EDISON

Norcros

Initiation of coverage

Enhancing strong market positions

Construction & materials

Norcros has strong positions in the UK and South African bathroom fittings and related markets. Further development in conjunction with recent acquisitions supports our expected three-year EPS CAGR of 10%. Cash flow and financing headroom provide scope to enhance this and we do not believe that the pension position is restrictive. In our view, conventional earnings and cash-based multiples (FY16 P/E of 9.6x and 5.5x EV/EBITDA) do not fully recognise the prospects.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/14	218.7	12.9	2.3	0.51	8.3	2.7
03/15	222.1	14.0	1.8	0.56	10.5	2.9
03/16e	240.7	16.4	2.0	0.60	9.6	3.2
03/17e	252.1	18.6	2.2	0.65	8.6	3.4

Note: *PBT and EPS FD are normalised and exclude intangible amortisation and exceptional items.

Clear strategic goals and execution underway

Management has set a clear target to double revenue (to £420m) between 2013 and 2018 through a combination of organic growth and acquisitions, with sustainable pretax ROCE of 12-15%. There has been good progress in improving profits in South Africa and underlying UK performance (before acquisitions) has been robust, despite mixed market conditions. Vado (acquired at the end of FY13) has already proved to be a good fit and the recent addition of Croydex further expands the UK product offering. Growing the contribution from the enlarged UK operations, (which account for c 70% of revenue and over 80% of our expected FY16 EBIT), and further acquisitions will be required to attain the strategic revenue target but we believe that momentum is positive in these areas.

Progress on all fronts

As well as delivering progress in revenues, PBT, EPS and DPS in FY15, Norcros tidied up a legacy property portfolio while generating positive cash flow. The post year end acquisition of Croydex (a complementary UK-based bathroom fittings and accessories business) re-emphasises the group's unambiguous focus on business development and growth now. Linkages between operating companies are increasingly evident and can be developed further. Looking ahead, we expect to see good cash flows to facilitate capex, service pension obligations, grow dividends and, with financing headroom available, also seek out further acquisitions. AGM comments (22 July) noted that FY16 has begun in line with Board expectations.

Valuation: Shares heading towards a new high

FY15 results and the Croydex acquisition were well-received and, currently at c 20p, the Norcros share price is c 11% above the level at the start of the year. The company's growth prospects are good (our estimated three-year normalised EPS CAGR is 10%) and this could be enhanced further by the actions described above. On a current year P/E of 9.6x and adjusted EV/EBITDA of 5.5x, we would expect the share price to move beyond its current all-time high (24.75p in January 2014).

21 September 2015

Price	**19.00p**
Market cap	**£116m**
	£/ZAR 19.0
Net debt (£m) as at March 2015	14.2
Shares in issue	610m
Free float	98.3%
Code	NXR
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(6.2)	4.1	18.8
Rel (local)	(0.3)	13.2	28.2

52-week high/low	22.5p	14.9p

Business description

Norcros is a leading supplier of showers, tiles, taps and related fittings and accessories for bathrooms, washrooms and other commercial environments. It has operations in the UK and South Africa with some export activity from both countries.

Next event

H116 period end	September 2015
H116 results	November 2015

Analysts

Toby Thorrington +44 (0)20 3077 5721

Roger Johnston +44 (0)20 3077 5722

industrials@edisongroup.com

Edison profile page

Investment summary

Company description

Norcros is a leading supplier of showers, tiles, taps and related fittings and accessories for bathrooms, washrooms and other commercial environments. It has design, sourcing, manufacturing and distribution operations in the UK and South Africa with some export activity from both countries.

Valuation: Double-digit EPS growth, single-digit multiples

In our view, conventional earnings and cash-based multiples do not fully recognise the growth prospects of Norcros. For the current year, Norcros is trading on a P/E of 9.6x, falling to 7.9x by FY18 with expected three-year (FY15-18) EPS CAGR of c 10%. EV/EBITDA (adjusted for annual pension deficit cash) is 5.5x for FY16e and declines steadily to 4.2x by FY18e. Peer group ratings suggest a 25-29p price range or perhaps higher against individual company benchmarking. We do not believe that the pension fund position places a material restriction on management's ability to deliver its strategic aims, though acknowledge this would be a more central consideration under any prospective bid scenario.

Financials: Earnings growth and good cash generation

We expect to see underlying annual revenue growth of between 3-5% (with Croydex enhancing this in the UK and FX weakness dampening South Africa), with steady margin improvements in both regions. Higher net debt/interest costs (following the Croydex acquisition) and a slightly higher tax rate temper the EBIT growth rate somewhat, but at the group headline level for 2015-18 this still translates to three-year CAGRs of c 11% for EPS and c 7.5% for DPS. We expect Norcros to generate free cash flow at or above £10m in each of our forecast years. The acquisition of Croydex raises net debt in the near term; from an illustrative pro forma net debt position of £35m at the end of June (ie adding consideration of c £21m to end FY15 net debt of £14.2m) we currently expect to see a clear downward trend to c £11m at the end of FY18, absent further acquisitions. Norcros recorded an IAS19R pension deficit of £44.3m and fair value of scheme liabilities of £441.3m as at March 2015. The DB scheme is closed to new members and future accrual and the next triennial review is underway.

Sensitivities: Segmented markets, currency and pensions

Norcros has a focused portfolio of related products and its multi-channel, multiple-brand marketing strategy addresses a number of adjacent market segments. Housing market cycles have a significant bearing on market conditions. Some of its companies have more trade/commercial exposure and others are more export-oriented. Consequently, underlying growth rates will be an amalgam of individual sector trends and company-specific market share changes. As sterling is the reporting currency, movement in the £/ZAR rate directly affects the translation of South African revenue and profit. UK and South African operations are both significant importers of goods and materials. South-East Asia is the primary sourcing region but some European countries are also used. Hence, cross rates (for both £ and ZAR) against the countries of origin can influence financial performance. Norcros typically buys forward on a twelve-month rolling basis to cover expected input purchases, with some discretion around the level of cover and time horizon. The Norcros DB pension scheme is significant in the group context. Changing assumptions affect the balance sheet though inflation and interest rates are at historically low levels and a higher discount rate in due course would have a favourable impact on the deficit.

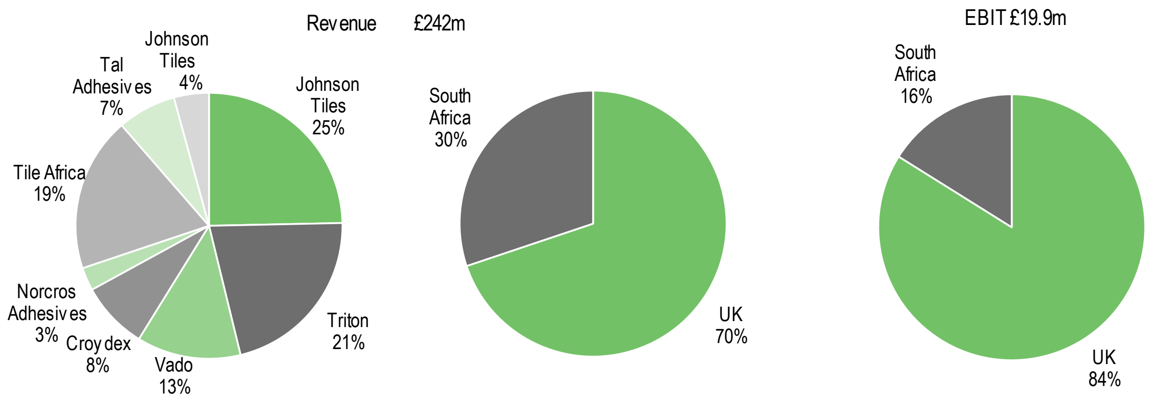
Company description: Market-leading RMI play

Norcros is a leading supplier of showers, tiles, taps and related fittings and accessories for bathrooms, washrooms and other commercial environments, with operations located in the UK and South Africa. The company is a B2B supplier in the UK with a multi-channel strategy into retail, trade and commercial customer segments and also has a direct retail presence in South Africa.

Flexible but focused operating company business models

Product design, sourcing and distribution are common elements in Norcros's operating companies. There is also process variety including manufacturing (Johnson Tiles UK, JTSA, the adhesives businesses), assembly (Triton), finishing (Vado, Croydex) and retail (Tile Africa only).

Exhibit 1: Norcros revenue and EBIT splits FY15 pro forma*



Source: Norcros. Note: *Pro forma includes Croydex (acquired June 2015) as if owned by Norcros during FY15.

Retail RMI is the dominant end-market segment, though most companies also have some trade/commercial exposure and/or an element of non-domestic sales. Portfolio companies largely have a strong brand presence (increasingly with channel segmentation) and some leading market share positions eg Triton is the leading UK electric shower supplier and Johnson Tiles is one of only two domestic UK tile manufacturers. Commercial operations are supported by technical capability including Johnson Tiles (Material Lab), Vado (Hydrologics Studio) and lab services (adhesives).

In 2013, management set a target to double revenue (to £420m) through a combination of organic growth (at 5-10% pa) and acquisitions (adding c £80-120m revenue) by 2018 and achieving sustainable pretax ROCE of 12-15%. In the ensuing two years, South African operations grew sales by 12% pa but adverse FX movements and mixed UK markets resulted in 4% lower sales for continuing businesses by FY15. Acquisitions to date have brought in c £55m annualised revenue. FY15 ROCE was reported as 16.3%. Despite adverse £/ZAR movements and the disposal of £10m non-core revenue, we believe that the original headline targets are intact and implicitly, the growth mix has probably shifted more towards acquisitions.

Executive management continuity, NED team renewed

The executive team came together in 2011 when Nick Kelsall became CEO (from FD) and Martin Payne rejoined the company as FD. They, together with senior management in the UK and South African businesses, have provided good stability and continuity. During this time, the core ongoing businesses have seen their leading market positions reinforced by capex and investment in new product development. The group has added two bolt-on and complementary acquisitions (Vado in 2013 and Croydex in 2015), which have broadened the portfolio offering. The three current NEDs all joined following the executive changes and bring a range of business experience to the board.

FY15 results overview

Most operations delivered increased profits in FY15, despite mixed sector conditions in both the UK and South Africa. Higher group EBIT and lower interest costs both contributed to an uplift in PBT norm above 8%, though a more normal tax charge (against a credit in FY14) resulted in lower EPS. In addition, Norcros exited a non-core Australian business and outstanding UK legacy properties during the year. The full year dividend rose by 9.8% and good underlying cash flow reduced year-end net debt to £14.2m.

Exhibit 2: Norcros divisional and interim splits

March year end							Change (%)		
(£m)	H114	H214	2014	H115	H215	2015	H115	H215	2015
Group revenue	**111.2**	**107.5**	**218.7**	**108.6**	**113.5**	**222.1**	**(2.3)**	**5.6**	**1.6**
UK	72.8	75.2	**148.0**	72.8	76.3	**149.1**	0.0	1.5	**0.7**
South Africa	38.4	32.3	**70.7**	35.8	37.2	**73.0**	(6.8)	15.2	**3.3**
Group EBIT*	**6.6**	**9.5**	**16.1**	**7.4**	**9.6**	**17.0**	**12.1**	**1.1**	**5.8**
UK	5.9	8.3	**14.2**	6.4	7.4	**13.8**	8.5	(10.8)	**(2.8)**
South Africa	0.7	1.2	**1.9**	1.0	2.2	**3.2**	42.9	83.3	**68.7**
EBIT margins (%)	**5.9**	**8.8**	**7.4**	**6.8**	**8.5**	**7.7**			
UK	8.1	11.0	**9.6**	8.8	9.7	**9.3**			
South Africa	1.8	3.7	**2.7**	2.8	5.9	**4.4**			

Source: Norcros. Note: *Company reported including share based payments (SBP). We include SBP in other financial – norm (see financial summary).

UK operations: FY15 was a challenging year for Norcros in the UK with revenue slightly ahead and EBIT modestly lower y-o-y. The three largest companies (ie Johnson Tiles, Triton and Vado) all experienced mixed demand in their respective channels.

- **Triton** – probably the most consistent performer in profit terms: progress in the trade sector and a recovering Irish export market compensated for domestic retail sector softness, resulting in overall revenue up 0.4% in the year.
- **Johnson Tiles** – domestic retail demand was also weak here, exacerbated by product range reductions at a leading customer. Export sales improved y-o-y in H2, but were still below the prior year overall in FY15. An enforced change in materials adversely affected manufacturing efficiencies and, once resolved, the business returned to profitability in H215.
- **Vado** – very strong UK domestic revenue growth (up almost 20% y-o-y) with gains seen in both retail and trade sectors, including housebuilders. Vado has the highest export proportion among UK operations, but sales were negatively affected here by project delays and de-stocking. Nevertheless, FY15 revenue rose 4.7% overall and profit is also understood to have been up.
- **Norcros Adhesives** – the smallest, but fastest-growing UK company, saw revenue growth even higher than Vado in the UK at +28.4%, with similar rates of progress in both halves of the year. From a lower base level, share gains were made in both trade and retail channels.

Each of these businesses continues to identify new market opportunities (including outside the UK) with a focus on launching new products to build share through differentiated offerings.

South Africa operations: the rand weakened further against sterling in FY15 (y-o-y average rate of -11.6%) but this did not prevent translated profits from progressing. In local currency terms, revenue and profit increased by 15.1% and 87.9%% respectively (sterling equivalents +3.3% and +68.7%). All three operating companies improved both revenue and, we believe, P&L performance in local currency for the third year running.

- **Tile Africa** – generated a 17.8% y-o-y sales uplift with retail stores especially strong and the commercial contract channel also contributing. Most of the stores have now benefited from a rolling upgrade programme and a new format was also launched during the year. Better inventory management across the portfolio contributed to the performance improvement.

- **Johnson Tiles South Africa (JTSA)** – progress with smaller independent and export customers drove a 9.5% revenue increase in the year. Investment (in a second production inkjet printer) has followed improved manufacturing performance and further capex is planned. Break-even (followed a reduced loss in FY14 versus FY13) was achieved despite electricity and labour stoppages during the year.
- **TAL** – domestic share gains and success in markets elsewhere in Africa contributed to 11.7% sales growth. This adhesives business is larger than its UK counterpart and investment at the primary and some satellite manufacturing facilities is supporting progress. TAL's product quality, technical support and service levels are key elements in its commercial market position.

Overall, Tile Africa saw the fastest revenue growth and this will have benefited JTSA and TAL also via sales pull-through effects. We also note that all three companies saw a higher y-o-y growth in H2 compared to H1, particularly so at Tile Africa.

Good underlying cash flow and low net debt to EBITDA position

Net debt almost halved to £14.2m at the end of FY15, against £26.9m (including cash in assets for sale) a year earlier. Underlying free cash flow was c £15m, driven by strong operating cash inflow. This comprised EBITDA of just over £24m and a small working capital investment (of £1.5m) in line with the overall group revenue profile. Additionally, interest and tax payments were both below prior year levels through a combination of new facilities/lower average net debt and some balance sheet restructuring in South Africa. Business capex rose to £7m (versus depreciation of £6m) reflecting project spend in both South Africa and the UK. Dividends of £3.1m were paid in FY15. Several non-trading and exceptional cash movements occurred in FY15 as shown in Exhibit 3.

Exhibit 3: Norcros – non-trading cash flows in FY15

£m	Inflow	Outflow	
Onerous leases		(1.1)	Various – only one now remains (to Dec 2018 at £0.2m pa).
Sheffield property		(3.4)	Announced 7/11/14: £2.5m lease surrender + £0.9m f/h purchase (sold 2/3/15).
Property disposals	6.5		Six f/holds disposed: Tunstall* x 3, Boston x2, Sheffield (completed 2/3/15).
Business disposal	3.8		Sale of Australian subsidiary (announced 25/3/14, completed 30/5/14).
Other M&A related		(0.5)	Aborted acquisition and related staff costs.
Pension deficit payments		(2.1)	Annual recovery plan contribution, rising at annual CPI rate.
Vado deferred**		(0.3)	Paid as remuneration (original acquisition 2/4/13).
Other		(1.1)	Including refinancing £0.7m.
Totals	**10.3**	**(8.5)**	

Source: Norcros. Note: *Tunstall was the subject of a previous, terminated development contract. This has now been legally settled and an exceptional credit is expected in FY16. **Vado has two further earnouts remaining.

At the end of FY15, Norcros's net debt position represented c 0.6x trailing EBITDA. Including the Croydex deal (see page 10) the end-FY16 equivalent is around 1x on our estimates. With a £70m unsecured RCF and an additional £30m accordion facility, Norcros retains plenty of headroom for further bolt-on deals. This is not to ignore the sizeable pension position (end FY15: £44m IAS19R deficit on a £441m liability base) but income from scheme assets and the 15 year recovery plan annual cash contributions are considered to be adequately funding the scheme.

Expected FY16 underlying progress supplemented by Croydex

AGM comments (22 July) reaffirmed recent market commentary and existing management expectations for the year. UK trade continues to offer good growth prospects. Leading retail segment indicators are also favourable, though is not yet driving a sustained demand uplift, so the UK is mixed. South African operations all have good momentum, though energy supply is a potential risk for until a back-up generator is commissioned (expected Q2). The rand has weakened further against sterling though not currently to the same extent as in FY15, so is likely to dilute underlying progress. As in FY15, the trading environment is not unreservedly positive for Norcros, but management's focus on business development including new product launches suggests further underlying progress in FY16, supplemented by a maiden contribution from Croydex.

EDISON

Exhibit 4: Norcros business profile

UK operations:
Revenue* £149.1m
EBIT* £13.8m
> Johnson Tiles
> Triton Showers
> Norcros Adhesives
> Vado
> Croydex

Johnson Tiles
Tunstall, Stoke-on-Trent: £59.7m
Design, manufacture, sourcing and supply of wall & floor tiles and natural stone products.

Retail supply chain accounts for c 65% of sales, 35% into trade/commercial. Some export exposure (Middle East, France).

Johnson Tiles SA (JTSA)
Olifantsfontein: £10.3m
Design, manufacture, sourcing and supply of wall & floor tiles and natural stone products.

Retail supply chain is c 60% of sales, the remainder is via commercial contract activity. Also exports (eg other African countries)

South Africa operations:
Revenue £73m (ZAR 1,300m)
EBIT £3.2m (ZAR 57m)
> Johnson Tiles South Africa
> Tile Africa
> TAL Adhesives

(at £/ZAR 17.82 average rate)

Triton Showers
Nuneaton, Warwickshire: £52.1m

Leading UK branded shower company (No 1 electric, No 3 mixers) with 35-40% overall market share.

Particularly strong in the retail/DIY channel & well-represented in trade also. Some exports (eg Rep. of Ireland).

Norcros Adhesives
Tunstall, Stoke-on-Trent: £6.8m

Formulates, mixes & supplies ready mixed and powdered tile adhesives along with complementary products (including grout, surface preparation & sealant). Co-located with Johnson Tiles and supplies the UK market.

TAL Adhesives SA
Olifantsfontein: £17.2m

Formulates, mixes & supplies mainly powdered tile & construction adhesives along with complementary products (including grout, surface preparation & sealant). Co-located with JTSA, with 2 other satellite plants to service South Africa and other African markets.

Tile Africa
£45.5m

Retail: 33 stores (29 owned, 4 franchise)
Commercial project specification, three distribution centres.

Supplies tiles, adhesives, sanitaryware, taps and bathroom accessories sourced from JTSA, TAL and overseas.

Vado
Cheddar, Somerset: £30.5m

UK-based supplier of high quality, chrome-finished brassware (eg taps, fittings, showers & accessories).

Stronger positions with specialist retailers and trade segment. Exports represent c 40% of sales.

Croydex*
Andover, Hampshire: £19.9m

UK-based bathroom furnishings and accessories business. Products sourced from Asia & Europe to Croydex designs. Some conversion of materials into finished goods undertaken in the UK also.

Norcros plc*

	H1	H2	2014	H1	H2	2015
Group Revenue	111.2	107.5	218.7	108.6	113.5	222.1
UK division	72.8	75.2	148.0	72.8	76.3	149.1
South Africa division	38.4	32.3	70.7	35.8	37.2	73.0
Group Operating Profit	6.6	9.5	16.1	7.4	9.6	17.0
UK division	5.9	8.3	14.2	6.4	7.4	13.8
South Africa division	0.7	1.2	1.9	1.0	2.2	3.2

Source: Norcros. Note: Individual company revenues are for FY15; *Croydex is pre-acquisition and not included in the regional or group summary revenue and EBIT.

Specialty portfolio managers

Norcros is probably best known by investors for its strong brands and leading position in the residential bathroom product market, while trade and commercial exposure is less well understood. In reality, Norcros is comprised of a portfolio of companies each with distinct characteristics in their supply chains, processes, subsector distribution and markets. There are also commonalities, areas of overlap and, we would say, increasing levels of group cooperation among constituent companies. This section compares and contrasts each of the businesses in the group during FY15.

Tiles and adhesives – the common core

We first consider the two product areas common to both the UK and South Africa. (Note: South African production operations also supply in-house retailer Tile Africa, which is shown separately.)

- **Tiles: FY15 £70m revenue (32% group)**

Both the UK and South African tile markets are open, with imports forming a significant proportion of consumed volume, complementing local manufacture. The UK is more mature and now has only two indigenous producers (Johnson Tiles and BCT), while South Africa has more local suppliers, the largest of which is Ceramic Industries with c 50% market share.

Exhibit 5: Norcros – UK and South African tile operations

	Johnson Tiles	Johnson Tiles South Africa (JTSA)
Product	Tiles: manufacturing (c 60%) & imports (c40%)	Tiles: manufacturing (c 40%) & imports (c 60%)
FY15 Revenue	£59.7m	£10.3m (ZAR 183m)
Segment split	Retail c 65%: Trade c 35%	Retail c 60%: Trade c 40%
Market position	Largest UK manufacturer, 2nd largest importer	No 2 market share (c 10%)
Market size	c 45m sq m	c 51m sq m
Market sourcing	Domestic 30%, Imports 70%	Domestic c 75%, Imports c 25%
Competitors	British Ceramic Tiles (private company) Imports	Ceramic Industries (part of JSE-listed Italtile) Mazista, Union Tiles, Imports

Source: Norcros, Edison Investment Research

Johnson Tiles and JTSA are hybrid manufacturing and sourcing/importing businesses and distribute through multiple channels. Reflecting local market profiles, the UK mainly manufactures wall tiles and South Africa chiefly floor tiles and design and service levels are value-added competitive differentiators. Both manufacturing sites are considered to be well invested (UK operations moved onto a single site in 2001) including ink-jet printing capability.

Imports from Europe (eg Italy, Spain and Turkey) have three to four week delivery lead times, while others (such as Brazil and China) can be six to seven weeks. Johnson Tiles and JTSA have some export exposure particularly to the Middle East and broader Africa respectively. Hence, movements in sterling and the rand can influence sourcing decisions and, to some extent, non-domestic revenues. (This also applies to other companies in these and other international tile markets.) The majority of revenues however come from the companies' home markets. As Exhibit 5 shows, retail is the larger segment addressed through larger format DIY sheds, other multiple/independent specialist outlets and intermediate distributors. (Note that JTSA has retail channel sensitivities as it also supplies the in-house Tile Africa format.) Some of the trade segment is also served through the DIY sheds as well as builders merchants and brand recognition is possibly more significant here. Additionally, larger volume, project-based commercial orders can come directly from specifiers (eg architects, design consultants) and contractors or specialist trade distributors. Looking across the entire customer spectrum, the service proposition requires balance between each segment's product and order/delivery requirements and inventory management is a key discipline.

- **Adhesives: FY15 £24m revenue (11% group)**

Norcros also has complementary tile adhesive operations in the UK and South Africa. Primary manufacturing is co-located alongside the tile production sites. (TAL also has satellite production facilities in Durban and Cape Town and an established toll manufacturer in Namibia.) This is substantially a local manufacture/local consumption category, although TAL does export into sub-Saharan Africa. Product manufacture is typically automated, but requires relatively low capital intensity (compared to say tile manufacture) and generates healthy returns on investment.

TAL generated revenue two and a half times larger than Norcros Adhesives in FY15 (and more like twenty times in volume terms). South African revenue is substantially in powdered product whereas UK sales have a higher ready-mixed percentage. This may also reflect a higher proportion of specified commercial contract customers. The product ranges extend beyond adhesives (eg grout, sealant and surface preparation) and we believe that these categories – in both retail and trade – are characterised by strong brand competition from a combination of local and some international companies (eg Mapei, Henkel). Norcros predominantly uses TAL branding in South Africa with Norcros, Johnson Professional, NX and Ultim8 in the UK, depending on which segment is being addressed. As with JTSA, TAL supplies to both Tile Africa and its retail competitors.

Points of difference – other products and retail

Tiles, adhesives and related products are common to both the UK and South Africa albeit with regional variations. We now describe the points of difference between other portfolio companies – Triton, Vado, Tile Africa and the recently acquired Croydex – and how they fit into the group.

- **Triton Showers: FY15 £52.1m revenue (23% group)**

Triton has been part of Norcros since 1987; it is the leading UK shower brand and the company's leading profit and cash generator. The company has a strong focus on design and innovation, particularly in electric showers where it sources components, modules, controls and mouldings from largely South East Asian partners prior to assembly, packaging and distribution in the UK. Mixer units are bought in and marketed and supplied through similar channels. The supply chain is around six to seven weeks and components are typically bought under rolling forward FX contracts. This contrasts with customer supply on a very short (often next-day) order and delivery cycle.

The UK shower market[1] is relatively mature with a total installed base of around 20m units (England and Wales 23.4m dwellings,[2] actual penetration is c 70%, allowing for more than one unit at some dwellings). Almost half are electric and the remainder splits broadly evenly between gravity and powered mixer showers. Annual industry sales are around two million per annum with electric showers accounting for a slightly higher proportion here than the installed base. Given that the number of new homes being built in the UK is currently c 135,000-150,000 per annum,[3] demand is clearly substantially driven by the replacement (and to some extent additional) installation market in existing dwellings. We believe that Triton holds overall UK market share in the 35-40% range in branded showers comprising an almost 50% share in electric and c 20% in mixer showers. The leading competitors (all offer electric and mixer models) are:

- Kohler-Mira (privately owned, US) – market leader in mixer showers;
- Aqualisa/Gainsborough (privately owned, RBS/Sankaty, since 2013) – number 2 in mixers; and
- Bristan (part of Masco).

Other well-known names include Glen Dimplex (including Redring and Galaxy brands), Grohe, Hansgrohe and new entrant Electrolux.

---

[1] http://efficient-products.ghkint.eu/spm/download/document/id/962.pdf, Appendix B, page 34.

[2] ONS; 2011 Census.

[3] UK government; DCLG live tables on housebuilding.

Triton's customer loyalty measured by repeat purchases is very strong, this is important given the scale of the replacement market. In broad terms for UK market branded shower sales, the trade segment accounts for c 60% (electric:mixer split around 60:40) and retail c 40% (electric:mixer around 70:30). Triton is understood to be particularly strong in the retail segment, which is dominated by DIY outlets (with increasing on-line demand also) compared to the more dispersed trade segment (including national and independent merchants, distributors and electrical wholesalers). Additionally, Triton generates some revenue via exports – chiefly the Republic of Ireland – where service levels can be maintained and electrical regulations are similar. Overall, Triton's brand position is sustained by its design-led new product innovation, backed by efficient manufacturing and supply chain control projected through careful marketing and channel management and technical support. The acquisitions of Vado and Croydex bring further opportunities to develop all three businesses especially in broadening the product offering in the channels served.

- **Vado: FY15 revenue £30.5m (14% group):** acquired at the end of FY13, Vado is a UK-based supplier of high quality, chrome finished bathroom brassware including taps, fittings, showers and accessories. The business model has some similarities with Triton in that it designs products – with a strong emphasis on new product development – and sources them mostly from South-East Asia, particularly China. Some light assembly and kitting takes place in the UK co-located at distribution facilities in Cheddar, Somerset.
  UK market share is in the low-to-mid single-digit range and Vado has, to date, chiefly focused on specialist retailers and on the trade side, specification work and plumbers merchants. While there are some natural channel differences with Triton, there is the opportunity to leverage market positions, product development and sourcing strengths in both directions. For example, Vado has introduced its first electric shower range to complement its mixer portfolio and provides improved access to the specification subsector in the process. Additionally, Triton is able to broaden its product offering outside electric showers – further enhanced by the acquisition of Croydex – and cooperate on mixer design and sourcing sharing the knowledge and expertise of both companies in this product group. Note that Vado has the highest proportion of export sales of any of Norcros's portfolio of companies with c 40% of revenue generated in FY15 (and historically it has been higher). International specification work – especially into the Middle East – is an area of particular strength. Demonstrating further the group fit, Vado has also recently launched a new range for its sister operating company Tile Africa retail chain.
- **Tile Africa: FY15 £45.5m revenue (20% group):** South Africa-based TAF has been part of Norcros since December 2004 and includes the only B2C retail activity in the group. It comprises a three distribution centre and a 33 retail store portfolio (including 4 franchises) and a specification arm addressing customers in the commercial and residential development and retail and hospitality sectors. The retail estate has been fairly static since 2008 though development of the format, product range and service aspects have all been invested in during this period. We believe that plans to expand the footprint remain with a medium-term target of 50 stores (subject to suitable site availability) and this may in time, include other African countries.
  As well as carrying tile and adhesive ranges (distributing 40% of JTSA's production and c 20% of that for TAL), TAF's other products include sanitary ware, showers, taps and bathroom accessories. TAF has established overseas sourcing for these products and, we assume, shared intelligence with other group companies in common product groups, especially tiles and showers. As mentioned above, TAF is now also incorporating Vado products into its retail stores. There may be opportunities to expand this and/or include elements of the Croydex portfolio in due course.

Croydex: Sound business fit and earnings enhancing

On 25 June, Norcros announced the acquisition of Croydex Group, a UK bathroom furnishings and accessories company for an aggregate cash-free, debt-free consideration of £20m. The business is based in Andover, Hampshire and has been in private hands since an MBO in 1999. As with Vado (acquired by Norcros in April 2013), Croydex will be operationally stand-alone and the senior management team is understood to be remaining with the company. We believe that Croydex brings exposure to bathroom renewal/makeover expenditure in particular, complementing Triton's strong position in the shower replacement subsector.

Product range: Croydex has a wide and varied portfolio of functional products for bathroom use. The primary product groups are:

- showering – curtains, rods, rails, showers (& accessories);
- storage – cabinets;
- fittings – panels, seats; and
- other accessories – shelving, hooks, holders, pedal bins, mirrors.

We understand that there is no single dominant product type across these groupings. Croydex has an in-house design team responsible for developing the range (eg the 2015 catalogue included 160 new products) in conjunction with the company's supply chain. In recent years, the company has introduced some innovative wall fixings (eg for cabinets, accessories and seats) as a differentiator in its products.

Business model: Croydex designs, sources and distributes bathroom products primarily for the UK end market. (The company does have an export presence, especially in the USA, but overseas sales only account for c 2% of the total.) The company substantially sources finished products – which require a variety of materials and manufacturing processes – from Asia (maintaining a local office presence in Shanghai) and Europe. In addition, the company converts and assembles part-finished materials into finished goods (particularly shower curtains, rods and rails) in late customisation processes at its five-acre site, which also accommodates head office and warehouse space. Croydex's end-customer sector split slightly favours retail over trade (c 55:45), and to maintain good customer service levels, supply chain management is a critical discipline. The DIY sheds (including Homebase, B&Q and Wickes) are among the customer base, as are several general retailers (such as Tesco, Sainsbury, Asda and Argos) within their home furnishing ranges. The trade side is addressed via merchants and plumbing/bathroom specialists (and also online B2C suppliers).

Financials: in the year to December 2014, Croydex generated revenue of £19.9m and underlying EBITDA of £2.7m (which had risen to £3.1m for the 12 months to March 2015). Factoring in c £0.2m depreciation, the FY14 EBIT margin was 12.6%. Compared to the original MBO, we believe that the revenue figure is broadly similar to 1999, but the business is now significantly more profitable. We believe that the company moved more towards its sourcing model in the early 2000s, exiting other UK manufacturing operations. Otherwise, we have no visibility on the extent to which the product offering, sourcing and customer profiles have changed over the ensuing period.

Although Croydex is to be operationally stand-alone, it should benefit from distribution channel expertise elsewhere in Norcros and from other overseas sourcing experience (especially Triton in Asia). We note that Croydex has a limited shower range in its portfolio and there may be an opportunity to insource their supply in due course. Given its long supply chain/short-service model, we would expect Croydex to have higher working capital levels versus the group average.
As far as the impact on estimates goes, we have factored in a nine months' contribution for the current year and full years thereafter.

Sensitivities

Norcros has a focused portfolio of related products. The company has a multi-channel, multiple brand marketing strategy and consequently addresses a number of adjacent market segments.

Exhibit 6: Norcros companies – market sector exposures

	FY15 Revenue £m	Customer type		Installation type		Market focus	
		Retail	Trade*	RMI	Newbuild	Domestic	Export
Triton Showers	52.1	●	◑	●	○	●	◑
Johnson Tiles	59.7	●	◑	●	◑	●	◑
Norcros Adhesives	6.8	◑	●	◑	●	●	
Vado	30.5	◑	●	●	◑	●	◑
Croydex		●	◑	●	◑	●	○
Tile Africa	45.5	●	◑	●	◑	●	
JTSA	10.3	●	◑	●	◑	●	○
TAL Adhesives	17.2	◑	●	◑	●	●	◑
	Key:	○ < 10%		◑ 10% - 50%		● > 50%	

Source: Norcros, Edison Investment Research. Note: *Trade includes commercial.

As Exhibit 6 shows, Norcros's operating companies are largely skewed towards retail RMI customer spending in their respective domestic markets. Hence, housing market cycles (in the context of wider economic and interest rate cycles in the UK and South Africa) have a significant bearing on market conditions. Some have more trade/commercial exposure (especially in adhesives) and others are more export-oriented (eg Vado, TAL). Our estimates incorporate annual revenue growth of 3-4% in the UK (at least in line with its markets) and 5-9% in South Africa (leveraging a stronger JTSA platform). The chart may highlight some group opportunities for further channel development.

Currency exposure: the £/ZAR rate directly affects the translation of South African revenue and profit into sterling. Taking average rates, sterling strengthened by c 60% between FY11 and FY15. In FY15, South Africa contributed 19% of group EBIT. (Note that operations here also experienced energy and staff disruption in FY15.) A trading presence is being developed in other countries in Africa, with different currencies and local political profiles. The UK and South African operations are both significant importers of finished goods (eg tiles, taps and accessories) and intermediate ones (eg shower mouldings and electrical units). South-East Asia is the primary sourcing region but some European countries (including Italy and Turkey) are also used. Norcros typically buys forward on a twelve month rolling basis to cover expected input purchases, with some discretion exercised.

Pension position: the Norcros DB pension scheme (liabilities of £441.3m and an IAS19R deficit of £44.3m at the end of FY15) is significant in the group context. Changing assumptions affect the balance sheet though inflation and interest rates are at historically low levels and a higher discount rate in due course would have a favourable impact on the deficit. The latest triennial review is underway and no material change in funding (FY15 recovery plan cash of £2.1m, linked to CPI) is anticipated. We see no impact on normal business operations as a result of the scheme position.

Acquisitions likely: Norcros has a positive earnings growth outlook and scope to supplement this though further acquisitions. The company has a £30m accordion facility in addition to a similar amount of headroom under its RCF, so retains financial flexibility to make further acquisitions. Recent deals (ie Vado and Croydex) have been a good fit with existing Norcros UK businesses on reasonable multiples, without raising group financial risk. Larger deals, where more integration time and resources are required may attract pension trustee attention but should ultimately strengthen the company covenant. M&A resources have been added to facilitate prospective deals and business integration. No further deals are currently factored into estimates.

Valuation

In our view, conventional earnings and cash-based multiples do not fully recognise the growth prospects of Norcros. Improved operational performance supplemented by acquisition benefits – with modest market growth expected at this stage – are clearly visible. Peer group ratings also suggest a 25-29p price range or perhaps higher with individual company benchmarking. We do not believe that the pension fund position places a material restriction on management's ability to deliver its strategic aims, though acknowledge this would be a more central consideration under any prospective bid scenario.

Single digit P/E, PEG below 1x and mid-single digit EV/EBITDA

UK and South African operations are both profitable. While there is limited inter-trade between the regions there is shared expertise in sourcing and tile and adhesive manufacturing as well as central costs. This valuation exercise considers profits and cash generated as being from a single entity.

- **Earnings metrics:** for the current year, Norcros is trading on a P/E of 9.6x, falling to 7.9x by FY18 and these multiples are based on earnings taxed at c 25%, what we would consider to be the company's standard rate. FY15 earnings benefited from a 300bp lower tax charge, giving an historic P/E of 10.5x; with an expected three year (FY15-18) EPS CAGR of c 10%, this gives a PEG ratio of 1.1.
- **Cash metrics:** we adjust EBITDA for annual payments made as part of a pension recovery plan, being a stable and medium to long-term cash commitment. On this basis EV/EBITDA adjusted is 5.5x for FY16 and declines steadily to 4.2x by FY18, as both profits rise and net debt declines under current estimates.

For the record, Norcros's EV is just below 0.6x FY16 revenue and is currently at 1.9x NAV.

Trading at a discount to peers

We now look at Norcros in the context of a selected peer group; substantially (some entirely) UK focused RMI manufacturing plays. (Retailer, Topps Tiles is included for its direct product relevance).

Exhibit 7: UK RMI peer group table

		EPS	P/E (x)			EV/EBITDA (x)			Dividend yield (%)		
	Price p	CAGR (%)	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e
AGA Rangemaster*	208	31%	14.6	11.8	9.8	7.1	6.3	5.2	0.0%	0.0%	0.0%
Epwin	135	6%	11.5	11.0	10.5	7.1	6.8	6.6	4.7%	5.0%	5.1%
Eurocell*	213	22%	11.2	9.7	8.8	8.2	7.5	6.9	3.7%	4.4%	5.2%
Howden Joinery*	483	10%	18.7	16.8	15.6	12.2	11.0	10.1	2.1%	2.4%	2.8%
Norcros	**20**	**10%**	**10.9**	**10.0**	**8.9**	**5.9**	**5.5**	**4.8**	**2.9%**	**3.1%**	**3.3%**
Safestyle*	240	7%	13.5	12.7	11.9	9.4	8.9	8.4	4.1%	4.5%	4.8%
Topps Tiles*	160	20%	19.0	16.8	14.3	12.9	11.5	10.4	1.8%	2.1%	2.4%
Unweighted avge - all	208	**15%**	**14.2**	**12.7**	**11.4**	**9.0**	**8.2**	**7.5**	**2.8%**	**3.1%**	**3.4%**

Source: Edison Investment Research. Note: *Consensus estimates. Norcros is calendarised. Prices at 3 September 2015.AGA has been subsequently taken over.

Norcros is currently trading on multiples below this peer group with a P/E and EV/EBITDA discounts of around 20% and 30%+ respectively. Applying average ratings would give a share price in excess of 25p on a P/E basis and 29p based on EV/EBITDA. We note that this is equivalent of c £55m additional value, which is in excess of the end FY15 pension deficit (£44.3m).

We believe that Norcros's UK market position has the greatest similarity with Howden, which trades at a premium to the group. One could also argue that its South African exposure potentially offers higher growth rates. A robust manufacturing performance and further growth from the other two operations in the region would serve to underline this point.

Financials

In underlying terms, the management team has increased EBIT in each of the last four years, on broadly flat revenues. This has been driven primarily by a turnaround in South African performance, somewhat understated due to local currency weakness against sterling. The acquisition of Vado at the end of FY13 has boosted UK revenue and profitability in the last two years and Croydex will make a maiden contribution in FY16. We believe that Norcros is in a strong position to develop its portfolio and has a modest gearing/positive cash flow profile to be able to do this.

Double digit earnings CAGR to 2018

Different regional cycles, subsector demand drivers and market initiatives together, mean that there is likely to be performance variance from operating companies. We expect to see underlying revenue growth of between 3-5% (c 3-4% in the UK and 5-9% in South Africa) with Croydex enhancing this in the UK and FX weakness dampening South Africa but steady margin improvements in both regions. Higher net debt/interest costs (following the Croydex acquisition) and a slightly higher tax rate temper the EBIT growth rate somewhat, but at the group headline level for 2015-2018, this still translates to:

- EPS CAGR c 10.2%; and
- DPS CAGR c 7.5%.

We have probably been overly conservative with dividend growth expectations with cover maintained above 3x. The actual outturn will partly depend on other cash calls, especially further acquisition opportunities and possibly, pensions in our view.

Strong free cash flow expected, further acquisitions possible

We expect Norcros to generate free cash flow at or above £10m in each of our forecast years, even allowing for investment in working capital and capex facilitating growth and ongoing pension recovery plan cash payments. We believe Norcros can comfortably fund current and likely pension cash requirements. Clearly, the acquisition of Croydex raises net debt in the near term; from a crude pro forma net debt position of £35m at the end of June (ie adding consideration of c £21m to end FY15 net debt of £14.2m), we currently expect to see a clear downward trend to c £11m at the end of FY18 in the absence of further acquisitions. Under this scenario, as mentioned above, cash dividends could be higher than we have modelled. Additional bolt-on deals are however, actively being sought.

Apart from pensions recovery plan cash (which is included in the above free cash flow commentary), non-trading cash flows should be at much lower levels. The net effect of Vado deferred consideration and the Tunstall property settlement in FY16 and subsequent deferred Croydex payments should result in outflows at or below £1m in all years in our view.

Asset backed balance sheet and material pension scheme

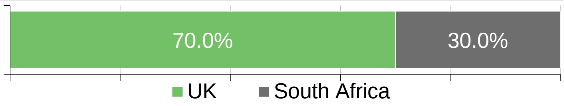
At the end of FY15, Norcros had a net asset position of c £53m (or NAV per share of 8.8p). As a manufacturing and sourcing business it is characterised by an established fixed capital base (tangible fixed assets of £38m) and significant working capital investment (of around £56m at the year-end). Intangibles of c £27m are substantially goodwill (from the Triton acquisition in 1987) and an amortising trade name asset (arising from the Vado deal in 2013).

Norcros recorded an IAS19R pension deficit of £44.3m and fair value of scheme liabilities of £441.3m as at March 2015. The DB scheme closed to new members in 2013 is split 61% pensioners, 29% deferred and 10% active employees and is substantially invested in absolute return funds and bonds. The next triennial review is underway, dated April 2015.

Exhibit 8: Financial summary

£m	2011	2012	2013	2014	2015	2016e	2017e	2018e
March		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					**Continuing**	**Continuing**	**Continuing**	**Continuing**
Revenue	196.1	200.3	210.7	218.7	222.1	240.7	252.1	262.0
Cost of Sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA	18.2	18.6	19.9	22.9	24.3	27.5	29.8	31.5
Operating Profit (before SBP)	11.6	12.3	13.7	17.0	18.3	21.1	23.3	25.0
Net Interest	(1.5)	(1.4)	(1.3)	(1.5)	(1.2)	(1.6)	(1.6)	(1.4)
Other financial - norm	(1.1)	(0.9)	(2.4)	(2.6)	(3.1)	(3.1)	(3.1)	(3.1)
Other financial	(0.4)	0.6	(0.2)	(5.2)	2.1	(2.5)	(1.5)	(1.5)
Intangible Amortisation	0.0	0.0	0.0	(0.4)	(0.3)	(1.1)	(1.3)	(1.3)
Exceptionals	(1.1)	(1.2)	(4.4)	(1.5)	(4.8)	(2.0)	(0.9)	(0.9)
Profit Before Tax (norm)	9.0	10.0	10.0	12.9	14.0	16.4	18.6	20.5
Profit Before Tax (company norm)	10.2	10.7	11.7	14.6	15.8	18.2	20.4	22.3
Profit Before Tax (FRS 3)	7.5	9.4	5.4	5.8	11.0	10.8	14.9	16.8
Tax	(0.8)	0.0	0.2	4.3	(3.0)	(3.4)	(3.9)	(4.4)
Other	0.0	0.0	0.0	(1.4)	0.1	0.0	0.0	0.0
Profit After Tax (norm)	8.2	10.4	9.3	13.9	11.1	13.0	14.6	16.1
Profit After Tax (FRS 3)	6.7	9.4	5.6	8.7	8.1	7.4	10.9	12.4
Average Number of Shares Outstanding (m)	577.0	577.2	580.0	584.0	592.2	606.5	613.2	620.2
Average Number of Shares Outstanding FD (m)	577.1	579.6	588.9	608.3	615.3	623.5	630.2	637.2
EPS FD - normalised (p)	1.4	1.8	1.6	2.3	1.8	2.0	2.2	2.4
EPS FD - company normalised (p)	1.6	1.9	1.9	2.8	2.1	2.3	2.5	2.7
EPS - FRS 3 (p)	1.2	1.6	1.0	1.4	1.3	1.1	1.6	1.8
Dividend per share (p)	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.7
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	9.3	9.3	9.4	10.5	10.9	11.4	11.8	12.0
Operating Margin (before GW and except.) (%)	5.9	6.1	6.5	7.8	8.2	8.8	9.2	9.5
BALANCE SHEET								
Fixed Assets	80.7	80.0	86.7	80.0	78.3	89.4	90.0	90.6
Intangible Assets	23.9	23.4	27.6	27.1	26.9	32.9	32.0	31.0
Tangible Assets	49.1	44.8	43.5	36.9	37.6	42.7	44.2	45.7
Investments	7.7	11.8	15.6	16.0	13.8	13.8	13.8	13.8
Current Assets	94.4	89.7	104.6	102.2	100.4	122.2	132.2	145.7
Stocks	42.3	45.5	52.8	50.2	52.2	62.5	64.7	67.3
Debtors	36.4	34.5	36.3	35.5	37.5	42.1	43.2	44.9
Cash	7.7	2.9	6.8	3.9	5.6	12.5	19.2	28.5
Current Liabilities	(56.4)	(52.5)	(54.0)	(58.1)	(60.0)	(67.3)	(71.3)	(77.5)
Creditors	(53.3)	(52.1)	(53.5)	(57.3)	(58.6)	(67.3)	(71.3)	(77.5)
Short term borrowings	(3.1)	(0.4)	(0.5)	(0.8)	(1.4)	0.0	0.0	0.0
Long Term Liabilities	(39.3)	(46.1)	(75.7)	(58.6)	(67.4)	(87.5)	(86.8)	(86.1)
Long term borrowings	(15.2)	(20.3)	(37.0)	(30.5)	(18.4)	(39.2)	(39.2)	(39.2)
Other long term liabilities	(24.1)	(25.8)	(38.7)	(28.1)	(49.0)	(48.3)	(47.6)	(46.9)
Net Assets	79.4	71.1	61.6	65.5	51.3	56.8	64.1	72.6
CASH FLOW								
Operating Cash Flow	10.8	6.0	6.6	13.6	16.2	23.4	22.7	26.3
Net Interest	(1.0)	(1.6)	(1.3)	(1.6)	(1.3)	(1.6)	(1.6)	(1.4)
Tax	(0.6)	(0.6)	(1.0)	(1.7)	(0.5)	(1.8)	(2.4)	(3.4)
Capex	(6.3)	(6.7)	(4.2)	(2.8)	(1.4)	(8.5)	(8.0)	(8.0)
Acquisitions/disposals	4.4	0.0	(10.6)	0.1	3.3	(20.8)	(0.4)	(0.4)
Financing	0.0	0.2	0.3	0.4	0.2	0.0	0.0	0.0
Dividends	(0.7)	(2.2)	(2.5)	(2.8)	(3.1)	(3.3)	(3.6)	(3.9)
Net Cash Flow	6.6	(4.9)	(12.7)	5.2	13.4	(12.5)	6.8	9.2
Opening net debt/(cash)	15.9	10.6	17.8	30.7	27.4	14.2	26.7	20.0
HP finance leases initiated	0.0	(0.8)	(0.1)	0.0	0.0	0.0	0.0	0.0
Other	(1.3)	(1.5)	(0.1)	(1.9)	(0.2)	0.0	(0.0)	0.0
Closing net debt/(cash)	10.6	17.8	30.7	27.4	14.2	26.7	20.0	10.7

Source: Company accounts, Edison investment Research. Note Edison norm includes IAS19R pension administration costs and amortisation costs of raising finance (c £1.7m and £0.1m respectively from FY15 onwards). Exceptionals in 2015 and 2016 relate to the resolution of legacy property items and acquisition activity.

Contact details	Revenue by geography FY15 (pro forma, including Croydex)
Ladyfield House Station Road Wilmslow, Cheshire, SK9 1BU, United Kingdom +44 (0)1625 549010 www.norcros.com	

Management team	
CEO: Nick Kelsall	**FD: Martin Payne**
Nick became group CEO in April 2011 stepping up from FD, a role undertaken since 1996. He originally joined Norcros as Johnson Tiles' FD in 1993 from Waterford Wedgwood. Nick is a chartered accountant.	Martin joined as group FD in March 2011. He previously held senior financial positions at JCB, IMI and Johnson Tiles. Martin is a chartered management accountant.
Chairman: Martin Towers	
Martin joined Norcros as a NED in 2011 and became chairman in November 2012. He is also NED at RPC Group and Tyman. Martin was previously CEO at Spice and FD at Kelda Group, Spring Ram and McCarthy & Stone. He is a chartered accountant.	

Principal shareholders	(%)
Miton Group	12.1%
Schroders	9.6%
Artemis Fund Managers	9.5%
Standard Life Investments	7.3%
FIL	5.3%
Hargreave Hale	4.8%
SVM Asset Management	4.7%

Companies named in this report

AGA Rangemaster, Epwin, Eurocell, Howden Joinery, Safestyle, Topps Tiles

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

Frankfurt +49 (0)69 78 8076 960	London +44 (0)20 3077 5700	New York +1 646 653 7026	Sydney +61 (0)2 9258 1161	Wellington +64 (0)48 948 555
Schumannstrasse 34b	280 High Holborn	245 Park Avenue, 39th Floor	Level 25, Aurora Place	Level 15, 171 Featherston St
60325 Frankfurt	London, WC1V 7EE	10167, New York	88 Phillip St, Sydney	Wellington 6011
Germany	United Kingdom	US	NSW 2000, Australia	New Zealand