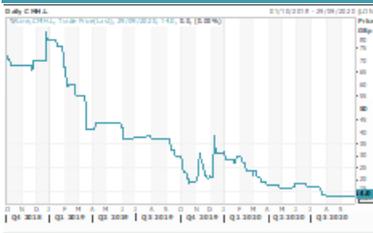




Industrial Engineering



Source: Refinitiv

Market data

EPIC/TKR	CMH
Price (p)	13.0
12m High (p)	54.0
12m Low (p)	11.3
Shares (m)	8.3
Mkt Cap (£m)	1.0
EV (£m)	5.6
Free Float*	40%
Market	AIM

*As defined by AIM Rule 26

Description

Chamberlin is a UK-based industrial engineering company operating in two divisions – Foundries and Engineering. Approximately 75% of sales are exported.

Company information

CEO	Kevin Nolan
CFO	Neil Davies
Chairman	Keith Butler-Wheelhouse
	+44 1922 707100
	www.chamberlin.co.uk

Key shareholders

Rights & Issues IT	12.5%
Miton Capital Partners	12.5%
Janus Henderson	9.9%
Chelverton	6.3%
Thornbridge IM	6.3%
Schroders	4.4%

Diary

Oct'20	Final results
--------	---------------

Analysts

Paul Singer	020 7194 7622
	ps@hardmanandco.com

CHAMBERLIN

Trading update most encouraging

Chamberlin's recent trading update was most encouraging, considering these challenging times. The company continues to take appropriate operational strategic actions. The group has been financially de-risked, but financial forecasts continue to be inappropriate, given low visibility on business activity.

- ▶ **Trading update:** Unaudited results for the year to 31 March 2020 were in line with expectations, with sales expected to be £26.1m and a loss before tax of £2.3m. Net debt at 31/03/20 is expected to be £4.6m. Trading in the current year has started well, with sales for the six months to 30/09/20 at £11.0m (down just 15%) and with a loss before tax of £0.6m (£1.8m).
- ▶ **2020/21 forecasts, however,** remain unpredictable and inappropriate, given the uncertainty across global markets and industries, especially the automotive industry. The company is benefiting from restructuring initiatives, with a reduced operating cost base. Management remains focused on cash preservation
- ▶ **Business developments:** The Walsall foundry reopened on 04/05/20, and production levels are now broadly in line with activity seen prior to the impact of COVID-19. The Scunthorpe foundry has remained operational, operating at full production levels. Petrel is still operating at around 60% of normal sales volumes.
- ▶ **Risks:** Potential risks include developments related to the COVID-19 pandemic, the global automotive industry and Brexit uncertainties. From a financial standpoint, the group has been significantly de-risked, with the recent Exidor disposal proceeds used to reduce the pension scheme deficit and pay down debt.
- ▶ **Investment summary:** The shares offer the opportunity to invest in a highly cyclical stock. They are, though, likely to tread water at current levels, until significantly brighter prospects become more evident.

Financial summary and valuation

Year-end Mar (£m)	2018	2019	2020E	2021E
Sales	30.2	33.0	26.1	-
Gross profit	4.7	3.8	-	-
EBITDA	1.2	0.9	-	-
Underlying EBIT	-0.3	-0.9	-	-
Underlying PBT	-0.7	-1.3	-	-
Underlying EPS (p)	-12.3	-16.6	-	-
Net (debt)/cash*	-8.9	-5.4	-4.6	-
P/E (x)	-	-	-	-
EV/sales (x)	0.3	0.3	0.3	-

Source: NSF, Hardman & Co Research; all years after 2017 are on IFRS 9 basis

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at <http://www.hardmanandco.com/legals/research-disclosures>. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

This document constitutes a 'financial promotion' for the purposes of section 21 Financial Services and Markets Act 2000 (United Kingdom) ('FSMA') and accordingly has been approved by Capital Markets Strategy Ltd which is authorised and regulated by the Financial Conduct Authority (FCA).

No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, photocopying, recording or otherwise, without prior permission from Hardman & Co. By accepting this document, the recipient agrees to be bound by the limitations set out in this notice. This notice shall be governed and construed in accordance with English law. Hardman Research Ltd, trading as Hardman & Co, is an appointed representative of Capital Markets Strategy Ltd and is authorised and regulated by the FCA under registration number 600843. Hardman Research Ltd is registered at Companies House with number 8256259.

(Disclaimer Version 8 – Effective from August 2018)

research@hardmanandco.com

35 New Broad Street
London
EC2M 1NH

+44(0)20 7194 7622

www.hardmanandco.com