

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
 133.5p 90p

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)
Full year update confirms strong organic growth

Plastics Capital plc has updated the market on its progress for the year to 31 March 2016 with results expected to be broadly in line with market forecasts. Organic sales growth has been strong, exceeding expectations in the Industrial Division and, with the exception of Palagan, also in the Films Division. The impact of currency movements has resulted in exports becoming significantly more competitive but the overall translation effect has been neutral due to hedging policies that delay any impact on profits by around two years. Palagan is the only subsidiary that is performing below par as it continues to undergo restructuring and management changes to improve its competitiveness. Our forecasts for 2016/17 and 2017/18 have been modestly revised downwards to accommodate for the restructuring and continued investment in the businesses. However, revenue forecasts have been raised to reflect a change in accounting policy whereby CCM and Mito will now be consolidated as subsidiaries, even though the Group's shareholdings in both are below 50%.

- It is encouraging that organic sales growth has exceeded expectations, particularly in the Bearings and Mandrel businesses which reported record years driven by new business wins that have now entered into production. Creasing Matrix continued to make progress expanding internationally through minority investments in sales and distribution businesses in the USA ("CCM") and in Italy ("Mito") and a relocation of the factory in China. Flexipol has traded well and Synpac is performing in line with expectations. Palagan continues to undergo restructuring designed to improve competitiveness. In the short term this has resulted in some weakness in trading which has temporarily had an impact on results but which we are equally confident will result in much improved trading in the medium term.
- Revenue forecasts raised, but profits revised downward. Strong trading has resulted in a £1m increase in revenue forecasts for FY17 although increased investment to underpin future growth, together with restructuring at Palagan, requires our adjusted profit forecast to be modestly reduced by 7% to 11.5p and FY2018 by around 4% to 12.4p.
- Change in accounting for investments – Following auditor's advice, CCM and Mito will now be treated as if they were subsidiaries and therefore fully consolidated in the P&L, with a deduction being made for non-controlling interests. This is in line with the Group's intention to fully acquire these businesses in due course. This should have no impact on EPS but raises revenues by around £5m for 2016/17.

EXHIBIT 1: SUMMARY OF FINANCIALS

Year End: March (£m)	2015A	2016A	2017E	2018E
REVENUE	39.6	50.8	65.6	75.8
EBITDA	5.3	5.9	6.9	7.8
PBT (NORMALISED)	3.7	4.1	4.3	4.9
EPS (p) NORMALISED	10.8	10.8	11.5	12.4
PE(x)	10.6	9.3	8.9	7.5
DIVIDEND (p)	4.00	4.40	4.62	4.85
YIELD	3.2%	3.6%	3.7%	3.9%

Source: Plastics Capital; Allenby Capital.

Allenby Capital acts as Joint Broker to Plastics Capital plc.

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FINANCIAL SUMMARY (UNDER NEW ACCOUNTING CONVENTION)

EXHIBIT 2: FINANCIAL SUMMARY				
	£m	£m	£m	£m
Y/E March	FY 2015A	FY 2016A	FY 2017E	FY 2018E
PROFIT & LOSS SUMMARY				
Revenue	39.576	50.803	65.600	75.750
Gross Profit	13.98	16.871	22.350	25.200
<i>margin</i>	35.3%	33.2%	34.1%	33.3%
Total Operating costs	-11.351	-14.707	-18.750	-21.050
<i>as a % of revenue</i>	28.7%	28.9%	28.6%	27.8%
Operating profit (before exceptional items)	2.399	2.457	3.600	4.150
EBITDA	5.257	5.886	6.900	7.800
<i>margin</i>	13.3%	11.6%	10.5%	10.3%
Non-controlling interests	0.000	0.000	-0.200	-0.200
Finance costs	-0.480	-0.722	-0.580	-0.750
Profit/(Loss) before tax (adjusted)	3.673	4.061	4.320	4.900
Net Profit/(Loss)	-0.250	1.222	2.011	2.710
Weighted Average Shares (fully diluted)	32.04	36.01	35.40	35.50
EPS adjusted (fully diluted) (pence)	10.8	10.8	11.5	12.4
Dividend	4.00	4.40	4.62	4.85
	£m	£m	£m	£m
Y/E March	FY 2015A	FY 2016A	FY 2017E	FY 2018E
CASH FLOW				
Net cash inflow/(outflow) from operating activities	3.336	3.718	4.741	5.660
Net cash inflow/(outflow) from investing activities	-10.039	-1.489	-6.938	-3.038
Net cash inflow/(outflow) from financing activities	7.242	-2.574	0.491	-2.850
Net increase/(decrease) in cash and cash equivalents in the year	0.539	-0.345	-1.706	-0.228
	£m	£m	£m	£m
Y/E March	FY 2015A	FY 2016A	FY 2017E	FY 2018E
BALANCE SHEET				
Assets				
Non-current assets	33.073	30.926	38.416	41.976
Current assets	19.582	22.216	20.278	20.828
Total Assets	52.655	53.142	58.694	62.804
Liabilities				
Current liabilities	-14.480	-17.770	-17.702	-15.802
Non-current liabilities	-11.826	-9.049	-11.823	-12.123
Total Liabilities	-26.306	-26.819	-29.525	-27.925
Net Assets	26.349	26.323	29.169	34.879
Net (debt)/cash	-11.400	-10.852	-16.090	-14.640

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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