Review

Edison investment research

20 September 2011

K3 Business Technology

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/10**	59.8	7.6	23.4	0.75	7.2	0.4
06/11	52.8	8.7	27.0	0.75	6.2	0.4
06/12e	69.1	10.6	29.0	0.77	5.8	0.5
06/13e	70.8	11.1	30.1	0.80	5.6	0.5

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share based payments and exceptional items. ** 18 months ended 30 June 2010.

Investment summary: Recurring revenue growth

In FY11, K3 expanded its customer base, contracted revenues and product offering through a series of acquisitions and invested heavily in its Managed Services business. K3 now has a significant opportunity to drive recurring revenues and organic growth through cross-selling to its enlarged customer base and seeks further acquisitions to add to its customer base and technical resource.

FY11 profits held up despite new business weakness

The new business environment in FY11 was tough with 89% of revenues generated from K3's existing client base. Despite this, K3 managed to beat our forecasts for operating profit by 3% and EPS by 14% (also helped by a lower tax charge). The Netherlands business was the main area of strength for both revenues and profits.

FY12 growth engines: Managed Services & International

We expect continued strength in the Netherlands business, as K3 benefits from its refreshed Pebblestone product line and the IKEA relationship drives new business and upgrades. As K3 is investing heavily in having the right staffing and technical resources to support and grow the Managed Services business, profitability continues to lag growth. However, with the correct resources in place, K3 has the potential to sell managed services across its entire 2,300 customer base in addition to the prospect of hosting SYSPRO on a global basis.

Changes to forecasts and valuation

Our FY12 revenue and adjusted operating profit forecasts are substantially unchanged; a lower tax rate drives a 2.9% increase in FY12 EPS. We have trimmed forecasts for all divisions bar Retail to reflect the weaker market environment and higher investment in Managed Services but forecast stronger revenue growth and operating margins for Netherlands Retail. For FY13 we forecast revenue growth of 2.9% and an adjusted operating margin of 16.8%. On revised forecasts, K3 trades on a P/E of 5.8x FY12e and 5.6x FY13e, at a substantial discount to both the UK software and IT services sectors. We believe that as K3 integrates recent acquisitions and starts to generate cost and revenue synergies, the stock could trade up to nearer 10x EPS.

Price	168p
Market Cap	£48m

Share price graph

Share details

Code	KBT
Listing	AIM
Sector	Software & Computer Services
Shares in issue	28.47m

Price

	High	Low
52 week	236.5p	136.0p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	42
NAV per share (p)	143.7
Net borrowings (£m)	15.5

Business

K3 provides Microsoft- and Sage-based ERP solutions and managed services to SMEs in the retail, distribution and manufacturing sectors.

Valuation

	2011	2012e	2013e
P/E relative			
P/CF			
EV/Sales			
ROE			

Revenues by geography (2010)

UK	Europe	US	Other
76%	18%	4%	2%

Analysts

Katherine Thompson +44 (0)20 3077 5730

Dan Ridsdale +44 (0)20 3077 5729

Tech@edisoninvestmentresearch.co.uk

K3 Business Technology is a research client of Edison Investment Research Limited

Investment summary: Recurring revenue growth

Company description: ERP specialist for the supply chain

K3 is a value-added Microsoft channel partner and owning the 'channel to market' is key to the business model. K3 designs and implements supply chain software solutions – generally based on Microsoft technologies – in the retail, distribution and manufacturing sectors. The group has a well-balanced business model of predictable, recurring licence income in the manufacturing software sector combined with higher growth opportunities in retail software. Recent acquisitions have built out the Managed Services business and added Sage solutions to the product suite, and the company continues to target future acquisitions in similar areas.

Financials: Profitability maintained despite tough market

In a tough environment, K3 beat our FY11 operating profit forecast by 3%, and a lower than expected tax charge drove a 14% EPS beat. Our FY12 revenue and adjusted operating profit forecasts are substantially unchanged, although we have trimmed forecasts for all divisions bar Retail to reflect the weaker market environment and higher investment in Managed Services. We introduce FY13 forecasts of 3% revenue growth with an operating margin of 16.8%. We forecast that K3 will reduce net debt from £15.6m at the end of FY11 to £10.2m by the end of FY12.

Exhibit 1: Changes to forecasts

Note: Figures in £m except per share data.

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2011	23.6	27.0	14.4	8.3	8.7	4.8	10.5	10.6	1.0
2012e	28.1	29.0	2.9	10.7	10.6	(1.0)	12.7	12.4	(2.4)
2013e	N/A	30.1	N/A	N/A	11.1	N/A	N/A	13.0	N/A

Source: K3 Business Technology and Edison Investment Research

Valuation: Undemanding

With the recent market weakness, K3 has traded down from its April peak of 236p to the current 168p level. As K3 has started building up its services business, we compare its valuation to both the software and IT services sectors – K3 is trading at a substantial discount to both sectors. K3's closer peers tend to trade on lower multiples, although they also generate lower margins than K3. We believe that K3 could trade up to nearer 10x current year EPS as it integrates recent deals and starts to benefit from cost and revenue synergies, particularly through cross-selling managed services to its customer base. Using a group WACC of 13% and a long-term growth rate of 3%, we calculate a discounted cashflow valuation of 248p per share (48% upside). A 1% increase/ decrease in WACC moves the valuation by +36p/-29p.

Sensitivities: Macro risks; acquisition strategy

The main sensitivities or risks to our forecasts are: the macro environment – a significant increase in interest rates could affect consumer spending and the IT budgets of retailers; organic growth, which in all divisions depends on the ability to hire and retain skilled staff; and acquisitions – deals have transformed the scale of the group and the record so far has been a good one. Potentially, however, the inherent risks are greater in any strategy that has recourse to M&A.

Review of FY11 results

Despite K3 reporting revenues marginally below our forecast, adjusted operating profit beat by 3%. FY11 revenues grew 20.4% y-o-y; stripping out the impact of the four FY11 acquisitions results in growth of 2.3%. Taxation was lower than forecast due to a higher proportion of revenues being generated in lower tax regions (Netherlands, Ireland) and a lower UK tax rate from April 2011 which resulted in a one-off deferred tax credit. K3 reported major new contracts wins totalling £11.1m in FY11, down 10% y-o-y. Recurring revenues made up 46% of FY11 revenues, up from 40% in FY10. A further 43% of sales were generated from existing customers. K3 now has over 2,300 customers, up from c 1,500 at the end of FY10.

Exhibit 2: Summarised results for FY11

£'000 (except EPS)	FY11a	FY11e	12 mth to 30-Jun-10	Change
Revenues	52,800	53,017	43,846	20.4%
Reported operating profit	5,813	6,554	5,489	5.9%
Normalised operating profit	9,633	9,249	7,475	28.9%
Reported operating margin	11.0%	12.4%	12.5%	
Normalised operating margin	18.2%	17.4%	17.0%	
Reported PBT	4,908	5,647	4,640	5.8%
Normalised PBT	8,728	8,342	6,630	31.6%
Reported net income	4,480	4,229	3,291	36.1%
Normalised net income	7,108	6,124	5,281	34.6%
Reported EPS (p)	17.5	16.4	14.3	22.1%
Normalised EPS (p)	27.0	23.6	20.1	34.6%

Source: K3 Business Technology, Edison Investment Research

Divisional results

Exhibit 3 shows revenues and operating profit by division (actual and forecast). We discuss each division in more detail below.

Exhibit 3: Results and forecasts on a divisional basis

	12 mths					y-o-y Revenue growth		
Revenues (£m)	Jun-10	FY11	FY12e	FY13e		FY11	FY12e	FY13e
Manufacturing	*15.59*	*15.47*	*16.74*	*16.79*		*-1%*	*8%*	*0%*
SCS	10.40	10.36	10.36	10.36		0%	0%	0%
K3 AX	2.54	2.92	4.41	4.67		15%	15%	6%
Small systems	2.65	2.19	1.97	1.77		-17%	-17%	-10%
Retail	*26.97*	*27.84*	*32.45*	*32.97*		*3%*	*17%*	*2%*
UK	21.63	19.43	22.68	22.91		-10%	-10%	1%
Netherlands	5.34	8.41	9.77	10.07		57%	16%	3%
Managed Services	*1.23*	*4.70*	*6.10*	*6.70*		*282%*	*30%*	*10%*
Sage	*0*	*4.15*	*13.07*	*13.77*		*N/A*	*215%*	*5%*
IP	*0*	*0.64*	*0.70*	*0.80*		*N/A*	*9%*	*14%*
Total	43.79	52.80	69.06	71.04		20.6%	30.8%	2.9%
						Operating margin		
Adj. Operating Profit (£m)					Jun-10	FY11	FY12e	FY13e
Manufacturing	*4.06*	*3.50*	*3.78*	*3.77*	*26.0%*	*22.6%*	*22.6%*	*22.4%*
SCS	3.10	3.01	2.80	2.80	29.8%	29.0%	27.1%	27.1%
K3 AX	0.13	-0.31	0.42	0.47	5.1%	-10.4%	9.5%	10.0%
Small systems	0.83	0.79	0.55	0.50	31.3%	36.3%	28.0%	28.0%
Retail	*3.75*	*5.06*	*5.65*	*5.72*	*13.9%*	*18.2%*	*17.4%*	*17.4%*
UK	2.85	3.04	3.21	3.21	13.2%	15.6%	14.2%	14.0%
Netherlands	0.90	2.02	2.44	2.52	16.9%	24.0%	25.0%	25.0%
Managed services	*0.30*	*0.54*	*0.55*	*0.94*	*24.4%*	*11.5%*	*9.0%*	*14.0%*
Sage	*0*	*0.42*	*1.27*	*1.38*	*N/A*	*10.0%*	*9.7%*	*10.0%*
IP	*0*	*0.32*	*0.49*	*0.56*	*N/A*	*49.4%*	*70.0%*	*70.0%*
Head office	(0.64)	(0.20)	(0.34)	(0.40)				
Total	7.47	9.63	11.40	11.97	17.1%	18.2%	16.5%	16.8%

Source: K3 Business Technology, Edison Investment Research

Manufacturing division: A tough environment

The Manufacturing division reported a 1% revenue decline in FY11. Excluding the Sense AX contribution, revenues fell 4%. Recurring revenues made up 59% of FY11 revenues (54% FY10).

The SCS business was essentially flat in revenue terms and showed a margin decline from 29.8% in the 12 months to June 2010 to 29.0% in FY11. In the last six months, the business experienced price pressure from both competitors and SYSPRO and has seen a lengthening in sales cycles. The division generated annual SYSPRO software and support renewals worth £9.13m in FY11 (+5% y-o-y). We forecast flat revenues for SCS in FY12 and FY13 with lower margins reflecting the margin pressure from SYSPRO.

The K3 AX business grew 15% y-o-y, although excluding the recently acquired Sense AX, the underlying business declined 7%. The division saw weak demand in the year and has struggled to close new software sales, although three deals were signed at the end of the year. K3 AX's plans to develop further IP for the two main sectors it serves, fresh food processing and steel processing, have been delayed by changes Microsoft is making to the product. We forecast that growth in the underlying business combined with a full year of Sense will drive revenue growth of 51% in FY12 followed by 6% in FY13. As the business scales we expect the division to return to profitability.

As expected, the Small Systems business declined 17% y-o-y, with CRM sales preventing a larger decline. Profitability remained high in this division (36.1% versus 31.3% in the prior year), and the move to the Panacea premises should help maintain the margin above the 25% level. We factor in a slow decline in Small Systems revenues, but emphasise that customers in this division could upgrade to products in the other two divisions.

Retail division: Netherlands business shines

UK Retail business: The UK Retail business won major new contracts worth £5.6m in FY11 (15 contracts; average contract size £373k) compared to £7.7m in the year to June 2010 (11 contracts; average size £700k). The business declined 10% y-o-y and, excluding the contribution of Clarita, the underlying business declined 13% y-o-y. The adjusted operating margin increased to 15.6% (both for the division as a whole and excluding the Clarita business) from 13.2% a year ago. Most new business was driven by demand for K3's multichannel solution and initial deal sizes were reduced as customers moved to buying in stages due to the difficult retail environment. Although the environment is tough, this has not cut customer demand, but has made it harder to close deals and hence has expanded the pipeline. K3 continued to invest in the AX business to bring it in line with the NAV business, and will continue to invest in both products over the next year. Due to the combination of the Omnica deal (which gives K3 access to more specialist multichannel software modules for Dynamics AX), a full year of the Clarita business and a healthy sales pipeline, we are forecasting revenue growth of 17% in FY12 and 1% in FY13. We estimate that margins will improve from the H211 level of 12.0% to around the 14% level.

Netherlands Retail business: The business grew revenues 58% in FY11, stronger than expected even after including a full year contribution from Pebblestone. The IKEA initiative announced in June 2010 contributed to growth and K3 expects this to drive major upgrade and expansion activity over multiple years. K3 saw strong demand for Pebblestone following its recent product upgrade and is now positioned as a major provider of fashion retail software in the Netherlands. The adjusted operating margin was also stronger than expected, growing to 24.0% from 16.9% a year ago, predominantly due to the acquisition of the higher-margin Pebblestone business. The business is operating at full capacity hence K3 will be recruiting extra staff to meet demand. We forecast revenue growth of 16% in FY12 followed by 3% growth in FY13. We forecast an increase in the adjusted operating profit margin to 25% in FY12 and FY13.

Managed Services: Complementary and high growth

The Managed Services business grew 282% y-o-y; excluding the Panacea business, the business grew 67% y-o-y to £2.06m. The division reported an adjusted operating margin of 11.5% (underlying business 14.1%, Panacea business 9.5%). Both the revenues and margin were higher than forecast. At the end of FY11, the business was operating at a revenue run rate of £4.1m, up from £2.33m a year ago. The division reported recurring revenues of 56% in FY11.

Managed Services growth strategy

Since acquiring DigiMIS in March 2010, K3 has been able to offer hosting as an additional service to existing and new SYSPRO customers. The combined software and hosting offering enables the customer to outsource to K3 the complete provision and maintenance of ERP software and the hardware it runs on. Additionally, the agreement signed with SYSPRO in February enables K3 to offer hosting on an exclusive basis to SYSPRO customers outside of the UK, expanding the potential customer base for SYSPRO hosting from the current 500 in the UK to the 14,000-strong global customer base. K3 also offers a hosting service to its Dynamics NAV customers and is piloting a Sage hosting service. The ultimate aim is for K3 to be able to offer its software to customers in whichever way suits them best: on premise, hosted or software-as-a-service (SaaS). Of the hosting deals signed to date (which have been with larger customers), K3 generates £2-3 of additional recurring revenues for every £1 of maintenance revenues. With annual maintenance revenues of c £20m, this implies an additional £60m addressable market. K3 currently has 306 customers using its on-site support services and 30 using the hosting service.

Forecasts

We forecast revenue growth of 30% in FY12 (factoring in a full year of Panacea managed services) and growth of 10% in FY13. As K3 continues to invest in this business, we forecast a decline in the adjusted operating margin to 9% in FY12 before it picks up to 14% in FY13.

Sage division: Adding recurring revenues

The newly acquired Sage businesses (Panacea, Sage 200 business from FD Systems) contributed revenues of £4.15m, slightly lower than our forecast, although this was more than compensated for by stronger adjusted operating margins of 10% (forecast 8%). Recurring revenues made up 53% of the business in FY11 and will contribute c £3.2m per annum going forward. The business has been developing a hosting service that will be rolled during FY12. K3 continues to look for complementary Sage businesses to acquire.

We forecast revenue growth of 215% in FY12 (reflecting a full year of both businesses plus an 11-month contribution from the FD Systems business acquired in July 2011) and growth of 5% in FY13. We forecast a 9.7% margin in FY12 and 10% in FY13.

IP division: Leveraging IP development

The IP division, based in Ireland, manages the portfolio of products acquired from Pebblestone last year (including the Pebblestone reseller channel) as well as other IP products suitable for sale to the whole customer base. Revenues were lower than forecast, but should be viewed in conjunction with the Netherlands Retail business. Combined, we expect continued strong growth from sales of Pebblestone product in the Netherlands and elsewhere.

Changes to forecasts

The main changes to our group forecasts are as follows:

- Revenues and adjusted operating profit are substantially unchanged at a group level in FY12. We have reduced forecasts for all divisions other than Retail, but this is compensated for by an increase in our Netherlands business growth and margin forecast.
- We have reduced the tax rate to reflect a higher mix of profits in lower-tax regions, assuming a normalised rate of c 21%. This results in a 2.9% increase in our FY12 normalised EPS forecast.

We note that, after a busy acquisitive phase, K3 has reorganised its business units to more accurately reflect the main operations. From H112, K3 will report the following four divisions:

- Microsoft UK: K3 AX, UK Retail and the NAV business within Panacea
- International: Netherlands Retail and IP
- SYSPRO & Sage: SCS, Sage (less Panacea – NAV) and the Small Systems business
- Managed Services: no change

We present our divisional forecasts on the new basis in Exhibit 4.

Exhibit 4: Results and forecasts on new divisional basis

	Revenues			Adjusted operating profit			Adjusted operating margin		
	FY11	FY12e	FY13e	FY11	FY12e	FY13e	FY11	FY12e	FY13e
Microsoft UK	22.880	27.997	28.479	2.781	3.711	3.755	12.2%	13.3%	13.2%
International	9.054	10.474	10.867	2.338	2.934	3.077	25.8%	28.0%	28.3%
SYSPRO & Sage	16.166	24.490	24.993	4.171	4.545	4.596	25.8%	18.6%	18.4%
Managed Services	4.700	6.100	6.700	0.54	0.549	0.938	11.5%	9.0%	14.0%
Head Office	0.000	0.000	0.000	-0.197	-0.34	-0.4			
	52.80	69.06	71.04	9.633	11.398	11.965	18.2%	16.5%	16.8%

Source: K3 Business Technology, Edison Investment Research

Cashflow and balance sheet

The company ended FY11 with a net debt position of £15.5m, up from £11.0m at the end of FY10, reflecting the four cash-funded acquisitions in the year. In FY11, K3 paid £5.4m for acquisitions and earn-outs as well as a further £2m in working capital related to the acquisitions. Post year-end, having fully used its £7.5m revolving credit facility for acquisitions, K3 extended the facility by £1.05m and raised £5.3m (gross) in equity financing to fund the acquisitions of the retail merchandising division of Azurri and the remainder of FD Systems. Barclays has committed to provide further facilities up to the value of the equity fund-raising, giving K3 access to funds of at least £7m for future acquisitions. We forecast that K3 will generate £9.6m in operating cashflow in FY12 and will pay £5.0m for acquisitions made in H112 as well as deferred and contingent consideration on earlier deals. We forecast that K3 will end FY12 with net debt of £10.2m, reducing to £3.4m by the end of FY13.

Sensitivities

The main sensitivities or risks to our forecasts are:

- **Macro environment.** A significant increase in interest rates could affect consumer spending and the IT budgets of retailers and manufacturers.
- **Organic growth.** In all divisions, organic growth depends on the ability to hire and retain skilled staff.
- **Acquisitions.** Deals have transformed the scale of the group and the record so far has been a good one. Potentially, however, the inherent risks are greater in any strategy that has recourse to M&A.

Valuation

Multiples-based valuation: Undervalued versus the sector

With the recent market weakness, K3 has traded down from its peak of 236p reached in April to the current 168p level. As K3 has started building up its services business, we compare its valuation to both the software and IT services sectors – K3 is trading at a substantial discount to both sectors. K3's closer peers (Sanderson, Clarity Commerce) tend to trade on lower multiples, although they also generate lower margins than K3. We believe that K3 could trade up to nearer 10x current year EPS as it integrates recent acquisitions and starts to benefit from cost and revenue synergies, particularly through cross-selling managed services to its customer base.

Exhibit 5: Valuation metrics

	EV/Sales (x)		P/E (x)	
	This FY	Next FY	This FY	Next FY
K3	0.8	0.7	5.8	5.6
UK software	2.5	2.1	24.5	12.5
UK IT services	1.5	1.5	13.9	12.3

Source: Edison Investment Research

DCF-based valuation: Undervalued

Using a group WACC of 13% and a long-term growth rate of 3%, we calculate a discounted cashflow valuation of 248p per share (48% upside). A 1% increase/decrease in WACC moves the valuation by +36p/-29p.

Exhibit 6: Financials

Note: *18 month period ended 30 June 2010.

£'000s	2006	2007	2008	2010*	2011	2012e	2013e
Year end 31 December/ 30 June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	27,350	34,146	37,626	59,783	52,800	69,061	71,039
Cost of Sales	(10,641)	(11,415)	(11,285)	(22,460)	(23,486)	(29,696)	(29,837)
Gross Profit	16,709	22,731	26,341	37,323	29,314	39,365	41,203
EBITDA	3,365	6,250	7,937	10,327	10,574	12,388	12,965
Operating Profit (before am of acq. Intang. and except.)	2,918	5,760	7,354	9,013	9,633	11,398	11,965
Amortisation of acquired intangibles	0	(896)	(1,875)	(2,892)	(2,826)	(3,200)	(3,300)
Share-based payments	(85)	(152)	(103)	39	(52)	(60)	(60)
Other	0	0	(12)	(28)	(942)	(200)	0
Operating Profit	2,833	4,712	5,364	6,132	5,813	7,938	8,605
Net Interest	(262)	(1,036)	(1,416)	(1,365)	(905)	(828)	(835)
Profit Before Tax (norm)	2,656	4,724	5,926	7,620	8,728	10,370	11,130
Profit Before Tax (FRS 3)	2,571	3,676	3,948	4,767	4,908	7,110	7,770
Tax	(846)	(761)	(1,137)	(1,018)	(428)	(1,480)	(1,670)
Profit After Tax (norm)	1,890	3,650	4,310	5,770	7,108	8,390	8,711
Profit After Tax (FRS 3)	1,725	2,915	2,811	3,749	4,480	5,630	6,101
Average Number of Shares Outstanding (m)	18.1	21.7	23.7	24.6	25.7	28.3	28.3
EPS - normalised (p)	10.5	16.8	18.2	23.5	27.7	29.6	30.7
EPS - normalised fully diluted (p)	10.4	16.3	17.9	23.4	27.0	29.0	30.1
EPS - FRS 3 (p)	9.5	13.4	11.9	15.2	17.5	19.9	21.5
Dividend per share (p)	0.00	0.50	0.50	0.75	0.75	0.77	0.80
Gross Margin (%)	61.1	66.6	70.0	62.4	55.5	57.0	58.0
EBITDA Margin (%)	12.3	18.3	21.1	17.3	20.0	17.9	18.3
Operating Margin (before GW and except.) (%)	10.7	16.9	19.5	15.1	18.2	16.5	16.8
BALANCE SHEET							
Fixed Assets	17,962	45,547	47,099	48,602	59,457	60,307	58,157
Intangible Assets	273	12,282	12,075	13,176	17,635	15,335	13,035
Tangible Assets	416	1,305	1,333	1,393	1,993	2,103	2,253
Goodwill	15,684	31,494	33,225	33,467	39,082	42,122	42,122
Other	1,589	466	466	566	747	747	747
Current Assets	10,889	14,069	13,518	14,808	23,456	30,789	35,210
Stocks	0	0	0	0	0	0	0
Debtors	8,622	10,984	10,690	14,439	22,642	26,489	26,859
Cash	2,267	3,085	2,828	369	814	4,299	8,351
Current Liabilities	(13,712)	(19,386)	(19,035)	(19,510)	(29,300)	(30,632)	(31,232)
Creditors	(4,385)	(6,689)	(5,466)	(5,491)	(7,874)	(8,974)	(9,574)
Other Creditors	(8,466)	(8,654)	(8,075)	(9,719)	(16,628)	(15,895)	(15,895)
Short term borrowings	(861)	(4,043)	(5,494)	(4,300)	(4,798)	(5,763)	(5,763)
Long Term Liabilities	(711)	(16,509)	(13,714)	(12,457)	(16,371)	(13,501)	(10,631)
Long term borrowings	(711)	(12,437)	(10,346)	(7,051)	(11,502)	(8,732)	(5,962)
Other long term liabilities	0	(4,072)	(3,368)	(5,406)	(4,869)	(4,769)	(4,669)
Net Assets	14,428	23,721	27,868	31,443	37,242	46,963	51,504
CASH FLOW							
Operating Cash Flow	2,208	6,228	6,375	7,331	5,640	9,641	13,196
Net Interest	(256)	(1,243)	(1,323)	(1,303)	(947)	(828)	(835)
Tax	21	(2,074)	(1,614)	(1,637)	(1,368)	(1,480)	(1,670)
Capex	(375)	(643)	(1,334)	(1,638)	(2,055)	(2,000)	(2,150)
Acquisitions/disposals	(1,395)	(16,493)	(259)	(2,856)	(5,407)	(4,948)	(1,500)
Financing	1,825	263	24	1,434	174	5,100	0
Dividends	0	0	(119)	(247)	(64)	(194)	(219)
Net Cash Flow	2,028	(13,962)	1,750	1,084	(4,027)	5,290	6,822
Opening net debt/(cash)	1,247	(695)	13,395	13,012	10,982	15,486	10,196
HP finance leases initiated	0	0	0	0	0	0	0
Other	(86)	(128)	(1,367)	946	(477)	0	0
Closing net debt/(cash)	(695)	13,395	13,012	10,982	15,486	10,196	3,374

Source: K3 Business Technology and Edison Investment Research