Restore plc

Positive FY24 outturn, return of strategic M&A

13 March 2025

Restore's FY24 results confirm a period of strong delivery against financial and strategic priorities. Group revenue was stable year on year at £275m and adjusted PBT increased by 14% to £34.4m, a shade ahead of our forecast, driven by good progress on margins. Our underlying forecasts are unchanged, anticipating further progress towards the 20% medium term operating margin target. Restore has also returned to the acquisition trail this morning with the £33m acquisition of Synertec, a market leading document management business with longstanding relationships in public and commercial sectors. We upgrade our earnings forecasts by 7% to 8% in FY25/FY26 and see compelling value in Restore's shares, which now trade on <10x P/E for FY26. We reiterate our 400p Fair Value estimate.

Positive FY24 outturn, slightly ahead of expectations

Revenue was broadly flat year on year at £275.3m (FY23: £277.1m) but adjusted PBT increased by 14% and EPS by 12%. These were both slightly ahead of our forecasts. The newly formed Information Management division delivered a solid performance as pricing initiatives and stable volumes within box storage offset a weaker performance at the former Digital business. Elsewhere, Technology delivered strong revenue growth and a return to profitability, Datashred achieved an improvement in margins despite a weak pricing environment, whilst Harrow Green profits declined, reflecting a challenging market backdrop for office relocations.

Strong margin progress set to continue in FY25

The Group operating margin improved by 170 bps to 17.7% in FY24, making good progress towards management's 20% target. This is the result of management actions to streamline Head Office, combine Records Management and Digital within the new Information Management division, as well as pricing and operational improvements at a divisional level. We anticipate continued improvement across the forecast period, with benefits still to be felt from site consolidation and FY24 restructuring.

Acquisition of Synertec – first major M&A for current management team

Restore has announced its first major acquisition under the current management team. Restore will pay initial cash consideration of £22m plus £11m of acquired debt for Synertec, a long-established market leader in document solutions and processes. Synertec works with major public sector and commercial organisations, including around 75% of NHS Trusts. We upgrade PBT and EPS forecasts by 7% and 8% for FY25/ FY26 and consider the acquisition a strong strategic fit.

Key financials & valuation metrics

Year-end Dec, £m	2022A	2023A	2024A	2025E	2026E	2027E
Sales	279.0	277.1	275.3	338.5	363.1	373.3
EBITDA	81.5	77.1	82.4	88.5	92.2	95.3
Adjusted PBT	41.0	30.3	34.4	39.5	43.1	46.5
FD EPS (p)	24.1	16.9	18.7	21.2	23.1	24.9
DPS (p)	7.4	5.2	5.5	5.8	6.0	6.2
Net Cash/(Debt)*	(218.4)	(201.3)	(229.0)	(247.6)	(225.9)	(199.8)
Net Cash/(Debt)**	(103.5)	(97.8)	(89.0)	(107.6)	(85.9)	(59.8)
P/E	9.1x	13.0x	11.7x	10.4x	9.5x	8.8x
EV/EBITDA*	6.3x	6.5x	6.4x	6.2x	5.7x	5.2x
Dividend yield	3.4%	2.4%	2.5%	2.6%	2.7%	2.7%
FCF yield	5.8%	5.6%	6.5%	7.3%	9.8%	6.2%

*Source: ED analysis, IFRS 16 basis * including leases ** excluding leases, Shares priced at COB 12/03/25*

Company Data

EPIC	RST.L
Price (last close)	220p
52 weeks Hi/Lo	295p/210p
Market cap	£297m
ED Fair Value/share	400p
Proforma net cash/ (Debt)	(£108m)
Avg. daily volume	380,000

Share Price, p

Source: Investing.com

Description

Restore is a leading provider of records management (physical document archiving), digitisation (scanning/digital mailroom) and secure recycling of paper and technology assets. In all these areas, it has a strong market position (either number 1 or 2 in the UK) and an excellent reputation across a customer base of blue-chip businesses and government/ public sector organisations. Restore is also the UK market leader in commercial relocations via its Harrow Green business.

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Positive FY24 outturn, slightly ahead of expectations

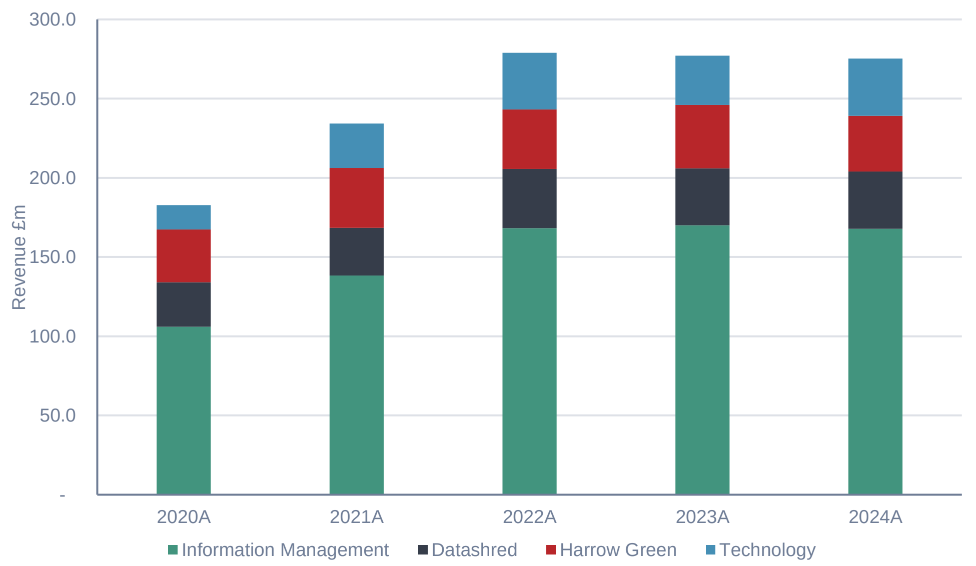
At Group level, revenue was broadly flat year on year at £275.3m (FY23: £277.1m), a resilient performance despite headwinds within Harrow Green and the former Digital business (now integrated within Information Management).

Adjusted PBT increased by 14% to £34.4m, driven by a 170bps improvement in operating margin, and EPS increased by 12% to 19.0p. These were both a slightly ahead of our forecasts (3% and 4% outperformance respectively).

Cash generation was another positive, with cash conversion of 107% and a reduction in net debt to £89.0m (Dec '23: £97.8m) and a reduction in leverage to 1.6x (FY23: 1.9x), towards the bottom of the targeted 1.5x to 2.0x range. Net debt was £5m lower than our forecast.

A final dividend of 3.8p has been proposed, taking the full year dividend to 5.8p, in line with expectations. Given the cash generative nature of the business, the results highlight potential for future share buybacks, alongside the progressive dividend policy and future M&A capacity.

Group overview – consistent revenues, margins improving



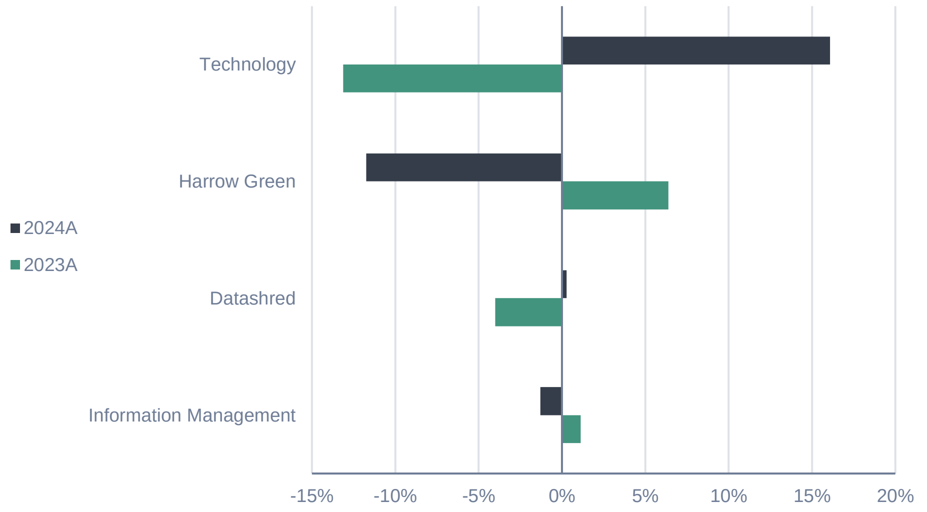
Source: Company, Equity Development analysis

Information Management delivered a dependably solid performance, with revenue down 1% year on year. Inflation linked pricing and stable volumes within box storage largely offset a revenue decline in the former Digital business, which secured less bulk-scanning work and fewer large one-off projects. The integration of these businesses is now largely complete, resulting in an improved offering and client service as well as unlocking £3m of cost synergies (£1.2m in the FY24 numbers, with an incremental £1.8m to come in FY25). The site consolidation programme has seen two major box storage facilities opened in the period (Markham Vale and Durham), replacing 10 existing facilities with a combined capacity of >2m boxes.

Datashred revenue was essentially flat year on year as a strong operating performance offset the impact of weaker paper pricing (average paper price for the year of £175/ tonne being £10/ tonne lower than in the prior year). A strengthened management team has improved efficiency, driven an increase in the number of visits and average collections per vehicle per day, underpinning margin growth in this division. The business has recently agreed a new fixed offtake price with a large paper mill for approximately half of the Group's recycled paper volume during 2025, which will reduce the potential volatility in this area. The target for this business is a 15% operating margin over time (vs 10.3% in FY24).

The **Technology** business reported strong revenue growth, recovering well from a disappointing performance in 2023. The refocusing of this business on value-added services rather than commoditised IT equipment recycling has been an important driver of the turnaround. This is reflected in increasing engagement with Value Added Resellers. This supported a return to profitability after a loss marking FY23. The operating margin was 5.0% and we expect further improvement over the forecast period, with a market tailwind emerging and benefits to come through from the recent roll out of a new ERP system.

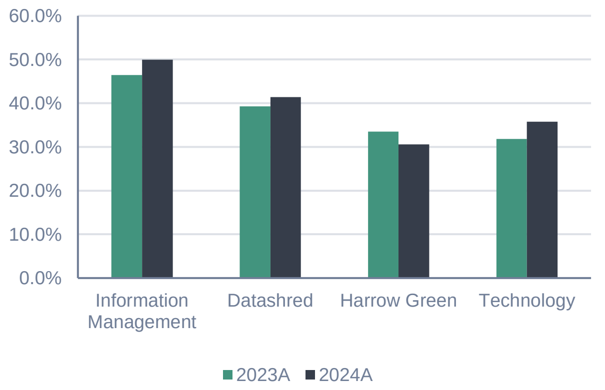
Revenue growth by division – Strong recovery in Technology



Source: Company, Equity Development analysis

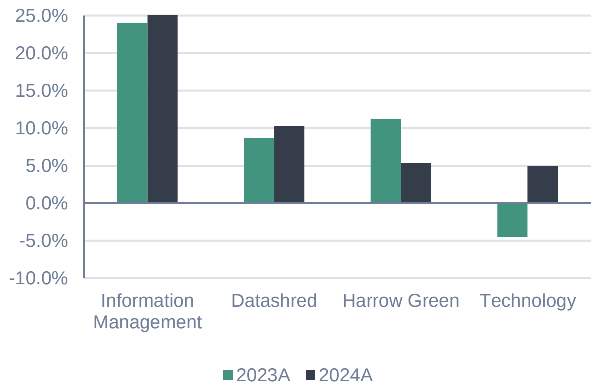
Harrow Green experienced challenging market conditions, particularly in the London market, where office moves were impacted by uncertainty around the General Election and then the Autumn Budget. There are signs of improvement in market conditions at the start of 2025 and the business is also currently undertaking a significant laboratory move for a life sciences customer, continuing the success in this niche market. The Harrow Green operating margin fell from 11.3% in FY23 to 5.4%. We expect a partial recovery in FY25.

Gross margin by division



Source: Company, Equity Development analysis

Operating margin by division



Source: Company, Equity Development analysis

The charts above highlight the relative importance of Information Management in terms of revenue and profit contribution. In FY24, Information Management accounted for £45.8m out of Group operating profit of £53.2m pre central costs.

Strong margin progress set to continue in FY25

Good progress was made during the year towards management's 20% medium term operating margin target. The margin improved by 170 bps to 17.7% in FY24 and we anticipate continued improvement to through to our new 2027 forecast, with scope for outperformance.

We see further upside potential in Information Management margins, as the full benefits of recent site consolidation comes through, and the scanning business recovers from a disappointing FY24. We also note management's ambition to increase Datashred and Technology operating margins to 15%.

Note that today's acquisition of Synertec will distort the margin picture somewhat, given a high degree of pass-through revenue within that business.

Earnings accretive acquisition of Synertec

Alongside the results, Restore has announced its first major acquisition under the current management team. Restore will pay an initial cash consideration of £22m plus £11m of acquired debt for Synertec (Holdings) Ltd. Deferred consideration will also be payable based on Synertec's future profits in 2028 and 2029.

Synertec is a long-established market leader in document solutions and processes. Synertec sends communications both electronically and physically on behalf of major public sector and commercial organisations, including around 75% of NHS Trusts. A proprietary software platform captures data, transforms it into the required format, and delivers it to the end recipient either electronically or via print and mail. The company operates from four sites in the UK: leasehold print facilities in Bristol, Milton Keynes and Warrington, and a freehold site near Taunton.

The acquisition looks to be highly complementary to Restore's Information Management division and should support cross selling initiatives across the public and commercial sectors. There may be cost synergies over time, but we do not assume these in our forecasts.

Synertec's revenue for the year to 31st March '25 was c.£70m, of which around 60% relates to postage costs for physical communications. Excluding the pass-through of these postage costs, operating margins are expected to be c. 20% and therefore consistent with Group targets.

We upgrade our forecasts to reflect just under 10 months of Synertec in the current year and a first full year in FY26. Our forecast changes are set out in the table below. Note that our underlying forecasts (ex Synertec) are unchanged for FY25 and FY26 and our FY27 forecasts are published for the first time this morning.

Forecast upgrades to reflect M&A

Year to 31 Dec (£m)	2025E Revised	2025E Old	Change	2026E Revised	2026E Old	Change	2027E New
Revenue £m	338.5	287.2	18%	363.1	297.3	22%	373.3
Operating Profit £m	56.0	51.7	8%	59.7	54.3	10%	62.8
PBT (underlying) £m	39.5	37.0	7%	43.1	40.0	8%	46.5
EPS fully diluted p	21.2	19.9	7%	23.1	21.4	8%	24.9
Net cash/ (debt) ex. leases £m	(107.6)	(75.2)	43%	(85.9)	(54.6)	57%	(59.8)
Net cash/ (debt) inc. leases £m	(247.6)	(178.7)	39%	(225.9)	(158.1)	43%	(199.8)

Source: Company historic data, Equity Development forecasts

Peer Group Valuation Table

Name	Market Cap GBP	TSR (1M)	TSR (3M)	TSR (1Y)	EV/Sales (NTM)	P/E (FY1)	P/E (FY2)	EV/EBITDA (FY1)	EV/EBITDA (FY2)	Div Yield (NTM)	EBITA Margin (FY)
Direct Peers and Competitors											
Iron Mountain	18,704	-23%	-26%	5%	6.0x	42.6x	38.2x	16.4x	15.1x	2.9%	23.0%
Computacenter	2,527	8%	6%	-14%	0.3x	14.8x	13.6x	7.0x	6.6x	2.9%	3.9%
Big Yellow Group	1,790	-4%	-7%	-9%	10.3x	16.1x	15.2x	16.6x	15.7x	5.1%	64.3%
Safestore Holdings	1,319	1%	-15%	-21%	9.5x	14.8x	13.9x	16.9x	15.7x	5.1%	59.9%
Lok'nStore Group	377	0%	0%	46%	14.5x	43.3x	36.8x	28.1x	24.1x	1.8%	32.8%
Mean Average (Direct)		-3%	-8%	1%	8.1x	26.3x	23.5x	17.0x	15.4x	3.6%	36.8%
Median (Direct)		0%	-7%	-9%	9.5x	16.1x	15.2x	16.6x	15.7x	2.9%	32.8%
Related Services/ Selection of AIM 100											
Rentokil Initial plc	8,575	-15%	-16%	-29%	2.1x	16.2x	14.3x	9.7x	9.0x	2.8%	15.3%
Mitie Group plc	1,416	-2%	7%	14%	0.3x	10.2x	9.2x	5.5x	5.1x	3.4%	4.6%
Learning Technologies	788	0%	1%	22%	1.8x	14.5x	13.8x	8.5x	8.6x	1.4%	15.2%
CVS Group plc	752	4%	20%	-30%	1.5x	11.8x	10.8x	7.6x	7.1x	0.9%	11.5%
Johnson Service Group	607	7%	2%	9%	1.3x	12.2x	10.7x	4.3x	4.0x	3.3%	12.2%
Renew Holdings plc	516	-9%	-32%	-25%	0.5x	10.2x	9.3x	6.0x	5.7x	3.1%	7.0%
RWS Holdings plc	473	-9%	-15%	-33%	0.7x	6.6x	5.8x	3.6x	3.3x	9.9%	20.4%
Nichols plc	468	-2%	-2%	32%	2.3x	20.7x	19.5x	13.4x	12.5x	3.5%	14.9%
Mortgage Advice Bureau	449	-12%	18%	-3%		19.6x	18.0x			3.7%	
AB Dynamics plc	425	3%	-8%	0%	3.3x	24.9x	23.2x	14.8x	13.5x	0.5%	17.2%
FRP Advisory Group plc	353	7%	-7%	33%	2.2x	12.8x	12.1x	8.1x	7.7x	3.8%	23.9%
Mean Average (Related)		-2%	-3%	4%	1.5x	15.3x	13.6x	8.1x	7.6x	3.0%	13.9%
Median (Related)		-1%	0%	5%	1.5x	13.7x	13.0x	7.8x	7.1x	3.2%	14.9%
Restore plc		**3%**	**-14%**	**-2%**	**1.6x**	**10.4x**	**9.5x**	**6.2x**	**5.7x**	**2.7%**	**13.9%**
(Discount)/ Premium to Direct Peers					-80%	-60%	-60%	-64%	-63%	-24%	-62%
(Discount)/ Premium to Related Services					5%	-32%	-30%	-24%	-25%	-10%	0%

Source: Koyfin (shares priced at COB 10/03/25), ED analysis

Income statement

Year to 31 Dec (£m)	2022A	2023A	2024A	2025E	2026E	2027E
Group revenue	279.0	277.1	275.3	338.5	363.1	373.3
% growth	19%	-1%	-1%	23%	7%	3%
COGS	-155.4	-160.7	-152.8	-203.3	-220.8	-225.6
% of revenue	56%	58%	56%	60%	61%	60%
Gross profit	**123.6**	**116.4**	**122.5**	**135.2**	**142.3**	**147.7**
% margin	44%	42%	44%	40%	39%	40%
Segmental admin expenses	-67.4	-69.3	-69.3	-74.2	-77.1	-79.2
% of revenue	24%	25%	25%	22%	21%	21%
Central admin expenses	-4.3	-2.8	-4.4	-5.0	-5.4	-5.7
% of revenue	2%	1%	2%	1%	1%	2%
Adj. Operating profit	**51.9**	**44.3**	**48.8**	**56.0**	**59.7**	**62.8**
% margin	19%	16.0%	17.7%	16.5%	16.5%	16.8%
Depreciation	29.6	32.8	33.6	32.5	32.5	32.5
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBITDA	**81.5**	**77.1**	**82.4**	**88.5**	**92.2**	**95.3**
% margin	29%	28%	30%	26%	25%	26%
Net interest	-10.9	-14.0	-14.4	-16.5	-16.6	-16.3
Adj. PBT	**41.0**	**30.3**	**34.4**	**39.5**	**43.1**	**46.5**
% margin	15%	11%	12%	12%	12%	12%
Impairments	0.0	-36.3	0.0	0.0	0.0	0.0
Amortisation	-12.1	-12.2	-12.1	-14.0	-15.0	-15.0
Acquisition transaction costs	-1.4	-0.2	0.0	0.0	0.0	0.0
Restructuring and redundancy	-2.6	-5.9	-2.1	0.0	0.0	0.0
Property related costs	-0.9	-3.1	-1.5	-1.5	-1.0	-1.0
Strategic IT reorganisation	-0.7	-1.6	-0.8	0.0	0.0	0.0
Reported PBT	**23.3**	**-29.0**	**17.9**	**24.0**	**27.1**	**30.5**
Tax	-6.5	-1.7	-5.5	-6.0	-6.8	-7.6
Adjusted tax	-1.3	-5.4	-3.1	-3.9	-4.0	-4.0
Underlying tax rate (%)	19%	24%	25%	25%	25%	25%
Adj. PAT	**33.2**	**23.2**	**25.8**	**29.6**	**32.3**	**34.9**
PAT	**16.8**	**-30.7**	**12.4**	**18.0**	**20.3**	**22.9**

Source: Company historic data, Equity Development forecasts

Cashflow statement

Year to 31 Dec (£m)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Adj. EBITA	51.9	44.3	48.8	56.0	59.7	62.8
Depreciation	29.6	32.8	33.6	32.5	32.5	32.5
Amortisation of Software	0.0	0.0	0.0	0.0	0.0	0.0
Gain on disposal of PPE	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	-5.6	-10.8	-4.1	-4.0	-1.0	-1.0
IPO costs	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash	1.9	-0.5	1.8	1.0	1.0	1.0
Working Capital Movement	-12.6	1.1	-2.0	-4.4	-4.5	-4.5
Operating Cash Flow	**65.2**	**66.9**	**78.1**	**81.1**	**87.7**	**90.8**
Net Interest	-11.4	-12.8	-14.5	-16.5	-16.6	-16.3
Tax	-6.0	-6.3	-5.1	-6.5	-7.3	-8.1
Net Operating Cash Flow	**47.8**	**47.8**	**58.5**	**58.1**	**63.8**	**66.4**
Purchase of PPE	-11.0	-10.3	-15.1	-15.0	-13.0	-11.0
Total Net Capex	-11.0	-10.3	-15.1	-15.0	-13.0	-11.0
Leases	-19.2	-20.7	-23.9	-21.0	-21.0	-21.0
Equity Free Cash Flow	**17.6**	**16.8**	**19.5**	**22.1**	**29.8**	**34.4**
M&A	-11.5	-1.7	-0.5	-33.0	0.0	0.0
Dividend	-9.9	-9.1	-7.3	-7.7	-8.1	-8.3
Share Issue	0.1	-0.5	-2.6	0.0	0.0	0.0
Other	1.0	0.2	-0.3	0.0	0.0	0.0
Net Change in Net Debt	**-2.7**	**5.7**	**8.8**	**-18.6**	**21.7**	**26.1**
Net Debt - BOP	-100.8	-103.5	-97.8	-89.0	-107.6	-85.9
Net Debt - EOP	**-103.5**	**-97.8**	**-89.0**	**-107.6**	**-85.9**	**-59.8**
Net Debt including leases	-218.4	-201.3	-229.0	-247.6	-225.9	-199.8

Source: Company historic data, Equity Development forecasts

Balance sheet

Year to 31 Dec (£m)	2022A	2023A	2024A	2025E	2026E	2027E
Non-Current assets						
Intangible assets	331.9	284.7	274.4	263.8	248.8	233.8
Property, Plant & Equipment	79.7	79.4	83.1	96.2	97.7	97.2
Right of use assets	106.8	91.6	125.6	125.6	125.6	125.6
Other receivables	5.1	5.2	4.6	4.6	4.6	4.6
Sub-total NCAs	523.5	460.9	487.7	490.2	476.7	461.2
Current Assets						
Inventories	2.0	1.5	1.3	2.3	3.3	4.3
Trade and other receivables	64.9	63.1	56.5	80.9	85.4	89.9
Cash and cash equivalents	30.2	22.7	8.0	8.0	8.0	34.1
Current tax assets	0.0	1.2	0.2	0.2	0.2	0.2
Sub-total CAs	97.1	88.5	66.0	91.4	96.9	128.5
Total Assets	620.6	549.4	553.7	581.6	573.6	589.7
Current liabilities						
Trade and other payables	-49.1	-44.9	-40.5	-41.5	-42.5	-43.5
Financial liabilities-borrowings	0.0	0.0	-3.2	-21.8	-0.1	-0.1
Financial liabilities-lease liabilities	-19.2	-18.6	-19.3	-19.3	-19.3	-19.3
Derivative liability	0.0	-0.1	0.0	0.0	0.0	0.0
Current tax liabilities	-1.6	0.0	0.0	0.0	0.0	0.0
Provisions	-1.7	-4.4	-3.9	-3.9	-3.9	-3.9
Sub-total CLs	-71.6	-68.0	-66.9	-86.5	-65.8	-66.8
Non-Current liabilities						
Financial liabilities-borrowings	-133.7	-120.5	-93.8	-93.8	-93.8	-93.8
Financial liabilities-lease liabilities	-95.7	-84.9	-120.7	-120.7	-120.7	-120.7
Deferred tax liability	-30.9	-29.3	-28.7	-28.7	-28.7	-28.7
Provisions	-15.4	-14.2	-9.6	-9.6	-9.6	-9.6
Other payables	-0.1	-0.4	-0.2	-0.2	-0.2	-0.2
Sub-total NCLs	-275.8	-249.3	-253.0	-253.0	-253.0	-253.0
Total Liabilities	-347.4	-317.3	-319.9	-339.5	-318.8	-319.8
NET ASSETS	**273.2**	**232.1**	**233.8**	**242.1**	**254.8**	**269.9**

Source: Company historic data, Equity Development forecasts

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