

SDI GROUP INDUSTRIALS

30 July 2025

SDI.L

86.5p

Market Cap: £91.8m

SHARE PRICE (p)



12m high/low

95p/48p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£13.8m (at 30/04/25)
Enterprise value	£78m
Index/market	AIM
Next news	AGM update, 24 Sept
Shares in issue (m)	106.1
Chairman	Ken Ford
CEO	Stephen Brown
CFO	Amitabh Sharma

COMPANY DESCRIPTION

SDI Group is an acquisitive group, focused on companies that design and manufacture specialist lab equipment, industrial & scientific sensors and industrial & scientific products.

www.sdigroup.com

SDI GROUP IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

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FY25 results deliver; back on growth trajectory

SDI's FY25 results for the year ended 30 April 2025 were in line with market expectations, despite wider global economic challenges. The robust performance reflects management's clear focus on both organic and inorganic growth, fostering greater collaboration and synergies across the portfolio of quality, cash-generative businesses. SDI has a robust order book with good momentum going into FY26, and we maintain our current estimates. We remain confident long term given SDI's successful 'buy and build' model, particularly given the recent delivery on the acquisition strategy. The focus on organic growth is driving operational synergies, margin enhancement and strong cashflow generation, which has been a consistent feature of the group. The 'supernormal' profit and cash generated throughout Covid disrupted the growth track record, making year-on-year comparators more difficult. However, the strong management team under CEO Stephen Brown has delivered on the strategy refresh, providing a new baseline, delivering profitable growth and resuming the acquisition strategy despite the evolving economic environment.

- **Financial highlights.** Revenue for FY25 (to 30 April) at £66.2m was slightly ahead of FY24 (£65.8m), with a strong contribution from acquired businesses. Adjusted EBIT was £10m (FY24: £9.6m) and adjusted PBT £8.5m (FY24: £8.0m). Cash generation has been strong and, despite acquisition spend of £7.3m, net debt was broadly maintained at £13.8m (FY24: £13.2m). The underlying portfolio has shown resilience despite the difficult trading backdrop, as evidenced by some of SDI's peers reporting significant downgrades. SDI has 10% exposure to the US vs 25% for Judges.
- **Maintaining FY26 forecasts.** Management cited an improvement going into H2, which the FY25 results confirm materialised. FY26 has started with a strong order book and momentum. We broadly maintain FY26 estimates with revenue of £75m and adjusted EBIT of £11.3m. This reflects a return to organic growth of 5%-7%.
- **Delivering on 'buy and build' and cash generation.** We note the improved strategic initiatives to maximise value from the existing portfolio of quality businesses. The strong cash generation is being successfully deployed to fund value-enhancing acquisitions that are delivering long-term profitable growth and increasing return on capital employed. We have confidence in the resilience of the SDI model and the long-term growth drivers in its key markets. SDI has a solid pipeline of acquisition opportunities and the financial capacity to continue to execute its buy and build strategy.

FYE APR (£M)	2022	2023	2024	2025	2026E
Revenue	49.7	67.6	65.8	66.2	75.0
Adj EBIT	12.1	12.8	9.6	10.0	11.3
Fully Adj PBT	11.8	11.8	8.0	8.5	9.8
Fully Adj EPS (p)	8.7	9.0	5.8	6.2	7.0
EV/Sales (x)	1.6x	1.2x	1.2x	1.2x	1.0x
EV/EBITDA (x)	5.7x	4.9x	6.5x	6.3x	5.6x
PER (x)	9.9x	9.6x	15.0x	14.0x	12.3x

Source: Company Information and Progressive Equity Research estimates.

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Please refer to important disclosures at the end of the document.

FY25 financial highlights

SDI Group – Key performance metrics		
	FY25 (£m)	FY24 (£m)
Revenue	66.2	65.8
Adjusted operating profit	10.0	9.6
Reported operating profit	6.9	7.3
Adjusted PBT	8.5	8.0
Reported PBT	5.5	5.7
Adjusted Diluted EPS	6.18	5.78
Cash generated by operations	12.9	9.4
Net debt	13.8	13.2

Source: Company information, Progressive Equity Research

Delivering on strategy

The breadth of the SDI portfolio has ensured that, while some businesses experienced a slowdown, this was partially offset by a stronger performance in other sectors. Overall revenue for FY25 was slightly ahead, by 0.5% to £66.2m (FY24: £65.8m). Compared to earnings downgrades for some of its peers in the region of 20%, we believe SDI's full year results highlight the resilience of the portfolio and add credibility to management's actions. The focus on the existing businesses led to a pause in acquisition activity, which has now resumed, with three acquisitions made recently over a nine-month period.

Second half confirms the recovery management flagged at the interims

Management cited an improvement going into H2, which the FY25 results confirm materialised. The life science and biomedical markets were particularly weak in H1. The organic decline for FY25 in lab equipment was 5.8%, highlighting a partial recovery compared to a 12% organic decline in H1. The organic sales decline for the group as a whole narrowed to 1.6% for FY25 compared to 5.7% in H1, indicating a good turnaround in H2 as expected.

Gross margins improved

Gross margins (on materials only) improved to 64.9% (FY24: 63.1%) as the strategic review has reintroduced strong margin discipline, and on a like-for-like basis gross margins increased to 65.5%. Adjustments made are for share-based payments, acquisition costs, loss on disposal of subsidiary undertakings (FY24), reorganisation costs, and amortisation of acquired intangible assets. These adjustments totalled £3.0m (FY24: £2.3m). Overheads increased 3% due to inflation on a like for like basis, however adjusted operating profit increased 4.2% to £10m (FY24: £9.6m), with the net operating margin at 15% (from 14.5%). This brings margins into line with the historical norm following three years of exceptional revenue growth due the one-off Covid demand, which spiked both margins and cashflow.

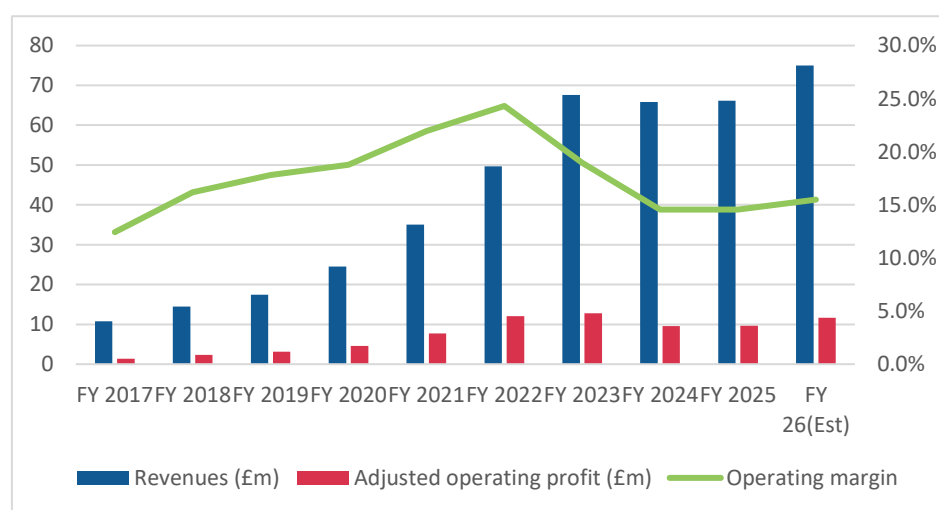
Solid base on which to build profitable growth and deliver on strategy

SDI is successfully delivering on its stated intention to focus on organic delivery, and driving efficiency to provide a solid base on which to deliver revenue growth and further cash flow generation. It is worthwhile noting that financial years FY22 and FY23 experienced an unsustainable ramp-up in product ordering due to Covid, with Atik in particular receiving substantial, high-margin, 'one-off' orders. This has skewed the comparators.

Strong track record

SDI has a proven track record of delivering significant earnings growth from the 20 businesses acquired over the last 10 years, in addition to positive organic growth. FY24 was the first year to not comprise any Covid-related revenue, providing a new base from which to return to its longer-term growth pattern and strong cash generation. FY25 performance highlight that management's actions over the past 18 months are delivering.

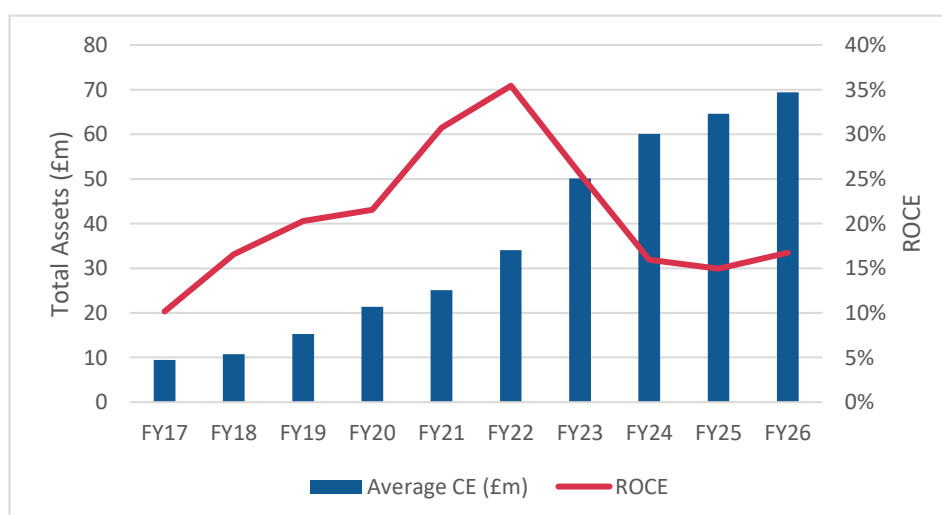
Revenue, adjusted operating profit and margin progression



Source: Company Information and Progressive Equity Research estimates

Management has added value through the integration of new businesses into the SDI structure, providing them with the capital to drive incremental organic growth. As discussed, FY22 and FY23 experienced unsustainable growth due to Covid, but we believe that SDI is poised to deliver significant shareholder value from the revised base.

ROCE progression and Capital Employed



Source: Company Information and Progressive Equity Research estimates

Growth strategy in two halves

- **Growth initiatives for the portfolio (organic growth).** This includes product innovation, improving operational capacity, plus expansion into new geographic markets. There will be a stronger focus on repeat revenue streams through support and upgrades. Management is targeting a more proactive sales approach.
- **Value-enhancing acquisitions (inorganic growth).** Management has identified stringent criteria, targeting 'meaningful' acquisitions that will either increase EBIT by c.£1m or will combine with an existing portfolio business to drive strong growth.

Cash and balance sheet strong

Cash generated from operations increased to £12.9m in FY25 (FY24: £9.4m). £7.3m was deployed on acquisitions in FY25 (FY24: £2.4m), with net debt of £13.8m (FY24: £13.2m), and a net debt:EBITDA ratio of c.1.1x. At the year-end, SDI had drawn down £15.1m of its credit facility (FY24: £14.6m), leaving £9.9m headroom excluding the £5.0m accordion.

We have analysed average cashflows for the last six years, with a FCF yield of 7.8% at the current share price. Working capital benefitted from upfront payments in 2021 and 2022, which reversed in 2023 and 2024. However, strong cash flow has been a feature of the group, and we are encouraged by FY25. SDI has the financial firepower and access to funds, alongside cash generation, to fund opportunities and invest in its current portfolio.

SDI Group – Cashflow profile pre and post Covid							
£m unless stated	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
Operating CF before w/c	5.9	8.9	13.2	14.8	11.4	11.2	13.5
Working capital move	-0.7	2.8	1.5	-4.0	-2.0	1.3	-0.9
Interest and Taxes	-1.0	-1.5	-1.6	-3.1	-3.6	-3.6	-3.8
Cap Ex	-1.1	-1.0	-1.8	-1.3	-1.7	-1.7	-2.3
Free Cash Flow	3.0	9.3	11.3	6.4	4.2	7.3	6.5
FCF Yield	3.3%	10.0%	12.1%	6.9%	4.5%	7.8%	7.0%

Source: Company Information, Progressive Equity Research estimates

FY26 estimates maintained

We broadly maintain our estimates for FY26 – revenue of £75m and EBITDA of £13.9m – with some moving parts, but we make no changes to underlying assumptions. However, we note the margin improvement. Given that the order book is significantly up, we are confident that there will be a return to organic growth of 5%-7% and that the group has resumed a growth trajectory, as highlighted in the table below.

SDI Group – FY25 actuals against FY26 estimates			
£m unless stated	FY25A	FY26E	Change (%)
Revenue	66.2	75.0	13.3%
Adj EBITDA	12.4	13.9	12.1%
Adj EBIT	10.0	11.3	13.0%
Reported PBT	5.5	6.4	16.4%
Fully adj PBT	8.5	9.8	15.3%
Reported EPS (p)	3.8	4.4	15.8%
Fully adj EPS (p)	6.2	7.0	12.9%

Source: Progressive Equity Research estimates

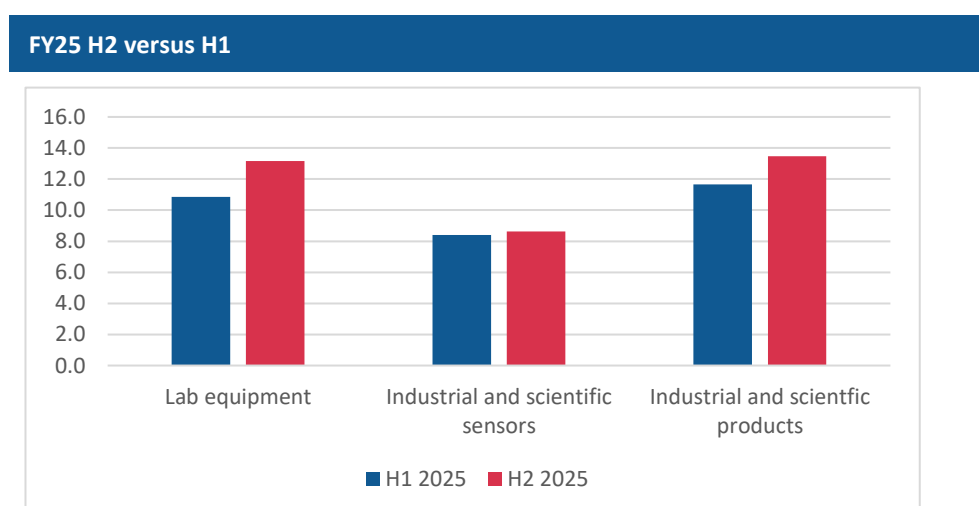
Re-segmentation to drive synergies and operational efficiencies

We are encouraged by the positive trend across all segments H2 versus H1.

SDI Group – Divisional performance metrics			
		FY25 (£m)	FY24 (£m)
Revenue	Industrial & Scientific Products	25.1	22.9
	Industrial & Scientific Sensors	17.0	16.2
	Laboratory equipment	24.0	26.8
Adjusted operating profit	Industrial & Scientific Products	5.0	3.9
	Industrial & Scientific Sensors	4.5	4.3
	Laboratory equipment	2.7	3.2
Adjusted operating margin	Industrial & Scientific Products	19.9%	17.0%
	Industrial & Scientific Sensors	26.4%	26.5%
	Laboratory equipment	11.3%	12.1%

Source: Company information, Progressive Equity Research

Improvement H2 versus H1



Source: Company Information, Progressive Equity Research estimates

Industrial and & Scientific Products

Fraser Anti-Static Techniques, Atik Cameras, Applied Thermal Control, Graticules Optics, Scientific Vacuum Systems, InspecVision and Collins Walker

Revenues in Industrial & Scientific Products were up 9.9% at £25.1m in FY25 (FY24: £22.9m), with organic growth of 2.8%. Atik Cameras performed strongly, particularly in the astronomy market, following the consolidation of activities to its Portugal site. Momentum has continued into FY26. Graticules Optics increased market share and delivered a record performance in FY25. Fraser (FAST) delivered an increase in organic growth as a result of strengthening product awareness and an improvement in geographic market conditions.

Industrial & Scientific Sensors

MPB Industries, Sentek, Peak Sensors, Chell Instruments and Astles Control Systems

Sales in Industrial & Scientific Sensors increased by 5.5% to £17.0m (FY24: £16.1m), with a lower organic decline of 1.6% due to more normalised ordering patterns for Astles. Sentek has seen strong demand from new customers and significant repeat orders. Chell continues to expand its innovative product range and delivered a notable performance in FY25.

Laboratory Equipment

Monmouth Scientific, Safelab Systems, Synoptics, LTE Scientific & Severn Thermal Solutions

Laboratory Equipment revenues reduced by 10.5% to £24m (FY24: £26.8m), with a 5.8% decline in organic growth due to challenging trading conditions earlier in the year. However, the slowdown in life sciences and biomedical demonstrated a recovery in H2.

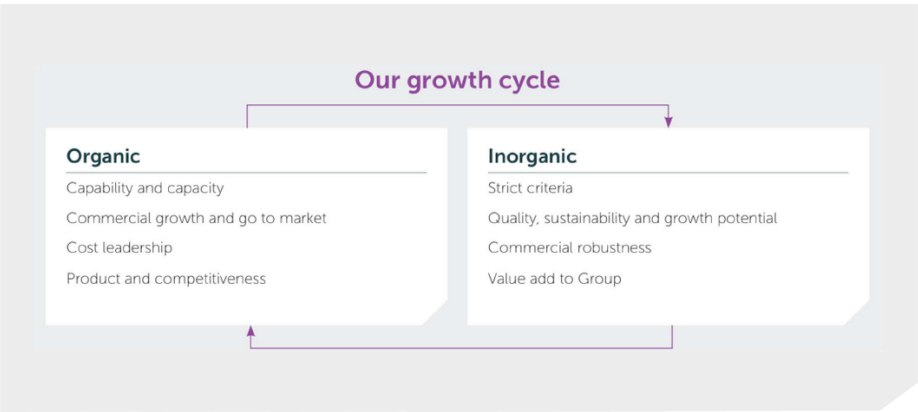
Safelab performed particularly well, increasing market share with good momentum. Monmouth secured its largest ever clean room contract, totalling £0.6m, and is well placed going into FY26. New product development has continued at pace, with both LTE and Synoptics delivering new products to market.

Delivering growth

SDI enters the new financial year with good momentum, a strong order book and a clear strategy to drive profitable growth in FY26 and beyond through a combination of both organic growth and selective earnings-enhancing acquisitions.

Focused, Sustainable Organic Growth

SDI Group Business Model



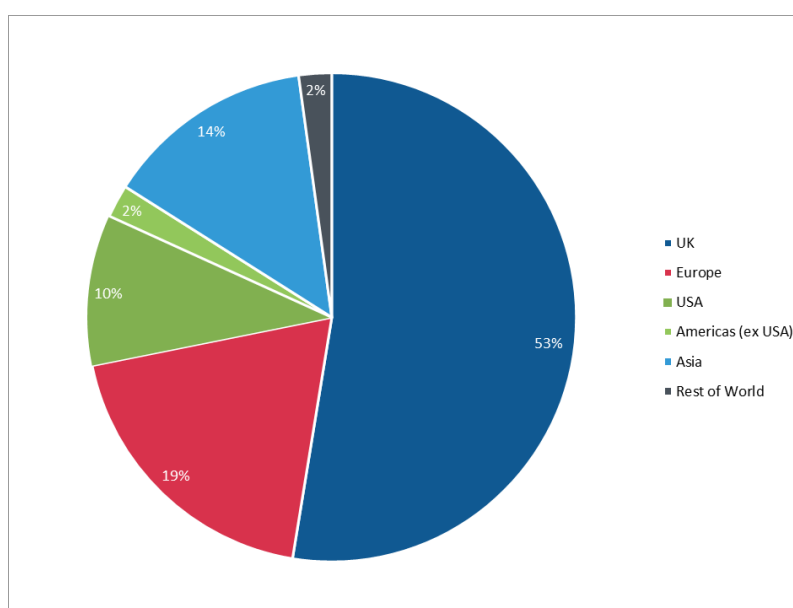
Source: SDI Group

Manufacturing niche products for a global audience.

SDI has been working with the individual portfolio businesses to help them expand their reach into existing markets and capitalise on new opportunities. A prime example of this is the work the group has done with Atik. Following an improvement plan involving the consolidation of operations into its Portugal site, Atik has substantially exceeded expectations, delivering significant growth in FY25.

SDI has also fostered greater collaboration across the portfolio, with Safelab and Monmouth collaborating on a successful tender for a large contract. In October 2024, six businesses came together to present at UK Lab Innovations. SDI has a diversified customer base by geographic region and no one customer accounts for more than 10% of revenue.

Revenue by destination of external customer, FY25



Source: SDI Group and Progressive Equity Research estimates

SDI has continued to deliver on its acquisition strategy

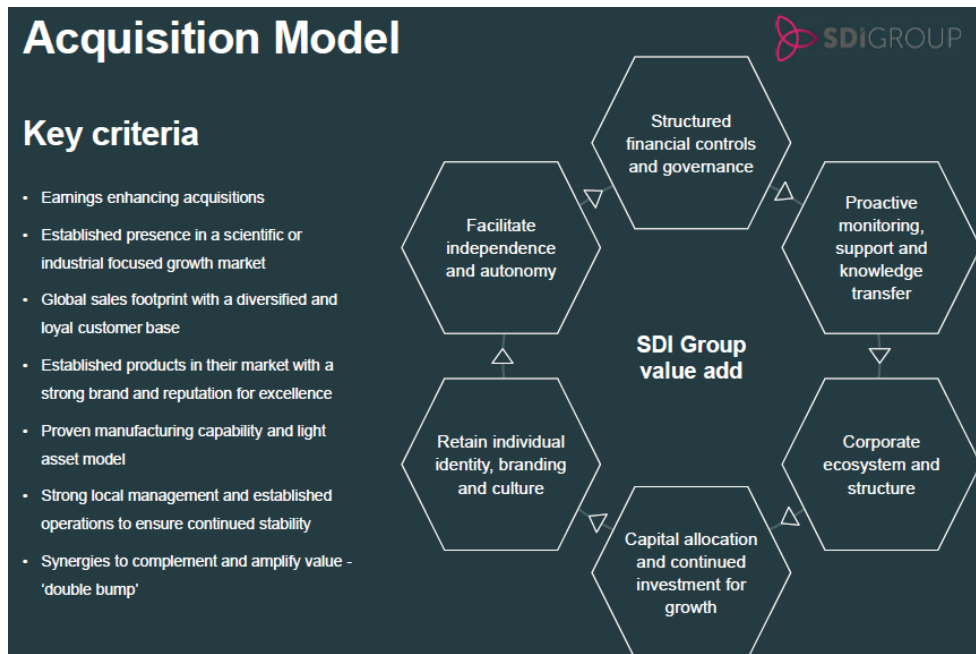
As discussed, management's focus on the existing portfolio led to a pause in acquisition activity. This has now resumed, with three acquisitions made over a nine-month period. There is a strong internal discipline on identifying and acquisition due diligence.

In October 2024, SDI acquired InspecVision for a net consideration of £6.1m. It provides precision measurement machinery for smart manufacturing and automated inspection bringing the group exposure to the high-value metrology market and a global blue-chip customer base, which includes the US. In April 2025, Collins Walker, a designer and manufacturer of electric industrial boilers, was acquired for a net consideration of £1.9m. This acquisition has provided SDI with a strategic entry into the highly regulatory-driven electric industrial boiler sector, which is experiencing significant growth due to net zero regulations.

Post period-end, SDI acquired Severn Thermal Solutions, a designer and manufacturer of high-temperature furnace systems, for a net consideration of £4.8m, gaining a blue-chip customer base and strong international revenues.

Stringent investment criteria

Delivering compounded value – Inorganic growth

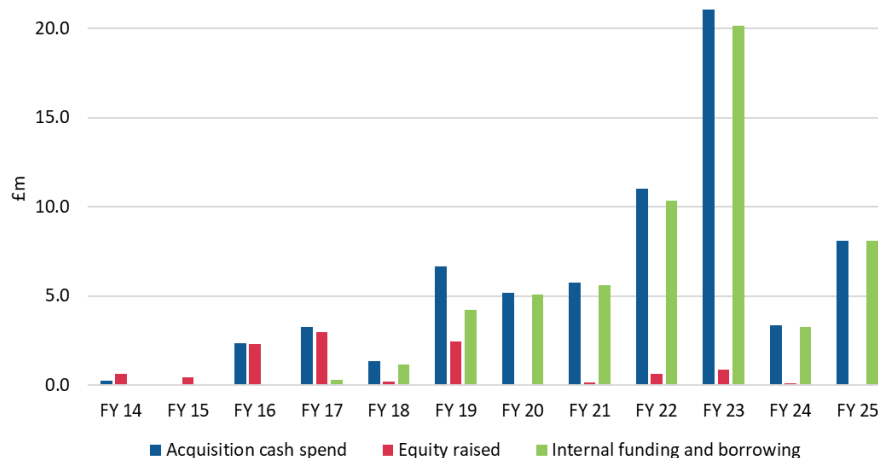


Source: SDI Group

Funding acquisitions from cashflow

We remain confident long term given SDI's successful 'buy and build' model, particularly given the recent delivery on the acquisition strategy. SDI has a continuing pipeline of opportunities, which will drive the group's growth profile. £7.3m was deployed on acquisitions in FY25 (FY24: £2.4m).

Acquisition spend



Source: SDI Group

Outlook & conclusion

SDI's results for the year ended 30 April 2025 delivered on expectations, with a strong H2 offsetting the slow start to the year. This reflects management's clear focus on driving organic growth over H2 and addressing short-term issues that led to underperformance in some businesses. The underlying portfolio performed well in terms of profitability and cash, with several businesses delivering a strong H2 and all three segments showing an upward trend. SDI has a robust order book with good momentum going into FY26, and we broadly maintain our estimates for FY26, in line with management's guidance. Strong cashflow generation and significant headroom within its banking facilities leave SDI well placed to pursue further acquisition opportunities.

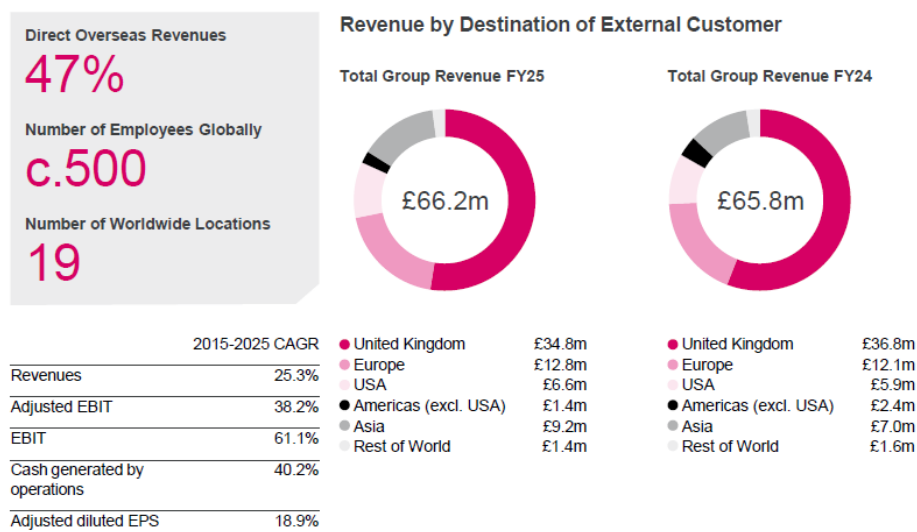
We see FY25 as a reset year for the business, providing a base on which to build. We expect a return to longer-term organic growth of 5%-7% with margins already back to the historical normal of 15%, supported by a FCF yield of 7.0% on FY26 estimates. Yet the shares trade on a PER of 8.0x FY26 EPS.

As discussed, FY22 and FY23 revenue was flattered by exceptional Covid-related sales, which were high margin and cash positive. This has now fully unwound, and we are confident that the group has resumed a growth trajectory. We are encouraged by momentum, the strong order book and clear strategy for growth.

There is sufficient financial headroom, and debt is being repaid. The acquisition strategy has resumed, with three quality acquisitions made in a nine-month period. SDI is well placed to continue to grow via its 'buy and build' strategy, with scope to add more meaningful acquisitions than the group has made in the past, focusing on a 'double bump' of driving synergies and geographic expansion of the existing portfolio. We look forward to further positive developments as the year progresses.

SDI snapshot

SDI at a glance



Source: Company Information, Progressive Equity Research

Acquisition track record

SDI Group's acquisition track record						
Financial year	Month	Year	Company	Segment	Fair value net consideration	EBIT multiple
FY14	February	2014	Opus Instruments	Products	£1.0m	N/A
FY16	October	2015	Sentek	Sensors	£2.3m	4.6x
FY17	January	2017	Astles Control Systems	Sensors	£4.8m	4.1x
FY18	August	2017	Applied Thermal Control	Products	£1.1m	5.1x
	February	2018	Quantum Scientific Imaging	Products	US\$0.3m	N/A
FY19	September	2018	Fistreem	Lab Equipment	£0.7m	3.4x
	February	2019	Thermal Exchange	Products	£0.9m	4.5x
	February	2019	Graticules Optics	Products	£3.4m	5.2x
	April	2019	MPB Industries	Sensors	£1.5m	4.9x
FY20	November	2019	Chell Instruments	Sensors	£5.2m	6.6x
FY21	December	2020	Monmouth Scientific	Lab Equipment	£5.8m	5.8x
	February	2021	Uniform Engineering	Lab Equipment	£0.35m	3.5x
FY22	January	2022	Scientific Vacuum Systems	Products	£4.9m	5.0x*
	March	2022	Safelab Systems	Lab Equipment	£7.7m	7.2x**
FY23	July	2022	LTE	Lab Equipment	£4.2m	6.4x**
	October	2022	Fraser Anti-Static	Products	£13.0m	7.0x**
FY24	October	2023	Peak	Sensors	£2.4m	7.0x
FY25	October	2024	InspecVision	Products	£6.1m	7.2x
FY25	April	2025	Collins Walker	Products	£1.9m	5.9x
FY25	June	2025	Severn	Lab Equipment	£4.8m	5.4x

Source: Company data, Progressive Equity Research.

*Based on estimated LTM EBIT (£1.1m for SVS). ** excl (Safelab property £1.2m, LTE £1.65m, FAST £1.76m).

Financial Summary: SDI Group

Year end: April (£m unless shown)

PROFIT & LOSS	2022	2023	2024	2025	2026E
Revenue	49.7	67.6	65.8	66.2	75.0
Adj EBITDA	13.7	15.8	11.9	12.4	13.9
Adj EBIT	12.1	12.8	9.6	10.0	11.3
Reported PBT	9.9	5.8	5.7	5.5	6.4
Fully Adj PBT	11.8	11.8	8.0	8.5	9.8
NOPAT	10.1	9.8	8.4	8.6	9.9
Reported EPS (p)	7.2	3.7	4.0	3.8	4.4
Fully Adj EPS (p)	8.7	9.0	5.8	6.2	7.0
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET	2022	2023	2024	2025	2026E
Operating cash flow	14.7	10.9	9.4	12.5	12.3
Free Cash flow	11.3	6.4	4.2	7.3	6.4
FCF per share (p)	10.9	6.1	4.0	6.9	5.9
Acquisitions	(11.0)	(21.1)	(2.4)	(8.1)	(4.4)
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.7	0.9	0.1	0.0	0.0
Net cash flow	1.3	(2.5)	(1.3)	(0.3)	(4.9)
Overdrafts / borrowings	(4.0)	0.0	0.0	0.0	0.0
Cash & equivalents	5.1	2.7	1.4	1.3	1.3
Net (Debt)/Cash	(6.3)	(13.3)	(13.2)	(13.7)	(13.1)
NAV AND RETURNS	2022	2023	2024	2025	2026E
Net asset value	35.8	41.3	45.4	49.7	54.9
NAV/share (p)	34.3	39.4	43.2	46.8	51.1
Net Tangible Asset Value	4.1	8.2	8.2	8.2	8.7
NTAV/share (p)	3.9	7.8	7.8	7.7	8.1
Average equity	31.3	38.5	43.4	47.6	52.3
Post-tax ROE (%)	37.6%	30.7%	18.3%	17.8%	18.8%
METRICS	2022	2023	2024	2025	2026E
Revenue growth	41.6%	36.1%	(2.6%)	0.5%	13.3%
Adj EBITDA growth	50.7%	15.0%	(24.5%)	4.0%	12.1%
Adj EBIT growth	56.8%	6.1%	(25.2%)	4.0%	13.2%
Adj PBT growth	58.9%	0.5%	(32.8%)	6.7%	15.6%
Adj EPS growth	45.7%	3.6%	(36.0%)	7.0%	13.9%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	24.3%	19.0%	14.5%	15.0%	15.0%
VALUATION	2022	2023	2024	2025	2026E
EV/Sales (x)	1.6	1.2	1.2	1.2	1.0
EV/EBITDA (x)	5.7	4.9	6.5	6.3	5.6
EV/NOPAT (x)	7.7	8.0	9.3	9.0	7.8
PER (x)	9.9	9.6	15.0	14.0	12.3
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	12.6%	7.1%	4.6%	7.9%	6.8%

Source: Company information and Progressive Equity Research estimates

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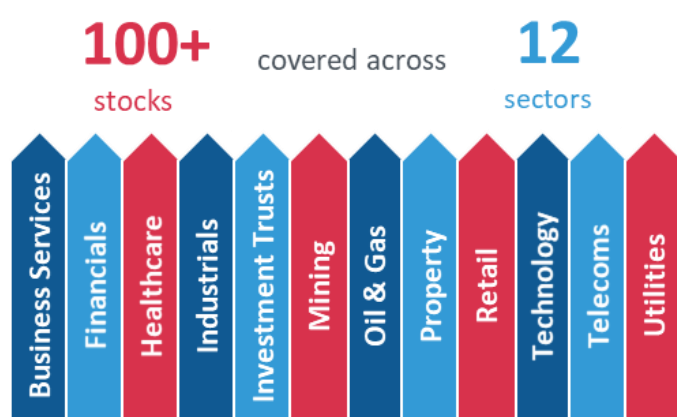
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Breadth of coverage



Analyst calibre

