

# LaserBond Ltd (LBL)

## *Unbound by Geography*

LaserBond Ltd (LBL), the provider of innovative laser cladding services and long-lasting surface engineered products, achieved FY24 revenue of \$41.98m up 8.7% on FY23, while EBITDA was down 7.3% on FY23, to \$9.45m. We expect significant improvement in FY25, with revenue and EBITDA forecast to be 16.7% and 39.7% above FY24 figures respectively. We maintain our BUY recommendation with a 12-month target price of \$1.25 per share.

### Now resolved supply issue the cause of FY24 EBITDA slip

During FY24, a key component supplier to the Products division ceased business, temporarily preventing the completion of product orders, until a new supplier was found and qualified. While the issue is now resolved, LaserBond's cost base had grown to support higher expected revenue than what was achieved in FY24, resulting in a 7.3% decline of EBITDA, despite 8.7% of revenue growth.

### WA foothold with 40% purchase of Gateway Group

In FY24, LaserBond took strategic investment in Perth-based parts servicing business Gateway Group, with LBL taking a 40% stake in exchange for cash and scrip worth \$10m. The agreement also provides Laserbond the option to become a 51% owner in three years. In FY24, Gateway reported \$30.28m in revenue and \$3.54m in PBT, with LaserBond to provide a key growth vertical when it adds its laser cladding technology to Gateway's facility.

### United States acquisition planned for early 2025

LaserBond reports good progress on inorganic opportunities in the USA, with the company working with a speciality M&A firm to identify appropriate targets. LBL has existing customers that operate in North America who have indicated they will substantially increase purchase volumes if a local presence is established. The company has also assessed the business case, for producing LaserBond branded products in the US, to be highly compelling.

### Earnings recovery in FY25 from strong revenue growth

With supply chain issues resolved and improved shop floor capacity, via new hires and machinery improvements. LaserBond is positioned to take advantage of increasing demand from both the products and services divisions. As a result, we expect 16.7% sales growth in FY25, which will drive EBIT to grow 52.7% to \$9.1m.

#### Key financials - AUD\$m

Year end Jun	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F
Revenue	30.7	38.6	42.0	49.0	58.0	70.0	80.0	86.0
EBITDA	8.7	10.3	9.4	13.2	17.5	23.3	28.0	30.8
EBIT	5.8	7.0	6.0	9.1	13.3	19.1	23.7	26.4
NPAT	3.6	4.8	3.5	5.9	8.8	12.8	16.0	17.9
EPS (A¢ ps)	3.3	4.3	3.0	5.0	7.5	11.0	13.7	15.3
P/E	19.6	15.0	21.5	12.9	8.6	5.9	4.7	4.2
EV/EBITDA	8.1	6.5	7.8	5.5	4.2	3.2	2.6	2.4
DPS (A¢ ps)	1.2	1.6	1.6	1.6	4.7	7.2	10.6	14.0
Yield	1.8%	2.5%	2.5%	2.5%	7.2%	11.1%	16.2%	21.5%
Gearing (ND/ND+E)	-3.5%	-18.9%	-5.2%	-7.6%	-6.3%	-5.1%	-4.1%	-3.4%

Source: Company accounts, Curran & Co estimates. AUD\$m unless otherwise stated.

#### Machinery

12-month rating	<b>BUY</b>
12-m price target (A\$)	1.25
Price (A\$)	0.65
Upside	93%
BBG: LBL AU	

#### Trading data & key metrics

52-week range (\$):	0.645 - 0.915
Market Cap (\$m):	62.4
Shares on issue (M):	109.3
Avg daily volume (K):	97.5
Avg. daily volume (\$m):	0.08

#### Directors

Philip Suriano	NEC
Wayne Hooper	ED/CEO
Matthew Twist	ED/CFO/CS
Ian Neal	NED
Dagmar Parsons	NED

#### Substantials

Wayne Hooper	8.1%
Diane Hooper	8.1%
Rex Hooper	5.9%

#### Price Chart (12 Months)



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## Financial Forecast Updates

### Revenue

FY24 sales were \$2m less than anticipated, due to previously flagged temporary supply chain issues. Due to the miss, we are opting to be more conservative with our revenue forecast for FY25 and beyond. Despite this, we still expect material sales growth of 16.7% in FY25.

Revenue is forecast to grow 16.7% in FY25

**Table 1 – Revenue Forecasts**

Group Revenue (\$m)	FY25	FY26	FY27	FY28	FY29
Feb 2024 Forecasts	\$ 55.0	\$ 62.0	\$ 72.0	\$ 82.0	\$ 90.2
Current Forecast	\$ 49.0	\$ 58.0	\$ 70.0	\$ 80.0	\$ 86.0

Source: Curran & Co Forecasts

### Gross Margin

Gross margin was less during FY24 than anticipated, due to lower than expected sales. For the sake of greater conservatism in our forecasts, we are not assuming a rapid improvement in FY25, but a gradual 1.1% increase over the medium term.

Gross margin is expected to gradually improve over time

**Table 2 – Gross Margin Forecasts**

Gross Margin (%)	FY25	FY26	FY27	FY28	FY29
Feb 2024 Forecasts	53.5%	53.7%	54.0%	54.1%	54.4%
Current Forecast	51.8%	52.1%	52.4%	52.5%	52.9%

Source: Curran & Co Forecasts

### EBIT

Weaker sales and gross margin than anticipated in FY24, flowed onto EBIT. While more conservative in our EBIT outlook, we still expect a step change in EBIT via a 52.7% lift in FY25 to \$9.1m

EBIT is expected to grow 52.7% in FY25

**Table 3 – EBIT Forecasts**

EBIT (\$m)	FY25	FY26	FY27	FY28	FY29
Feb 2024 Forecasts	\$ 14.8	\$ 17.9	\$ 22.7	\$ 27.3	\$ 31.3
Current Forecast	\$ 9.1	\$ 13.3	\$ 19.1	\$ 23.7	\$ 26.4

Source: Curran & Co Forecasts

### Upside to Forecasts via Gateway and US Expansion

Our forecasts currently do not factor plans to increase shareholding in Gateway to 51%, thus consolidating Gateway's financials into LBL's, or expected growth resulting from adding laser cladding services to that business. Likewise, an acquisition in North America, which LaserBond expects to execute on in early 2025, presents material upside potential.

### Valuation | A\$1.25/share (93% upside)

Our 12-month target price for LaserBond (LBL) has been determined via the Dividend Discount Model, with the Gordon Growth Model used to determine the present value of dividends beyond FY30.

Company dividends are expected to grow at 4% p.a. Beyond FY30

**Table 4 – Dividend Discount Model Assumptions**

Risk Free Rate	Market Risk Premium	Equity Beta	Cost of Equity	Gordon Growth Rate
4.2%	6.5%	1.46	13.7%	4.0%

Source: Curran & Co Estimates

## LaserBond (LBL) - Financial Summary

### Profit & Loss Statement

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>38.6</b>	<b>42.0</b>	<b>49.0</b>	<b>58.0</b>	<b>70.0</b>
- change	25.7%	8.7%	16.7%	18.4%	20.7%
<b>EBITDA</b>	<b>10.3</b>	<b>9.4</b>	<b>13.2</b>	<b>17.5</b>	<b>23.3</b>
- change	18.2%	-7.9%	39.7%	32.2%	33.5%
Depreciation and Amortisation	-3.3	-3.5	-4.1	-4.2	-4.2
<b>EBIT</b>	<b>7.0</b>	<b>6.0</b>	<b>9.1</b>	<b>13.3</b>	<b>19.1</b>
- change	21%	-14.4%	52.7%	45.5%	43.2%
Net finance costs	-0.6	-0.8	-0.7	-0.8	-0.8
<b>Pre-tax profit</b>	<b>6.4</b>	<b>5.2</b>	<b>8.4</b>	<b>12.5</b>	<b>18.3</b>
Tax expense	-1.6	-1.7	-2.5	-3.8	-5.5
<b>Reported NPAT</b>	<b>4.8</b>	<b>3.5</b>	<b>5.9</b>	<b>8.8</b>	<b>12.8</b>
- change	31%	-26.0%	66.9%	49.4%	45.7%
Add Comprehensive Items	0.0	0.0	0.0	0.0	0.0
<b>Comprehensive Income</b>	<b>4.8</b>	<b>3.5</b>	<b>5.9</b>	<b>8.8</b>	<b>12.8</b>
- change	31%	-26.0%	66.9%	49.4%	45.7%
Remove Abnormals	0.0	0.0	0.0	1.0	2.0
Remove Comprehensive items	0.0	0.0	0.0	0.0	0.0
<b>Normalised NPAT</b>	<b>4.8</b>	<b>3.5</b>	<b>5.9</b>	<b>9.8</b>	<b>14.8</b>
- change	31%	-26.0%	66.9%	66.4%	51.3%

### Profitability Ratios

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
EBITDA margin (%)	26.6%	22.5%	26.9%	30.1%	33.3%
EBIT margin (%)	18.1%	14.3%	18.7%	22.9%	27.2%
NPAT margin (%)	12.3%	8.4%	12.0%	15.1%	18.3%
Effective tax rate (%)	-25.3%	-32.5%	-30.0%	-30.0%	-30.0%
Shares outstanding	110.0	116.3	116.8	116.8	116.8
<b>Reported EPS (¢)</b>	<b>4.3</b>	<b>3.0</b>	<b>5.0</b>	<b>7.5</b>	<b>11.0</b>
...change (%)	30%	-30.0%	66.2%	49.4%	45.7%
<b>Normalised EPS (¢)</b>	<b>4.3</b>	<b>3.0</b>	<b>5.0</b>	<b>8.4</b>	<b>12.7</b>
...change (%)	30%	-30.0%	66.2%	66.4%	51.3%
<b>DPS / Cap Return(¢)</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>4.7</b>	<b>7.2</b>
...Payout on Norm. NPAT	36.9%	52.7%	31.8%	55.6%	57.0%
...Yield (%)	2.5%	2.5%	2.5%	7.2%	11.1%

### Gearing / Cashflow Ratios

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Net debt	-4.9	-1.9	-3.0	-2.7	-2.4
Net debt/Equity (%)	-15.9%	-5.0%	-7.0%	-5.9%	-4.8%
Net Debt/N Debt+Equity (%)	-18.9%	-5.2%	-7.6%	-6.3%	-5.1%
Net Debt / EBITDA (x)	-48.1%	-20.2%	-22.6%	-15.5%	-10.4%
EBITDA / Net interest (x)	16.5x	12.3x	17.7x	23.0x	30.1x
ROE (%)	15.3%	9.2%	13.8%	19.2%	25.5%
ROA (%)	9.2%	5.8%	9.0%	12.6%	17.1%

### Multiples

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Enterprise value (A\$m)	66.5	73.7	72.9	73.2	73.5
EV/Sales	1.7x	1.8x	1.5x	1.3x	1.0x
EV/EBITDA	6.5x	7.8x	5.5x	4.2x	3.2x
Price/Earnings	15.0x	21.5x	12.9x	8.6x	5.9x
Price/Book	2.3x	2.0x	1.8x	1.7x	1.5x

### Balance Sheet

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Cash	8.9	5.8	7.1	7.1	7.1
Receivables	9.4	9.7	11.3	13.4	16.1
Inventories	7.3	6.8	7.9	9.3	11.2
Other Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Current Assets</b>	<b>25.7</b>	<b>22.2</b>	<b>26.3</b>	<b>29.8</b>	<b>34.4</b>
Property, Plant & Equipment	18.8	20.2	20.8	21.5	22.1
Investments	0.0	10.5	10.5	10.5	10.5
Intangibles	6.5	6.5	6.5	6.5	6.5
Other	0.8	1.2	1.2	1.2	1.2
<b>Non-Current Assets</b>	<b>26.1</b>	<b>38.4</b>	<b>39.0</b>	<b>39.7</b>	<b>40.3</b>
<b>Total Assets</b>	<b>51.8</b>	<b>60.7</b>	<b>65.3</b>	<b>69.4</b>	<b>74.7</b>
Payables	4.7	3.3	3.7	4.2	4.8
Financial Liabilities	1.7	1.3	1.4	1.4	1.5
Lease Liabilities	0.6	0.9	0.9	0.9	0.9
Other Current Liabilities	2.2	3.3	3.3	3.3	3.3
<b>Current Liabilities</b>	<b>9.3</b>	<b>8.8</b>	<b>9.3</b>	<b>9.8</b>	<b>10.5</b>
Financial Liabilities	2.3	2.5	2.8	3.0	3.2
Lease Liabilities	7.2	8.8	8.8	8.8	8.8
Employee Benefits	0.2	1.8	1.8	1.8	1.8
Other Non-Current Liabilities	1.8	0.2	0.2	0.2	0.2
<b>Non-Current Liabilities</b>	<b>11.5</b>	<b>13.4</b>	<b>13.6</b>	<b>13.8</b>	<b>14.1</b>
<b>Total Liabilities</b>	<b>20.8</b>	<b>22.2</b>	<b>22.9</b>	<b>23.7</b>	<b>24.6</b>
<b>Net Assets</b>	<b>31.1</b>	<b>38.4</b>	<b>42.4</b>	<b>45.8</b>	<b>50.2</b>
Issued Capital	18.8	24.4	24.4	24.4	24.4
Accumulated Losses	12.3	14.0	18.0	21.4	25.7
<b>Shareholders' Equity</b>	<b>31.1</b>	<b>38.4</b>	<b>42.4</b>	<b>45.8</b>	<b>50.2</b>

### Cash Flow Statement

Year ending June (A\$m)	2023A	2024A	2025F	2026F	2027F
Operating Cash Flow	7.7	6.7	7.6	9.9	13.0
Investing Cash Flow	-1.3	-5.8	-2.6	-2.7	-2.8
<b>Free Cash Flow (Basic)</b>	<b>6.4</b>	<b>0.9</b>	<b>5.0</b>	<b>7.2</b>	<b>10.3</b>
Financing Cash flow	-3.1	-4.1	-3.6	-7.2	-10.3
Exchange rate effects	0.0	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>3.2</b>	<b>-3.2</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>

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