

### Industrial Goods

52-WEEK HIGH	116.00p
52-WEEK LOW	84.40p
PRICE	88.00p
MARKET CAP MLN	£34.71
NET DEBT (MLN)	£16.40

### Share Price



### Major Shareholders

Camelot Capital Partners LLC - 29.9%	
Gresham House Asset Mgt - 10.6%	
Octopus Investments Ltd - 7.7%	
Shares in issue	38,995,151
Avg Three-month trading volume	13,206
Primary Index	AIM
Next Key Announcement	AGM Aug 19

### Company Information

Address: Room 1.1, London Heliport SW11 3BE  
Website: [www.synnoviaplc.com](http://www.synnoviaplc.com)

### Analyst Details

Ed Stacey  
[ed.stacey@proactiveinvestors.com](mailto:ed.stacey@proactiveinvestors.com)

## Synnovia - FY results, encouraging signs

### FY 2019 results

Synnovia (LON:SYN) has released its full-year (FY) results to March 2019. These were in line with the forecasts we issued following the April 2019 trading statement. Revenues increased 8.7% to £81.6m, earnings before interest, tax, depreciation, and amortisation (EBITDA) were up 7.3% at £7.5m, and earnings per share (EPS) were up 2.1% at 9.7p. We use the company's adjusted profit figures, to exclude the non-cash mark-to-market of foreign exchange (FX) hedging instruments.

The Industrial division and Films division achieved like-for-like revenue growth of 9.7% and 7.5% respectively. In EBITDA terms, positive progress in the Industrial division was broadly offset by the previously disclosed production issues in the Films division, with the group EBITDA up 7.3% after £0.7m of FX benefit.

### Outlook

The company states that FY to March 2020 is expected to be another year of good progress for the group. We interpret this to mean growth in revenues and earnings, albeit we are now reducing the growth in our forecasts, forecasting revenue of £88m and EPS growth of 10.3% to 10.7p.

The statement notes that the first quarter (Q1) of FY2020 has been relatively weak due to a pre-Brexit stock build-up in Q4 FY2019 (a negative), but that production issues in the Films division have been largely resolved (a positive). Our forecasts take into account the slow Q1.

Looking further forward, the company has revised its five-year target plan. The previous aim of doubling EBITDA over the five years 2016-2021 is no longer expected to be achieved (we believe this is clear already), and a new target has been set of reaching £15m EBITDA by 2023/24. We believe that the new target is realistic, and offers compelling upside for shareholders.

### Valuation and conclusion

At the current share price Synnovia is valued on a March 2020e price/earnings (P/E) ratio of 8.2x. The company has an established record of revenue growth and a significant upside opportunity in improving profit margins. We believe that the valuation could re-rate upwards as risk factors such as Brexit uncertainty begin to dissipate.

Year end Mar 31	2018	2019	Current	2021
Revenue £M	75.1	81.6	88.0	91.0
EBITDA (£M)	7.0	7.5	8.6	9.1
Underlying PBT	4.2	4.2	4.6	5.0
EPS (p)	9.5	9.7	10.7	11.6

Capital Network

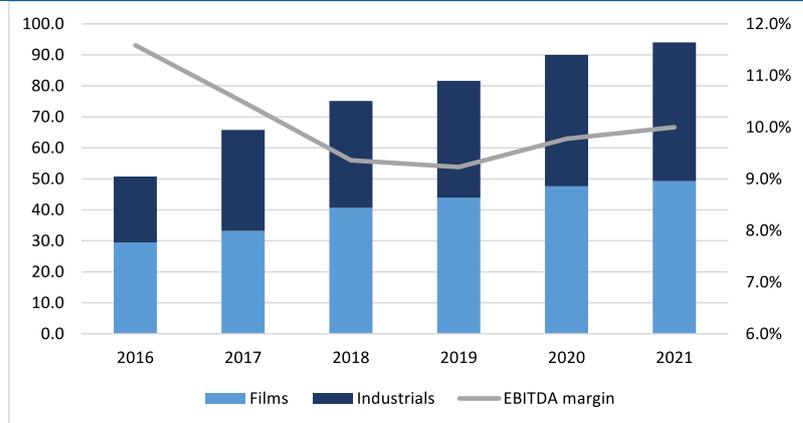
**Faisal Rahmatallah, chairman.**

Rahmatallah is a founding shareholder of Synnovia PLC. He has more than 20 years in the sector, and holds an MBA from Harvard Business School.

**Nick Ball, group finance director.**

Ball joined Synnovia PLC in 2005. He is an ACA accountant and spent 10 years working at Deloitte & Touche.

**Revenues by division (£mIn), EBITDA margin (%)**



Source: Company data, Capital Network forecasts

Synnovia is a specialist manufacturer of industrial components and consumables. Applications for these products vary widely and examples include:

- Packaging for the food manufacturing and distribution - films, sacks and pouches
- Steering columns and instrument control knobs in the automotive industry - plastic ball bearings
- Hydraulic and industrial rubber hose manufacture - various types of plastic mandrel
- Cardboard box manufacture - creasing matrices

**In 2019 the company achieved strong organic revenue growth in both divisions**

The company's activities are grouped into two divisions - Films, which contains the films, sacks and pouches activities, and Industrials, which contains the other activities.

The chart above shows the revenue per division, together with the group's EBITDA margin.

In 2019 the company achieved strong organic revenue growth in both divisions; however, this did not translate into improving margins, due to additional operating expenditure to drive future revenue growth, and also the negative impact of production issues in the Films division, detailed in the trading statement of April 2019 and previous updates. The issues within Films are now largely resolved, and we believe that margins will improve in 2020 and 2021 driven by organic revenue growth in both businesses, and non-recurrence of the issues in Films.

## General Disclaimer and copyright

### LEGAL NOTICE – IMPORTANT – PLEASE READ

Capital Network is a trading name of Proactive Investors Limited which is regulated and authorised by the Financial Conduct Authority (FCA) under firm registration number 559082. This document is published by Capital Network and its contents have not been approved as a financial promotion by Proactive Investors Limited or any other FCA authorised person. This communication is made on the basis of the 'journalist exemption' provide for in Article 20 of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and having regard to the FCA Rules, and in particular PERG 8.12.

This communication has been commissioned and paid for by Synnovia PLC and prepared and issued by Capital Network for publication. All information used in the preparation of this communication has been compiled from publicly available sources that we believe to be reliable, however, we cannot, and do not, guarantee the accuracy or completeness of this communication.

The information and opinions expressed in this communication were produced by Capital Network as at the date of writing and are subject to change without notice. This communication is intended for information purposes only and does not constitute an offer, recommendation, solicitation, inducement or an invitation by, or on behalf of, Capital Network to make any investments whatsoever. Opinions of and commentary by the authors reflect their current views, but not necessarily of other affiliates of Capital Network or any other third party. Services and/or products mentioned in this communication may not be suitable for all recipients and may not be available in all countries.

This communication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Before entering into any transaction, investors should consider the suitability of the transaction to their individual circumstance and objectives. Any investment or other decision should only be made by an investor after a thorough reading of the relevant product term sheet, subscription agreement, information memorandum, prospectus or other offering document relating to the issue of securities or other financial instruments.

Nothing in this communication constitutes investment, legal accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate for individual circumstances or otherwise constitutes a personal recommendation for any specific investor. Proactive Research recommends that investors independently assess with an appropriately qualified professional adviser, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. The investor may not get back the amount invested or may be required to pay more.

Although the information and date in this communication are obtained from sources believed to be reliable, no representation is made that such information is accurate or complete. Proactive Research, its affiliates and subsidiaries do not accept liability for loss arising from the use of this communication. This communication is not directed to any person in any jurisdiction where, by reason of that person's nationality, residence or otherwise, such communications are prohibited.

This communication may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor's, Moody's, Fitch and other similar rating agencies. Reproduction and distribution of third-party content in any form is prohibited except with the prior written consent of the related third-party. Credit ratings are statements of opinion and are not statements of fact or recommendations to purchase, hold or sell securities. Such credit ratings do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied upon as investment advice.

Persons dealing with Capital Network or members of the Proactive Investors Limited group outside the UK are not covered by the rules and regulations made for the protection of investors in the UK.

Notwithstanding the foregoing, where this communication constitutes a financial promotion issued in the UK that is not exempt under the Financial Services and Markets Act 2000 or the Orders made thereunder or the rules of the FCA, it is issued or approved for distribution in the UK by Proactive Investors Limited.

#### London

+44 207 989 0813  
 The Business Centre  
 6 Wool House  
 74 Back Church Lane  
 London E1 1AF

#### New York

+1 347 449 0879  
 767 Third Avenue  
 Floor 17  
 New York  
 NY 10017

#### Vancouver

+1 604-688-8158  
 Suite 965  
 1055 West Georgia Street  
 Vancouver, B.C. Canada  
 V6E 3P3

#### Sydney

+61 (0) 2 9280 0700  
 Suite 102  
 55 Mountain Street  
 Ultimo, NSW 2007