

14 October 2024

Coral Products Plc

("CRU" or the "Company")

Trading Update

Coral Products plc, announces that the challenging trading conditions referenced in our results announcement of 17 September 2024 are continuing into the autumn and in particular, we have been experiencing, reduced order levels from our core customers in both the Telecoms sector affected by the sustained reduction in housebuilding and infrastructure projects in the UK and the FMCG and automotive markets, which appear to have been impacted by a general reduction in consumer spending.

The impact on revenues from the reduction in orders from these long-term customers is expected to be partially offset by contract wins on the back of our £3.0 million investment in new machinery albeit delivering a reduced gross margin mix. Consequently, revenues for FY25 are expected to be in line with the prior year.

However, with the change in revenue mix from higher to lower margin channels and no recovery in core markets or visible improvement in consumer confidence, the Company now anticipates a YoY margin shortfall of up to 500 basis points and as a result Group trading for FY25 is now expected to record a loss.

While disappointing the Company has not lost customers rather the markets in which many of its long-term customers operate have experienced significant falls in demand over the summer months with little prospect of a full recovery in the short term. In the medium term, we believe there is a reasonable expectation that key underlying markets such as house building will recover given the importance the new government has attached to it.

Elsewhere within the business, notable successes include EcoDeck in-house manufacturing investments that fully launched in June 24 and is now operating 24-hour production, improving gross margin in this business line by a further 10%. Operational efficiencies and recently increased unit selling prices have further strengthened operating margins. This has been achieved through our new in-house BRC accredited food container manufacturing investments where new contract manufacturing programmes deliver cash margin without onward risk of sales, marketing and distribution costs.

Lance Burn, CEO, said "We began the year well, trading in line with our targets in Q1 but since then, confidence has reduced in many of our customers' markets. The knock-on effect has meant a reduction in orders from key long-term customers. The new manufacturing revenues which were intended to be incremental to our overall performance are now substituting for our core revenues albeit at a lower margin.

However, the business fundamentally is in good shape. In the last 9 months we have implemented significant change, re-organising the operational structure to run the business under two clear divisions Rigid and Flexible plastics. We have released capital back into the business with a sale of freehold sites which following the re-organisation are surplus to requirements and we have continued to invest in developing our manufacturing capabilities.

Our financial and cash position is resilient, and we will accelerate our focus on improving the overall efficiency of the business. Demand will return to normal levels and Coral will be ready."

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This announcement has been posted to: <https://coralproducts.com/>

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