

This research is intended for UK institutional investors and market professionals only. It is not intended for retail customers and any retail customer should seek professional, independent advice before investing.



NORTHLAND
CAPITAL PARTNERS LIMITED

Monday, 28 July 2014

London 09:15 BST

MORNING REPORT

ELECTRICAL COMPS & EQUIP.: HOLDERS TECHNOLOGY (HDT.L); 52.5p/£2.1m CORP FROM FRIDAY: INTERIMS: PROGRESS IN GERMANY OFFSET BY INCREASED LED INVESTMENT

- Revenue flat at £7.0m but a £0.2m negative swing in PBT to a £0.2m loss reflecting lower gross margins in the PCB business and the investment in sales and management team in the LED division that has yet to translate into increased revenue although a number of design wins have been secured. Net cash of £0.7m (H1 FY13: £0.5m and FY: £1.3m) with a £0.2m working capital outflow. Interim DPS maintained at 1.0p
- **PCB:** Revenue increased 7% to £5.8m but gross margin fell 170bps to 22.2%. Good progress in German business with a gain in market share. Strong competition in the UK impacted revenue and margin. EBIT fell £18k to £112k.
- **LED:** Revenue fell 23.8% to £1.1m but there was a 410bps improvement in GM to 30.5% as the division shifted to higher margin solution sales. Substantial increase in operating costs (+£148k) as Holders invested in the sales and management team and attended more European exhibitions.
- Outlook: Expectation that LED business will enjoy a somewhat better H2 and FY15 will see a return to growth. We are place our forecasts under review temporarily but will be downgrading from our previous FY14 forecast of £15.5m in revenue and £0.1m in PBT.

Year end Nov	Revs (£m)	Adj. EBITDA (£m)	Adj. PBT (£m)	Tax (%)	Adj. EPS (p)	PER (x)	Div (p)	Net cash (£m)	Yield (%)
2012A	13.6	0.1	(0.1)	NEG	(2.8)	NEG	2.0	0.7	3.8%
2013A	14.3	0.2	0.1	24.7%	1.8	29.2	2.0	1.3	3.8%
2014E	14.2	(0.1)	(0.2)	NEG	(3.8)	NEG	2.0	0.5	3.8%
2015E	15.0	0.3	0.2	22.0%	4.0	13.1	2.5	0.5	4.8%

SOURCE: Northland Capital Partners Limited.

NORTHLAND UK VIEW: A mixed bag of a first half but disappointing overall with the progress in the German PCB business offset by pricing pressure in the UK and slower than expected progress in securing design wins in the LED and the translation of these wins into production contracts. Management has successfully rebuilt the LED sales team and recovered from the loss of a major customer. The mid-term outlook remains positive for LED with a number of senior hires made, the broadening of the customer base and the general pick up the global economy.

CONTACT

David Johnson +44 (0)20 7382 1130
djohnson@northlandcp.co.uk

[Click here to unsubscribe](#)

DISCLOSURES

ISSUER	TICKER	APPLICABLE DISCLOSURES
Holders Technology	HDT.L	1,5,7,8

1. Northland Capital Partners Limited ("Northland") acts as Nominated Advisor and/or Broker to the company.
2. Northland) and/or its affiliates companies do beneficially own 1% or more of any class of the issuer's equity securities, as of the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month.
3. The authoring analyst or any associate of the authoring analyst does maintain a long or short position in any of the issuer's securities directly or through derivatives, including options or futures positions.
4. Northland, its affiliated companies, partners, officers, directors or any authoring analyst of Northland has provided services to the issuer for remuneration during the preceding 12 months other than investment advisory or trading services.
5. Northland or any of its affiliated companies has performed investment banking services for the issuer during the 12 months preceding the date of issuance of the report.
6. A partner, director, officer, employee or agent of Northland or any of its affiliated companies is an officer, director, employee or advisor of the issuer. Disclosures are applicable for all companies
7. The authoring analyst, or any associate of the authoring analyst, has viewed the material operations of the issuer.
8. The authoring analyst, or any associate of the authoring analyst, received reimbursement for travel expenses.
9. Northland makes a market in the securities of this company.

DISCLAIMER

This document is provided solely to enable clients to make their own investment decisions. It may therefore not be suitable for all recipients and does not constitute a personal recommendation to invest. It does not constitute an offer or solicitation to buy or sell securities or instruments of any kind. If you have any doubts about the suitability of this service, you should seek advice from your investment adviser. This document is produced in accordance with UK laws and regulations. It is not intended for any person whose nationality or residential circumstances may render its receipt unlawful.

The past is not necessarily a guide to future performance. The value of shares and the income arising from them can fall as well as rise and investors may get back less than they originally invested. The information contained in this document has been obtained from sources which Northland Capital Partners Limited believes to be reliable. The Company does not warrant that such information is accurate or complete. All estimates and prospective figures quoted in this report are forecasts and not guaranteed. Opinions included in this report reflect the Company's judgement at the date of publication and are subject to change without notice. If the investment(s) mentioned in this report are denominated in a currency different from the currency of the country in which the recipient is a resident, the recipient should be aware that fluctuations in exchange rates may have an adverse effect on the value of the investment(s). The listing requirements for securities listed on AIM or PLUS markets are less demanding, also trading in them may be less liquid than main markets.

Northland Capital Partners Limited and/or its officers, associated entities or clients may have a position, or other material interest, in any securities mentioned in this report. Northland Capital Partners Limited does not provide recommendations on securities of firms with which it has a corporate relationship. More information about our management of Conflicts of Interest, Investment Research Methodology & Definition of Recommendations can be found at www.northlandcp.co.uk

Northland Capital Partners Limited is authorised and regulated by the Financial Conduct Authority and a Member of the London Stock Exchange.

Northland Capital Partners Limited research is available on Bloomberg, Capital IQ, Factset, TheMarkets & ThomsonReuters on-line platforms.

Please contact a Northland Capital Partners Limited sales representative for entitlement through these channels

CONTACTS

RESEARCH

Technology, Media & Telecoms	David Johnson	+44 (0)20 7382 1130	djohnson@northlandcp.co.uk
Support Services	David Johnson	+44 (0)20 7382 1130	djohnson@northlandcp.co.uk
Oil & Gas	Andrew McGeary	+44 (0)20 7382 1132	amcgeary@northlandcp.co.uk
Mining	Andrew McGeary	+44 (0)20 7382 1132	amcgeary@northlandcp.co.uk
Mining	Ryan Long	+44 (0)20 7382 1131	rlong@northlandcp.co.uk

SALES & BROKING

John Howes	+44 (0)20 7382 1111	jhowes@northlandcp.co.uk
Alice Lane	+44 (0)20 7382 1113	alane@northlandcp.co.uk
Charles Laughton	+44 (0)20 7382 1116	claughton@northlandcp.co.uk
Mark Simpson	+44 (0)20 7382 1112	msimpson@northlandcp.co.uk

TRADING

Zeg Choudhry	+44 (0)20 7382 1114/5	zchoudhry@northlandcp.co.uk
--------------	-----------------------	-----------------------------

CORPORATE FINANCE

Louis Castro	+44 (0)20 7382 1110	lcastro@northlandcp.co.uk
Gavin Burnell	+44 (0)20 7382 1123	gburnell@northlandcp.co.uk
Edward Hutton	+44 (0)20 7382 1122	ehutton@northlandcp.co.uk
Matthew Johnson	+44 (0)20 7382 1124	mjohnson@northlandcp.co.uk
Lauren Kettle	+44 (0)20 7382 1125	lkettle@northlandcp.co.uk
William Vandyk	+44 (0)20 7382 1121	wvandyk@northlandcp.co.uk
Luke Cairns	+44 (0)20 7382 1120	lcairns@northlandcp.co.uk
Patrick Claridge	+44 (0)20 7382 1120	pclaridge@northlandcp.co.uk

Northland Capital Partners Ltd research is available on Bloomberg, Capital IQ, FactSet, & ThomsonReuters on-line platforms
Please contact an Northland Capital Partners Ltd sales representative for entitlement through these channels

NORTHLAND UK RESEARCH

NORTHLAND CAPITAL PARTNERS LIMITED

131 Finsbury Pavement, London, EC1A 1NT

D: +44 (0)20 7382 1100

E: northlandukresearch@northlandcp.co.uk | W: www.northlandcp.co.uk
