

Synnovia PLC

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Synnovia grows top line and ups investment for future growth

Synnovia PLC (LON:SYN) reported record sales growth but adjusted profits were just above flat as the plastic components and film packaging specialist invested for growth.

Revenue for the 12 months to 31 March of £81.6m was up 8.7% on the previous year as the Industrial arm grew sales 9.7% on a like-for-like basis and the Films division by 7.5%.

Synnovia, which changed its name from Plastics Capital during the year, reported underlying earnings (EBITDA) of £7.6m that were up 7.3% year on year, with adjusted profit before tax up 0.1% at £4.2m as Films was hit by delays and disruption in the installation of new capacity.

This new capacity is all installed and fully functional for the new financial year but contributed to investment during the year rising more than management expected, with some spending spill-over from the end of the previous period and "some good opportunities for investment" coming up during the year.

Focusing on the top line for now, chairman Faisal Rahmatallah said it had been "another excellent year for organic growth".

"To maintain our momentum, we have recruited and trained new staff, invested in new facilities and equipment, and refinanced our banking facilities post period-end. This has suppressed our profitability for the year somewhat as we continue to invest for future growth.

In total, £6.1m was invested, mostly on additional capacity and capabilities, plus an upgrade of facilities in the Films division and some customer-specific projects, which was funded by free cash flow of £4.7m and by increasing net debt by £1.3m to £16.4m." he added.

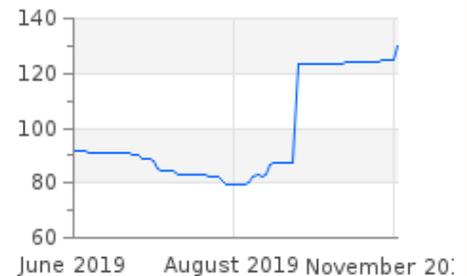
"We consider this reinvestment policy to be the best approach for the creation of long-term shareholder value," Rahmatallah said, adding that the board is confident that FY2020 will be "another year of significant progress".

Broker Allenby said progress "would have been even stronger had it not been for some minor delays in planned expansion in the Films division", while the Industrial division "had an excellent year, unhindered by the delays in new business starts which impacted FY2018".

"Both Flexipol and Industrials entered the new financial year in good shape with encouraging order books and prospective growth that will be supported by refinanced, enlarged and extended banking facilities. While acknowledging a relatively weak start to the year, we still expect another year of progress as the group continues to benefit from inward investment and increased capacity."

-- Broker comment added --

1 Year Share Price Graph



Share Information

Code: SYN
Listing: LSE
Sector: Materials
Website: www.synnoviaplc.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.

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