

CORPORATE

Current price 120.5p

Sector Chemicals

Code (PLA.L)

Listing AIM

SHARE PERFORMANCE



Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap (£) 47m

Shares in issue (m) 38.95

52 weeks High Low

133.5p 107p

Financial year end 31 March

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Camelot Capital Partners LLC 24.24%

Livingbridge VC LLP 10.62%

Octopus Investments Limited 7.68%

Faisal Rahmatallah 7.06%

Richard Vessey 6.66%

Arun Nagwaney 5.96%

Harwood Capital 5.22%

Source: Plastics Capital

Ian Jermin

+44 (0)20 3328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

PLASTICS CAPITAL PLC (PLA.L)

Trading in line with full year market expectations

Plastics Capital plc has updated the market on its progress for the six months ended 30 September 2017. Gross margins were lower year-on-year (yoy) due to a change in product mix favouring lower margin Films and the impact of rising raw material costs. However, the Board confirms that results for the full year are expected to be in line with market expectations, driven by organic growth and a full six-month contribution from Synpac, CCM and Mito.

- **Pleasing continuation of organic growth in Films** – Leading the way in terms of organic growth has been Flexipol, the Film division’s principal revenue generator, where additional capacity in the form of new extrusion and conversion lines has resulted in a significant increase in sales and a record order book. Still in the Film division, Palagan seems to be responding well to last year’s restructuring and investment. From a relatively weak position last year it has seen a 14% increase in volumes in H1. Raw materials prices in Q1 have risen on the back of a stronger Euro and until these rises have been passed onto customers, margins are likely to be temporarily squeezed. This has had a particular impact on Synpac although revenues in this business have continued to grow strongly yoy, in line with expectations anticipated at the time of the acquisition.

- **Industrial division posts organic growth of 10%** - Organic growth of 10% within the higher margin Industrial division was somewhat lower than management had budgeted for with lower sales at the BNL bearings business due to delays in orders received on won projects from two key accounts. A better H2 is in prospect and an acceleration of growth is anticipated over the next 12 to 18 months as a number of new projects enter production. C&T Creasing Matrix is busy integrating the manufacturing units of CCM in the USA and Mito in Italy into its Wellingborough factory with the ultimate goal of increasing scale and reducing costs. Finally, the mandrels business of Bell Plastics continues to progress with a strong order book and new business being accommodated by an expansion of production capacity and an increase in manufacturing space.

- **A satisfactory H1 and full year outlook** – In summary, the Group continues to perform strongly and we fully expect the recent re-allocation of capital from dividend payments to the promotion of organic growth to continue to deliver strong top line traction, cash generation and higher earnings over both the short and the medium term. Consequently, our forecasts for the year to March 2018 remain unchanged as do our projections for FY 2018/19.

EXHIBIT 1: SUMMARY OF FINANCIALS

Year End: March (£m)	2016A	2017A	2018E	2019E
REVENUE	50.8	65.8	77.5	79.9
ADJUSTED EBITDA	5.9	6.9	8.4	9.0
ADJUSTED PBT	4.1	4.3	5.2	5.5
ADJUSTED EPS (p)	10.8	11.5	12.2	12.9
PE(x)	11.2	10.5	9.9	9.3
DIVIDEND (p)	4.40	1.46	1.46	2.20
YIELD	3.7	1.2	1.2	1.8

Source: Plastics Capital; Allenby Capital.

Allenby Capital acts as Joint Broker to Plastics Capital plc.

This document should be classified as marketing communication and all required disclosures appear on the last page of the report. This research is intended for UK institutional investors only. It is not intended for retail customers and any retail customers should seek professional, independent advice before investing. Additional information is available upon request.

FINANCIAL SUMMARY

PROFIT AND LOSS				
	£m	£m	£m	£m
Y/E March	FY 2016A	FY 2017A	FY 2018E	FY 2019E
Revenue	50.803	65.785	77.500	79.900
Gross Profit	16.871	21.129	25.800	26.600
<i>margin</i>	33.2%	32.1%	33.3%	33.3%
Total Operating costs	-14.707	-16.934	-20.525	-21.850
<i>as a % of revenue</i>	28.9%	25.7%	26.5%	27.3%
Operating profit (before exceptionals)	2.457	5.163	5.275	4.750
EBITDA	5.886	6.900	8.375	8.950
<i>margin</i>	11.6%	10.5%	10.8%	11.2%
Non-controlling interests		0.000	0.000	0.000
Finance costs	-0.722	-1.293	-0.700	-0.675
Profit/(Loss) before tax (adjusted)	4.061	4.348	5.182	5.450
Net Profit/(Loss)	1.222	0.432	3.849	4.060
Weighted Average Shares (fully diluted)	36.01	36.68	38.06	38.95
EPS adjusted (fully diluted) (pence)	10.8	11.5	12.2	12.9
Dividend	4.40	1.46	1.46	2.20
CASH FLOW				
	£m	£m	£m	£m
Y/E March	FY 2016A	FY 2017A	FY 2018E	FY 2019E
Net cash inflow/(outflow) from operating activities	3.835	5.040	5.549	6.800
Net cash inflow/(outflow) from investing activities	-1.489	-8.092	-6.338	-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	1.411	-0.631
BALANCE SHEET				
	£m	£m	£m	£m
Y/E March	FY 2016A	FY 2017A	FY 2018E	FY 2019E
Assets				
Non-current assets	31.559	37.559	35.000	36.100
Current assets	22.216	27.053	29.500	29.200
Total Assets	53.775	64.612	64.500	65.300
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	30.213	33.493
Net (debt)/cash	-10.852	-16.322	-13.737	-12.537

Source: Plastics Capital plc; Allenby Capital

DISCLAIMER

This document is issued by Allenby Capital Limited (Incorporated in England No.6706681), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority (“FCA”) for designated investment business, (Reg. No. 489795) and is a member of the London Stock Exchange.

This document is for information only and should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby Capital Limited uses reasonable efforts to obtain information from sources which it believes to be reliable but the contents of this document have been prepared without any substantive analysis being undertaken into the companies concerned or their securities and it has not been independently verified. No representation or warranty, either express or implied, is made nor responsibility of any kind is accepted by Allenby Capital Limited, its directors or employees either as to the accuracy or completeness of any information stated in this document. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Opinions expressed are our current opinions as of the date appearing on this material only. The information and opinions are provided for the benefit of Allenby Capital Limited clients as at the date of this document and are subject to change without notice. There is no regular update series for research issued by Allenby Capital Limited.

No personal recommendation is being made to you; the securities referred to may not be suitable for you and should not be relied upon in substitution for the exercise of independent judgement. Neither past performance nor forecasts are a reliable indication of future performance and investors may realise losses on any investments.

Allenby Capital Limited and any company or persons connected with it (including its officers, directors and employees) may have a position of holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such securities or instrument. Allenby Capital Limited may have been a manager in the underwriting or placement of securities to the issuers of securities mentioned in this document within the last 12 months, or have received compensation for investment banking services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment banking services from such companies within the next 3 months. Accordingly, recipients of this document should not rely on this document being impartial and information may be known to Allenby Capital Limited or persons connected with it which is not reflected in this material. Allenby Capital Limited has a policy in relation to the management of the firm’s conflicts of interest which is available upon request.

Allenby Capital Limited shall not be liable for any direct or indirect damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e. persons having professional experience in investments who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom (such persons who do not have professional experience in matters relating to investments should not rely on this material), or persons who have been categorised by Allenby Capital Limited as Professional Clients or Eligible Counterparties. It is not intended for Retail Clients.

This document is being supplied to you solely for your information and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose. The material in this document is not intended for distribution or use outside the European Economic Area except in the circumstances mentioned below to recipients in the United States. This material is not directed at you if Allenby Capital Limited is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you and persons into whose possession this material comes should inform themselves about, and observe, any such restrictions.

Allenby Capital Limited may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US Institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country’s laws for which Allenby Capital Limited does not accept responsibility.

By accepting this document, you agree that you have read the above disclaimer and to be bound by the foregoing limitations / restrictions.

RESEARCH RECOMMENDATION DISCLOSURE

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

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.

* denotes that Allenby Capital acts as an Adviser to the Company

Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at www.allenbycapital.com

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

www.allenbycapital.com