The Alumasc Group plc

Annual Results to 30 June 2018

Levolux – Bangor University

Contents

Paul Hooper
Chief Executive

Andrew Magson
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Alumasc Water Management Solutions - Bespoke Fascia and Soffit System – Guardian Site, Jersey

01 Overview

Levolux – Eastleigh College, Hampshire

Overview

An important year for strategic development:

1. Continued investment in capacity for growth
2. Improving quality of earnings through proactive portfolio management
3. Leveraging further synergies between group businesses
4. Implementation of a simpler and more cost efficient operating structure

…but a more challenging year for trading, despite a record final quarter:

1. Revenues: £98.4m (2016/17: £104.8m)
   - Poor Q3: severe weather; Carillion fall out; weaker commercial construction sector
   - Lower larger and export project contribution (timing), as anticipated last September
2. Underlying operating margin: 6.8% (2016/17 : 8.7%)
3. Underlying EPS: 14.4p (2016/17: 20.1p)
4. Dividend: 7.35p (2016/17: 7.15p)

Gatic CastSlot – Rushden Lakes Shopping Centre

02
Strategic Development

Levolux – Remington Office & Labs

Strategic development

1. **Continued investment in capacity for growth:**
   - **Commissioning of 88,000 sq. ft factory for Timloc in January 2018**
   - **Investment of £0.3m in commercial resources to drive and support growth**
     – with particular focus on Levolux Balconies & North America business development

Wade International – Victoria & Albert Museum, London

Strategic development

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     – with particular focus on Levolux North America & Balconies business development

2. **Improving quality of earnings through pro-active portfolio management:**
   - **Acquisition of Wade International in January 2018 for £8m**
     – (2017/18 full year revenue £5.4m; operating profit £1.3m: margin >20%)
   - **Disposal of Scaffold & Construction Products in July 2017 for £0.9m**
     – (2016/17 revenue £4.2m; EBIT break even)

Wade International – Victoria & Albert Museum, London

Strategic development

Wade International – Victoria & Albert Museum, London

3. **Leveraging further synergy between group businesses:**

- **Wade acquisition complements Harmer and Gatic drainage brands**
- **Including Alumasc Roofing, some 60% of the group revenue now contributes to Alumasc's "Rain to Drain" strategy**
- **"Building envelope" specification selling of almost all the group's products, led by Alumasc Roofing's specification sales team**

Strategic development


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4. **Implementation of a simpler and more cost efficient operating structure:**
   - Fewer, larger and more modern operating locations
     - Increased flexibility and efficiency as well as cost reduction
   - Refreshing of the plc Board
   - Proposed merger of the two legacy defined benefit pension schemes
   - Simplification of the group's legal structure
   - Considering move to AIM market

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03
Financial Review

Gatic Slotdrain – Tesco Head Office, Welwyn Garden City

Income statement summary (£m)

12 months to 30 June 2018

	2017/18	2016/17	Change
Headline revenue	**98.4**	**104.8**	**-6.4**
Like-for-like revenue	**95.9**	**100.5**	**-4.6**
Contribution margin %	38.7%	38.7%	
Gross margin %	30.6%	31.3%	
Underlying operating profit	**6.7**	**9.1**	**-2.4**
Operating margin %	6.8%	8.7%	
Bank interest	(0.2)	(0.1)	
Underlying PBT	**6.5**	**9.0**	**-2.5**
Net non-underlying items*	(1.1)	(0.9)	
Reported PBT	**5.4**	**8.1**	**-2.7**
Underlying EPS (p)	14.4	20.1	
Basic EPS (p)	12.0	18.3	
Dividends (p)	7.35	7.15	

* Underlying results are stated prior to acquired brand amortisation of £0.2m (2016/17 : £0.3m), IAS19 pension costs of £0.5m (2016/17: £0.6m); and in 2017/18 loss on disposal of SCP : £0.2m; profit on disposal of Amorim investment held for sale : £0.4m; Timloc relocation costs : £0.3m; and Wade acquisition costs of £0.2m

Revenue analysis

2016/17 to 2017/18

Year on year change as a percentage of total group revenues	UK	Export	Total
Large (>£500k revenue) projects	1%	(6%)	(5%)
All except large projects	(1%)	1%	-
Like-for-like	**-**	**(5%)**	**(5%)**
Acquisitions / disposals			(1%)
Total			**(6%)**

Cash flow statement summary

12 months to 30 June

	2018 £m	2017 £m	Change £m
EBITDA	**8.2**	**10.5**	**(2.3)**
Change in working capital – large construction contracts	0.7	(1.7)	2.4
Change in working capital - other	(2.7)	(3.7)	1.1
Operating cash flow	**6.2**	**5.1**	**1.2**
Replacement capital expenditure	(1.3)	(0.9)	(0.5)
Interest	(0.2)	(0.1)	(0.1)
Tax	(0.7)	(0.8)	0.1
Pension deficit funding	(3.2)	(3.3)	0.1
Dividend payments	(2.6)	(2.4)	(0.2)
Sub total	**(1.8)**	**(2.4)**	**0.6**
Expansion capital expenditure	(2.0)	(0.2)	(1.8)
Wade acquisition consideration	(8.0)	-	(8.0)
SCP business disposal proceeds / other	0.9	0.1	0.8
Net cash flow	**(10.9)**	**(2.5)**	**(8.4)**
Net (debt) / cash at year end on balance sheet	**(4.8)**	**6.1**	**(10.9)**
Average trade working capital % sales	**13.6%**	**11.3%**	

Balance sheet summary (£m)

at 30 June

	2018 £m	2017 £m	Change £m
Property, plant & equipment	10.7	5.3	5.4
Intangible assets	22.6	18.9	3.7
Working capital	10.8	8.8	2.0
Other net liabilities	(2.3)	(1.5)	(0.8)
Capital invested	**41.8**	**31.5**	**10.3**
Net (debt) / cash	(4.8)	6.1	(10.9)
Pension obligations (net of tax)	(12.6)	(17.2)	4.6
Net assets	**24.4**	**20.4**	**4.0**
ROI – continuing operations (post tax)*	14.5%	25.0%	

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

Pro-active legacy pensions deficit management

- **IAS19 deficit 30 June 2018 £15.1m (2017: £20.6m)**

- **Intention to merge the group's two pension schemes in 2019**
  - Saving a six figure sum in administrative costs each year – present value of future benefit £1m+
  - Enables a significant simplification in the group's legal structure facilitating cross-group synergies

- **Gross pension liability reduction initiatives**
  - Small pots
  - Winding up lump sums
  - New pension freedoms (with IFA advice)

- **Improving asset management and efficiency**
  - 50% of c.£30m equity allocation being moved from active to passive management, saving £150k in fees pa - present value of future benefit c.£1.5m
  - Increased weighting to global return seeking assets rather than traditional bias to UK return seeking assets

- **Management of potential volatility of scheme valuation and impact on balance sheet:**
  - Liability driven investment (interest rate and inflation hedging)
  - Planned executive top-slice insurance buy-in

Alumasc Water Management Solutions – Skyline - Convent Lane, Hampshire

04
Business Review

Architectural Screening, Solar Shading & Balconies

	2017/18	2016/17
Revenue (£m)	22.0	24.4
Underlying operating profit (£m)	0.8	2.0
Underlying operating margin (%)	3.6%	8.2%

- Performance in year reflected a lower level of sales in the period from large (> £0.5m) projects and project delays
- Significant future growth and margin development potential from early stage North American and Balconies & Balustrading lines of business
- North American quotes in year doubled to £40m
- Balconies & balustrades quotes in year increased by five times to £60m
- Gestation period of quote conversions to orders, and orders to revenue can be a number of years
- Focus on increasing order conversion rates in new markets
- Alumasc invested £0.2m in people to support growth in 2017/18 and investment in the business continues

Levolux – Ikea, Southampton

Roofing & Walling

	2017/18	2016/17
Revenue (£m) Underlying operating profit (£m) Underlying operating margin (%)	31.2 1.8 5.8%	34.0 2.8 8.2%

Roofing

- Challenging year with project delays and weaker than expected demand in the UK new build construction market
- This is a dynamic sales-led business that we expect to recover from 2017/18's short term headwinds:
  - Rebalancing activity to focus on stronger refurbishment market vs new build
  - Academy opportunities
  - New products (e.g. surfacing systems)
  - Cross-group building envelope specification sales gaining traction
  - Increasing sales resources in under-represented regions

Walling

- Robust performance despite reduced public funding for exterior wall insulation ("EWI") systems
- Promising signs of improving demand for specification of high quality, fire retardant systems


Alumasc Roofing– Atlantic College Roofing & Green Roof

Alumasc Water Management Solutions

	2017/18	2016/17
Revenue (£m) Underlying operating profit (£m) Underlying operating margin (%)	34.5 3.6 10.3%	32.6 4.1 12.6%

- Wade was a key strategic acquisition for our "Rain to Drain" strategy, linking Harmer's roof & building drainage range and with Gatic's high capacity external drains via Wade's strong surface drainage range
- AWMS had a robust performance with H2 margins recovering following some temporary input cost erosion in H1
- Rainclear continues to grow, now generating close to 100% pre-tax ROI following its acquisition in 2012
- Gatic's access cover business performed strongly, but export and large project demand was lower overall following a record prior year. Some competitive margin pressure on civil drainage in a soft market
- Future growth opportunities: "Rain to Drain" system selling; new products; cross-divisional export expansion, and Wade acquisition integration benefits


Alumasc Water Management Solutions – Manor House

Housebuilding & Ancillary Products

	2017/18	2016/17
Revenue (£m) Underlying operating profit (£m) Underlying operating margin (%)	10.5 1.7 15.8%	9.6 1.6 16.5%

- A key year for Timloc's development, with successful commissioning of 88k sq. ft. factory in January 2018
- Continued outperformance of the buoyant new UK house building market
- Revenue growth of 10% exceeded market growth rates, benefiting from strong customer service levels and new products
- Continued capital investment will be made to extend the product range and drive further operational efficiency
- Timloc expects to recover incremental property costs in 2018/19 and thereafter continue its trajectory of profitable growth

05
Outlook

Alumasc Roofing – Elephant & Castle, London

Outlook

Against an uncertain UK and economic political background and with UK construction activity forecast to contract by 1-2% in 2018 with modest growth thereafter, Alumasc remains well positioned to outperform the UK market over the medium / longer term given its robust business model and strong market positions:

- Strategic focus and positioning in “fast flowing streams”:
  - energy and water management;
  - bespoke solutions; and
  - ease of construction
- Export market development (Levolux in North America; Water Management in the Middle & Far East)
- New product development, including the significant Levolux balconies & balustrading opportunity
- A full year contribution from Wade, and Water Management divisional post-acquisition synergies
- Complementary acquisitions
- Efficiencies through business simplification and fewer, more modern operating facilities


Thank you
www.alumasc.co.uk

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Appendices

Appendix 1 : Underlying To Statutory Profit Reconciliation (£m)

at 30 June

	2017/18		2016/17	
	Operating Profit £'000	Profit Before Tax £'000	Operating Profit £'000	Profit Before Tax £'000
Underlying profit	**6.7**	**6.5**	**9.1**	**9.0**
Brand amortisation	(0.2)	(0.2)	(0.3)	(0.3)
IAS 19 net pension scheme finance costs	-	(0.5)	-	(0.6)
Loss on disposal of the SCP business	(0.2)	(0.2)	-	-
Profit on disposal of Amorim trade investment	0.4	0.4	-	-
Timloc relocation costs	(0.3)	(0.3)	-	-
Wade acquisition costs	(0.2)	(0.2)	-	-
Statutory profit	**6.1**	**5.4**	**8.9**	**8.1**

Appendix 2 : UK end user market analysis 2017/18