

## PLASTICS CAPITAL PLC (LON:PLA)

### Trading update

#### LATEST RELEASE

Plastics Capital (LON:PLA) released a trading update on May 2, for the year ending March 31. The company reports that trading remains broadly in line with market expectations. The statement confirms a strong annual revenue growth, reflecting the contribution from the acquired CCM creasing matrix business and also increased organic growth, led by the Films division.

The strong revenue performance reflects a strategy shift undertaken last year to focus more on top-line growth.

#### EBITDA MARGIN DILUTION

As per the trading update in February, the company confirms that there is some EBITDA margin dilution. We are now forecasting a FY Mar18 EBITDA margin of 9.1% versus 10.4% in the previous year. This is a reduction versus our previous forecast of 9.3% reflecting cost investments relating to the growth strategy, and a mix shift towards lower margin Films revenues whilst some higher margin revenues in the Bearings business have been delayed.

#### THE BEARINGS BUSINESS

The company has previously cautioned that some large contracts within the Bearings business are experiencing slower revenue ramp-up than originally anticipated. In the latest release, the company reports "some improvement in this situation", together with initial revenues coming through from additional contracts more recently signed.

There remains a negative group EBITDA impact for FY Mar2018 due to the delays in this high margin business. However, we believe that the Bearings business is now positioned to make positive incremental contributions from FY Mar2019 onwards.

#### CONCLUSIONS

During the last two years Plastics Capital (LON:PLA) has undertaken a significant programme of investments, including £3.4m of capex for new production capacity and £0.7m investment in new capabilities and specific customer projects. The benefits of these investments are evident in the current level of revenue growth, and we believe that profitability will follow suit in FY Mar2019 and going forwards due to operating leverage and more favourable mix.

y/e March 31st, £GB	2017	2018e Old	2018e New	2019e Old	2019e New
Revenue	65.8	77.5	76.6	81.0	84.0
EBITDA	6.9	7.2	6.9	8.6	8.4
EBITDA margin	10.5%	9.3%	9.1%	10.6%	10.0%
Underlying PBT	4.3	4.3	4.0	5.1	5.1
Underlying EPS (p)	11.5	10.1	9.4	11.9	11.9
Source: Capital Network					

## BASIC MATERIALS

02/05/2018

SHARE PRICE

▲ **117.0p**

52 WEEK LOW

▲ **111.5p**

MARKET CAP

▲ **£44.3m**

52 WEEK HIGH

▲ **120.0p**

GROSS CASH

▲ **£5.0m**

NAV

▲ **£30.6m**

## MAJOR SHAREHOLDERS

- 1) Camelot Capital Partners: 27.9%
- 2) Livingbridge: 10.6%
- 3) Octopus Investments: 7.7%

Shares in Issue 38.95m

Avg Volume Daily 22,402

Primary index AIM

EPIC LON:PLA

Next Key Announcement FY March 2018, July 2<sup>nd</sup> 2018

Sector Basic Materials

## SHARE PRICE CHART



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