

CORPORATE

Current price 122.5p

Sector Chemicals

Code (PLA.L)

Listing AIM

SHARE PERFORMANCE


| | 1m | 3m | 12m |
|---------|-----|-----|-----|
| — PLA.L | -1% | -2% | -8% |

Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap (£) 48.3m

Shares in issue (m) 38.995

52 weeks High Low

133.5p 110.5p

Financial year end 31 March

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Directors and related 15.66%

Camelot Capital 24.24%

Livingbridge VC 10.62%

Octopus Investments 7.68%

Richard Vessey 6.66%

Arun Nagwaney 5.96%

Harwood Capital 5.22%

Source: Plastics Capital plc

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PLASTICS CAPITAL PLC (PLA.L)
Slower sales in bearings reduces expectations

Plastics Capital plc (the Group, the Company) has updated the market on trading for the full year to 31 March 2018 which it expects to be marginally below market expectations. The update highlights, among other things, a slowdown in the expected rate of call-off on contracts from two major customers of the (relatively) high margin bearings subsidiary, BNL. This has resulted in a necessity to reduce our EBITDA expectations for FY 2017/18 and 2018/19 by approximately £400k to compensate for the slower sales growth at this operationally geared business. This is not the first time we have had to adjust downwards our expectations for the Industrial division and highlights the difficulty of forecasting sales and profits from a segment where revenue visibility and call-off on secured contracts can be so uncertain.

- **Organic sales growth remains encouraging** – Aside from the bearings business, organic sales have remained strong with the exceptional growth generated by the Films division reflecting the substantial investment made in additional capacity over the past eighteen months. However, the difference in operational gearing between Films and Industrial has meant that the growth in the former has been insufficient to make up for the shortfall in the latter.
- **Slower rate of call-off in bearings** – In the interim results announced in early December, the Group noted that the ramp-up of two major projects in the bearings business was significantly below management expectations leading to lower sales, especially in August and September. While management had anticipated that this slowdown would be temporary and expected a pick-up in H2, while there has been some improvement in sales growth in Q4 it has not reached management's earlier expectations, leading to a requirement by us to reduce our forecasts.
- **Current year EBITDA reduced by 5.3%** – We have scaled back revenue from the Industrial division by £0.5m with operational gearing meaning that the majority of this reduction falls through to EBITDA which we have cut back from £7.6m to £7.2m. EPS, after a 10% effective tax rate, falls from 11.0p to 10.1p. Consequently, the forecast for net debt rises from £14.2m to £14.6m.
- **FY2018/19 EBITDA reduced by 3.9%** - We are also reducing our forecast for FY 2018/19, resulting in EBITDA falling from £8.95m to £8.60m, EPS from 12.6p to 11.9p and net debt increasing from £12.5m to £12.9m. While the Industrial division, and particularly BNL, will in all likelihood continue to elicit unpredictable and erratic levels of trading, we expect our reduced expectations will be sufficient and no further downward amendments to forecasts necessary.

EXHIBIT 1: SUMMARY OF FINANCIALS

| Year End: March (£m) | 2016A | 2017A | 2018E | 2019E |
|----------------------|-------|-------|-------|-------|
| REVENUE | 50.8 | 65.8 | 77.5 | 80.5 |
| EBITDA | 5.9 | 6.9 | 7.2 | 8.6 |
| PBT (ADJUSTED) | 4.1 | 4.3 | 4.3 | 5.2 |
| EPS (p) (ADJUSTED) | 10.8 | 11.5 | 10.1 | 11.9 |
| PE(x) | 11.3 | 10.7 | 12.1 | 10.3 |
| 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 | | | | |
|--|----------|----------|----------|----------|
| Y/E March | £m | £m | £m | £m |
| | FY 2016A | FY 2017A | FY 2018E | FY 2019E |
| PROFIT & LOSS SUMMARY | | | | |
| Revenue | 50.803 | 65.785 | 77.500 | 80.500 |
| Gross Profit | 16.871 | 21.129 | 24.825 | 26.250 |
| <i>margin</i> | 33.2% | 32.1% | 32.0% | 32.6% |
| Total Operating costs | -14.707 | -16.952 | -20.685 | -21.850 |
| <i>as a % of revenue</i> | 28.9% | 25.8% | 26.7% | 27.1% |
| Operating profit (before exceptionals) | 2.457 | 5.163 | 4.140 | 4.400 |
| EBITDA | 5.886 | 6.900 | 7.200 | 8.600 |
| <i>margin</i> | 11.6% | 10.5% | 9.3% | 10.7% |
| Finance costs | -0.722 | -1.293 | -0.700 | -0.675 |
| Profit/(Loss) before tax (adjusted) | 4.061 | 4.348 | 4.300 | 5.136 |
| Weighted Average Shares (fully diluted) | 36.01 | 36.68 | 38.41 | 38.95 |
| EPS adjusted (fully diluted) (pence) | 10.8 | 11.5 | 10.1 | 11.9 |
| Dividend | 4.40 | 1.46 | 1.46 | 2.20 |
| CASH FLOW | | | | |
| Net cash inflow/(outflow) from operating activities | 3.835 | 5.040 | 4.231 | 6.481 |
| 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 | 0.093 | -0.950 |
| BALANCE SHEET | | | | |
| Assets | | | | |
| Non-current assets | 31.559 | 37.559 | 35.000 | 36.100 |
| Current assets | 22.216 | 27.053 | 28.641 | 28.881 |
| Total Assets | 53.775 | 64.612 | 63.641 | 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 | 29.354 | 33.174 |
| Net (debt)/cash | -10.852 | -16.322 | -14.596 | -12.856 |

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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