

## Simmering nicely

22 July 2021

The pre-close update demonstrates ongoing strong trading across the Group, with revenues ahead 50% yoy in H1 and in-line with previous guidance (+30% for FY21 and a doubling of revenues by end 2025). Both the continued recovery within Kettle Controls and the traction that new products are seeing within the water and appliance segments, drove the strong progress during H1. Gross margins remain in-line following price increases within legacy products and ongoing efficiency measures.

We see no reason to adjust estimates at this stage, with further guidance to emerge at the interim results in September. Yet we continue to feel that the current undervaluation of Strix shares is unwarranted, relative to both its peers and to growth levels.

A continuation of the strong order book within the regulated segment of **Kettle Controls** provides visibility into FY22 and in the short-term has ensured recovery within the category. The combination of productivity gains, mostly via automation, and price increases in legacy products, is largely offsetting raw material price inflation.

Within the **Water category**, the newer products launched in FY20 and H1 21 are gaining traction, with demand building strongly. As in Kettle Controls, price increases and efficiency measures have resulted in broadly stable gross margins. LAICA's integration into the Group continues as planned, with synergy benefits identified and the business delivering more than 20% growth in revenues yoy.

The **Aurora** (instant heater/chiller beverage station) launched globally on Amazon in June (Aqua Optima brand), with a version introduced in Asia by a leading global brand. Other recently launched appliances (post-January 2020) are gaining a foothold in a wide range of consumer markets globally.

Following the two contract wins in May with sizeable regional government-owned pig farms, an agreement to co-promote the **HaloPure** product in China has been signed with a global poultry feed systems operator. This underpins confidence of not only securing ten installations in the current year, but also of achieving £10m of annualised revenues by FY25.

Strong progress has been made in the setup of the new manufacturing operation in China. At the end of Q1 40% of the assembly lines were in place. This has now risen to 90% with production commencing successfully. Completion remains on track for August, to original budgets and within a pandemic!

The Group continues to add strength in depth to its management team with, in this instance, the recruitment of a Chief Technology Officer. The new CTO commences his new role in November and secured the position owing to his significant expertise in project planning and the implementation of commercialisation strategies for new and innovative products. The appointment fits with the Group's medium-term growth strategy.

In addition to updating the progress on trading and financial guidance, the interim results in September will provide key performance targets on the Group's sustainability goals, tracked annually. The benefits of the new Chinese manufacturing plant (10% solar/90% green energy powered and a minimum of 30% of recycled plastic trays/12% recycled plastics) will also be incorporated.

Growth will be supplemented by the acquisition of niche technologies that will benefit all product categories. Net debt rose £14.4m during H1, including all earn-out provisions, but we anticipate that the traditionally stronger H2 cash flows should result in net debt remaining broadly flat for the year. **Growth continues at strong levels, in-line with targets set by management and we retain our 350p/share fair value.**

### Company Data

EPIC	KETL
Price (last close)	317p
52 weeks Hi/Lo	335p/183p
Market cap £m	£651m
Net debt (Dec '20)	£37.2m
ED fair value / share	350p

### Share Price, p



Source: ADVFN

### Description

Strix Group PLC (Strix) is a global leader in the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management and water filtration.

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