



Iplayco Corp.

Sep 16th 2013

Iplayco strives to keep this year's stellar momentum with ambitious growth plans

Iplayco (CVE:IPC) is nearing the end of a turnaround year, with the maker of indoor and outdoor children's play equipment confident that the strong tide will continue as even bigger orders are on the horizon from malls ranging as far wide as the BRIC nations.

The Langley, British Columbia-based company, which has seen its share price jump more than 500 per cent so far this year, can attribute its success in 2013 to large orders from mall owners "that realize the value of the product, as we're not just selling them an indoor playground, but a whole concept," says CFO Max Liszkowski.

Iplayco sells its children's play structures to 16 different markets, including family entertainment centres, malls -- which currently take up about 62 per cent of sales -- as well as to restaurants, museums, hospitals, hotels and airports, to name just a few.

"Mall owners see the value in having our facilities set up. The idea is "let's bring the kids in, so mom and dad can have time shopping". It's not just a typical playground," says Liszkowski, explaining that the facilities have themes, ranging from outer space to an Egyptian theme. The structures include interactive games, rope courses, slides, food service, and party rooms, offering a turnkey solution.

Indeed, this strategy has paid off, especially in the Middle East, from where Iplayco received five "very large \$1 million plus orders", alongside an almost \$2 million project from The Children's Museum in Las Vegas. "Earnings from these large contracts, which made up 55% of sales so far this year, contributed to both top and bottom line growth."

The five Middle East orders, which totalled \$5.8 million, were from a customer in Saudi Arabia. "The owner of these malls, the Arabian Centres Limited, has our structure in all of their malls and is looking to expand throughout North America and the U.K."

Liszkowski hopes the trend towards large contracts will continue, with the company having taken a hit during the recession, swinging back to profitability in 2012, and carrying on this year. In fact, in the third quarter that ended June 30, it recorded the highest sales and earnings in its 14-year history.

"Anything we sell over and above that, we will be setting a new precedent for the company."

The company expects fourth quarter sales to be moderately lower than the "lights out" third quarter, when it had two \$1 million plus orders. "It will be a profitable fourth quarter nevertheless, and a very successful year," says the CFO, who expects earnings per share of 15 cents for the year, compared to 3 cents a year ago. In 2012, the company drew in sales of \$10.4 million, with sales for the first nine months of 2013 already coming in at an impressive \$11.5 million.

While the company's equipment is manufactured at a facility right at home in Langley and installed at the customer's site, overseas manufacturing is being considered to save on some labour and shipping costs. "Brazil and India represent very large markets that are underserved because of high trade tariffs, so we're currently evaluating the demand for our product in those markets and the possibility to set up manufacturing in those countries or those that

Price: C\$0.74

Market Cap: C\$7.56M

1 Year Share Price Graph



Share Information

Code: IPC

Listing: TSX-V

Sector: Manufacturing

Website: www.iplaycoltd.com

Company Synopsis:

Iplayco custom designs, manufactures and installs premium quality, fun, safe and durable play structures for children worldwide. In its 14-year history, Iplayco has sold play structures to over 50 countries and to 16 different markets, including family entertainment centres, theme parks, shopping malls, restaurants, fitness and health clubs, municipalities, schools, daycare centres, hospitals, zoos and churches.

Author:

Deborah Bacal +44(0)1202770386

action@proactiveinvestors.com



have a treaty convention with them."

The BRIC -- a grouping acronym that refers to the countries of Brazil, Russia, India and China -- is an area in which Iplayco is definitely looking to expand as a way to hedge its bets. Liszkowski says the company will not let go of the U.S. market -- "which is big for Iplayco especially since now the region is picking up again" but, there is certainly room to grow. Since opening its doors in 1999, Iplayco has sold to more than 40 countries worldwide, a point on which Liszkowski takes pride.

As part of its drive to magnify, the company is looking to improve operations first, targeting margins of 40 per cent this year, from current levels in the "mid to high 30s". That is simply the goal for this year as Iplayco has plans to get this figure beyond 40 per cent, which will include various process improvements ranging from reduced material costs to a greater focus on automation at its facilities and the prospect of shipping directly from supplier locations to save on duties and shipping for example, through its contract manufacturer in the Philippines.

But the chief financial officer says there are a lot of logistics involved in pulling off the direct shipping, including the need for the warehouse in the Philippines to have enough products to drop ship directly.

All this is part of the company's process to reach the next stage of development. Now that Iplayco has firmed up its earnings, it will need to sustain this growth rate. "The challenge in this industry is that it's great to have large orders, but if you don't have the working capital, you can't produce them.

"Right up until last year, we were not able to play in the mid to high end of the industry, with playground contracts averaging between \$50,000 to \$70,000."

All this has changed, however, with the company making traction in the million plus arena this year and shoring up working capital, thereby giving it the ability to bid on larger orders. Its cash position at the end of the third quarter was over \$2.7 million. "Right now, our playgrounds are averaging between \$200,000 to \$300,000, and we still have the potential to move into the top tier of our market with orders that can exceed \$2 million. We haven't played in that space yet."

"We want to become a player in this top tier of our market, but we have to be properly funded as well as have the proper manufacturing capabilities," says Liszkowski.

All indicators are pointing to Iplayco reaching this upper echelon.

"We think investors want to see consistency in earnings and perhaps another two to three quarters of profitability, indicating that clearly something has changed here at the company level.

"Combine this with the expectation that we will bang out similar profitability for the next year or so, and we have an undervalued stock, with room for significant upside."

Indeed, the future looks promising, according to Liszkowski, who has every confidence that the market is buzzing, based on what the company's sales staff is seeing at trade shows. "We know big companies are opening up their capital expenditure budgets, and we're seeing some better economic news in the U.S. It's quite positive," he says, adding that Iplayco currently holds about 1.8 per cent of the U.S. market, with the sales backlog at an all-time high.

He also says the children's playground industry is quite fragmented, made up of "mom and pop-type family businesses", offering the opportunity to expand relatively cheaply. "We can pick up these smaller companies, and by doing this integration, we save, because we don't need to pay that profit margin out to the supplier and we're creating new markets for ourselves through cross-selling our products," the CFO affirms.

Currently, Iplayco houses 75 employees, with 90 per cent of sales derived from its manufacturing operations, and 10 per cent derived from its wholly-owned family entertainment centre in Langley called The Great Escape, which the company uses as a sales tool, allowing it to better understand its core markets and the challenges within the space.

It certainly seems to have its sales tactic down pat, with investors consistently showing their confidence in the company. Shares are now sitting at 74 Canadian cents, just 8 cents shy of its 52-week high, and up from a price of 12.5 cents at the start of January.



Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us ■ +44 (0)1202 770386 ■ action@proactiveinvestors.com

No investment advice

Proactive Investors UK Limited, trading as "Proactiveinvestors United Kingdom", is authorised and regulated by the Financial Services Authority. Registered in England with Company Registration number 05639690. Group VAT registration number 872070825 FSA Registration number 559082. You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.