

10 April 2025

A reassuringly solid FY25 performance

A year-end update from Norcros confirmed modest LFL revenue growth in both divisions (including a slightly better H2 outturn) as well as a firmer group operating margin. Net debt was in line with the prior year, representing c.1x EBITDA. There should be no headwinds from current global tariff machinations, and ongoing business collaboration and active portfolio management should be recurring themes going into FY26.

FY25 performance: In challenging local markets, LFL CER revenue performance improved in both of the company's primary operating regions in H2; marginally in the UK (H1: +0.9%, FY +1.0%), more notably so in South Africa (H1 -1.7%, FY +0.4%). In the **UK**, further market share gains are understood to have accrued from the company's established model, founded on a strong product and customer service offering. Given the importance of mix, we would expect that good performances from Triton, Merlyn and Grant Westfield contributed to the outturn. In addition, distribution consolidation activity (including Vado and Grant Westfield/Merlyn) should have provided some in-year benefits. Operations in **South Africa** have experienced a tough consumer backdrop and additional tile manufacturing capacity coming onstream has further impacted the trading environment. Tile Africa sources from both sister company JTSA and third-party suppliers, so is well-placed to balance its supply chain in these circumstances.

At the group level, using consensus EBIT of £43.0m, infers that H225 group revenue and EBIT were c.£180m and c.£23.3m respectively, giving an EBIT margin of 12.9%. (H1 10.5%, FY24 11.0%). Our FY25E EBIT is slightly above the market (at £43.7m versus £43m consensus), with approaching 90% of this generated in the UK. Norcros ended FY25 with c.£37m net debt (pre IFRS16), flat y-o-y and down from c.£45m at the interim stage.

Outlook: While global growth projections are under review given trade tariff uncertainties, Norcros has minimal US sales exposure and existing sourcing routes from China (into both the UK and South Africa) are unlikely to see any direct impact we feel. Further share gains and margin improvement in the UK - possibly with a faster interest rate cut trajectory – plus a challenged South African economy (including higher interest rates and softer Rand) set the near-term picture for Norcros. A strategic review of tile manufacturing operations in South Africa (JTSA) should complete during H126.

Valuation: On unchanged estimates, **Norcros is trading on a mid-single digit P/E**, offering a **dividend yield above 5%**. The latest DB pension triennial outcome (announced March 13) should have a positive impact on future cash flow and DCF valuation metrics; we will review our estimates and fair value with FY25 results in June.

Company Data	
EPIC	NXR
Price (last close)	198.5p
52 weeks Hi/Lo	283p/161p
Market cap	£178m
ED Fair Value / share	253.5p
FY25E net (debt)	(37.0)
Avg. daily volume	137k



Description

Norcros is a leading B2B designer and supplier of branded bathroom and kitchen products in its UK/Ireland, South African and selected export markets.

The portfolio of ten operating companies (6 UK, 4 South Africa) is characterised by strong individual brands, together providing product breadth and channel diversity from a strong supply chain base.

Next event

FY25 results – 12 June 2025

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Summary financials					
Year to March (£m)	2023	2024	2025E	2026E	2027E
Revenue	441.0	392.1	377.5	385.2	397.3
EBITDA - ED*	51.7	46.6	47.9	48.8	50.8
Pre-Tax Profit - company norm	41.8	36.4	37.2	38.1	40.0
EPS FD - company norm (p)	37.4	32.0	31.8	32.7	34.3
DPS (p)	10.2	10.2	10.4	10.6	10.8
Net cash / (debt) pre-IFRS16 basis	(49.9)	(37.3)	(34.7)	(23.8)	(12.7)
P/E (x)	5.3	6.2	6.2	6.1	5.8
EV/EBITDA* (x)	4.4	4.6	4.4	4.1	3.7
Dividend yield (%)	5.1%	5.1%	5.2%	5.3%	5.4%

Source: Company Annual Reports, Equity Development. *pre-IFRS16, before pensions cash.

Norcross: Income Statement

Year end: March	£m	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenue		300.1	331.0	342.0	324.2	396.3	441.0	392.1	377.5	385.2	397.3
Gross Profit		109.7	124.2	124.5	118.4	140.8	169.3	165.0	154.8	156.0	160.9
EBITDA - pre IFRS16 & SBP		34.7	42.5	39.0	40.1	48.1	53.5	48.4	49.7	50.6	52.6
EBITDA - company		33.8	41.3	38.6	37.9	45.4	50.5	45.7	47.0	47.9	49.9
EBIT - company norm		27.4	34.4	32.3	33.7	41.8	47.3	43.2	43.8	44.5	46.2
Net Bank Interest		(1.1)	(1.8)	(1.6)	(1.5)	(0.8)	(3.7)	(5.2)	(5.0)	(4.8)	(4.6)
IFRS16 Interest		0.0	0.0	(1.9)	(1.7)	(1.7)	(1.8)	(1.6)	(1.6)	(1.6)	(1.6)
Other financial		(1.9)	(1.7)	(1.7)	(1.6)	(1.9)	(2.5)	(1.8)	(1.1)	(1.3)	(1.3)
Profit Before Tax (ED norm)*		24.4	30.9	27.1	29.0	37.4	39.3	34.6	36.1	36.8	38.7
Profit Before Tax (company norm)		26.3	32.6	28.8	30.6	39.3	41.8	36.4	37.2	38.1	40.0
Intangible Amortisation		(2.2)	(3.5)	(3.7)	(3.7)	(3.7)	(6.2)	(6.5)	(6.5)	(6.5)	(6.5)
Other Non-Underlying Items		(4.2)	(4.3)	(9.3)	(3.8)	(0.2)	(12.0)	2.7	(22.8)	(1.3)	(1.3)
Profit Before Tax (reported)		13.5	25.4	15.0	18.5	33.0	21.7	32.6	7.9	30.3	32.2
Tax		(3.6)	(6.0)	(4.1)	(3.5)	(7.3)	(4.9)	(5.8)	(1.6)	(8.5)	(9.0)
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax (reported)		9.9	19.4	10.9	15.0	25.7	16.8	26.8	6.3	21.8	23.2
EPS FD - ED norm (p)		26.8	29.6	26.1	29.6	35.9	34.6	30.0	30.6	31.3	32.9
EPS FD - company norm (p)		29.5	31.7	28.2	31.1	38.2	37.4	32.0	31.8	32.7	34.3
EPS FD - reported (p)		14.1	23.9	13.5	18.6	31.2	18.8	29.8	7.0	24.1	25.7
Dividend per share (p)		7.8	8.4	3.1	8.2	10.0	10.2	10.2	10.4	10.6	10.8
Shares - Avge (m)		68.0	80.2	80.3	80.6	80.9	88.1	89.0	89.6	89.6	89.6
Shares - Period End (m)		80.2	80.9	80.6	80.8	81.0	89.3	89.6	89.6	89.6	89.6
Margins (%)											
Gross Profit		36.5	37.5	36.4	36.5	35.5	38.4	42.1	41.0	40.5	40.5
EBITDA - pre IFRS16 & SBP		11.6	12.8	11.4	12.4	12.1	12.1	12.3	13.2	13.1	13.2
EBITDA - company		11.3	12.5	11.3	11.7	11.5	11.5	11.7	12.4	12.4	12.6
EBIT company norm		9.1	10.4	9.4	10.4	10.6	10.7	11.0	11.6	11.5	11.6

Source: Company, Equity Development (ED). ED norm includes IAS19R administration & other financial costs

Norcross: Cash Flow Statement

Year end: March	£m	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
EBITDA pre IFRS16 & SBP		34.7	42.5	39.0	40.1	48.1	53.5	48.4	49.7	50.6	52.6
Change in working capital		(2.8)	(2.1)	(4.8)	21.8	(23.6)	(13.3)	3.3	(13.1)	(2.2)	(3.4)
Other		(8.4)	(5.1)	0.6	(1.9)	(1.2)	(2.5)	(2.7)	(2.0)	0.8	0.6
Operating Cash Flow		23.5	35.3	34.8	60.0	23.3	37.7	49.0	34.6	49.2	49.8
Tax paid		(4.9)	(4.6)	(5.3)	(3.5)	(6.5)	(7.7)	(5.6)	(1.4)	(7.7)	(8.1)
Investing Activities		(66.8)	(7.6)	(14.0)	(2.8)	(5.4)	(84.3)	(7.3)	(9.0)	(9.0)	(9.0)
Income from associates & JVs		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible Fixed Assets purchased		(7.7)	(5.6)	(4.8)	(2.8)	(5.4)	(6.0)	(7.3)	(9.0)	(9.0)	(9.0)
Tangible Fixed Assets disposed		0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition consideration		(59.1)	(2.1)	(9.2)	0.0	0.0	(78.3)	0.0	0.0	0.0	0.0
Disposal proceeds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other business investments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Activities		23.4	(9.3)	(15.1)	(7.2)	(16.2)	(1.2)	(21.8)	(21.9)	(21.6)	(21.6)
Net finance income (cost)		(1.1)	(1.8)	(1.7)	(1.4)	(0.8)	(3.7)	(5.0)	(5.0)	(4.8)	(4.6)
IFRS16 interest		0.0	0.0	(1.8)	(1.8)	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
IFRS16 lease capital repayments		0.0	0.0	(3.8)	(4.3)	(4.7)	(4.6)	(4.9)	(4.9)	(4.9)	(4.9)
Equity Issued		30.1	(0.9)	(0.8)	0.3	0.1	18.1	(0.8)	(0.8)	(0.8)	(0.8)
Dividends paid		(5.0)	(6.4)	(7.0)	0.0	(9.1)	(9.2)	(9.1)	(9.2)	(9.3)	(9.5)
Other		(0.6)	(0.2)	0.0	0.0	0.0	0.0	(0.2)	(0.2)	0.0	0.0
Net Cash Flow		(24.8)	13.8	0.4	46.5	(4.8)	(55.5)	14.3	2.3	10.9	11.1
Opening cash/(net debt) pre IFRS16		(23.2)	(47.1)	(35.0)	(36.4)	10.5	8.6	(49.9)	(37.3)	(34.7)	(23.8)
Change in Net Cash		(24.8)	13.8	0.4	46.5	(4.8)	(55.5)	14.3	2.3	10.9	11.1
Other		0.9	(1.7)	(1.8)	0.4	2.9	(3.0)	(1.7)	0.3	0.0	0.0
Closing cash/(net debt) pre IFRS16		(47.1)	(35.0)	(36.4)	10.5	8.6	(49.9)	(37.3)	(34.7)	(23.8)	(12.7)
IFRS16 lease liabilities				(25.1)	(24.2)	(24.0)	(24.7)	(22.2)	(23.5)	(23.5)	(23.5)

Source: Company, Equity Development

Norcross: Balance Sheet

Year end: March	£m	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Non-Current Assets		147.9	138.0	150.8	141.2	158.8	226.8	224.5	211.3	213.3	215.2
Intangible Assets		98.9	94.9	96.5	93.6	90.3	167.1	161.2	155.0	148.5	142.0
Tangible Assets - Owned		45.0	42.3	29.0	28.0	29.0	24.8	28.1	12.4	16.5	20.3
Tangible Assets - RoU		0.0	0.0	20.6	19.6	19.9	20.0	18.0	19.6	19.6	19.6
Other Fixed Assets		4.0	0.8	4.7	0.0	19.6	14.9	17.2	24.3	28.7	33.3
Current Assets		165.1	169.5	188.7	171.0	200.7	216.2	200.8	195.9	210.1	226.1
Inventory		74.9	79.5	78.9	78.1	100.6	103.9	97.4	83.8	85.5	88.2
Trade Receivables		58.5	57.8	56.1	60.4	66.9	78.7	67.5	72.2	73.7	76.0
Other Debtors		5.9	5.0	6.4	4.2	5.8	4.6	5.1	8.4	8.4	8.4
Cash		25.8	27.2	47.3	28.3	27.4	29.0	30.8	31.6	42.5	53.6
Current Liabilities		(89.8)	(85.1)	(79.2)	(104.1)	(110.8)	(112.7)	(99.2)	(95.3)	(100.6)	(106.6)
Trade Payables		(41.1)	(44.6)	(41.2)	(49.5)	(56.6)	(50.8)	(45.4)	(49.1)	(50.1)	(51.7)
Other Creditors		(40.2)	(36.7)	(32.7)	(49.2)	(48.5)	(55.8)	(47.5)	(39.8)	(44.1)	(48.5)
IFRS16 Lease Liabilities				(5.2)	(5.4)	(5.7)	(6.1)	(6.3)	(6.4)	(6.4)	(6.4)
Short-term Debt		(8.5)	(3.8)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Current Liabilities		(118.6)	(96.7)	(155.9)	(59.7)	(48.4)	(119.9)	(103.7)	(93.6)	(92.8)	(91.9)
Long-term Debt		(64.4)	(58.4)	(83.6)	(17.8)	(18.8)	(78.9)	(68.1)	(66.3)	(66.3)	(66.3)
IFRS16 Lease Liabilities				(19.9)	(18.8)	(18.3)	(18.6)	(15.9)	(17.1)	(17.1)	(17.1)
Other Long-term Liabilities		(54.2)	(38.3)	(52.4)	(23.1)	(11.3)	(22.4)	(19.7)	(10.2)	(9.4)	(8.5)
Net Assets		104.6	125.7	104.4	148.4	200.3	210.4	222.4	218.3	229.9	242.8

Source: Company, Equity Development

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