

Morning Notes; Stunning Interims Update

30 November 2018

CORAL PRODUCTS * CRU.L (Aim Listed)

- The recently reported interims to 31 October 2018, showed substantial recovery in KPIs. A Profit Before Tax (PBT) £582,000, (loss £7,000) was reported on 9.8% increase in revenue to £13.8m. The underlying EBITA increased 77.9% to £1.75m and an interim dividend is being restored at 0.25p. This is nicely in-line with our expectations for the full year.
- This improvement in trading was flagged in the AGM trading update. It is the result of actions taken to improve what was a loss-making situation at Haydock and has resulted in a significant turnaround, following last year's profit warning.
- A state of the art plastic recycling system has been purchased with a capacity 1 tons an hour is being developed at the Haydock facility. The system is set to be installed in December 2018 and commissioned in January. 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 and revenue can be expected to generated this year which should make a significant contribution for the year-ending April 2020.
- 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 group is continuing to be active in the supply of Tote boxes and new orders are being won. These 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.
- The current year will benefit from the Haydock cost reductions, the investments made last year and the recent acquisitions. 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.
- Gearing is 55% but net cash generated from operation increased sharply to £1.42m so planned growth can be funded from cashflow. The interim's are evidence that Coral are returning to a growth phase with new products and **the new recycling division. We think this is yet to be reflected in the current price.**

Price	10.25p
Market Cap	£8.5mm
No of shares	82.61m
Gearing	51%
Next Results	Finals April 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

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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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