

CORPORATE

Current price 111p

Sector Chemicals

Code (PLA.L)

Listing AIM

SHARE PERFORMANCE



Source: Fidessa, Allenby Capital

SHARE DATA

Market cap (£) 43.3m

Shares in issue (m) 39

52 weeks High Low

125p 103p

Financial year end March

Source: Company Data, Allenby Capital

LARGEST SHAREHOLDERS

Directors and related 15.89%

Camelot Capital 29.90%

Gresham House AM 10.61%

Octopus Investments 7.67%

Richard Vessey 6.66%

Harwood Capital 5.04%

Source: Company Data, Allenby Capital

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SYNOVIA PLC (SYN.L)

Higher costs in H2 reduce FY2019 forecasts

Synovia plc (formerly Plastics Capital plc) issued a trading update today indicating that although trading was strong across the Group, capacity and capability increases in the Films Division have been delayed. Relative to expectations, volumes and margins are down as higher margin products have been the ones constrained by capacity. Meanwhile costs were increased during the year to meet the additional volumes which have not fully come through. Although the Group expects full year results to March 2019 to be broadly in line with market expectations, we believe it prudent to pull back our EBITDA forecast by around 15% from £8.6m to £8.0m and adjusted EPS from 11.9p to 10.7p.

- Films, impacted by delays in commissioning new equipment** – At the half year revenues were up 12% in the division, but delays in installing and commissioning new capacity has had the effect of holding back sales conversion to the extent that revenue growth to date has reduced to 10%. In addition, management has had to cope with the integration of three separate businesses each with their own sales forces and factories into one commercial team. These projects were expected to be completed in Q3 FY2019 but have now run into Q4 when they are expected to be concluded satisfactorily.
- Benefits to come in FY March 2020** – While these project overruns are disappointing, their culmination in Q4 will provide a strong platform for FY2020 when there should be no more internal constraints to exploiting a strong order book and with all three business units fully integrated.
- Trading in the Industrial division remains satisfactory** – The Industrial division, which accounts for around 45% of Group revenues but due to higher margins rather more at the EBITDA level, continues to trade in line with management's expectations. Indeed, Bearing sales have exceeded management's budgets and this strong sales growth is expected to continue over the next few months. Progress in Mandrels and Matrix activities is also satisfactory.
- Forecasts reduced** – As a result of the temporary delays in the Film division and despite a satisfactory H2 for Industrials, we feel it prudent to reduce our revenue forecast for March 2019 from £84m to £83.5m and EBITDA from £8.6m to £8.0m. Adjusted EPS is reduced from 11.9p to 10.7p. While it is disappointing to have to scale back our expectations, we feel the Group is now well positioned to deliver strong results in FY 2020 and consequently we are leaving our forecasts for that year unchanged while fair value remains at 130p.

YEAR END: 31 MARCH

(£m)	2016A	2017A	2018A	2019E	2020E
REVENUE	50.8	65.8	76.7	83.5	89.0
REVENUE GROWTH	28.4%	29.5%	16.6%	7.7%	6.0%
ADJ EBITDA	5.9	6.9	7.0	8.0	9.0
ADJ PBT	4.1	4.4	4.2	4.7	5.7
EPS ADJ (p)	10.8	11.5	9.5	10.7	12.8
PER (x)	10.3	9.7	11.7	10.4	8.7
DIVIDEND (p)	4.40	1.46	0.00	0.00	0.00
NET DEBT	10.9	16.3	15.1	15.1	12.8

Please refer to the last page of this communication for all required disclosures and risk warnings.

FINANCIAL SUMMARY

EXHIBIT 2: FINANCIAL SUMMARY

	£m	£m	£m	£m
Y/E March	FY 2017A	FY 2018A	FY 2019E	FY 2020E
PROFIT & LOSS SUMMARY				
Revenue	65.8	76.7	83.5	89.0
Gross Profit	21.1	24.1	26.1	27.9
margin	32.1%	31.4%	31.3%	31.3%
Adjusted EBITDA	6.9	7.0	8.0	9.0
margin	10.5%	9.1%	9.6%	10.1%
Adjusted operating profit	5.2	4.9	5.5	6.5
Adjusted profit before tax	4.3	4.2	4.7	5.7
Statutory operating profit	3.3	2.2	3.9	4.9
Statutory profit before tax	0.8	2.8	3.2	4.0
Weighted Average Shares (basic)	35.0	37.9	38.8	39.0
Weighted Average Shares (fully diluted)	36.6	39.0	40.1	40.2
EPS adjusted (basic) (pence)	11.5	9.5	10.7	12.8
EPS adjusted (fully diluted) (pence)	10.9	9.2	10.2	12.4
Dividend	1.46	0.00	0.00	0.00

	£m	£m	£m	£m
Y/E March	FY 2017A	FY 2018A	FY 2019E	FY 2020E
CASH FLOW				
Cash generated from operations	6.2	4.5	6.8	8.1
Opening net cash/(debt)	-10.9	-16.3	-15.1	-15.0
Cash generated from operations	6.2	4.5	6.9	8.1
Interest (net)	-0.7	-0.8	-0.7	-0.7
Tax paid	-0.5	-0.3	-0.5	-0.5
Capex	-3.5	-3.7	-4.6	-4.0
Development expenditure capitalised	-0.5	-0.5	-0.4	-0.4
Acquisitions (net of cash acquired)	-4.1	-1.2	0.0	0.0
Proceeds from sale of PP&E	0.0	0.0	0.0	0.0
Dividends	-1.1	0.0	0.0	0.0
Proceeds from share issue	0.0	3.5	0.0	0.0
Other	-1.2	-0.4	-0.6	-0.2
Closing net cash/(debt)	-16.3	-15.1	-15.1	-12.8

	£m	£m	£m	£m
Y/E March	FY 2017A	FY 2018A	FY 2019E	FY 2020E
BALANCE SHEET				
Assets				
Non-current assets	37.6	39.4	42.0	43.9
Current assets	27.1	30.9	29.4	30.2
Total Assets	64.6	70.3	71.5	74.2
Liabilities				
Current liabilities	-21.3	-25.1	-24.4	-24.3
Non-current liabilities	-17.5	-14.1	-11.5	-9.7
Total Liabilities	-38.8	-39.2	-36.0	-34.0
Net Assets	25.8	31.1	35.5	40.2
Net (debt)/cash	-16.3	-15.1	-15.1	-12.8

Source: Allenby Capital; Synnovia plc

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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.

Allenby Capital acts as Joint Broker to Synnovia plc

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