



The Alumasc Group plc

Annual Results to 30 June 2017

Levolux – Bower Building, Stockley Park

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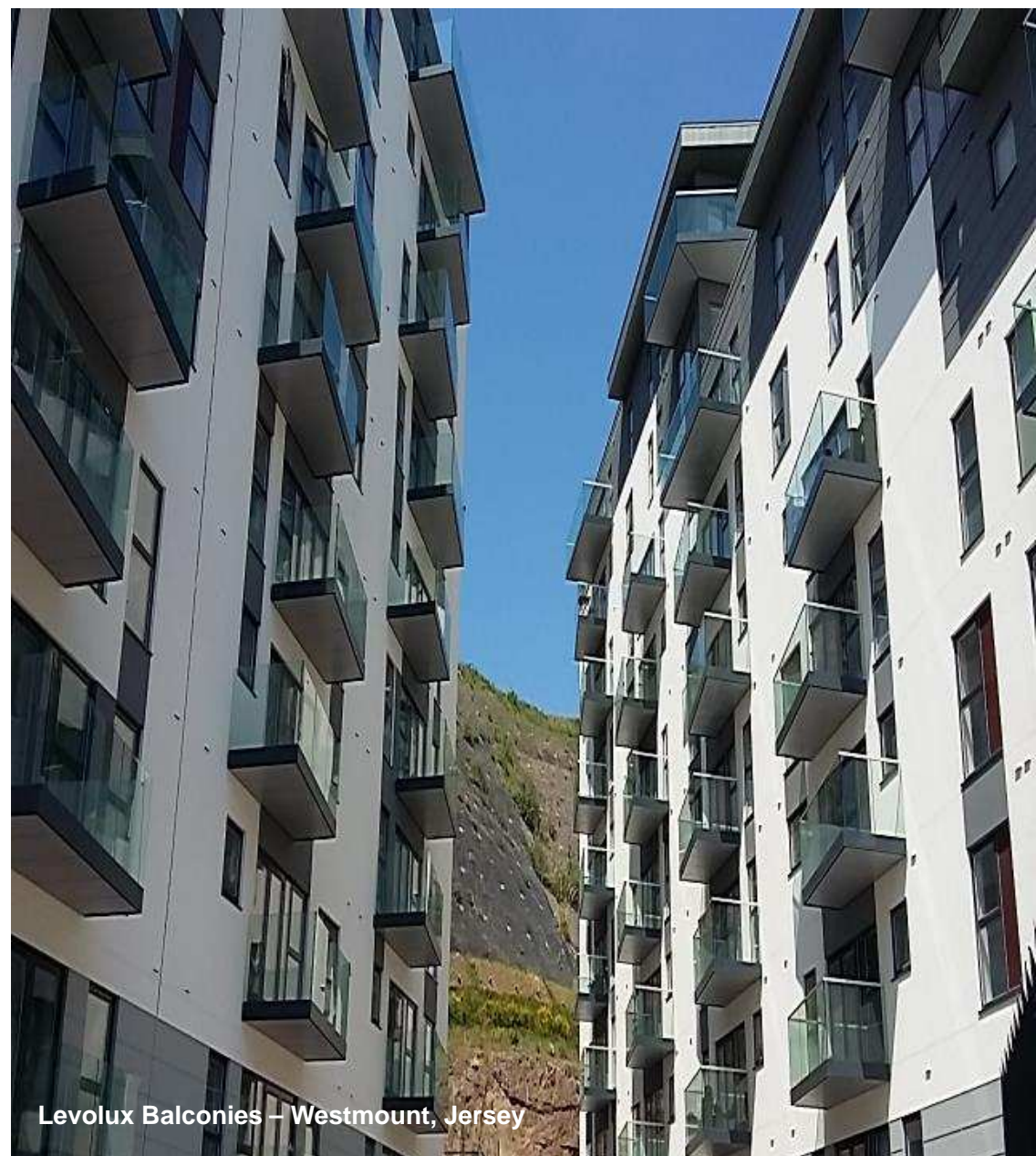
Business Review

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Outlook

Paul Hooper
Chief Executive

Andrew Magson
Finance Director



Levolux Balconies – Westmount, Jersey



01 Overview

Levolux – Bainbridge Island Museum of Art, Washington State

Overview



- Alumasc's first year as a focused building products business
- Record building products' revenues
- Our sixth year of earnings growth
- A clear strategy for continued growth

- **Group revenues : £104.8 m (2015/16 : £92.2m) - up 14%**
 - strong export sales growth, together with further growth in the UK
- **Underlying operating profit : £9.1m (2015/16 : £8.5m) - up 8%**
 - after investing £1.6m in people to support growth; and
 - after absorbing over £1m of additional materials costs, mainly arising from the depreciation of Sterling
- **Underlying PBT : £9.0m (2015/16 : £8.3m) - up 9%**
- **Underlying EPS: 20.1p (2015/16 : 18.4p) – up 9%**
- **Dividends per share 7.15p (2015/16 : 6.5p) – up 10%**



02

Strategy & Development

Levolux – Pontprennau Primary School, Cardiff

Strategic objectives



Alumasc has strong specialised positions in premium building product markets, where specifiers and customers recognise the value added by our products, systems and solutions

Our strategic objectives are to:


- **Grow UK revenues at a faster rate than the overall UK construction market on average**
- **Augment UK revenue growth through the development of selected export markets**
 - Levolux – North America; Gatic – North America, Europe, Middle & Far East
- **Grow profit at a faster rate than revenue by improving operating margins**
 - through new product development, increasing sales of systems & solutions and operational gearing
- **Generate consistently superior financial returns to shareholders, underpinned by growing operating margins and strong returns on investment**
 - currently 9% and 25% (post-tax), respectively

Organic growth will be supplemented by complementary acquisitions, should the right opportunities arise at the right price



Alumasc Roofing – Riverside, London

Alumasc's business model

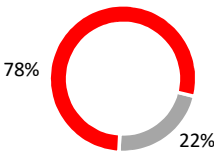
A diagram element consisting of a light grey circle with a thick blue border.

**Build specialised
positions in
growth markets**

Alumasc's business model

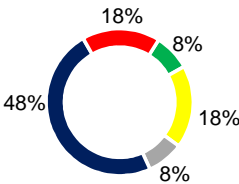


Almost 80% of group sales driven by specification & regulation



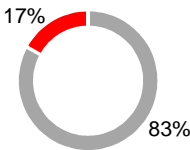
- Sales driven by specification & regulation
- Others

Over 90% of group sales relate to long-term strategic growth drivers



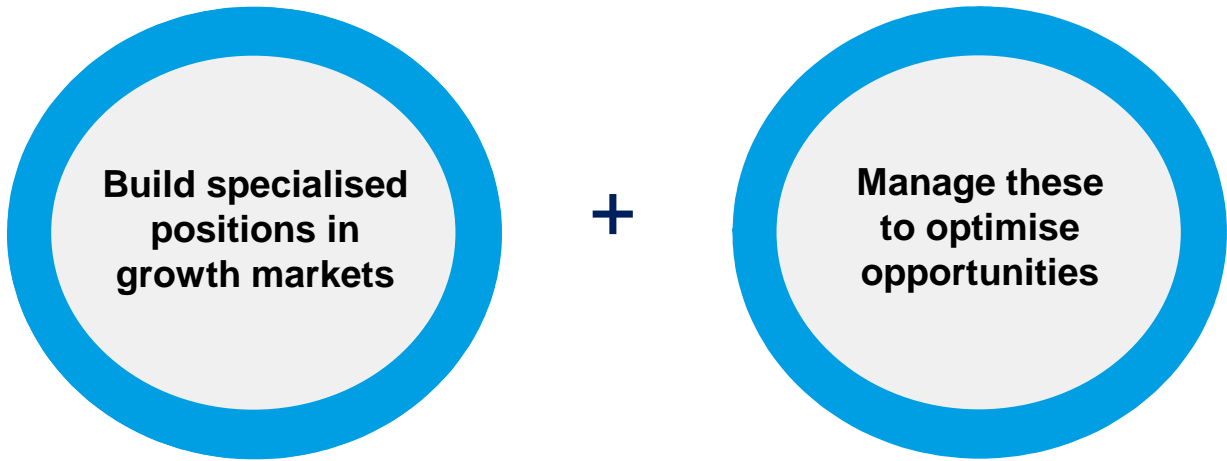
- Energy management
- Water management
- Bespoke architectural solutions
- Ease of construction
- Other

Export sales doubled to 17% of group sales



- Export sales
- UK sales

Alumasc's business model



Specified products



Almost 80% of group sales driven by specification & regulation

Structural growth



Over 90% of group sales relate to long-term strategic growth drivers

International markets



Export sales doubled to 17% of group sales

Empower talented people

Leverage strong brands

Continuous innovation and development

Maximise the commercial opportunity

Invest in strategic priorities

Alumasc's business model



Specified products



Almost 80% of group sales driven by specification & regulation

Structural growth



Over 90% of group sales relate to long-term strategic growth drivers

International markets



Export sales doubled to 17% of group sales

Empower talented people

Leverage strong brands

Continuous innovation and development

Maximise the commercial opportunity

Invest in strategic priorities

Satisfied customers



Sustainable growth



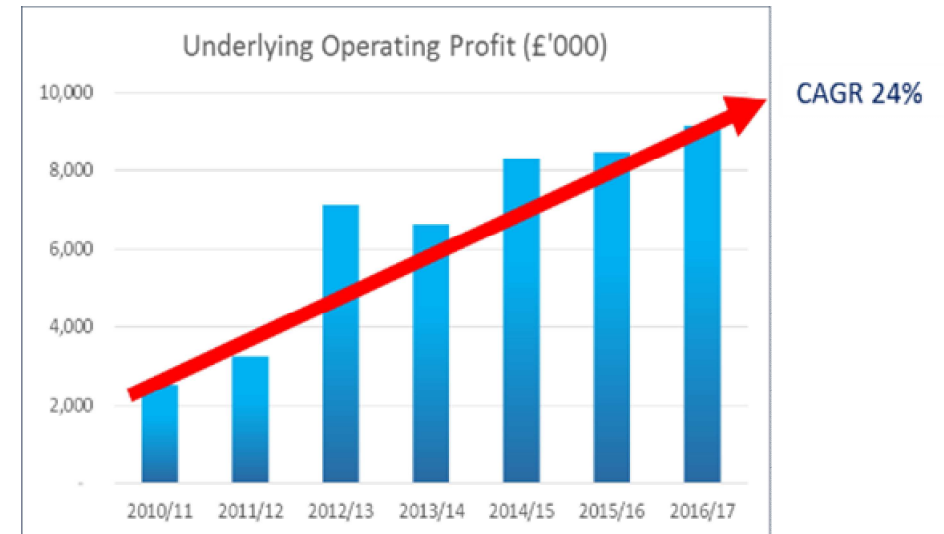
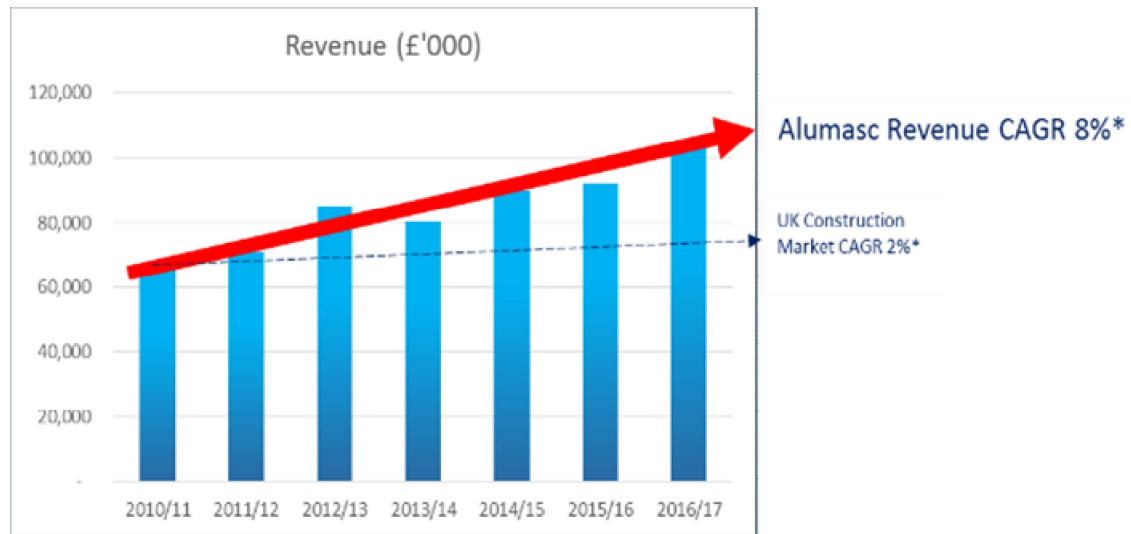
Superior financial returns



Long term value creation



How strategy is driving performance



* The Alumasc data above reflects building products operations only. UK construction market growth is stated in real terms. Adjusting for inflation, Alumasc estimates it has outperformed the UK construction market by 2-3% pa.



03 Financial Review

Alumasc Water Management Solutions – Skyline – Greenfields, Leighton Buzzard

Income statement summary

12 months to 30 June



	2017	2016	Growth
Revenue (£m)	104.8	92.2	+14%
Underlying* operating profit (£m)	9.1	8.5	+8%
Underlying* PBT (£m)	9.0	8.3	+9%
Statutory** PBT (£m)	8.1	6.8	+20%
Underlying* operating margin (%)	8.7	9.2	-50bps
Underlying* EPS (p)	20.1	18.4	+9%
Basic EPS (p)**	18.3	14.5	+26%
Dividends per share (p)	7.15	6.5	+10%

* Underlying results are stated prior to acquired brand amortisation of £0.3m in both years and IAS19 pension costs of £0.6m in 2016/17 and £1.2m in 2015/16

** From continuing building product operations. Excludes £0.9m pre-tax gain on sale of Dyson Diecastings in 2015/16

Cash flow statement summary

12 months to 30 June



	2017 £m	2016 £m	Change
EBITDA	10.5	9.7	0.8
Change in working capital – large construction contracts	(1.7)	1.8	(3.5)
Change in working capital - other	(3.7)	(0.3)	(3.4)
Operating cash flow	5.1	11.2	(6.1)
Capital expenditure	(1.1)	(1.1)	-
Interest	(0.1)	(0.2)	0.1
Tax	(0.8)	(1.0)	0.2
Pension deficit funding	(3.3)	(2.9)	(0.4)
Dividend payments	(2.4)	(2.2)	(0.2)
Business disposal proceeds / other	0.1	3.9	(3.8)
Net cash flow	(2.5)	7.7	(10.2)
Net cash at year end on balance sheet	6.1	8.6	(2.5)
Average trade working capital % sales	11.3%	11.3%	-

Balance Sheet Summary (£m)

at 30 June



	2017 £m	2016 £m	Change £m
Property, plant & equipment	5.3	5.3	-
Intangible assets	18.9	19.1	(0.2)
Working capital	8.8	4.0	4.8
Other net liabilities	(1.5)	(1.8)	0.3
Capital invested	31.5	26.6	4.9
Net cash	6.1	8.6	(2.5)
Pension obligations (net of tax)	(17.2)	(18.6)	1.4
Net assets	20.4	16.6	3.8
ROI – continuing operations (post tax)*	25.0%	24.3%	+70bps

* Underlying post tax operating profit divided by average capital invested for the year

Segmental Analysis of Results

12 months to 30 June



	<u>2017</u>		<u>2016</u>		<u>2017</u>	<u>2016</u>
	Revenue £m	Underlying Operating Profit ⁽¹⁾ £m	Revenue £m	Underlying Operating Profit ⁽¹⁾ £m	Underlying Operating Margin ⁽¹⁾ %	Underlying Operating Margin ⁽¹⁾ %
Solar Shading & Architectural Screening	24.4	2.0	17.4	1.0	8.2	5.5
Roofing & Walling	41.5	3.3	40.1	4.0	7.9	9.9
Water Management	30.5	3.6	27.6	3.5	11.9	12.7
Housebuilding Products & Ancillaries	9.6	1.6	8.6	1.4	16.5	16.6
Sub-total	106.0	10.4	93.6	9.9	9.9	10.5
Intercompany/Unallocated	(1.2)	(1.3)	(1.4)	(1.4)		
Total Group	104.8	9.1	92.2	8.5	8.7	9.2

⁽¹⁾ Underlying operating results are stated prior to deducting brand amortisation in both years

Alumasc Water Management Solutions – Skyline Fascia Soffit, Guardian Building, Jersey

04

Business Review



Solar shading & architectural screening



Nature of business

- Design & supply of custom solar shading & architectural screening solutions — mainly to commercial and public buildings in the UK & North America
- Design and supply of bespoke balcony & balustrading solutions to high value residential properties in the UK
- Installation of solutions in the UK only

Growth drivers

- Architectural specification
- Consumer demand for unique solutions
- UK building regulations (Part L) relating to energy management

2016/17 performance

- Revenue grew by 41% to £24.4m and profit doubled to £2m
- Strong export growth driven by North American market penetration and a large \$5m power station screening project
- First significant contribution from the embryonic balcony and balustrades business
- Strong order book and pipeline into 2017/18 and beyond



Solar shading & architectural screening (continued)



Investment in growth

- Investment in people £0.7m in 2016/17, mainly:
 - North America & UK sales resources
 - Designers, project managers, operations & supply chain management

Potential

- Market size (including North America & UK balconies) estimated to be £250m
 - over 4 x the original UK market for solar shading
- Targeting a significant increase in revenues over the medium term
- Further growth in operating margins through operational efficiencies and gearing



Levolux – Bower Building, Stockley Park

Roofing & walling



Nature of business

- Premium waterproofing solutions for flat roofs
 - including green roofs, blu-roofs and roofing support services
- Exterior wall insulation ("EWI") systems

Growth drivers

- Architectural specification
- Building regulations
- Roofing : increasing demand for full roofing systems & water management
- Walling: improvement of insulation standards in hard to heat homes

2016/17 performance

- Divisional revenues up 4% to £41.5m, operating profit down 18% to £3.3m
- Record year for Alumasc Roofing
- More challenging year for Alumasc Façades - public sector funding cuts
- A low capital intensity, high (36%) ROI business. Higher imported materials costs impacted operating margins during the year, now being recovered
- Sale of the non-core Scaffolding Products business (2016/17: £4.2m revenue, operating profit break-even) on 31 July 2017 for £1.0m



Roofing & Walling – Celtic Court, Bridgend

www.alumasc.co.uk

Roofing & walling (continued)



Investment in growth

- Investment in people £0.4m in 2016/17
- Main focus of investment was additional sales and sales support resources

Potential

- Roofing : outperformance of UK construction market through continued market share gain and introduction of new products and systems (including Alumasc's "Rain to Drain" strategy)
- Façades : recovery in demand and specification of high quality EWI systems
- Targeting divisional operating margin improvement through growth, new product development, increased specification sales and operational gearing



Alumasc Roofing – Green Roof – Banbridge, N. Ireland

Water Management



Nature of business

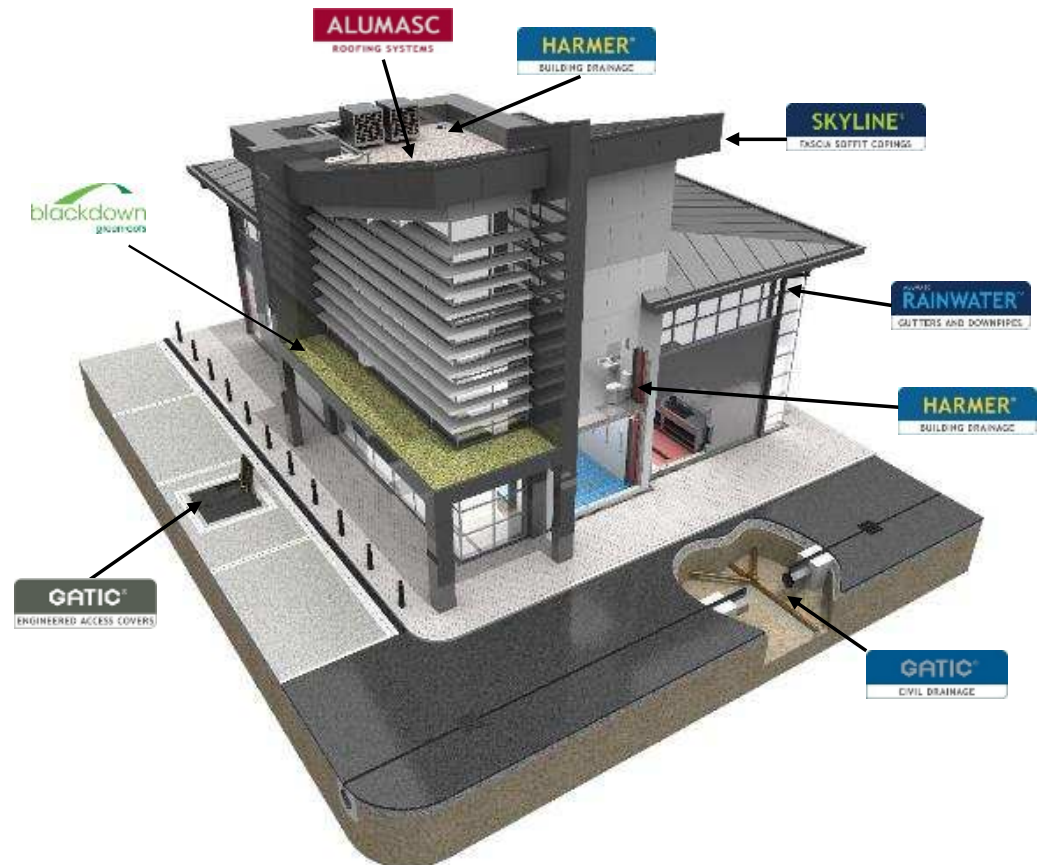
- Solutions that manage and attenuate water inside and outside buildings
- Integrated “Rain to Drain” solutions in the built environment (see opposite)

Growth drivers

- Building regs and legislation: conservation, attenuation and control of water
- Architectural and structural engineering specifications
- International expansion for Gatic systems to infrastructure markets

2016/17 performance

- Revenue up 11% to £30.5m, operating profit up 4% to £3.6m
- Record year for Alumasc Water Management Solutions
- Record revenues for Gatic, but margins impacted by unrecovered steel costs
- Record export revenue for Gatic of £7m, benefiting from large projects
- “Rain to drain” solutions and new products gaining traction



“Rain to Drain” for a commercial building

Water management (continued)



Investment in growth

- Investment in people £0.2m in 2016/17
 - mainly in sales and operational resources
- Capital investment £0.3m in 2016/17
 - mainly targeted at margin / efficiency improvement and incremental capacity expansion

Potential

- Increase in revenues ahead of growth in the UK construction sector
- Increase divisional export sales focused on Gatic products
- Grow operating margins through new product introductions, operational efficiency and gearing. Seek to recover the 33% EU duty on imported Gatic castings effective August 2017
- Additional growth and efficiency potential will be unlocked by new AWMS factory in 2019



Water Management – AWMS – Harmer SML– Neobankside, London

Housebuilding & ancillary products



Nature of business

- Supply of premium house building and ancillary items
 - e.g. passive ventilation products, cavity closers, cavity trays, access panels, loft doors & dry roof verges etc.
- High customer service focus – next day delivery

Growth drivers

- Legislation and building regulations
- Growth in UK house building demand and current under supply of houses
- New products (e.g. “Above the Roofline” range)

2016/17 performance

- Revenue up 12% to £9.6m, operating profit up 11% to £1.6m
- Another record year
- Cost pressures largely offset by growth and operational efficiency
- Successful “Above the Roofline” new product range launch
- Excellent record of customer service: “on time in full”



Timloc – 6m Dry Fix Hip System, Terracotta

Housebuilding & ancillary products (continued)



Investment in growth

- Investment in people £0.3m in 2016/17
 - mainly additional sales resources
- Capital investment of £0.5m in 2016/17 related to operational efficiency
- Capital spend will increase to over £2m in 2017/18 including new leased factory commissioning

Potential

- Outperformance relative to the UK construction market through continued range and geographical expansion
- Leverage strong sales channels through building distribution
- Margin improvement through new factory being commissioned in early 2018



Timloc – 6m Dry Fix Verge for Profiled Tiles, Terracotta



05
Outlook

Levolux – Blackfriars Station, London

Outlook



- Market forecasts anticipate continued UK construction growth of 1.2% in 2017/18
- We anticipate further underlying growth in export sales in 2017/18. This is expected to mitigate a high concentration of large export contracts in 2016/17
- Order books and the level of pre-order specifications and enquiries remain strong
- Therefore the Board believes Alumasc can continue to grow like-for-like revenues in 2017/18 (adjusted for the sale of SCP)
- We are targeting an improvement in operating margins, assisted by new products and systems, the annualised impact of selling price rises, the divestment of SCP and operational gearing
- We plan to invest at least another £1m in people in 2017/18 to grow the business over the medium term
- The Board is conscious of the wider economic and political uncertainties at the current time. Nonetheless, in view of the strategic positioning of our building product businesses in specialised growth markets and the significant further opportunities for export growth, we believe Alumasc can continue to perform well in 2017/18 and beyond



Thank you

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