EDISON

Gemfields Group

H1 results

Coloured gemstones outperforming diamonds

Metals & mining

All signs point to continued strength in the market for coloured gemstones, which is in contrast to the weak diamond market conditions. Against this backdrop, Gemfields delivered solid half-year results with EBITDA of US$33.1m (up 3% year-on-year). The company ended June with net cash of US$35.5m, up from US$9.8m in December, driven by the partial sale of its stake in Jupiter, as well as free cash flow from operations.

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/17	81.7	55.8	3.9	0.0	2.7	0.0
12/18	206.1	(22.5)	(2.3)	0.0	N/A	0.0
12/19e	191.1	22.2	0.4	0.6	27.0	5.7
12/20e	216.2	27.6	0.1	0.0	74.5	0.0

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Coloured gemstone market signals are all positive

Investors concerned that weak diamond market conditions may also be reflected in coloured gemstones should take heart from Gemfields' most recent auction results: at Montepuez Ruby Mining's (MRM's) June auction 98% of lots sold by weight and one lot achieved a record price per carat; Kagem's August auction totalled US$18.6m – the highest for a commercial quality auction since November 2015.

Revising EBITDA forecasts upward post H1 results

Gemfields delivered EBITDA of US$33.1m in the first half of 2019, up 3% (from US$32.1m in H118), despite revenue 13% lower at US$89.0m, largely as a result of lower recovery of premium rubies at MRM. Costs at both Kagem and MRM were lower than we had expected (the former most likely due to weaker local currency and the latter as a result of certain one-offs in 2018 that we had not previously stripped out). We have upwardly revised our EBITDA forecasts for both assets despite lower than expected premium ruby production at MRM. Although Faberge's H1 revenue of US$3.8m was down 46% on H118, its EBITDA loss of US$2.9m was only slightly higher than H118's US$2.5m loss, illustrating the impact of growing gross margins (45% in H119 vs 40% in H118). Overall, we view this as a solid set of H1 numbers and have increased our 2019 EBITDA forecast to US$49.9m from US$39.0m previously with 2020e EBITDA rising to US$57.6m (from US$53.1m).

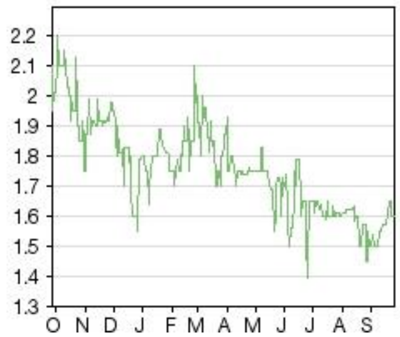
Valuation: Updated SOTP of ZAR5.27 (from ZAR4.91)

The positive impact of lower than previously forecast costs (more than offsetting a downward revision to our revenue forecasts) slightly increases our DCF-based sum-of-the-parts valuation of Gemfields to US$463m (previously US$458m). The weakening of the spot rand exchange to 14.99 per US dollar currently from 14.11 previously also impacts our valuation in rand terms, moving our valuation per share to ZAR5.27 from ZAR4.91 previously. Gemfields plans to dual list on AIM in late 2019, which should open the stock to a wider audience of potential investors.

26 September 2019

Price	**ZAR1.6**
Market cap	**ZAR2,102m**
	ZAR14.99/US$
Net cash (US$m) at 30 June 2019	35.5
Shares in issue	1,314m
Free float	60%
Code	GML
Primary exchange	Johannesburg
Secondary exchange	Bermuda

Share price performance



%	1m	3m	12m
Abs	3.9	15.1	(15.8)
Rel (local)	2.2	22.4	(12.7)
52-week high/low		ZAR2.20	ZAR1.39

Business description

Gemfields is a world-leading supplier of responsibly sourced coloured gemstones. It owns 75% of Montepuez Ruby Mining in Mozambique, 75% of Kagem Mining in Zambia, the Fabergé jewellery business and investments in Jupiter Mines and Sedibelo Platinum.

Next events

Q3 production update	October 2019

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Edison profile page

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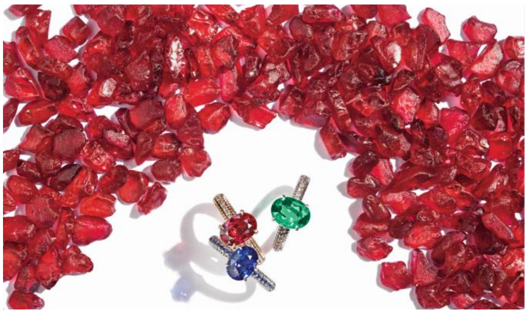
Coloured gemstones sidestep the diamond downturn

It may be tempting to read across from the downturn in the diamond sector, which some are calling a crisis, to coloured gemstones. But Gemfields' most recent ruby and emerald auction results paint a positive picture of the state of the coloured gemstone market, which is echoed by management.

Ruby market remains steady

The biggest cutting and trading markets for rubies are Thailand, Sri Lanka and India, whereas the largest consumer markets are China, the US, Europe and India. In general China is a more important player for larger stones while European brands play an important role in the smaller but high-quality stones. Gemfields' management is positive on the state of the ruby market and told us that some of its customers have indicated sales at the Hong Kong show were better than expected (albeit pre-show expectations were low). Last week, Chiswick Auctions sold a 10.5ct ruby ring for £462,500 – more than 18 times its pre-sale low estimate, indicating the strength in this market.

Exhibit 1: Faberge rings surrounded by rubies from MRM



Source: Gemfields

MRM's most recent auction results saw a number of positives

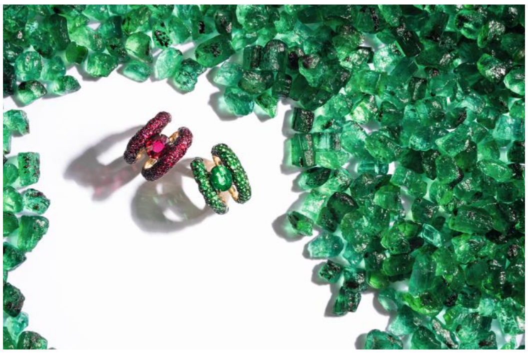
- 48 companies placing bids (vs 51 in December 2018).
- 98% of lots offered sold by weight (vs 96% in December 2018).
- One lot achieved a new record price per carat of any Gemfields auction to date.

The emerald market is improving

India is a key emerald cutting and polishing centre and in 2017 and 2018 Gemfields suffered the aftereffects of the impact of Indian demonetisation on both liquidity in the cutting centres and Indian demand for emeralds. However, in May 2019 Gemfields started to see 'green shoots' of recovery and this has continued strongly into the second half of the year.

An important shift is that where China was not previously a key market for emeralds (preferring jade), the market has begun to see more Chinese interest in Zambian emeralds in particular.

Exhibit 2: Faberge rings surrounded by emeralds from Kagem



Source: Gemfields

Positives from the August Kagem auction

- 34 companies placing bids at the Lusaka commercial quality auction (up from 24 companies in February 2019 and 22 in August 2018).
- Total sales of US$18.6m were the highest for a commercial quality auction since November 2015.
- For the first time Gemfields saw a Chinese company win at an emerald auction.

Diamond market challenges mostly unique to that sub-sector

The four key challenges facing diamonds have very limited read across to coloured gemstones:

- **Funding available to the midstream (diamond cutting and polishing) has decreased.** Since the 2008 financial crisis, banks have been increasingly reticent to lend into the opaque diamond sector. In early 2018, the discovery of a massive-scale fraud by diamantaire Nirav Modi and Mehul Choksi (amounting to some US$2bn) saw financing availability for diamantaires tighten further. In July this year, the largest diamond sector bank, ABN Amro, wrote to clients saying it will not advance further funding for rough diamond purchases unless there is 'sufficient profitability' as cutting and polishing margins have been under pressure. Although the coloured gemstone market has not been immune to a lack of liquidity in the Indian market since demonetisation in late 2016, the diamond sector is now suffering specifically from a reduction in available credit lines whereas the coloured gemstone market has traditionally been a cash/informal credit market anyway and is thus not directly affected by that change.
- **'Lab-grown' diamonds are taking market share from mined rough diamonds.** For a number of years there has been increasing speculation over the risk that synthetic diamonds posed to the sector, particularly in terms of undisclosed synthetics infiltrating the supply chain. De Beers' announcement in May 2018 that it would begin selling lab-grown diamond jewellery under the Lightbox brand brought this debate to a head. Lightbox's lab-grown diamonds will be priced very competitively to mark this as a 'fun, pretty product that shouldn't cost that much'. Although De Beers pricing strategy might help to keep the lab-grown diamond market distinct from the more valuable 'real' diamonds that form the core of its business, the move provided a clear indication to the market that lab-grown diamonds are here to stay. Although lab-grown diamonds make up less than 2% of the total diamond jewellery market, in a market that was already under pressure this additional 1–2% supply was more than the market could readily absorb. Not only are coloured gemstones not subject to direct competition from lab-grown diamonds, but the trend in the coloured gemstone market appears to be in the other direction, with an increasing preference for less treated stones of known provenance.
- **China slowdown.** A combination of slowing Chinese economic growth, fears over a US-China trade war and (particularly) the protests in Hong Kong – which is a key market for the sale of diamonds in greater China – have had a negative impact on Chinese diamond demand. There may be some read across to ruby demand here as China is also a key ruby market although the impact to date does not appears as marked as in diamonds (and there is little read across to emeralds where China has not been a key market previously).
- **Shifting demand from millennials.** According to The Wedding Report, US demand for diamond engagement rings fell in 2018, with 1.1% less couples choosing to buy an engagement ring and the average spend on a ring falling 0.4%. The trend away from large-diamond rings is positive for coloured gemstones, as many millennials are opting for something different or more personal including coloured stones and design-led rings.

Gemfields H1 results solid: Raising forecast EBITDA

Gemfields reported a solid set of half-year 2019 results despite the (previously announced) lower auction revenue from MRM and lower sales at Fabergé. EBITDA was up 3% to US$33.1m (from US$32.1m in H118) despite revenue 13% lower at US$89.0m (from US$102.1m). Gemfields generated reported net profit after tax of US$12.4m (H118: US$16.0m). In H119, Gemfields generated US$7.5m in cash flow from operations before movements in working capital (H118: $23.9m) and received US$15.5m from the partial sale of its stake in Jupiter Mines, with a further US$15.1m to come in H2. Gemfields ended H219 with net cash of US$35.5m (from US$9.8m in December 2018).

Positive surprises on costs

There were a number of positives on costs in the H1 results relative to our forecasts, most notably:

- Cash costs at MRM (including SG&A and royalties) of US$20.7m compared to our full-year FY19 forecast of US$56.1m. In part the difference is explained by lower volumes (discussed further below) but overheads are running considerably below our forecast and below 2018e levels, partly as a result of a number of non-recurring items in 2018 (including the Leigh Day legal expenses and settlement).
- Cash costs at Kagem (including SG&A, royalties and the new Zambian export tax) totalled US$27.2m, which was US$3m lower than we expected relative to our previous full-year forecast of US$60.2m. We have revised our cash cost forecast for Kagem down by US$3.2m for the full year and our FY20e cost forecast down by US$2.9m.

MRM's H1 premium ruby production was lower than expected

As we noted in our last Gemfields update note H1 auction sales at MRM were below our expectation, seemingly a result of mix with a higher volume of stones sold than previous auctions. The H1 production results reflected the reason for the lower average pricing with just 35kcts of premium rubies recovered (H118 51kcts). We understand this lower level of premium rubies reflects:

- increased production from the Maninge Nice ores (higher grade but lower proportion of premium rubies);
- the opening of new production areas that have yet to fully reach higher-grade zones; and
- normal variability in the orebody.

In addition to the reduction in the proportion of premium rubies, we are also adjusting our forecasts as the planned construction of the second washplant is not as advanced as we had previously thought, with the focus this year remaining on optimising the existing washplant through upgrading of the thickener. As a result, we now expect MRM to process a total of 0.9Mt of ore in 2019 (previously 1.3Mt) and 1.2Mt in 2020 (previously 1.5Mt). This change is offset by grade, which is running higher than our previous forecast: H1 grade is running at 3.0cpt against our forecast of 2.2cpt as a result of the processing of additional ores from the higher-grade (but lower average value) Maninge Nice deposit, which is likely to continue into H2 and also 2020.

For the full year we now expect premium ruby production to total 92kcts, down from a previous forecast of 124kcts (implies 58kcts of premium ruby production in H2). For 2020e we now expect premium ruby production of 119kcts down from a previous forecast of 136kcts. We now forecast total 2019 gemstone production of 2.8Mcts (previously 2.9Mcts) and 2020 production of 3.2Mcts (previously 2.9Mcts). The impact on revenue and EBITDA numbers of this change in mix and the lower overheads discussed previously sees our forecast MRM EBITDA (before inventory movements) rise in 2019e to US$57.6m (from US$52.5m previously) and forecast FY20e EBITDA rises to US$61.9m from US$59.1m. Our longer-term forecasts also increase by US$2–3m a year with the lower overheads driving the delta.

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Exhibit 3: MRM key metrics (previous and new forecasts)

	2019e		2020e		2021e		2022e		2023e	
	Prev	New	Prev	New	Prev	New	Prev	New	Prev	New
Tonnes processed (Mt)	1.3	0.9	1.5	1.2	1.5	1.5	1.5	1.5	1.5	1.5
Grade (cpt)	2.2	3.0	1.9	2.6	3.0	3.0	16.7	16.6	23.3	23.2
Production (Mcts)	2.9	2.8	2.9	3.2	4.5	4.5	25	25.0	34.9	34.9
Premium ruby production (kcts)	124	92	136	119	213	210	138	138	145	145
Auction sales (Mcts)	1.8	1.7	1.5	1.6	2.2	2.2	4.4	4.4	6.3	6.2
Auction price (US$/ct)	62	58	78	69	66	66	34	34	26	26
Revenue (US$m)	109.1	101.0	119.3	113.4	145.5	144.4	150.1	150.1	162.4	162.4
Cash mining and production costs (US$m)	(40.2)	(33.8)	(43.7)	(39.9)	(46.6)	(46.2)	(47.3)	(47.0)	(48.8)	(48.5)
SG&A (US$m)	(16.4)	(9.6)	(16.5)	(11.5)	(18.8)	(15.8)	(19.3)	(16.3)	(20.4)	(17.2)
EBITDA (before inventory movement) (US$m)	52.5	57.6	59.1	61.9	80.1	82.4	83.5	86.8	93.2	96.7

Source: Edison Investment Research analysis

Kagem's August auction surprised on the upside

After H1 Kagem auction sales totalling US$33.2m, we previously forecast US$71.4m in total Kagem auction sales in 2019, including US$25.5m in commercial quality auction sales. However, August's auction surprised to the upside with the total of US$18.6m being the highest commercial quality auction achieved by Kagem since November 2015. As a result, we have increased Kagem's forecast auction revenue for 2019 to US$74.8m. Taking into account the US$3.2m in reduced costs discussed earlier, this sees our forecast cash EBITDA for Kagem (before inventory movements) rise to US$17.8m from US$11.2m previously (Kagem's H119 EBITDA was US$13.1m). For 2020e our revenue forecast is unchanged at US$83.2m but the lower forecast costs see forecast Kagem EBITDA before inventory movements rise to US$24.3m from $21.3m previously.

Fabergé's H1 sales slow, but H2 looking more positive

Fabergé's H119 revenue of US$3.8m was down 46% on H118, largely as a result of lower sales of significant pieces of high jewellery, the timing of which can be unpredictable, but a number of such sales are expected to be completed in the second half. However, at the EBITDA level, Fabergé saw an EBITDA loss of US$2.9m, just slightly higher than H118's US$2.5m loss, illustrating the impact of growing gross margins (45% in H119 vs 40% in H118) and lower overheads (US$4.6m in H119 vs $5.6m in H118). We expect the second half to see an improvement in sales relative to the first half, driven by:

- an uptick in sales orders agreed late in the first half with June seeing US$2.2m in sales orders agreed (Gemfields Monthly Operational Market Update, announced 29 July 2019), most of which would not have been recognised in revenue in H1;
- an increase in total wholesale locations to 72 in June 2019 from 65 as at December should start to translate to higher sales once these new locations are fully up and running for the full period; and
- a number of sales events planned in H219

We have adjusted our 2019 revenue forecast down to US$12.0m (from US$14.9m previously) to reflect the lower than expected H1 sales. Our updated forecast implies H2 sales of US$8.3m (US$1.4m a month), which we believe should be achievable given the expectation of the completion of a number of larger sales in H2 as well as the continued increase in the number of wholesale points of sale operational during the full period and increased seasonal trade in Q4. Beyond 2019 we have revised down our Fabergé revenue forecasts by US$2.7–3.6m per year to take into account the lower 2019 starting point; however, this impact is largely offset by slightly higher gross margins and lower overheads, resulting in a reduction of just US$0.5m–0.9m in forecast EBITDA each year. We continue to expect Faberge to reach EBITDA breakeven in 2022e.

Exhibit 4: Fabergé key metrics (previous and new forecasts)

US$m	2019e		2020e		2021e		2022e		2023e	
	Prev	New	Prev	New	Prev	New	Prev	New	Prev	New
Revenue	14.9	12.0	19.4	16.5	24.4	21.8	30.0	26.7	36.7	33.1
COGS	(8.2)	(6.7)	(10.4)	(8.9)	(13.1)	(11.6)	(15.9)	(14.1)	(19.3)	(17.3)
SG&A	(10.9)	(10.3)	(11.5)	(11.0)	(12.1)	(11.4)	(12.7)	(12.0)	(13.3)	(12.6)
EBITDA	(4.3)	(5.0)	(2.5)	(3.3)	(0.7)	(1.2)	1.4	0.6	4.1	3.2

Source: Edison Investment Research analysis

Increasing our group EBITDA forecasts

Taking into account the factors described above, we have updated our full year 2019 and longer-term forecasts. At group EBITDA level the downward revision to our cost assumptions more than offsets lower forecast revenues at MRM and Fabergé, resulting in our 2019e forecast consolidated EBITDA increasing to US$50.1m from US$39.0m previously and 2020e EBITDA rising to US$57.6m (from US$53.1m previously).

Exhibit 5: Group key metrics (previous and new forecasts)

(US$m)	H119	2019e		2020e		2021e		2022e		2023e	
	Actual	Prev	New	Prev	New	Prev	New	Prev	New	Prev	New
Revenue	89.0	198.6	191.1	225.0	216.2	262.6	258.9	275.1	271.4	292.8	288.8
EBITDA	33.1	39.0	49.9	53.1	57.6	101.7	105.5	79.9	85.2	98.9	103.9
PBT*	22.1	19.9	22.2	24.0	27.6	74.6	78.6	54.9	60.6	75.4	81.3
EPS (US cents)	0.8	(0.1)	0.4	(0.2)	0.1	2.9	3.3	1.0	1.5	2.1	2.6

Source: Gemfields, Edison Investment Research. Note: *PBT is normalised, before share-based payments.

Sensitivities

The key risks facing Gemfields are country and fiscal in Mozambique and Zambia, market risks relating to the coloured gemstone market and variability in the recovery of premium rubies and emeralds at MRM and Kagem respectively.

- **Country and fiscal risk.** Gemfields' key assets are in Mozambique and Zambia and are subject to the political, security and fiscal risks associated with these jurisdictions. Zambia introduced a 15% export tax on emeralds in 2019, which remains subject to discussion between the industry and government (but which remains in force and has been fully taken into account in our forecasts)
- **Coloured gemstone market risk.** We forecast 7% CAGR in auction sales to 2028e and while all signs point to a growing coloured gemstone market able to absorb that supply, this remains a key risk. Market demand is likewise a key risk for Fabergé's growth.
- **Variability in premium emerald and ruby recoveries**. As shown in MRM's H1 production, the nature of gemstone mining is that the recovery of high value 'premium' emeralds and rubies can vary significant within the orebodies. Although unexpected negative and positive variations should broadly balance, in the short term this variability may constitute a risk to our production and revenue expectations.

Valuation

As previously, for Gemfields we use a sum-of-the-parts valuation based on discounted cash flow analysis of each asset (at a 10% discount rate). Our previous valuation has been adjusted for the:

- changes to forecasts already discussed; including the benefit of a weaker local currency on Kagem costs and lower MRM overheads following a number of one-offs in 2018.
- rollover of the base date for valuation from December 2018 to 30 June 2019; and

- change in the rand/dollar exchange rate – currently 14.99:1 vs our previous forecast of 14.11:1.

This gives us an sum-of-the-parts valuation of Gemfields of US$463m (previously US$458m) or ZAR5.27 per share (previously ZAR4.91/share) before the impact of the share buyback and payment of any special dividend. Our valuation continues to reflect our view of the long-term potential value of Gemfields' assets based on strong future production and sales growth at MRM and Kagem and the expected turnaround of the Fabergé business.

Exhibit 6: Gemfields SOTP valuation

	US$m	New ZAR/share*	Prev ZAR/share
Kagem (75%)	152	1.73	1.63
Montepuez Ruby Mining (75%)	370	4.22	3.87
Fabergé	47	0.54	0.64
Sedibelo (6.54%)	40	0.45	0.43
Corporate overheads	(197)	(2.25)	(2.11)
June 2019 net cash (US$35.5m) adjusted for remaining tranche of Jupiter sale (A$22.1m)	51	0.58	0.46
SOTP valuation	**463**	**5.27**	**4.91**

Source: Edison Investment Research. Note: *Value per share is stated after adjusting for the company's interest in its own shares (96.276m) but before the planned share buyback.

If the planned share buyback were fully implemented (with the maximum of 143m shares bought back) at the current share price of ZAR1.60/share, it would move our SOTP valuation of the remaining shares outstanding to ZAR5.72/share. The significant gap between the current share price and our valuation strongly supports the case for returning cash to shareholders in the form of a buyback.

Exhibit 7: Financial summary

$m	2016	2017	2018	2019e	2020e	2021e	2022e	2023e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue	0.0	81.7	206.1	191.1	216.2	258.9	271.4	288.8
Cost of Sales	0.0	(44.3)	(123.5)	(120.0)	(133.6)	(121.0)	(151.3)	(147.7)
Gross Profit	0.0	37.3	82.5	71.1	82.6	137.9	120.1	141.0
EBITDA	(5.9)	30.5	58.9	49.9	57.6	105.5	85.2	103.9
Normalised operating profit	(5.9)	8.3	28.2	18.7	27.7	78.2	59.3	78.8
Fair value gains (losses)	50.4	49.5	(41.9)	7.3	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	(22.6)	0.0	0.0	0.0	0.0	0.0
Share-based payments	0.0	(2.7)	(4.2)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Reported operating profit	44.5	55.1	(40.4)	23.0	24.7	75.2	56.3	75.8
Net Interest	0.0	(2.0)	(8.8)	(3.8)	(0.1)	0.4	1.3	2.5
Joint ventures & associates (post tax)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	44.6	55.8	(22.5)	22.2	27.6	78.6	60.6	81.3
Profit Before Tax (reported)	44.6	53.1	(53.9)	19.2	24.6	75.6	57.6	78.3
Reported tax	(0.0)	(7.6)	(6.5)	(15.2)	(21.2)	(31.2)	(33.4)	(38.2)
Profit After Tax (norm)	44.6	48.2	(29.0)	7.0	6.5	47.3	27.2	43.1
Profit After Tax (reported)	44.6	45.5	(60.4)	4.0	3.5	44.3	24.2	40.1
Minority interests	0.0	(7.2)	(1.8)	(2.0)	(4.8)	(8.9)	(10.1)	(12.5)
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	44.6	41.0	(30.8)	5.0	1.7	38.4	17.1	30.6
Net income (reported)	44.6	38.3	(62.2)	2.0	(1.3)	35.4	14.1	27.6
Basic average shares outstanding (m)	760	1,039	1,314	1,266	1,171	1,171	1,171	1,171
EPS - basic normalised (c)	586.1	3.9	(2.3)	0.4	0.1	3.3	1.5	2.6
EPS - diluted normalised (c)	5.9	3.9	(2.3)	0.4	0.1	3.3	1.5	2.6
EPS - basic reported (c)	5.9	3.7	(4.7)	0.2	(0.1)	3.0	1.2	2.4
Dividend (c)	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Revenue growth (%)	N/A	N/A	152.4	(7.3)	13.1	19.8	4.8	6.4
Gross Margin (%)	N/A	45.7	40.1	37.2	38.2	53.3	44.2	48.8
EBITDA Margin (%)	N/A	37.3	28.6	26.1	26.6	40.8	31.4	36.0
Normalised Operating Margin	N/A	10.2	13.7	9.8	12.8	30.2	21.9	27.3
BALANCE SHEET								
Fixed Assets	737.8	626.6	503.7	472.4	465.2	462.2	458.1	461.5
Intangible Assets	0.0	49.3	52.3	52.3	52.3	52.3	52.3	52.3
Tangible Assets	378.0	365.0	359.0	352.8	345.6	342.6	338.5	341.9
Investments & other	359.7	212.2	92.4	67.3	67.3	67.3	67.3	67.3
Current Assets	7.4	184.1	224.4	234.6	249.5	304.1	329.9	370.3
Stocks	0.0	118.8	99.2	104.7	104.9	129.6	123.2	119.7
Debtors	1.2	27.5	62.1	32.1	35.5	42.6	44.6	47.5
Cash & cash equivalents	1.2	37.8	63.0	97.8	109.0	131.9	162.0	203.2
Other	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	(0.2)	(37.0)	(60.6)	(56.9)	(60.6)	(65.6)	(66.9)	(67.8)
Creditors	(0.2)	(21.2)	(28.2)	(22.8)	(25.3)	(28.3)	(29.2)	(29.1)
Tax payable	0.0	(7.0)	(1.4)	(3.0)	(4.2)	(6.2)	(6.7)	(7.6)
Short term borrowings	0.0	(4.2)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)
Other	0.0	(4.6)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)
Long Term Liabilities	0.0	(169.6)	(123.4)	(123.4)	(123.4)	(123.4)	(123.4)	(123.4)
Long term borrowings	0.0	(59.3)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Other long term liabilities	0.0	(110.3)	(93.4)	(93.4)	(93.4)	(93.4)	(93.4)	(93.4)
Net Assets	744.9	604.1	544.1	526.7	530.8	577.3	597.6	640.7
Minority interests	0.0	78.4	73.9	74.0	74.9	76.7	78.7	81.3
Shareholders' equity	744.9	682.5	618.0	600.7	605.7	654.0	676.3	722.0
CASH FLOW								
Op Cash Flow before WC and tax	(5.9)	30.5	58.9	49.9	57.6	105.5	85.2	103.9
Working capital	0.5	(9.7)	(29.7)	20.9	(0.0)	(26.7)	5.7	1.6
Exceptional & other	5.0	0.4	0.3	0.0	0.0	0.0	0.0	`
Tax	(0.0)	(7.6)	(24.4)	(15.8)	(21.2)	(31.2)	(33.4)	(38.2)
Net operating cash flow	(0.4)	13.6	5.1	55.0	36.5	47.6	57.4	67.3
Capex	0.0	(11.0)	(29.0)	(25.2)	(23.7)	(20.2)	(22.8)	(21.0)
Acquisitions/disposals	0.0	(17.9)	77.4	35.5	2.3	2.3	2.3	2.3
Net interest	0.0	(2.3)	(4.4)	(3.8)	(0.1)	0.4	1.3	2.5
Equity financing	0.0	(0.7)	(4.7)	(16.7)	0.0	0.0	0.0	0.0
Dividends	0.0	(5.0)	(5.9)	(9.9)	(3.8)	(7.2)	(8.1)	(9.9)
Other	0.0	(3.4)	(2.9)	0.0	0.0	0.0	0.0	0.0
Net Cash Flow	(0.4)	(26.6)	35.7	34.9	11.2	22.9	30.1	41.2
Opening net debt/(cash)	0.0	(1.2)	25.7	(9.8)	(44.7)	(55.9)	(78.7)	(108.8)
FX	0.0	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)	(1.2)	25.7	(9.8)	(44.7)	(55.9)	(78.7)	(108.8)	(150.0)

Source: Company accounts, Edison Investment Research

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