

# CEPS INDUSTRIALS

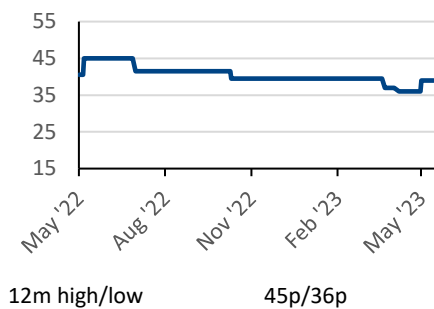
19 May 2023

## CEPS.L

39p

Market Cap: £8.2m

### SHARE PRICE (p)



Source: LSE Data (priced as at prior close)

### KEY DATA

Net (Debt)/Cash	£(6.1)m (at 31/12/22)
Enterprise value	£14.3m
Index/market	AIM
Next news	Interims, September
Shares in Issue (m)	21.0
Executive Chairman	David Horner
Finance Director	Vivien Langford

### COMPANY DESCRIPTION

CEPS is a holding company that buys majority stakes in growing, entrepreneurial UK companies.

[www.cepsplc.com](http://www.cepsplc.com)

CEPS IS A RESEARCH CLIENT OF PROGRESSIVE

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## Solid FY22 performance

CEPS continues to deliver on its key strategic initiatives and growth drivers despite a challenging economic backdrop. Total revenue in FY22 (to 31 December 2022) increased 30% to £26.5m (FY21: £20.3m), driven by both an increase in the underlying business and recent acquisitions. Profitability has also improved, with operating profit up 31% to £2.1m (FY21: £1.6m). The subsidiaries have made good progress following the restructuring measures over the past three years and the 'buy and build' strategy is proving successful. However, given continued economic uncertainty, management has flagged that although performance in the first quarter of FY23 has been ahead of expectations, significant uncertainties remain for the rest of the year, and the companies are being managed accordingly.

- Strong recovery in end markets.** Group revenue increased 30% to £26.5m and operating profit 31% to £2.1m. Earnings per share increased 34% to 2.19p (FY21: 1.64p). Group net debt was £6.1m at as at 31 December 2022 (excluding loan notes and less £1.3m cash), while debt held in CEPS plc was unchanged, comprising a £2m third-party shareholder loan, plus £2.95m from Chelverton Asset Management, £192k from David Horner and £249k of cash. Following the transfer of the legacy pension scheme, an estimated surplus of £455k is expected to be received at end-FY23, which will be used to partially repay debt and increase working capital.
- Aford Awards benefitting from recent acquisitions.** Revenue increased to £3.1m (FY21: £1.4m; FY19: £2.0m, pre-Covid) and EBITDA rose to £546k (FY21: £235k; FY19: £411k, pre-Covid). Impact Promotional Merchandise (IPM) has significantly increased Aford's internet sales, and the businesses acquired in September 2021 have been fully integrated. IPM, acquired in April 2022 for £1m, has £240k remaining to be paid by March 2025.
- Friedman's and Milano International recovering well.** Revenue for the two companies combined increased to £6.4m (FY21: £4.8m; FY19: £5.8m, pre-Covid). EBITDA rose to £897k (FY21: £809k; FY19: £1.2m, pre-Covid), driven by a greatly increased contribution from Friedman's, the lycra printer. While sales at Milano International, the leotard and gymnastic clothing manufacturer have also recovered, this has been offset by significant investment in machinery and people in FY22. However, the benefits of this investment for growth and the sponsorship of British Gymnastics should lead to improved profitability over the longer term.
- Hickton restructuring bearing fruit.** Revenue increased to £16.9m (FY21: £14.2m; FY19: £4.7m, pre-Covid) and EBITDA rose to £1.8m (FY21: £1.5m; FY19: £850k, pre-Covid). As flagged at the interims, the business has undergone a restructuring to improve cost control and address staff recruitment and retention. Also, the calculation of deferred income has been aligned with industry norms, improving revenue in FY22 by £681k, with EBITDA at £1.8m, versus what would have been £1.1m. The Group notes that Hickton has seen record sales the first three months of FY23.
- Outlook – cautiously optimistic.** While acknowledging the difficult global political and economic backdrop, management expects a steady return to growth in the UK economy. The Group has performed ahead of expectations in Q1 FY23 and management will continue to look for 'judicious acquisitions' to accelerate the expected organic growth.

## Disclaimers and Disclosures

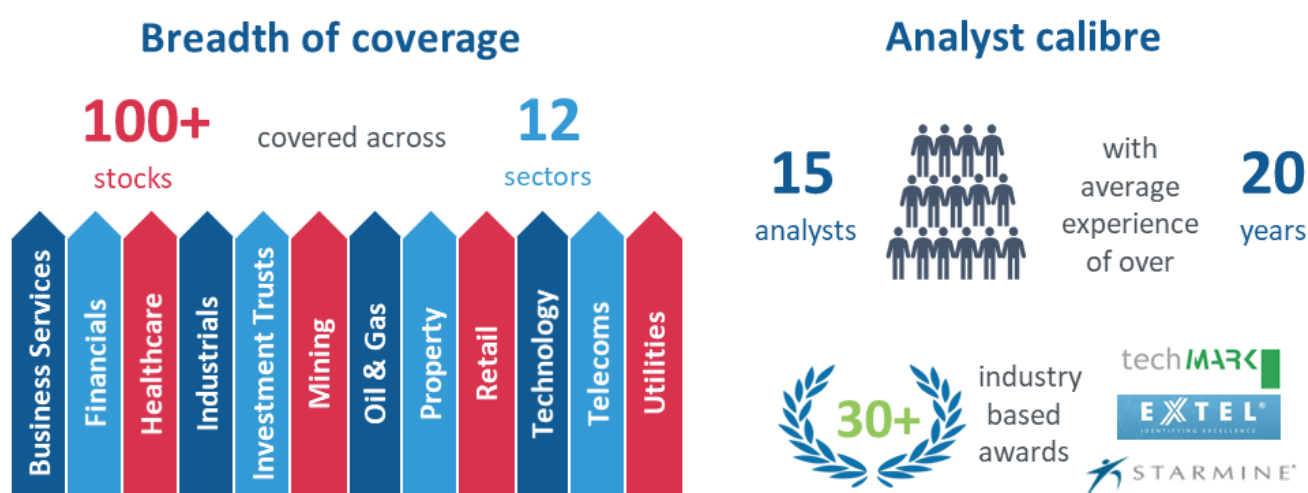
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