

Carclo

Sale of Wipac completed

Carclo has exited from its loss-making Wipac business which has been acquired by Wuhu Anrui Optoelectronics, a manufacturer of LED-based automotive lighting. This ensures continuity for both customers and employees. Carclo's pension scheme will receive £3.5m of the net proceeds of the sale while another £5.0m will be used to reduce debt. Our estimates will remain under review until the interims in mid-January.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/17	138.3	11.0	12.1	0.0	1.6	N/A
03/18	146.2	9.1	9.8	0.0	1.9	N/A
03/19	144.9	6.4	7.0	0.0	2.7	N/A
03/20e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items including the price concession on exit from the mid-volume automotive business and share-based payments. FY19 adjusted PBT is unaudited.

The Wipac business reported a £13.3m operating loss during FY19 and required substantial cash investment. The disposal enables Carclo to focus on its two remaining divisions, which the board believes provide a solid, cash-generative foundation to build on for the future. During FY19, underlying EBIT from the Technical Plastics division (CTP) increased by 3% to £6.8m as the operational improvement programme addressing labour shortages and programme delays began to deliver results. The second half was much stronger than the first, reaching 9.2% underlying EBIT margin. The Aerospace division delivered a 74% jump in underlying EBIT to £1.3m. These encouraging performances continued in H120.

The Optics business, which was previously a standalone entity within Wipac, remains part of Carclo. This business provides design and distribution capability for the injection moulded industrial lighting optics manufactured by CTP Czech. Optics generated £1.1m profit before tax during FY19.

The disposal also helps further reduce the group's net debt, which has already reduced substantially from £38.5m reported at end FY19, and its IAS 19 pension deficit, which was £49.1m at end FY19. Carclo is now in a more stable financial position from which to continue the long-term funding and pension contribution negotiations which are key to its future.

Exit from Wipac business

Tech hardware & equipment

2 January 2020

Price **18.8p**

Market cap **£14m**

Net debt (£m) at 31 August 2019 26.2

Shares in issue 73.4m

Free float 78.4%

Code CAR

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Carclo is a specialist in high-precision plastic moulding, principally in healthcare, optical and automotive applications. Its two main end-markets are high-volume medical consumables and low-volume, very high-value automotive lighting.

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