

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

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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.

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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

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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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