EDISON

Norcros

Company update

Key strengths undervalued, legacy issues fixed

Construction and materials

We believe that Norcros's proven strategy remains on track, which should allow it to unlock significant market growth opportunities. We also believe that its key strengths are undervalued and that investors continue to underappreciate that most, if not all, of the legacy issues have been resolved. South Africa is now a large and rapidly growing part of the group, and the IAS 19R pension deficit has been eliminated. We value Norcros at 314p/share, implying c 45% upside.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/21	324.2	27.4	29.7	8.2	7.4	3.8
03/22	396.3	38.6	38.7	10.0	5.6	4.6
03/23e	450.8	43.2	40.3	10.0	5.4	4.6
03/24e	485.9	47.3	40.6	10.5	5.4	4.8

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

Key underlying strengths overlooked by market

Over many years, Norcros's highly experienced management has nurtured a consistent and successful growth strategy. It has championed the development of an unrivalled supply chain, which offers a competitive advantage, and a multi-channel sales model, which has leveraged the growth of its acquisitions, contributed to a group margin expansion trend and improving profitability. Norcros continues to operate in highly fragmented markets that offer revenue growth and market share opportunities. It also has scope to move into as yet unaddressed adjacent markets that offer additional long-term growth potential.

Legacy issues now resolved; good growth reported

Despite good trading, the share price is languishing, which seems to suggest that the market is giving Norcros little credit for the resolution of perceived legacy issues and the attractive underlying growth of the business. These issues include the modest size of its South African operations and the drag of the pension deficit. We believe the legacy issues have been resolved and that Norcros's recent FY22 results highlighted good growth in both revenue and profits as well a solid net cash position, which was subsequently utilised for the Grant Westfield (GW) acquisition.

Strategic target success edging closer

Norcros's growth strategy has remained largely unchanged for several years. The key targets are total revenue of £600m by 2025, which has the potential to be achieved; to derive 50% of revenues from overseas to diversify risk and to achieve a sustainable return on capital employed in excess of 15%, which the company has delivered annually since 2013.

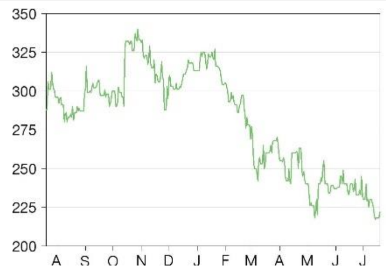
Valuation: c 45% upside based on P/E/DDM valuation

Following the sell-off in the shares over the last 12 months, Norcros is now trading at the low end of its long-term forward P/E range, suggesting that a lot of bad news is priced in. In fact, it has only traded materially below the current 5.4x P/E rating for a period in early 2020 during the pandemic. We value the stock at 314p/share based on the average P/E-based valuation of 295/share, and our dividend discount model (DDM), which implies a value of 333p/share.

20 July 2022

Price	**218p**
Market cap	**£194m**
	ZAR19.30/£
Est net debt (£m) at 31 March 2023	50.6
Shares in issue	89.2m
Free float	98%
Code	NXR
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(7.5)	(14.9)	(23.2)
Rel (local)	(10.7)	(10.7)	(25.3)
52-week high/low		341p	217p

Business description

Norcros is a leading supplier of showers, enclosures and trays, tiles, taps and related fittings and accessories for bathrooms, kitchens, washrooms and other commercial environments. It has operations in the UK and South Africa, with some export activity from both countries.

Next events

Trading update (FY23)	13 October 2022
Interim results (FY23)	10 November 2022

Analyst

Andy Murphy +44 (0)20 3077 5700

industrials@edisongroup.com

Edison profile page

Norcros is a research client of Edison Investment Research Limited

The key strengths of Norcros

Over many years, Norcros's management has nurtured a simple, but successful growth strategy. Lead by a highly experienced management team that has championed the development of a multi-channel sales model, it has leveraged the growth of the acquisitions brought into the group. Ahead of the GW deal this year, the acquired businesses averaged revenue growth of 6.5% pa since purchase and contributed to a group margin expansion trend as well as an improving profitability trend. Norcros continues to operate in highly fragmented markets that offer revenue growth and market share opportunities, and has scope to move into as yet unaddressed adjacent markets that offer additional long-term growth potential.

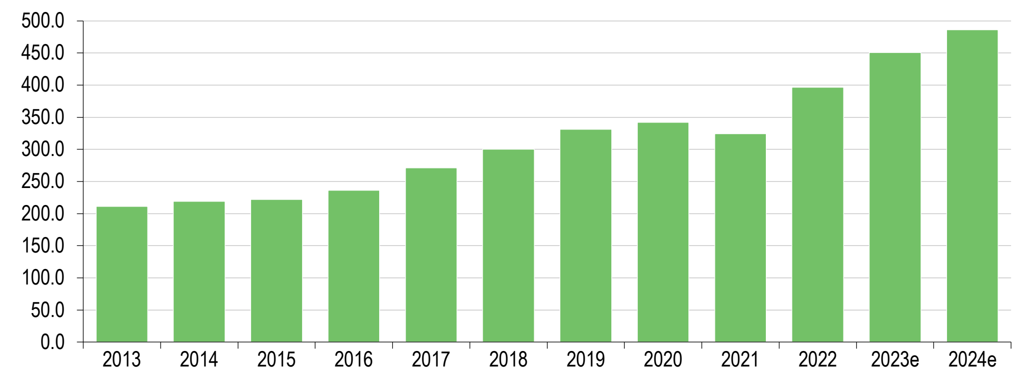
Growth strategy unchanged

Norcros's growth strategy has remained largely unchanged for several years, other than the timing, which was deferred due to the impact of the pandemic. The key targets are:

- total revenue of £600m by 2025 (previously 2023), driven both organically and by acquisition,
- 50% of revenues derived from overseas, and
- sustainable return on capital employed in excess of 15%.

With the exception of the COVID-19 affected FY21, Norcros can point towards a long history of revenue growth, as shown in the chart below. Revenue almost doubled between 2013 and 2022 and is expected to increase further in future years as it continues to grow both organically and by acquisition. The material increase in revenue in 2023 and to a lesser extent in 2024 is driven by the acquisition of GW, which completed at the end of May. It will contribute 10 months of revenue this year (c £37m), and a full 12 months in FY24. Excluding the acquisition, we estimate that group revenue will grow c 3% on a constant currency basis.

Exhibit 1: Group revenue 2013–25e (£m)



Source: Norcros, Edison Investment Research

The GW acquisition fits well with Norcros's strategy to move into adjacent markets. GW is the UK's leader in the fast-growing bathroom panel market where it enjoys a c 40% share of a market growing in excess of 10% pa. Bathroom panels are taking share from traditional tiles due to the higher speed and lower cost of installation. It is expected that Norcros will use its existing network to expand GW's sales in the UK and Europe, and utilise its existing manufacturing capacity. The deal offers Norcros the opportunity to cross-sell on a 'one-stop-shop' basis across the group and to leverage group products into the new housing and modular markets.

We are forecasting that Norcros generates almost £500m of revenue in 2024. However, it seems entirely possible that it could achieve its £600m revenue target if organic growth is supplemented with further acquisitions that are not included in our forecasts.

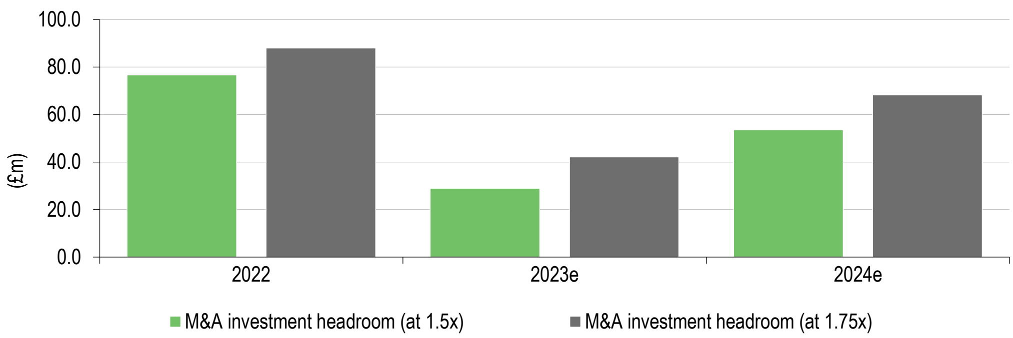
Exhibit 2: Summary of notable acquisitions since 2013

Date	Company	Country	Activity	Consideration (initial plus deferred) (£m)	Revenue (£m)	EBITDA (£m)	Revenue multiple (x)	EBITDA multiple (x)
April 2013	Vado	UK	Manufacturer and distributor of bathroom controls	11.9	25.6	2.5	0.5	4.8
June 2015	Croydex	UK	Designer, manufacturer and distributor of bathroom furnishings and accessories	20	19.9	3.1	1.0	6.5
April 2016	Abode	UK	Designer and distributor of kitchen and bathroom taps and kitchen sinks	4.4	9.9	0.8	0.4	5.5
Nov. 2017	Merlyn	UK	Designer and distributor of high-end shower enclosures	60	30.7	6.8	2.0	8.8
Jan 2019	House of Plumbing	South Africa	Specialist plumbing supplier	9.7	22	1.9	0.4	5.1
May 2022	Grant Westfield	UK	Supplier of bathroom and kitchen products	80	42.2	10.1	1.9	7.9

Source: Norcros

Norcros does have capacity in its balance sheet to finance overseas acquisitions. We estimate that by the end of FY23, it could have headroom of between £28.9m and £42.2m to invest in M&A assuming 1.5x/1.75x net debt/EBITDA, and by the end of FY24 that headroom could rise to £53.6m to £68.3m on the same basis. These calculations ignore the implied headroom of any acquired target. Taking the FY24e headroom average of c £61m, it implies the purchase of revenue of c £51m assuming a consideration/revenue multiple of 1.2x (being the arithmetic average of the six deals), which would add c £5.6m or over 10% to FY24e operating profit at the group margin.

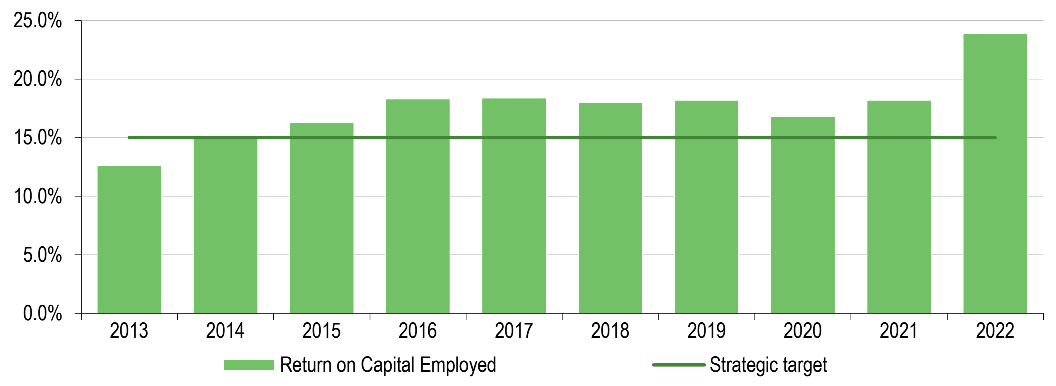
Exhibit 3: Balance sheet headroom by financial year, estimated



Source: Edison Investment Research

This suggests that the FY25e revenue target of £600m might be a stretch, but our calculation not only ignores acquired profit of the target, but also ignores the potential to buy at more attractive multiples. The three acquisitions made between 2013 and 2016 were achieved at between 0.5x revenue and 1.1x revenue. It also ignores equity funded M&A. Finally, Norcros has a stated strategic target return on capital employed of more than 15%. The chart below highlights the returns generated over the last 10 years and clearly shows returns at or in excess of 15% in all but one year. Arguably the trend is also rising despite the dips in 2020 and 2021.

Exhibit 4: Underlying return on capital employed



Source: Norcros

Focused business model driving growth

Norcros has a carefully cultured 'DNA' that has led to successful long-term growth of revenue and profit in both of its chosen markets, the UK and South Africa. The DNA includes an experienced management team where the main board directors average nearly 20 years with Norcros, and the managing directors of the divisions can point to a collective duration with the company of more than 100 years, and materially longer than this in industry experience.

Another element of the Norcros DNA is a clear and focused strategy, which we discuss in more detail later in the note, and its leading market positions and brands as well as a diversified portfolio of channels to market that includes a wide customer base, both of which can be seen in Exhibit 1 below. Norcros's biggest customers include many of the UK's largest housebuilders, which collectively account for c 10–12% of revenue, with no single customer accounting for more than 10% of group revenue.

Exhibit 5: UK channel revenue FY22

Source: Norcros

Within the UK housebuilder sector, Norcros has customer relationships with each of the top 10 companies via at least one of its eight UK brands and in many cases, it has multiple relationships across its brand portfolio. However, as can be seen in Exhibit 2 below, there are many 'holes' in the matrix, which represent growth opportunities.

For example, Abode, which is a designer and distributor of high-quality kitchen and bathroom taps and kitchen sinks, sells into just two of the top 10 housebuilders, while GW, the recently acquired bathroom panel manufacturer, sells into only one, Barratt Homes. This clearly highlights both the growth opportunity that the housebuilder sector offers the group, but also some of the justification for acquiring GW.

Another element of Norcros's DNA is its willingness to innovate and develop new products, which is likely to help it generate sales, especially with the UK housebuilders, which will be expected by their customers to offer modern styling and features on their new homes. The evidence of success here is seen in Norcros's vitality rate (the Product Vitality Index is a measure of revenue derived from products launched in the last three years as a percentage of the total revenue), which stands at a market-leading rate of 29%, according to the company.

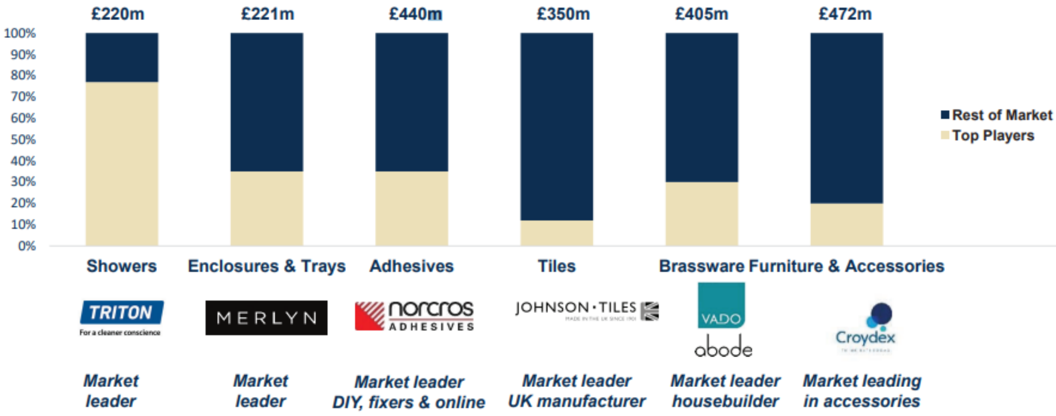
Exhibit 6: Leading positions with UK top 10 housebuilders

BARRATT HOMES		MERLYN		JOHNSON·TILES	Croydex	norcros ADHESIVES	GRANT WESTFIELD
PERSIMMON				JOHNSON·TILES		norcros ADHESIVES	
Taylor Wimpey	VADO						
Bellway				JOHNSON·TILES		norcros ADHESIVES	
REDROW	VADO	MERLYN	abode	JOHNSON·TILES	Croydex	norcros ADHESIVES	
COUNTRYSIDE	VADO	MERLYN			Croydex		
Vistry Group		MERLYN			Croydex	norcros ADHESIVES	
Berkeley Group	VADO	MERLYN	abode	JOHNSON·TILES	Croydex	norcros ADHESIVES	
Keepmoat Homes					Croydex	norcros ADHESIVES	
BLOOR HOMES		MERLYN			Croydex	norcros ADHESIVES	

Source: Norcros

The market opportunity in the UK is sizable. Despite being a market leader in each of the six markets addressed by Norcros ahead of the GW acquisition, there is much scope for growth. With the exception of showers, the top three players accounted for less than c 35% of the total, implying a long tail of opportunity to either take market share organically, or to engage in M&A. Collectively, the six markets had total revenue of £2.1bn (source: AMA, BSRIA and Norcros estimates), with the top three players accounting for c 35%.

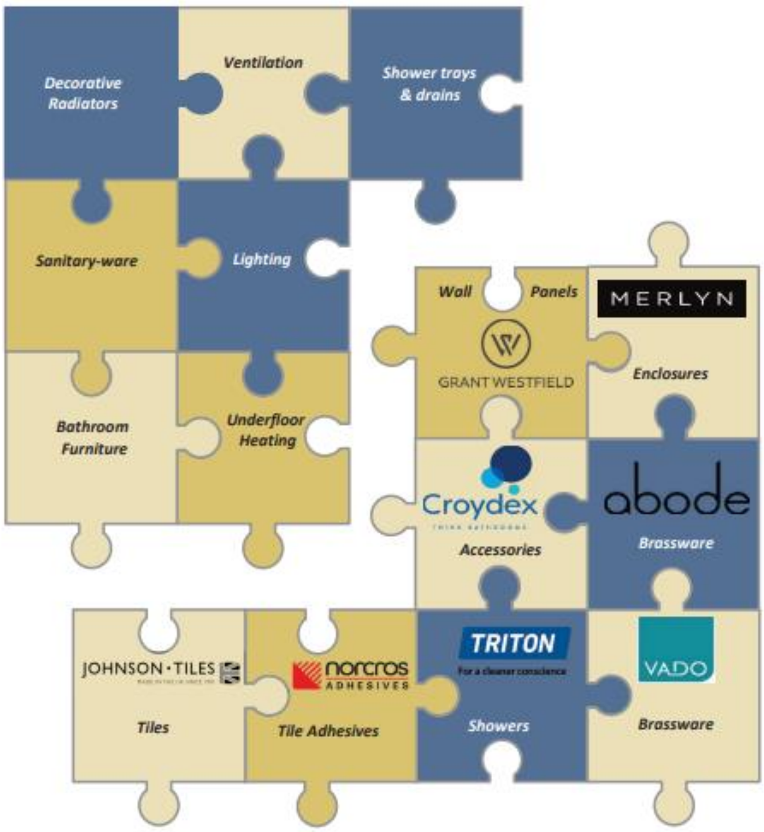
Exhibit 7: UK bathroom – selected markets (at manufacturer's selling price)



Source: Norcros

Furthermore, there are numerous other bathroom markets that Norcros does not currently address including bathroom furniture, decorative radiators, ventilation and sanitaryware, which over time could be areas of opportunity for M&A activity. Collectively, these markets total over £750m of revenue, which could potentially add roughly a third to the revenue of Norcros if it gained a similar market share to that which it currently enjoys. The acquisition of GW in May was a clear example of Norcros using its balance sheet strength to move into new business areas within the bathroom market. The acquisition of Merlyn in 2017 was another example of Norcros gaining exposure to previously unaddressed markets.

Exhibit 8: Bathroom market opportunities

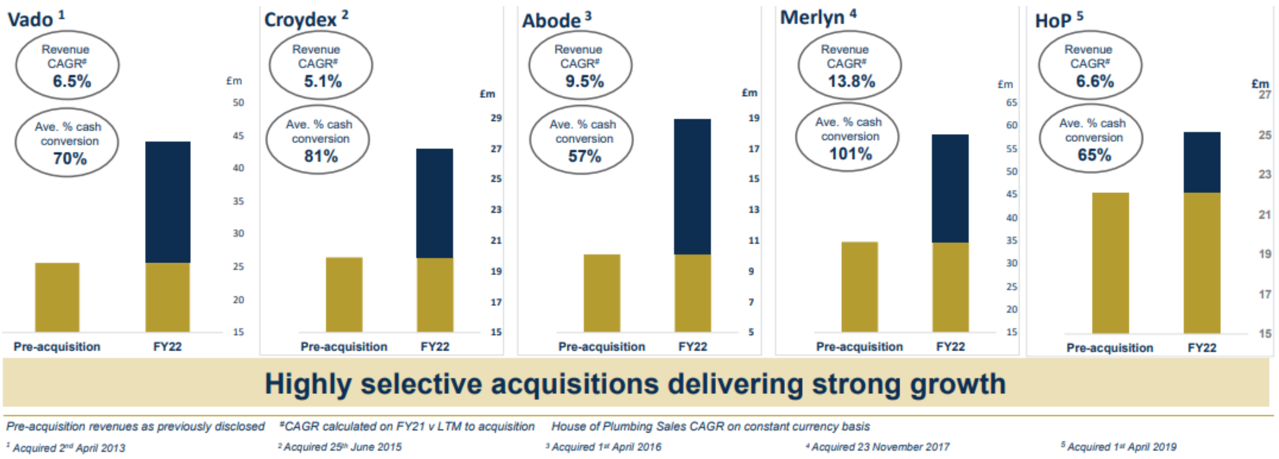


Source: Norcros

Norcros has a long and successful acquisition record stretching back nearly 10 years to the April 2013 purchase of Vado, a manufacturer and supplier of taps and mixer showers. All the completed deals fitted well with group strategy, and all satisfied Norcros's acquisition criteria, which include a requirement for the target to operate in a complementary market, to offer a preferred channel mix and to have export and growth potential.

The chart below highlights the annual average revenue growth achieved by the five acquisitions executed between 2013 and 2019. On average, the group revenue CAGR amounts to 6.5%, which we believe demonstrates a superior growth rate to the underlying markets as the acquired businesses have been able to plug in to the varied sales channels developed by Norcros, as well as developing new products that have pushed up vitality sales.

Exhibit 9: Growth track record of pre-Grant Westfield acquisitions



Source: Norcros

Supply chain strength brings advantages

The bathroom plumbing market is very fragmented, but Norcros is one of the market leaders. This implies that it is better placed to monitor the supply chain than many of its peers. This includes being able to focus on the sourcing of products that are manufactured to the highest standards and ensuring that the supply chain is as robust as possible.

Norcros sources a significant percentage of its products from more than 120 manufacturers across China and it has more than 30 employees on the ground based at four representative offices that work closely with the suppliers, thus ensuring quality of product and certainty of supply. This local presence offers Norcros fundamental strength in terms of product supply, which is a clear point of differential versus peers and therefore a competitive advantage.

It also means that it is better able to control the supply chain and drive sourcing synergies, which will be an added focus in 2023.

Shareholders' concerns resolved

Norcros's recent FY22 results highlighted good growth in both revenue and profits as well as a solid net cash position, which was subsequently utilised for the GW acquisition. Although revenues in the early months of the new financial year were up only modestly year-on-year, they were up 25% versus 2019. Despite the good trading, the share price is languishing, which seems to suggest that the market is giving Norcros little credit for the growth and size of its South African operations, the resolution of the pension deficit issue and its industry-leading supply chain, which gives it an edge over competitors.

FY22 results underline solid post COVID-19 recovery

A reminder of the FY22 results: Norcros's revenue increased by 22.2% (up 20.6% on a constant currency, like-for-like basis) in FY22 to £396.3m. Revenue increased 20.9% versus the largely pre-COVID-19 FY20 period on a constant currency, like-for-like basis. Underlying operating profit rose 23.7% to £41.8m and underlying PBT increased 28.4% to £39.3m, comfortably ahead of the consensus PBT expectation of £37.7m. Diluted underlying EPS was up 22.8% to 38.2p, from which the company has declared a 10.0p/share dividend (FY21: 8.2p). Norcros ended the period with net cash of £8.6m, down slightly from £10.5m at the end of the previous period.

Exhibit 10: FY22 results summary

	FY20	FY21	Change	FY22	Change
Total revenue (£m)	342.0	324.2	(5.2%)	396.3	22.2%
Operating profit (£m underlying)	32.3	33.8	4.6%	41.8	23.7%
Underlying operating margin	9.4%	10.4%	-	10.5%	-
Underlying PBT (£m)	28.6	30.6	7.0%	39.3	28.4%
Profit before tax (£m post exceptionals and other)	15.0	18.5	23.3%	33.0	78.4%
EPS - diluted underlying (p)	28.2	31.1	10.3%	38.2	23.1%
Dividend per share (p)	3.1	8.2	164.5%	10.0	22.0%
Underlying net cash/(debt) (£m)	(36.4)	10.5	N/A	8.6	(18.1%)

Source: Norcros, Edison Investment Research. Note: 'Underlying' is a Norcros measure: 'clean' operating profit, minus cash finance costs and tax.

In the UK (65% of group revenue), revenue increased 16.6% to £256.7m, driven by repair, maintenance and improvement (RMI) and new housebuilding demand. The commercial and local authority markets have been slower to recover, but are now improving, which bodes well for the current year. Underlying operating profit in the UK increased by £4.0m to £30.9m, but margins edged down by 20bp to 12%, being the net effect of higher costs, efficiencies and price rises. In South Africa (35% of group revenue), revenue increased 28.8% to £139.6m on a constant currency basis as the business benefited from a post COVID-19 recovery. Retail renovation was a major driver of revenue of several brands, while House of Plumbing benefited from new branch openings. Operating profit also rose £4.0m to £10.9m, implying that the margin rose from 6.6% to 7.8%.

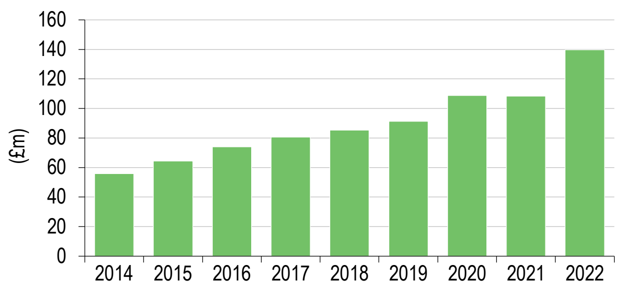
Management recognises that there are some uncertainties in its markets and believes it is well placed to deal with these issues. In the first two months of the current financial year, revenue was up 1% versus FY21, which was itself a very strong period. To put current trading into context, revenue in the period was up 25% versus the same period in 2019.

The acquisition of GW, a manufacturer of waterproof bathroom panels, was completed on 31 May. Despite ending FY22 with net cash, post the acquisition, Norcros has leverage of c 1x EBITDA. The uplift in estimates in this note largely relates to the earlier completion of the GW acquisition than we had previously assumed.

South Africa: Good performance overlooked

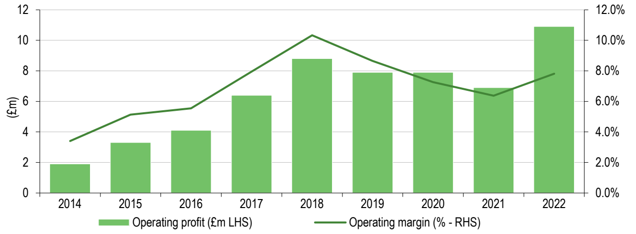
Norcros's South African operations appear to be somewhat overlooked by the market. However, we believe it is worth revisiting the growing contribution it makes. Back in 2014, South Africa accounted for 25% of revenue and just c 12% of operating profit. By 2022, and including the contribution of House of Plumbing acquired for £12.5m in April 2019, it accounts for 35% of revenue and 26% of operating profit. The proportion may decline in the current year due to the UK-based GW acquisition, but there is no reason to assume that in the long term it cannot continue to take market share in a fragmented market.

Exhibit 11: South Africa – revenue FY14–22



Source: Norcros

Exhibit 12: South Africa – operating profit and margin



Source: Norcros

South Africa is an attractive market for Norcros because it is a large economy with a business-friendly environment and a population of c 60 million, similar to that of England and Wales combined. Furthermore, the socio-economic dynamics of South Africa favour Norcros as the country improves existing housing and sanitary provision and expands the total housing market to cater for a growing population.

Norcros operates four businesses in South Africa, covering different market segments. It is the market leader in adhesives and construction chemicals, and it is the number two player in floor tiles, bathroom retail and plumbing. These four markets account for sales of c £1.2bn (source: RAND, Frost and Sullivan and management estimates) with the top three players accounting for c 60% of the total. The remaining 40% is characterised by a long tail of smaller independent players, especially in plumbing, where the top three have quite a small market share, as well as the larger markets of floor tiles and bathroom retail.

Exhibit 13: South Africa bathroom – selected markets (at manufacturer's selling price)

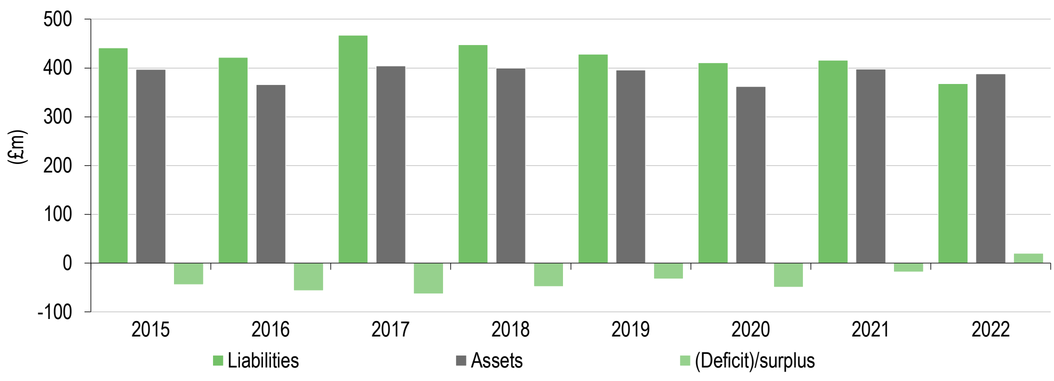
"Bathroom Retail" including Sanitaryware and Taps and Mixers; "Plumbing" including Pipes, Fittings & Values and Geysers

Source: Norcros

Pension worries overblown

Norcros has a 'super-mature' pension scheme, which until this year had been in deficit by up to £63m, as at March 2017, which was a material negative at the time considering that the market capitalisation at that point was only £101.4m. Since then, the deficit has trended lower and stood at just £6m at the end of September 2021. However, as discount rates and the Retail Price Index measures have edged up in 2022, this deficit has now become an IAS 19R surplus of £19.6m. Therefore, the pension should no longer be viewed as the negative it clearly was five years ago.

Exhibit 14: Norcros UK pension scheme – liabilities, assets and (deficit)/surplus (March YE)



Source: Norcros, Edison Investment Research

At the last triennial actuarial valuation in March 2021, the actuarial deficit stood at £35.8m (2018: £49.3m), and it was agreed that the company would make deficit repair contributions of £3.8m each year from April 2022 to March 2027, increasing with CPI, capped at 5%.

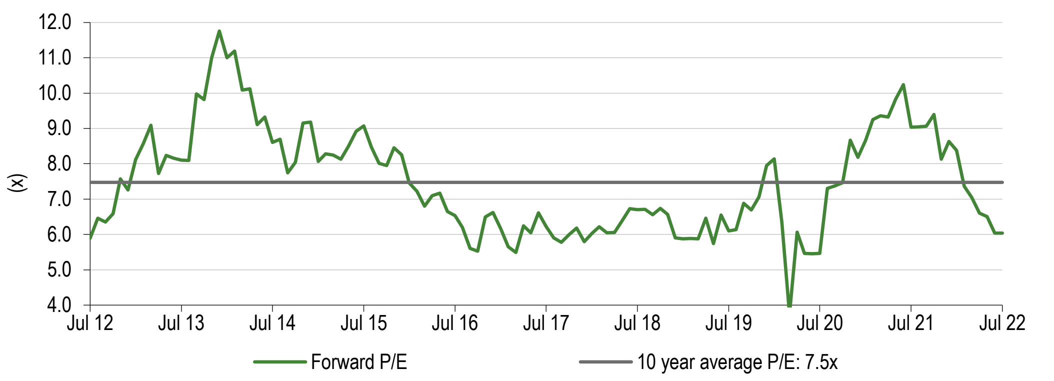
Valuation suggests 45% upside

Following the sell-off in the shares over the last 12 months, Norcros is trading at the low end of its long-term forward P/E range, suggesting that a lot of bad news is priced in. In fact, it has only traded materially below the current rating for a period in early 2020 during the pandemic. We value the stock at 314p/share based on the average of a P/E-based valuation of 295p/share and our DDM, which implies a value of 333p/share.

Simple forward P/E multiple valuation implies 295p/share

The chart below details the progression of Norcros's forward P/E over the last cycle. The range at the extremes is a low of 4x post COVID-19, and the high is c 12x at the end of 2013, before the Brexit hiatus. Over this period and outside the extreme ratings, the 'real' range has arguably been 6–9x and the average over the whole period is 7.5x.

Exhibit 15: Norcros – forward P/E ratio (x)



Source: Refinitiv

If we apply the 7.5x forward P/E multiple to our estimate of FY23e diluted underlying EPS of 39.4p, we arrive at a value of 295p/share, implying c 30% upside to the share price. Arguably, this method gives little credit for future acquisitions which are part of the company's strategy and may be forthcoming. We note that Norcros's stockbroker currently has a target price of 365p/share, which implies a P/E of 9.25x when applied to our FY23e diluted underlying EPS of 39.4p. Other brokers currently have target prices for Norcros well in excess of 365p.

Exhibit 16: Implied valuation based on a range of P/E multiples

P/E target (x)	5.0	6.0	7.0	7.5	8.0	9.0
Implied valuation (p/share)	197	236	275	295	315	354

Source: Edison Investment Research

Dividend discount model implies a valuation of 333p

A DDM based on our FY23e dividend of 10p, applying an 8% cost of equity and a 5% growth rate, implies a valuation of 333p/share, which is not materially different to our P/E-based valuation of 295p. 333p/share implies a forward P/E multiple of c 8.5x, which could be justified if one was to consider the potential acquisition-led growth that is arguably not reflected in the current forward P/E ratio.

Exhibit 17: Implied valuation/share (p) based on a range of inputs

		Dividend growth rate (%)				
		3.0%	4.0%	5.0%	6.0%	7.0%
Cost of equity	12.0%	111.1	125.0	142.9	166.7	200.0
	11.0%	125.0	142.9	166.7	200.0	250.0
	10.0%	142.9	166.7	200.0	250.0	333.3
	9.0%	166.7	200.0	250.0	333.3	500.0
	8.0%	200.0	250.0	**333.3**	500.0	1000.0

Source: Edison Investment Research

Exhibit 18: Financial summary

£m	2020	2021	2022	2023e	2024e
31-March	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	342.0	324.2	396.3	450.8	485.9
EBITDA	39.1	39.2	47.0	54.3	59.8
Normalised operating profit	32.3	33.8	41.8	48.4	53.6
Operating profit - Underlying	32.3	33.8	41.8	48.4	53.6
Amortisation of acquired intangibles	(1.5)	(1.4)	(1.7)	(1.7)	(1.7)
Impairment	(4.0)	(3.7)	(4.8)	(7.0)	(4.7)
Other	(9.0)	(3.8)	0.9	0.0	0.0
Reported operating profit	17.8	24.9	36.2	39.7	47.2
Net Interest	(2.8)	(6.4)	(3.2)	(5.2)	(6.3)
Profit Before Tax (norm)	29.5	27.4	38.6	43.2	47.3
PBT - Underlying	28.8	30.6	39.3	44.0	48.1
Profit Before Tax (reported)	15.0	18.5	33.0	34.5	40.9
Reported tax	(4.1)	(3.5)	(7.3)	(9.0)	(11.3)
Profit After Tax (norm)	25.4	23.9	31.3	34.2	36.1
Profit After Tax (reported)	10.9	15.0	25.7	25.5	29.7
Net income (normalised)	25.4	23.9	31.3	34.2	36.1
Net income (reported)	10.9	15.0	25.7	25.5	29.7
Basic average number of shares outstanding (m)	80	81	81	85	89
EPS - basic normalised (p)	31.63	29.65	38.70	40.31	40.61
EPS - diluted normalised (p)	31.37	29.58	37.99	38.45	39.67
EPS - diluted, underlying	28.16	31.06	38.23	39.35	40.55
EPS - basic reported (p)	13.57	18.61	31.77	30.06	33.41
Dividend (p)	3.10	8.20	10.00	10.00	10.50
Revenue growth (%)	3.3	(-5.2)	22.2	13.7	7.8
EBITDA Margin (%)	11.4	12.1	11.9	12.0	12.3
Normalised Operating Margin	9.4	10.4	10.5	10.7	11.0
BALANCE SHEET					
Fixed Assets	150.8	141.2	158.8	228.6	216.0
Intangible Assets	96.5	93.6	90.3	86.2	82.1
Tangible Assets	29.0	28.0	29.0	111.5	114.3
Investments & other	25.3	19.6	39.5	30.9	19.6
Current Assets	188.7	171.0	200.7	231.8	247.7
Stocks	78.9	78.1	100.6	117.2	126.3
Debtors	60.5	64.6	71.1	85.6	92.3
Cash & cash equivalents	47.3	28.3	27.4	27.4	27.4
Other	2.0	0.0	1.6	1.6	1.6
Current Liabilities	(79.2)	(104.1)	(110.8)	(125.6)	(129.0)
Creditors	(72.9)	(95.4)	(102.4)	(117.2)	(126.3)
Tax and social security	(1.0)	(1.0)	(2.7)	(2.7)	(2.7)
Short term borrowings	(0.1)	0.0	0.0	0.0	0.0
Other	(5.2)	(7.7)	(5.7)	(5.7)	0.0
Long Term Liabilities	(155.9)	(59.7)	(48.4)	(99.2)	(79.3)
Long term borrowings	(83.6)	(17.8)	(18.8)	(78.0)	(61.5)
Other long term liabilities	(72.3)	(41.9)	(29.6)	(21.2)	(17.8)
Shareholders' equity	104.4	148.4	200.3	235.7	255.3
CASH FLOW					
Op Cash Flow before WC and tax	39.1	39.2	47.0	54.3	59.8
Working capital	(4.8)	21.8	(23.6)	(16.3)	(6.7)
Exceptional & other	0.0	0.0	0.0	0.0	0.0
Tax	(5.3)	(3.5)	(6.5)	(9.0)	(11.3)
Other	0.4	(2.0)	(0.9)	(2.9)	(0.9)
Net operating cash flow	29.4	55.5	16.0	26.1	41.0
Capex	(4.8)	(2.8)	(5.4)	(8.0)	(8.5)
Acquisitions/disposals	(9.2)	0.0	0.0	(80.0)	0.0
Net interest	(3.5)	(3.2)	(2.5)	(2.7)	(3.8)
Equity financing	(0.9)	0.0	0.0	0.0	0.0
Dividends	(7.0)	0.0	(9.1)	(8.3)	(8.5)
Other	(3.8)	(3.2)	(2.5)	13.7	(3.7)
Net Cash Flow	0.2	46.3	(3.5)	(59.2)	16.5
Opening net debt/(cash)	35.0	36.4	(10.5)	(8.6)	50.6
FX	(1.6)	0.6	1.6	0.0	0.0
Other non-cash movements	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)	36.4	(10.5)	(8.6)	50.6	34.1

Source: Norcros, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Norcros and prepared and issued by Edison, in consideration of a fee payable by Norcros. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia