0.21	0.12	11.6	5.1	6.5

Source: LSEG Data & Analytics

Price	**245.00p**
Market cap	**£678m**

Share price performance



Share details

Code	MGAM
Listing	LSE
Shares in issue	276.8m
Net cash/(debt) excluding lease liabilities as of 30 June 2026	£(253.1)m

Business description

Morgan Advanced Materials is a global manufacturer of specialist carbon and ceramic products, supplying mission-critical solutions for high-performance applications across a diverse range of industrial end-markets.

Bull points

- Technical Ceramics grew 7.8% OCC with margin up 130bp on aerospace and energy demand.
- Site turnarounds and group procurement are targeted to deliver at least £20m of margin improvement by 2028.
- ERP and simplification spend completes in 2027, supporting a step-up in free cash flow.

Bear points

- European industrial caution is spreading beyond Thermal Products into other divisions' order books.
- Leverage of 2.0x is above the 1.0–1.5x target (H2 improvement partly from Foseco India's disposal).
- The 9% to 12% margin bridge rests on revenue growth, site turnarounds and operational improvement, leaving little room for slippage.

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