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Avon Technologies

Industrials

27 July 2026

Transformation delivered, next phase in focus

Price	1,754.00p
Market cap	£530m

Avon approaches FY26 results with the transformation programme almost complete and medium-term targets achieved 18 months ahead of schedule. New targets are expected later in 2026, shifting the focus to organic growth and operational improvement. FY26 guidance remains for high-single-digit revenue growth, adjusted operating margin towards the top of the 14–16% range and cash conversion above 80%. Key watch points are Department of War (DoW) order timing, recovery in grant-funded demand and Team Wendy progress. H1 cash conversion was 38%, affected by $18m of DoW receivables arriving immediately post period end; leverage was 0.90x.

Order timing masks supportive demand

H1 order intake fell 31% to $117.9m and the order book declined 11% to $219.9m, reflecting prior-year comparatives, DoW timing and delayed US grant-funded demand. Recent awards include a $14m DoW M61 filter order, a $13m Middle East filter order and a $10.8m order from a European NATO customer, which Avon said underpins FY27 expectations. Avon supplies respiratory systems to 16 NATO nations through the NATO Support and Procurement Agency framework, supporting repeat demand as customers modernise CBRN capability.

Defence demand supports the next phase

The threat environment remains supportive as governments prioritise readiness, replenishment and longer-term procurement. Avon has less European exposure than peers given its US and UK weighting, but has opportunities beyond respirators and helmets. It has reached the second round of the NG IPE suits programme and expects to supply several hundred suits for evaluation, while EXOSKIN broadens its CBRN offering. It has been down-selected for an Australian Navy underwater-respiratory opportunity, with US and UK progress expected through FY27, and has a c $100m voice-projection pipeline. Team Wendy (head protection) remains the execution sensitivity: its H1 margin rose 100bp to 5.4% through site optimisation and Q2 operating leverage, although improvement is required once production stabilises.

Valuation: Discount to peers

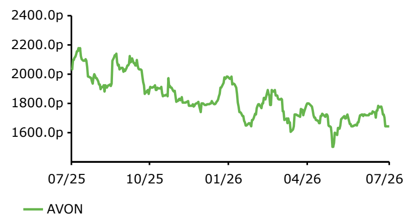
At 1,754p on 24 July, Avon's shares were down c 3% ytd, unlike re-rated European defence peers. Avon trades on a one-year forward EV/EBITDA of 12.1x versus 16.4x for the STOXX EU Aerospace & Defense Index, a 12.6% discount, and a one-year forward P/E of 19.2x versus 29.9x, a 36% discount. The gap may partly reflect lower exposure to large European programmes and the need to demonstrate Team Wendy execution, order conversion and cash generation. Clearer FY27 visibility, Team Wendy margin progress and award conversion could narrow the discount.

Consensus estimates

Year end	Revenue ($m)	EBITDA ($m)	PBT ($m)	EPS ($)	P/E (x)	EV/EBITDA (x)
9/25	313.9	55.1	34.9	0.91	25.7	14.2
9/26e	340.0	65.8	48.9	1.22	19.2	11.9
9/27e	363.3	72.1	54.3	1.35	17.3	10.9

Company data, Bloomberg. Note: EPS is adjusted.

Share price performance



Share details

Code	AVON
Listing	LSE
Shares in issue	30.3m
Net cash/(debt) at H126 (excluding lease liabilities)	£(58.0)m

Business description

Avon Technologies designs and manufactures respiratory and head-protection systems for military, law-enforcement and first-responder customers, with significant exposure to US defence and NATO-aligned markets.

Bull points

- Medium-term targets achieved 18 months ahead of schedule.
- Recent US, Middle East and NATO awards support FY27 visibility.
- Low leverage provides capacity for organic investment and selective M&A.

Bear points

- Order intake remains exposed to contract timing and funding delays.
- Team Wendy margins remain below Avon Protection.
- US and UK weighting limits direct exposure to Europe's defence re-rating.

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