

Norcros

Disposal

Sale of Johnson Tiles UK agreed

Construction and materials

25 April 2024

Price **188.5p**
Market cap **£168m**

Net debt (£m) at 31 March 2024 c 37
 Shares in issue 89.3m
 Free float 98%
 Code NXR
 Primary exchange LSE
 Secondary exchange N/A

Norcros's disposal of Johnson Tiles is the latest strategic activity taken by management to better allocate capital to fit with priorities. Last year it closed its UK adhesives operation. Norcros has a compelling investment case, where its new product development initiatives, market positioning and self-help initiatives allow it to take market share in both the UK and South Africa. Its rating is low at 6.0x FY24e P/E, which is attractive, especially when compared to its yield of 5.4% on its well-covered dividend. We retain our estimates and value the shares at 246p, implying c 30% upside.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/22	396.3	39.3	38.2	10.0	4.9	5.3
03/23	441.0	41.8	37.4	10.2	5.0	5.4
03/24e	411.7	36.7	31.5	10.2	6.0	5.4
03/25e	412.0	37.9	32.5	10.2	5.8	5.4

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. EPS is 'diluted'.

Following a 'challenging' year in the 12 months to March (see our 12 April [update note](#)), Norcros has today announced the sale of Johnson Tiles UK to its existing management team for £1m, with the potential for a further 'modest' earn out depending on the equity value of the business, payable in April 2028. The sale is expected to complete in May.

In the year to end March 2023, Johnson Tiles generated revenue of £35.3m and an operating profit of £0.5m, which was c 8% and 1% of group figures, respectively. It had gross assets of £25m and had absorbed cash in each of the last three years. There will be cash costs of less than £1m associated with the sale and non-cash balance sheet impairments that will be reported as exceptionals in the FY24 results.

Today's announcement is in line with current strategy and is the latest action taken to streamline the business following the closure of the adhesives business in 2023.

Norcros previously announced that it will host a capital markets event on 1 May, ahead on its FY24 results, scheduled for 13 June.

Share price performance



Business description

Norcros is a leading supplier of showers, enclosures, trays, tiles, taps and related fittings and accessories for bathrooms, kitchens, washrooms and other commercial environments. It has operations in the UK and South Africa, with some export activity from both countries.

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