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Outlook

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Alumasc Facades - Park Road Flats, West Lothian



Overview



Alumasc's fifth consecutive first half year of earnings growth

Order books of £27.6m continue to be at close to record levels

- Group revenues up by 17% to £50.7m (2015 : £43.5m)
 - UK revenues up by 9% vs UK construction market growth of 1%
 - Export revenues almost doubled to £7.5m
 - Underlying operating margins reduced from 9.5% to 8.2% mainly reflects imported material cost inflation
 - Selling price increases effective 1 January, benefits of investment in people already made and large construction contracts completing prior to the financial year end should benefit margins in H2
- Underlying PBT up by 2% to £4.1m (2015: £4.0m)
- Underlying EPS up by 2% to 9.1p (2015 : 8.9p)
- PBT up by 6% to £3.6m (2015 : £3.4m)
 - better underlying results and lower pension costs
- Basic EPS up by 8% to 8.2p (2015 : 7.6p)
- Interim dividend increase of 5.6% to 2.85p (2015 : 2.7p)



Strategic Development



We are seeking to accelerate profitable growth through continued revenue outperformance and focus on margin improvement:

1. Revenue growth ahead of market growth

- UK construction market outperformance through strategic positioning of the business (energy & water management, bespoke solutions & ease of construction), supported by innovation and investment in people and skills
- International development, particularly Levolux & Gatic
- Selective complementary acquisitions

2. Operating / EBITDA margin improvement:

- Continued product, system and service innovation
- Capital investment (plant, equipment, tooling)
- Relocation and expansion of Timloc / AWMS factories
- Flexible working capital to exploit procurement opportunities
- Operational gearing





Income Statement Summary (£m)

6 months to 31 December



Revenue	2016 £m 50.7	2015 £m 43.5	Chang 9
Gross Profit	15.8	14.6	+
Underlying Operating Profit	4.1	4.1	
Interest on borrowings	-	(0.1)	
Underlying PBT	4.1	4.0	+
IAS19 pension costs / brand amortisation*	(0.5)	(0.6)	
РВТ	3.6	3.4	4
Underlying EPS (p)	9.1	8.9	
Basic EPS (p)	8.2	7.6	
Dividends per share (p)	2.85	2.70	+5
Gross Margin (%)	31.2	33.5	-2.3pp
	8.2	9.5	-1.3pp

Cash Flow Summary (£m)

6 months to 31 December



	2016 £m	2015 £m	Change £m
EBITDA	4.8	4.6 (1.4) 0.7	0.2 (2.1) (1.7)
Underlying change in working capital Short-term changes in working capital on large construction contracts	(3.5) (1.0)		
Operating cash flow	0.3	3.9	(3.6)
Capital expenditure	(0.5)	(0.7)	0.2
Pension funding Interest Tax Share schemes & others	(1.7) - (0.2)	(1.7) (0.1) (0.4) (0.4)	0.1 0.2 0.4
Free cash flow	(2.1)	0.6	(2.7)
Dividends Discontinued operations	(1.3)	(1.2) 0.2	(0.1) (0.2)
Change in net cash	(3.4)	(0.4)	(3.0)
Net cash on balance sheet at 31 December	5.2	0.5	4.7
Average trade working capital % sales	10.4%	12.2%	

Balance Sheet Summary (£m)

at 31 December



	31 Dec 2016 £m	30 June 2016 £m	31 Dec 2019 £n
Property, plant & equipment	5.2	5.3	5.3
Intangible assets	18.9	19.1	19.3
Working capital	8.0	4.0	6.8
Other net liabilities	(1.6)	(1.8)	(1.6
Capital invested	30.5	26.6	29.
Discontinued operation: Dyson Diecastings	-	-	3.0
Net cash	5.2	8.6	0.
Pension obligations (1)	(19.1)	(18.6)	(16.0
Net assets	16.6	16.6	17.
ROI (post tax) (2)	23.0%	24.3%	22.3°

⁽²⁾ Annualised post-tax underlying operating profit divided by average capital invested - from continuing operations in 2015/16

Segmental Analysis of Results

6 months to 31 December



	Revenue		Revenue	Underlying Operating Profit ⁽¹⁾	Unde Operatii	rlying ng Margin
	2016 £m	2016 £m	2015 £m	2015 £m	2016 %	2015 %
Solar Shading & Screening	11.1	0.6	7.6	0.5	5.7	6.1
Roofing & Walling	20.9	1.6	18.4	1.7	7.8	9.5
Water Management	14.9	1.6	14.0	1.9	10.9	13.6
Housebuilding & Ancillary Products	4.4	0.7	4.1	0.6	15.8	14.0
Sub-total	51.3	4.5	44.1	4.7	8.9	10.6
Intercompany/Unallocated	(0.6)	(0.4)	(0.6)	(0.6)	(0.7)	(1.1)
Total	50.7	4.1	43.5	4.1	8.2	9.5

⁽¹⁾ Underlying results are stated prior to deducting brand amortisation and IAS19 pension costs



Solar Shading & Screening



Nature of business

- Bespoke louvres and blinds to shade/screen buildings and provide unique architectural features
- Bespoke balcony and balustrading solutions

Growth drivers

- · Energy management/building regulations
- Increasing demand for bespoke architectural solutions
- International markets (esp. North America & Middle East)

Opportunities

- Further international development and penetration
- Development of balconies business
- Complementary areas (intelligent lighting/electronic controls)

2016/17 H1 performance

- Significant growth H1 revenues up 46%, profit up 37%
- Annualised cost of £0.7m invested in people to drive/ support growth
- Stage of project completion will weight profit and margin recognition to H2
- Run rate operating margins currently c.10%, implying much stronger H2 profit performance expected
- Order intake, enquiry & tender levels remain strong in all markets



Levolux - The Halo Building - London www.alumasc.co.uk

Roofing & Walling



Nature of business

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

Growth drivers

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

Opportunities

- Roofing market share via new products/sales coverage
- Roofing cross-selling including "Rain to Drain" concept with AWMS
- Facades new build market penetration with new products

2016/17 H1 performance

- Alumasc Roofing trading at record level of revenue and profit with strong momentum
- Alumasc Facades' EWI (refurbishment business) performing well in Scotland (HEEPS)
- Growth in new build business only partially mitigating lower refurbishment sales in England & Wales (post Green Deal/ECO)
- Divisional margins impacted by currency led inflation in imported materials and H1 sales mix
- Selling price increases, already implemented, should improve H2 margins



EuroRoof – Hovis Factory, Bradford www.alumasc.co.uk

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Water Management



Nature of business

- Metal rainwater drainage systems
- · Civil and building drainage systems
- Engineered access covers

Growth drivers

- Water and flood management
- Bespoke solutions/manufacturing capability
- Building regulations
- International markets, especially for Gatic products

Opportunities

- · New products and range expansion
- Inter-group synergies ("Rain to Drain")
- International expansion

2016/17 H1 performance

- Divisional revenue growth of 6% driven mainly by increased Gatic exports, building drainage and new AWMS product sales
- Margins impacted by significant increases in global steel costs, currency led inflation in imported materials and H1 sales mix
- Selling price increases already implemented should assist margins in H2
- Order books remain strong and Gatic will benefit from a number of large international projects completing in H2



Gatic Covers – London Gateway Berth 3 www.alumasc.co.uk

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Housebuilding & Ancillary Products



Nature of business

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

Growth drivers

- · UK house building demand
- Product range extension (e.g. "Above the Roofline" range)
- Building regulations

Opportunities

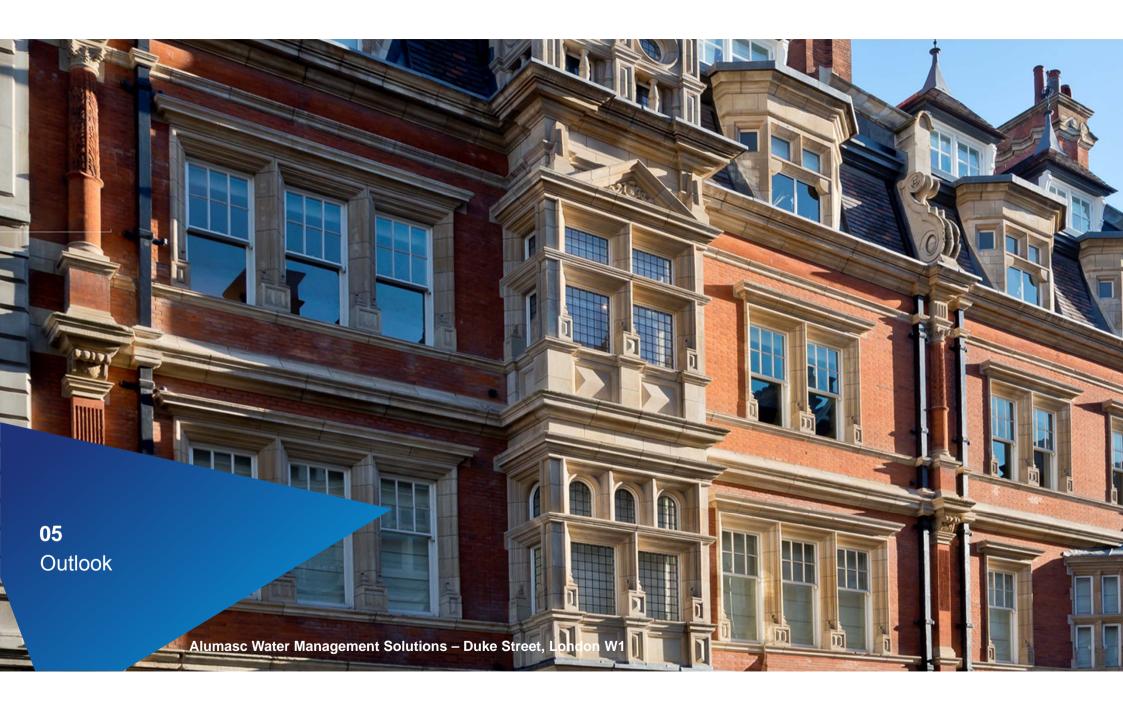
- Market share gain through expanded range of products
- Growth/consolidation of distribution channels
- Operating margin improvement through growth/scale & manufacturing efficiency, enabled by new factory

2016/17 H1 performance

- Continued good progress revenue up 8%, profit up 22%
- Sales representation strengthened, incl. London & SE
- New "Above the Roofline" product range performing well
- Cost inflation pressures mitigated through purchasing & supply chain initiatives and operational efficiencies
- New purpose built leasehold factory under construction expected operational late Autumn 2017

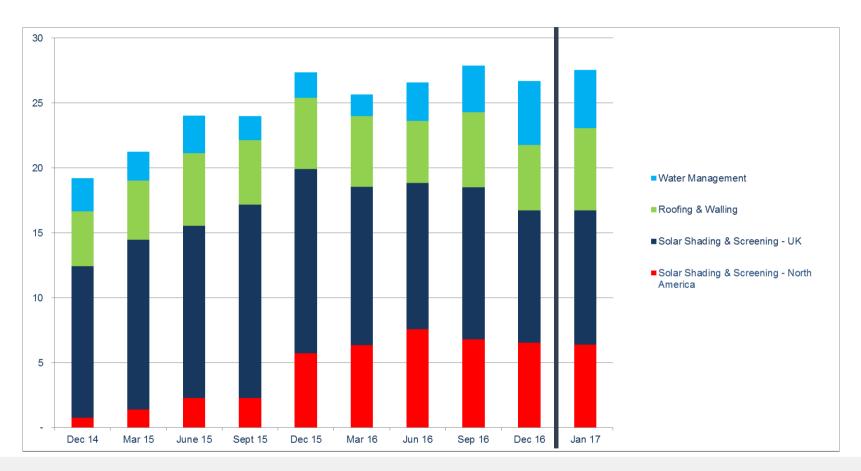


Timloc – Everdry Leaded Stepped Cavity Trays



Order Book Development by Operating Segment (£m)





Close to record building product order books

Outlook



H2 2016/17:

- The majority of the order book relates to construction contracts at Levolux mainly due to complete in 2016/17, which we expect will benefit H2 profit recognition & margin
- Elsewhere we expect the group's positive trading momentum to continue in H2
- Therefore the Board's expectation for full year performance remains unchanged

2017/18 and beyond:

- Notwithstanding continued uncertainties around Brexit and the value of Sterling, industry forecasters still expect modest UK construction sector growth in the coming years
- The strategic growth drivers underpinning Alumasc's chosen niche markets remain robust (energy & water management, bespoke solutions, ease of construction)
- The pipeline of enquiries and quotations continues to be encouraging, including for large international projects at Levolux & Gatic in particular
- Therefore the Board expects Alumasc to continue to make good progress beyond the current financial year

