

CORPORATE

Current price 117.5p

Sector Chemicals

Code (PLA.L)

Listing AIM

SHARE PERFORMANCE



Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap (£) 45.8m

Shares in issue (m) 38.995

52 weeks High Low

126p 104p

Financial year end 31 March

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Camelot Capital 27.91%

Livingbridge VC 10.62%

Octopus Investments 7.68%

Richard Vessey 6.66%

Arun Nagwaney 5.96%

Harwood Capital 5.22%

Henderson Global 3.69%

Source: Plastics Capital plc

Ian Jermin

+44 (0)20 3328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

PLASTICS CAPITAL PLC (PLA.L)

FY17/18 results expected to be broadly in line

Plastics Capital plc has provided a trading update for the year to March 2018 stating that trading is expected to be broadly in line with market expectations. We take this to mean that adjusted EBITDA and profit before tax will be marginally lower than our forecasts and have assumed a reduction of 4% and 7% respectively below the level we indicated in March. Not for the first time, the difficulty of forecasting order off-take in the Bearings business has triggered the modest reduction in expectations. Across the rest of the Group trading has been generally strong, resulting in a continuation of satisfactory organic sales growth. At this stage we are leaving forecasts for FY18/19 unchanged and believe that management is on track to report a year of solid organic sales and profit growth.

- **A weaker end to the year than anticipated** – Although we only reduced our expectations for FY17/18 at the beginning of March 2018, it would appear that the year finished on a rather weaker note than anticipated. We would repeat our comment from our previous downgrade that aside from the Bearings business, organic sales remained strong throughout the year with exceptional growth generated by the Films division, underpinned by the substantial investment made in additional capacity over the past eighteen months. However, the difference in operational gearing between the Films and Industrial divisions has meant that the growth in the former has been insufficient to make up for the shortfall in the latter.
- **High variability in order off-take in bearings** – There was a disappointing level of order off-take in two major projects in the Bearings business which led to lower sales, especially over the period August/September 2017. While management had anticipated that this slowdown would be temporary and expected a pick-up in H2, sales growth in March did not reach management’s earlier expectations, leading to this modest reduction in forecasts.
- **FY17/18 EBITDA forecast reduced by 3.5%** – We have scaled back revenue from the Industrial division by £0.9m to £76.6m with adjusted EBITDA being reduced by 3.5% from £7.20m to £6.95. Adjusted PBT, after a slightly higher interest charge, falls by 6.8% from £4.3m to £4.0m and EPS by the same percentage from 10.1p to 9.4p. Our forecast for net debt remains unchanged at £14.7m.
- **FY18/19 forecasts unchanged** – There would appear to be some guarded confidence from management that order off-take in Bearings is beginning to improve and as a result, we are leaving our adjusted PBT and EPS forecasts for 2018/19 unchanged although we have flexed revenues up marginally to reflect stronger trading in Film.

EXHIBIT 1: SUMMARY OF FINANCIALS

Year End: March (£m)	2016A	2017A	2018E	2019E
REVENUE	50.8	65.8	76.6	84.0
EBITDA	5.9	6.9	6.9	8.4
PBT (ADJUSTED)	4.1	4.3	4.0	5.2
EPS (p) (ADJUSTED)	10.8	11.5	9.4	11.9
PE(x)	10.9	10.2	12.5	9.9
DIVIDEND (p)	4.40	1.46	1.46	2.20

Source: Plastics Capital; Allenby Capital.

Allenby Capital acts as Joint Broker to Plastics Capital plc.

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FINANCIAL SUMMARY

EXHIBIT 2: FINANCIAL SUMMARY				
	£m	£m	£m	£m
Y/E March	FY 2016A	FY 2017A	FY 2018E	FY 2019E
PROFIT & LOSS SUMMARY				
Revenue	50.803	65.785	76.600	84.000
Gross Profit	16.871	21.129	24.571	26.050
<i>margin</i>	33.2%	32.1%	32.1%	31.0%
Total Operating costs	-14.707	-16.952	-20.685	-21.850
<i>as a % of revenue</i>	28.9%	25.8%	27.0%	27.1%
Operating profit (before exceptionals)	2.457	5.163	3.886	4.200
EBITDA	5.886	6.900	6.946	8.400
<i>margin</i>	11.6%	10.5%	9.1%	10.0%
Finance costs	-0.722	-1.293	-0.800	-0.700
Profit/(Loss) before tax (adjusted)	4.061	4.348	4.006	5.136
Weighted Average Shares (fully diluted)	36.01	36.68	38.41	38.95
EPS adjusted (fully diluted) (pence)	10.8	11.5	9.4	11.9
Dividend	4.40	1.46	1.46	2.20
	£m	£m	£m	£m
Y/E March	FY 2016A	FY 2017A	FY 2018E	FY 2019E
CASH FLOW				
Net cash inflow/(outflow) from operating activities	3.835	5.040	3.207	6.436
Net cash inflow/(outflow) from investing activities	-1.489	-8.092	-5.638	-4.588
Net cash inflow/(outflow) from financing activities	-2.691	3.271	2.200	-2.843
Net increase/(decrease) in cash and cash equivalents in the year	-0.345	0.219	-0.231	-0.995
	£m	£m	£m	£m
Y/E March	FY 2016A	FY 2017A	FY 2018E	FY 2019E
BALANCE SHEET				
Assets				
Non-current assets	31.559	37.559	35.000	36.100
Current assets	22.216	27.053	28.541	28.881
Total Assets	53.775	64.612	63.541	64.981
Liabilities				
Current liabilities	-17.770	-21.275	-20.500	-20.220
Non-current liabilities	-9.682	-17.496	-13.787	-11.587
Total Liabilities	-27.452	-38.771	-34.287	-31.807
Net Assets	26.323	25.841	29.254	33.174
Net (debt)/cash	-10.852	-16.322	-14.696	-12.856

Source: Plastics Capital; Allenby Capital

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Ian Jermin is the author of this research recommendation. Ian is employed by Allenby Capital Limited as an Equity Analyst.

Tel: 020-3328-5664

Email: i.jermin@allenbycapital.com

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Allenby Capital
5 St Helen's Place London EC3A 6AB
+44 (0)20 3328 5656

www.allenbycapital.com