

HARDIDE CHEMICALS

HDD.L

1.85p

Market Cap: £30.3m

SHARE PRICE (p)


Source: LSE Data

KEY INFORMATION

Enterprise value	£29.1m
Index/market	FTSE AIM
Next news	Feb 18 – AGM
Gearing	0%
Interest cover	N/A

**HARDIDE IS A RESEARCH CLIENT OF
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2017 Preliminary full year results

Progress expected to continue

Hardide released its preliminary full year results today, in-line with market expectations and showing considerable year on year momentum both financially and operationally. The Group reiterated its positive outlook and is expecting the progress made in 2017 to continue into 2018 and beyond, supported by a strong balance sheet and growth in its key markets.

- Hardide reported record revenue of £3.24m, a 51% increase over 2016. Demonstrating the Group's operational gearing, gross profit came in at £1.59m, a 130% increase over 2016. The operating loss declined to £1.24m a 16% improvement over the 2016 loss of £1.47m. The ending cash balance was £1.2m. We make no changes to our future estimates.
- The positive revenue trends experienced in 2017 were driven by a 92% year/year increase in sales to Oil and Gas customers, as well as increasing revenue across all the Group's divisions of flow control, aerospace and precision engineering.
- Hardide had an impressive year of business and operational achievements. It gained full Airbus approved status for the UK facility, achieved Nadcap accreditation for the UK site, and initiated the development and trialling of multiple components for A&D customers, which remains underway. North America now represent 47% of total group sales and is expected to rise significantly over the medium and long term. The US coatings facility is performing well and across the Group further technical development work on patentable applications is ongoing.
- Post year-end events include a successful oversubscribed fundraising of £2.54m in October to be undertaken in two tranches and a \$240K loan from the local economic development corporation in Martinsville, Virginia. Proceeds will be used to fund the Group's capacity expansion, upgrade the US facility to an aerospace standard (planned for 1H18) and to upgrade production equipment in the UK. Hardide also announced the signing of two framework supply agreements, which underpin future market revenue expectations. The Group was also awarded a grant from 'Innovate UK' to optimise an ultra-low temperature coating process for certain substrates, which could result in new applications across various sectors.

Y/E SEPT	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue	2.1	3.2	4.1	5.0	6.0
Adjusted EBITDA	(1.3)	(0.7)	(0.3)	0.2	0.8
Adjusted EBIT	(1.7)	(1.2)	(0.9)	(0.2)	0.3
Fully Adjusted PBT	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Free Cash Flow	(1.9)	(0.8)	(1.4)	(0.9)	0.6
EV/Sales	12.7x	8.4x	6.7x	5.4x	4.5x

Source: Company Information and Progressive Equity Research estimates

SUMMARY FINANCIALS

PROFIT & LOSS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue	3.0	2.1	3.2	4.1	5.0	6.0
Adj EBITDA	(0.3)	(1.3)	(0.7)	(0.3)	0.2	0.8
Adj EBIT	(0.5)	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Reported PBT	(0.2)	(1.5)	(1.2)	(0.8)	(0.2)	0.3
Fully adj PBT	(0.5)	(1.7)	(1.2)	(0.8)	(0.2)	0.3
NOPAT	(0.5)	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Reported EPS (p)	(0.0)	(0.1)	(0.1)	(0.1)	(0.0)	0.0
Fully adj EPS (p)	(0.0)	(0.1)	(0.1)	(0.1)	(0.0)	0.0
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Operating cash flow	(0.2)	(1.4)	(0.8)	(0.3)	0.2	0.8
Free Cash flow (£m)	(1.1)	(1.9)	(0.7)	(1.3)	(0.9)	0.6
FCF per share (p)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	1.6	0.0	1.6	0.0	0.0
Net cash flow	(1.1)	(0.4)	(0.8)	0.5	(0.9)	0.6
Overdrafts / borrowings	0.0	0.0	0.0	(0.2)	(0.2)	(0.2)
Cash & equivalents	2.3	2.0	1.2	1.7	0.8	1.3
Net (Debt)/Cash	2.3	2.0	1.2	1.5	0.6	1.1
NAV AND RETURNS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Net asset value	3.9	4.4	3.3	4.2	4.0	4.4
NAV/share (p)	0.3	0.3	0.2	0.3	0.3	0.3
Net Tangible Asset Value	3.8	4.3	3.2	4.1	4.0	4.3
NTAV/share (p)	0.3	0.3	0.2	0.3	0.3	0.3
Average equity	3.9	4.1	3.8	3.7	4.1	4.2
Post-tax ROE (%)	-3.0%	-32.6%	-28.6%	-22.4%	-4.9%	8.1%
METRICS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue growth	-1%	-29%	51%	26%	22%	20%
Adj EBITDA growth	-366%	301%	-44%	-53%	-163%	271%
Adj EBIT growth	-48700%	254%	-28%	-32%	-76%	-264%
Adj PBT growth	642%	264%	-29%	-32%	-76%	-270%
Adj EPS growth	640%	211%	-23%	-36%	-76%	-270%
Dividend growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adj EBIT margins	-16%	-80%	-38%	-21%	-4%	6%
VALUATION	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
EV/Sales	9.1	12.7	8.4	6.6	5.4	4.5
EV/EBITDA	(83.6)	(20.8)	(37.0)	(78.6)	125.6	33.8
EV/NOPAT	(56.0)	(15.7)	(22.0)	(32.2)	(132.6)	80.8
PER	n.a.	n.a.	n.a.	n.a.	n.a.	88.9
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-4.3%	-6.3%	-2.6%	-4.4%	-3.0%	1.8%

Source: Hardide plc, Progressive Equity Research estimates

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