

## NORTHBRIDGE INDUSTRIAL SERVICES PLC (LON:NBI)

### Taking the Long View

#### SPECIALIST INDUSTRIAL MARKETS

Northbridge Industrial Services plc (LON:NBI) hires and sells specialist industrial equipment to industries including utility companies, oil and gas, shipping, construction and the public sector. The customer base spans major markets globally (see chart p2).

Northbridge Industrial Services plc (LON:NBI) has two core operating activities.

#### 1) CRESTCHIC

Crestchic provides electrical equipment which is used primarily to commission, test and service independent power plants. Customers need to use something called a loadbank (descriptions available on company website) when setting up or servicing a backup generator or standalone industrial generator. Crestchic manufactures loadbanks, for sale or hire, with customer sectors including financial services, healthcare, oil & gas, shipping and others. This business remains profitable, albeit not at previous peak levels.

#### 2) TASMAN OIL TOOLS

Tasman Oil Tools is a "down hole" tool rental specialist serving the oil & gas and geothermal industries, with main operations in the Middle East, ANZ and Malaysia. This business reported losses in 2016 (see chart p2), and we are forecasting another loss in 2017e. Weak demand in oil & gas drilling and exploration has led to lower asset utilisation and depressed rental prices.

We don't see any easy path to improving profitability at Tasman until the demand environment improves. With WTI Crude now at \$60 we believe there is an incentive for oil producers to increase activity, but there is no sign of a sustained improvement coming through yet. Once a recovery begins, we argue that Tasman is well placed to benefit, with an extensive fleet of equipment ready to use, and a reduced competitor base.

#### VALUATION

In this report we highlight the valuation of Northbridge Industrial Services in terms of price/book (chart p2). We argue that this gives an indication of the potential upside in the future event of a recovery in the demand environment.

Y/E Dec 31, £m	2014	2015	2016	2017e	2018e
Revenue	44.9	34.1	23.8	24.5	28.0
Operating profit	7.5	-0.7	-3.5	-3.5	-2.0
EPS	30.8	-5.2	-20.5	-15.4	-9.6
Source: CapitalNetwork					

#### INDUSTRIAL MACHINERY

08/01/2018

SHARE PRICE

▲ 96p

52 WEEK LOW

▲ 86.5p

MARKET CAP

▲ £24.9m

52 WEEK HIGH

▲ 151.0p

GROSS CASH

▲ £1.2m

NET DEBT

▲ £9.5m

#### MAJOR SHAREHOLDERS

- 1) Western Selection plc: 12.5%
- 2) Gresham House plc: 12.3%
- 3) Artemis Investment: 10.5%

Shares in Issue 25.9m

Avg Volume Daily 7,340

Primary index AIM

EPIC LON:NBI

Next Key Announcement FY 2017 trading update, expected Feb 2018

Sector Industrial Machinery

#### SHARE PRICE CHART



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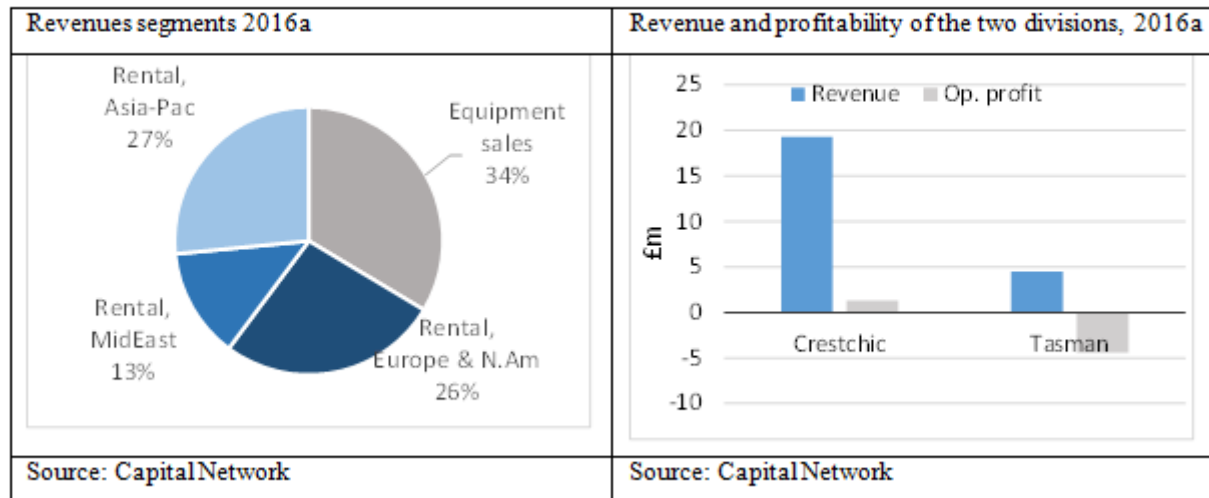
#### Company Information

Address : Second Avenue, Centrum 100, Burton on Trent DE14 2WF.

Website: northbridgegroup.co.uk

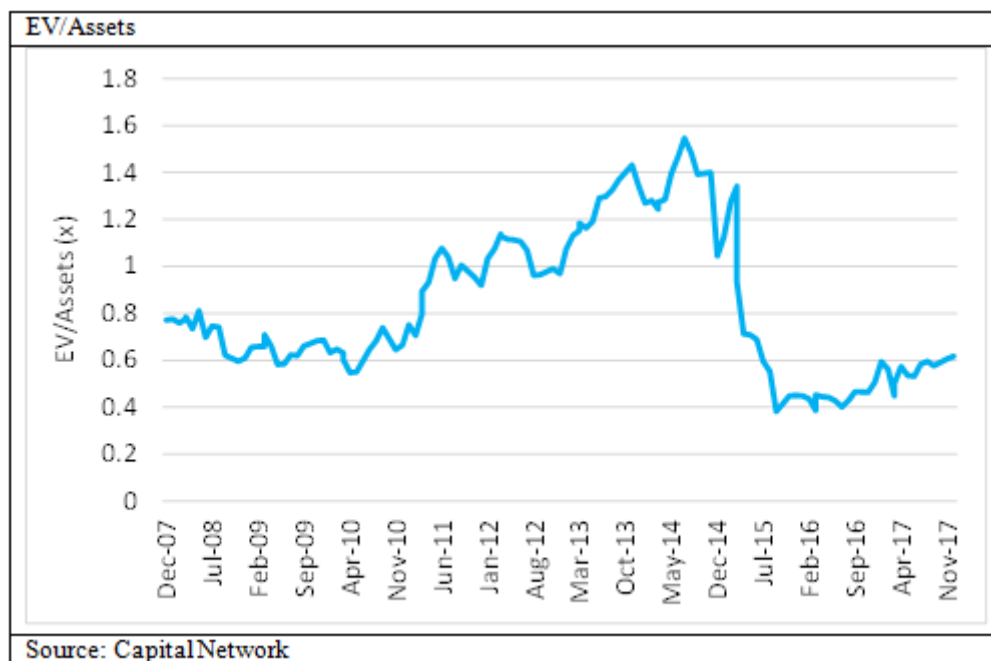
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The charts above show Northbridge's revenues by business activity, and the headline metrics for the two operating divisions. This highlights the impact of the current weakness at Tasman Oil Tools.

The chart below shows the price/book valuation of Northbridge over the last 10 years. We calculate this at the total enterprise level, i.e. using EV/(Total Assets) rather than Market Cap/(Net Assets), but it would show the same picture either way. The current valuation places Northbridge at the lower end of its historic range. This is perhaps not surprising given the company's current lack of profits, but we'd argue that this leaves a lot of upside whenever a recovery eventually becomes established, as both asset turnover and operating margins have a lot of scope to improve.



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