

Avon Technologies

FY26 upgrade, new strategy and five-year targets

Avon Technologies has upgraded its FY26 outlook, with results now expected to be ahead of market expectations. Revenue growth is forecast at c 12.5% (FY25: 13.8%), while adjusted operating margin is expected to comfortably exceed management's previous 14–16% guidance (FY25: 12.8%), including beneficial one-offs. Higher operating profit is also expected to drive return on invested capital (ROIC) significantly above previous guidance of >17% (FY25: 18.6%). Year-end net debt, excluding leases, is expected to be c \$34m, with cash conversion above 85% and leverage below 0.5x. Alongside the trading update on 7 October, management's strategy teach-in outlined new five-year targets and provided deep dives into Avon Protection and Team Wendy. Avon's shares closed trading on the day of the announcement c 15% higher.

New strategy focused on growth and returns

Management's new 'Improve. Grow. Compound.' strategy builds on Avon's operational turnaround since FY23. 'Improve' centres on using its Business Improvement System to increase efficiency and release cash and capacity for investment. 'Grow' focuses on investing in Avon's leading market positions, lifecycle revenues and step-change opportunities where the company has a clear right to win. 'Compound' involves selectively acquiring high-quality protection technology businesses, applying Avon's improvement model and investing in their growth to increase shareholder value over time.

Five-year targets set out growth ambitions

Avon's organic ambitions target revenue CAGR above 5%, adjusted operating margins of 16–18% and annual EPS growth above 10%. Management also stated that improving inventory turns above 5x should support free cash flow exceeding \$175m over three years, which, alongside the operational improvements delivered across Avon Protection and Team Wendy to support stronger cash generation in the coming years, should provide funding for acquisitions to build a leading broader protection technology platform. The group's total five-year targets comprise revenue above \$600m, further EPS accretion through capital deployment and ROIC above 18%. Management also stated it will maintain financial discipline in the next growth phase, keeping leverage of 2x or less, and maintain a progressive dividend.

Valuation: Delivery remains key

Avon's valuation includes expectations of sustained earnings growth. Delivery against its new targets and disciplined capital deployment will be key to supporting the investment case.

Company financials and consensus estimates

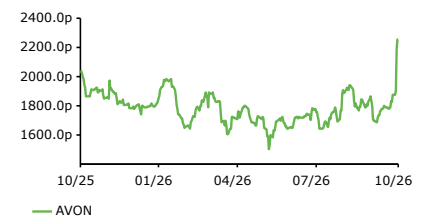
Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (\$)	P/E (x)	EV/EBITDA (x)
9/25	313.9	55.1	34.9	0.91	31.8	17.3
9/26e	344.6	68.2	51.2	1.30	22.3	14.0
9/27e	366.7	74.3	57.0	1.40	20.7	12.8

Source: Bloomberg at 8 October 2026

Industrials
9 October 2026

Price 2,190.00p
Market cap £663m

Share price performance



Share details

Code	AVON
Listing	LSE
Shares in issue	30.3m
Net cash/(debt) at 31 March 2026	£(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

- Stronger order books across both divisions provide good visibility into FY27.
- Operational improvements support margin expansion and cash generation to fund growth.
- Selective acquisitions offer scope to broaden Avon's protection technology portfolio and enhance earnings.

Bear points

- The valuation premium to peers increases sensitivity to earnings disappointments.
- Beneficial one-offs supported FY26 margins, leaving underlying profitability to be clarified.
- Acquisitions introduce integration risk.

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