

discoverIE Group

New name reflects ambitious growth strategy

H118 results

discoverIE (previously called Acal) reported strong interims, proving that its strategy to grow the design and manufacturing (D&M) side of the business is bearing fruit. Organic revenue growth of 9% drove improved operating margins and EPS, while growth in orders and design wins position discoverIE for sustained growth. Management continues to seek out suitable acquisitions to accelerate growth of D&M – based on a similar profile to previous deals, we estimate that using existing credit facilities to make £50m worth of acquisitions could add 20-25% to FY19e EPS.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	287.7	15.2	17.8	8.1	19.9	2.3
03/17	338.2	17.8	19.9	8.5	17.9	2.4
03/18e	388.0	21.6	21.6	9.0	16.4	2.5
03/19e	402.6	22.9	22.6	9.5	15.7	2.7

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

H118 results reflect strong trading environment

The company generated strong organic revenue growth in H118, resulting in underlying operating profit growth of 34% y-o-y (+23% CER) and margin expansion of 0.6 percentage points to 6.2%. Underlying EPS increased 24% y-o-y and the interim dividend was 8% higher than a year ago. Strong order intake during H1 provides support to our forecasts – we make minor changes to reflect H1 results, with normalised EPS up 0.8% in FY18e and up 0.1% in FY19e.

Strategy on track – growing design & manufacturing

The company doubled revenues and EPS over the last five years and management confirmed its target to repeat this performance over the next five years to generate shareholder returns of 15-20% pa and fund a progressive dividend. As well as the strong organic growth currently being generated, the company is keen to acquire D&M businesses to accelerate growth towards the target of 75% of group revenues (57% in H118). Using average price/PBT multiples and average PBT margins from previous deals, we estimate that spending £50m on acquisitions could add 20-25% to FY19e EPS (on an annualised basis), while remaining within the company's target net debt/EBITDA range of 1.5-2.0x.

Valuation: Discount persists despite positive outlook

On an FY18e P/E of 16.4x and FY18e EV/EBITDA of 9.8x, the stock is trading at a c 27% discount to the peer group average for both multiples. The share was recently reclassified from Industrial Support Services to the Electronic & Electrical Equipment sector, and is trading at a 37% discount to the new sector P/E. The strong order book, combined with good progress in the strategy to grow the D&M side of the business, provides confidence in both the near-term and longer-term outlook for the company. Continued growth in the proportion of revenue generated from design and manufacturing should support operating margin expansion, and should help to reduce the valuation discount. The stock is also supported by a dividend yield close to 3%.

Electronic & electrical equipment

7 December 2017

Price **355.0p**

Market cap **£251m**

€1.12/NOK10.87/£

Net debt (£m) at end H118 37.6

Shares in issue 70.7m

Free float 96%

Code DSCV

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 4.8 13.7 52.0

Rel (local) 7.4 15.3 39.1

52-week high/low 355.0p 212.5p

Business description

discoverIE is a leading international supplier of customised electronics to industry. It designs, manufactures and distributes customer-specific electronic products and solutions to 25,000 industrial manufacturers.

Next events

Q3 trading update January 2018

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Review of H118 results

Exhibit 1: Half-year results highlights			
£m	H117	H118	y-o-y
Revenues	156.7	190.2	21.4%
Design & manufacturing	81.8	108.2	32.3%
Custom Supply	74.9	82.0	9.5%
Gross profit	51.7	61.2	18.4%
<i>Gross margin</i>	33.0%	32.2%	(0.8%)
Normalised operating profit			
Design & manufacturing	10.0	11.8	18.0%
Custom Supply	1.6	3.3	106.3%
Central costs	(2.5)	(3.0)	20.0%
Total normalised operating profit	9.1	12.1	33.0%
<i>Normalised operating margin</i>			
<i>Custom distribution</i>	2.1%	4.0%	1.9%
<i>Design & manufacturing</i>	12.2%	10.9%	(1.3%)
<i>Total normalised operating margin</i>	5.8%	6.4%	0.6%
discoverIE underlying* operating profit	8.8	11.8	34.1%
<i>discoverIE underlying operating margin</i>	5.6%	6.2%	0.6%
Reported operating profit	3.4	8.5	150.0%
<i>Reported op. margin</i>	2.2%	4.5%	2.3%
Normalised PBT	7.6	10.6	39.5%
Normalised net income	5.9	8.0	35.4%
discoverIE underlying EPS (dil) - p	8.5	10.5	23.5%
Normalised EPS (dil) - p	8.8	10.7	21.5%
Reported EPS (dil) - p	1.8	6.5	261.1%
Dividend - p	2.45	2.65	8.2%
Net debt	41.1	37.6	(8.5%)
Source: discoverIE, Edison Investment Research. Note: *discoverIE underlying profit includes share-based payments.			

discoverIE (previously known as Acal) reported strong interims. Reported revenues grew 21% year-on-year, including a 6% benefit from currency and a further 6% contribution from the Variohm acquisition (completed January 2017), resulting in 9% organic growth at group level. Gross margin declined compared to H117, mainly due to the already flagged currency impact on UK imports. Underlying operating profit increased 34% y-o-y boosting the underlying operating margin by 0.6pp. The company saw a reported tax rate of 29% (as earnout accruals were not allowable for tax purposes), with an underlying effective tax rate of 24%. The higher tax rate combined with the higher share count from the Variohm acquisition resulted in a normalised EPS increase of 21.5% y-o-y. The company announced an interim dividend of 2.65p per share, higher than our 2.55p forecast and 8% higher than last year's interim payout. Net debt at end H118 of £37.6m was £3.5m lower than a year ago.

Exhibit 2 details performance by division. Design & Manufacturing (D&M) grew 32% on a reported basis – excluding the Variohm contribution and positive currency effect, organic growth was 11% year-on-year. The underlying operating margin declined y-o-y, mainly due to the impact of increased import costs for UK businesses. Custom Supply (previously Custom Distribution) grew 9% on a reported basis, with organic growth of 7% y-o-y. Organic growth excludes the Spanish business, which was discontinued last year. With the benefit of recent restructuring coming through, combined with the strong volume growth, underlying operating margin increased from 2.1% to 4.0% over the year (broadly in line with the 4.1% reported for H217). Although central costs increased by £0.5m over the year (linked to the 40% share price increase in the period), underlying group operating margin increased by 0.6 percentage points y-o-y to 6.2%.

Exhibit 2: Divisional performance

£m	H118	H117	H117 CER*	Reported y-o-y	CER y-o-y	Like-for-like y-o-y
Revenues						
Design & manufacturing	108.2	81.8	86.7	32%	25%	11%
Custom Supply	82.0	74.9	79.1	9%	4%	7%
Total revenues	190.2	156.7	165.8	21%	15%	9%
Underlying operating profit						
Design & manufacturing	11.8	10.0	10.5	18.0%	12.4%	
Custom Supply	3.3	1.6	1.9	106.3%	73.7%	
Unallocated	(3.3)	(2.8)	(2.8)	17.9%	17.9%	
Total underlying operating profit	11.8	8.8	9.6	34.1%	22.9%	
Underlying operating margin						
Design & manufacturing	10.9%	12.2%	12.2%	(1.3%)	(1.3%)	
Custom distribution	4.0%	2.1%	2.4%	1.9%	1.6%	
Total underlying operating margin	6.2%	5.6%	5.8%	0.6%	0.4%	

Source: discoverIE. Note: *CER: constant exchange rates.

Bookings intake strong

The company saw order growth of 10% y-o-y in H118, resulting in an order backlog of £111m at the end of H118 (+16% CER y-o-y, +11% organic). The company also noted that it received new design wins with a lifetime contract value of more than £90m, which was 30% higher than in H117.

Whereas the company typically sees lower design win activity when sales volumes are strong, as customers concentrate on meeting demand from their end-customers for existing projects, in H118 management saw both high sales volumes and higher design win activity, which bodes well for future trading.

Business update

Name change reflects the evolution of the business

The company announced that it has changed its name from Acal to discoverIE Group. The company has made substantial progress with its strategy to shift the focus of the business from distribution of electronics to designing, manufacturing and supplying custom electronics, as evidenced by the 78% contribution to operating profit from the D&M division in H1, versus 40% in FY14. Management wanted to change the company name to better reflect the nature of the business, which enables customers to “discover innovative electronics”. At the same time, the company has changed the name of the Custom Distribution division to Custom Supply, to more accurately reflect the nature of the division’s business. For more detail on the rationale for the changes see: [“DiscoverIE is the new Acal”](#).

Making good progress against KSI and KPIs

The company gave an update on progress against its key strategic and performance indicators. It continues to make good progress towards its targets. To reach the target for D&M revenues would require acquisitions as well as organic growth, and the company commented that it has two potential deals in the pipeline. The growth in international sales was despite the addition of Variohm, which has only Europe-based sales – organic growth from North America and Asia was 20% in H118. Management was pleased with the strength of cross-selling in the period, with demand from across the business. Management estimates that it takes roughly three years after being acquired for a new business to start to generate revenues from cross-selling (mainly due to design win cycles) – this implies there are still five acquisitions with the potential to start contributing more materially.

Exhibit 3: Progress against key strategic and performance indicators

	FY14	FY15	FY16	FY17	H118	Targets
Key Strategic Indicators						Mid-term*
Increase Design & Manufacturing revenue	18%	37%	48%	52%	57%	75%
Increase underlying operating margin	3.4%	4.9%	5.7%	5.9%	6.2%	8.5%
Build sales beyond Europe	5%	12%	17%	19%	20%	30%
Key Performance Indicators						By FY20
Sales growth: CER	17%	36%	14%	6%	15%	
Sales growth: organic	2%	3%	3%	(1%)	9%	Well ahead of GDP
Increase cross-selling	£0.3m	£0.9m	£3.0m	£4.6m	£8.4m**	£10m pa
Underlying EPS growth	20%	31%	10%	13%	24%	>10%
Dividend growth	10%	11%	6%	6%	8%	Progressive
ROCE*	15.2%	12.0%	11.6%	13.0%	14.5%	>15%
Operating cash flow generation	100%	104%	100%	136%	95%	>85% of underlying profit

Source: discoverIE. Note: *Mid-term = three to five years from November 2016. **Annualised.

Investing in manufacturing capacity

discoverIE's manufacturing strategy consists of making the majority of product in-house (c 80%) at manufacturing facilities in China, India, Poland, Sri Lanka and Thailand. The remaining products are made by third-party contractors. The preference is to have a variety of smaller facilities in order to provide flexibility and reduce currency and country risk. Capital expenditure remains low at less than 1% of revenue. The company recently expanded electromagnetic shielding production capacity in Korea and is currently investing in capacity expansion at three other sites:

- Slovakia: increasing fibre optic production capacity – operational by end FY18.
- India: expanding magnetics capacity – operational from the beginning of FY19.
- China: expanding magnetics capacity – operational by end FY19.

Acquisition strategy – expect more of the same

The company reiterated its plans to acquire design and manufacturing businesses, with the goal of generating 75% of revenues from D&M in the medium term (three to five years). We have analysed acquisitions made since 2011 to arrive at an average price multiple based on trailing PBT. We have used this analysis to calculate an average trailing PBT margin. Based on the company's credit facility and stated net debt/EBITDA targets, we have estimated the impact on group revenues, PBT, EPS and net debt of making acquisitions in the D&M space. Assumptions used include:

- We use our revised FY19 forecasts for revenue, EBITDA, PBT and net income. For Custom Distribution this assumes 2.2% revenue growth and an operating margin of 4.0%; for Design & Manufacturing this assumes 5.0% revenue growth and an operating margin of 10.9%.
- We use an average price/trailing PBT multiple of 6.7x, and also provide a scenario analysis based on varying this multiple.
- We use an average PBT margin of 11.7%, and assume that the EBITDA margin would be 1% higher than this.
- We have calculated the impact of spending £25m and £50m as if all acquisitions are made on 1 April 2018 (ie include annualised contributions from acquisitions).
- We assume a rate of 4% on the debt used to fund the deals.
- We use a 26% corporate tax rate (higher than the UK rate due to profits generated in higher tax jurisdictions).

Exhibit 4: Impact on valuation and EPS of potential D&M acquisitions

Amount spent	PBT multiple	PBT margin	EBITDA margin	EPS accretion FY19e	Net debt/EBITDA end FY19e	D&M/total revs FY19e	New P/E FY19e
£50m	6.7x	11.7%	12.7%	22.5%	2.0	63%	12.9
£25m	6.7x	11.7%	12.7%	10.7%	1.5	60%	14.2

Source: Edison Investment Research

Exhibit 5: Variation of FY19e EPS accretion with multiple paid for acquisitions

Value of deals	PBT multiple (x)								
	5	5.5	6	6.5	7	7.5	8	8.5	9
£50m	33.4%	29.5%	26.2%	23.5%	21.1%	19.0%	17.2%	15.7%	14.2%
£25m	16.2%	14.2%	12.6%	11.2%	10.0%	9.0%	8.1%	7.3%	6.6%

Source: Edison Investment Research

We note that these assumptions do not factor in any uplift in margins from economies of scale or any cross-selling. As we have used trailing multiples (which in some cases were more than a year old), the calculations do not factor in any PBT growth in the acquired companies in FY19.

We also perform the same calculations excluding Noratel from the historic averages. At a cost of £73.5m, this was a platform acquisition and therefore attracted a higher multiple. If we assume that up to £50m is spent on bolt-on acquisitions at the trailing average PBT multiple of 6.4x and trailing PBT margin 11.9%, we arrive at the following outcomes.

Exhibit 6: Impact on valuation and EPS of potential D&M acquisitions

Amount spent	PBT multiple	PBT margin	EBITDA margin	EPS accretion FY19e	Net debt/EBITDA end FY19e	D&M/total revs FY19e	New P/E FY19e
£50m	6.4x	11.9%	12.9%	24.0%	1.9	63%	12.7
£25m	6.4x	11.9%	12.9%	11.4%	1.5	60%	14.1

Source: Edison Investment Research

Changes to forecasts

We have made minor changes to our estimates to reflect divisional performance and the slightly higher capex in FY18. We have also increased our dividend forecasts for both years – we estimate that this will result in dividend cover towards the lower end of the company's target 2-3x range.

Exhibit 7: Changes to estimates

£m	FY18e old	FY18e new	Change	y-o-y	FY19e old	FY19e new	Change	y-o-y
Revenues	392.0	388.0	(1.0%)	14.7%	406.7	402.6	(1.0%)	3.8%
Custom supply	172.8	170.8	(1.2%)	5.1%	174.6	174.6	(1.1%)	2.2%
Design & manufacturing	219.1	217.1	(0.9%)	23.7%	230.1	228.0	(0.9%)	5.0%
Gross margin	32.3%	32.2%	(0.0%)	(0.6%)	32.4%	32.4%	0.0%	0.2%
EBITDA	28.2	28.6	1.2%	17.6%	29.7	29.9	0.7%	4.6%
EBITDA margin	7.2%	7.4%	0.2%	0.2%	7.3%	7.4%	0.1%	0.1%
Underlying operating profit	23.6	23.9	1.5%	19.6%	24.8	24.9	0.4%	4.0%
Underlying operating profit margin	6.0%	6.2%	0.2%	0.3%	6.1%	6.2%	0.1%	0.0%
Normalised operating profit	24.4	24.5	0.6%	19.1%	25.7	25.7	0.0%	4.8%
Normalised operating margin	6.2%	6.3%	0.1%	0.2%	6.3%	6.4%	0.1%	0.1%
Normalised PBT	21.5	21.6	0.7%	21.5%	22.9	22.9	0.0%	5.9%
Normalised net income	16.1	16.2	0.8%	19.5%	17.1	17.1	0.1%	5.8%
Normalised EPS (p)	21.4	21.6	0.8%	8.7%	22.5	22.6	0.1%	4.4%
Reported EPS (p)	13.0	13.6	5.2%	155.0%	17.4	17.7	1.9%	29.7%
Net (debt)/cash	(29.9)	(29.9)	(0.1%)	(0.4%)	(25.4)	(24.4)	(4.1%)	(18.4%)
Net debt/EBITDA (x)	1.1	1.0			0.9	0.8		

Source: Edison Investment Research

Valuation

Exhibit 8 shows valuation metrics for discoverIE's peer group and Exhibit 9 shows their financial performances. The stock continues to trade at a discount to the peer group average on EV/EBITDA and P/E multiples. As discoverIE increases the proportion of revenues generated from D&M, we would expect to see meaningful increases in operating margins, which should flow through to the earnings level. D&M made up 52% of FY17 revenues; absent any acquisitions, we forecast that this will increase to 56% in FY18 and the company is targeting this to reach 75% over the next three to five years.

Exhibit 8: Peer group valuation metrics

	EV/Sales (x)			EV/EBITDA (x)			P/E (x)			Dividend yield		
	Last yr	This yr	Next yr	Last yr	This yr	Next yr	Last yr	This yr	Next yr	Last yr	This yr	Next yr
discoverIE	0.8	0.7	0.7	11.6	9.8	9.4	17.9	16.4	15.7	2.4%	2.5%	2.7%
Design & manufacturing												
Gooch & Housego	3.0	2.9	2.8	16.8	14.8	14.1	30.0	26.6	25.4	0.7%	0.8%	0.8%
TT Electronics	0.8	1.2	1.2	8.1	12.1	11.2	19.2	23.7	20.2	2.4%	2.5%	2.6%
XP Power	5.1	3.9	3.7	19.9	16.0	14.7	30.0	24.2	23.4	2.1%	2.2%	2.3%
Specialist distributors												
Diploma	2.8	2.7	2.6	15.3	14.4	14.0	22.8	21.4	20.3	2.0%	2.2%	2.4%
Solid State	0.9	0.8	0.8	9.7	9.6	8.7	13.3	13.8	12.6	2.8%	2.8%	2.9%
High service & commodity distributors												
Electrocomponents	1.9	1.7	1.6	17.9	14.6	13.4	29.9	23.7	21.5	2.0%	2.1%	2.2%
Average	2.4	2.2	2.1	14.6	13.6	12.7	24.6	22.6	20.9	2.0%	2.1%	2.2%
Versus peer group					(28%)	(26%)		(26%)	(24%)			

Source: Edison Investment Research, Bloomberg (as at 5 December)

Exhibit 9: Peer group financial metrics

	Gross margin			EBITDA margin			EBIT margin			Revenue growth			EPS growth		
	Last yr	This yr	Next yr	Last yr	This yr	Next yr	Last yr	This yr	Next yr	Last yr	This yr	Next yr	Last yr	This yr	Next yr
discoverIE	32.8%	32.2%	32.4%	7.2%	7.4%	7.4%	6.1%	6.3%	6.4%	17.6%	14.7%	3.8%	11.4%	8.7%	4.4%
Design & manufacturing															
Gooch & Housego	41.1%	38.7%	38.7%	18.1%	19.4%	19.7%	14.6%	16.4%	16.5%	30.2%	5.7%	3.7%	16.3%	12.8%	4.8%
TT Electronics	19.0%	N/A	N/A	9.6%	10.2%	10.7%	5.5%	6.7%	6.8%	11.8%	(36.9%)	2.6%	36.4%	(19.2%)	17.5%
XP Power	47.8%	46.6%	45.7%	25.4%	24.6%	24.9%	22.2%	21.5%	21.8%	18.3%	28.4%	7.4%	10.6%	23.9%	3.5%
Specialist distributors															
Diploma	35.6%	35.8%	35.8%	18.3%	18.5%	18.2%	17.3%	16.4%	16.5%	18.1%	5.3%	4.4%	18.9%	6.2%	5.5%
Solid State	30.1%	28.4%	29.1%	9.6%	8.8%	9.3%	8.0%	7.9%	N/A	8.7%	10.5%	4.4%	2.2%	(4.1%)	10.1%
High service & commodity distributors															
Electrocomponents	43.4%	35.1%	33.8%	10.7%	11.8%	12.2%	8.8%	9.9%	10.4%	17.1%	11.3%	5.4%	66.7%	26.2%	10.2%
Average	36.4%	33.1%	32.9%	12.9%	13.0%	13.3%	11.4%	11.4%	13.4%	14.6%	9.0%	4.8%	29.3%	9.5%	8.6%

Source: Edison Investment Research, Bloomberg (as at 5 December)

Exhibit 10: Financial summary

	£m	2013	2014	2015	2016	2017	2018e	2019e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue		177.4	211.6	271.1	287.7	338.2	388.0	402.6
Cost of Sales		(123.0)	(148.6)	(186.7)	(195.1)	(227.2)	(262.9)	(272.2)
Gross Profit		54.4	63.0	84.4	92.6	111.0	125.1	130.5
EBITDA		7.4	9.1	16.6	19.8	24.3	28.6	29.9
Operating Profit (before am, SBP and except.)		6.1	7.7	14.0	17.0	20.6	24.5	25.7
Operating Profit (before am. and except.)		5.5	7.1	13.4	16.3	20.0	23.9	24.9
Amortisation of acquired intangibles		(0.7)	(1.0)	(2.1)	(2.8)	(3.9)	(4.4)	(4.4)
Exceptionals		(3.4)	(0.9)	(5.2)	(2.1)	(8.4)	(2.9)	(0.6)
Share-based payments		(0.6)	(0.6)	(0.6)	(0.7)	(0.6)	(0.6)	(0.8)
Operating Profit		1.4	5.2	6.1	11.4	7.7	16.7	19.9
Net Interest		(0.5)	(0.8)	(1.6)	(1.8)	(2.8)	(2.9)	(2.8)
Profit Before Tax (norm)		5.6	6.9	12.4	15.2	17.8	21.6	22.9
Profit Before Tax (FRS 3)		0.7	4.2	4.3	9.4	4.8	13.6	16.9
Tax		1.4	(0.5)	(1.4)	(2.2)	(1.3)	(3.9)	(4.4)
Profit After Tax (norm)		4.6	6.0	10.0	11.8	13.6	16.2	17.1
Profit After Tax (FRS 3)		2.1	3.7	2.9	7.2	3.5	9.6	12.5
Average Number of Shares Outstanding (m)		39.2	43.1	57.6	63.3	65.4	70.7	70.7
EPS - normalised & diluted (p)		11.3	13.1	16.4	17.8	19.9	21.6	22.6
EPS - IFRS basic (p)		(4.8)	3.0	5.0	11.4	5.3	13.6	17.7
EPS - IFRS diluted (p)		(4.7)	2.8	4.8	10.9	5.1	12.9	16.5
Dividend per share (p)		6.2	6.8	7.6	8.1	8.5	9.0	9.5
Gross Margin (%)		30.7	29.8	31.1	32.2	32.8	32.2	32.4
EBITDA Margin (%)		4.2	4.3	6.1	6.9	7.2	7.4	7.4
Operating Margin (before am, SBP and except.) (%)		3.4	3.6	5.2	5.9	6.1	6.3	6.4
BALANCE SHEET								
Fixed Assets		30.9	33.1	88.6	108.4	122.2	117.5	112.3
Intangible Assets		24.2	25.5	69.9	88.2	100.7	96.0	91.1
Tangible Assets		3.1	3.5	13.8	14.7	16.0	16.0	15.7
Deferred tax assets		3.6	4.1	4.9	5.5	5.5	5.5	5.5
Current Assets		81.8	92.7	127.3	128.3	149.6	164.8	170.7
Stocks		19.3	19.4	39.8	42.9	50.1	57.4	59.6
Debtors		44.7	48.3	60.2	65.5	77.3	86.1	89.4
Cash		17.8	18.1	26.7	19.9	22.2	21.3	21.8
Current Liabilities		(50.9)	(58.3)	(62.1)	(61.7)	(78.4)	(94.5)	(96.1)
Creditors		(46.6)	(51.5)	(61.9)	(60.9)	(77.1)	(89.2)	(90.8)
Short term borrowings		(4.3)	(6.8)	(0.2)	(0.8)	(1.3)	(5.3)	(5.3)
Long Term Liabilities		(10.3)	(19.0)	(61.1)	(73.1)	(69.6)	(63.0)	(58.0)
Long term borrowings		(1.7)	(9.5)	(45.5)	(57.2)	(50.9)	(45.9)	(40.9)
Other long term liabilities		(8.6)	(9.5)	(15.6)	(15.9)	(18.7)	(17.1)	(17.1)
Net Assets		51.5	48.5	92.7	101.9	123.8	124.7	128.8
CASH FLOW								
Operating Cash Flow		5.7	6.1	6.6	14.6	20.3	20.3	25.9
Net Interest		(0.6)	(0.8)	(1.6)	(1.8)	(2.8)	(2.9)	(2.8)
Tax		(1.4)	(0.9)	(3.3)	(4.3)	(3.0)	(5.4)	(5.8)
Capex		(1.3)	(1.4)	(2.5)	(2.3)	(3.4)	(3.7)	(3.4)
Acquisitions/disposals		(0.5)	(9.2)	(37.3)	(19.8)	(11.8)	(2.0)	(2.0)
Financing		5.7	0.1	52.7	0.0	13.6	0.0	0.0
Dividends		(2.3)	(2.7)	(3.6)	(4.9)	(5.2)	(6.1)	(6.4)
Net Cash Flow		5.3	(8.8)	11.0	(18.5)	7.7	0.1	5.4
Opening net cash/(debt)		6.3	11.8	1.8	(19.0)	(38.1)	(30.0)	(29.9)
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.2	(1.2)	(31.8)	(0.6)	0.4	0.0	0.0
Closing net cash/(debt)		11.8	1.8	(19.0)	(38.1)	(30.0)	(29.9)	(24.4)

Source: discoverIE, Edison Investment Research

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