

LaserBond Ltd (LBL)

Guidance for H2 Services growth

LaserBond Ltd (LBL), the provider of innovative laser cladding services and long-lasting surface engineered products, achieved FY25 H1 revenue of \$20.3m which is flat on pcp, while EBITDA was down 21.7% to \$3.3m. The company has released a FY25 guidance range of \$43m-\$46m of revenue and \$4.1m-\$4.7m of PBT for the full year, implying a greatly improved H2. We maintain our BUY recommendation with a 12-month target price of \$1.00 per share.

Fall in Products revenue pushes FY25 H1 EBITDA backwards

LaserBond had gone into the financial year investing in skilled labour to allow it to meet expected growth. However, Products revenue decreased by 27.5% on pcp due to a reduction in orders from its two key OEM customers, offsetting 16.8% growth in Services. With flat revenue and an increased cost base in anticipation of growth, EBITDA during the half contracted 21.7% to \$3.3m.

Quick Response Teams to drive further Services growth

LaserBond has identified that sometimes its customers require shorter repair timeframes. In response, the company has set up its first Quick Response Team in Queensland, that will decrease turnaround times for restoration services performed on time sensitive components. Additional Quick Response Teams will be established at the company's other facilities during H2.

United States acquisition plans continue to progress

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.

Guidance range indicating a strong second half of FY25

With the Services division continuing its strong growth trajectory and improving productivity across the business during the start of the second half. LaserBond has released a FY25 H2 guidance range of \$22.2m to \$25.1m revenue and \$2.4m to \$3.1m of EBT, which implies a minimum of 9.4% growth in revenue and an 80% to 134% improvement in EBT on the prior corresponding half.

Machinery

12-month rating	BUY
12-m price target (A\$)	1.00
Price (A\$)	0.45
Upside	122%
BBG: LBL AU	

Trading data & key metrics

52-week range (\$):	0.435 - 0.8
Market Cap (\$m):	43.2
Shares on issue (M):	109.3
Avg daily volume (K):	131.7
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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Key financials - AUD\$m

Year end Jun	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F
Revenue	30.7	38.6	42.0	43.0	51.3	61.0	69.9	80.0
EBITDA	8.7	10.3	9.4	8.0	11.8	16.1	19.9	24.5
EBIT	5.8	7.0	6.0	4.9	8.7	12.9	16.7	21.2
NPAT	3.6	4.8	3.5	3.1	5.5	8.5	11.1	14.2
EPS (A¢ ps)	3.3	4.3	3.0	2.7	4.7	7.2	9.4	12.1
P/E	13.6	10.4	14.9	16.9	9.6	6.2	4.8	3.7
EV/EBITDA	5.6	4.3	5.3	6.2	4.3	3.2	2.6	2.1
DPS (A¢ ps)	1.2	1.6	1.6	1.2	1.8	3.9	6.4	9.3
Yield	2.7%	3.6%	3.6%	2.7%	4.1%	8.7%	14.1%	20.6%
Gearing (ND/ND+E)	-3.5%	-18.9%	-5.2%	-7.1%	-5.9%	-4.8%	-3.9%	-3.1%

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

Please see the last page of this report for important disclosures.

Financial Forecast Updates

Revenue

LaserBond's FY25 H1 sales recorded no growth and were significantly less than anticipated, due to a 27.5% decline in Products revenue. The company has provided a FY25 revenue guidance range of between \$43m and \$46m. We have opted to forecast at the bottom end of guidance and have taken a more conservative view of revenue growth beyond FY25.

Revenue is forecast to grow 2.4% in FY25

Table 1 – Revenue Forecasts

Group Revenue (\$m)	FY25	FY26	FY27	FY28	FY29
Aug 2024 Forecasts	\$ 49.0	\$ 58.0	\$ 70.0	\$ 80.0	\$ 86.0
Current Forecast	\$ 43.0	\$ 51.3	\$ 61.0	\$ 69.9	\$ 81.0

Source: Curran & Co Forecasts

Gross Margin

Gross margin was less during FY25 H1 than anticipated, due to lower than expected Product sales. For the sake of conservatism in our forecasts, we are not assuming a rapid improvement in FY26, but a gradual 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
Aug 2024 Forecasts	51.8%	52.1%	52.4%	52.5%	52.9%
Current Forecast	50.1%	50.4%	50.6%	50.8%	51.1%

Source: Curran & Co Forecasts

EBIT

Weaker sales and a lower gross margin than anticipated in FY25 H1, have flowed onto EBIT. While we have downgraded our EBIT outlook, we still expect a 75.6% lift in EBIT in FY26, as a result of operating leverage.

EBIT is expected to fall 17.4% in FY25

Table 3 – EBIT Forecasts

EBIT (\$m)	FY25	FY26	FY27	FY28	FY29
Aug 2024 Forecasts	\$ 9.1	\$ 13.3	\$ 19.1	\$ 23.7	\$ 26.4
Current Forecast	\$ 4.9	\$ 8.7	\$ 12.9	\$ 16.7	\$ 21.2

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 2025, presents material upside potential.

Valuation | A\$1.00/share (123% 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
4.1%	6.5%	1.46	13.6%	4.0%

Source: Curran & Co Estimates

LaserBond (LBL) - Financial Summary

Profit & Loss Statement

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Revenue	38.6	42.0	43.0	51.3	61.0
- change	25.7%	8.7%	2.4%	19.2%	18.9%
EBITDA	10.3	9.4	8.0	11.8	16.1
- change	18.2%	-7.9%	-15.1%	46.5%	36.6%
Depreciation and Amortisation	-3.3	-3.5	-3.1	-3.1	-3.1
EBIT	7.0	6.0	4.9	8.7	12.9
- change	21%	-14.4%	-17.4%	75.6%	48.7%
Net finance costs	-0.6	-0.8	-0.8	-0.8	-0.8
Pre-tax profit	6.4	5.2	4.1	7.9	12.1
Tax expense	-1.6	-1.7	-1.0	-2.4	-3.6
Reported NPAT	4.8	3.5	3.1	5.5	8.5
- change	31%	-26.0%	-11.4%	76.2%	53.7%
Add Comprehensive Items	0.0	0.0	0.0	0.0	0.0
Comprehensive Income	4.8	3.5	3.1	5.5	8.5
- change	31%	-26.0%	-11.4%	76.2%	53.7%
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
Normalised NPAT	4.8	3.5	3.1	6.5	10.5
- change	31%	-26.0%	-11.4%	108.3%	60.8%

Profitability Ratios

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
EBITDA margin (%)	26.6%	22.5%	18.7%	22.9%	26.3%
EBIT margin (%)	18.1%	14.3%	11.5%	16.9%	21.2%
NPAT margin (%)	12.3%	8.4%	7.3%	10.7%	13.9%
Effective tax rate (%)	-25.3%	-32.5%	-23.9%	-30.0%	-30.0%
Shares outstanding	110.0	116.3	117.3	117.3	117.3
Reported EPS (¢)	4.3	3.0	2.7	4.7	7.2
...change (%)	30%	-30.0%	-12.2%	76.2%	53.7%
Normalised EPS (¢)	4.3	3.0	2.7	5.5	8.9
...change (%)	30%	-30.0%	-12.2%	108.3%	60.8%
DPS / Cap Return(¢)	1.6	1.6	1.2	1.8	3.9
...Payout on Norm. NPAT	36.9%	52.7%	45.1%	33.3%	43.7%
...Yield (%)	3.6%	3.6%	2.7%	4.1%	8.7%

Gearing / Cashflow Ratios

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Net debt	-4.9	-1.9	-2.7	-2.4	-2.2
Net debt/Equity (%)	-15.9%	-5.0%	-6.7%	-5.6%	-4.6%
Net Debt/N Debt+Equity (%)	-18.9%	-5.2%	-7.1%	-5.9%	-4.8%
Net Debt / EBITDA (x)	-48.1%	-20.2%	-33.6%	-20.7%	-13.5%
EBITDA / Net interest (x)	16.5x	12.3x	9.5x	14.2x	19.0x
ROE (%)	15.3%	9.2%	7.7%	12.6%	17.7%
ROA (%)	9.2%	5.8%	5.0%	8.3%	11.9%

Multiples

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Enterprise value (A\$m)	44.5	50.4	50.1	50.4	50.6
EV/Sales	1.2x	1.2x	1.2x	1.0x	0.8x
EV/EBITDA	4.3x	5.3x	6.2x	4.3x	3.2x
Price/Earnings	10.4x	14.9x	16.9x	9.6x	6.2x
Price/Book	1.6x	1.4x	1.3x	1.2x	1.1x

Balance Sheet

Year to Jun 30 (A\$m)	2023A	2024A	2025F	2026F	2027F
Cash	8.9	5.8	6.1	6.1	6.1
Receivables	9.4	9.7	10.1	12.1	14.4
Inventories	7.3	6.8	8.0	9.5	11.2
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Current Assets	25.7	22.2	24.2	27.6	31.6
Property, Plant & Equipment	18.8	20.2	19.5	20.1	20.7
Investments	0.0	10.5	10.6	10.6	10.6
Intangibles	6.5	6.5	6.6	6.6	6.6
Other	0.8	1.2	1.4	1.4	1.4
Non-Current Assets	26.1	38.4	38.1	38.7	39.3
Total Assets	51.8	60.7	62.3	66.4	71.0
Payables	4.7	3.3	3.2	3.6	4.1
Financial Liabilities	1.7	1.3	1.7	1.7	1.8
Lease Liabilities	0.6	0.9	1.0	1.0	1.0
Other Current Liabilities	2.2	3.3	4.0	4.0	4.0
Current Liabilities	9.3	8.8	9.8	10.3	10.8
Financial Liabilities	2.3	2.5	1.7	1.9	2.1
Lease Liabilities	7.2	8.8	8.4	8.4	8.4
Employee Benefits	0.2	1.8	0.3	0.3	0.3
Other Non-Current Liabilities	1.8	0.2	1.7	1.7	1.7
Non-Current Liabilities	11.5	13.4	12.1	12.3	12.5
Total Liabilities	20.8	22.2	21.9	22.6	23.4
Net Assets	31.1	38.4	40.4	43.7	47.6
Issued Capital	18.8	24.4	24.7	24.7	24.7
Accumulated Losses	12.3	14.0	15.7	19.1	22.9
Shareholders' Equity	31.1	38.4	40.4	43.7	47.6

Cash Flow Statement

Year ending June (A\$m)	2023A	2024A	2025F	2026F	2027F
Operating Cash Flow	7.7	6.7	4.9	5.6	8.1
Investing Cash Flow	-1.3	-5.8	-1.5	-2.1	-2.2
Free Cash Flow (Basic)	6.4	0.9	3.5	3.4	5.9
Financing Cash flow	-3.1	-4.1	-3.1	-3.4	-5.9
Exchange rate effects	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	3.2	-3.2	0.3	0.0	0.0

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