

## Corporate

 Current price **39.0**

 Sector **Engineering**

 Code **HDD.L**

 AIM **AIM**

### Share Performance



Period	Change
1m	+24%
3m	+28%
12m	+47%

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **21.8**

 Shares in issue (m) **55.875**

 52 weeks High **44.0** Low **21.5**

 Financial year end **September**

Source: Company Data, Allenby Capital

### Key Shareholders

R Boyce &amp; Associates 12.5%

Hargreave Hale AIM VCT 10.9%

A Badenoch &amp; Associates 10.0%

Amati Global Investors 8.1%

Unicorn Asset Management 5.7%

Source: Company Data, Allenby Capital

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## Hardide plc (HDD.L)

### Interims to end March 2021 in line with expectations

Hardide plc has reported interims for the 6m ended 31 March 2021 in line with expectations. Given the year earlier period was 'pre-COVID' it is of no surprise that the results were significantly weaker (revenues down 41%). However, revenues in the period were up marginally on 2H 2020 indicating the worst has probably passed. The outlook is upbeat with expectations for "an improvement in revenues in H2 and into full year 2022". We make no changes to our 2021 revenue and underlying EBITDA forecasts.

- Interims impacted by COVID, balance sheet strengthened with fundraise.** Historically, c.60% of revenues are derived from the Oil & Gas sector which was hit hard by the pandemic. In contrast, aerospace revenues increased by 26% and flow control and energy revenues by 4% each compared with 2H 2020. Group revenues of £1.78m were down 41% yoy but showed a 2.5% improvement against 2H 2020. The underlying EBITDA loss of £865k compared with +£29k in 1H 2020. Operating cash flow (minus £1.22m) was offset by the net £0.76m fundraise and a CBILS loan of £250k. In April a further £250k CBILS loan has been secured. Hardide ended March 2021 with a cash position of £2.3m (£1.5m net) and we forecast an end Sept 2021 cash position of £1.68m (£0.62m net).
- O&G slow to recover but more promising signs in other end markets.** O&G remains under pressure but momentum is being maintained with aerospace customers. The aerospace pipeline continues to grow and the Company notes new projects with customers in the UK, Europe and USA for landing gear, helicopter and business jet applications, and hard chrome replacement projects for cargo door and flight control applications. One of several long-term supply agreements is in the final stages of preparation prior to signing with a major German Tier 1 supplier to Airbus. Order levels from the major industrial pump customer are picking up due to increases in US house building activity.
- Move to Longlands Road facility almost complete.** By end June the last remaining reactor will be transferred to the new facility and site clearance will commence ahead of the October lease termination. Longlands has already gained accreditation to aerospace quality management standard AS9100D, environmental standard ISO14001 and Airbus final approval of the site is due in July 2021. Accreditation to Nadcap (National Aerospace and Defence Contractors Accreditation Program) has been delayed due to COVID-19 travel restrictions and is now expected later this year.
- Outlook positive - signs of recovery across all key markets** The Company remains upbeat about the future and expects a pick-up in revenues in H2 and into 2022 with particular areas of optimism, in addition to the aerospace activity mentioned above, including: Developments underway with a very large, US-based manufacturer of electric vehicles; Developments with a European Industrial Gas turbine manufacturer; Resumption in testing of Hardide-coated parts in a new transmission system with Leonardo Helicopters (final approval expected August 2021) and; the progress made in building a position in the alternative energy sector as the global energy industry strives for 'net zero' for example in the use of Hardide-T coating on components in the production process of lithium-ion rechargeable batteries.

Year End: September					
(£'000)	2017	2018	2019	2020	2021E
REVENUE	3,241	4,613	5,052	4,756	4,007
Growth	51.3%	42.3%	9.5%	-5.9%	-15.8%
ADJ. EBITDA	(735)	(299)	(620)	(541)	(1,447)
ADJ. EBITDA Margin	-22.7%	-6.5%	-12.3%	-11.4%	-36.1%
Profit/(loss) before tax	(1,235)	(913)	(1,190)	(1,356)	(2,645)
Net Debt/(Cash)	(1,195)	(3,234)	(4,595)	(2,217)	(619)
EV/Sales	7.24	5.09	4.65	4.94	5.86

Allenby Capital acts as Nomad &amp; Broker to Hardide plc (HDD.L).

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

Income Statement - Year End September - £'000						
	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21e	Comments
<b>Revenue</b>	<b>3,241</b>	<b>4,613</b>	<b>5,052</b>	<b>4,756</b>	<b>4,007</b>	
Growth	51.3%	42.3%	9.5%	-5.9%	-15.8%	New UK facility and all three new reactors (2 UK, 1US) operational by end FY 2021
Cost of sales	(1,651)	(2,201)	(2,635)	(2,436)	(2,404)	
<b>Gross profit</b>	<b>1,590</b>	<b>2,412</b>	<b>2,417</b>	<b>2,320</b>	<b>1,603</b>	
Gross profit margin	49.1%	52.3%	47.8%	48.8%	40.0%	
Administrative expenses	(2,325)	(2,711)	(3,037)	(2,861)	(3,050)	
as a % of sales	71.7%	58.8%	60.1%	60.2%	76.1%	
Depreciation & Amortisation of owned assets	(503)	(373)	(481)	(477)	(800)	
Depreciation of right of use assets				(288.0)	(300.0)	
Exceptional item	-	(246)	(101)	42	-	
<b>Operating profit/(loss)</b>	<b>(1,238)</b>	<b>(918)</b>	<b>(1,202)</b>	<b>(1,264)</b>	<b>(2,547)</b>	
Finance income	4	8	15	11	4	
Finance costs	(1)	(3)	(3)	(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)</b>	<b>(913)</b>	<b>(1,190)</b>	<b>(1,356)</b>	<b>(2,645)</b>	
Tax	139	48	54	65	80	
tax rate	11.3%	5.3%	4.5%	4.8%	3.0%	
<b>Net profit</b>	<b>(1,096)</b>	<b>(865)</b>	<b>(1,136)</b>	<b>(1,291)</b>	<b>(2,565)</b>	
<b>Earnings per share</b>						
Basic	(2.86)	(2.08)	(2.49)	(2.60)	(4.59)	
Diluted	(2.86)	(2.08)	(2.49)	(2.50)	(4.59)	
Wtd average number of shares (m)	38.4	41.5	45.6	49.7	55.9	
FX difference on translation of foreign operations	(42)	47	50	-	-	
<b>Total comprehensive profit/(loss) for the year</b>	<b>(1,138)</b>	<b>(818)</b>	<b>(1,086)</b>	<b>(1,291)</b>	<b>(2,565)</b>	
<b>EBITDA (underlying)</b>	<b>(735)</b>	<b>(299)</b>	<b>(620)</b>	<b>(541)</b>	<b>(1,447)</b>	

Source: Company data, Allenby Capital forecasts

Balance Sheet - Year End September - £'000						
	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21e	Comments
Goodwill	69	69	69	69	60	
Intangible assets	1	25	30	50	50	
Property, plant & equipment	1,490	2,033	2,745	6,337	6,037	
Right of Use Assets	-	-	-	2,130	1,830	IFRS 16 impact from 2020
<b>Non-current assets</b>	<b>1,560</b>	<b>2,127</b>	<b>2,844</b>	<b>8,586</b>	<b>7,977</b>	
Inventories	160	286	691	565	581	
Trade & other receivables	622	749	1,003	486	641	
Other current financial assets	242.0	265.0	277.0	395.0	395.0	
Cash & cash equivalents	1,212	3,302	4,809	2,715	1,686	
<b>Current assets</b>	<b>2,236</b>	<b>4,602</b>	<b>6,780</b>	<b>4,161</b>	<b>3,303</b>	
<b>Total assets</b>	<b>3,796</b>	<b>6,729</b>	<b>9,624</b>	<b>12,747</b>	<b>11,280</b>	
Trade & other payables	488	1,336	1,351	906	962	
Financial liabilities - borrowings	5	10	50	91	91	
Right of use lease liability	-	-	-	193	193	IFRS 16 impact from 2020
Provision for onerous lease	-	-	-	45.0	15.0	
Provision for grant repayment	-	246.0	260.0	116.0	4.0	
<b>Current liabilities</b>	<b>493</b>	<b>1,592</b>	<b>1,661</b>	<b>1,351</b>	<b>1,265</b>	
Financial liabilities - borrowings	12	58	164	407	976	Asset finance £0.4m, CBILS £0.5m
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</b>	<b>58</b>	<b>265</b>	<b>2,559</b>	<b>2,940</b>	
<b>Total liabilities</b>	<b>505</b>	<b>1,650</b>	<b>1,926</b>	<b>3,910</b>	<b>4,205</b>	
<b>Net assets</b>	<b>3,291</b>	<b>5,079</b>	<b>7,698</b>	<b>8,837</b>	<b>7,076</b>	
Share capital	3,242	3,405	3,673	3,836	3,912	
Share premium	10,306	12,676	15,987	18,196	18,884	
Retained earnings	(10,060)	(10,925)	(11,964)	(13,210)	(15,735)	
Share-based payments reserve	235	308	274	360	360	
Translation reserve	(432)	(385)	(272)	(345)	(345)	
	<b>3,291</b>	<b>5,079</b>	<b>7,698</b>	<b>8,837</b>	<b>7,076</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	10	50	91	91	
Long term debt	12	58	164	407	976	
Gross debt	17	68	214	498	1,067	
Cash	1,212	3,302	4,809	2,715	1,686	
<b>Net debt/(cash)</b>	<b>(1,195)</b>	<b>(3,234)</b>	<b>(4,595)</b>	<b>(2,217)</b>	<b>(619)</b>	

Source: Company data, Allenby Capital forecasts

## 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>(2,547)</b>	
Impairment of intangibles	1	2	7	13	9	
Amortisation of deferred grant	-	-	-	-	(12)	
Depreciation on owned assets	503	371	474	464	800	
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>(1,526)</b>	
Finance income	4	8	16	11	4	
Finance costs	(1)	(3)	(3)	(12)	(12)	
Right of use asset interest	-	-	-	(91)	(90)	
Tax received	207	93	-	76	80	
<b>Net cash generated from operating activities</b>	<b>(586)</b>	<b>392</b>	<b>(1,115)</b>	<b>(504)</b>	<b>(1,544)</b>	
Purchase of property, plant and equipment	(152)	(887)	(1,106)	(4,089)	(500)	2020 UK facility move, 3 new reactors (2 UK, 1 US)
Net cash used in investing activities	(152)	(887)	(1,106)	(4,089)	(500)	
Net proceeds from issue of ordinary share capital	-	2,533	3,578	2,372	764	
Finance lease repayment	(17)	(3)	-	-	-	
Loans raised	-	55	139	402	608	
Loans repaid	-	-	(27)	(75)	(39)	
Grant repaid	-	-	-	-	(100)	
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>1,015</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>(1,029)</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>1,686</b>	

Source: Company data, Allenby Capital forecasts

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