

Carclo

FY19 results

Wipac woes overshadow CTP improvement

Carclo's FY19 results show the deleterious impact of the issues at Wipac, which overshadowed profit growth at both the Technical Plastics (CTP) and smaller Aerospace divisions. Group revenues decreased by 1% y-o-y while underlying EBIT of £1.3m adjusted for exceptionals, including a price concession on exit from the mid-volume automotive business (effectively a revenue impairment), fell by £2.4m to £8.4m (unaudited). Our estimates remain under review until there is more clarity on the exit from Wipac.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/17	138.3	11.0	12.1	0.0	0.9	N/A
03/18	146.2	9.1	9.8	0.0	1.1	N/A
03/19	144.9	6.4	7.0	0.0	1.5	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.

CTP underlying EBIT increased by 3% to £6.8m as the operational improvement programme addressing labour shortages and programme delays began to deliver results. As this was at a slower rate than anticipated, 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 during H120. The board believes that these two divisions provide a solid, cash-generative foundation to build on for the future.

The Wipac business was stretched beyond its operational capabilities by launching an unprecedented number of low-volume programmes into production at the same time and establishing a new manufacturing facility in the US for one of the mid-volume programmes. This resulted in adjusted underlying EBIT halving from £6.4m to £3.2m (adjusted for the £7.1m revenue impairment) and required substantial cash investment. The board is currently actively pursuing the sale of Wipac. If no disposal occurs, the board will assess other options for exiting this business.

Net debt has reduced substantially since end FY19. Management has agreed with trustees on the level of pension contributions to be paid until January 2021. This has enabled the group to extend its existing borrowing facilities for the same period.

Tech hardware & equipment

15 November 2019

Price **10.7p**
Market cap **£8m**

Net debt (£m) at 31 March 2019 38.5

Shares in issue 73.4m

Free float 91.8%

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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