

# Low & Bonar

85p

## Impressive underlying performance

FX headwinds should not detract from what has been an impressive H1 performance. The core businesses are delivering good growth and the group looks well positioned to leverage the Texiplast acquisition (which will make its full contribution in H2 FY14) and continue to target new growth opportunities such as the manufacturing facility in China, which is expected to come on stream in FY16E. Recent share price weakness looks overdone when one considers the double digit earnings and dividend growth profile over the next few years.

### H1 results made for impressive reading

Reported PBT growth of 23% to £8.6m was a good result, which would have looked even better (+35%) in the absence of Sterling. On a constant currency basis, the two main segments performed well with Bonar seeing revenue and EBIT growth of 7% / 15% and Technical Coated Fabrics 12% / 36% respectively. Weak comparatives only contributed roughly a third of European growth, with the rest being driven by underlying volume growth and Texiplast. The interim dividend was raised by 12% to 0.95p, underlining management confidence in the near term growth outlook.

### Strong platform for the incoming CEO

These results marked the last presented by the outgoing CEO, Steve Good. The new CEO, Brett Simpson will inherit a well invested and positioned global platform that looks well set to capture a number of growth opportunities. The successful renegotiation and expansion of the group's debt facilities provide further flexibility for accretive, bolt on acquisitions. There are relatively few negatives he will have to contend with; the future of Yarns is perhaps the most pressing but even here the group has a number of options open.

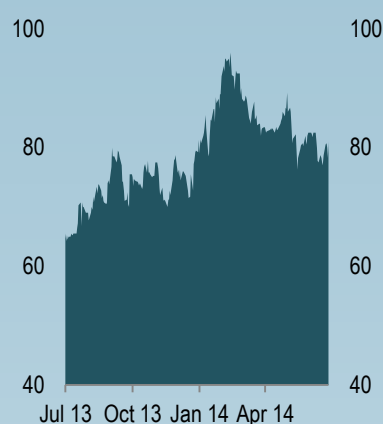
### Estimate revisions

We are making a number of small estimate revisions, reflecting continued Sterling strength offsetting a better than expected performance in both Bonar and Technical Coated Fabrics. Our FY14E adj. PBT / EPS estimate of £29.2m / 6.3p remains broadly unchanged. We believe it is prudent to recognise the FX environment in our FY15E estimates and have shaved 2% off our adj. PBT / EPS estimates to £34.0m / 7.5p respectively.

### Valuation and catalysts

In our view, recent share price weakness has been driven by an over reaction to Sterling strength. Both reported and constant currency growth has been impressive and we believe LWB is well capable of delivering comfortable double digit earnings and dividend growth over the medium term. In our view the FY14E PE of 13.5x falling to 11.4x and a FY14E dividend yield of 3.4% rising to 3.8% in FY15E is hardly demanding.

Year to Nov	Sales (£m)	Adj PBT (£m)	EPS (p)	DPS (p)	Net Cash (£m)	P/E (x)	Yield (%)
FY13a	403.1	26.1	5.9	2.6	-86.8	14.5	3.1
FY14e	420.6	29.2	6.3	2.9	-81.8	13.5	3.4
FY15e	440.7	34.0	7.5	3.2	-94.9	11.4	3.8



TIDM	LWB
Market cap (£m)	277.0
Net cash (FY1)	-81.8
Free float (%)	100%
Avg daily volume (3m)	0.3m
Broker	Peel Hunt
Listing	LSE

Iain Daly

research@broker-profile.com

+44 20 7448 3244

This document provides information on Low & Bonar plc - it is not a solicitation of an offer to buy or sell securities. See the disclaimer on the back page.

## FINANCIAL SUMMARY - year ended 30 November

INCOME STATEMENT, £m	FY12A	FY13A	FY14E	FY15E	FY16E
Bonar	238.7	245.6	260.6	275.0	288.7
Technical Coated Fabrics	115.3	124.7	125.9	130.3	134.8
Yarns	26.5	32.8	34.1	35.5	36.9
Revenue	380.5	403.1	420.6	440.7	460.5
Bonar	25.0	23.0	25.8	27.9	31.8
Technical Coated Fabrics	10.7	12.1	13.3	13.7	14.6
Yarns	(1.8)	0.5	0.7	1.0	1.1
EBIT pre central costs	33.9	36.2	39.9	42.6	47.4
Central costs (inc. Share based payments)	(3.4)	(4.8)	(5.0)	(5.4)	(5.8)
Group EBIT	30.5	31.4	34.9	37.2	41.6
Exceptional items	(12.6)	(2.4)	(1.6)	0.0	0.0
Goodwill amortisation	(5.8)	(5.6)	(5.6)	(5.6)	(5.6)
JV's + associates	0.0	(0.6)	(0.3)	1.5	1.6
Net interest	(6.0)	(6.1)	(5.4)	(4.7)	(4.2)
Reported PBT	6.1	16.7	22.0	28.4	33.4
Adjusted PBT	24.5	25.3	29.2	34.0	39.0
Tax	(4.7)	(4.9)	(7.2)	(8.4)	(9.7)
Average no shares - diluted (m)	297.7	308.3	333.0	334.5	336.0
EPS - Reported, basic (p)	0.5	3.8	4.3	5.9	7.1
EPS - Adjusted, diluted (p)	6.1	5.9	6.3	7.5	8.6
DPS	2.4	2.6	2.9	3.2	3.5

CASH FLOW, £m	FY12A	FY13A	FY14E	FY15E	FY16E
EBITDA	43.2	44.3	47.7	53.9	61.1
Working capital	(4.3)	(4.8)	(4.0)	(5.0)	(5.0)
Other	(2.5)	(12.7)	4.0	0.0	0.0
Operating cash flow	36.4	26.8	47.7	48.9	56.1
Net interest paid	(4.8)	(4.8)	(5.4)	(4.7)	(4.2)
Net tax	(3.9)	(6.8)	(7.2)	(8.4)	(9.7)
Net capital expenditure	(14.2)	(13.4)	(20.0)	(39.1)	(17.2)
Net acquisitions / disposals	(5.0)	(15.9)	(1.2)	0.0	0.0
Other	(3.8)	0.9	0.0	0.0	0.0
Pre financing cash flow	4.7	(13.2)	13.8	(3.3)	25.0
Dividends	(6.3)	(7.2)	(8.8)	(9.7)	(10.8)
Net equity issued	0.2	19.9	0.0	0.0	0.0
Net movement in debt	7.4	(8.5)	0.0	0.0	0.0
Net change in cash	6.0	(9.0)	5.0	(13.0)	14.2
Net cash / (debt)	(82.6)	(86.8)	(81.8)	(94.9)	(80.6)

BALANCE SHEET, £m	FY12A	FY13A	FY14E	FY15E	FY16E
Goodwill	74.2	81.2	75.6	70.0	64.4
Intangible assets	36.7	34.0	35.4	36.8	38.3
P,P & E	108.8	114.2	118.8	141.8	140.1
Other	5.7	5.1	4.8	6.3	7.9
Fixed assets	225.4	234.5	234.5	254.9	250.6
Net working capital	15.1	45.4	44.6	48.1	51.5
Total capital employed	240.5	279.9	279.1	303.0	302.2
Net cash / (debt)	(82.6)	(86.8)	(81.8)	(94.9)	(80.6)
Net Assets	157.9	193.1	197.3	208.1	221.6

Source: Broker Profile, Low &amp; Bonar



This document is a marketing communication which is designed to educate and inform professional investors about the subject company. The subject company pays Broker Profile Research a fixed annual fee to cover the costs of research production and distribution, and the research has not been prepared in accordance with regulatory requirements designed to promote the independence of investment research. Broker Profile Research does not make recommendations. Any comments in this report regarding the valuation of a financial security are based on comparisons with similar securities; they are not forecasts of a likely share price. This document is not an offer to buy or sell, or a solicitation of an offer to buy or sell, the securities mentioned.

Broker Profile does not buy or sell shares, nor does it conduct corporate finance transactions, nor does it undertake investment business either in the UK or elsewhere. Broker Profile Research is not regulated by the Financial Conduct Authority (FSA). Neither Broker Profile Research nor the analyst responsible for this research owns shares or other securities issued by the company analysed in this research note, nor do they have a position in any derivative contract based on those securities.

This research is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended for retail investors. Any such individual who comes into possession of this research should consult an authorised professional adviser.

The information contained in this document has been compiled from sources believed to be reliable, but no guarantee whatsoever is given that the information is complete or accurate, or that it is fit for a particular purpose. This document was issued by Broker Profile Research without legal responsibility, and is subject to change or withdrawal without notice. By reading this document, you confirm that you have read and understand the above, and that you shall not hold Broker Profile Research or any of its members and connected companies liable for any loss that you may sustain should you decide to buy or sell any of the mentioned securities."

Broker Profile Research  
Augustine House  
6A Austin Friars  
London EC2N 2HA  
[www.brokerprofileresearch.com](http://www.brokerprofileresearch.com)



BROKER  
PROFILE  
RESEARCH