

# Company Report

**FLASH NOTE**  
July 19, 2019

**VRS (Valuation & Research Specialists)**  
Equity Research Team  
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Share Price (19/07/2019)      £p 64.00

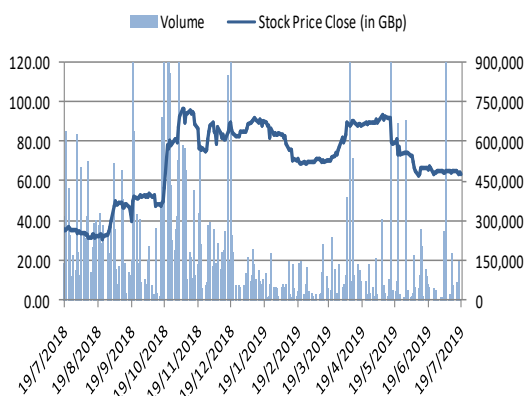
# of Shares (mn)	82.81
Market Cap (in £ mn)	53.00
A.D. Volume (p)	213,653
Beta Co-efficient	1.032

#### Statistical Data

Max 52 week, £p	96.50
Min 52 week, £p	31.20
1-M Rtn	-4.05%
6-M Rtn	-30.28%
12-M Rtn	76.07%

Source: VRS Calculations, Reuters.  
Period as day/month/year.

### Stock Price Performance & Transaction Volume (1 year, in £ and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.  
Period as day/month/year.

## SAFESTYLE UK plc

Listed on LSE, U.K.

[Bloomberg Ticker: SFE:LN] [Reuters Ticker: SFES.L]

**Business Sector / Industry: Consumer Discretionary / Home & Office Products**

### Corporate & Investment Highlights

- Safestyle UK plc is a United Kingdom-based company engaged in the sale, manufacture and installation of replacement un-plasticized poly vinyl chloride (PVCu) windows and doors for the United Kingdom home-owner market. The Company's segment includes the sale, design, manufacture, installation and maintenance of domestic, double-glazed, replacement windows and doors.
- The Company has 36 sales branches and 13 distribution depots located throughout the United Kingdom. Its product range includes EcoDiamond WINDOWS, EcoDiamond UPVC DOORS, EcoDiamond BI-FOLD DOORS, EcoDiamond REPLACEMENT CONSERVATORIES, GuardDoor, Pavilion and Inspire. It has manufactured over 279,000 frames and carried out approximately 60,000 installations. The Company's subsidiaries include Style Group Holdings Limited, Style Group Limited and HPAS Limited.

### Consolidated Annual Financial Results (2018 versus 2017, £ millions)

(in £ mn)	2018	%	2017
Sales	116	-26.57%	159
Gross Profit	26	-49.67%	51
EBITDA	-14	-190.29%	16
EBT	-16	-217.72%	14
EATAM	-13	-222.81%	11

Source: Company. Note: Fiscal Year ends on December 31<sup>st</sup>.

### Consolidated Interim Financial Results (H1 2018 versus H1 2017, £ millions)

(in £ mn)	H1 2018	%	H1 2017
Sales	61	-26.67%	83
Gross Profit	15	-46.91%	28
Operating Income	-3	-125.51%	10
EBT	-6	-164.77%	9
EATAM	-5	-168.12%	7

Source: Company.

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**VRS (VALUATION & RESEARCH SPECIALISTS)**  
Equity Research, Corporate Valuation & Financial Consultancy

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### BASIC FINANCIAL INDICATORS

in £ million	Revenues	Gross Profit	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT/EQUITY (x)	ROE %
2012	110	38	10	7	7.5	2.3	4.5	0.04	30%
2013	125	45	9	6	8.2	2.5	4.7	0.03	31%
2014	136	50	16	13	4.1	1.9	2.6	0.01	46%
2015	149	55	18	14	3.8	1.4	2.0	0.00	37%
2016	163	56	19	16	3.4	1.4	1.9	0.00	41%
2017	159	51	14	11	4.9	1.3	2.7	0.00	27%
2018	116	26	-16	-13	-4.0	1.8	-3.8	0.13	-45%
2019 E	133	36	6	4	12.1	1.6	6.7	0.04	14%
2020 E	151	46	7	6	8.8	1.5	5.7	0.05	17%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price and current outstanding number of shares. Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. n/c stands for non calculable.

### Working Capital Ratios

in £ million	2015	2016	2017	2018	2019 E	2020 E
Revenues	149	163	159	116	133	151
Cost (net of depreciation)	94	108	107	91	98	105
Gross Profit Margin	% 36.61%	34.09%	32.43%	22.23%	26.69%	30.64%
Net Income / Profit	14	16	11	-13	4	6
Net Profit Margin	% 9.4%	9.5%	6.8%	-11.4%	3.3%	4.0%
Cash & Cash Equivalents	16	13	11	4	5	6

### Stock Days

Days	6	7	7	10	10	10
Stock Inventory	1.5	2.2	2.0	2.4	3	3
Debtors Days	9	10	10	14	14	14
Debtors - Receivables	3.9	4.6	4.6	4.5	5	6
Creditors Days	39	41	37	62	62	62
Creditors - Suppliers	10.2	12.0	10.9	15.3	17	18
Operating Cycle (Days)	15	18	17	24	24	24
Cash Cycle (Days)	-24	-23	-20	-38	-37	-37

Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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### Shareholders' Structure (Indicative Shareholders)

Alantra EQMC Asset Management SGIIC SA	18.40%
CI Investments, Inc.	10.20%
Standard Life Investments Ltd.	8.03%
Invesco Advisers, Inc.	5.77%
Otus Capital Management Ltd.	5.42%
Mawer Investment Management Ltd.	4.99%
Baillie Gifford & Co.	4.99%
Close Asset Management Ltd.	4.83%
Invesco Asset Management Ltd.	4.46%
Henderson Global Investors Ltd.	3.88%
Others	29.03%
<b>Total</b>	<b>100.00%</b>

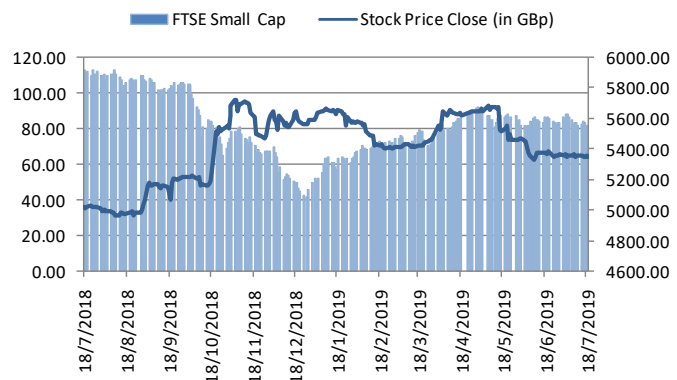
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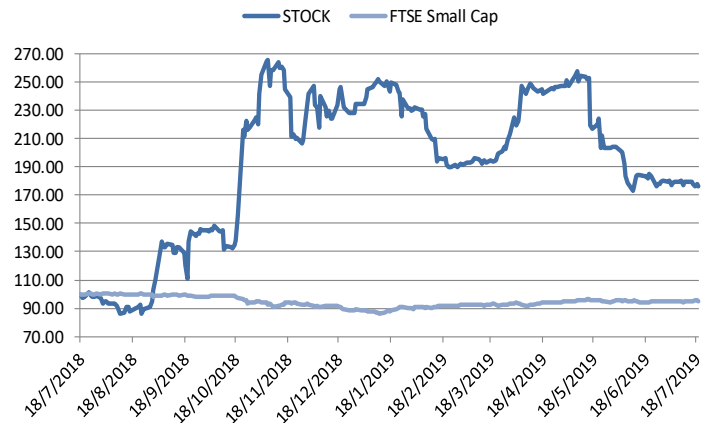
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**Stock versus Index**  
(Last 52 Weeks or since listing, Stock Price in £, Index in points)



Source: Historical Data, Investing.com. Note: Share price performance based on price closes on Stock Exchange.  
Period as day/month/year.

**Stock versus Index**  
(Last 52 Weeks or since listing, Base = 100)



Source: Historical Data, Investing.com. Note: Share price performance based on price closes on Stock Exchange.  
Period as day/month/year.

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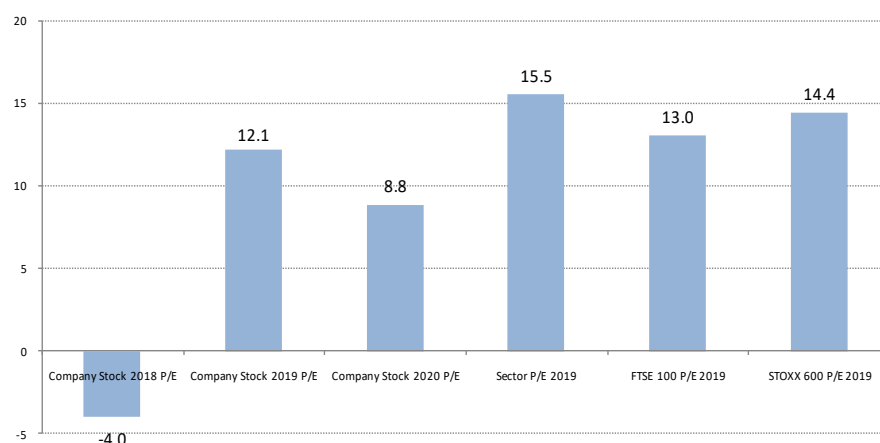
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	P/E Multiple
Company Stock 2018 P/E	<b>-4.0</b>
Company Stock 2019 P/E	<b>12.1</b>
Company Stock 2020 P/E	<b>8.8</b>
Sector P/E 2019	<b>15.5</b>
FTSE 100 P/E 2019	<b>13.0</b>
STOXX 600 P/E 2019	<b>14.4</b>

### Company Historic P/E Multiple versus Market P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

### EPS Estimates

In £	EPS
2018	-0.161
2019 E	0.053
2020 E	0.072

Source: VRS calculations & estimates.

Note: EPS is based on current number of shares.

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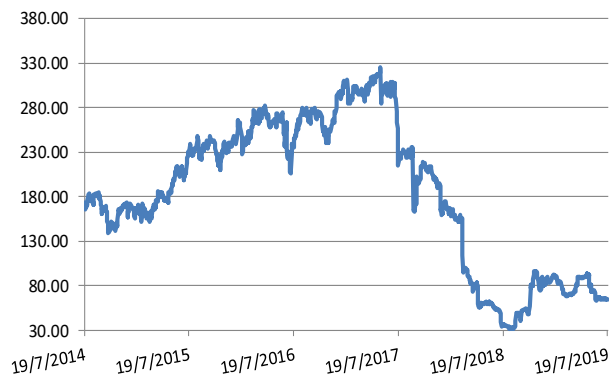
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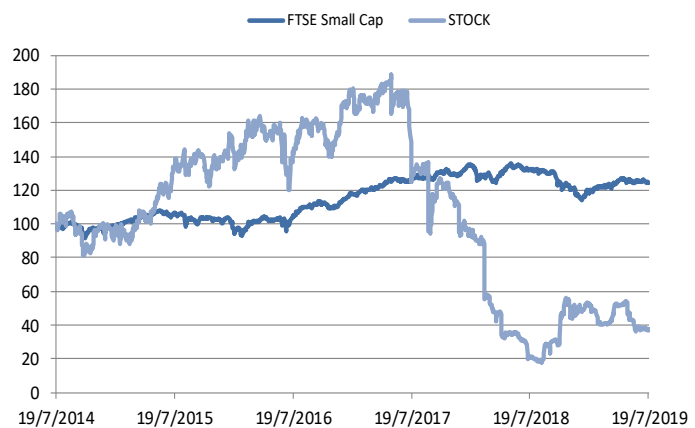
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**Stock Price Performance**  
(Last 5 Years or since listing, Stock Price in £)



Source: Historical Data, Investing.com. Note: Share price performance based on price closes on Stock Exchange. Period as day/month/year.

**Stock versus Index**  
(Last 5 Years or since listing, Base = 100)



Source: Historical Data, Investing.com. Note: Share price performance based on price closes on Stock Exchange. Period as day/month/year.

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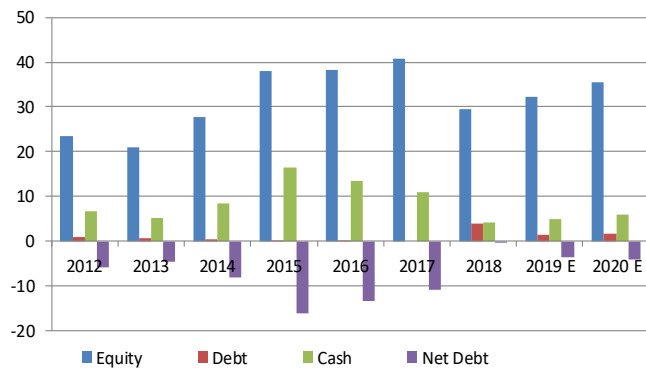
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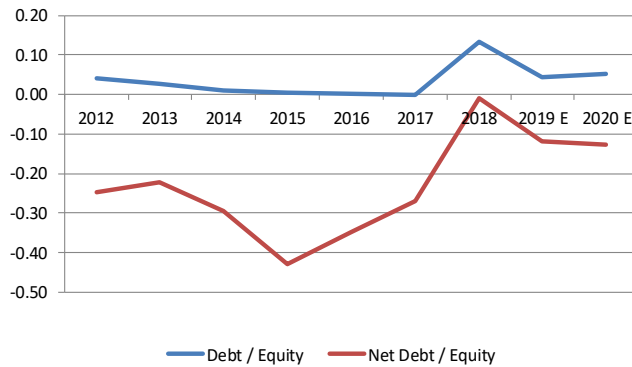
**Business Sector / Industry: Consumer Discretionary / Home & Office Products**

**Equity, Debt, Cash & Net Debt**  
(in £ millions)



Source: Company, VRS estimates

**"Debt/Equity" & "Net Debt/Equity" Ratios**  
(times)



Source: Company, VRS estimates

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### Operating Headlines & Non-Recurring Costs FY 2018

Operation Headlines Breakdown	
	2018
Sales Branches	36
Installation Depots	13
Head Office	1
Manufacturing Facility	1
<b>TOTAL</b>	<b>51</b>

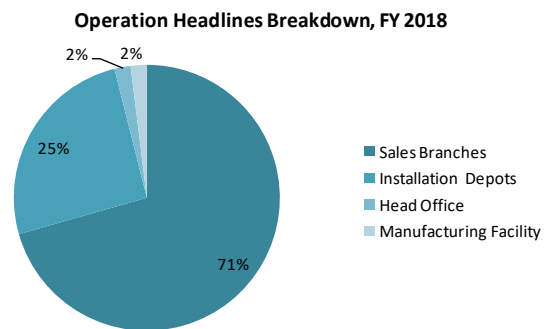
Consolidated Non-recurring costs Breakdown (£ thousands)	
	2018
Product guarantee provision	801
<b>Non-recurring items charge to cost of sales</b>	<b>801</b>
Litigation costs	1,912
Restructuring and operational costs	1,167
Fines	1,079
Onerous leases	294
Commercial Agreement costs	311
Commercial Agreement service fee	1,000
Non-recurring pay awards	635
Dilapidations provision	618
<b>Non-recurring items charge to other operating expenses</b>	<b>7,016</b>
<b>TOTAL</b>	<b>7,817</b>

#### Important Note:

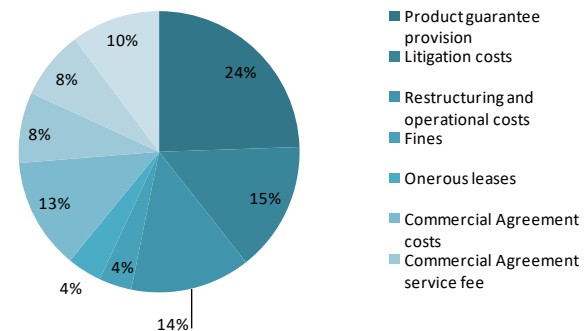
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### Operating Headlines & Non-Recurring Costs Breakdown, FY 2018 (%)



### Non-Recurring Costs Breakdown, FY 2018



Source: Company

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### Consolidated Income Statement (In £ thousands)

in £ thousands, except earnings per share in £	2018	2017
<b>Revenue</b>	<b>116,426</b>	<b>158,552</b>
Cost of Sales	-90,549	-107,133
<b>Gross Profit</b>	<b>25,877</b>	<b>51,419</b>
Other operating expenses	-42,004	-37,630
<b>Operating (loss) / profit</b>	<b>-16,127</b>	<b>13,789</b>
Finance income	7	35
Finance costs	-142	-10
<b>Net finance (costs) / income</b>	<b>-135</b>	<b>25</b>
<b>(Loss) / profit before taxation</b>	<b>-16,262</b>	<b>13,814</b>
Underlying (loss) / profit before taxation before non-recurring costs, Commercial Agreement amortisation and share based payments	-8,744	15,065
Non-recurring costs	-7,817	-830
Commercial Agreements amortisation	-75	-
Share based payments	374	-421
<b>(Loss) / profit before taxation</b>	<b>-16,262</b>	<b>13,814</b>
Taxation	2,964	-2,986
<b>(Loss) / profit for the year</b>	<b>-13,298</b>	<b>10,828</b>
Basic EPS (pence per share)	-16.1	13.1
Diluted EPS (pence per share)	-16.1	13.0

Source: Company

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### Consolidated Balance Sheet (In £ thousands)

in £ thousands	2018	2017
<b>Assets</b>		
Intangible assets - Trademarks	504	504
Intangible assets - Goodwill	20,758	20,758
Intangible assets - Software	1,346	786
Intangible assets - Other	2,188	-
Property, plant and equipment	14,213	14,975
Deferred taxation asset	693	28
<b>Non-current assets</b>	<b>39,702</b>	<b>37,051</b>
Inventories	2,416	2,032
Current taxation asset	2,287	-
Trade and other receivables	4,478	4,559
Cash and cash equivalents	4,163	10,975
<b>Current assets</b>	<b>13,344</b>	<b>17,566</b>
<b>Total assets</b>	<b>53,046</b>	<b>54,617</b>
<b>Equity</b>		
Called up share capital	828	828
Share premium account	81,845	81,845
Profit and loss account	13,347	24,712
Common control transaction reserve	-66,527	-66,527
<b>Total equity</b>	<b>29,493</b>	<b>40,858</b>
<b>Liabilities</b>		
Trade and other payables	15,286	10,864
Corporation taxation liabilities	-	776
Deferred taxation liability	53	90
Provision for liabilities and charges	1,123	599
<b>Current liabilities</b>	<b>16,462</b>	<b>12,329</b>
Provision for liabilities and charges	3,188	1,430
Borrowing facility	3,903	-
<b>Non-current liabilities</b>	<b>7,091</b>	<b>1,430</b>
<b>Total liabilities</b>	<b>23,553</b>	<b>13,759</b>
<b>Total equity and liabilities</b>	<b>53,046</b>	<b>54,617</b>

Source: Company

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### Consolidated Cash Flow Statement (In £ thousands)

in £ thousands	2018	2017
<b>Cash flows from operating activities</b>		
(Loss) / profit for the year	-13,298	10,828
Adjustments for:		
Depreciation of plant, property and equipment	1,715	1,489
Amortisation of intangible fixed assets	400	241
Finance income	-7	-35
Finance expense	142	10
Loss on sale of plant, property and equipment	42	-
Equity settled share based payments (credit) / charge	-374	421
Taxation (credit) / expense	-2,964	2,986
	<b>-14,344</b>	<b>15,940</b>
(Increase) / decrease in inventories	-384	144
Decrease in trade and other receivables	81	1
Increase / (decrease) in trade and other payables	4,422	-1,120
Increase / (decrease) in provisions	2,282	-367
	<b>6,401</b>	<b>-1,342</b>
Hire purchase interest paid	-	-10
Other interest paid	-142	-
	<b>-142</b>	<b>-10</b>
Taxation paid	-757	-2,880
<b>Net cash (outflow) / inflow from operating activities</b>	<b>-8,842</b>	<b>11,708</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-1,028	-4,075
Acquisition of subsidiary	-30	-
Interest received	7	35
Proceeds from sale of property, plant and equipment	33	-
Acquisition of intangible fixed assets	-855	-612
<b>Net cash outflow from investing activities</b>	<b>-1,873</b>	<b>-4,652</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	3,903	-
Proceeds from the issue of ordinary shares	-	258
Purchase and cancellation of ordinary shares	-	-392
Payment of hire purchase and finance leases	-	-70
Dividends paid	-	-9,336
<b>Net cash inflow / (outflow) from financing activities</b>	<b>3,903</b>	<b>-9,540</b>
Net (decrease) in cash and cash equivalents	-6,812	-2,484
Cash and cash equivalents at start of year	10,975	13,459
<b>Cash and cash equivalents at end of year</b>	<b>4,163</b>	<b>10,975</b>

Source: Company

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SAFESTYLE UK plc	SFE:LN	SFES.L	GBP 64.00	July 19, 2019	----

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