

PLASTICS CAPITAL PLC (LON:PLA)

Delivering balanced growth

H1 RESULTS TO SEPTEMBER 2018

Plastics Capital (LON:PLA) has reported first half (H1) results to September 2018 showing revenue growth of +11.4%, underlying earnings (EBITDA) growth of +42.8%, and adjusted earnings per share (EPS) growth of +67.9%. These results reinforce our confidence in our full-year (FY) March 2019 forecasts, including our EPS growth forecast of 25.3%.

WHAT'S CHANGED SINCE THE LAST UPDATE

When Plastics Capital reported FY Mar2018 results in June, the Industrials division was just beginning to show signs of improvement following some disappointing project delays, particularly in the high-margin Bearings business. The H1 results release shows 10.9% revenue growth for Industrials, including 18% for Bearings, with commensurate benefit to EBITDA. We argue that this provides very encouraging evidence that the growth plan for Industrials is moving back on track.

The Films division has delivered continued growth in revenues and profit, with further benefits still to come through from the integration programme in this division.

FORWARD-LOOKING COMMENTARY

The outlook statement confirms that Plastics Capital expects FY Mar2019 results "in line with consensus market expectations". We believe this supports our (unchanged) forecast. The company lists various uncertainties that could affect the near-term or medium-term outlook – Brexit, trades wars, and the UK's proposed plastics tax to be introduced in 2022. We believe that these are all well known to the market and do not represent new incremental risks.

Looking further forward, the company has rolled forward its EBITDA target, from "£10.5m by FY Mar 2020" to "£15m by FY Mar 2024". We believe this reflects a continuation of the growth trajectory, following the success delivered in H1 2018/19.

CONCLUSION – POTENTIAL VALUATION UPSIDE

The company's strategic pivot to a more growth-oriented strategy, which commenced in H2 15-16 is now delivering tangible results. We argue that the current valuation of 8.7x P/E (price/earnings) for FY Mar19 does not reflect the ongoing growth potential, and we would expect a valuation re-rating for the shares if progress continues as expected in H2.

y/e March 31, £GB - mln	H1 2018	2018	H1 2019	2019e	2020e
Revenue	36.5	76.7	40.6	84.0	87.0
EBITDA	2.6	7.0	3.7	8.4	8.9
EBITDA margin	7.0%	9.1%	9.0%	10.0%	10.2%
Underlying profit before tax	1.2	4.2	2.1	5.1	5.6
Underlying EPS (p)	2.8	9.5	4.7	11.9	13.1
Source: Capital Network					

SPECIALITY CHEMICALS

03/12/2018

SHARE PRICE	52 WEEK LOW
▲ 104p	▲ 101p
MARKET CAP	52 WEEK HIGH
▲ £39.6mln	▲ 130p
NET DEBT	NAV
▲ £15.7mln	▲ £32.1mln

MAJOR SHAREHOLDERS

1) Camelot Capital Partners:	29.9%
2) Livingbridge:	10.6%
3) Octopus Investments:	7.7%

Shares in Issue 39.0mln

Avg 3 month trading Volume 6,700

Primary index AIM

EPIC LON:PLA

Next Key Announcement FY end March 31 2019

Sector Basic Materials

SHARE PRICE CHART



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