

Walker Greenbank

Cautious optimism entering H2

A firm end to H120 trading further narrowed the COVID-19 affected year-on-year revenue deficit, with a positive start to H2 also so far. The company has emerged from lockdown conditions in a healthy net cash position and well-placed to develop under a new senior operational team. A degree of market caution is required, but Walker Greenbank is clearly in a better position currently than might have been anticipated by management previously.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
01/18**	112.2	12.7	14.4	4.4	3.1	9.8
01/19	113.3	9.5	10.8	3.2	4.2	7.1
01/20	111.5	7.4	9.2	0.5	4.9	1.1

Note: *PBT and EPS (fully diluted) are company normalised, excluding pension scheme costs, LTIP charges and exceptional items. **Restated for IFRS 15. The FY20 DPS represents the declared interim dividend only; no final dividend was announced.

Good end to COVID-19 affected H1 trading

Having emerged from UK lockdown conditions and restarted manufacturing operations in May, Walker Greenbank's rolling four-weekly performance has improved and markedly so at the period end. For H120 as a whole, Brands product sales were down 28% y-o-y (having been -35% for the first five months). Northern Europe was the best of the major sales regions (-13%), while the UK and the US were both just over 30% lower. As one would expect, core (non-apparel) licence income was relatively robust, being down just 10% against H1 last year. Third-party manufacturing sales performance matched that seen for UK/US Brands products and we believe that inter-company revenues (ie group manufactured Brands products) were in line with the prior year comparator. FX translation did not have a material impact on sterling reported revenues. The company made no comments regarding overall levels of profitability.

Careful cash management boosts liquidity headroom

Despite lower headline sales, Walker Greenbank has sustained good cash control throughout the trading period, with accelerating inflows as the rate of recovery has improved. Specifically, inferred net cash was c £4.5m at the end of July versus c £2.8m a month earlier and £1.3m at the beginning of the year. As a result, including existing committed banking arrangements (ie a £12.5m RCF and £2.5m overdraft facility), the company retained almost £20m liquidity headroom at the period end.

Watchful approach but grounds for optimism

Walker Greenbank enters H2 with good momentum based on orders on hand and sample enquiry levels. The period contains some usually strong sales months (eg October, November), and further recovery in traditional retail channels in parallel with sustained strength in digital ones would be beneficial here. Additional collection launches are planned during the second half, which should be expected to boost sales impetus. This said, we are wary of extrapolating July's performance forward and where underlying demand settles in the coming months is still subject to greater than normal uncertainty. Hence, our estimates remain suspended.

H120 pre-close update

Care & household goods

12 August 2020

Price 45.0p

Market cap £32m

Net cash (£m) at end January 2020 1.3
(excludes IFRS 16 lease liabilities £8.4m)

Shares in issue 70.9m

Free float 92%

Code WGB

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (1.1) 8.4 (46.4)

Rel (local) (2.7) 3.3 (38.2)

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

H121 results October – date tbc

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Exhibit 1: Financial summary

	£m	2013	2014	2015	2016	2017	2018R	2019	2020
Year end January		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS									
Revenue		75.7	78.4	83.4	87.8	92.4	112.2	113.3	111.5
Cost of Sales		(30.2)	(30.3)	(32.7)	(35.9)	(36.2)	(44.0)	(45.3)	(43.3)
Gross Profit		45.5	48.1	50.7	52.0	56.2	68.2	68.0	68.1
EBITDA (pre IFRS 16)		8.6	9.7	10.7	11.8	13.1	15.7	12.9	11.0
Op Profit - Edison norm		5.8	6.5	7.3	8.2	9.5	12.2	9.3	7.0
Op Profit - company adjusted		6.6	7.5	8.3	9.1	10.6	13.0	9.8	7.8
Net Interest		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Intangible Amort – acquired		0	0	0	0	(0.3)	(1.0)	(1.0)	(1.0)
Pension net finance charge		(0.7)	(0.9)	(0.8)	(0.7)	(0.1)	(0.2)	(0.2)	(0.2)
Exceptionals		0	0	0	0	(1.8)	2.3	(2.2)	(1.0)
Other		0	0	0	0	0	0	0	0
Profit Before Tax (Edison norm)						9.3	11.9	9.0	6.6
Profit Before Tax (company norm)		6.4	7.3	8.1	8.9	10.4	12.7	9.5	7.4
Profit Before Tax (statutory)		4.9	5.5	6.3	7.3	7.0	13.0	5.6	4.4
Tax		(1.0)	(0.5)	(1.2)	(1.5)	(1.6)	(1.1)	(1.2)	(0.7)
Profit After Tax (norm)		5.4	6.6	6.9	7.5	8.2	10.0	7.3	6.3
Profit After Tax (statutory)		4.0	5.0	5.1	5.9	5.4	11.9	4.4	3.7
Average Number of Shares Outstanding (m)		57.5	58.5	59.3	60.0	62.7	70.4	71.0	71.0
EPS - Edison norm (p) FD						11.5	13.3	10.1	7.9
EPS - company norm (p) FD		9.4	10.7	11.2	11.6	12.9	14.4	10.8	9.2
EPS - statutory (p)		6.9	8.6	8.6	9.8	8.6	16.9	6.2	5.2
Dividend per share (p)		1.5	1.9	2.3	2.9	3.6	4.4	3.2	0.5
Gross Margin (%)		60.1	61.3	60.8	59.2	60.8	60.8	60.0	61.1
EBITDA Margin (%)		11.4	12.4	12.8	13.4	14.1	14.0	11.4	9.9
Op Margin (Edison norm) (%)		7.7	8.3	8.8	9.3	10.2	10.9	8.2	6.3
BALANCE SHEET									
Fixed Assets		18.5	21.1	21.5	18.9	47.5	47.7	46.0	52.3
Intangible Assets		6.7	7.3	7.2	7.1	31.6	31.8	30.8	29.8
Tangible Assets		9.8	11.7	12.7	11.7	15.8	16.0	15.2	22.5
Investments		2.0	2.2	1.6	0.1	0.0	0.0	0.0	0.0
Current Assets		32.6	35.3	37.1	40.3	51.3	52.1	49.3	52.1
Stocks		16.8	18.4	22.0	18.1	30.3	29.5	28.0	28.5
Debtors		12.8	13.9	14.1	19.3	19.5	21.3	18.9	20.5
Cash		2.9	2.8	1.0	2.9	1.5	1.3	2.4	3.1
Other		0.1	0.2	0.0	0.0				
Current Liabilities		(17.3)	(19.4)	(20.7)	(19.4)	(34.8)	(28.9)	(23.8)	(27.5)
Creditors		(16.9)	(19.0)	(20.3)	(19.0)	(28.0)	(22.4)	(21.8)	(25.8)
Short term borrowings		(0.4)	(0.4)	(0.4)	(0.4)	(6.8)	(6.6)	(2.0)	(1.7)
Long Term Liabilities		(9.6)	(10.2)	(10.9)	(4.5)	(12.7)	(9.1)	(10.6)	(12.1)
Long term borrowings		(1.4)	(0.9)	(0.6)	(0.2)	0.0	0.0	0.0	0.0
Other long term liabilities		(8.2)	(9.2)	(10.4)	(4.3)	(12.7)	(9.1)	(10.6)	(12.1)
Net Assets		24.2	26.9	26.9	35.3	51.3	61.8	60.9	64.8
CASH FLOW									
Operating Cash Flow		6.0	6.2	3.5	7.1	12.4	7.0	12.6	9.6
Net Interest		(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)
Tax		(0.0)	(0.0)	(0.0)	(0.6)	(2.3)	(2.2)	(0.8)	(0.8)
Capex		(3.1)	(4.7)	(3.2)	(2.5)	(6.7)	(3.5)	(2.8)	(2.4)
Acquisitions/disposals		0.0	0.0	0.0	0.0	(27.1)	0.0	0.0	0.0
Financing		(0.1)	(0.0)	(0.4)	(0.1)	18.3	1.8	0.0	0.0
Dividends		(0.7)	(0.9)	(1.1)	(1.4)	(1.8)	(2.7)	(3.1)	(2.2)
Net Cash Flow		1.8	0.3	(1.5)	2.3	(7.4)	0.1	5.7	3.7
Opening net debt/(cash)		0.7	(1.2)	(1.5)	(0.0)	(2.3)	5.3	5.3	(0.4)
Net finance leases		0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	(2.7)
Other		0.0	0.0	0.0	0.0	(0.2)	(0.1)	0.0	(0.0)
Closing net debt/(cash)		(1.2)	(1.5)	(0.0)	(2.3)	5.3	5.3	(0.4)	(1.3)
Lease finance (under IFRS 16)									8.4

Source: Walker Greenbank, Edison Investment Research. Note: Edison norm deducts pension scheme and LTIP costs from company adjusted norm. 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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