

Iplayco Corp Ltd

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Iplayco playing to win with backing of Billy Beez owner

If you have ever had young kids, you'll know what a boon Iplayco Corp Ltd's (CVE:IPC) indoor playgrounds can be.

I had three extremely boisterous sons, and about the only time the wife and I ever got a chance to catch our breath (never mind read a newspaper and sip some coffee) was when we took them to places that usually had names like Fun House, Jungle Jim's, Little Monkeys or Let's See The Little Perishers Try to Break This.

OK, I made the last one up, but it was such a relief to be able to let the young 'uns loose in a safe environment that was also tremendous fun.

And yes, Dad did occasionally go into the adventure playgrounds with them, "just to check they were all right".

Great though those indoor playgrounds were, none of them look as amazing as the play areas featured on Iplayco's web site.

So, the product's great - what about the company?

Count me as a fan of the company's products, but what about the company?

Well, things are looking up for the Canadian outfit after a challenging 2016.

The company expects actions taken to rectify contract overruns, one-offs and foreign exchange issues to return it to profit in the current financial year.

It posted a loss of C\$955,000 or C\$0.05 per share in the year to September 2016, due primarily to fixed-price contract problems, foreign exchange losses and integration costs with its Philippines operation.

Sales decreased by 1% to C\$17mln over the year.

To improve its performance, the project management and production capacity in certain departments has since been beefed up while a hedging strategy is now in place for US dollar sales.

"With a strong sales backlog, and commitments from our largest customer, Billy Beez, to continue placing large orders with us, we are anticipating a significant improvement in our operating results and a return to profitability in our first quarter ending December 31, 2016," said Scott Forbes, chief executive.

Feeling positive on fiscal 2017

And true to form, the group has now reported strong first quarter financials in the latter part of February, with sales and earnings both surging to the highest levels in company history.

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.

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The numbers represented a dramatic turnaround from the previous quarter (Q4 2016 ended September 30, 2016), when the company lost \$0.02 per share despite a 4.7% year-on-year increase in sales to \$5.48 million. The culprit was costs, as the gross margin dove 14.9 percentage points to 19.3%.

So the results for the first quarter of 2017 presented quite a contrast: record quarterly sales of \$7.22 million and record quarterly earnings of \$959,209, working out to diluted net income per share (EPS) of \$0.05. But the most important part of the statements was again the margins, as the gross margin roared back to 39.7%.

"Last fiscal year we had challenges with cost overruns on some contracts, integration costs with our expanded Philippines operations, and pretty significant foreign exchange losses owing to Canadian dollar appreciation," said finance chief Max Liszkowski.

"The first quarter saw all of this turn around and right now our management team is feeling very positive about fiscal 2017."

New sales deals

And things are looking promising as on March 20, the group also unveiled new sales deals worth \$2.6mIn after it struck four new agreements to supply large indoor playgrounds to customers in the United States, the Philippines, the Middle East and the UK.

One of the deals was with Iplayco's largest customer, Billy Beez family entertainment centres, for a new location in England

Company background

Established in 1999, Iplayco designs, manufactures and installs premium play structures, such as family entertainment centers, theme parks and more.

The company, based out of Langley, British Columbia, has built these play structures in over 50 countries.

It has more than 2,600 installations worldwide.

These include Mattel Play! Town at City Walk in Dubai, where the company installed the large themed multi-level indoor play structure at the Knapford Station in the Thomas & Friends section, featuring Thomas the Tank Engine and co.

It also built the world's largest soft-play area in Dharan, Saudi Arabia.

Its largest customer is the Billy Beez family entertainment centers.

The Billy Beez brand is expanding fast in the US and the Middle East and Iplayco is riding on its coat-tails.

"In the past 13 months, Billy Beez has opened eight new centers in the US alone and currently has orders with us for two more locations," Forbes said back in May.

"Over this period, Billy Beez in the United States and the Middle East has placed orders with us amounting to \$12.8-million in US. dollars (or approximately \$16.5-million in Canadian dollars at the current exchange rate), which is indicative of their continued commitment to growing the number of Billy Beez locations," he added.

The average order for Iplayco from Billy Beez is around US\$800,000, so it has a somewhat "lumpy" revenue stream.

On the other hand, FAS, the owner of Billy Beez, has a controlling interest in Iplayco, so the relationship looks like a stable one.

Diverse customer base

Around two-thirds of the company's revenues come from shopping centers, housing complexes and resorts.

Around one-sixth comes from family entertainment centers and theme parks, with the rest coming from fitness, health & recreation centers, restaurants and other leisure organizations.

The products are highly customized, and as such command high margins.

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