

## Is change afoot?

The trading update for the six months to September covers three areas: trading, indebtedness and the Board. With Billi and Consumer goods performing to plan, the Controls division remains the outlier, reflecting a slower than hoped for recovery in its markets. We have reduced estimates as a result, with adj. PBT / EPS declining by 9.7%.

With declining profitability, the net debt/EBITDA covenant ratio has risen to 2.5x, albeit this remains below the leverage ceiling, and the Group has introduced means to accelerate the debt reduction process. The CEO, Mark Bartlett, is to stand down from both his position and the Board by the end of May 2026, by mutual agreement. A search process for his successor is currently underway.

### A shift in mood

The company's response to the latest reduction in estimates is a significant one. A refocus on accelerating debt reduction by decreasing production volumes at its Chinese manufacturing facility, in turn should allow the Group to sell down its inventory and generate cash of c.£8m by March 2026. A further £2m will be generated from the implementation of debt factoring in Italy, with a comprehensive review of operational and capital expenditure, thereby resulting in the net debt/EBITDA covenant falling to 1.5x within 12-18 months. The FY24 dividend was also cancelled in the interests of the debt reduction programme.

Strix's profile is also changing in two notable ways: Chinese OEMs becoming more responsive for the first time following the tariff shock, and management's renewed commitment to shareholder value. Enquiry levels have improved following October's Canton Fair, although it remains too soon to get carried away. We note the line in the trading update which suggests the Board is assessing a variety of operational and corporate actions to enhance shareholder value. This is covered in greater detail within the [valuation section](#).

### A reduced fair value is still at a premium to the share price

Our fair value is based on a comparative peer group model, utilising PER, EV/EBITDA and EV/Sales, having discounted the Price/Book outlier. The recalculated outcome is 89p / share (down from 95p) to reflect the reduction in estimates but remains at a significant premium to the current share price.

Forecasts				
Yr. to Dec, £m	FY22A	FY23A	FY24A	15 mths to Mar '26
Revenue	108.6	143.8	144.0	163.0
Adj. PBT	22.2	22.3	18.5	14.7
Adj. EPS (p)	10.8	9.2	6.6	5.4
DPS (p)	6.0	0.9	0.0	0.0
Net debt	-87.4	-83.7	-63.7	-64.0
EV/EBITDA	5.1	4.1	4.0	4.2
PER	3.3	3.9	5.4	6.6
Yield %	16.9	2.5	0.0	0.0
Net debt/EBITDA	2.2	2.2	1.9	1.9

Source: Company histories, ED estimates

26 November 2025

#### Company data

EPIC	KETL.L
Price (last close)	36p
52 weeks Hi/Lo	61p/33p
Market cap	£81.3m
ED Fair Value / share	89p
Net debt Sept 2025A	£70.3m

#### Share price, p



Source: Investing.com

#### Description

Strix Group ("Strix") is a global leader in the design, manufacture and supply of kettle controls, heating and temperature controls, steam management and water filtration technologies.

The Group is backed by extensive and patented IP. It continues to innovate within the small domestic appliance and water filtration segments, with a focus on safety, design and sustainability. It has a majority share of its largest market, kettle controls and leading positions within the faster growing personal, domestic and corporate water filtration markets.

#### Next event

Year-end update April 2026

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## Further action to reduce indebtedness underway

### New forecasts

Change in estimates			
15-months to Mar, £m	Old 15 mths to Mar '26	New 15 mths to Mar '26F	Chg. %
Revenue	168.0	163.0	-3.0%
Adj. PBT	16.3	14.7	-9.6%
Adj. EPS (p)	6.0	5.4	-9.8%
DPS (p)	1.9	0.0	-100.0%
Net debt	-67.7	-64.0	-5.5%
Net debt/EBITDA	2.0	1.9	-5.5%

Source: ED estimates

Revenues in the six months to 30 September amounted to £64.6m, representing an uplift of 6.8% over the levels reported at interim results. However, Q1 historically represents the quietest quarter, with each successive quarter generally delivering an improved performance, peaking in Q4 (calendar year). This implies that while modest growth was secured sequentially in Q3, the decline you increased from the 8.5% witnessed in H1.

The subsequent fall in gross profit fall to £58.3m (from £60.1m previously) reflects the reduction in revenue generation. We have maintained gross margins for the 15-month period at 35.8%. The GP% is lower you to reflect the change in sales mix, reflecting a rising proportion of sales derived from contract manufacturing and relatively lower regulated controls sales.

On the assumption of unchanged expectations for OpEx and other operating income, EBIT falls to £24.2m (previously £25.8m). With net interest unchanged at £9.5m, notwithstanding the debt factoring in Italy, resulting in adj. PBT of £14.7m and adj. EPS of 5.4p.

The rise in net debt/EBITDA to 2.5x at the end of September (up from 2.2x in June), mostly reflects the reduction in profitability associated with the Controls division. Net debt has increased modestly during Q3 to £70.3m, which compares to £68.8m as of June 2025. With the decision taken to cancel the final dividend due for FY24 we believe it prudent to omit a dividend forecast for FY2025/26 given the intention to reduce debt levels further.

**We now expect net debt to decline to c.£64m** (previously £69.6m) by the 15-month period end as:

- The final accelerated Billi acquisition loan payment of £3.5m falls due in November, thereby enabling a targeted reduction of the revolving credit facility (RCF)
- A marked reduction in production volumes within the Chinese manufacturing facility to remove £8m of excess inventory by March 2026
- Debt factoring has been introduced at LAICA in Italy to reduce receivables by £2m, and
- Continued careful control of operational and capital expenditure.

Our expectation, based on our revised estimates suggests that the net debt/EBITDA multiple should decline to 1.9x by the end of March 2026. **The Board has targeted a net debt/EBITDA covenant ratio of 1.5x within 12-18 months.**

## Controls

This latest estimate revision reflects the slower than hoped for recovery from a challenging Q2 within Controls, mostly driven by:

- The imposition of tariffs (creating widespread macroeconomic uncertainty, not least for its Chinese OEM customers) and,
- A rise in copyist activity generally as they raise their sights beyond the entry level in less regulated markets, also targeting online sales in the US.

Following two broadly stable (albeit disappointing) quarters, there are signs of activity levels improving. This improvement is despite the US, South Africa and Turkey remaining disappointing.

With the introduction of the low-cost control in FY24 and, more recently, the next generation control, the Group has positioned itself to access a broader segment of the marketplace than before. This enhanced capability now enables the Group to pursue expansion into related product segments. We expect this will potentially take market share back from the lower cost producers and copyists. Strix has a long history of defending its IP against copyists. We expect this trend to continue against the latest threat, covering several actions.

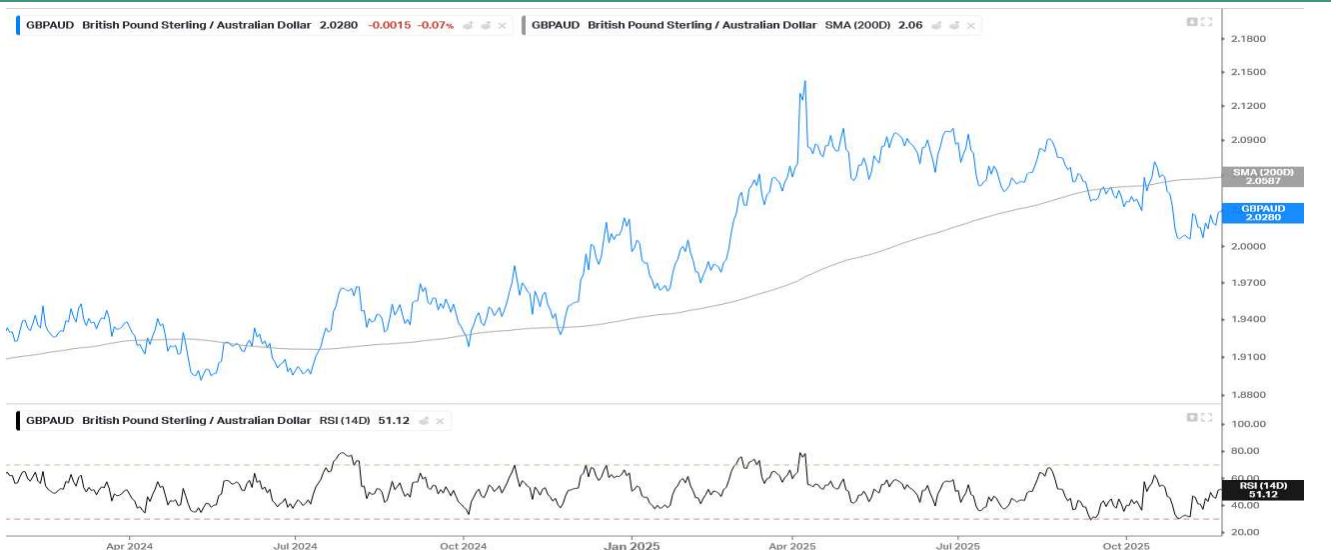
## Billi

Billi has continued the trend of delivering double-digit growth in the six months to the end of September. However, at actual exchange rates this equated to c.4% to 5% in sterling terms. We show the movement in the Australian dollar versus sterling in the chart below over the period from the beginning of 2024. The average exchange rate changed by 5.8% yoy (April to the end of September), with the GBP vs. AUD rate moving from 1.93 to 2.05.

The reasons for good progress YTD centre on a combination of:

- Recent product launches (H2 24 – OmniOne and the Multi-Function Tap) across several markets
- Market share gains in its home market, Australia, and
- The geographical roll-out strategy encompassing additional distributors and service agents across Europe and APAC.

### GBP vs. AUD from January 2024



Source: Koyfin

The division has future-proofed its expansion following the opening in September of a new headquarters and manufacturing facility in Melbourne. The capacity of the new facility has increased 70% and includes:

- A 7,810 m<sup>3</sup> warehouse with smart logistics
- An expanded production facility
- A dedicated R&D hub
- A showroom to showcase the product range, and
- In-line with the remainder of the Group, the site has strong environmental credentials, not least, solar power, rainwater harvesting and sustainable methods of construction.

**The new Billi HQ**


Source: Company

**Side view**


Source: Company

### Consumer Goods

The Consumer Goods division continues to deliver progress yoy during FY25 (+5% during H1 at AER) and follows two consecutive years of decline. The improvement YTD is underpinned by a combination of:

- The contract manufacturing of infant formula appliances on behalf of the global segment leader, within its Chinese operation
- A divisional restructure during FY24
- Additional white label contract manufacturing in the water filtration market and,
- The introduction of bespoke filtration products.

The rise in output of contract manufacturing has implications for the gross margin, which was partially offset by the introduction of the newer bespoke filters. One should also bear in mind that the contract manufacturing of baby formula appliances commenced in late FY24, suggesting that comparatives are likely to be tougher from here.

### Debt reduction

We have previously highlighted how the Group aims to reduce the net debt/EBITDA covenant ratio from 2.5x at the end of September to 1.5x, no later than May 2027. We find one sentence in the statement very interesting, **“to further accelerate debt reduction and in recognition of the current market capitalisation, the Board is assessing a variety of operational and corporate actions to enhance shareholder value”**. This suggests that no sensible options are being ruled out.

We note the delay in the refinancing of the Group's RCF, initiated by the Group ahead of the H1 results. The facility ends in early Q4 CY26. With the targeted accelerated debt reduction, the Board is aiming for improved terms on the new facility. Strix retains a positive working relationship with its banking syndicate.

### Board change

It has been announced that the Group CEO, Mark Bartlett (aged 62), will step down from his current role and from the Board as of 29 May 2026 by mutual agreement. Mark will have served the group in a variety of senior roles since joining in 2006, before acceding to CEO in 2015 and leading the group through the IPO process in 2017. We wish him a long and happy retirement.

A process is underway to identify Mark's replacement, led by the Chairman of the Group, Gary Lamb. The expectation is that the new CEO-designate will benefit from an adequate overlap with Mark ahead of his exit from the Group.

### Valuation

Considering the Board is assessing all means of enhancing stakeholder value, we shall take a quick look at that potential value. Our historic comparative peer group analysis suggests an average fair value / share of 107p. We have adjusted our FY2025/26 estimate by 20% to account for the additional quarter in the current trading period (including two January to March periods, which represent the weakest period in the financial year), and have then discounted the applied sector rating by 10% to accommodate the general size differential versus its peers. To ensure we are maintaining a conservative view, our fair value / share assumption excludes the Price / Book outlier, further reducing the fair value / share to **89p**.

The following table demonstrates a divisional split of gross profits, signifying where the real value of the business lies. We have adjusted the Group data to approximate 12-month estimates, from the divisional 15-month figures lifted from our current year financial model. What is evident from this exercise is that the greatest value remains within Controls and Billi.

Unlocking value					
FY 2025/26, £m	Controls	Billi	Consumer Goods	Group	Disc. To 12 months
<b>Revenue</b>	68.6	55.5	38.8	163.0	135.8
<b>Gross Profit</b>	24.4	24.0	9.8	58.3	48.6
<b>OpEx</b>				-34.3	-28.6
<b>EBIT</b>				24.0	20.0

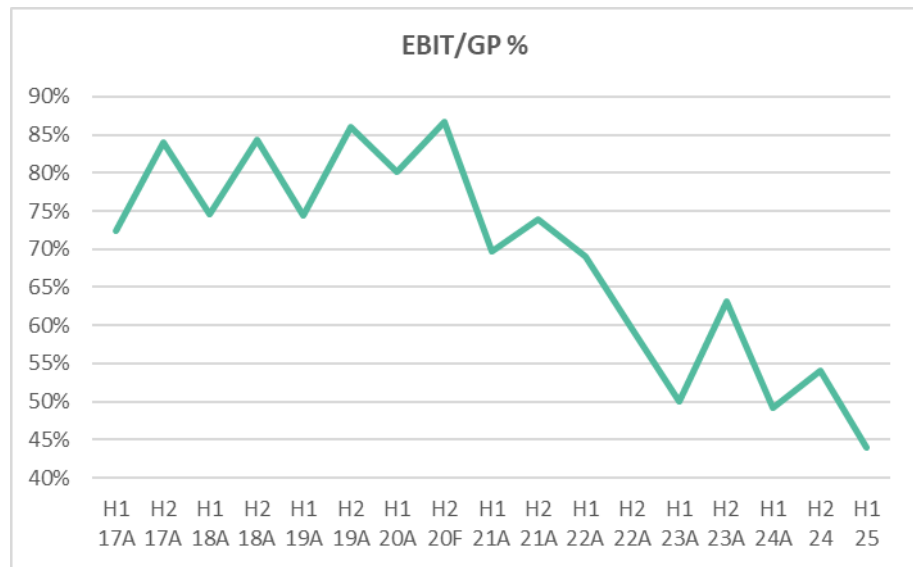
*Source: Equity Development*

Notwithstanding the increased competitive pressures in the challenging kettle control market, Controls retains a majority stake in a market that has been broadly static since FY22. While gross margins remain under pressure, they continue at attractive levels.

There has been a modest improvement in call offs by its customer base, suggesting early signs of movement in its markets. With internal expectations suggesting a clearance of the excess inventory by the end of March 2026, a return to more normal production levels should ensue from early FY2026/27.

We highlight the decline in operational gearing in the chart below. One should bear in mind that any recovery in activity levels could well result in a marked improvement in profitability. Based on the potential for recovery and its strong cash generative capabilities, we think it is likely that the Controls division remains a core component of the future Strix Group.

**Operational gearing at a historic low**



Source: Company

The Group acquired Billi for £38m (A\$65m) in late 2022. At the time, revenues amounted to c. £44m and adj. EBITDA of £10.2m was delivered. With EBITDA expected to be markedly ahead of this level in the current year and with impressive growth characteristics (in constant currency terms), high and defensible gross margins and attractive end markets, we think Billi remains core to the future Group, notwithstanding it potentially being the most attractive component.

The return to growth in Consumer Goods augurs well, albeit margins remain under pressure owing to the changing mix of sales as a higher proportion of contract manufacturing is undertaken. With the pertinent IP utilised within contract manufacturing owned by the Group and a high proportion of it manufactured within the Chinese facility (baby formula appliances), one surmises that a substantial minority of the divisional revenues would be retained were LAICA to be sold.

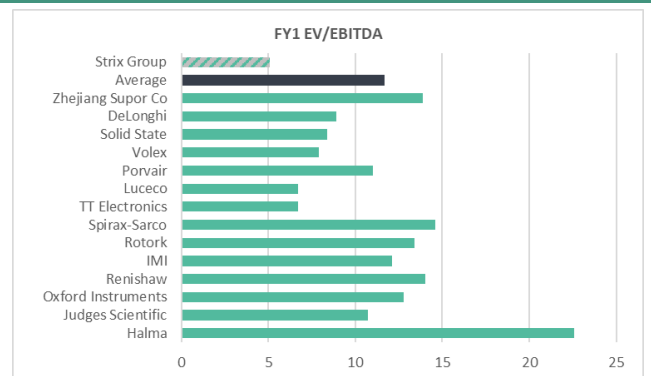
In addition, filters could potentially be manufactured in China for use within Billi. A thought worth considering, but only our opinion and not suggested by the Group.

**Peer group comparative: FY1 PER (x)**

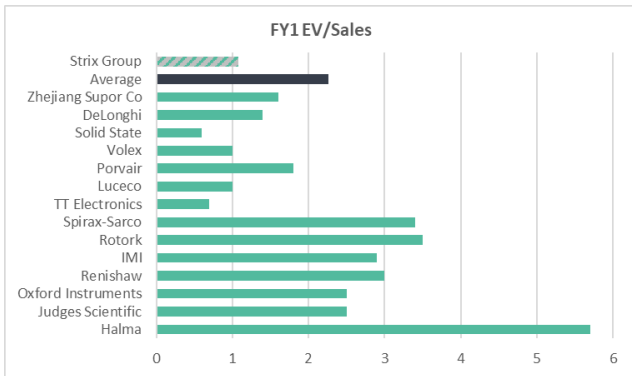


Source: Koyfin

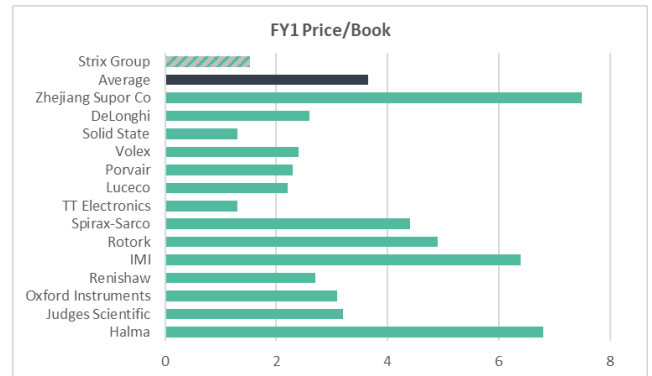
**Peer group comparative: FY1 EV/EBITDA (x)**



Source: Koyfin

**Peer group comparative: FY1 EV/Sales (x)**


Source: Koyfin

**Peer group comparative: FY1 Price/Book (x)**


Source: Koyfin

**Fair value**

	FY25 fair value
<b>PER (x)</b>	76
<b>EV/EBITDA (x)</b>	102
<b>EV/Sales (x)</b>	89
<b>Price/Book (x)</b>	177
<b>Average (excl. outlier)</b>	<b>88.9</b>

Source: Koyfin, ED

## Financials

Summary Profit & Loss				
Year to Dec/15 months, £m	2022A	2023A	2024A	03/2026F
<b>Controls</b>	68.2	70.1	69.5	68.6
<b>Billi</b>	3.2	41.3	43.1	55.5
<b>Consumer Goods</b>	37.1	32.4	31.5	38.8
<b>Revenue</b>	108.6	143.8	144.0	163.0
<b>CoGS</b>	-67.1	-86.5	-90.0	-104.7
<b>Gross profit</b>	41.5	57.3	54.0	58.3
<b>Gross margin (%)</b>	38.2%	39.8%	37.5%	35.8%
<b>Op costs</b>	-16.4	-25.2	-26.9	-34.6
<b>Other Op. income</b>	0.8	0.4	0.4	0.5
<b>Operating profit</b>	25.9	32.5	27.5	24.2
<b>Op margin (%)</b>	23.8%	22.6%	19.1%	14.9%
<b>Net Interest</b>	-3.7	-10.2	-9.0	-9.5
<b>Associates</b>	0.0	0.1	0.0	0.0
<b>PBT (Adjusted)</b>	22.2	22.3	18.5	14.7
<b>Exceptionals</b>	-5.9	-4.2	-13.5	-2.9
<b>PBT (Reported)</b>	16.2	18.2	5.0	11.8
<b>Tax</b>	0.8	-1.5	-3.0	-1.9
<b>Adj. PAT</b>	23.0	20.8	15.5	12.8
<b>Minority interests</b>	-0.1	0.0	0.0	0.0
<b>Adj. Earnings</b>	22.9	20.5	15.5	12.8
<b>Reported PAT</b>	17.0	16.7	2.0	9.9
<b>Ordinary Dividends</b>	-13.1	-2.0	0.0	0.0
<b>EPS (Adjusted) (p)</b>	10.8	9.2	6.6	5.4
<b>DPS (p)</b>	6.0	0.9	0.0	0.0
<b>Ave no of shares (FD) (m)</b>	212.5	222.1	229.8	237.0

Source: Company historics, Equity Development estimates

Summary Cash Flow				
Year to Dec/15 months, £m	2022A	2023A	2024A	03/2026F
Operating profit	25.9	32.5	27.5	24.2
Depn. & Amortn.	6.3	8.7	9.5	10.3
Working capital movement	-2.6	2.3	4.4	-6.7
Other	-6.3	-7.4	-8.9	-4.1
Operating cash flow	23.2	36.2	32.5	23.7
Net Interest	-3.2	-7.4	-8.5	-9.5
Taxation	-1.2	-1.3	-3.7	-2.5
Net capex	-8.6	-8.0	-8.1	-12.0
Operating FCF	10.3	19.4	12.2	-0.2
Net (Acquisitions)/Disposals	-39.3	-6.5	-0.6	0.0
Dividends	-17.3	-9.1	0.0	0.0
Share Issues	10.7	-0.2	8.4	0.0
Minority payment	0.0	0.0	0.0	0.0
Other financial	-0.6	0.0	0.0	0.0
Increase Cash/(Debt)	-36.2	3.7	20.0	-0.2
Opening Net Cash/(Debt)	-51.2	-87.4	-83.7	-63.7
Closing Net Cash/(Debt)	-87.4	-83.7	-63.7	-64.0

Source: Company historic, Equity Development estimates

Abbreviated Balance Sheet				
Year to Dec/15 months, £m	2022A	2023A	2024A	03/2026F
Intangible Assets	73.4	71.6	63.0	59.1
Tangible Assets	43.7	46.2	44.1	49.7
Investments/other	3.7	1.0	1.5	1.5
Net Working Capital	19.0	20.9	12.9	19.6
Capital Employed	139.8	139.7	121.6	130.0
Other	-2.8	-3.6	-2.5	-2.5
Net Cash/(Debt)	-87.4	-83.7	-63.7	-64.0
Provisions Liabilities/Charges	-12.3	-10.8	-9.7	-9.7
Net Assets	37.2	41.6	45.6	53.7

Source: Company historic, Equity Development estimates

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