

# Filtronic

Trading update

## Strong order intake drives FY25 upgrade

Filtronic has announced that order intake for FY25 is higher than anticipated and, consequently, it expects to deliver stronger results for FY25 than current market expectations. We assume this is due to additional orders from SpaceX and we upgrade our FY25 revenue by 11.8%, EBITDA by 22.7% and normalised diluted EPS by 28.3%. We maintain our FY26 revenue, EBITDA and PBT forecasts while we factor in a small tax charge as we assume tax losses are exhausted during FY26.

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
5/23	16.3	1.3	0.1	0.06	0.00	N/A	N/A
5/24	25.4	4.9	3.4	1.43	0.00	63.1	N/A
5/25e	48.1	13.7	11.5	4.87	0.00	18.5	N/A
5/26e	41.1	9.5	6.9	2.63	0.00	34.3	N/A

Note: PBT and diluted EPS are normalised, excluding share-based payments, amortisation of acquired intangibles and exceptionals.

## We assume the space market is driving upgrades

Filtronic has seen strong order momentum through the course of FY24 and FY25 to date. We assume that a large proportion of orders have been generated by SpaceX as it works to expand its Starlink satellite network and upgrade the broadband capacity of the network. Since the volume of orders to earn the maximum number of warrants in tranche 1 was reached a few months ago, the company no longer provides specific order information from this customer. This upgrade gives us confidence that Filtronic's recent investment in its operational capabilities has enhanced its ability to respond rapidly to customer demand.

## Upgrading FY25 forecasts; EPS boosted by 28.3%

We factor in an 11.8% uplift in FY25 revenue with around half dropping through to EBITDA, resulting in a 22.7% upgrade to EBITDA and the EBITDA margin expanding by 2.5pp to 28.5%. This results in a 28.3% upgrade to our normalised diluted EPS. With the substantial increase in profits, we estimate that the company will use up brought forward tax losses during FY26 and hence we introduce a 10% tax charge in FY26 which reduces FY26 EPS by 10%.

## Valuation: Factoring in stronger for longer

The share price has risen 17% since the last upgrade in mid-December. We have updated our reverse DCF for our new forecasts and for the higher cost of capital (higher bond yields and equity risk premium), increasing our WACC from 8.0% to 8.6%. This implies revenue growth of 14.7% per year for FY27–34 with an average EBITDA margin of 26.1% over that period. In our view, the relationship with SpaceX, the potential to widen the customer base in the space market and growing penetration of the aerospace and defence market all provide avenues for sustainable growth. The company reports H125 results on 4 February, when we expect an update on progress with pipeline conversion.

Tech hardware and equipment

13 January 2025

**Price** 90.25p

**Market cap** £180m

Net cash at end FY24 (includes £5.2m

PPE lease liabilities)

Shares in issue 219.0m

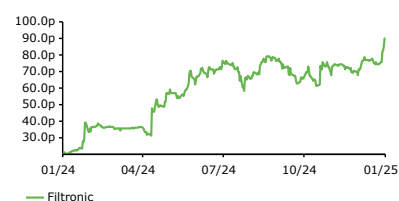
Free float 70.9%

Code FTC

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 16.7 27.5 291.7

52-week high/low 80.0p 19.6p

### Business description

Filtronic is a designer and manufacturer of advanced radio frequency communications products supplying a number of market sectors including mobile telecommunications infrastructure, space, public safety, aerospace and defence.

### Next events

H125 results 4 February

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**Exhibit 1: Changes to forecasts**

£m	FY25e old	FY25e new	Change	y-o-y	FY26e old	FY26e new	Change	y-o-y
Revenues	43.0	48.1	11.8%	89.0%	41.1	41.1	0.0%	-14.4%
EBITDA	11.2	13.7	22.7%	180.2%	9.5	9.5	0.0%	-30.9%
EBITDA margin	26.0%	28.5%	2.5%	9.3%	23.0%	23.0%	0.0%	-5.5%
Reported operating profit	9.3	11.8	27.3%	226.9%	7.3	7.3	0.0%	-38.5%
Reported operating margin	21.6%	24.5%	3.0%	10.4%	17.6%	17.6%	0.0%	-6.9%
Reported PBT	8.9	11.5	28.3%	241.2%	6.9	6.9	0.0%	-39.6%
Normalised net income	8.9	11.5	28.3%	259.7%	6.9	6.2	-10.1%	-45.7%
Reported net income	8.9	11.0	22.7%	249.2%	6.9	6.2	-10.1%	-43.2%
Normalised basic EPS (p)	4.10	5.26	28.3%	256.9%	3.16	2.84	-10.1%	-45.9%
Normalised diluted EPS (p)	3.80	4.87	28.3%	240.5%	2.93	2.63	-10.1%	-45.9%
Reported basic EPS	4.10	5.03	22.7%	246.4%	3.16	2.84	-10.1%	-43.5%
Net debt/(cash)	(8.2)	(9.1)	10.6%	73.4%	(13.8)	(15.1)	9.7%	66.7%

Source: Edison Investment Research

**Exhibit 2: Financial summary**

Year end May	£m	2020	2021	2022	2023	2024	2025e	2026e
<b>INCOME STATEMENT</b>								
Revenue		17.2	15.6	17.1	16.3	25.4	48.1	41.1
EBITDA		1.2	1.8	2.8	1.3	4.9	13.7	9.5
Operating profit (before amort. and excepts.)		0.4	0.6	1.6	0.2	3.7	11.8	7.3
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(0.6)	0.1	0.4	0.0	0.0	0.0	0.0
Reported operating profit		(0.2)	0.6	2.0	0.2	3.6	11.8	7.3
Net Interest		(0.2)	(0.4)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		0.1	0.1	1.5	0.1	3.4	11.5	6.9
Profit Before Tax (reported)		(0.4)	0.2	1.9	0.1	3.4	11.5	6.9
Reported tax		(0.1)	(0.2)	(0.4)	0.4	(0.2)	(0.5)	(0.7)
Profit After Tax (norm)		0.1	0.3	1.2	0.1	3.2	11.5	6.2
Profit After Tax (reported)		(0.5)	0.1	1.5	0.5	3.1	11.0	6.2
Discontinued operations		(1.4)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		0.1	0.3	1.2	0.1	3.2	11.5	6.2
Net income (reported)		(2.0)	0.1	1.5	0.5	3.1	11.0	6.2
<b>Average Number of Shares Outstanding (m)</b>								
Average Number of Shares Outstanding (m)		211.0	213.4	214.7	215.1	216.3	218.1	219.0
EPS - normalised (p)		0.05	0.14	0.54	0.07	1.47	5.26	2.84
EPS - normalised fully diluted (p)		0.05	0.14	0.53	0.06	1.43	4.87	2.63
EPS - basic reported (p)		(0.25)	0.03	0.68	0.22	1.45	5.03	2.84
Dividend (p)		0	0	0	0	0	0	0
<b>BALANCE SHEET</b>								
Fixed Assets		7.5	6.2	5.4	7.4	8.2	13.8	14.7
Intangible Assets		1.8	1.7	1.5	1.8	2.3	2.9	3.6
Tangible Assets		3.8	3.3	3.0	4.3	4.9	9.9	10.1
Investments & other		1.9	1.2	0.9	1.3	1.0	1.0	1.0
Current Assets		9.8	8.4	11.1	10.7	17.0	29.5	32.8
Stocks		2.9	2.2	2.6	2.8	3.3	6.2	5.3
Debtors		4.8	3.3	4.5	5.3	6.6	11.0	9.5
Cash & cash equivalents		2.0	2.9	4.0	2.6	7.2	12.3	18.1
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities		(6.0)	(3.6)	(4.0)	(4.8)	(8.2)	(12.5)	(10.7)
Creditors		(3.5)	(2.4)	(3.0)	(3.7)	(5.4)	(10.7)	(8.9)
Short term borrowings including lease liabilities		(0.7)	(0.6)	(0.5)	(0.6)	(0.9)	(0.9)	(0.9)
Other		(1.8)	(0.6)	(0.5)	(0.5)	(1.9)	(0.9)	(0.9)
Long Term Liabilities		(2.0)	(1.7)	(1.4)	(1.7)	(2.3)	(4.7)	(4.4)
Long term borrowings		(2.0)	(1.6)	(1.3)	(1.7)	(2.1)	(4.5)	(4.3)
Other long term liabilities		0.0	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
Net Assets		9.4	9.4	11.0	11.5	14.8	26.2	32.4
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		9.4	9.4	11.0	11.5	14.8	26.2	32.4
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax		1.2	1.8	2.8	1.3	4.9	13.7	9.5
Working capital		(1.7)	1.1	(0.8)	(0.4)	1.5	(3.1)	0.7
Exceptional & other		(3.3)	(1.0)	0.3	0.0	0.0	0.0	0.0
Tax		1.2	0.5	0.0	0.0	(0.0)	(0.5)	(0.7)
Operating Cash Flow		(2.6)	2.5	2.3	0.9	6.3	10.1	9.4
Capex (including capitalised R&D)		(1.2)	(0.4)	(0.3)	(1.5)	(1.6)	(4.2)	(2.3)
Acquisitions/disposals		3.7	0.0	0.0	0.0	0.0	0.0	0.0
Net interest		(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Equity financing		0.3	0.0	0.0	0.0	0.1	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		(0.2)	1.9	1.9	(0.8)	4.6	5.6	6.8
Opening net debt/(cash)		(2.0)	0.7	(0.8)	(2.2)	(0.3)	(4.2)	(6.9)
FX		0.0	0.0	0.0	0.0	0.0	0.4	0.0
Other non-cash movements		(3.0)	(0.4)	(0.5)	(1.1)	(0.7)	(3.3)	(0.8)
Closing net debt/(cash) including lease liabilities		0.7	(0.8)	(2.2)	(0.3)	(4.2)	(6.9)	(12.9)
Property lease liabilities		1.1	1.2	1.0	1.3	1.0	2.2	2.2
Closing net debt/(cash)		(0.4)	(2.0)	(3.1)	(1.6)	(5.2)	(9.1)	(15.1)

Source: Filtronic, Edison Investment Research

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