

14 May 2025

Positive AGM statement; growth strategy on track

Restore's trading update yesterday confirmed a positive start to the year, with revenue growth in the first four months underpinned by the performance of the core storage business. The period has also seen three acquisitions, confirming management's ambitions to bolster organic growth with selective M&A. Restore is a high-quality business with strong margins and a high level of contracted and recurring revenues. Whilst the shares are showing early signs of a recovery in momentum, the valuation remains, in our view, compelling. We reiterate our 400p Fair Value estimate.

Positive trading year to date

Yesterday's update confirmed an increase in revenues, underpinned by the highly reliable storage business, which accounts for the lion's share of the Information Management division (IM representing c.60% of Group revenue in FY24). Whilst last year's performance was all about margin enhancement, the focus for FY25 is revenue growth alongside continuing underlying margin progress. We expect this to translate into double digit earnings growth for the second year running.

Clear strategy to deliver organic and acquisitive growth

Recent months have seen a notable return to the M&A trail, initially via the £33m acquisition of Synertec in March 2025. We upgraded our earnings forecasts by 7%-8% at the time, noting the business' market leading position in document solutions and processes and longstanding relationships with major public sector and commercial organisations. More recently, Restore has made two bolt-on acquisitions within its Datashred division, including the £7.9m acquisition of Shred-on-Site. This business provides on-site shredding to over 3,900 customers, predominantly in the South East of England. The business is expected to contribute revenue of c.£3.5m over the remainder of FY25. We reflect this in our numbers this morning but prudently leave our earnings forecasts unchanged at this stage. The management team has an excellent track record of delivering value-enhancing M&A and we expect this to be a feature of the medium-term growth strategy.

On track to deliver full year expectations, compelling valuation

The Board remains confident of achieving its full year expectations, with all divisions expected to deliver an increase in adjusted profit for the full year. Valuation metrics remain very attractive by historic standards (<11x P/E and c.6x EV/EBITDA for FY26) and our 400p Fair Value estimate equates to an undemanding FY26 P/E rating of c.17x (c.8x EV/EBITDA).

Company data

EPIC	RST.L
Price (last close)	247p
52 weeks Hi/Lo	296p/207p
Market cap	£335m
ED Fair Value / share	400p
Net cash / (debt) 2024A	(£89m)
Avg. daily volume	459k

Share price, p



Source: investing.com

Description

Restore is a leading provider of records management (physical document archiving), digitisation and secure recycling of paper and technology assets. In all these areas, it has a strong market position (either number 1 or 2 in the UK) and an excellent reputation across a customer base of blue-chip businesses and government/ public sector organisations. Restore is also the UK market leader in commercial relocations.

Next event

Interim results: Tuesday 29th July

James Tetley (Analyst)

0207 065 2690
james.tetley@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

Key financials & valuation metrics

Year-end Dec, £m	2022A	2023A	2024A	2025E	2026E	2027E
Sales	279.0	277.1	275.3	342.0	366.7	377.1
EBITDA	81.5	77.1	82.4	89.2	93.1	96.3
Adjusted PBT	41.0	30.3	34.4	39.5	43.1	46.5
FD EPS (p)	24.1	16.9	18.7	21.2	23.1	24.9
DPS (p)	7.4	5.2	5.5	5.8	6.0	6.0
Net Cash/(Debt)*	(218.4)	(201.3)	(229.0)	(255.6)	(233.4)	(206.8)
Net Cash/(Debt)**	(103.5)	(97.8)	(89.0)	(115.6)	(93.4)	(66.8)
P/E	10.3x	14.6x	13.2x	11.6x	10.7x	9.9x
EV/EBITDA*	6.8x	7.0x	6.8x	6.6x	6.1x	5.6x
Dividend yield	3.0%	2.1%	2.2%	2.3%	2.4%	2.4%
FCF yield	5.2%	5.0%	5.8%	6.6%	8.9%	10.2%

Source: ED analysis, IFRS 16 basis * including leases ** excluding leases, Shares priced at COB 13/05/25

Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Contact: info@equitydevelopment.co.uk | 020 7065 2690