Vp plc

Proving its quality and resilience once again

15 April 2025

Vp's full year trading update confirms another dependably resilient performance, in line with market expectations. As in previous years, the results are underpinned by the Group's specialist offering and the diversity of end markets served. Infrastructure is the Group's largest end market and remains supportive as strength in Water and Transmission has offset short term softness in Rail. Construction activity, meanwhile, remains mixed, which is no surprise, given the broader economic backdrop. Good strategic progress is being made in refreshing and centralising the operating model and the digital roadmap, which we expect to underpin growth and margins over the medium to long term. The full year results will be reported in early June.

Resilient full year performance, in line with expectations

Vp has released an in-line trading update for FY25 (year to 31st March). We make no changes to our FY25 forecasts, which show a slight increase in revenue year on year (to £374m) and PBT of £37.0m (from £39.9m in FY24). We trim our FY26 PBT forecast by <2% to bring us in line with consensus.

Delivering to plan despite weakness in broader end markets

It is impressive to see Vp again delivering against market expectations despite the recent softening in the UK Construction PMI, a key industry barometer. This again proves the strength of the Vp model. Management continues to invest in growth initiatives, adding to the rental fleet in areas of high demand, and securing the acquisition of CPH in Ireland in October. Meanwhile, the Brandon Hire Station recovery plan remains a key focus, given the challenges faced by this segment of the market.

Compelling valuation: reliable dividend yield now approaching 8%

Vp's share price has fallen by 9% year to date and 14% over the past year. The shares have not been immune to the wider market turmoil (FTSE Small Cap Index down 10% year to date). This leaves Vp's valuation at multi-year lows on a P/E rating of c.7x and a dividend yield approaching 8%. We consider the dividend a significant attraction, noting the Group's unbroken 30-year dividend history. In our view, the shares offer compelling value for a high quality and reliable performer that has delivered sector leading returns and an attractive growth profile over many years.

Key financials & valuation metrics

Year to 31 March (£m)	2021A	2022A	2023A	2024A	2025E	2026E
Sales	308.0	350.9	371.5	368.7	374.0	385.0
EBITDA	96.7	108.4	111.9	111.0	110.2	111.3
Adjusted PBT	23.2	38.9	40.2	39.9	37.0	37.5
FD EPS (p)	45.8	71.2	78.4	73.2	67.8	68.8
DPS (p)	25.0	36.0	37.5	39.0	39.0	40.0
Net Cash/(Debt)*	-121.9	-130.6	-134.4	-125.2	-143.0	-140.8
Net Cash/(Debt)**	-178.7	-188.3	-192.9	-187.2	-203.0	-200.7
Net Debt**/EBITDA	1.8x	1.7x	1.7x	1.7x	1.8x	1.8x
P/E	10.9x	7.0x	6.4x	6.8x	7.4x	7.3x
EV/EBITDA	3.9x	3.6x	3.5x	3.5x	3.6x	3.6x
Price/ TNAV	2.3x	1.9x	1.7x	1.6x	1.7x	1.6x
Dividend yield	5.0%	7.2%	7.5%	7.8%	7.8%	8.0%
FCF yield	27.4%	4.6%	5.8%	12.8%	8.6%	10.0%

*Source: ED analysis, IFRS 16 basis unless stated *excluding leases (pre IFRS 16) ** including leases (IFRS 16)*

Company Data

EPIC	VP.L
Price (last close)	527p
52 weeks Hi/Lo	745p/460p
Market cap	£213m
ED Fair Value	1000p
Proforma net cash/ (net debt)	(£143.0m)
Avg. daily volume	37,500

Share Price, p

Source: Investing.com

Description

Vp plc is a specialist equipment rental business providing equipment, people, services and support for specialist projects. It focuses on niche sectors principally in the Infrastructure (38% of Group revenue), Construction (36%), Housebuilding (7%) and Energy (10%) markets in the UK and Overseas. It has an excellent track record of growth and high returns over many years as well as a 30+ year unbroken dividend record.

Next event

Full year results early June 2025

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Revenue by end market (H125)

Resilient performance, supported by market diversity

Vp has released an in-line trading update for FY25 (year to 31st March) as the Group's specialist focus and end market diversity have, again, offset challenges in certain end markets.

The key Infrastructure market remains supportive, and management is optimistic of future growth prospects.

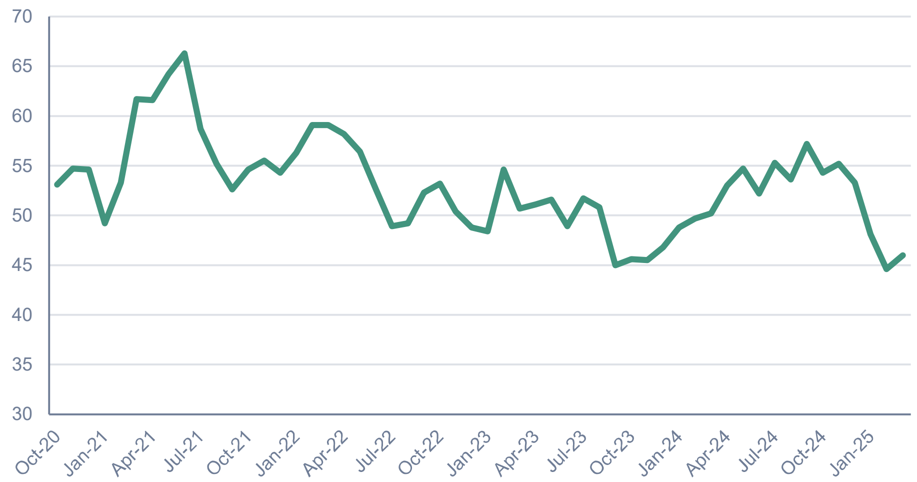
- Activity levels in Water have been strong and this is expected to continue under the new Asset Management Period 8 (AMP8).
- As highlighted at the interims, Transmission demand is also strong both in the UK and Germany, benefiting from upgrades to grid infrastructure to support renewable energy.
- Network Rail activity level under Control Period 7 have been slower than anticipated, again continuing the theme reported at the half year stage. Sector peers have reported similar headwinds in this area, but demand is expected to strengthen over the course of CP7 and Vp is well positioned to benefit, following the recent launch of Vp Rail, its first Group-wide dedicated sector offering.

It is no surprise to read that Construction end markets remain mixed, with good activity in specialist construction, particularly in London and the Republic of Ireland, offsetting subdued conditions in non-residential construction.

- October's acquisition of CPH in Ireland (for an initial €12m) is integrating well and trading in line with expectations. See here for our October note: Navigating market challenges, acquisition in Ireland.
- Improvements to the performance of Brandon Hire Station have been slower than anticipated. The Group continues to monitor the division's performance closely and to execute against the recovery plan.

Vp's robust performance (we are forecasting revenue growth of 1% in FY25 and a 7% reduction in PBT) is impressive in the context of wider market trends (Construction PMI in negative territory, see below) and peer group performance.

UK Construction PMI



Source: S&P/ CIPS Construction PMI

In Vp's smaller end markets, Energy remains supportive with good levels of project activity and Housebuilding has been stable, albeit at lower levels than expected.

Balance sheet strength enabling investment

Vp continues to invest in its rental fleet, capitalising on opportunities as they arise (e.g. to support the growth in demand from the Transmission market in Germany). The balance sheet is strong with a net debt/ EBITDA ratio of c.1.5x at the end of March, in line with expectations, following investment in the rental fleet and the acquisition of CPH in October 2024.

No change to FY25 forecasts, slight trimming to FY26

We make no changes to FY25 forecasts, noting the in-line commentary. Our FY25 forecasts are in line with consensus expectations.

We make some minor adjustments to our FY26 forecasts, trimming PBT by <2% to £37.5m, which represents modest growth on FY25 (£37.0m forecast). This brings us more closely in line with consensus for FY26 and also reflects the softening of the Construction PMI in recent months.

Minor forecast adjustments

Year End March	2025(E) Revised	2025(E) Old	2025(E) Change	2026(E) Revised	2026(E) Old	2026(E) Change
Revenue £m	374.0	374.0	0.0%	385.0	392.0	-1.8%
EBITDA £m	110.2	110.2	0.0%	111.3	112.0	-0.6%
PBT (underlying) £m	37.0	37.0	0.0%	37.5	38.2	-1.8%
EPS fully diluted p	67.8	67.8	0.0%	68.8	70.1	-1.8%
Dividend p	39.0	39.0	0.0%	40.0	40.0	0.0%
Net cash/ (debt) ex. leases £m	-143.0	-143.0	0.0%	-140.8	-140.3	0.4%
Net cash/ (debt) inc. leases £m*	-203.0	-203.0	0.0%	-200.7	-200.2	0.3%

Source: Equity Development forecasts

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