

House View Brokers Note: **Building Momentum**

1st August 2018

Coral Products PLC (AIM)

The actions taken to improve the situation at Haydock have resulted in a significant turnaround. Additionally, the strategic move into recycling seems to be well-timed although our PBT forecast for the April 2019 year-end does not take this into account.



- In the half year to October 2017, the group reported a small loss of £7k on sales up 10.8% to £11.9m. The loss was attributed to the continuing poor performance of the Haydock facility. A comprehensive review, instigated by the new CEO Mick Wood, highlighted £425,000 of non-recurring losses. The interim dividend was suspended.
- The Trading update released today reported that the group has made an operating profit in each of the last four months to April 2018 with the result that it will meet the revised expectations of break-even for the current year.
- After some extensive investigation, Coral has invested in a plastic recycling plant at the Haydock facility. This service will take used plastics back from customers to recycle, helping reduce land fill and reducing both internal waste and raw material costs. The pricing strategy is yet to be decided and further details should be announced in due course.
- The statement indicates that the improved second half has continued into the current year ending April 2019 with strong sales reported for May and June. The current year will benefit from the Haydock cost reductions, the investments made last year and new business.
- The integration of plant and machinery from ICM into Coral has been successfully completed. Since the acquisition in March 2017, over 30 new automotive products have been introduced and new orders from Renault and Vauxhall for van door handles are being delivered.
- The strategic focus remains on value-added innovative products, particularly in the food container, automotive, telecommunications and rail industry markets. Since the interims, directors have been buying shares, paying up to 10.5p. Profit Before Tax (PBT) for the Year to April 2019 is expected to improve significantly to £1.8m on turnover of £28m. We anticipate a restoration of the 0.7p dividend, which will be twice covered by earnings. The shares have obvious attractions.

(LSE: CRU) Trading Update

Price **10p**
 Market Cap. **£8.26m**
 Next results Y/E April '18 **Aug'**



Shares in issue **82,614,865**
 Net Cash /(Debt) **(£2.6m)**
 NAV **£13.5m**
 Next event finals to Apr. **RNS Aug. '18**
 Last reported interims **RNS Jan. '18**
 Oct

Financials (£000's)

| Y/E April | 2017A | 2018E | 2019E |
|--------------|-------|-------|-------|
| Revenue | 21.43 | 24.00 | 28.00 |
| EBITDA | 1.91 | 1.2 | 3.4 |
| PBT | 0.86 | B/E | 1.8 |
| EPS (p) | 1.0 | | 1.5 |
| Dividend (p) | 0.7 | | 0.7 |
| P/E (x) | | | 6.7 |
| Yield % | | | 7.0 |

Company Description

Coral's key manufacturing process is plastic injection moulding, blow moulding and extrusion profiles.

www.coralproducts.com

Contact Details:

David Lawman, Corporate Broking
Jon Levinson, Corporate Broking
020 7776 6550



Disclosure Checklist

| Company | Code | Disclosure |
|-------------------------|-------|------------|
| Coral Products PLC | CRU.L | 1,2,3,6,10 |
| Company Code Disclosure | | |

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