# The Alumasc Group plc

## Interim Results to
## 31 December 2015

# Contents

Levolux Ltd – Citylabs (Former Royal Eye Hospital), Manchester




**Paul Hooper**
**Chief Executive**

Andrew Magson
Finance Director

# Overview

**Alumasc's fourth consecutive first half year of earnings growth:**

- **Underlying PBT from continuing operations up 8% to £4.0m (2014 : £3.7m)**
- **Underlying EPS from continuing operations up 10% to 8.9p (2014 : 8.1p)**
- **Basic EPS up 15% to 7.6p (2014 : 6.6p)**
- **Improved results driven by further profitable growth in our water management and housebuilding products businesses, lower financing charges and successful disposal of APC last June**
- **Continued focus on cash management : net cash at 31 December 2015 was £0.5m (30 June 2015 : net cash of £0.9m; 31 December 2014 : net debt of £7.7m)**
- **Building Products order books rose to £27.4m at 31 December 2015 (30 June 2015 : £24.0m; 31 December 2014 : £19.2m)**
- **Most of the order book increase relates to Levolux and will benefit the 2016/17 financial year onwards**
- **Interim dividend increased by 8% to 2.7p (2014 : 2.5p)**

# Contents

Rainwater & Drainage – Alumasc Skyline Coping – Queensland Road, London




**Paul Hooper**
**Chief Executive**

Andrew Magson
Finance Director

# Strategic Development

- The group's strategy for future growth is to position Alumasc as:

**A focused supplier of premium building products and solutions, particularly those which add value in conserving and managing the scarce resources of energy and water in the built environment**

- There are numerous exciting organic and synergistic growth opportunities which have been identified to capitalise on Alumasc's market leading positions in niche segments

- Following the successful disposal of APC last summer, we are now seeking to sell Dyson Diecastings, Alumasc's last remaining Engineering Products business

- Dyson has therefore been treated as a discontinued operation in these interim results

# Alumasc’s Business Model for Continued Profitable Growth

- Our strategic positioning, initiatives and investments in people and innovation should enable continued outperformance of the UK construction market

- We see further opportunities to leverage this growth into improved profitability:

  - Manage and deliver the recovery to mid-cycle revenues and margins at Levolux

  - Further operating margin improvement through:
    - operational gearing
    - targeted improvement in sales mix
    - benefits of divisional cost and revenue synergies

  - Incremental export growth (Levolux and Gatic)

  - Potential for selective complementary acquisitions

# Contents

Alumasc Water Management Solutions – Modular 120

Overview

Strategic Development

**Financial Review**

Business Review

Order Books & Outlook

Paul Hooper
Chief Executive

**Andrew Magson**
**Finance Director**

# Income Statement Summary (£m)
## 6 months to 31 December

| | 2015 | 2014 | Change % |
|---|---|---|---|
| **Continuing Operations:*** | | | |
| Revenue | 43.5 | 45.2 | -4 |
| Underlying Operating Profit | 4.1 | 4.0 | +4 |
| Interest on borrowings | (0.1) | (0.3) | |
| Underlying PBT | 4.0 | 3.7 | +8 |
| IAS19 pension costs | (0.7) | (0.7) | |
| Brand amortisation | (0.1) | (0.1) | |
| Discontinued Operations* | 0.2 | 0.1 | |
| **Reported PBT** | 3.4 | 3.0 | +16 |
| Underlying operating margin – continuing operations (%) | 9.5 | 8.8 | +70 bps |
| Underlying EPS (p) | 8.9 | 8.1 | +10 |
| Dividends per share (p) | 2.7 | 2.5 | +8 |

* Note: Discontinued operations in 2015 relate to Dyson Diecastings and in 2014 comprise Dyson Diecastings, Alumasc Precision Components and Pendock Profiles

# Segmental Analysis of Results : Continuing Operations
# 6 months to 31 December

| | 2015 | | 2014 | | 2015 | 2014 |
|---|---|---|---|---|---|---|
| | | Underlying Operating Profit[1] | | Underlying Operating Profit[1] | Underlying Operating Margin | |
| | Revenue | | Revenue | | | |
| | £m | £m | £m | £m | % | % |
| Solar Shading & Screening | 7.7 | 0.5 | 8.2 | 0.4 | 6.1 | 4.7 |
| Roofing & Walling | 18.4 | 1.7 | 20.9 | 2.6 | 9.5 | 12.4 |
| Water Management | 14.0 | 1.9 | 12.9 | 1.2 | 13.6 | 9.0 |
| Housebuilding & ancillary | 4.1 | 0.6 | 3.8 | 0.4 | 14.0 | 11.5 |
| Intercompany/Unallocated | (0.7) | (0.6) | (0.6) | (0.6) | | |
| Group Continuing Operations | 43.5 | 4.1 | 45.2 | 4.0 | 9.5 | 8.8 |

[1] Underlying results are stated prior to deducting brand amortisation and IAS19 pension costs.

# Cash Flow Summary (£m)
## - 6 months to 31 December

| | 2015 | 2014 | Change |
|---|---|---|---|
| **EBITDA - continuing operations** | **4.6** | **4.5** | **0.1** |
| Change in working capital | (0.7) | (1.9) | 1.2 |
| **Operating cash flow** | **3.9** | **2.6** | **1.3** |
| Capital expenditure | (0.7) | (0.6) | (0.1) |
| Pension funding | (1.7) | (1.5) | (0.2) |
| Interest | (0.1) | (0.2) | 0.1 |
| Tax | (0.4) | (0.5) | 0.1 |
| Dividends | (1.2) | (1.0) | (0.2) |
| Purchase of own shares (employee share trust) | (0.4) | - | (0.4) |
| Cash flow from discontinued activities | 0.2 | 1.2 | (1.0) |
| **Net cash flow** | **(0.4)** | **-** | **(0.4)** |
| **Net cash/(debt)** | **0.5** | **(7.7)** | |
| **Average ongoing trade working capital % sales (excluding Kitimat & discontinued operations)** | **12.2%** | **10.9%** | |

# Balance Sheet Summary (£m)

| | 31 Dec 2015 | 30 June 2015 | 31 Dec 2014 |
|---|---|---|---|
| Tangible fixed assets | 5.3 | 7.5 | 7.4 |
| Intangible fixed assets | 19.3 | 19.3 | 19.3 |
| Working capital | 6.8 | 6.8 | 8.8 |
| Other net liabilities | (1.6) | (1.8) | (2.2) |
| Capital invested (continuing operations) | 29.8 | 31.8 | 33.3 |
| Current assets available for sale (H1 2015 : Dyson; H1 2014 : APC) | 3.0 | - | 6.5 |
| Net cash/(debt) | 0.5 | 0.9 | (7.7) |
| Pension obligations (1) | (16.0) | (16.8) | (17.1) |
| Net assets | 17.3 | 15.9 | 15.0 |
| | | | |
| ROI (post tax) (2) | 22.3% | 19.9% | 20.7% |
| Gearing | NIL | NIL | 51% |
| Interest cover (times) (3) | 22.1 | 17.3 | 18.6 |
| Net debt/EBITDA (times) (4) | 0.1 | 0.1 | 1.0 |

(1) IAS19 basis of valuation, net of related deferred tax asset

(2) Annualised post-tax underlying operating profit divided by average capital invested (continuing operations only, at that time)

(3) Underlying EBITDA from continuing operations divided by net interest cost on borrowings (banking covenant is > 4x)

(4) Net debt plus contingent liabilities/trailing 12 months underlying EBITDA (banking covenant < 3 times)

# Contents

Rainclear Systems – Cast Iron Rainwater – Lydiard House & Park, Swindon



**Paul Hooper**
**Chief Executive**

Andrew Magson
Finance Director

# Energy Management

## Solar Shading & Screening

- Order intake over the last 12 months of £23m compared with revenue in the same period of £15.4m
- Substantial increase in order book to £19.9m (30 June 2015 : £15.6m; 31 December 2014 : £12.4m)
- Significant progress in establishing a sustainable & growing North American business - including £3m project to screen a power plant on the East Coast of the USA
- Developing an exciting new business stream to supply bespoke balconies to prestigious housing & commercial developments (complementary skill set and route to market to solar shading)
- Satisfactory trading for the first half year, without (as anticipated) the benefit from any major projects in the period, with margins ahead reflecting strong project execution

## Roofing & Walling

- Strong performance by historical standards, roofing business has recovered back to sustainable profit in last 3 years
- The division was unable to match the record results of the prior year, which included the later stages of the large Kitimat smelter project in Canada
- Performance in the earlier part of the year was impacted by delays on some refurbishment projects
- Lower Green deal funded activity impacting Facades in England & Wales but Scottish government funding for HEEPS refurbishment schemes continues
- Good progress being made in developing new build Facades business and specifications for the new Alumasc Ventilated System are promising and continuing to grow

# Water Management, House Building & Ancillary

## Water Management

- Strong divisional revenue and profit growth
- Benefited from the introduction of the Alumasc Water Management Solutions ("AWMS") umbrella brand last July which is helping to drive synergy and best practice through the division
- Alumasc Rainwater, Gatic Slotdrain and Gatic Covers performed particularly well
- New products, including Gatic Filcoten and Harmer SML Below Ground, performing well and gaining traction
- Plans to relocate AWMS in the Kettering area delayed by 6-12 months into late 2017 due to an issue with the originally preferred location. Alternatives are being explored

## Housebuilding & Ancillary

- Another record first half performance from Timloc
- Growing demand for house building products
- We are leveraging Timloc's strong distribution sales channels through introduction of new products
- Significant operational efficiencies delivered
- Successful business systems implementation is bringing further efficiency, including electronic warehouse
- Plans to relocate to larger rented premises locally in Goole in next 12-18 months, to facilitate future growth

# Contents

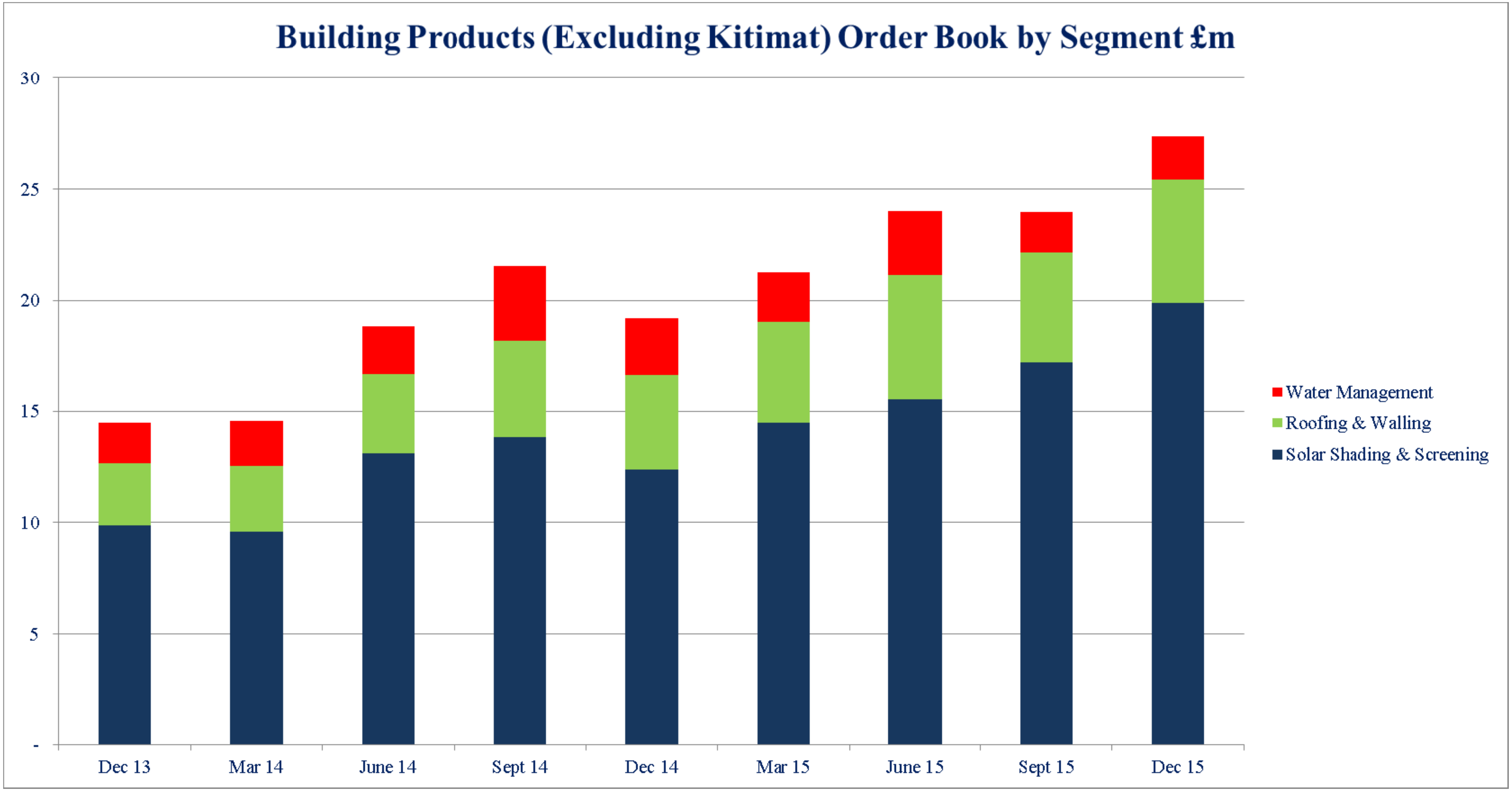
Alumasc Façades – Alumasc Ventilated System – Bellevue Terrace, Bristol



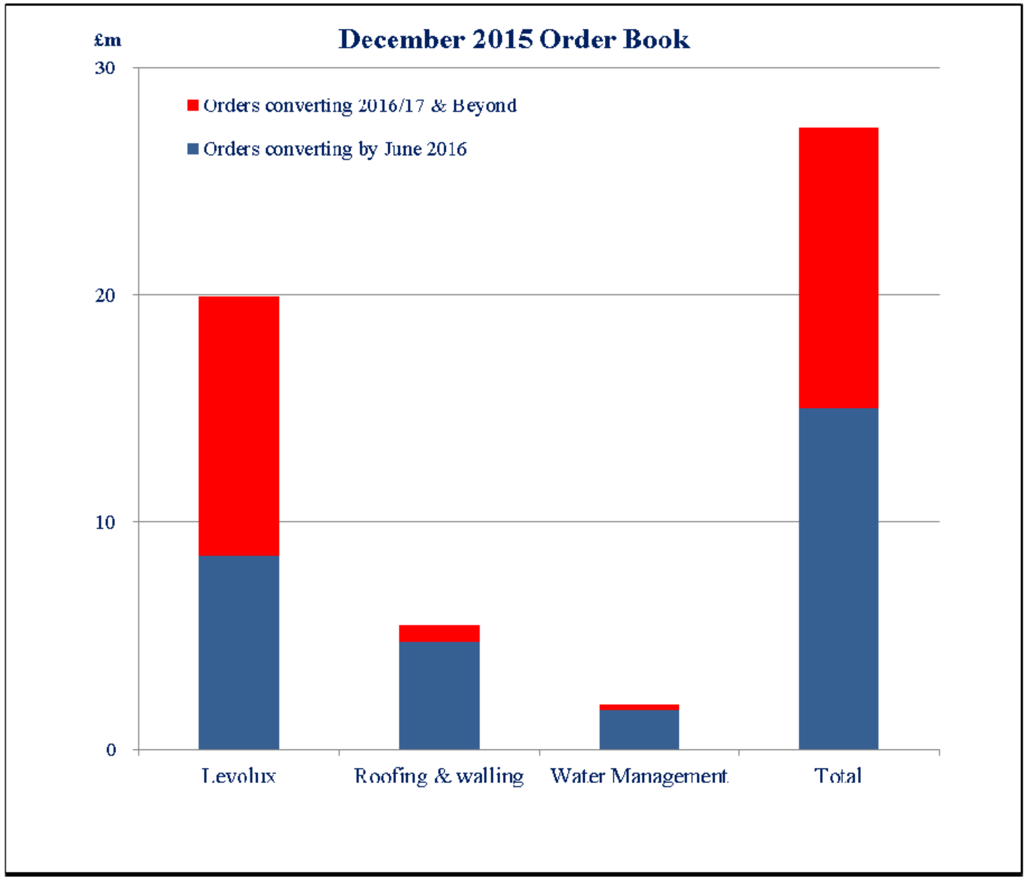
**Paul Hooper**
**Chief Executive**

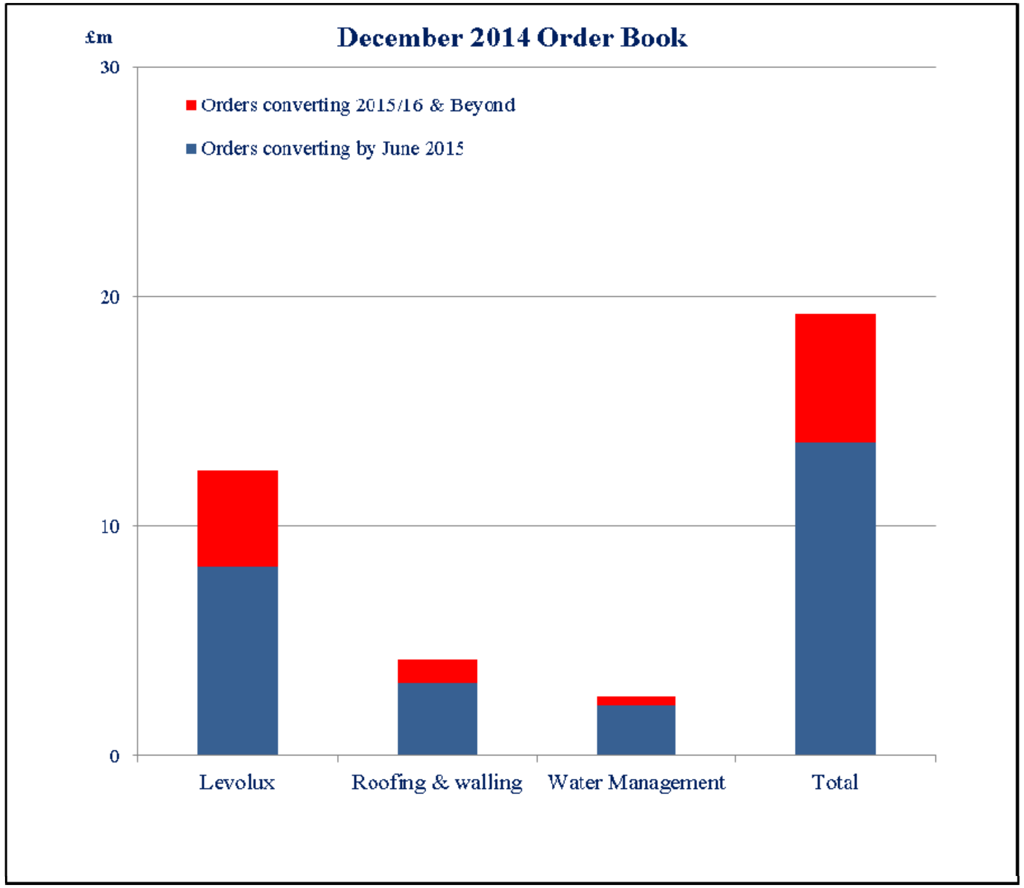
Andrew Magson
Finance Director

# Order Book Development (£m)



# Anticipated Order Book Realisation Into Revenue (£m)




- **Most of the order book increase relates to Levolux projects which are expected to convert into revenues after 30 June 2016**

# Outlook

- With the group expected to benefit from its normal seasonal trading bias in favour of the second half of the financial year, the Board's previous expectations for the group's full year performance remain unchanged

- More broadly, against a background of further UK growth in demand for premium building products for sustainable building, and with rising group order books and continuing success in developing our overseas presence,  Alumasc is well positioned to make further progress beyond this financial year

# Appendix
## Why Alumasc is Outperforming the UK Construction Market

- **Strong strategic positioning in sustainable building product niches**
  - particularly energy and water management
- **Consistent revenue investment of approaching £1m pa in:**
  - high quality managerial, sales and commercial resources
  - innovation and new product development
- **Better balanced mix of sales to end user markets including increased refurbishment sales**
- **Increased sales to the stronger UK markets of London & the South-East**
- **Leveraging existing routes to market with new products and the development of e-commerce channels**
- **Development of export sales, particularly through Levolux and Gatic**

# The Alumasc Group plc

## Interim Results to
## 31 December 2015