

The Pebble Group

H123 trading ahead of prior year

AGM statement

The Pebble Group's AGM statement outlines first-half trading likely to be up on the same period in FY22, with both of the group's constituent businesses performing well. Facilisgroup, serving the US promotional product distribution market, is extending its offering and building market share in the substantial North American market. Brand Addition, which provides promotional products and associated services to major global brands, benefits from strong relationships built on trust, and is reported to have 'robust' order intake year-to-date. Our forecasts are unchanged for now and the valuation remains below peers.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/21	115.1	10.9	5.1	0.0	19.6	N/A
12/22	134.0	12.4	5.8	0.6	17.4	0.6
12/23e	143.0	12.9	5.8	1.3	17.4	1.3
12/24e	148.0	14.0	6.3	1.9	16.1	1.9

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

Progress on both fronts

Facilisgroup has been building on the success of its initial proposition, Syncore, where gross merchandise value and preferred supplier purchases have made progress so far in H123. Comercio, launched just under a year ago, enables distributors to set up 'no-fuss' e-commerce, while further new offerings in the pipeline are extending the company's reach across distributors across the scale range. These aspects were discussed in our recent [ETV](#) interview with Facilisgroup president, Ashley McCune. With Brand Addition, the focus is on building spend with existing clients as well as winning new accounts. The increasing complexity of client requirements, in terms of logistics and in ensuring brand safety, should stand it in good stead. The AGM statement refers to the robust order intake and also to an improvement in gross margin over the prior period.

Capex requirements likely to peak in FY23

The comments on current trading are all compatible with our existing modelling and we make no changes to earnings forecasts at this juncture. We do note, however, that management is indicating that the requirement for capital spend is likely to decrease from FY24e, suggesting that perhaps some of the Facilisgroup development programmes have come to fruition ahead of schedule. We will review our modelling on this aspect with the half-year results in early September.

Valuation: Discount to blended peer set valuation

Based on a sum-of-the-parts using peer group FY1 and FY2 EV/EBITDA multiples of US SaaS companies for Facilisgroup and of UK marketing services companies for Brand Addition, we derive an implied value of 113p/share. This is below the 125p cited in our [March update](#), reflecting weak share price performance in both peer sets.

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23 May 2023

Price 100.5p
Market cap £168m

Net cash (£m) at end December 2022 (excluding leases)	15.1
Shares in issue	167.5m
Free float	93.2%
Code	PEBB
Primary exchange	AIM
Secondary exchange	OTCQX

Share price performance



%	1m	3m	12m
Abs	(9.5)	(3.8)	(10.7)
Rel (local)	(8.1)	(1.8)	(13.8)
52-week high/low		119p	78p

Business description

The Pebble Group provides digital commerce, products and related services to the global promotional products industry through two focused, complementary and differentiated businesses: Facilisgroup and Brand Addition.

Next events

Interim figures	5 September 2023
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Exhibit 1: Financial summary

	£000s	2021	2022	2023e	2024e
31-December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		115,101	134,025	143,000	148,000
Cost of Sales		(73,128)	(81,279)	(85,910)	(88,199)
Gross Profit		41,973	52,746	57,090	59,801
EBITDA		15,378	18,042	19,250	20,400
Operating profit (before amort. and excepts.)		11,475	12,896	13,350	14,250
Amortisation of acquired intangibles		(894)	(1,420)	(1,400)	(106)
Exceptionals		0	0	0	0
Share-based payments		(715)	(1,253)	(1,500)	(1,500)
Reported operating profit		9,866	10,223	10,450	12,644
Net Interest		(549)	(520)	(450)	(300)
Exceptionals		0	0	0	0
Profit Before Tax (norm)		10,926	12,376	12,900	13,950
Profit Before Tax (reported)		9,317	9,703	10,000	12,344
Reported tax		(1,970)	(2,448)	(2,150)	(3,059)
Profit After Tax (norm)		8,599	9,675	9,675	10,462
Profit After Tax (reported)		7,347	7,255	7,850	9,284
Net income (normalised)		8,599	9,675	9,675	10,462
Net income (reported)		7,347	7,254	7,850	9,284
Average Number of Shares Outstanding (m)		167	167	167	167
EPS - basic normalised (p)		5.14	5.78	5.78	6.25
EPS - normalised fully diluted (p)		5.12	5.77	5.77	6.23
EPS - basic reported (p)		4.39	4.33	4.69	5.54
Dividend (p)		0.00	0.60	1.30	1.87
Revenue growth (%)		39.7	16.4	6.7	3.5
Gross Margin (%)		36.5	39.4	39.9	40.4
EBITDA Margin (%)		13.4	13.5	13.5	13.8
Normalised Operating Margin		10.0	9.6	9.3	9.6
BALANCE SHEET					
Fixed Assets		63,901	69,786	73,908	80,689
Intangible Assets		55,674	60,002	61,587	65,731
Tangible Assets		7,927	9,492	12,029	14,666
Investments & other		300	292	292	292
Current Assets		51,566	65,198	69,855	74,283
Stocks		10,093	15,447	16,481	17,058
Debtors		29,422	34,693	37,016	38,310
Cash & cash equivalents		12,051	15,058	16,358	18,915
Other		0	0	0	0
Current Liabilities		31,469	39,045	41,120	42,145
Creditors		30,065	36,413	38,488	39,513
Tax and social security		20	1,063	1,063	1,063
Short term borrowings / leases		1,384	1,569	1,569	1,569
Other		0	0	0	0
Long Term Liabilities		9,423	10,350	10,350	10,350
Long term borrowings / leases		6,388	7,490	7,490	7,490
Other long term liabilities		3,035	2,860	2,860	2,860
Net Assets		74,575	85,589	92,294	102,477
Minority interests		0	0	0	0
Shareholders' equity		74,575	85,589	92,294	102,477
CASH FLOW					
Operating Cash Flow		15,378	18,061	19,250	20,400
Working capital		(2,861)	(3,362)	(1,283)	(845)
Exceptional & other		(13)	19	0	0
Tax		(521)	(1,712)	(2,150)	(3,059)
Net operating cash flow		11,983	13,006	15,817	16,495
Capex		(5,282)	(8,379)	(9,200)	(9,300)
Acquisitions/disposals		0	0	0	0
Net interest		(549)	(520)	(450)	(300)
Equity financing		0	0	0	0
Dividends		0	0	(1,730)	(2,495)
Other		(1,360)	(1,737)	(1,737)	(1,737)
Net Cash Flow		4,792	2,370	2,700	2,663
Opening net debt/(cash)		1,913	(4,279)	(5,999)	(8,699)
FX		193	655	0	0
Other non-cash movements		1,207	(1,305)	0	0
Closing net debt/(cash)		(4,279)	(5,999)	(8,699)	(11,362)
Closing net debt/(cash) excluding leases		(12,051)	(15,058)	(16,358)	(18,915)

Source: Company accounts, Edison Investment Research

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