

Key Statistics

Code	: RHL
Listing	: AIM
Sector	: Support Services
Market Cap	: £13.18m
Share in issue	: 200.05m
Current Price	: 6.25p
12 month High/Low:	: 15.50p/5.00p

Stock Performance



Source: InvestEgate

Financials

£'m	2015	2014	2013	2012
Revenue	44.7	103.18	113.08	116.77
PBT	-3.64	-5.77	-9.78	-4.65
Profit	-12.16	-5.68	-9.35	-4.31

Source: Redhall Group Final Results

Company description

Redhall Group plc is a United Kingdom-based engineering support services company operating in the engineering, nuclear and manufacturing sectors. The principal activity of the Company is engineering and related services. The Company's segments include Engineering, Nuclear and Manufacturing.

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Redhall: Solid & Set for Growth

Redhall Group has been to a dark place, but it is now considerably de-risked and firmly back on track. The balance sheet is back in shape and the business firmly refocused on the strong growth nuclear and infrastructure sectors.

- Debt, Risk Profile & Costs reduced
- Bidding process streamlined – Strong bid book and order book
- Focus on long term markets– Nuclear & Infrastructure
- Quality clients and high barriers to entry
- Good Margins

The Group has great earnings' visibility, though the immediate hazard of this is that nothing changes fast, but that does not mean it is not changing positively. Investment has recently been focussed on, Sales, Marketing and Billing and there is plenty of work to pitch for and likely to be more through the medium to long term with Rolls Royce and Babcock recently adding Redhall to their Tender Lists. Historically there has been a passive approach to sales and the Group has only recently begun to leverage its strong brand and reputation to increase sales volumes.

At the same time, the divisions are now aiming to make selective smaller bespoke bids, to maximise the return on what is a major cost; bidding. £150m of bids were submitted in the quarter to 30 September 2015 and the order book at that time was £21m (vs.£21m FY 9/14).

For disclosures, refer to the Disclosure Section

Subsidiaries; Booth Industries and Jordan Manufacturing can generate high margins with improvements in volume. Work on the margins is already underway with the new bid policy (described above) and a new head of Supply Chain has been recruited. By way of example, the Group buys around £18m of steel across its operations, which can almost certainly be better done with a co-ordinated approach. Investment in equipment has been made only where there is a less than two year payback on productivity.

The market forecast is for a small loss (~£500k) for the current year to Sept 2016 implying a profitable 'run-rate' midway through next year. Enterprise value is around 0.4x FY 9/2016 sales of £48m (est.) and 0.34x £55.5 (est.) FY 9/2017, which is 15% sales growth assumption. All of which gives a forward PE of around 12x for FY 9/2017. Gross margins around 23% give some room for improvement too.

So nothing very testing in the valuation and given the full kitchen sink restructuring that is just finishing off, which has included the £5.5m placing and £3m debt conversion (RNS 11 Sep 2015) the balance sheet looks good too. Therefore surprises are more likely to be on the upside and it will not take a huge percentage of that £150m bid program to hit in order book to drive the top-line faster than the current estimates.

Consolidated Income Statement for year ended 30 September 2015

	Year to 30 September 2015 £000	Year to 30 September 2014 £000 Restated
Revenue	44,704	57,164
Cost of sales	-34,770	-45,075
Gross profit	9,934	12,089
Administrative expenses	-12,166	-11,929
Operating (loss)/profit	-2,232	160
Adjusted operating (loss)/profit*	-1,911	481
Amortisation of acquired intangible assets	-321	-321
Operating (loss)/profit	-2,232	160
Financial income	-	4
Financial expenses	-1,411	-1,792
Loss before tax from continuing operations	-3,643	-1,628
Tax credit	551	173
Loss on continuing operations	-3,092	-1,455
Loss on discontinued operations net of tax	-9,069	-4,225
Loss attributable to equity holders of the Parent Company	-12,161	-5,680
Loss per share		
Basic	(24.57)p	(14.29)p
Diluted	(24.57)p	(14.29)p

Source: Redhall Group Preliminary Results

Consolidated Balance Sheet as at 30 September 2015

	As at 30-Sep-15 £000	As at 30-Sep-14 £000
Assets		
Non-current assets		
Property, plant and equipment	2,501	4,733
Intangible assets	2,792	4,911
Purchased goodwill	18,305	23,785
Deferred tax asset	154	-
	23,752	33,429
Current assets		
Inventories	517	661
Trade and other receivables	14,968	27,030
Cash and cash equivalents	687	-
Assets held for sale	440	-
	16,612	27,691
Liabilities		
Current liabilities		
Trade and other payables	-13,628	-20,122
Borrowings	-	-2,782
Current tax payable	-19	-19
	-13,647	-22,923
Non-current liabilities		
Borrowings	-6,175	-13,250
Deferred tax liabilities	-	-68
Retirement benefit obligations	-1,960	-1,698
	-8,135	-15,016
Net assets	18,582	23,181
Shareholders' equity		
Share capital	12,284	12,269
Share premium account	28,326	21,297
Merger reserve	12,679	12,679
Revaluation reserve	102	144
Other reserve	1,177	251
Retained earnings	-35,986	-23,459
Total equity	18,582	23,181

Source: Redhall Group Preliminary Results

Consolidated Cash Flow Statement for the year to 30 September 2015

	Year to 30-Sep-15 £0	Year to 30-Sep-14 £0
Cash flows from operating activities		
Loss after taxation	-12,161	-5,680
Adjustments for:		
Depreciation	697	548
Amortisation of intangible assets	519	577
Difference between pension charge and cash contributions	-307	-337
Loss/(profit) on disposal of property, plant and equipment	102	48
Loss on sale of discontinued operations (net of tax)	5,147	203
Share-based payments credit	-1	-14
Financial income	-	-4
Financial expenses	1,411	1,792
Tax credit recognised in the income statement	-576	-85
Decrease in trade and other receivables	5,809	5,686
Decrease/(increase) in inventories	144	-17
Decrease in trade and other payables	-2,239	-4,613
Cash absorbed by operations	-1,455	-1,896
Interest paid	-1,361	-1,651
Net cash absorbed by operating activities	-2,816	-3,547
Cash flows from investing activities		
Purchase of property, plant and equipment	-103	-352
Purchase of intangible assets	-17	-134
Proceeds from disposal of fixed assets	395	12
Net proceeds from sale of discontinued operations (net of cash disposed of)	5,114	94
Interest received	-	4
Net cash used in investing activities	5,389	-376
Cash flows from financing activities		
Proceeds from issue of share capital (net of costs incurred)	4,971	6,977
Proceeds from borrowings	-	3,000
Repayment of long-term borrowing	-5,075	-4,750
Net cash generated by financing activities	-104	5,227
Net increase in cash and cash equivalents	2,469	1,304
Cash and cash equivalents at beginning of year	-1,782	-3,086
Cash and cash equivalents at end of year	687	-1,782

Source: Redhall Group Preliminary Results

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