

Morning Notes; Finals Update

16 October 2018

CORAL PRODUCTS * CRU.L (Aim Listed)

The share price is yet to reflect the recovery and the new business opportunities.

- The year-end results to April 2018, showed that the new CEO, Mike Wood, is doing well. He instigated a comprehensive review and subsequent actions have improved what was a loss-making situation at Haydock and resulted in a significant turnaround, from the surprise profit warning earlier this year. These better than expected finals, reported in late September, showed a PBT of £0.6m on £23.4m turnover.
- The integration of the plant and machinery from the ICM acquisition into Coral has been successfully completed. The Interpack food packaging business had been hit by low cost competition but has successfully increased its product range and is outsourcing to low cost suppliers so should be able to maintain a 10% profit margin. The group is continuing to be active in the supply of Tote boxes, which are used by on-line distributors, which is a fast-growing market and international expansion is being considered. Plans are underway at Global One Pack (GOP) to develop and market a fully-recycled bottle and cap.
- After extensive investigation, a plastic recycling plant with a capacity 4 tons an hour is being developed at the Haydock facility. This service will take used plastic waste bins back from local authorities to recycle so helping reduce land fill and both internal waste and raw material costs. The focus is on polypropylene base products and the operation is expected to commence production in 2019. There are advanced talks with a number of local authorities. The strategic focus remains on value-added innovative products, particularly in the food container, automotive, telecommunications and rail industry markets. This is demonstrated by the recently announced partnership with Rotite Technologies, who have developed a range of patented products within these sectors.
- The statement indicates that the improved second half has continued into the current year ending April 2019 with strong sales anticipated. The current year will benefit from the Haydock cost reductions, the investments made last year and the recent acquisitions. CRU have been profitable every month so far this financial year and we expect Profit Before Tax (PBT) for the Year to April 2019 to improve significantly to £1.8m (before writing-off intangibles) on turnover of £28m giving an EPS of 1.7p for a prospective P/E of 6x. We anticipate a restoration of the 0.7p dividend, which will be more than twice covered by earnings and, giving the shares at 10p, a 7% yield. These numbers do not contain any contribution from the new recycling division which should make a significant contribution for the year-ending April 2020. Gearing is 55% and the liquidity ratio is tight at 0.9:1 but last year produced positive cashflow of £1.0m and this likely to improve sharply this year so planned growth can be funded from cashflow. **We think the new recycling division could make a significant impact to future earnings and the share price is yet to reflect the recovery that is well underway.**

Price	10p
Market Cap	£7.5mm
No of shares	82.61m
Gearing	51%
Next Results	Interims January 2019
Sector	Manufacturing



Company Description

www.coralproducts.com/

Coral Products is a manufacturer & distributor of plastic injection, extruded and blow moulded products into a diverse range of sectors including food packaging, personal care, household, healthcare, automotive, telecoms and rail.

*Daniel Stewart are corporate broker to the company



Disclosure Checklist

Company	Code	Disclosure
Coral Products PLC	CRU.L	1,2,6,8,9,10
Company Code Disclosure		
Source: Daniel Stewart		
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