8 August 2019

# NMCN

## CONSTRUCTION & MATERIALS

**NMCN.L**

542p

Market Cap: £55.1m

**SHARE PRICE (p)**


| | |
|---|---|
| 12m high/low | 785p/336p |

***Source: LSE Data***

**KEY INFORMATION**

| | |
|---|---|
| Enterprise value | £29.3m |
| Index/market | LSE |
| Next news | Prelims, March 2020 |
| Gearing | N/A |
| Interest cover | 50.3x |

**NMCN IS A RESEARCH CLIENT OF PROGRESSIVE**

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# Positive momentum maintained

**Leading engineering and construction group nmcn has maintained its positive momentum and outlook in its interim results to June. Revenue, profits and cash rose significantly, while the order book grew by 11% despite near-term uncertainties in some end markets. The group – which addresses relatively sustainable markets including non-discretionary water and infrastructure investments – maintained FY guidance. Based on what we believe to be conservative estimates, the shares are trading on a FY 2019E P/E of 9.5x and yield of 3.7%.**

- **Revenue, profit and cash up.** Group revenue grew by 14%, with the Water division rising by 18% and Built Environment, 6%. Operating profit rose by 37% and cash rose by 36% to £25.8m. The company has no financial debt, but even with the modest increase in accounting for leases under the new IFRS 16 standard net cash at the HY stood at £15.6m vs £12.4m at HY 2018 and £25.7m at YE 2018. The interim dividend was increased by 50% to 9p.
- **Order increase supports outlook.** Orders for the current year have risen 11%. Although the board is "cautious" around the Asset Management Period water investment programme transition and uncertainty around Brexit issues, its "strong operational reputation, cash position and positive rebrand" means it is "well placed to manage these headwind challenges" and it is "confident that its expectations will be achieved, with net margins slightly exceeding 2%".
- **H1 suggests our FY estimates are conservative.** We believe our FY 2019 estimates may be conservative given the higher contribution in H1 2019 to our FY 2019E revenue and profit estimate than the first half proportion achieved in FY 2018. The result for H1 2019 indicates 52.9% of the estimated FY revenue and 47.7% of profit before corporate expenses, up from 47.3% and 45.2% generated respectively in 2018.
- **Investment view - sustainable development.** The group continues to build on its six-point strategy, targeting margins and cash generation, as detailed in our 20 May 2019 initiation note, *Sustainable development*. Its markets should be supported by increasing focus on environmental and infrastructure investment. We continue to believe that nmcn's strong cash position could allow it to benefit from a trend among clients to select financially sound contractors, following the collapse of Carillion and financial troubles at Interserve and Kier.

| FYE DEC (£M) | 2017 | 2018 | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|
| **Revenue** | 302.3 | 340.5 | 347.5 | 362.5 | 378.1 |
| **Adj EBITDA** | 14.3 | 10.3 | 12.0 | 12.5 | 13.0 |
| **Fully Adj PBT** | 10.6 | 6.0 | 7.4 | 7.8 | 8.3 |
| **Fully Adj EPS (p)** | 82.7 | 44.7 | 57.2 | 60.3 | 64.0 |
| **EV/Sales (x)** | 0.1x | 0.1x | 0.1x | 0.1x | 0.1x |
| **EV/EBITDA (x)** | 2.0x | 2.8x | 2.5x | 2.4x | 2.3x |
| **PER (x)** | 6.6x | 12.1x | 9.5x | 9.0x | 8.5x |

***Source: Company Information and Progressive Equity Research estimates***

# Getting into the flow

**Revenue, margins and cash up despite uncertainties in the wider construction and property markets**

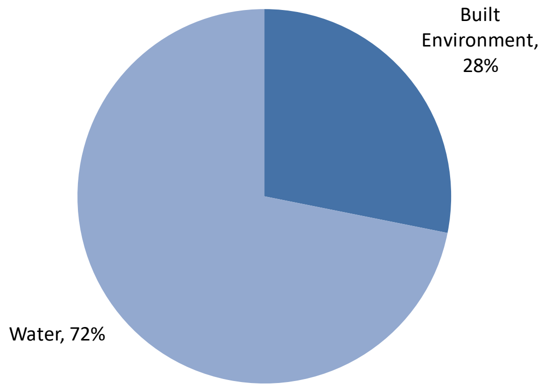
Revenue, margins and cash rose in the first half to June, despite uncertainties in the wider market. The group delivered continued progress against its strategic objectives of margin enhancement and cash generation and the outlook "remains positive" for the FY and beyond. We are maintaining our forecasts, but believe they may be conservative.

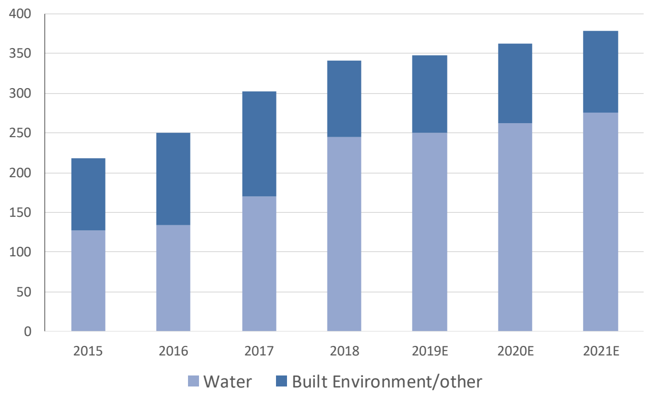
Group revenue grew by 14.1%, with the Water division rising by 17.5% and Built Environment, 6.3%. This is despite what tends to be periodic uncertainty between new water industry investment cycles and delays in the Highways and Construction units.

Group margins after corporate expenses ('net' margins) rose from 1.6% to 1.9%, which puts it on course for its aim of slightly exceeding 2% for FY 2019E. Profit before corporate expenses rose 13.0% to £13.9m and by 36.8% to £3.5m after corporate costs.

## Divisional performance: profits up in both segments

**Revenue by segment, 2018, LHS (%); FY 2015 - FY 2021E, RHS (£m)**




***Source: Company, Progressive estimates***

### Water: revenue rises in advance of AMP cycle transition

**Revenue increased, with new framework wins, but caution on transition to AMP 7**

The division design, constructs, operates and maintains facilities for the water supply, sewage and flood defences of almost all the UK's water companies. Revenue grew by 17.5% to £132.1m, while operating profit rose 6.9% to £9.7m (£3.0m after share of corporate expenses). The pre-expenses margin slipped from 8.0% to 7.3%.

During the period Water Segment secured a number of significant frameworks for the latest phase of the sector's five-year Asset Management Period, AMP 7, which is now transitioning from AMP 6:

- Severn Trent Water, Lots 1, 2 and 3;
- South West Water, Civil Engineering K7 Capital Works Framework;
- South Staffs Water, Water Treatment Works.

**Outlook:** The secured order book increased by 3.0% to c. £238m. The board said it is cautious around a potential for the periodic downturn in workload between AMP cycles, from 6 to 7, which may impact Q4 2019 and into 2020.

## Built Environment: revenue and margins grow despite project delays

**Revenue rise belies caution in wider sector**

The division carries out construction and maintenance in a number of infrastructure and other sectors: motorway and other road construction and improvement; high speed fibre roll-out for telecoms and broadband providers; housebuilding for housing associations; schools and student accommodation; health and construction for private sector developers and public sector bodies.

The property-focused nmcn Investments segment invests the company's cash reserves in selectively identified residential speculative developments and small vertically integrated, off-site build supply chain acquisitions. These mainly involve modestly sized, high quality bespoke housing developments

Built Environment revenue rose 6.3% to £51.9m, despite uncertainty in the market place causing delays on the commencement of major schemes, impacting mainly the Construction and Highways business units. However, operating profit rose 30%, albeit from a relatively low base, to £4.2m (£0.6m after allocation of corporate expenses). The pre-expenses margin rose from 6.6% to 8.1%.

However, both Construction and Highways were reported to have healthy order books leading into the second half of 2019 and have invested in people to address the additional revenue forecast in the second half of 2019 and future years. The Highways business unit has been awarded a place on the Regional Development Partnership by Highways England where its first scheme is junction improvements on the M621 for circa £28m, due to commence in 2020 once the design stage is completed. The Construction business unit has a number of large schemes, which it is working on early design stages with developers, where orders are anticipated in the second half of the year for 2020 and beyond.

The Telecoms business unit has seen a significant turnaround in the first half of 2019 when compared to the same period last year. The business unit achieved an operating profit of £0.5m. Further growth is expected in super-fast broadband over the next few years, and the business unit is well placed to take advantage of the right opportunities.

**Outlook:** the secured order book for the Built Environment division to construct in 2019 is £118m, an increase from the comparable period of 33%.

In relation to the division’s one remaining outstanding legacy contract, with Cyden Homes, the group continues its claims with the client for sums greater than the carrying value and will continue to do so until it is resolved.

## Cash: continued growth strengthens market advantages

**Cash up by more than a third from a year earlier – after more than doubling development investment during H1 2019**

The improvement in profitability has been accompanied by a significant enhancement of the half-year bank position with cash from £18.9m to £25.8m (YE 2018, £33.3m). This is after further investment during H1 2018 in the self-funded nmcn residential developments of £4.4m (H1 2018: £2.0m), where all schemes are progressing well with the first sales due to be completed imminently. The forecast cash flows remain positive and hence the group “continues to assess strategic investment opportunities”. It points out that this is giving it a competitive advantage with clients against a backdrop of growing concerns about the financial health of some rivals. Based on our conservative definition, including leases, net debt rose to £15.6m at HY 2019 from £12.4m at HY 2018 and down from £25.7m at YE 2018.

## Dividend: progressive policy maintained

The group maintains its progressive dividend policy, supported by improved profitability and cash position. It has proposed a 50% increase on the interim dividend to 9.0p, to be paid on 13 September 2019.

## Outlook: higher orders and market position supports guidance

**11% increase in orders, delivery in H1 and 'flight to quality' among clients support confidence for FY 2019 outlook**

The current order book for completion in the current year is £356m, an 11% increase on the £320m position at the same point a year earlier.

The well documented financial challenges faced by some of the group's major competitors leave it "well positioned to obtain additional opportunities". The board concedes it is "cautious" around the AMP transition for quarter 4 2019 and into 2020 as well as uncertainty around the political landscape and Local Government expenditure until a conclusion is reached. Nevertheless, its "strong reputation for operational delivery, our balance sheet, cash position and positive rebrand" as well as the order position and the strong first half (see below) means it is "well placed to manage these headwind challenges" and it is "confident that its expectations will be achieved, with net margins slightly exceeding 2%".

## Viewpoint: HY suggests FY estimates may be conservative

We believe our FY 2019 estimates may be conservative given the higher contribution in H1 2019 to our FY 2019E revenue and profit estimate than the first half proportion achieved in FY 2018. The result for H1 2019 indicates 52.9% of the estimated FY revenue and 47.7% of profit before corporate expenses were generated, up from 47.3% and 45.2% respectively in H1 2018. In terms of profitability, the H2 2018 was held back by £1.4m of charges previously defined as non-underlying and now brought back into the Built Environment division (see below). The 11% increase in the order book also provides some comfort, given that our FY 2019E revenues imply a 9% fall in revenue in H2 2019E.

**Half year P&L**

| Year-end Dec (£m) | 2018 H1 | 2018 H2 | 2019 H1 | 2019 H2E |
|---|---|---|---|---|
| **Revenue** | | | | |
| Built Environment | 48.8 | 47.1 | 51.9 | 45.9 |
| *Change (%)* | | | *6.3%* | *-2.5%* |
| Water | 112.4 | 132.5 | 132.1 | 117.7 |
| *Change (%)* | | | *17.5%* | *-11.2%* |
| **Group revenue** | **161.2** | **179.6** | **184.0** | **163.6** |
| *Change (%)* | | | *14.1%* | *-8.9%* |
| *H1/H2 split (%)* | *47.3%* | *52.7%* | *52.9%* | *47.1%* |
| **Profit before corporate expenses** | | | | |
| Built Environment | 3.2 | 3.1 | 4.2 | 3.6 |
| *Margin (%)* | *6.6%* | *6.5%* | *8.1%* | *7.9%* |
| Water | 9.0 | 11.8 | 9.7 | 11.6 |
| *Margin (%)* | *8.0%* | *8.9%* | *7.3%* | *9.8%* |
| **Total** | **12.3** | **14.9** | **13.9** | **15.2** |
| *Margin (%)* | *7.6%* | *8.3%* | *7.5%* | *9.3%* |
| *H1/H2 split (%)* | *45.2%* | *54.8%* | *47.7%* | *52.3%* |
| Corporate expenses | (9.7) | (11.3) | (10.3) | (11.2) |
| **Total operating profit** | **2.6** | **3.6** | **3.5** | **4.0** |
| *Margin (%)* | *1.6%* | *2.0%* | *1.9%* | *2.5%* |
| Net interest | (0.1) | (0.1) | (0.1) | (0.1) |
| **PBT, reported** | **2.5** | **3.5** | **3.5** | **3.9** |

***Source: Company, Progressive Equity Research estimates***

# Financials

**Profit & loss account / per share data**

| Year-end December (£m) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|---|
| **Group revenue** | **193.2** | **217.6** | **250.5** | **302.3** | **340.5** | **347.5** | **362.5** | **378.1** |
| COGS | (188.2) | (206.0) | (233.7) | (276.9) | (313.3) | (318.5) | (332.0) | (346.0) |
| **Gross profit** | **5.0** | **11.6** | **16.8** | **25.4** | **27.2** | **29.1** | **30.5** | **32.1** |
| Operating expenses | (7.8) | (10.8) | (14.6) | (14.7) | (21.0) | (21.5) | (22.5) | (23.6) |
| **Group operating profit** | **(2.8)** | **0.8** | **2.2** | **10.7** | **6.2** | **7.6** | **8.0** | **8.4** |
| Non-underlying items | - | - | - | (1.4) | - | - | - | - |
| Interest | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) |
| **PBT, reported** | **(3.0)** | **0.6** | **2.1** | **9.1** | **6.0** | **7.4** | **7.8** | **8.3** |
| Reported tax | (0.0) | 0.6 | 0.6 | (1.9) | (1.2) | (1.4) | (1.5) | (1.6) |
| **Net attrib. profit** | **(3.0)** | **1.3** | **2.6** | **7.2** | **4.8** | **6.0** | **6.3** | **6.7** |
| Wtd. ave. shares (million) | | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 |
| Diluted shares (million) | | 10.2 | 10.2 | 10.2 | 10.8 | 10.5 | 10.5 | 10.5 |
| EPS, basic (p) | | 12.3 | 26.0 | 71.2 | 47.2 | 58.7 | 61.8 | 65.6 |
| **EPS, dil. (p)** | | **12.3** | **26.0** | **82.7** | **44.7** | **57.2** | **60.3** | **64.0** |
| **DPS - declared (p)** | | **3.0** | **4.5** | **6.0** | **18.0** | **20.0** | **21.0** | **22.0** |
| NAV (p) | | - | 100.7 | 125.1 | 179.4 | 219.8 | 261.7 | 306.3 |
| Dividend cover (x) | | - | 5.8 | 13.8 | 3.5 | 3.0 | 3.0 | 3.0 |
| **EBITDA** | | **2.8** | **4.6** | **14.3** | **12.1** | **12.0** | **12.5** | **13.0** |

***Source: Company, Progressive Equity Research estimates***

## Prior year adjustments

The group has adopted IFRS 16: Leases from 1 January 2019. Operating lease costs previously recognised within operating profit have been replaced by depreciation and finance costs and the prior FY and HY have been restated. There is no difference to revenue and cash and, in the event, negligible difference in profitability and net assets. In the balance sheet, for YE 2018 there is a £2.7m increase in property, plant & equipment, almost entirely offset by increases in short- and long-term obligations under leases. We have previously included these in our definition of net cash, so we have reduced our YE 2018 net cash from £28.4m to £25.7m.

The other change is the prior year figures do not now differentiate between underlying and £1.9m of non-underlying charges, mainly applying to H2 2018. Although these were not allocated by division in the FY 2018 results announcement, our understanding is that all but £0.52m of these were applicable to the Built Environment division, with the remainder being related to the Directors' Performance Share Plan (PSP). Hence, we have applied the latter to H2 2018 corporate expenses and the remainder to Built Environment, again in H2 2018.

## Cashflow and balance sheet

| Year-end December (£m) | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|
| **Adjusted cashflow statement** | | | | | | | |
| Group op. profit, inc exc | 0.8 | 2.2 | 9.3 | 6.1 | 7.6 | 8.0 | 8.4 |
| Depreciation | 2.0 | 2.4 | 3.6 | 4.2 | 4.4 | 4.5 | 4.6 |
| Intangible amortisation | - | - | - | - | - | - | - |
| Other, non-cash | (0.1) | (0.3) | (0.4) | 0.5 | - | - | - |
| Changes in working capital | 1.7 | 3.9 | (0.9) | 12.5 | (10.0) | 1.5 | 1.6 |
| **Operating cash flow** | **4.4** | **8.2** | **11.6** | **23.2** | **2.0** | **13.9** | **14.6** |
| Capex | (0.9) | (0.8) | (2.3) | (2.3) | (5.0) | (5.5) | (6.0) |
| Interest | (0.4) | (0.2) | (0.1) | (0.1) | (0.2) | (0.2) | (0.2) |
| Tax | 0.0 | 0.1 | (0.1) | (0.5) | (1.4) | (1.5) | (1.6) |
| **Free cashflow** | **3.2** | **7.3** | **9.1** | **20.3** | **(4.6)** | **6.8** | **6.9** |
| Acquisitions | - | - | - | - | - | - | - |
| Dividends - paid | - | (0.2) | (0.6) | (0.9) | (1.9) | (2.1) | (2.2) |
| Financing | (2.0) | (2.4) | (2.8) | (3.1) | - | - | - |
| **Change in net cash/(debt)** | **1.2** | **4.8** | **5.7** | **16.3** | **(6.5)** | **4.7** | **4.6** |
| **Summary balance sheet** | | | | | | | |
| Intangible fixed assets | - | - | - | - | - | - | - |
| Tangible fixed assets | 12.8 | 13.7 | 18.2 | 22.6 | 23.2 | 24.2 | 25.6 |
| Investments | 0.7 | 1.4 | 1.2 | 0.9 | 0.9 | 0.9 | 0.9 |
| Working capital | (5.3) | (9.2) | (18.0) | (30.5) | (20.5) | (22.0) | (23.6) |
| Provisions, others | (0.3) | (0.6) | (0.6) | (0.5) | (0.5) | (0.5) | (0.5) |
| Retirement benefit liabilities | - | - | - | - | - | - | - |
| Net cash/(debt) | 2.4 | 7.4 | 12.0 | 25.7 | 19.2 | 23.9 | 28.5 |
| **Net assets** | **10.2** | **12.7** | **12.8** | **18.2** | **22.2** | **26.4** | **30.9** |

***Source: Company, Progressive Equity Research estimates***

# Investment case: sustainable development

**Focus on largely non-discretionary infrastructure investment should support sustainable earnings growth**

The group's activities, financial drivers and markets in which it operates are described in detail in our initiation note, *Sustainable development*, 20 May 2019. Here we summarise some of the key characteristics.

## nmcn in brief

The group was founded in 1946 as North Midland Construction and, together with its water-focused subsidiary Nomenca, was rebranded as nmcn last year. It now consists of two segments: Water (72% of FY 2018 revenue and a similar proportion of profit) and Built Environment. (Longer-term the aim is for a more even balance in revenue and earnings between the two segments.)

The majority of group revenue is underpinned by direct government projects or priority sectors for the administration. These include:

- **Water:** The main driver is the series of consecutive five-year AMP investment programmes. The next, 'AMP 7', starting in 2020, will be worth c. £50bn, a £6bn increase over the current AMP 6 programme.
- **Roads:** The equivalent for the roads sector of AMP is the five-year 'Roads Investment Strategy' (RIS2), for motorways and major roads, which will run from April 2020. RIS1 was worth £15bn and the budget for RIS2 will be finalised soon.
- **Telecoms:** A lack of mobile phone and broadband coverage in large swathes of the country has become an increasingly political issue. Workloads will continue to be driven by the roll-out of broadband networks, in urban and rural environments by BT Openreach and Virgin Media together with new market entrants.
- **Housing.** We see build-to-rent as a potential growth market, building on success in the related field of student housing. It also undertakes limited development projects.

## Sustainability of client relationships

**Financial strength of suppliers increasingly key in clients' decision-making**

There appears to be growing evidence since the collapse of Carillion, insolvency of Interserve and failure of many other smaller construction companies, that major customers – both from the public and private side – are placing greater emphasis on the financial strength of suppliers, rather than purely price, and on collaborative working.

nmcn's net cash contrasts with the indebtedness of some of its major competitors, present and past. Carillion was placed in compulsory liquidation in January 2018 with liabilities of £7bn; Interserve's net debt was £631m before its administration and Kier was compelled to raise £264m in a rights issue in Q4 2018 after revealing net debt of £624m at the previous quarter end.

**Net cash has operational, not just financial, benefits for suppliers**

Demonstrating a sufficient level of net cash is not only a benefit in terms of balance sheet ratios, and in attracting better clients, but in our view, has an operational benefit. Being in a heavily indebted position can tempt companies to bid aggressively low, or without sufficient due diligence, since construction contracts often generate disproportionately high levels of cash at the beginning of the building process, but can swing to losses before and after completion, thus compounding financial stress.

Financially robust companies do not have the same imperative to 'chase' work. A common theme we have observed over the past two or three results seasons is that managements from the better capitalised peers have emphasised 'selectivity' in bidding for contracts in their core construction segments. This has generally resulted in a lack of growth in volumes, but our view is that the margins, risk profile or both have improved.

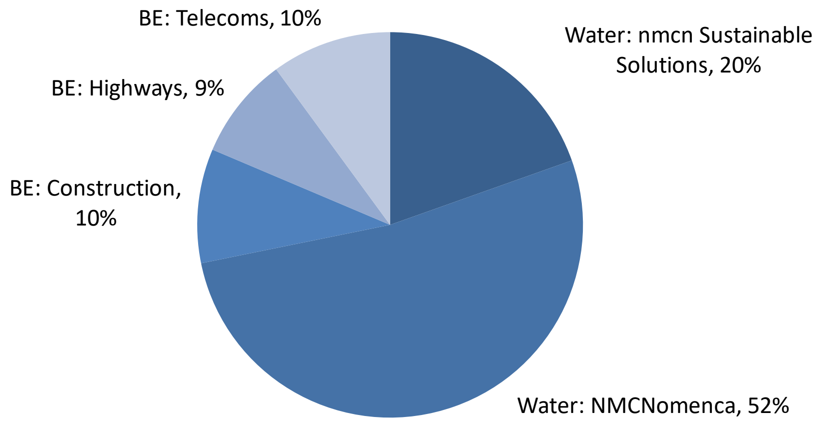
## Aiming for earnings sustainability

**Incoming Chief Executive led wide-ranging strategy focusing on cash, margins and risk management**

The group was hit by a number of loss-making legacy contracts, which were bid for in the recession, prior to 2013. A more focused group strategy was introduced in 2017, following the arrival of John Homer as Chief Executive in mid-2016. This was aimed at not only maximising underlying operational and financial performance, but equally to continue the focus on risk management, which was stepped up post-2013. Six key objectives were established:

- **Driving cash.** Improve cash management and reporting throughout the entire working process, including from the outset making the cash profile of projects part of the process of the selection and drafting of contracts
- **Prevent losses.** In our experience, the cause of most losses across the industry has been poor selection of clients or projects; inaccurate costing or programming; unclear contractual terms; and poor communications within the company and with clients and supply chains. A process of continuous improvement was a key part of the strategy.
- **Improve profit.** Preventing losses is a vital aspect of improving profitability; ongoing margin improvement will include reduction in waste and the use of lean construction techniques as well as innovative approaches to initial design
- **Develop, maintain and protect people.** Construction is very much a ‘people’ business; recruitment and, importantly, retention is critical, and should be fostered by ongoing personal development. The company emphasises its ‘family feel’
- **Enhance brand image.** The company has introduced an Improving Customer Experience Panel (iCEP) with the aim of enhancing the retention of existing clients and attracting new ones
- **Effective communication.** The company rebranded in 2018, a move it reports has been very well received by their existing customers and continues to provide a platform to secure new ones.

**Revenue by end market, H1 2019 (%)**




***Source: Company***

## Financial Summary: nmcn

**Year end: December (£m unless shown)**

| **PROFIT & LOSS** | **2017** | **2018** | **2019E** | **2020E** | **2021E** |
|---|---|---|---|---|---|
| Revenue | 302.3 | 340.5 | 347.5 | 362.5 | 378.1 |
| Adj EBITDA | 14.3 | 10.3 | 12.0 | 12.5 | 13.0 |
| Adj EBIT | 10.7 | 6.2 | 7.6 | 8.0 | 8.4 |
| Reported PBT | 9.1 | 6.0 | 7.4 | 7.8 | 8.3 |
| Fully Adj PBT | 10.6 | 6.0 | 7.4 | 7.8 | 8.3 |
| NOPAT | 8.5 | 4.9 | 6.1 | 6.4 | 6.8 |
| Reported EPS (p) | 71.2 | 47.2 | 58.7 | 61.8 | 65.6 |
| Fully Adj EPS (p) | 82.7 | 44.7 | 57.2 | 60.3 | 64.0 |
| Dividend per share (p) | 6.0 | 18.0 | 20.0 | 21.0 | 22.0 |
| | | | | | |
| **CASH FLOW & BALANCE SHEET** | **2017** | **2018** | **2019E** | **2020E** | **2021E** |
| Operating cash flow | 11.6 | 23.3 | 2.0 | 13.9 | 14.6 |
| Free Cash flow | 9.1 | 20.3 | (4.6) | 6.8 | 6.9 |
| FCF per share (p) | 89.2 | 199.2 | (45.1) | 66.7 | 67.2 |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Disposals | | | | | |
| Shares issued | | | | | |
| Net cash flow | 5.7 | 16.4 | (6.5) | 4.7 | 4.6 |
| Overdrafts / borrowings | 6.4 | 7.6 | 7.6 | 7.6 | 7.6 |
| Cash & equivalents | 17.0 | 33.4 | 26.8 | 31.5 | 36.1 |
| Net (Debt)/Cash | 10.6 | 25.7 | 19.2 | 23.9 | 28.5 |
| | | | | | |
| **NAV AND RETURNS** | **2017** | **2018** | **2019E** | **2020E** | **2021E** |
| Net asset value | 12.8 | 18.2 | 22.2 | 26.4 | 30.9 |
| NAV/share (p) | 126.2 | 179.0 | 212.3 | 252.2 | 294.8 |
| Net Tangible Asset Value | 12.8 | 18.2 | 22.2 | 26.4 | 30.9 |
| NTAV/share (p) | 126.2 | 179.0 | 212.3 | 252.2 | 294.8 |
| Average equity | 11.9 | 14.6 | 17.7 | 22.3 | 26.5 |
| Post-tax ROE (%) | 60.7% | 33.1% | 33.8% | 28.3% | 25.3% |
| | | | | | |
| **METRICS** | **2017** | **2018** | **2019E** | **2020E** | **2021E** |
| Revenue growth | | 12.6% | 2.1% | 4.3% | 4.3% |
| Adj EBITDA growth | | (28.0%) | 15.7% | 4.2% | 4.6% |
| Adj EBIT growth | | (42.6%) | 22.6% | 5.3% | 6.0% |
| Adj PBT growth | | (43.1%) | 23.2% | 5.3% | 6.1% |
| Adj EPS growth | | (45.9%) | 27.9% | 5.3% | 6.1% |
| Dividend growth | | 200.0% | 11.1% | 5.0% | 4.8% |
| Adj EBIT margins | | 1.8% | 2.2% | 2.2% | 2.2% |
| | | | | | |
| **VALUATION** | **2017** | **2018** | **2019E** | **2020E** | **2021E** |
| EV/Sales (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| EV/EBITDA (x) | 2.0 | 2.8 | 2.5 | 2.4 | 2.3 |
| EV/NOPAT (x) | 3.4 | 5.9 | 4.8 | 4.6 | 4.3 |
| PER (x) | 6.6 | 12.1 | 9.5 | 9.0 | 8.5 |
| Dividend yield | 1.1% | 3.3% | 3.7% | 3.9% | 4.1% |
| FCF yield | 16.4% | 36.7% | (8.3%) | 12.3% | 12.4% |

***Source: Company information and Progressive Equity Research estimates***

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