

CORPORATE

Current price 123p

Sector Chemicals

Code (PLA.L)

Listing AIM

SHARE PERFORMANCE


Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap (£) 44m

Shares in issue (m) 35.75

52 weeks	High	Low
	125p	88p

Financial year end 31 March

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Livingbridge 11.71%

Camelot Capital 9.53%

Octopus Inv 8.93%

Downing LLP 8.39%

Faisal Rahmatallah 7.57%

Richard Vessey 7.00%

Arun Nagwaney 6.35%

Source: Thomson Reuters

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PLASTICS CAPITAL PLC (PLA.L)
Strong revenue growth posted in Q3 2016/17

Plastics Capital plc has updated the market on its Q3 progress to December 2016 noting that trading conditions have been generally good with sales demand stronger than expected, particularly in the Industrial Division and the Film business of Flexipol. Gross profit margin is slightly weaker due to the mix of business and the inclusion of the typically lower margins generated by Synpac which was acquired in July 2016. With a focus on longer term growth opportunities the Board has increased its investment in sales, marketing and new product development with the net result that our expectations of profit for FY2017 and FY2018 remain unchanged. EPS forecasts for FY2017 come in 0.1p lower due to the increase in share capital following the take up by shareholders of the scrip dividend alternative. Progress across the Group remains very encouraging and we retain our conviction that Plastics Capital is a well-financed, cash generative, growth business that should deliver attractive returns over the coming years. As noted above, our forecasts for FY16/17 and FY17/18 remain largely unchanged as does our short-term fair value of 140p.

- **Strong demand in Industrial Products.** Increased demand from the USA and new business entering production has resulted in a strong third quarter for the Bearings and Mandrel businesses. Equally, the Creasing Matrix activities continue to make progress and a minority interest in its Italian distributor has been made. This company makes a range of creasing matrix products under its MITO brand.
- **Mixed results from Film.** Flexipol has traded well in Q3 and Synpac is performing in line with expectations at the time of acquisition. Palagan, as we mentioned in our previous note (5/12/16), is undergoing important strategic restructuring which is designed to improve its competitiveness which has been eroded over recent years. In the short term this has resulted in some weakness in trading but we remain confident in the company's medium term future.
- **Revenue forecasts raised, profits unchanged.** As noted above we have raised our revenue forecasts for FY17 by 9% and FY18 by 7% although with the increased investment being put into the business to drive future growth our profit forecasts are unchanged. EPS is very slightly lower due to the effect of new share being issued in lieu of the dividend but we are very satisfied with the continued progress within the businesses and the investment being undertaken to restore Palagan's fortunes.

EXHIBIT 1: SUMMARY OF FINANCIALS

Year End: March (£m)	2015A	2016A	2017E	2018E
REVENUE	39.6	50.8	59.0	62.5
EBITDA	5.3	5.9	6.7	7.4
PBT (NORMALISED)	3.7	4.1	4.7	5.2
EPS (p) NORMALISED	10.8	10.8	12.0	12.9
PE(x)	11.4	11.4	10.2	9.5
DIVIDEND (p)	4.00	4.40	4.62	4.85
YIELD	3.3%	3.6%	3.8%	3.9%
NET CASH/(DEBT)	-11.4	-10.9	-15.7	-15.2
NET DEBT/ADJUSTED EBITDA (x)	2.2	1.8	2.4	2.1

Source: Plastics Capital; Allenby Capital.

Allenby Capital acts as Joint Broker to Plastics Capital plc.

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FINANCIAL SUMMARY

EXHIBIT 2: SUMMARY P&L, CASH FLOW AND BALANCE SHEET

PROFIT & LOSS SUMMARY

	£m	£m	£m	£m
Y/E March	FY 2015A	FY 2016A	FY 2017E	FY 2018E
Revenue	39.576	50.803	59.000	62.500
Gross Profit	13.98	16.871	20.4	21.667
margin	35.3%	33.2%	34.6%	34.7%
Total Operating costs	-11.351	-14.707	-16.800	-17.517
as a % of revenue	28.7%	28.9%	28.5%	28.0%
Operating profit (before exceptionals)	2.399	2.457	3.600	4.150
EBITDA	5.257	5.886	6.700	7.400
margin	13.3%	11.6%	11.4%	11.8%
Profit/(Loss) before tax (adjusted)	3.673	4.061	4.675	5.160
Net Profit/(Loss)	-0.250	1.222	2.221	2.896
Weighted Average Shares (fully diluted)	32.04	36.01	36.40	36.40
EPS adjusted (fully diluted) (pence)	10.8	10.8	12.0	12.9
Dividend	4.00	4.40	4.62	4.85

CASH FLOW

	£m	£m	£m	£m
Y/E March	FY 2015A	FY 2016A	FY 2017E	FY 2018E
Net cash inflow/(outflow) from operating activities	3.336	3.718	4.996	5.646
Net cash inflow/(outflow) from investing activities	-10.039	-1.489	-6.938	-2.938
Net cash inflow/(outflow) from financing activities	7.242	-2.574	0.314	-3.027
Net increase/(decrease) in cash and cash equivalents in the year	0.539	-0.345	-1.628	-0.319

BALANCE SHEET

	£m	£m	£m	£m
Y/E March	FY 2015A	FY 2016A	FY 2017E	FY 2018E
Assets				
Non-current assets	33.073	30.926	38.516	42.476
Current assets	19.582	22.216	20.428	19.738
Total Assets	52.655	53.142	58.944	62.214
Liabilities				
Current liabilities	-14.480	-17.770	-17.702	-15.802
Non-current liabilities	-11.826	-9.049	-11.823	-12.023
Total Liabilities	-26.306	-26.819	-29.525	-27.825
Net Assets	26.349	26.323	29.419	34.389
Net (debt)/cash	-11.400	-10.852	-15.740	-15.230

Source: Plastics Capital plc; 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.

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Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

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