alumasc

The Alumasc Group plc

Annual Results to 30 June 2016

Contents

Paul Hooper
Chief Executive

Andrew Magson
Finance Director

Levolux – Cubric Building, Cardiff

Alumasc Roofing – BluRoof, Bristol_- image credit to: Madeleine.McEwan for Feilden Clegg Bradley Studios

Overview

Strategic focus on Premium Building Products, Systems and Solutions achieved

Alumasc's fifth year in succession of profit growth

Order books are now at record levels of over £30m, with continued growth since the year end

Continuing Operations:

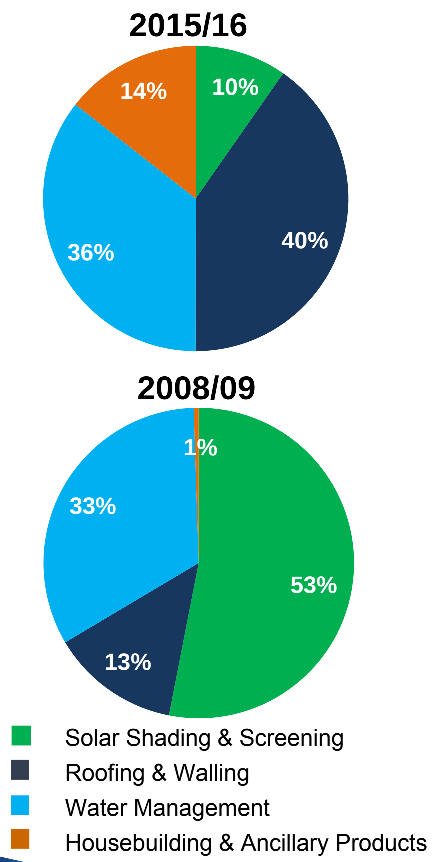
- **Group revenues up by 2% to £92.2m**
  - "underlying business" (excluding large projects) up by 9%
- **Underlying PBT up by 7% to £8.3m**
  - after investing £1.2m in new sales resources to support the continued growth of the business
- **Underlying EPS up by 9% to 18.4p**
- **Proposed dividend increase of 8% to 6.5p**

Total Group:

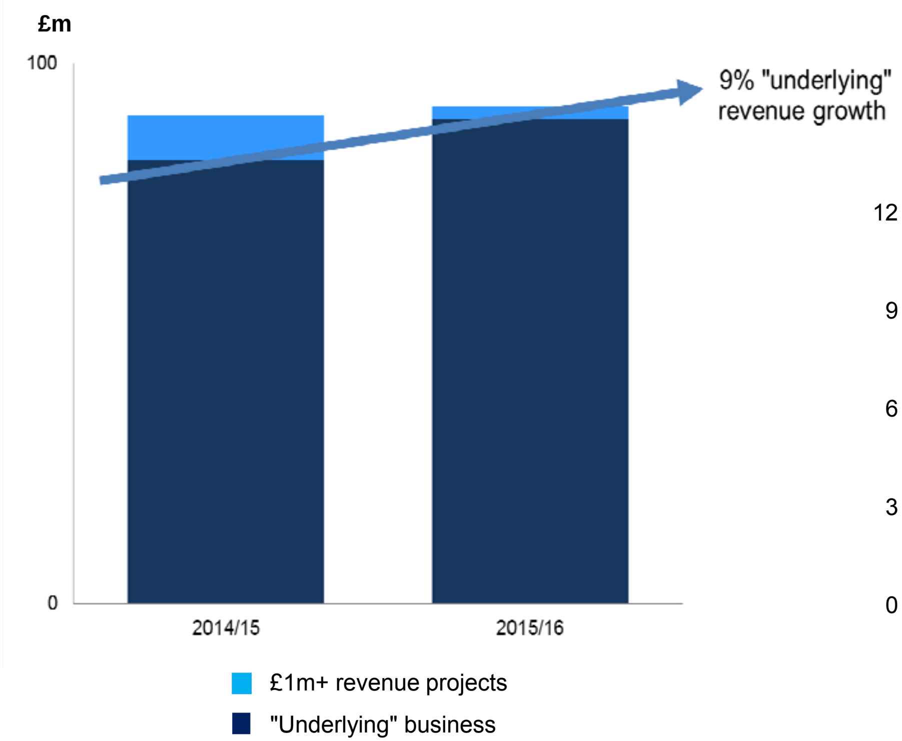
- **PBT up by 59% to £7.7m:**
  - better underlying results, profit on the sale of Dyson and sale of loss-making APC last year
- **Basic EPS up by 48% to 18.2p**

High quality of earnings in 2015/16

More even distribution of profit across business segments

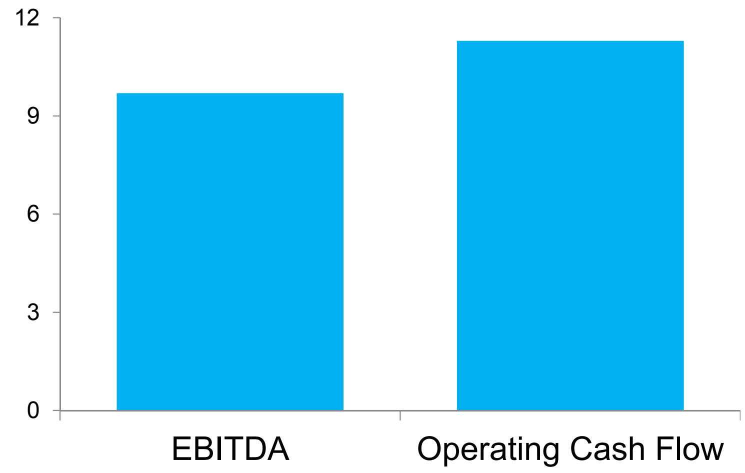


Strong underlying revenue growth, impact of large projects less significant

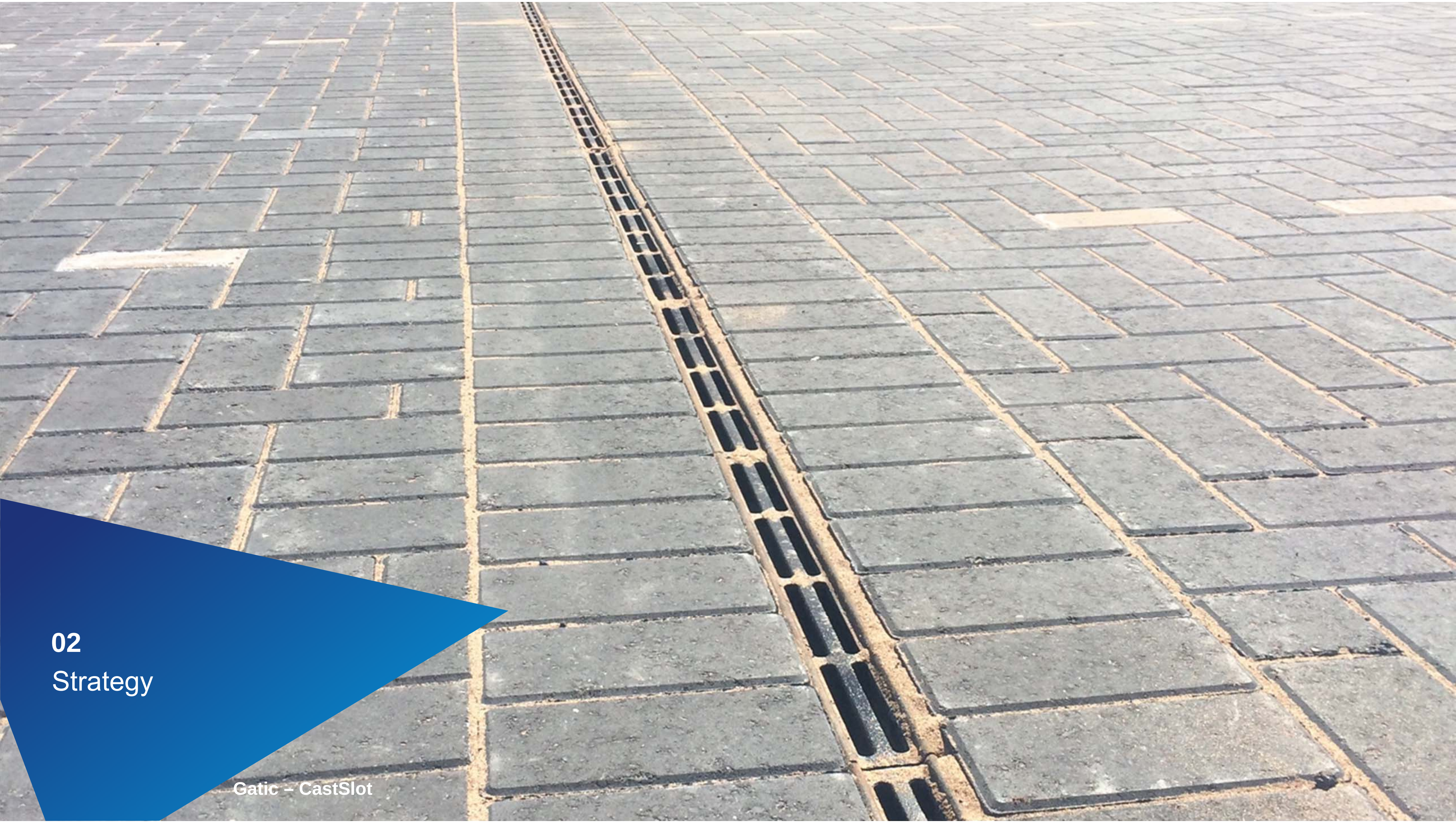


We are now seeing initial signs of recovery in the scheduling of large projects, including internationally

Operating cash flow 115% of EBITDA in 2015/16



02
Strategy



Gatic – CastSlot

Strategy

Alumasc's strategy is to supply premium building products, systems and solutions with the objectives of:

- Building leading positions in niche markets where specifiers and customers recognise the value added by our products and services
- Growing group revenues at a faster rate than the UK construction market on average
- Generating consistently superior financial returns underpinned by strong operating margins and ROI

Alumasc Green Roof – The SSE Hydro, Glasgow

Alumasc's business model for growth and value creation

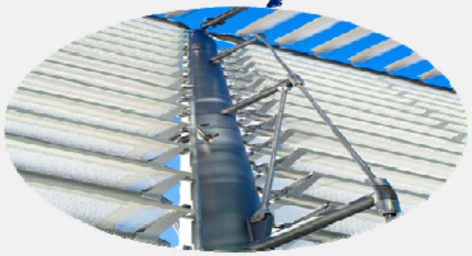
Operate only in "fast flowing streams" + **Manage these opportunities well** = **Success**

Strong strategic positioning in niches that exhibit long term growth drivers → Market leading positions in each niche → Growth opportunities exploited by talented people and Alumasc's management framework → Targeting outperformance relative to the UK construction market:

1. Satisfied customers
2. Revenue growth ahead of UK market sector on average
3. Superior financial returns, underpinned by strong ROS and ROI

Focus in niche segments with long term growth drivers

Energy management



Bespoke solar shading systems

Solar shading & photovoltaics

Water management

Green roofs

Line drainage & attenuation systems

Aesthetics, bespoking & design

Architectural screening solutions

Bespoke shading & intelligent lighting systems

Efficient construction

Alumasc Ventilated System (off-site construction)

Bespoke balcony solutions (off-site construction)

Market leading positions in each niche

Typically UK market share no.s 1-3

- **Levolux** – **No. 1**
- **Alumasc Roofing** – **No. 2**
- **Alumasc Facades** – **No. 2/3 in EWI**
- **Alumasc Water Management Solutions** – **No.'s 1-3 depending on product group**
- **Gatic** – **No. 1 for engineered access covers, no. 2 for line drainage**
- **Timloc** – **No.'s 1-2 depending on product group**

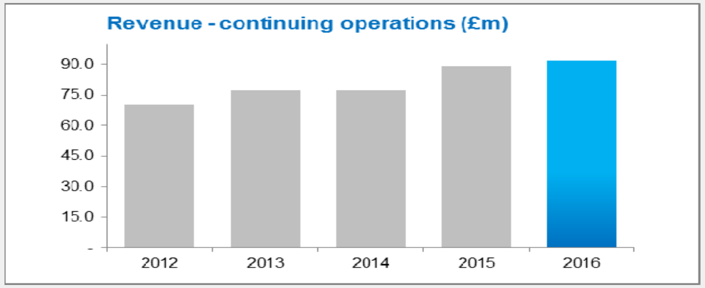
Alumasc's management framework

People & Culture	Management Disciplines	Exploiting Growth Opportunities
• Recruitment & development of talented people • Dedicated management & sales focus for each niche • Fostering an innovative and entrepreneurial culture	• Set clear objectives & strategic goals • Prioritised capital and resource allocation • Strong service ethos • Promotion of recognised & trusted brands • Management of risk	• Expanding our geographical reach including internationally • Development of innovative products and solutions (20% of sales over last 3 years) • Developing synergies within the group (e.g. "Rain to Drain") • Continued investment in human and capital resources to grow the business (over £1m pa each)

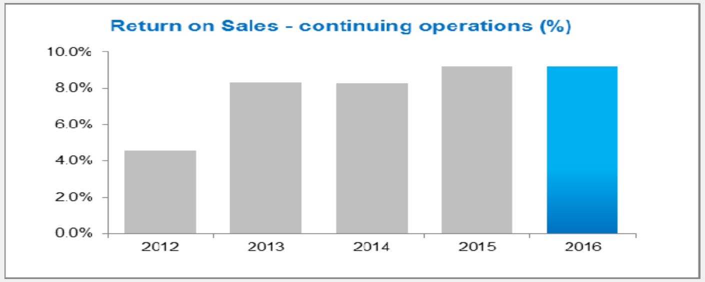
Outperforming the UK construction market (1 of 2)

Alumasc's revenues are growing c.2% pa faster than the UK construction sector:

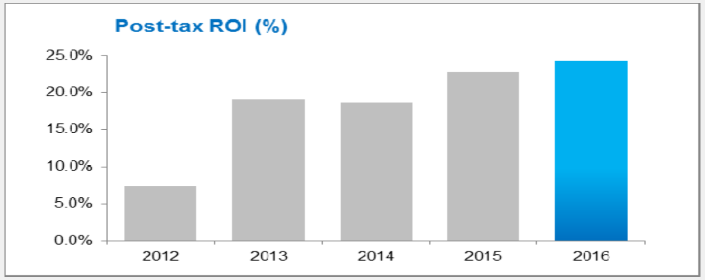
- Alumasc revenue CAGR 7% pa incl. inflation, 4% excl. inflation*
- Construction market growth CAGR 2% pa



Operating margins are improving and now approaching 10%



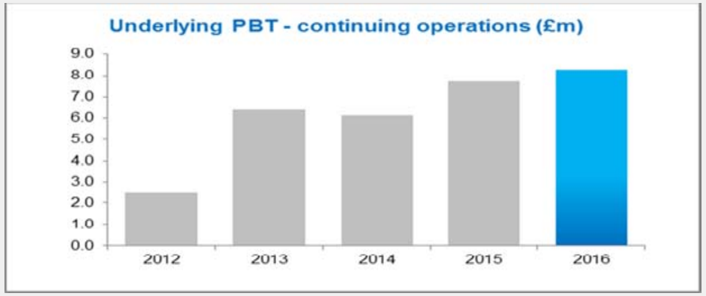
Return on investment has grown over recent years to over 20% on a post-tax basis



* Revenues from the exceptionally large Kitimat project in 2012-15 excluded so as not to artificially overstate the underlying growth rate

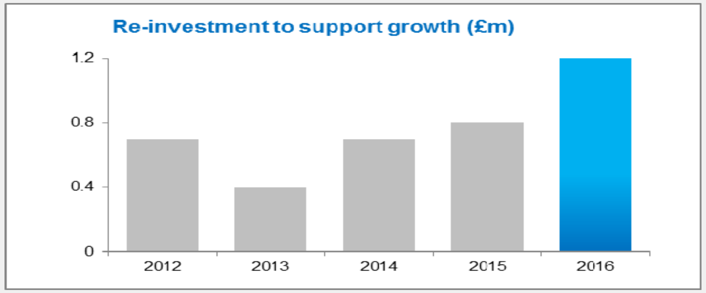
Outperforming the UK construction market (2 of 2)

Underlying PBT has more than trebled over the last five years



We continually invest in new resources to grow the business and in new, innovative products

This investment now exceeds £1m pa and is charged against profits each year



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Financial Review

EuroRoof – Caltech Liquid Roofing Membrane

Income Statement Summary (£m)

12 months to 30 June

	2016 £m	2015 £m	Change %
Continuing* Operations:			
Revenue	**92.2**	**90.3**	**+2**
Underlying Operating Profit	**8.5**	**8.3**	**+2**
Interest on borrowings	(0.2)	(0.6)	
Underlying PBT	**8.3**	**7.7**	**+7**
IAS19 pension costs	(1.2)	(1.2)	
Brand amortisation	(0.3)	(0.3)	
PBT – continuing operations	**6.8**	**6.3**	**+7**
Discontinued* operations	0.9	(1.5)	
Total PBT	**7.7**	**4.8**	**+59**
Underlying operating margin – continuing operations (%)	9.2	9.2	-
Underlying EPS – continuing operations (p)	18.4	16.9	+9
Basic EPS (p)	18.2	12.3	+48
Dividends per share (p)	6.5	6.0	+8

* Note: Discontinued operations are Dyson Diecastings in 2015/16; and Dyson Diecastings, Alumasc Precision Components and Pendock Profiles in 2014/15 - comprising trading profit/loss and gain/loss on disposal of business in each case

Cash Flow Summary (£m)

12 months to 30 June

	2016 £m	2015 £m	Change
Continuing Operations:			
EBITDA	**9.7**	**9.6**	**0.1**
Underlying change in working capital	(0.3)	0.2	(0.5)
Short-term changes in working capital on large construction contracts	1.8	(0.5)	2.3
Operating cash flow	**11.2**	**9.3**	**1.9**
Capital expenditure	(1.1)	(1.1)	-
Pension funding	(2.9)	(2.9)	-
Interest	(0.2)	(0.4)	0.2
Tax	(1.0)	(0.9)	(0.1)
Share schemes & others	(0.6)	(0.1)	(0.5)
Dividends	(2.2)	(1.9)	(0.3)
Net cash flow from continuing operations	**3.2**	**2.0**	**1.2**
Discontinued operations	-	0.4	(0.4)
Net sales proceeds from sale of businesses	4.5	6.2	(1.7)
Increase in net cash	**7.7**	**8.6**	**(0.9)**
Net cash at year end	**8.6**	**0.9**	**7.7**
Average trade working capital % sales – continuing operations	11.3	11.6	

Balance Sheet Summary (£m)

at 30 June

	2016 £m	2015 £m
Property, plant & equipment	5.3	7.5
Intangible assets	19.1	19.3
Working capital	4.0	6.8
Other net liabilities	(1.8)	(1.9)
Capital invested	**26.6**	**31.7**
Net cash	8.6	0.9
Pension obligations (1)	(18.6)	(16.7)
Net assets	**16.6**	**15.9**
ROI – continuing operations (post tax) (2)	24.3%	22.8%

(1) IAS19 valuation, net of related deferred tax asset
(2) Annualised post-tax underlying operating profit divided by average capital invested

Continuing Operations : Segmental Analysis of Results

12 months to 30 June

	2016 Revenue £m	2016 Underlying Operating Profit [1] £m	2015 Revenue £m	2015 Underlying Operating Profit [1] £m	2016 Underlying Operating Margin %	2015 Underlying Operating Margin %
Building Products:						
Solar Shading & Screening	17.4	1.0	16.0	0.9	5.5	5.8
Roofing & Walling	40.1	4.0	40.6	4.5	9.9	11.0
Water Management	27.6	3.5	27.0	3.3	12.7	12.1
Housebuilding Products & Ancillaries	8.6	1.4	7.8	1.1	16.6	14.6
Building Products	**93.6**	**9.9**	**91.4**	**9.8**	**10.5**	**10.7**
Intercompany/Unallocated	(1.4)	(1.4)	(1.1)	(1.5)		
Total Group	**92.2**	**8.5**	**90.3**	**8.3**	**9.2**	**9.2**

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

04
Operational Review

Rainclear – Galvanised Steel Gutters & Downpipes

Solar Shading & Screening

Nature of business

- Bespoke louvres and blinds to shade/screen buildings
- Bespoke balcony and balustrading solutions

Growth drivers

- Energy management
- Bespoke architectural solutions
- International potential (esp. North America & Middle East)
- Building Regulations

2015/16 performance

- Exceeded internal expectations for year
- Profit improved to £1m
- Only one >£1m project in year
- Numerous >£1m projects in specification pipeline
- 21% increase in year end order book to £18.9m (c.f. 2015/16 revenue £17.4m)
- One third of 30 June 2016 order book is for North America
- Market reach expanded to encompass North America & balconies business

Opportunities

- International development
- Development of balconies business
- Related areas (intelligent lighting/electronic controls)
- Strong presence in London
- Continued UK commercial market recovery

Levolux – Norwich City College

Roofing & Walling

Nature of business

- Premium waterproofing systems for flat roofs (inc. Green & Blu roofs)
- Exterior wall insulation (EWI) systems
- Modern/innovative façade systems

Growth drivers

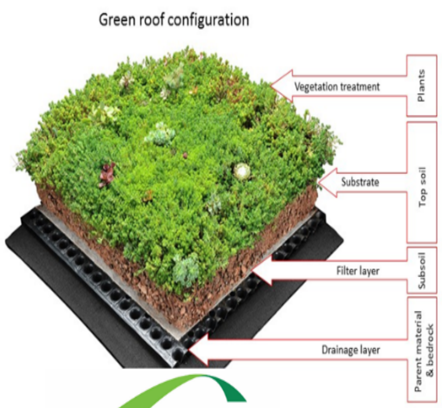
- Water and energy management
- New product introductions and range expansion
- Expansion of geographical reach through new sales people
- Off-site construction

2015/16 performance

- Highest profit generating business segment in Alumasc
- Funding cuts to EWI in England & Wales and completion of large Kitimat project explain y-o-y profit reduction - still the second best year on record
- Roofing business momentum strong benefiting from expanded product offer & wider geographical reach
- Funded EWI business still strong in Scotland (HEEPS/SEEPS)
- Beginning to penetrate & grow new build markets with innovative systems launched recently (Alumasc Ventilated System, thin coat renders, decorative finishes)

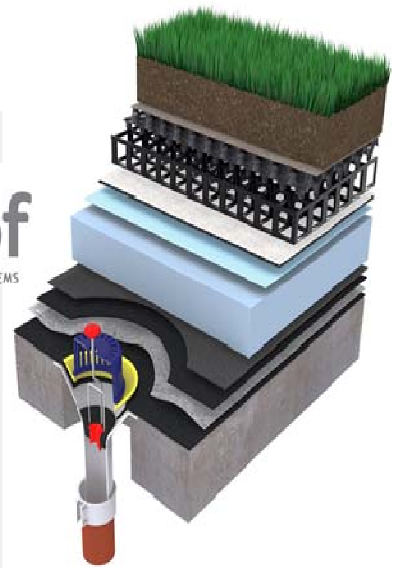
Opportunities

- Roofing – inter-group synergies: “Rain to Drain” concept with AWMS
- Roofing – market share via new products/sales coverage
- Façades – new build market penetration with new products



blackdown greenroofs

BlůRoof STORMWATER MANAGEMENT SYSTEMS



Water Management

Nature of business

- Metal rainwater systems
- Metal drainage systems
- Civil drainage systems
- Engineered access covers

Growth drivers

- Water and flood management
- Bespoke solutions/manufacturing capability
- Building Regulations (incl. UK Flood & Water Management Act)
- International development

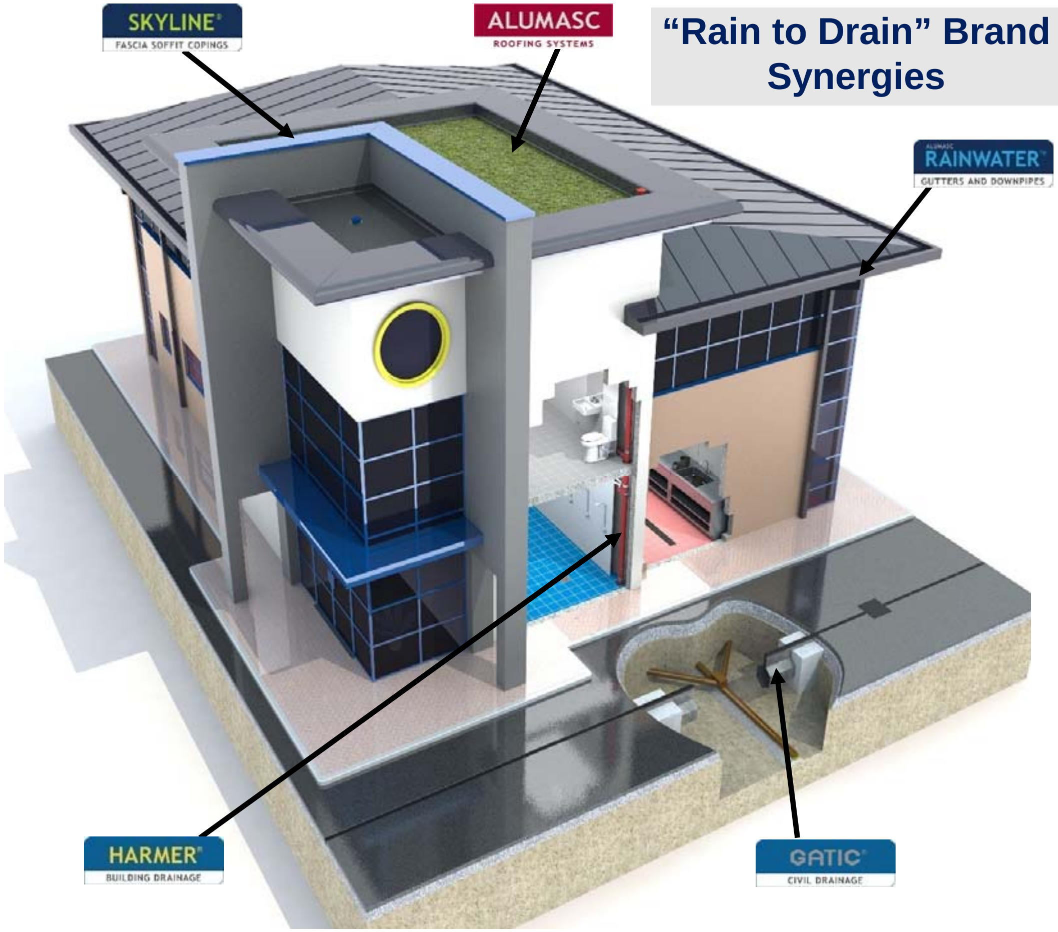
2015/16 performance

- Profitable growth driven by launch of Alumasc Water Management Solutions brand a year ago & "Rain to Drain" concept
- Increased cross selling between building and civil drainage brands and across distribution channels
- Successful new product introductions – Gatic Filcoten, Harmer SML below ground, giving a more holistic product range
- Some pre-EU referendum uncertainty weakness for "spot" orders
- Gatic Covers lacked any large >£1m projects in the year, but the pipeline is healthy

Opportunities

- New products and range expansion ("Rain to Drain")
- Inter-group synergies (AWMS/Alumasc Roofing/Gatic)
- International expansion
- Large project pipeline
- Routes to market cross selling (specification & distribution)

"Rain to Drain" Brand Synergies



Housebuilding Products & Ancillaries

Nature of business

- Premium house building products (e.g. ventilation products, cavity wall products, access panels, loft doors, dry roof verge products)

Growth drivers

- UK house building demand
- Product range expansion (e.g. "Above the Roofline" range)
- Consolidation of builders merchants and merchant category sales
- Building Regulations

2015/16 performance

- Another record year
- Profit has close to trebled in Alumasc's ownership since 2004
- First "Above the Roofline" products successfully launched, with roll out in 2016/17
- Improved manufacturing efficiency
- Strengthened management and sales team
- £1m investment in bespoke build leased factory in 2017 to support further growth

Opportunities

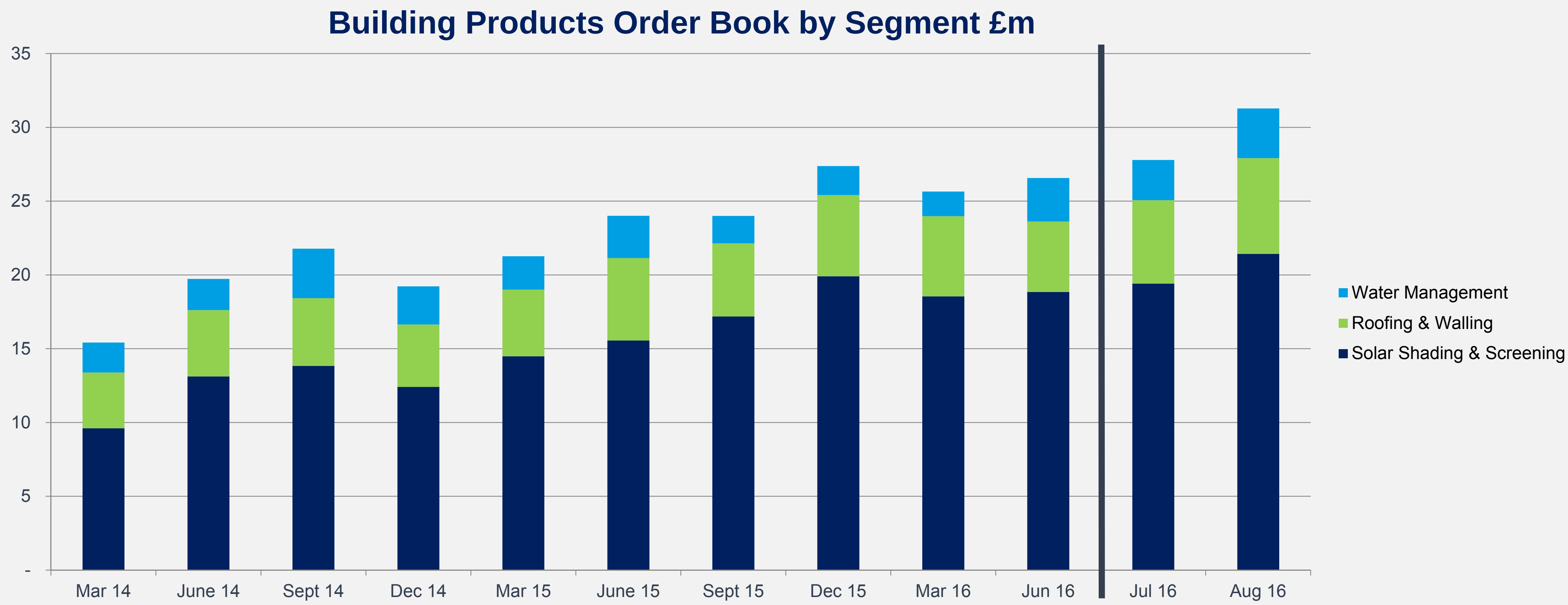
- Range expansion
- Growth/consolidation of distribution channels
- Operating margin improvement through growth/scale & manufacturing efficiency, enabled by new factory

05

Outlook

Alumasc Facades

Order Book Development (£m)



We have record ever Building Product order books

Outlook

- We ended the year to June 2016 with positive momentum and rising order books
- There are signs of recovery in the scheduling of larger construction projects following a quieter period in 2015/16, which will benefit the latter part of our new financial year and beyond
- It is still too early to predict any impact of the EU referendum, but our order books have now risen to record levels
- We assess the net impact of the recent fall in Sterling to be limited at current levels
- We are targeting continued outperformance relative to the UK construction sector
- We believe all our businesses have significant medium and longer term growth opportunities, because of their strategic positioning in growing market niches and international potential

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Thank you for your time

www.alumasc.co.uk