

Corporate

Current price **2.55p**

Sector **Support Services**

Code **REAT.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **13.0**

Shares in issue (m) **508.0**

52 weeks High Low

2.55p **0.95p**

Financial year end **September**

Source: Company Data, Allenby Capital

Key Shareholders

Octopus Investments Noms 17.14%

Helium Rising Stars Fund 15.85%

Premier Miton 8.10%

Jonathan Whitmore 5.29%

George Stavrinidis 3.32%

Source: Company Data, Allenby Capital

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REACT Group plc (REAT.L)

New contract wins comfortably supports forecasts

REACT Group plc (REACT), the leading specialist cleaning, decontamination and hygiene company, has announced two new significant contract awards in less than a week confirming the Group's growing presence in nationwide decontamination and cleaning. The most significant, announced today and from an existing customer, could when fully mobilised generate revenues of up to c.£2m. The second, announced on 20 April, also from an existing customer, is worth just over c.£0.6m. We are currently keeping expectations unchanged but suffice to say that we believe forecasts are now comfortably underpinned and capable of being upgraded as we progress through the year. We continue to believe that there is further substantial upside in the share price.

- **Material new contract win announced today** – REACT has announced the award of a material new three-year contract to supply a full range of reactive cleaning and decontamination services to one of the world's leading FM companies. The contract was awarded after a formal tender process at industry standard margins but we believe also offers REACT opportunities for meaningful operational leverage as volumes rise. The revenue value of the contract is difficult to estimate but REACT believes that the customer has historically spent in the region of £2m pa on this category of work. The contract provides cover to the customer's portfolio of over 2,000 site locations throughout mainland Great Britain and specifies REACT as the core vendor/vendor of choice.
- **Supplier consolidation offers the prospect of similar opportunities** - This award is part of the customer's strategy to consolidate supply chains in this category of work, from several hundred smaller suppliers to just one. We are aware that other large FM companies have similar unwieldy supply chains which could benefit from supplier consolidation and consequently we believe this contract could provide an important reference site. The contract will inevitably take several months to reach maturity as the customer transitions its substantial number of locations which are currently serviced by numerous suppliers over to REACT.
- **New 12-month contract worth c.£0.6m** – In addition to today's announcement we would also note the award of a new contract announced last week from one of the Group's existing FM customers worth c.£0.6m, more than double the customer's previous annual commitment with REACT.
- **Indicative of progress made by new management team** – Investors should be highly encouraged by the progress made by REACT since the new management team were appointed and we anticipate further organic and acquisition-led growth to come.
- **EPS forecasts unchanged** – Our forecasts, raised after the Fidelis acquisition, are unchanged. At this stage, with just 5 months of the financial year remaining, it is difficult to estimate how much of a contribution the new contracts will deliver. Suffice to say that REACT would appear to be comfortably on track to achieve our forecasts.

Year End: September

(£000)	2018A	2019A	2020A	2021E
REVENUE	3,295	3,103	4,360	7,818
ADJUSTED EBITDA	(601)	(131)	261	850
ADJUSTED P/(L)BT	(614)	(178)	188	784
ADJUSTED EPS (p)	(0.21)	(0.04)	0.04	0.14
PER (x)	-	-	-	18.2
EV/EBITDA (x)	-	-	-	14.2
NET CASH	423	440	1,783	896

Source: REACT Group plc; Allenby Capital. Allenby Capital acts as Nomad and Broker to REACT Group plc (REAT.L). Please refer to the last page of this communication for all required disclosures and risk warnings.

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