

CORPORATE

Current price 93p

Sector Chemicals

Code (PLA.L)

Listing AIM

SHARE PERFORMANCE


Source: Fidessa, Allenby Capital

SHARE DATA

Market cap (£) 36.3m

Shares in issue (m) 39

52 weeks High Low

120.5p 92.5p

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%

Harwood Capital 5.04%

Source: Company Data, Allenby Capital

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SYNOVIA PLC (SYN.L)
Capacity expansion delays impact profit growth

Synovia plc (formerly Plastics Capital plc) issued a trading update today indicating that although trading has been strong across the Group, capacity increases in the Films Division were delayed beyond expectations. These delays, coupled with associated increased costs and unexpected cost inflation, have impacted profitability in Films. As a result, Group profits are expected to be marginally below current market expectations but still ahead of the previous year. Trading in the higher margin Industrial Division has remained strong, especially in the bearings business. To reflect the reduced profitability within the Films Division we are reducing Group EPS forecasts by c.9% to 9.7p for the year to March 2019 and c.10% to 11.5p for FY2019/20.

- **Film Division impacted by delays in commissioning new equipment** – In February 2019 we reduced our forecasts for the Film Division to reflect delays in installing and commissioning new capacity. These projects, which were slated to be completed in Q3 2018/19, came on stream in early calendar 2019, too late to enable a full recovery. In addition, management had to cope with the integration of three separate businesses, each with their own sales forces and factories, into one commercial team.
- **Benefits to come in FY March 2020** – While these project overruns are disappointing, their culmination in early 2019 will provide a solid platform for FY2020 to exploit a strong order book, albeit tempered somewhat by the higher input costs noted above.
- **Trading in the Industrial division remains good** – The Industrial division has enjoyed another year of strong organic growth with bearings performing exceptionally well. Prospects for this business are good going forward.
- **Forecasts reduced** – Given the expectation of profits marginally below forecasts we have reduced our EPS expectations for the year to March 2019 by around 9% and around 10% for FY2019/20. The latter reduction reflects a minor downgrade to underlying EBITDA of around 2% but an increase in anticipated depreciation charges to reflect the significant capital investment undertaken during the past financial year.
- **Group now well positioned** – In spite of the reduction to forecasts, we feel the Group is now well positioned to exploit a strong order book in both divisions and consequently we are leaving our fair value for the shares at 130p.

YEAR END: 31 MARCH

(£m)	2016A	2017A	2018A	2019E	2020E
REVENUE	50.8	65.8	76.7	81.5	90.0
REVENUE GROWTH	28.4%	29.5%	16.6%	6.3%	10.4%
ADJ EBITDA	5.9	6.9	7.0	7.6	8.8
ADJ EBITDA GROWTH	12.0%	16.9%	1.4%	8.6%	15.8%
ADJ PBT	4.1	4.4	4.2	4.3	5.1
EPS ADJ (p)	10.8	11.5	9.5	9.7	11.5
PER (x)	8.6	8.1	9.8	9.6	8.1
DIVIDEND (p)	4.40	1.46	0.00	0.00	0.00
NET DEBT	10.9	16.3	15.1	16.5	14.9

Source: Synovia; Allenby

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

FINANCIAL SUMMARY

EXHIBIT 2: SUMMARY FINANCIALS

	£m	£m	£m	£m
Y/E March	FY 2017A	FY 2018A	FY 2019E	FY 2020E
PROFIT & LOSS SUMMARY				
Revenue	65.8	76.7	81.5	90.0
Gross Profit	21.1	24.1	25.7	28.2
margin	32.1%	31.4%	31.5%	31.3%
Adjusted EBITDA	6.9	7.0	7.6	8.8
margin	10.5%	9.1%	9.3%	9.8%
Adjusted Operating profit	5.2	4.9	5.2	6.0
Adjusted Profit before tax	4.3	4.2	4.3	5.1
Statutory Operating profit	3.3	2.2	3.6	4.4
Statutory Profit before tax	0.8	2.8	2.9	3.5
Weighted Average Shares (basic)	35.0	37.9	38.4	38.4
Weighted Average Shares (fully diluted)	36.6	39.0	40.1	40.2
EPS adjusted (basic) (pence)	11.5	9.5	9.7	11.5
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	6.3	8.0
Opening net cash/(debt)	-10.9	-16.3	-15.1	-16.5
Cash generated from operations	6.2	4.5	6.3	8.0
Interest (net)	-0.7	-0.8	-0.9	-0.8
Tax paid	-0.5	-0.3	-0.1	-0.7
Capex	-3.5	-3.7	-6.1	-4.6
Development expenditure capitalised	-0.5	-0.5	-0.3	-0.3
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	-0.3	0.0
Closing net cash/(debt)	-16.3	-15.1	-16.5	-14.9
	£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	44.4	46.3
Current assets	27.1	30.9	29.4	30.2
Total Assets	64.6	70.3	73.9	76.6
Liabilities				
Current liabilities	-21.3	-25.1	-25.0	-24.8
Non-current liabilities	-17.5	-14.1	-12.4	-11.4
Total Liabilities	-38.8	-39.2	-37.4	-36.1
Net Assets	25.8	31.1	36.5	40.4
Net (debt)/cash	-16.3	-15.1	-16.5	-14.9

Source: Synnovia; Allenby

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