10 March 2009

British Polythene Industries

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/07	424	10.3	27.7	22.0	4.6	17.3
12/08	481	3.0	7.3	14.5	17.5	11.4
12/09e	350	8.0	23.6	11.0	5.4	8.6
12/10e	360	11.0	31.1	12.0	4.1	9.4

Note: *PBT and EPS are normalised, excluding goodwill amortisation and pension adjustments.

Investment summary: Metrics reversal

All the key variables change for BPI in 2009, though unlike most companies this means a reasonably stable operating profit outlook. Input prices are now sharply in reverse, so margins are recovering, while volumes are declining, hitting the top line and necessitating capacity reduction. The dividend cut means the valuation argument switches from yield to potential recovery and we should start to see some debt reduction too next year.

Final results: Operating profits hold up, but debt rises

BPI reported headline pre-tax profits of £3.9m (£11.5m) including £5.4m of restructuring costs, and a 50% reduction in final dividend, making 14.5p for the year. The cut was a surprise, in that it survived the last recession, however prudence with high levels of debt necessitated a cut (and the share price already suggested this). Polyethylene tonnage fell to 305kt (316kt), which was an underlying 6% decrease. Average profit per tonne fell to £41 (£46) which reflects the squeeze from raw material price (average increases of £141/tonne) and energy price increases. Net debt crept up for the third year to £76m largely due to exchange rate translation.

New forecasts and restated figures

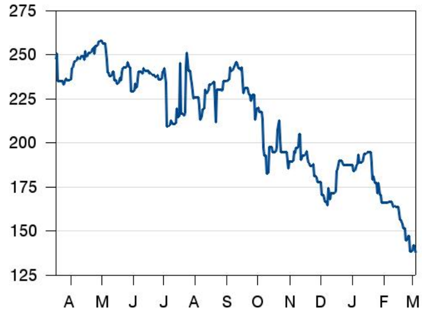
With swings in non-cash pension adjustments having a disproportionate effect on profits, we are excluding this from normalised profit and earnings just like amortisation. This reduces historic profit (and our 2009 estimate) by c £1m and the £2.5m negative swing in 2009 has no affect on the underlying numbers. We leave underlying operating profits in 2009 virtually flat compared to 2008 and only slightly reduced compared to previous forecasts. Profit recovery in 2010 relates largely to the loss elimination in UK construction activities from the closure of Stockton.

Valuation

With less reliance on the dividend and the removal of issues about BPI's sustainability, valuation is more likely to focus on BPI as a recovery play as we approach 2010. In the short term, the earnings outlook is perhaps less risky than many industrial peers due to the natural hedge of falling input prices and the positive effect this has on margins. In 2010 and beyond it faces the same potential volume-driven recovery as many in the UK industrial sector.

Price	127.5p
Market Cap	£34m

Share price graph



Share details

Code	BPI
Listing	FULL
Sector	General Industrial
Shares in issue	26.5m

Price

	High	Low
52 week	263.5p	124.5p

Balance Sheet as at 31 December 2008

Debt/Equity (%)	143
NAV per share (p)	199
Net borrowings (£m)	76

Business

BPI is one of the largest manufacturers of polythene film products in Europe.

Valuation

	2008	2009e	2010e
P/E relative	126%	78%	47%
P/CF	1.2	1.4	1.1
EV/Sales	0.2	0.3	0.3
ROE	4%	4%	14%

Geography based on revenues

UK	Europe	US/Can	Other
58%	33%	5%	4%

Analyst

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British Polythene Industries is a research client of Edison Investment Research Limited

Investment summary: Metrics reversal

Company description: Polyethylene processor

BPI is one of the largest manufacturers of polythene film products in Europe, with a manufacturing capacity in excess of 330,000 tonnes per annum located in the UK, Belgium, the Netherlands, China and Canada. BPI is also the largest recycler of polythene waste, with techniques for processing a diverse range of scrap materials.

Short-term profitability is clearly affected by the volatility of the polymer raw material prices (an oil/gas derivative), due to the timing of passing on price movements. The company measures its performance on profit per tonne and in fact long-term profitability is driven more by demand than supply characteristics. Demand generally lags GDP growth as customers seek to 'down-gauge' their polyethylene needs. BPI volumes have not grown materially as new capacity is more often added to increase added value rather than volume. The attraction of the business is its relatively stable profit performance based on a strong business model.

Final results' implications

The results and analysis were in line with market expectations and management statements from the end of the financial year. The only change since then was the announcement of the reduction in the dividend, and the share price drop already suggested this. Net debt crept up for the third year to £76m, largely due to the translation of non-sterling debts. The dividend cut is a statement that suggests debt reduction will be a focus in 2009 and 2010.

Valuation: Look to recovery instead of yield

With less reliance on the dividend and the removal of issues about its sustainability, valuation is more likely to focus on BPI as a recovery play as we approach 2010. In the short term, the earnings outlook is perhaps less risky than many industrial peers due to the natural hedge of falling input prices and the positive effect this has on margins. In 2010 and beyond BPI faces the same potential volume driven recovery as many in the UK industrial sector.

Sensitivities: A reversal of all key metrics!

BPI has quite low visibility on both volume and pricing trends, however, both have now clearly turned and we can be more confident that pricing will be a net favourable impact and volume a net unfavourable factor in 2009. Although most of the metrics are reversing compared to 2008, including electricity prices, the outlook for operating profitability is fairly stable in our view. In 2009, weakening sterling will have a strong threefold impact: helping UK competitiveness, export pricing and translation of overseas earnings.

Financials: Improvement in cash flow

Although for years we have been highlighting the solid cash flow characteristics of the business, events have conspired to negate this. Re-assessment of the pension fund liability and ongoing contributions, restructuring costs, and exchange translation have added c £20m to net debt in the last three years, and along with acquisitions pushed debt from a comfortable £50m to a less prudent £76m (143% gearing). The dividend cut and the sharp fall in prices (and effect of working capital) along with maintained profitability should at last halt the debt increase in 2009, and this ought to improve with recovery on a lower cost base in 2010. We note that sale of freehold sites at Stockton and Essex should eventually bring in cash of potentially £8m.

Exhibit 1: Company data sheet

Operations

BPI will have 23 plants, located in the UK (17), Belgium (2), Netherlands, Canada (2) and China. Operations are managed as four UK businesses (230k tonnes), one in Europe (60k tonnes) and one in Canada. Main European competitors: RKW (Ger), Trioplast (Swe), Aspla (Spa), Manuli (Italy). Main UK competitors: Britton, Total, Amcor. Raw material polymers are bought from multiple sources including Dow Chemicals, Exxon Mobil, Ineos and SABIC, and account for c 60% of group sales.

Film

The 100k tonne operation is run from six factories in the UK and a sales office in Ireland and combines plain film and stretch film operations. Product is either sold to other parts of the group to convert into higher added-value products or direct to customers. The main products are stretch-wrap and shrink-wrap (silage, packaging and food), and films for other converters.

Recycled

BPI operates four plants in the UK and one in China and is the largest re-processor of polyethylene in Europe, producing c 70k tonnes of product. The plants take waste from its operations and from customers and recycle into products like refuse sacks or building films. The lowest grade plastic is converted into moulded products like plastic wood for street furniture, decking, etc. Having a recycling operation improves the group's efficiency. It is a fragmented market and waste had been increasingly going to the Far East, where labour costs for sorting are cheaper, however this has at least temporarily abated with a reduction in scrap prices and there is now greater scrap availability.

Converted Product — Industrial/Consumer

In this business, BPI makes c 60k tonnes polyethylene film into specific products by printing and converting it. In total there are seven plants and the business is run as two separate operations: industrial, which produces heavy duty sacks, large bags and pallet shrink wrap/hoods as well as short-run packaging products; and consumer, which does not extrude, but processes a wide range of printed bags for produce and the food industry. Converted products have higher added-value content than the film business.

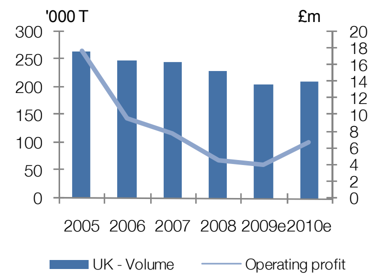
Europe

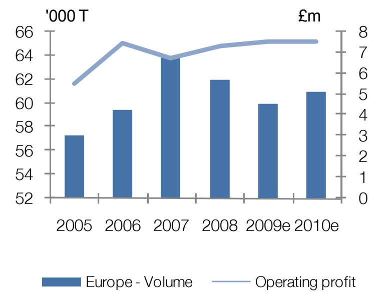
This business runs the group's one Dutch and two Belgian plants (60k tonnes). It replicates the UK Film and Converted Products operations, although it performs limited recycling. The three strongest non-UK territories for BPI are Belgium, Netherlands and France, which each account for about 5% of group sales. (NB Ireland is serviced from the UK.) The main products are silage wrap, printed film, FFS and heavy duty sacks.

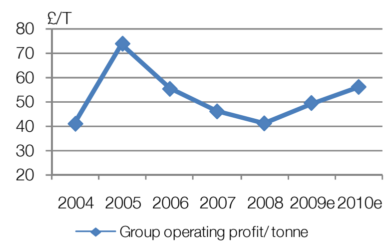
Canada

The main agricultural and horticultural markets are truly international and the recent acquisition adds c 13k tonnes of capacity in Canada, and silage and grain bags as new products.

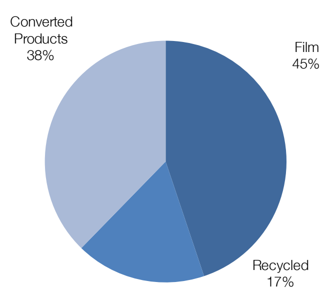
Performance





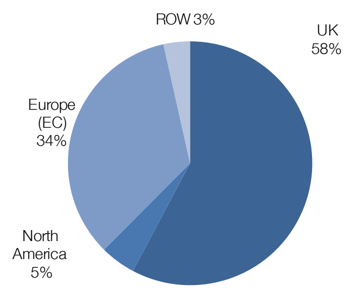


Process breakdown



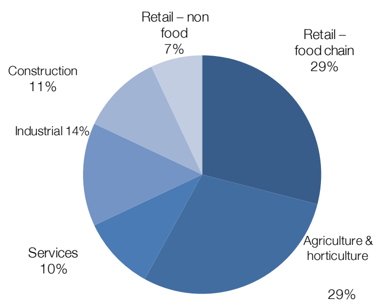
Based on 2008 sales. European operations are also split into these three groups.

Geographic breakdown



Based on sales by destination.

End-user market breakdown



Based on 2008 sales.

Source: Edison Investment Research

2008 results: Margin squeeze

The year was characterised by rising commodity costs in the first half, which resulted in an exceptional peak in polymer prices in mid year, massive increases in electricity prices and then a collapse in demand and raw material prices in the second half as the commodity bubble burst. The financial effect manifested itself in weaker profitability as margins were squeezed. The uncertain outlook and high cash flow demands argue for a more prudent approach to the dividend.

Key figures

BPI reported headline pre-tax profits of £3.9m (£11.5m) including £5.4m (£0.7m) of restructuring costs; the clearest indicator of performance is the trend in underlying operating profit, which fell from £14.6m to £12.6m.

The final dividend was cut by 50% to 7.5p making a total of 14.5p for the year. Although we did not forecast a cut, the low share price had pretty well anticipated it and it was only tradition (BPI did not cut in the last recession) that really argued for it to be held in the current environment.

Polyethylene tonnage fell to 305 kilotonnes (kt) (from 316kt), which was an underlying 6% decrease. The entire decrease occurred in the second half and mostly in construction-related sectors. Average profit per tonne fell to £41 (£46), which reflects the squeeze from higher raw material prices (average increases of £141/tonne) and higher energy costs.

Net debt again crept up for the third year to £76m largely due a £11m swing due to exchange rates.

The difference in performance across the two halves is shown in Exhibit 2. Once again operating margins were severely hit by input price inflation both of raw materials, which is eventually passed on, but also electricity, most of which could not be passed on.

Exhibit 2: H1/H2 performance

	2007			2008		
	H1	H2	FY	H1	H2	FY
Sales (£m)	226.0	198.1	424.1	265.9	224.1	480.7
Operating profit (£m)	10.1	4.5	14.6	8.7	3.9	12.6
Margin (%)	4.5	2.3		3.3	1.8	

Source: BPI

The dividend decision

The circumstances for the dividend cut relate more to balance sheet prudence than the result of a drop in earnings. The level of borrowing has crept up in the last few years and leaves BPI exposed in today's unforgiving markets. Although it has renegotiated adequate debt facilities in the autumn, and its interest cover will be respectable, the issue is about reducing debt levels. BPI's cash commitments are still quite high with capital expenditure required for restructuring and further pension contributions needed. Cash inflows from a lower value of working capital and eventually property sales will start bringing levels down, but a potential halving of dividend cash payments looks a prudent step in the uncertain market.

While we were mildly surprised about the announcement of a cut as BPI survived the last recession with its dividend intact, it is clear from the performance of other industrial companies that market conditions are 'worse than last time', and BPI has little to gain holding it given the share price suggested it would be cut anyway. We assume management will cut the interim by 50% this year as well, leaving an 11p forecast for the current year.

The overall performance in volume and price is shown in Exhibit 3.

Exhibit 3: Group volume and polymer price expectations

	2005	2006	2007	2008	2009e
Volume ('000 tonnes)	324	308	316	305	278
Underlying change (%)	*(2.9)*	*(4.8)*	*1.0*	*(6.0)*	*(9.0)*
Price at year end (£/tonne)	780	778	895	650	750
Price – average (£/tonne)	790	836	866	1,007	750
Change (%)	*17*	*6*	*4*	*28*	*(29)*
Operating Profit (£m)	23.9	17.1	14.6	12.6	13.8

Source: Edison Investment Research

Performance by geography and sector

European operations: Another solid year

Despite all the pressures, European profitability rose by £0.6m to £7.3m. The reason is technical (ie more favourable exchange rate translation), however it is fair to say that European operations saw only a modest volume fall and less energy cost pressures than the UK.

Volumes overall were down 2kt to 62kt. Silage volume was flat (another good year), and growth in printed film for the food industry offset lower industrial volumes.

UK operations: Recession hits in H2

Profit dropped from £7.8m to £4.5m as volumes collapsed in the second half of the year, first in construction and then more generally in the last quarter. UK construction sales fell by 10,500 tonnes or 25% during the year and the rest of the business by 9,500 tonnes (15%) in Q4.

The continued strength of input prices in the first three quarters continued to put pressure on margins, although the major factor in margin weakness was the £8m increase in electricity costs, a large part of which could not be passed on.

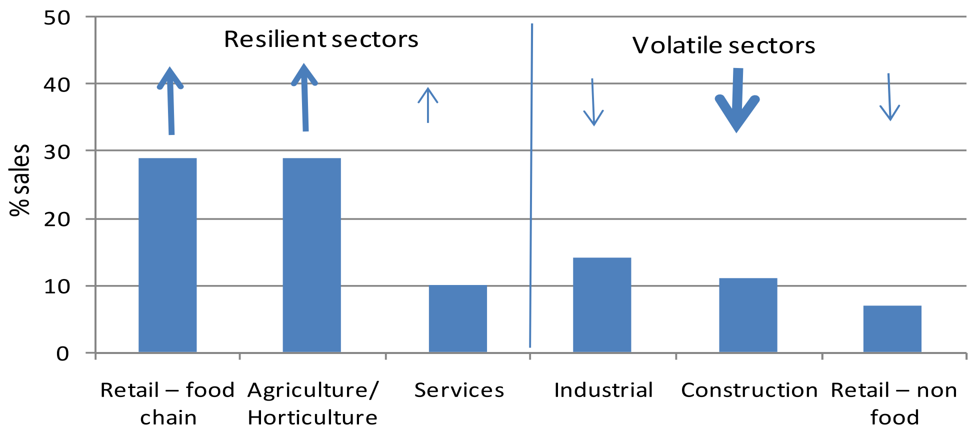
North America: Ahead of expectations

As a turnaround acquisition, the performance of the market has less effect on the business at the moment. Volumes increased to 13kt, a 6% increase and the business produced an acceptable profit of £0.8m. With technology interchange with Europe on silage and grain bags, there is still good potential to develop this business.

Sector performance

Overall volumes of the resilient sectors (see Exhibit 4) currently account for nearly 70% of sales.

Exhibit 4: Sector performance



Source: BPI

Although construction decline will have an impact in H1, by H2 the year-on-year decline should have abated, and indeed the extent of last year's construction decline reflects a large amount of destocking as well as actually demand fall. BPI continued to protect and strengthen the higher added value operations mostly in the resilient sectors, by investing in new production lines (see Sensitivies section).

Forecasts: Everything changes

Polymer and scrap prices are expected to be more favourable for the business in 2009, resulting in an improvement in margins. More significant is forward electricity contracts, which suggest a reversal of some of the £8m increase in 2008. This will have a more direct beneficial impact on margin from Q2.

The lower exchange rate will also be a significant benefit for supporting volumes (less threat from imports and more exports) and in translation of overseas profitability, the majority of profits.

We assume the major benefits of cost reductions do not impact until 2010 as the closure of Stockton is a progressive one, however staff levels were reduced by 135 in 2008 and will be by another 200 in 2009.

All these factors argue for a good year, however we should not underestimate the impact of falling volumes (and also increased credit risk) and the first half will see a significant year-on-year decline in construction and industrial businesses, despite nearly 70% of sales in more defensive sectors.

If BPI lost 20,000 tonnes of volume in H2, it is conceivable it could lose a similar amount in H109, and our forecasts assume a further 9% volume decline overall. The net effects are shown in Exhibit 5.

Exhibit 5: Changes to forecasts

Note: * Includes £1m restructuring costs.

	2009 New	2009 Old	2010 New
Sales, £m	350.0	360.0	360.0
PBT* (headline), £m	6.5	9.5	9.5
PBT* (normalised), £m	8.0	10.5	11.0
EPS, p	23.6	26.5	31.1
DPS, p	11.0	22.0	12.0

Source: Edison Investment Research

Input costs

Raw material polymers account for c 60% of group sales and the movement in their price has a major impact on the group's margins. The current scenario of much lower polymer prices implies a more favourable time for the polythene manufacturers.

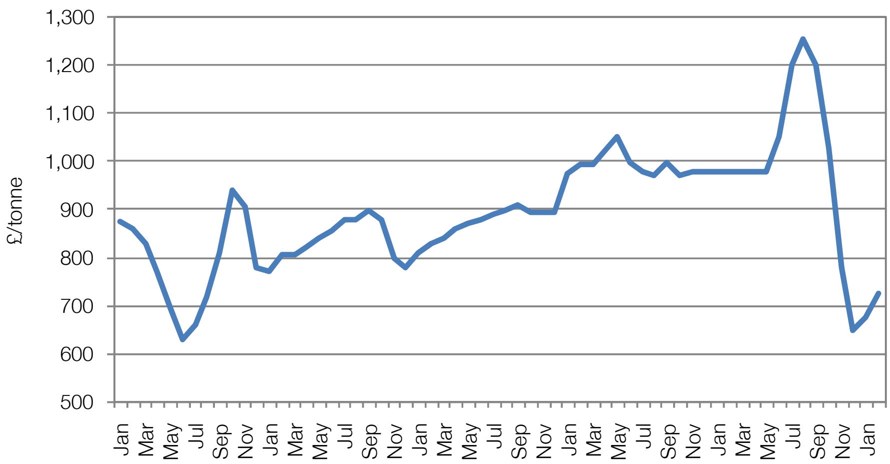
Polymer prices

As a polymer processor BPI works from a 'margin per tonne' model. As Exhibit 1 shows this has been between £40-55/tonne in four of the last five years and is likely to remain in this range over the long term. However, in the short term the scale and speed of price movements affect profit margins.

BPI's polymer feedstock is derivative of either oil or natural gas, and its price characteristics follow the same extreme swings due to supply/demand relationships. Up until mid 2008, the industry was faced with an acute supply shortage due to delays in bringing on stream new capacity and higher demand driven by economic growth, especially in the Far East.

In an instant the market fundamentals reversed in late summer with the collapse of the oil price. By unlucky coincidence (especially for polyethylene suppliers), new polyethylene capacity also belatedly came on stream in the autumn, increasing the amount of supply, and further increases are now scheduled throughout 2009 and 2010. The result was that polymer prices, which reached a peak of £1,250/tonne in the summer, collapsed to £650/tonne at year end. Since then prices have bounced slightly but it is realistic to expect prices to remain in the £700-800/tonne range this year. Global prices have at least temporarily harmonised, so the UK polymer price is no longer at a premium to other areas.

Exhibit 6: Polymer prices: Polyethylene LD Platts



Source: Company data

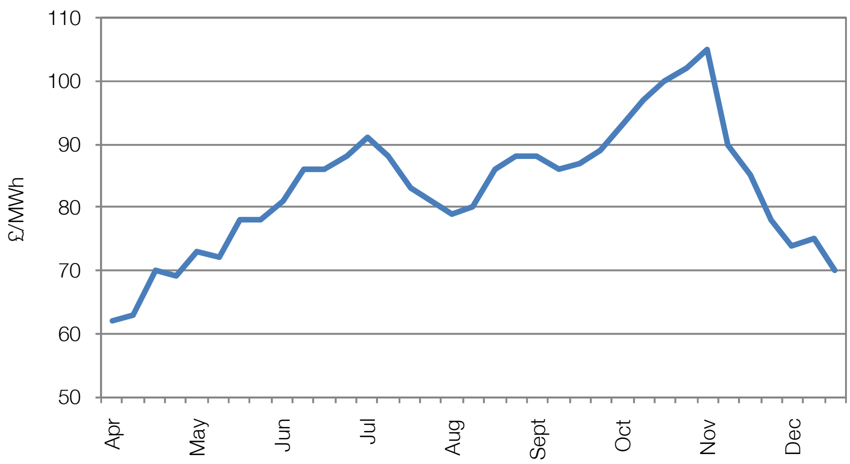
Speciality grade polymers reached an even higher peak and have not fallen as fast as the commodity grades, resulting in less of a benefit for BPI.

Energy costs

Perhaps BPI's greatest hardship has been the irrational moves in UK energy costs. In 2008 the total energy bill increased by £8.5m to £22m with nearly £8m of the increase in the UK. Much of this cost could not be passed on to customers and resulted in the margin erosion in H208.

At long last the outlook has improved, as Exhibit 7 highlights. With reduced demand from industry due to the recession, energy prices are falling again, and we expect BPI to recoup much of the lost margin from Q2 onwards.

Exhibit 7: Electricity prices (year ahead base-load)



Source: EEX, Edison estimates from November

Sensitivities

Many of the trends that affect profitability for BPI are short-term and management has an excellent track record of managing internal efficiency and dampening these short-term cycles. The divisional management team has on average over 15 years' service at BPI.

Earnings visibility

While BPI has long-term supply relationships with most of its customers, weekly call-off volumes depend entirely on customer demand. It hence has quite low visibility on volume trends as has been seen with the precipitate fall in construction demand. In mitigation, the majority of sales, like retail/food (29%) and public sector (10%) should be largely unaffected by downturn, while agriculture (29%) is more dependent on weather than on the economy.

The high volatility of polymer input prices

Once the recession ends, lower polymer prices should encourage customers to raise demand. Gradual price increases are harder to pass on quickly as customers resist multiple changes, so the delay in passing on increases hits margins. Margin can be restored more quickly on larger increases. The most beneficial environment for BPI is a gradual decline or a very volatile market. At long last it looks like this might be the environment in 2009. Margins should improve as a consequence, though unfortunately lower volumes will erode much of this gain.

Development and restructuring benefits

Despite the massive swings in business metrics, management has continued to build the business. New capacity has been added in higher value areas, like silage stretch wrap at Leominster and Zele, Belgium; colour printing presses at Worcester; a tubular form fill line at Ardeer; and new consumer product lines in China. While this side is grown, the lower added value areas and the level of capacity in the UK have been addressed. The Buckhurst Hill site was closed in May, and closure of the large Stockton site announced at the end of 2008. This readjusts capacity for the lower levels of construction output and should bring cost savings of £3m by 2010.

Financial health will improve

Although for years we have highlighted the solid cash flow characteristics of the business, events have conspired to negate this. Re-assessment of the ongoing pension fund contributions, movement in exchange rates, and restructuring costs have added £15-20m to net debt in the last three years, and along with acquisitions pushed debt from a comfortable £50m to a less prudent £76m (143% gearing). The dividend cut and the sharp fall in prices (and effect of working capital) along with maintained profitability should at last halt increases in net debt this year, and cash flow should improve in 2010, with recovery due to the lower cost base. We note that sale of freehold sites at Stockton and Essex should eventually bring in cash of potentially £8m.

Weather – always an uncertainty

It is hard to envisage a structural change in the weather, which would have a permanent effect on BPI, but horticulture, silage and to certain degree retail are affected by the weather. Last year BPI had its second good silage season with a favourable warm wet summer across Europe. Generally hot weather can encourage greater sale of soft drinks (and hence packaging).

Valuation

In the last year, neither dividend nor indeed NAV (200p) have proven the share price support that we hoped, however many of the valuation issues are a reflection of the whole stock market (fear of recession) rather than stock-specific issues.

With less reliance on the dividend and the removal of issues about its sustainability, valuation is more likely to focus on BPI as a recovery play as we approach 2010. In the short term, the earnings outlook is perhaps less risky than many industrial peers due to the natural hedge of falling input prices and the positive effect this has on margins. In 2010 and beyond it faces the same potential volume-driven recovery as many in the UK industrial sector.

Valuing BPI against other industrial peers remains hard to perform quantatively. We show a peer group analysis below, as we have done historically, showing eight companies of similar size and orientation towards basic manufactured product. For what it is worth, BPI is now on a lower P/E than most of its peers for the first time in a while.

However, we must caution on too much trust of consensus comparisons. Typically these smaller companies are only covered by one or two analysts and forecasts seem to be quite subjective depending on individual views of the pattern of recession. Analysis of the larger industrial companies' consensus forecasts (eg Weir et al) actually gives a more realistic view of the scale of likely earnings decline.

To us, the better call in 2009 is to invest in those industrial businesses that have always had a strong business model (market share, technology, etc) and will not be too financially damaged by the downturn. With think BPI fits these criteria.

Exhibit 8: Peer company valuations, as at 2 March 2009

		Price	Mkt Cap	Calendar 2009			Calendar 2010		
		(p)	(£m)	P/E	EV/sales	Yield	P/E	EV/sales	Yield
BPI	Polyethylene film	138	36	5.9	0.25	8.0%	4.4	0.24	8.7%
Peer Industrial companies									
Castings	Foundry & machining	129	56	21.7	0.51	6.2%	9.8	0.55	5.0%
Fenner	Reinforced polymer belts	69	121	4.5	0.46	10.1%	4.4	0.45	10.1%
Hill & Smith	Metal barriers	162	122	4.5	0.52	6.8%	4.2	0.50	7.4%
Metalrax Group	Specialist steel products	7	9	6.7	0.22	9.5%	6.7	0.22	0.0%
Renold	Chain, gears & couplings	20	15	2.4	0.31	0.0%	2.3	0.30	0.0%
RPC	Plastic packaging	131	130	6.5	0.38	6.9%	6.0	0.38	7.2%
Senior	Stainless steel fabrications	25	97	2.4	0.38	13.1%	2.4	0.37	13.5%
Titan Europe	Wheel s, undercarriages	18	14	1.8	0.36	12.6%	1.8	0.36	12.6%
Average				6.2	0.38	8.1%	4.6	0.37	7.2%

Source: Edison Investment Research, Digital Look

Financials: Other minor issues

We have decided to restate the profit and loss figures to exclude the net retirement benefit income. This is a non-cash item that is not a business indicator and the forecast £2.5m swing expected in 2009 due to external factors would distort profits, which is significant in the context of £8m PBT. We have treated it like intangible amortisation and removed it from normalised profits and earnings. Our figures are hence different to those reported by the company.

Structure of the debt

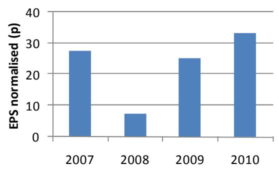
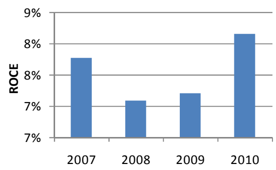
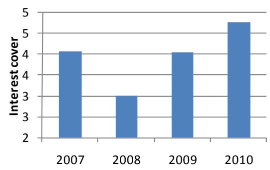
Management renegotiated a three-year replacement facility for its private placement (due for repayment in 2009) in the autumn. It has also renegotiated facilities with existing banks and extended the term of its RCF facility (£57.5m) to three years, and extended the asset finance scheme (£17.5m). This means that total facilities will increase by £25m to £116m. In addition, new covenants that exclude restructuring costs should enable a speedier capacity reduction programme. Undoubtedly terms are more onerous than the previous facilities, however reductions in base rates mean actual interest costs are likely to be fairly flat.

The net pension fund deficit is £19m and BPI's latest actual review confirms top-up payments are likely to be just under £3m pa for the next three years.

Exhibit 9: Financial information

£m Year end 31 December	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS	2009e IFRS	2010e IFRS
PROFIT & LOSS						
Revenue	410.2	414.2	424.1	480.7	350.0	360.0
Cost of Sales	(338.7)	(352.4)	(363.5)	(425.4)	(296.8)	(304.2)
Gross Profit	71.5	61.8	60.6	55.3	53.2	55.8
EBITDA	37.2	29.8	27.3	27.2	27.3	29.5
Operating Profit (before GW and restruct.)	23.9	17.1	14.6	12.6	13.8	16.0
Goodwill Amortisation	0.0	0.0	0.0	0.0	0.0	0.0
Net restructuring costs	(0.6)	0.0	(0.7)	(5.4)	(1.8)	(1.0)
Operating Profit	22.9	16.7	15.1	8.1	10.5	13.5
Net Interest	(3.2)	(2.7)	(3.6)	(4.2)	(4.0)	(4.0)
Pension adjustments	(0.4)	(0.3)	1.2	0.9	(1.5)	(1.5)
Profit Before Tax (norm)	20.1	14.3	10.3	3.0	8.0	11.0
Profit Before Tax (FRS 3)	19.7	14.0	11.5	3.9	6.5	9.5
Tax	(5.4)	(3.9)	(3.0)	(1.1)	(1.8)	(2.9)
Profit After Tax (norm)	14.7	10.4	7.3	1.9	6.2	8.2
Profit After Tax (FRS3)	14.3	10.1	8.5	2.8	4.7	6.7
Average Number of Shares Outstanding (m)	25.7	26.0	26.2	26.4	26.5	26.5
EPS - normalised (inc restructuring)(p)	53.6	39.8	27.7	7.3	23.6	31.1
EPS - FRS 3 (p)	55.3	38.8	32.4	10.6	17.7	25.1
Dividend per share (p)	22.0	22.0	22.0	14.5	11.0	12.0
Gross Margin (%)	17.4	14.9	14.3	11.5	15.2	15.5
EBITDA Margin (%)	9.1	7.2	6.4	5.7	7.8	8.2
Operating Margin (before GW and except.) (%)	5.8	4.1	3.4	2.6	3.9	4.4
BALANCE SHEET						
Fixed Assets	93.5	85.4	86.6	99.9	98.9	97.9
Intangible Assets	2.0	2.1	2.1	2.2	2.2	2.2
Tangible Assets	79.2	77.3	82.5	90.3	89.3	88.3
Investment/tax credits	12.3	6.0	2.0	7.4	7.4	7.4
Current Assets	119.4	120.5	127.8	124.0	91.5	94.0
Stocks	55.3	59.5	62.1	62.5	45.5	46.8
Debtors	63.2	60.5	65.1	61.1	45.0	46.2
Cash	0.9	0.5	0.6	0.4	1.0	1.0
Current Liabilities	(75.5)	(68.3)	(81.4)	(92.2)	(61.2)	(69.8)
Creditors	(68.7)	(60.9)	(63.5)	(62.5)	(31.5)	(40.1)
Short term borrowings	(6.8)	(7.4)	(17.9)	(29.7)	(29.7)	(29.7)
Long Term Liabilities	(100.2)	(83.2)	(70.6)	(78.6)	(75.1)	(64.1)
Long term borrowings	(41.2)	(45.1)	(47.5)	(46.7)	(46.3)	(38.3)
Other long term liabilities	(59.0)	(38.1)	(23.1)	(31.9)	(28.8)	(25.8)
Net Assets	37.2	54.4	62.4	53.1	54.0	58.0
CASH FLOW						
Operating Cash Flow	33.8	19.4	22.0	27.8	24.5	29.4
Net Interest	(3.2)	(2.8)	(3.6)	(4.1)	(4.0)	(4.0)
Tax	(4.0)	(5.6)	(2.2)	(3.3)	(3.6)	(2.5)
Capex	(11.6)	(11.6)	(13.2)	(14.2)	(14.0)	(12.0)
Acquisitions/disposals	0.0	0.0	(6.5)	0.0	0.0	0.0
Financing	0.0	1.4	(3.5)	(0.6)	1.0	0.0
Dividends	(5.4)	(5.7)	(5.8)	(5.8)	(2.9)	(2.9)
Net Cash Flow	9.6	(4.9)	(12.8)	(0.2)	1.0	8.0
Opening net debt/(cash)	56.7	47.1	52.0	64.8	76.0	75.0
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0	0.0
FX movement	(0.0)	0.0	0.0	(11.0)	0.0	(0.0)
Closing net debt/(cash)	47.1	52.0	64.8	76.0	75.0	67.0

Source: Company accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength
		

Sensitivities evaluation	
Litigation/regulatory	○
Pensions	◖
Currency	○
Stock overhang	○
Interest rates	○
Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 04-08e	N/A	ROCE 08e (post tax)	7.2	Gearing 08e	126
EPS CAGR 06-08e	114	Avg ROCE 04-08e	10.5	Interest cover 08e	4.0
EBITDA CAGR 04-08e	N/A	ROE 08e	12.2	CA/CL 08e	1.4
EBITDA CAGR 06-08e	2.7	Gross margin 08e	15.0	Stock turn 08e	47.5
Sales CAGR 04-08e	N/A	Operating margin 08e	3.8	Debtor days 08e	46.9
Sales CAGR 06-08e	N/A	Gr mgn / Op mgn 08e	3.9	Creditor days 08e	37.9

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Principal shareholders	%
Aberforth Partners	11.9
Aberdeen Asset Management	9.3
Legal & General Investment Management	4.8
Liberty Square Asset Management	3.3

Forthcoming announcements/catalysts	Date *
AGM	May 2009
Trading update *	June 2009
Interim results *	September 2009
*Note: * = estimated*	

Management team

Chairman: Cameron McLatchie

Cameron joined the board in 1983, on the acquisition of Anaplast where he had been chairman and managing director since 1975, becoming group chairman and chief executive in 1988. He relinquished the role of chief executive in May 2003

CEO: John Langlands

John joined the group in 1994 as group finance director from Eclipse Blinds plc where he was also finance director. He was previously finance director at Scottish Enterprise and United Wire Limited. Appointed chief operating officer in May 2002 and chief executive in May 2003.

CFO: Anne Thorburn

Anne joined BPI in 1996 and has had several senior financial roles in the group. She was previously group finance director of Clyde Blowers PLC and a senior manager in KPMG Corporate Finance. She was appointed to the board in 2003.