

## Corporate

 Current price **32.5p**

 Sector **Engineering**

 Code **HDD**

 AIM **AIM**

### Share Performance



Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **18.2**

 Shares in issue (m) **55.875**

52 weeks High Low

**66.0 16.3**

 Financial year end **September**

Source: Company Data, Allenby Capital

### Key Shareholders

R Boyce &amp; Associates 12.7%

Hargreave Hale AIM VCT 10.9%

A Badenoch &amp; Associates 10.5%

Amati Global Investors 8.5%

Unicorn Asset Management 6.0%

Source: Company Data, Allenby Capital

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## Hardide Plc (HDD)

### Balance sheet strengthened thru Equity and CBILS loan

Hardide's all-important end market of Oil & Gas, which has historically accounted for c.60% of sales, is taking longer than anticipated to return to pre COVID levels of demand. We have therefore trimmed our forecasts for the year to September 2021. Additionally, the Company has taken the opportunity to strengthen the balance sheet and has raised £1.0m through a £0.79m equity fundraise at 30.9p and a CBILS loan of £250k. Our forecasts now assume that Hardide will end the year to September 2021 with a cash balance of £1.35m. This strengthened position will provide reassurance to existing and potential clients thus enhancing the eventual post COVID recovery.

- Oil & Gas end market remains under pressure.** With its full year results to the end of September 2020 Hardide noted resilience in all end markets with the exception of Oil & Gas which reported annual revenues down 14% year on year. Four months into the new financial year the sector has yet to fully recover with contracts continuing to be delayed. We expect the sector to return to pre COVID levels but that much of this will not be felt until the next financial year. We have reduced our forecasts for the financial year ending September 2021 accordingly.
- FY 2021 revenues reduced by 11%.** We have lowered our 2021 revenue forecast by £0.5m to £4.0m or by 11%. We expect that the lower volumes will also impact the gross margin which we have reduced from 45% to 40%. The EBITDA impact is that we now forecast a loss for the year of £1.4m (previously a loss of £1.0m). We note that pre-COVID, Hardide had just progressed into EBITDA profitability for the 6m period to the end of March 2020.
- Equity and debt raise of £1.0m to strengthen balance sheet.** Hardide had a cash balance of £1.75m at the end of December 2020. With continued Oil & Gas weakness this may have proven insufficient despite a remaining capex requirement of just c.£0.5m to complete the site move and installation of the new reactors. To remove the uncertainty the Company has taken the prudent decision to raise £0.79m of new equity and it has also received the proceeds of a CBILS loan of £250k. On our new forecasts and factoring in the equity and debt raise we expect that Hardide will end the year to September 2021 with a healthy cash balance of £1.35m. The extra funding will provide reassurance to potential clients and will also underpin a clean audit report.

### Year End: September

(£'000)	2017	2018	2019	2020	2021E
REVENUE	3,241	4,613	5,052	4,756	4,007
REVENUE GROWTH	51.3%	42.3%	9.5%	-5.9%	-15.8%
EBITDA	(735)	(299)	(620)	(541)	(1,447)
EBITDA MARGIN	-22.7%	-6.5%	-12.3%	-11.4%	-36.1%
PROFIT/(LOSS) BEFORE TAX	(1,235)	(913)	(1,190)	(1,356)	(2,394)
NET DEBT/(CASH)	(1,195)	(3,234)	(4,595)	(2,217)	(603)
EV/SALES (x)	5.31	3.73	3.41	3.62	4.30

Allenby Capital acts as Joint Broker to Hardide Plc (HDD).

Please refer to the last page of this communication for all required disclosures and risk warnings.

## FINANCIAL STATEMENTS

## Income Statement - Year End September - £'000

	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21e	Comments
<b>Revenue</b>	<b>3,241.0</b>	<b>4,613.0</b>	<b>5,052.0</b>	<b>4,756</b>	<b>4,007</b>	
Growth	51.3%	42.3%	9.5%	-5.9%	-15.8%	
Cost of sales	(1,651.0)	(2,201.0)	(2,635.0)	(2,436)	(2,404)	
<b>Gross profit</b>	<b>1,590.0</b>	<b>2,412.0</b>	<b>2,417.0</b>	<b>2,320</b>	<b>1,603</b>	
Gross profit margin	49.1%	52.3%	47.8%	48.8%	40.0%	Product mix driving margin expansion in 2020
Administrative expenses	(2,325.0)	(2,711.0)	(3,037.0)	(2,861)	(3,050)	
as a % of sales	71.7%	58.8%	60.1%	60.2%	76.1%	
Depreciation & Amortisation of owned assets	(503.0)	(373.0)	(481.0)	(477)	(550)	
Depreciation of right of use assets				(288.0)	(300.0)	
Exceptional item	-	(246.0)	(101.0)	42.0	-	
<b>Operating profit/(loss)</b>	<b>(1,238.0)</b>	<b>(918.0)</b>	<b>(1,202.0)</b>	<b>(1,264)</b>	<b>(2,297)</b>	
Finance income	4.0	8.0	15.0	11	5	
Finance costs	(1.0)	(3.0)	(3.0)	(12)	(12)	
Finance costs on right of use asset				(91.0)	(90.0)	Increase from IFRS 16 - interest on lease liability
<b>Profit/(loss) before tax</b>	<b>(1,235.0)</b>	<b>(913.0)</b>	<b>(1,190.0)</b>	<b>(1,356)</b>	<b>(2,394)</b>	
Tax	139.0	48.0	54.0	65	50	
tax rate	11.3%	5.3%	4.5%	4.8%	2.1%	
<b>Net profit</b>	<b>(1,096.0)</b>	<b>(865.0)</b>	<b>(1,136.0)</b>	<b>(1,291)</b>	<b>(2,344)</b>	
Earnings per share						
Basic	(2.86)	(2.08)	(2.49)	(2.60)	(4.07)	
Diluted	(2.86)	(2.08)	(2.49)	(2.50)	(4.07)	
Wtd average number of shares (m)	38.4	41.5	45.6	50	58	
FX difference on translation of foreign operations	(42.0)	47.0	50.0	-	50	
<b>Total comprehensive profit/(loss) for the year</b>	<b>(1,138.0)</b>	<b>(818.0)</b>	<b>(1,086.0)</b>	<b>(1,291)</b>	<b>(2,294)</b>	
<b>EBITDA (underlying)</b>	<b>(735.0)</b>	<b>(301.0)</b>	<b>(627.0)</b>	<b>(541)</b>	<b>(1,447)</b>	

Source: Allenby Capital, Company data

Balance Sheet - Year End September - £'000						
	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21e	Comments
Goodwill	69.0	69	69	69	69	
Intangible assets	1.0	25	30	50	50	
Property, plant & equipment	1,490.0	2,033	2,745	6,337	6,287	
Right of Use Assets	-	-	-	2,130	1,830	IFRS 16 impact from 2020
<b>Non-current assets</b>	<b>1,560.0</b>	<b>2,127</b>	<b>2,844</b>	<b>8,586</b>	<b>8,236</b>	
Inventories	160.0	286	691	565	581	
Trade & other receivables	622.0	749	1,003	486	641	
Other current financial assets	242.0	265.0	277.0	395.0	395.0	
Cash & cash equivalents	1,212.0	3,302	4,809	2,715	1,351	
<b>Current assets</b>	<b>2,236.0</b>	<b>4,602</b>	<b>6,780</b>	<b>4,161</b>	<b>2,968</b>	
<b>Total assets</b>	<b>3,796.0</b>	<b>6,729</b>	<b>9,624</b>	<b>12,747</b>	<b>11,204</b>	
Trade & other payables	488.0	1,336	1,351	906	962	
Financial liabilities - borrowings	5.0	10	50	91	91	
Right of use lease liability	-	-	-	193.0	193.0	IFRS 16 impact from 2020
Provision for onerous lease and dilapidations	-	-	-	45.0	15.0	
Provision for grant repayment	-	246.0	260.0	116.0	-	
<b>Current liabilities</b>	<b>493.0</b>	<b>1,592</b>	<b>1,661</b>	<b>1,351</b>	<b>1,261</b>	
Financial liabilities - borrowings	12.0	58	164	407	657	
Right of use lease liability	-	-	-	2,046	1,858	IFRS 16 impact from 2020
Provision for onerous lease and dilapidations	-	-	101.0	106.0	106.0	
<b>Non-current liabilities</b>	<b>12.0</b>	<b>58</b>	<b>265</b>	<b>2,559</b>	<b>2,621</b>	
<b>Total liabilities</b>	<b>505.0</b>	<b>1,650</b>	<b>1,926</b>	<b>3,910</b>	<b>3,882</b>	
<b>Net assets</b>	<b>3,291.0</b>	<b>5,079</b>	<b>7,698</b>	<b>8,837</b>	<b>7,323</b>	
Share capital	3,242.0	3,405	3,673	3,836	3,915	
Share premium	10,306.0	12,676	15,987	18,196	18,907	
Retained earnings	(10,060.0)	(10,925)	(11,964)	(13,210)	(15,464)	
Share-based payments reserve	235.0	308	274	360	360	
Translation reserve	(432.0)	(385)	(272)	(345)	(395)	
	<b>3,291.0</b>	<b>5,079</b>	<b>7,698</b>	<b>8,837</b>	<b>7,323</b>	
<b>Balance Sheet ratios</b>	<b>Sep-17</b>	<b>Sep-18</b>	<b>Sep-19</b>	<b>Sep-20</b>	<b>Sep-21e</b>	
Short term debt	5.0	10	50	91	91	
Long term debt	12.0	58	164	407	657	
<b>Gross debt</b>	<b>17.0</b>	<b>68</b>	<b>214</b>	<b>498</b>	<b>748</b>	
Cash	1,212.0	3,302	4,809	2,715	1,351	
<b>Net debt/(cash)</b>	<b>(1,195.0)</b>	<b>(3,234)</b>	<b>(4,595)</b>	<b>(2,217)</b>	<b>(603)</b>	

Source: Allenby Capital, Company data

## Cashflow statement – Year End September - £'000

	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21e	Comments
<b>Operating loss</b>	<b>(1,238)</b>	<b>(918)</b>	<b>(1,202)</b>	<b>(1,264)</b>	<b>(2,297)</b>	
Impairment of intangibles	1	2	7	13	-	
Depreciation on owned assets	503	371	474	464	550	
Depreciation on right of use asset	-	-	-	288	300	
Share option charge	51	73	62	86	40	
(Increase) in inventories	(100)	(124)	(392)	126	(16)	
(Increase) in receivables	(91)	(149)	(266)	388	(155)	
Increase in payables	78	793	73	(445)	56	
Increase in provisions	-	246	116	(144)	-	
<b>Cash generated from operations</b>	<b>(796)</b>	<b>294</b>	<b>(1,128)</b>	<b>(488)</b>	<b>(1,523)</b>	
Finance income	4	8	16	11	5	
Finance costs	(1)	(3)	(3)	(12)	(12)	
Right of use asset interest	-	-	-	(91)	(90)	
Tax received	207	93	-	76	50	
<b>Net cash generated from operating activities</b>	<b>(586)</b>	<b>392</b>	<b>(1,115)</b>	<b>(504)</b>	<b>(1,570)</b>	
Purchase of property, plant and equipment	(152)	(887)	(1,106)	(4,089)	(500)	2020 new UK facility and 3 new reactors
<b>Net cash used in investing activities</b>	<b>(152)</b>	<b>(887)</b>	<b>(1,106)</b>	<b>(4,089)</b>	<b>(500)</b>	
Net proceeds from issue of ordinary share capital	-	2,533	3,578	2,372	790	
Finance lease repayment	(17)	(3)	-	-	-	
Loans raised	-	55	139	402	250	
Loans repaid	-	-	(27)	(75)	-	
Grant repaid	-	-	-	-	(116)	
Lease principal repayments	-	-	-	(221)	(218)	
<b>Net cash generated from financing activities</b>	<b>(17)</b>	<b>2,585</b>	<b>3,690</b>	<b>2,478</b>	<b>706</b>	
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>(755)</b>	<b>2,090</b>	<b>1,507</b>	<b>(2,094)</b>	<b>(1,364)</b>	
Cash and cash equivalents at the beginning of the year	1,967	1,212	3,302	4,809	2,715	
<b>cash and cash equivalents at the end of the year</b>	<b>1,212</b>	<b>3,302</b>	<b>4,809</b>	<b>2,715</b>	<b>1,351</b>	

Source: Allenby Capital, Company data

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