

HARDIDE CHEMICALS

HDD.L

1.52p

Market Cap: £25.6m

SHARE PRICE (p)



Source: LSE Data

KEY INFORMATION

Enterprise value	£23.3m
Index/market	FTSE AIM
Next news	Interim results – 14 May
Gearing	0%
Interest cover	N/A

 HARDIDE IS A RESEARCH CLIENT OF
 PROGRESSIVE

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Positive momentum continues

1H18 Trading update

Hardide published its 1H18 trading update today, indicating a very encouraging start to the year with sales firmly ahead of both 1H17 and 2H17. The positive start to the year was driven by continued momentum from customers in the Oil & Gas sector, as well as higher sales from both flow control and precision engineering versus the previous year. Management expects results for the FY to be in line with market expectations and we retain our forecasts. The Group will publish 1H18 interim results on 14 May 2018.

- As indicated in the trading update, 1H18 trading is c. 40% ahead of 1H17 and c. 25% ahead of 2H17, implying c. £2.13m of revenue in 1H18 against our FY2018 revenue estimate of £4.1m. We believe our FY revenue forecasts are well underpinned and would highlight both 2016 and 2017 delivered higher second half sales than that of the first.
- As highlighted in our note on 14 February 2018, the Group successfully completed the second tranche of the fundraising it undertook in October 2017, following advanced assurances from HMRC of its EIS eligibility. In line with plans outlined at the time of the £2.54m fundraising, the trading update confirms the first coating reactor for the Martinsville facility is on schedule. It is currently being manufactured and expected to be commissioned by Autumn 2018. Additionally, in anticipation of future volumes, operational enhancements to processing equipment in the Bicester facility have been completed.
- We would highlight to investors that Hardide announced several changes to its board on the 20th March which bring a wealth of experience in the A&D and engineering sectors. Tim Rice and Charles Irving-Swift have joined the board and Jan Ward has stepped down. Tim brings with him extensive A&D experience having held senior positions at Vector Aerospace, Safran, Spirent and Dowty. Charles Irving-Swift brings vast experience in the engineering and construction sector where he focused on strategic planning, managing transformation projects and re-organisations at organisations such as Armstrong Flooring products, TT electronics plc and Dana Corporation.

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)	(0.8)	(0.2)	0.3
Fully Adjusted PBT	(1.7)	(1.2)	(0.8)	(0.2)	0.3
Free Cash Flow	(1.9)	(0.7)	(1.3)	(0.9)	0.6
EV/Sales	10.9x	7.2x	5.7x	4.7x	3.9x

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)	(0.0)	(0.0)	0.0
Fully adj EPS (p)	(0.0)	(0.1)	(0.1)	(0.0)	(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	2.4	0.0	0.0
Net cash flow	(1.1)	(0.4)	(0.8)	1.3	(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	2.5	1.6	2.1
Net (Debt)/Cash	2.3	2.0	1.2	2.3	1.4	1.9

NAV AND RETURNS	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Net asset value	3.9	4.4	3.3	5.1	4.9	5.3
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	5.0	4.9	5.2
NTAV/share (p)	0.3	0.3	0.2	0.3	0.3	0.3
Average equity	3.9	4.1	3.8	4.2	5.0	5.1
Post-tax ROE (%)	-3.0%	-32.6%	-28.6%	-19.9%	-4.0%	6.6%

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%	-29%	-38%	-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	7.8	10.9	7.2	5.7	4.7	3.9
EV/EBITDA	(72.0)	(18.0)	(31.8)	(67.7)	108.1	29.1
EV/NOPAT	(48.3)	(13.5)	(18.9)	(27.8)	(114.2)	69.6
PER	n.a.	n.a.	n.a.	n.a.	n.a.	81.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-5.2%	-7.6%	-2.9%	-4.8%	-3.3%	2.0%

Source: Company information, Progressive Equity Research estimates

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