

CORAL PRODUCTS PLC
('Coral' or the 'Company' or the 'Group')

Final Results

Coral Products PLC, a specialist in the design, manufacture and supply of injection moulded plastic products based in Wythenshawe, Manchester, announces its audited final results for the year ended 30 April 2024.

<i>Financial headlines</i>	<i>2024 £m</i>	<i>2023 £m</i>
Group sales	31.0	35.2
Gross profit	10.7	10.5
Gross margin %	34.4%	29.7%
Underlying results *		
- Operating profit	1.8	2.7
- Profit before taxation	0.8	2.3
- EBITDA	3.2	3.9
- Basic earnings per share	0.96p	2.60p
Statutory Results		
- Operating profit	0.1	1.7
- Profit before taxation	(0.9)	1.3
- EBITDA	2.0	3.4
- Basic earnings per share	(1.02)p	1.44p
Dividend paid per share	0.25p	1.1p
Proposed final dividend payment per share	0.25p	-

** Underlying results are reported before separately disclosed items, as shown in note 2. Such underlying results are not intended to be a substitute for, or superior to, IFRS measures of profit.*

Financial and Operational Highlights

- Lance Burn appointed CEO on 2 January 2024. Since then, the Group has been re-organised under a focused and accountable new two-Division structure, Flexibles and Rigid, which will progressively deliver performance and margin improvement through innovation, simplification and efficiency.
- Revenues of £31.0 million (2023: £35.2 million), reflecting a challenging trading period in the second half of the financial year as well as the strategic exit of lower margin businesses which accounted for c. £2.5m of annualised sales.
- Underlying operating profit of £1.9m (2023: £2.7m) and underlying EBITDA of £3.2m (2023: £3.9m) in line with market expectations. Gross margins on existing operations showed a material increase, from 29.7% to 34.4% a result of the Group's divestment strategy.
- The Group has invested further in new machinery, re-tooling for future projects and re-configuring warehouse space to expand manufacturing capacity but remains in a strong cash position, with cash and cash equivalents of £2.0 million at the end of the period (2023: £4.8m). Net debt was £9.4m (2023: £7.0m).
- The merger of Customised Packaging Limited business into Manplas Limited gives rise to operational, commercial and facilities restructuring. We have taken the prudent approach in opting to impair goodwill and intangibles as customer and order book rationalisation continues in pursuit of efficiencies and margin accretion.
- The Group acquired 100% of the share capital of Ecotatou SL, a reseller/distributor in Spain, for a total consideration of €18,000 satisfied in cash. This acquisition gives the Group a foothold in Spain for the sale and distribution of Ecodeck Grids.
- An interim dividend of 0.25p per share was paid on 23 August 2024. A final dividend of 0.25p is proposed to be paid on 17 January 2025, making a full year dividend of 0.5p (2023: 1.1p) per share.
- Sustainability remains a core focus across all operations with specific targets around:
 - Adoption of bio-based materials;
 - Ensuring that our products are recyclable
 - Increasing move to inclusion of recycled materials in our manufacturing processes
 - Working with partners to explore carbon offset through the entire supply chain
 - Supply chain tracking and transparency.

Post year-end operational highlights

- The Group successfully sold the land and building in Runcom for £1,210,000 which was valued at £1,000,000 on the balance sheet at year end and reduced gearing by 10% and was £500,000 cash generative after settlement of mortgage. The property was leased by Alma Products Ltd on a 15-year lease.

- Consolidating raw material inventories enabled the Group to exit and sell one of three freehold land and buildings in Haydock for £706,000. The property has exchanged with completion expected shortly. The property was revalued from £740,000 to £706,000 on the balance sheet at year end. This sale reduces gearing by a further 5% and will be £200,000 cash generative after settlement of mortgage.
- In May 2024 the Group purchased 136,260 of its own shares into treasury at an average cost of 11.3p. The issued share capital following the purchase is now 89,032,697 shares.

Outlook

- Overall, our markets have continued to be challenging in the first four months of the year. Where there are pockets of recovery, they are in the lower margin channels leading to an overall negative margin mix.
- Benefits from the investments made in new machinery in 2023 are expected to begin to flow into the business in the second half of this financial year.

Commenting on the results, Joe Grimmond, Chairman said:

"These results reflect the more challenging trading environment which emerged in the second half of the financial year, which created caution amongst our customers and resulted in orders being deferred. In addition, we chose to divest of some £2.5 million lower margin business lines as part of the overall reset of the Group. A key part of which has been to reorganise the business under two new Divisions, each business retaining a high degree of autonomy and entrepreneurialism and establishing our four strategic pillars of growth for the long-term.

The current financial year continues with pockets of recovery in key markets, albeit leading to a less favourable product mix. The re-organisation has enabled more efficient use of the Group's physical footprint, leading to recent asset sales which is adding to an already solid financial base, and this is reflected also in our decision to re-instate dividend payments. Being based in the UK and being adept at managing complexity well are key strengths for which Coral is known, and we are adding to this through technology. Last year, over £3 million was invested in machinery and new manufacturing capabilities, the results of which are coming through and will help drive performance over the next 18 months."

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This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Chairman's Statement

Our business

The Company continued its focus on becoming a plastics business of scale and using its established acquisition criteria the Group bought Ecotatou ES in July 2023 to gain a foothold in the Spanish market for Ecodeck Grids. The EcoDeck brand is now trading through BigMat that has more than 350 stores throughout Spain and a further 540 stores in Western Europe.

I was delighted to welcome Lance Burn as our new CEO in January 2024 enabling me to return to my role as Non-Executive Chair. Lance brings a suite of very relevant skills and experiences to our Group coupled with entrepreneurialism and energy.

I am very proud to see how everyone within the business has embraced our challenges, opportunities and ambitions. We are reliant on the expertise, professionalism and commitment of our people. I would like to thank them for this, and for the continued commitment that they have shown over past years.

Dividend

The Board remains committed to a long-term progressive dividend policy, which takes account of the underlying growth, whilst acknowledging the requirement for continuing investment and maintaining sufficient working capital levels. The Board are therefore proposing a final dividend of 0.25 pence per share.

Outlook

We are mindful of the macroeconomic and geopolitical risks yet remain confident about the prospects for our business in the medium to long-term as we continue our transformation journey.

Lance and his colleagues have reacted swiftly to the more challenging macro-economic environment, and it is testimony to their decisive actions that gross margin improvements at half year from 29.7% to 34.4% maintained through to year end.

Our continuing priority is to do all we can to keep our workplaces as safe as possible for staff. We have planned our business to be flexible, in all areas, to meet fluctuating levels of demand. We have robust financial controls that will ensure we maintain our working capital requirements whilst meeting all our agreed parameters with our financial partners.

The Group continues with its strategic progress of increasing focus on value-added and innovative products. Our aim is to build a significant specialist plastics business with a bias towards using recycled materials.

Joe Grimmond

Chairman

16 September 2024

Chief Executive Officer's Statement

Following a challenging trading period during the second half of the financial year, Group trading has been in line with the new market guidance given in January 2024.

Reported revenue was £30,991,000 (2023: £35,216,000), gross margins were 34.4% (2023: 29.7%) resulting in a gross profit of £10,676,000 (2023: £10,476,000). Underlying EBITDA was £3,200,000 (2023: £3,882,000) and underlying operating profits was £1,894,000 (2023: £2,713,000).

Gearing is 76.8% (2023: 50.7%), the post year end sale of the land and buildings at Haydock and Runcorn reduces the gearing by circa 15%. The balance sheet net asset position is strong at £12,272,000 (2023: £13,848,000). This represents a solid asset platform for developing the business.

FY24 H1 performance to October 2023 indicated momentum towards FY24 YE target outcomes. A sharp industry-wide downward correction in sales from December 2023 largely reflecting UK economic recession, needed to be recognised in our late January 2024 trading update subsequently reflected in YE outcomes. YoY sales also reflect exiting c. £2.5m annualised low margin contracts mid-year representing c. £1.4m of the reduction.

	FY24 YE	FY23 YE	% YoY	FY24 H1	FY23 H1	% YoY
Revenue (£m)	31.0	35.2	-12%	17.2	17.6	-2.3%
Underlying EBITDA (£m)	3.2	3.9	-16%	2.3	1.9	+21%

By the financial year end gradual market recovery in some channels was evident but still weaker than expected and not anticipated to fully recover before the calendar year end. With line of sight of key new commercial contracts starting July 24 onwards the business is stable, back into modest growth and cash generative.

The business is stable backed by a solid balance sheet, entering the new financial year there have been some pockets of recovery albeit leading to a lower product margin mix and there continues to be pressure on input and labour costs. Offsetting this, is good visibility on new commercial contracts coming through the business from the investment made in new machinery in 2023 to benefit largely FY25 H2.

Recognising the adverse commercial impact experienced in our industry towards the end of 2023 enabled us to quickly implement corrective commercial measures and organisational reform throughout Q4. We have created a focused and accountable new two-Division structure which will increasingly deliver performance and margin improvement through innovation, simplification and efficiency.

We also continue to strengthen our organisation to support our four strategic pillars of growth:

- o Successfully managing complex commercial, product and service solutions.
- o Excelling at UK manufacturing and technical innovation.
- o Greater margin efficiency through investment in technology and people.
- o Accessing commercial opportunity, scale and synergy through M&A.

The previous year's acquisitions were successfully integrated during what was a challenging trading period. Work is ongoing to further improve the performance of each business and the potential remains to further collaborate across the Group as the new Division structures mature.

Customised Packaging Limited was merged into Manplas Limited at the start of the year, these were two very similar businesses offering customised product protection solutions. The combination of these businesses is creating several synergies, together with an improved customer offer, and work is continuing to realise these synergies into FY25. The merger gives rise to operational, commercial and facilities restructuring. We have taken the prudent approach in opting to impair goodwill and intangibles as customer and order book rationalisation continues in pursuit of efficiencies and margin accretion.

The Group embarked mid-2023 on an ambitious programme of capital investments designed to enable diversification into adjacent channels plus bring in-house outsourced manufacturing associated with recent acquisitions, most notably EcoDeck with the accompanying enhanced capacity and margin accretion. Our commitment to UK manufacturing affords our customers tangible economic, environmental, lead-time and working capital advantages over imported equivalents and also delivering reduced-risk supply chain benefits.

I am very pleased to report that by year-end in excess of £3m of 2023-24 machine and process investments have been successfully installed and commissioned and will all contribute to 2024-25 YoY revenue growth, specifically H2. These investments have also enabled entry into the high growth food packaging container sector, the introduction and supply of bottle closures solutions, complementing established pumps and triggers range of products in our Global One Pack business, plus the introduction of enhanced telecommunications extrusions capabilities. Targeted capability investments continue into 2024-25 specifically in our Flexibles division, further diversifying capabilities at Film & Foil Ltd to the benefit of FY25 H2.

In support of these investments, I am delighted that our Wythenshawe-based Tatra Rotalac business in February 2024 joined both Alma Products Ltd - Runcorn and Film & Foil Ltd - Haydock as BRC accredited.

The Group reorganisation completed early on in calendar 2024 has also accelerated our ability to invest in attracting new talent into the businesses with several new function leaders joining our Group from competitors, bringing with them industry specific skills, experience and relationships. We will continue to focus on organisation strengthening to build resilience and to support our ambitious organic growth aspirations.

Laure Burns

Group Income Statement

for the year ended 30 April 2024

	2024 £'000	2023 £'000
Revenue	30,991	35,216
Cost of sales	(20,315)	(24,740)
Gross profit	10,676	10,476
Operating costs		
Distribution expenses	(1,383)	(1,301)
Administrative expenses before impairment and other separately disclosed items	(7,449)	(6,462)
Other separately disclosed items	(1,770)	(1,003)
Administrative expenses	(9,219)	(7,465)
Operating profit/(loss)	74	1,710
Finance costs	(1,021)	(458)
Profit/(loss) for the financial year before taxation	(947)	1,252
Taxation	33	6
Profit/(loss) for the financial year attributable to the equity holders of the parent	(914)	1,258
Basic earnings loss per ordinary share	(1.02)p	1.44p
Diluted earnings loss per ordinary share	(1.02)p	1.44p

Group Statement of Comprehensive Income

for the year ended 30 April 2024

	2024 £'000	2023 £'000
Profit/(loss) for the financial year	(914)	1,258
Total other comprehensive income	-	-
Total comprehensive (loss)/income for the year attributable to equity holders of the parent	(914)	1,258

Balance Sheet

as at 30 April 2024

	As at 30 April 2024 £'000	As at 30 April 2023 £'000
ASSETS		
Non-current assets		
Goodwill	3,973	4,385
Other intangible assets	1,958	2,956
Property, plant and equipment	7,053	7,209
Right of use assets	2,077	2,870
Total non-current assets	15,061	17,420
Current assets		
Inventories	4,743	4,320
Trade and other receivables	6,644	7,193
Cash and cash equivalents	2,014	4,774
Assets held for sale	1,706	200
Total current assets	15,107	16,487
LIABILITIES		
Current liabilities		
Other borrowings	6,534	6,063
Lease liabilities	721	970
Trade and other payables	5,466	7,218
Total current liabilities	12,721	14,251

Net current assets/(liabilities)	2,386	2,236
Non-current liabilities		
Term loan	3,298	3,263
Lease liabilities	891	1,505
Deferred tax	986	1,040
Total non-current liabilities	5,175	5,808
NET ASSETS	12,272	13,848
SHAREHOLDERS' EQUITY		
Share capital	903	903
Treasury shares	(170)	-
Retained earnings	11,539	12,945
TOTAL SHAREHOLDERS' EQUITY	12,272	13,848

Statement of Changes in Shareholders' Equity

for the year ended 30 April 2024

	Called Up Share Capital £'000	Share Premium Reserve £'000	Treasury Shares £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Group						
At 1 May 2022	859	5,621	(1,008)	1,061	5,174	11,707
Profit for the year	-	-	-	-	1,258	1,258
Contributions by and distributions to owners						
Equity settled share-based payments	-	-	-	-	36	36
New shares	44	650	-	-	-	694
Cancellation of share premium account	-	(6,271)	(111)	(1,061)	7,443	-
Sale of treasury shares	-	-	1,119	-	-	1,119
Dividend paid	-	-	-	-	(966)	(966)
At 1 May 2023	903	-	-	-	12,945	13,848
Profit for the year	-	-	-	-	(914)	(914)
Contributions by and distributions to owners						
Equity settled share-based payments	-	-	-	-	43	43
Purchase of treasury shares	-	-	(170)	-	-	(170)
Dividend paid	-	-	-	-	(535)	(535)
At 30 April 2024	903	-	(170)	-	11,539	12,272

Cash Flow Statement

for the year ended 30 April 2024

	Group 2024 £'000	2023 £'000
Cash flows from operating activities		
Profit for the year	(914)	1,258
Adjustments for:		
Depreciation of property, plant and equipment	638	464
Depreciation of right of use assets under IFRS16	718	705
Amortisation of intangible assets	535	513
Share based payment charge	43	36
Impairment of goodwill and intangibles	890	-
Impairment of buildings	34	-
Interest payable	1,021	458
Taxation charge/(credit)	(33)	(6)
Operating cash flows before movements in working capital	2,932	3,428
(Increase)/decrease in inventories	(423)	1,219
Decrease/(increase) in trade and other receivables	549	999
Increase/(decrease) in trade and other payables	(1,575)	(6,769)
Net cash generated from/(used in) operating activities	1,483	(1,123)
Cash flows from investing activities		
Acquisition of subsidiary	(15)	-

Acquisition of property, plant and equipment	(2,145)	(2,080)
Net cash generated from/(used in) investing activities	(2,160)	(6,393)
Cash flows from financing activities		
New bank borrowings raised	2,299	3,496
Dividends paid	(535)	(966)
Interest paid on bank borrowings	(333)	(19)
Interest paid on invoice discounting	(568)	(344)
Interest paid on lease liabilities	(120)	(95)
Repayments of bank borrowings	(530)	(814)
Repayments of obligations under lease liabilities	(903)	(867)
Purchase of treasury shares	(170)	-
Movement on invoice discounting facility	(1,223)	4,310
Net cash used in financing activities	(2,083)	4,701
Net increase in cash and cash equivalents	(2,760)	(2,815)
Cash and cash equivalents at 1 May	4,774	7,589
Cash and cash equivalents at 30 April	2,014	4,774

Notes

for the year ended 30 April 2024

1. Basis of preparation

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 April 2024 or 2023 within the meaning of Section 434 of the Companies Act 2006 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered following the company's General Meeting.

The financial statements have been prepared on a historical cost basis (except for certain financial instruments, land and buildings and share-based payments that have been measured at fair value), and in accordance with the AIM Rules and UK adopted International Accounting Standards.

2. Underlying operating profit and separately disclosed items

Underlying profit - the Company believes that underlying profit and underlying earnings provide additional useful information for shareholders. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies.

	2024	2023
	£'000	£'000
On continuing operations		
Operating profit/(loss)	74	1,710
Separately disclosed items within administrative expenses		
Share based payment charge	43	36
Amortisation of intangible assets (customer relationships and brands)	535	513
Reorganisation costs	233	123
Acquisition costs	50	331
Impairment of goodwill & intangibles	875	-
Impairment of buildings	34	-
Total separately disclosed items	1,770	1,003
Underlying operating profit	1,844	2,713
Depreciation	1,356	1,169
Underlying EBITDA	3,200	3,882
Separately disclosed items (excluding amortisation and impairment)	(1,235)	(490)
EBITDA	1,965	3,392
Profit/(loss) before tax	(914)	1,252
Separately disclosed items	1,770	1,003
Underlying profit/(loss) before tax	823	2,255

3. Earnings per share

Basic and underlying earnings per share

Number of Shares	2024	2023
Weighted average number of shares	90,277,589	88,222,891
Effect of weighted average number of treasury shares	(723,409)	(1,099,823)
Weighted average number of shares for the purposes of basic earnings per share	89,554,180	87,123,068
Effect of share options	139,579	102,564
Weighted average number of shares for the purposes of diluted earnings per share	89,693,759	87,225,632

	Earnings £'000	2024 Weighted average number of shares	Earnings per share (pence)	(Loss)/ earnings £'000	2023 Weighted average number of shares	(Loss)/ earnings per share (pence)
Profit/(loss) for the year	(914)	89,554,180	(1.02)	1,258	87,123,068	1.44
Separately disclosed items (note 6)	1,770	-	-	1,003	-	-
Underlying profit/(loss) for the period	856	89,554,180	0.96	2,261	87,123,068	2.60

5. Dividends

	£'000
PAID PRIOR YEAR	966
PAID DURING YEAR	
Final dividend for 2023: 0.6p paid 30 November 2023	535
PAID FOLLOWING YEAR END	
Interim dividend for 2024: 0.25p paid 23 August 2024	223
TO BE RECOMMENDED AT THE FORTHCOMING GM	
Final dividend for 2024: 0.25p to be paid 17 January 2025	223

6. Group reconciliation of net cash flow to movement in net debt

	2024 £'000	2023 £'000
Net increase in cash and cash equivalents	(2,760)	(2,815)
Decrease/(increase) on invoice discounting facility	1,223	(4,310)
Decrease/(increase) in bank loans and other loans	(1,729)	(3,627)
Decrease in lease liabilities	863	(1,152)
Movement in net debt for the period	(2,403)	(11,904)
Net debt at beginning of period	(7,027)	4,877
Net funds/(debt) at end of period	(9,430)	(7,027)

7. Post Balance Sheet Event

An interim dividend for the year ended 30 April 2024 of 0.25p per share was paid 23 August 2024.

In May 2024 the Group purchased 136,260 of its own shares into treasury at an average cost of 11.3p. The issued share capital following the purchase is now 89,032,697 shares.

In July 2024 the land and buildings in Runcorn were sold for £1,210,000. The net book value of the land and buildings as at 30 April 2024 was £1,000,000. £700,000 of the mortgage was repaid from the funds received, reducing gearing by circa 10%.

In September 2024 the land and buildings in Haydock exchanged with completion expected shortly for £706,000. The net

book value of the land and buildings as at 30 April 2024 was impaired from £740,000 to £706,000. £518,000 of the mortgage will be repaid from the funds when received, further reducing gearing by 5%.

8. Publication of Annual Report

A copy of the 2024 Report & Accounts will be sent to all shareholders. Further copies will be available to the public at the company's registered address at Southmoor Road, Wythenshawe, Manchester, M23 9DS and on the Company's website at www.coralproducts.com.

9. Forward looking statements

This announcement contains unaudited information and forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and undue reliance should not be placed on any such statement because they speak only as at the date of this document and are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Corals plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Coral undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

The Directors of the Group take responsibility for this announcement.

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