

HOLDERS TECHNOLOGY

CORPORATE*

Preliminary results

113.5p#

Year-end November	2009E	2010A	2011E old	2011E	2012E old	2012E
Revenue (£m)	12.97	16.31	14.28	19.79	14.90	21.90
EBITDA (£m)	(0.24)	0.64	0.50	0.82	0.57	0.90
Adj. Pre-tax Profit (£m)	(0.41)	0.49	0.36	0.70	0.45	0.77
Adj. EPS (p)	(9.5)	12.9	7.2	13.1	7.6	14.3
DPS (p)	5.35	5.35	5.35	5.35	5.35	5.35
Net Cash/(Debt) (£m)	2.10	0.84	1.49	0.66	1.53	0.60
P/E (x)	(11.9)	8.8		8.7		7.9
Dividend yield (%)	4.7%	4.7%		4.7%		4.7%
EV/EBITDA (x)	(14.7)	5.4		4.2		3.8

Key Data	
Rating (12-month)	Corp
Price Target	n/a
Ticker	HDT.L
Shares in issue	3.9m
Market cap	£4.5m
12-mth price range	83.5p – 114.5p
Net cash	£0.8m
Next event	April AGM

SOURCE: Northland Capital Partners Limited

#Priced at market close, 10 Feb 2011

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Holdings' progress made in H12010 continued in H22010 with a much faster recovery in the PCB business. 2010 revenue was up 26% at £16.3m, against our forecast £14.3m and PBT of £0.5m versus our forecast £0.3m. On the back of this performance, evidence of a continued recovery in Holdings' key markets and a faster roll-out of the LED business, we are increasing our forecast revenue PBT to £0.7m for 2011 and £0.8m for 2012. We are also increasing our EPS estimate to 13.1p and 14.3p, giving PERs of 8.6x for 2011 and 7.9x for 2012, respectively. Although mature, the PCB business is profitable, is geared toward an economic recovery and provides adequate cover to maintain the dividend (currently yielding 4.7%). The rating seems modest and, while a discount for size and liquidity may be justified, fails to reflect the LED growth potential, in our view.

- Revenue was up 26% y/y to £16.3m, with the lion's share of the improvement coming from Holder's German PCB business (which saw a 39% improvement over 2009). A first time contribution from LED business added £760k, while the UK business was flat.
- Holdings managed to lift gross margin to 25.7% (2009: 24.6%) and drive down admin costs to 20% of revenue (from 23.5% in 2009). As a result, PBT turned around to £490k (2009: loss £408k).
- Net cash declined during the year to £0.8m (2009: £2.1m), primarily due to the increased working capital required to support a longer supply chain (as Holdings sourced more products from China to keep costs down).

COMPANY DESCRIPTION

A distributor of specialist materials, equipment and services to the printed circuit board (PCB) industry. It offers a full and comprehensive range of products and services and provides in depth expertise and product knowledge to its customers. Also a distributor of LED lighting products.

CONTACTS

ANALYST

Simon Miller +44 (0)20 7492 4756
smiller@northlandcp.co.uk

GENERAL

T: +44 (0)20 7492 4750
F: +44 (0)20 7492 4766
STX: 72222
E: info@northlandcp.co.uk
Website: www.northlandcp.co.uk



INVESTMENT APPRAISAL

Holders Technology is a well-established business that supplies materials and components to the PCB industry. Its end users are in the automotive, solar and industrial segments in Germany, and in the defence and aerospace segments in the UK, and therefore geared to economic recovery. On the back of a continued recovery in those sectors and a faster roll out of LEDs, we are increasing our 2011 and 2012 forecasts. We expect revenue of £19.8m and £21.9m, PBT of £0.7m and £0.8m and EPS of 13.1p and 14.3p, respectively. A fully-taxed PER of 8.6x falling to 7.9x in 2012 is modest, in our view, and seems to reflect the mature PCB business and a discount for the size of the business. However, it gives little credit for the growth potential of the LED business and the ability to sustain a generous dividend (currently yielding 4.7%).

Continuing recovery in PCB business driving increased forecasts

Revenue and profits recovered sharply as the German industry recovered. In 2011 and 2012, we expect revenue to continue to improve as the UK recovery picks up (giving Holders a UK sales increase of 15-20%) and as Germany's recovery continues. LEDs contributed revenue of £0.8m in 2010 and we anticipate £2m in 2011 and £2.7m in 2012 but the need to increase the sales and distribution support to build the business will likely hold back net profit contribution in the short term.

Revenue continues to climb as economies recover

Management acted swiftly to control costs during the recession and the benefits are clearly seen. While gross margin was slightly lower in H22010 than H12010, gross margin for the year was 25.7% (compared to 24.6% in 2009). The control of administrative costs, which limited the increase for the year to just 7.5%, was another significant achievement contributing to the return of profitability. We expect continued effort in this area of the core business, which will allow management some slack to continue to build up its LED activities.

Tight cost control restored margins

The shift of part of the supply chain to China resulted in a one-off increase in working capital requirement, and it has also reduced the net cash balance more-than-forecast to £0.8m from £2.1m. The longer supply chain will almost certainly remain a cost factor, as sales continue to grow and the pricing in China remains favourable. Going forward, the rapid growth of the LED business, will likely continue to drain cash by an estimated £0.2m in 2011 and less than £0.1m in 2012.

Net cash outflow in 2011 and 2012,

Holders has announced a senior management change. Victoria Blaisdell, current corporate development director, will move into the role of Group MD from Rudi Weinreich, who will continue as Executive Chairman. We do not expect any disruption from this change. Victoria Blaisdell has been with the group since 2004 and the continued involvement of Rudi Weinreich (both as Executive Chairman and as the largest shareholder) should not only ensure that the change is more of a redistribution of day-to-day management tasks, but also ensure a logical succession plan (not a change of direction).

Gradual succession planning



Holdings Technology: KEY DATA

Company Description

Distributor of specialist materials, equipment and services to the printed circuit board (PCB) industry. It offers a full and comprehensive range of products and services and provides in depth expertise and product knowledge to its customers. In addition, starting in 2010 Holders became a distributor of LED products

Website

www.Holderstechnology.com

Management

Rudi Weinreich Chairman and CEO

Jim Shawyer CFO

Victoria Blaisdell Corporate

Major Shareholders

Rudi Weinreich 47.3%

Andre Marcou 9.8%

Armstrong Investments 7.0%

Rath Dhu 7.0%

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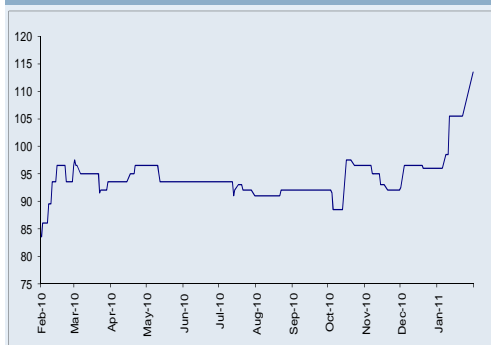
25-Oct Positive IMS

Financial Diary

26 April 2011 AGM

22 July 2011 Interims

Share price chart



SOURCE: NORTHLAND CAPITAL PARTNERS LIMITED; CHART SOURCE: FIDESSA

November	2009A	2010A	2011E	2012E
Key Profit & Loss Data (£000)				
Turnover	12,966	16,314	19,787	21,889
Operating profit	(415)	491	693	766
Operating profit margin (%)	-3.2%	3.0%	3.5%	3.5%
EBITDA	(235)	643	824	897
EBITDA margin (%)	-1.8%	3.9%	4.2%	4.1%
PBT (adjusted)	(408)	490	696	767
Tax rate (%)	n/a	-12.0%	-33.0%	-33.0%
PAT (adjusted)	(375)	507	517	564
Adj. EPS (p)	(9.5)	12.9	13.1	14.3
DPS (p)	5.4	5.4	5.4	5.4
Key Cash Flow Data (£000)				
EBITDA	(235)	643	824	897
Gross operating cash flow	785	(698)	139	482
Net operating cash flow	836	(773)	80	252
Capex	(168)	(118)	(131)	(131)
Free cash flow	668	(891)	(51)	121
Cash flow from investing	-	-	-	-
Cash flow from financing	(204)	(268)	(177)	(180)
Incr/(Decr) in net cash	464	(1,159)	(228)	(59)
Key Balance Sheet Data (£000)				
Fixed assets	891	973	1,003	1,004
Current assets	6,331	7,491	8,263	8,814
Current liabilities	(1,142)	(2,293)	(2,939)	(3,156)
Net current assets/(liabilities)	5,189	5,198	5,325	5,658
Total assets less current	6,080	6,171	6,328	6,662
Long-term liabilities	(184)	(239)	(195)	(195)
Closing net assets	5,896	5,932	6,133	6,467
NAV per share (p)	150	151	156	164
Valuation				
P/E (x)	-11.9	8.8	8.7	7.9
Div. yield (%)	4.7%	4.7%	4.7%	4.7%
EV/EBITDA (x)	-14.7	5.4	4.2	3.8
FCF Yield (%)	14.9%	-19.9%	-1.1%	2.7%



CONTACTS

RESEARCH			
Clean Tech	Simon Miller	+44 (0)20 7492 4756	smiller@northlandcp.co.uk
Resources	Andrew McGeary	+44 (0)20 7492 4760	amcgeary@northlandcp.co.uk
Business Services & Infrastructure	Andy Hanson	+44 (0)20 7492 4759	ahanson@northlandcp.co.uk
Technology, Media and Telecoms	David Johnson	+44 (0)20 7492 4758	djohnson@northlandcp.co.uk
SALES & TRADING			
	Zeg Choudhry	+44 (0)20 7492 4798	zchoudry@northlandcp.co.uk
	Deborah Finnegan	+44 (0)20 7492 4790	dfinnegan@northlandcp.co.uk
	Bernie Leaver	+44 (0)20 7492 4753	bleaver@northlandcp.co.uk
CORPORATE BROKING			
	Judy Ching	+44 (0)20 7492 4790	jching@northlandcp.co.uk
	Alice Lane	+44 (0)20 7492 4767	alane@northlandcp.co.uk
	Katie Shelton	+44 (0)20 7492 4769	kshelton@northlandcp.co.uk
	Charles Vaughan	+44 (0)20 7492 4763	cvaughan@northlandcp.co.uk

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