

Milestones passed

8 March 2022

Despite macro uncertainties, the sharp decline in the share price of Strix over the last six months is surprising given operational newsflow. The recent trading report highlighted that record revenue and profits had been achieved in FY21, with the latest update underlining the progress made towards the five-year goal of doubling revenues. Our estimates are unchanged.

Strix has provided an update on the progress of recent product launches, including distribution agreements and retail listings. The milestones achieved underpin the assertion of a doubling in revenues between 2020 and 2025 and, equally significantly, maintain the Group's sustainability objectives.

Within **Appliances**, the Aurora water heater/chiller was launched in June 2021, followed by its release into key European markets during September, and subsequently into Asia and North America. The Aurora range was supplemented by the launch of the Aurora hot and chilled products, in Q4 2021 and Q2 2022, respectively, with the former selling well to date on Amazon. The Aurora was recently recognised for noise reduction within product design (Quiet Mark award).

Dual Flo, the combined kettle and one cup hot water dispenser, will be available in the UK from mid-March. The product was initially launched in Canada in October 2021, followed by Switzerland during Q1 2021 (under the LAICA brand). Dual Flo is unique, combining the utility of a kettle and with one cup capability (150ml to 1 litre), utilising the Group's patented Instant Flow Heater technology.

The **Water** category has witnessed strong demand from retailers for its products, with additional distribution agreements signed. In South East Asia a global consumer electronics manufacturer will distribute the Group's water filtration products from Q1 2022. In Europe progress was made in appointing a new distributor in Denmark (Aqua Optima jugs and filters) with Strix also signing a supply agreement with one of the region's largest consumer electronics retailers. A further 200+ store listings have been secured in the UK for the Aqua Optima range, adding diverse retailers from hardware outlets to garden centres. An additional distributor focused on major consumer electronics brands was signed in the US.

The Company's sustainability goals are wide ranging, which includes an ambitious decarbonisation plan of fulfilling scope 1 and 2 net zero by 2023, while reducing use of resources by 5% p.a. to 2024, and 3% reduction in waste/increase in the level of recycling to 2026. Furthermore, 10% of the electricity requirement of the new Chinese factory is to be met from the facility's solar array.

We note the reported cyber incident, resulting in a strong response that included taking its systems offline, implementing its business continuity plan, and engaging with external specialists. The swift actions of management contained the issue, resulting in no impact to customer orders or sales.

In view of the recent invasion of Ukraine, it is worth noting that no revenues are derived directly from the Russian market, rather assembled components are sold to Chinese OEMs who sell globally.

Outlook

With several milestones passed and the roll-out of Aurora ahead of budget, the growth in the number of retail listings and secured distribution agreements remains encouraging. With additional launches, such as December's induction kettle (securing a German design award) we think the outlook remains promising for Strix Group, as reflected in their stated target of doubling revenues in the five years to 2025. We look forward to further guidance on the company's financials with the announcement of their results towards the end of the month.

Company Data

EPIC	KETL
Price (last close)	215p
52 weeks Hi/Lo	390p/215p
Market cap	£439.3m
Net debt (Dec '21)	£51.0m

Share Price, p



Source: ADVFN

Description

Strix Group PLC (Strix) is a global leader in the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management and water filtration.

David O'Brien (Analyst)

0207 065 2690
david@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690