

Avon Rubber

Another successful mask campaign

Further positive news for Avon Protection comes from the award of the M53A1 mask and powered air systems sole source contract by the US Department of Defense. It is another IDIQ (indefinite delivery/indefinite quantity) contract with a maximum value of \$246m over its seven-year term with a five-year base period and two one-year extension periods. The first order is expected shortly. As with the M69 aircrew mask systems contract award in January, the latest success had already been incorporated in guidance so does not affect forecasts. However, it does further underpin expectations for the division over the next five years.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/17	159.2	25.9**	83.3**	12.3	15.0	1.0
09/18	165.5	27.2	76.5	16.0	16.3	1.3
09/19e	176.3	29.8	78.6	20.8	15.8	1.7
09/20e	187.0	32.8	86.3	27.1	14.4	2.2

Note: *PBT and EPS are normalised, fully diluted and excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Restated for AEF disposal.

The framework contract includes the mask systems related accessories and spares as well additional Avon Protection products including the ST54 self contained breathing apparatus (SCBA). Once the first order has been secured, deliveries are expected to commence in H219. The award also demonstrates Avon's innovations and technology credentials.

As per the AGM statement, the strong performance by Avon Protection, particularly in terms of its military activities, is helping to offset more challenging conditions for milkrite | InterPuls in dairy markets. Management continues to progress other global mask opportunities including negotiations with the Department of Defense (DOD) with regards to the follow-on sustainment contract for M50 masks.

Major DOD contract award

Aerospace & defence

26 March 2019

Price 1,245p

Market cap £386m

\$1.32/£

Net debt (£m) at 30 September 2018 46.5

Shares in issue 31.0m

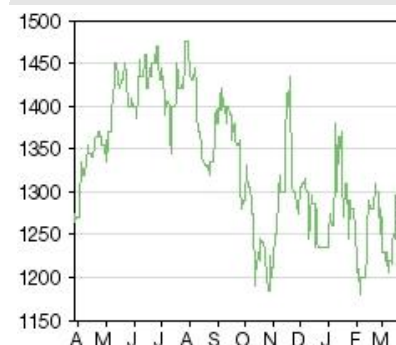
Free float 96%

Code AVON

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Avon Rubber designs, develops and manufactures products in the protection (70% of 2018 sales) and dairy (30%) sectors. Its major contracts are with national security organisations such as the US DoD. Over 70% of 2018 sales are from the US.

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