

Synnovia PLC

00:22 03 Jul 2018

Plastics Capital's films division enjoys record year

The financial year just ended was "an outstanding year for organic growth", Plastics Capital Plc's (LON:PLA) chairman, Faisal Rahmatallah, said.

The year to the end of March 2018 was a particularly strong one for the films division, which saw a 27% year-on-year increase in like-for-like sales and a 26% increase in underlying earnings (Ebitda).

READ: Plastics Capital's revenues boosted by sales of wrappings and films Group revenue rose 16.6% to £76.73m from £65.79m the year before and was up 13.0% on a like-for-like basis. The top-line was a bit higher than the consensus forecast of £76.6m.

Adjusted Ebitda edged up 1.9% to £7.03m from £6.9m the previous year, while adjusted profit before tax slipped 3.7% to £4.19m from £4.35m, but was ahead of the median forecast of £4.00m from the estimates of analysts that follow the stock.

The company, which specialises in producing plastic products for industry, such as mandrels (rods used to make holes in hydraulic pipes), said organic growth was so strong that it opted not to reintroduce dividend payments as it believes the money would be better deployed growing the business.

Trading in the current financial year has been "relatively good", making up for weak momentum at the end of the previous financial year.

The group's bearings business has not suffered the sort of disappointing start to the year it experienced last year, although Rahmatallah conceded there is still some way to go for the board to be satisfied that the right momentum is being achieved in this business.

READ: Plastics Capital sales growth picking up a shade slower than expected "FY2018 has been an outstanding year for organic growth, particularly in our films businesses. To capitalise on this, we have recruited and trained new staff, invested in new facilities and equipment, and raised equity capital to make sure that we have scope for further growth as we move into the next financial year. As a result, our operating profit margin has reduced somewhat during the year but we consider this to be a sensible trade-off for the creation of long-term shareholder value," Rahmatallah said.

The Plastics Capital chairman added that the group should see some improvement to margins as losses incurred over the last two years from currency hedges taken out pre-Brexit fall away.

"We continue to have a number of exciting projects that we will be investing in as the current financial year progresses. We believe these projects will help us to deliver good growth over the next few years and we anticipate that this year will be another year of good progress," he added.

Strong results

Ed Stacey, an analyst at Capital Network, said it was a strong set of results.

1 Year Share Price Graph



Share Information

Code: SYN
Listing: LSE
Sector: Materials
Website: www.synnoviapl.com

Company Synopsis:

We build relationships with international businesses looking for solutions in their manufacturing of high volume components and consumables. Our partners are businesses with niche applications or designs, who appreciate the technical collaboration, innovation and service that Synnovia offers.

action@proactiveinvestors.com.au

"Revenues of £76.7m and EPS of 9.5p are both slightly ahead of our forecast, which was last updated at the time of the detailed Plastics Capital trading update on May 2.

"The most important headline metric, in our view, is the organic (like-for-like) revenue growth of 13.0%, which reflects a strategy shift undertaken last year to focus more on top-line growth," Capital Network added.

"We believe that the current valuation at a Mar2019 P/E of 9.3x represents an interesting entry point in light of these growth dynamics," the research house concluded.

WATCH: Plastics Capital's film division enjoys record year

The company's joint broker, Allenby Capital, said the results were in line with its previously reduced expectations, with the strong growth from the Film division offset by a disappointing outcome from the Industrial division, particularly BNL, the unit that manufactures plastic ball bearings and related assemblies.

"The disappointment arose through the volatile call-off on plastic components from two of BNL's key customer projects. Excellent growth in the lower margin Films business was insufficient to make up the ground lost in the higher margin and leveraged Industrial division," Allenby noted.

"Capital investment continues to be required to support strong organic growth and the final dividend was passed, contrary to our expectations. We anticipate a stronger performance from Industrials in the current year which, together with continued growth in Films, should allow our FY2019 forecast to at least be maintained and keep the group on track to achieve its five-year growth plan through to FY2020," the broker said.

Shares in Plastics Capital were down 0.4% at 110p.

--- adds broker comment, share price and video link ---

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.