

Ultra Electronics

Sustainable operating momentum

Trading update

Aerospace & defence

Ultra has issued a reassuring post-close trading statement. The company has delivered continued order growth and demonstrated strong cash conversion. The search for a new CEO continues. While the company has identified future areas for investment to deliver long-term growth, Ultra will deliver modest progress in FY18 as it continues to leverage its strong market positions. The statement should help allay investor concerns over profitability that has been weighing on the shares.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/15	726.3	112.4	123.9	46.1	10.1	3.7
12/16	785.8	120.1	134.6	47.8	9.3	3.8
12/17e	769.5	109.5	116.1	49.6	10.7	4.0
12/18e	786.3	116.0	116.4	52.0	10.7	4.2

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

FY17 revenue is expected to be over £770m with operating profit just over £120m, both slightly ahead of our current estimate. Expected cash conversion of over 90% is comfortably higher than the c 80% indicated in the November statement.

Looking forward, Ultra has completed the budget process and has identified modest progress in underlying revenue and operating profit after key investment in R&D and capex. Visibility is underpinned by a healthy order book, demonstrating the confidence of Ultra's customers. Order intake was £900m in FY17 and FY18 order cover currently stands at c 62%, up from c 56% equivalent a year ago. FY18 will be moderately H2-biased (H1 48%: H2 52%) and cash conversion should stay within the 80% to 85% guidance range. The company will provide more detail with the publication of its FY17 figures on 5 March.

11 January 2018

Price 1,246p

Market cap £968m

US\$1.35/£

Net debt (£m) at 30 June 2017 260.4

Shares in issue 77.7m

Free float 99%

Code ULE

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Ultra Electronics is a global aerospace and defence electronics company, with operations across three divisions: Aerospace & Infrastructure (26% of 2016 sales); Communications & Security (33%); and Maritime & Land (41%).

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