

**The Alumasc Group plc**  
Interim Results to 31 December 2018



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Gatic Slotdrain – Tesco Head Office, Welwyn Garden City



01  
Overview

# Overview



## Continued strategic development:

1. Increasing specification cross-selling (“external building envelope”)
2. Improving quality of earnings through proactive portfolio management
3. Developing a more cost efficient operating structure
4. Prioritising & focusing investment to drive both organic & acquisition growth

## Trading continues to reflect challenging market conditions...

1. Revenues up 4% to £44.3m (2017/18 H1: £42.6m)
2. Underlying profit before tax: £2.3m (2017/18: £3.5m)
3. Order book at 31 December 2018 of £27.5m up 17% on a year ago
4. Basic EPS: 8.4p (2017/18: 6.9p)
5. Reduction in net debt to £0.3m (30 June 2018: £4.8m)
6. Unchanged interim dividend: 2.95p

...but H2 should benefit from better order books and management actions taken to accelerate profit growth



Alumasc Roofing – R1 Building, Kings Cross  
Hydrotech MM6125 Structural Waterproofing System



02

Strategic Development

# Strategic development



## 1. Increasing specification cross-selling (“external building envelope”):

- Increasingly successful across Roofing, Water Management & Levolux balconies businesses
- Alumasc Roofing is now integrated into the Water Management Division



Levolux – Bream Street balconies - £2m cross-sell from Alumasc Roofing

# Strategic development



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## 2. Improving quality of earnings through pro-active portfolio management:

- Pro-forma pre-tax ROI of 28% from purchase of Wade and disposals of Alumasc Facades and SCP in the last 18 months



Levolux – Bream Street balconies - £2m cross-sell from Alumasc Roofing

# Strategic development



American Embassy, London – Roofing & Water Management

### 3. Developing a more cost-efficient operating structure:

- Plan to reduce operating sites from 10 to 6 over next 3 years
- Sharing common overhead structures where synergies exist
- Actions taken to save a net £1m in overhead in FY 2019/20 (mainly Roofing & Water Management division)
- Alumasc intends to re-list on AIM later this financial year





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### 4. Prioritisation of investment to drive both organic and acquisition growth:

- More modest factory investment in AWMS focused on driving ROI where there is growth potential (expected low / mid £m capital cost next FY, not £8-9m previously envisaged)
- Greater funding capacity preserved for potential acquisitions

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# Income statement summary (£m)

6 months to 31 December



	2018 £m	2017 £m	Change %
<b>Continuing operations:</b>			
<b>Revenue</b>	<b>44.3</b>	<b>42.6</b>	<b>+4</b>
<b>Gross profit</b>	<b>12.7</b>	<b>13.3</b>	<b>-4</b>
Gross margin %	28.7%	31.1%	
<b>Sales, general &amp; administration overheads</b>	<b>(10.3)</b>	<b>(9.7)</b>	
<b>Underlying operating profit *</b>	<b>2.4</b>	<b>3.6</b>	<b>-33</b>
Underlying operating margin %	5.4%	8.4%	
<b>Interest on borrowings</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>
<b>Underlying PBT*</b>	<b>2.3</b>	<b>3.5</b>	<b>-36</b>
Discontinued operation: Alumasc Facades <sup>(1)</sup>	2.8	-	
IAS19 past service pension cost – GMP equalisation	(1.1)	-	
Other non-underlying items (net)*	(0.6)	(0.5)	
<b>PBT*</b>	<b>3.4</b>	<b>3.0</b>	<b>+13</b>
Underlying EPS (p)	5.0	7.8	-36
Basic EPS (p)	8.4	6.9	+22
Dividends per share (p)	2.95	2.95	-

• A reconciliation of underlying to reported profits is at Appendix 1

<sup>(1)</sup> Comprises gain on sale of business of £2.6m and trading profit prior to sale on 31 October 2018 of £0.2m

# Revenue analysis – continuing operations (£m)



	H1 2018/19	H1 2017/18	% Change
Headline revenues	44.3	42.6	+4%
Like-for-like revenues	41.8	42.6	-2%
UK like-for-like revenues	37.8	36.7	+3%
Export revenues (mainly larger projects)	4.0	5.9	-33%

# Underlying PBT reconciliation – continuing operations



	£m	Comment
<b>Underlying PBT H1 2017/18</b>	<b>3.5</b>	
Marginal profit effect of reduced like-for-like sales volumes	(0.6)	Market conditions, project timing
Contribution margin & mix	(0.6)	Mainly Levolut and Gatic. Actions being taken to improve
Investment in growth / operational cost increases	(0.4)	Annualised incremental costs of new Timloc factory Investment in project support resources at Levolut
Net Wade acquisition benefit	0.4	In line with expectations
<b>Underlying PBT H1 2018/19</b>	<b>2.3</b>	

# Cash flow summary (£m)

6 months to 31 December



	2018 £m	2017 £m	Change £m
<b>Underlying EBITDA</b>	<b>3.2</b>	<b>4.3</b>	<b>(1.1)</b>
Change in working capital	1.6	(3.2)	4.8
<b>Operating cash flow</b>	<b>4.8</b>	<b>1.1</b>	<b>3.7</b>
Capital expenditure	(0.9)	(1.9)	1.0
Pension funding	(1.6)	(1.6)	-
Interest	(0.1)	(0.1)	-
Tax	(0.3)	(0.4)	0.1
Dividends	(1.6)	(1.5)	(0.1)
Alumasc Facades (net disposal proceeds & operating cash flows)	4.4	(0.1)	4.5
(Restructuring) / net sale proceeds from SCP	(0.2)	0.8	(1.0)
<b>Change in net cash flow</b>	<b>4.5</b>	<b>(3.7)</b>	<b>8.2</b>
<b>Net (debt) / cash on balance sheet at 31 December</b>	<b>(0.3)</b>	<b>2.4</b>	
<b>Average trade working capital % sales</b>	<b>14.8%</b>	<b>12.3%</b>	

# Balance sheet summary (£m)



	31 Dec 2018 £m	30 June 2018 £m	31 Dec 2017 £m
Property, plant & equipment	10.8	10.7	6.7
Intangible assets	22.3	22.6	18.8
Working capital	7.9	11.3	10.8
Other net liabilities	(2.5)	(2.8)	(1.4)
<b>Capital invested</b>	<b>38.5</b>	<b>41.8</b>	<b>34.9</b>
Net (debt) / cash	(0.3)	(4.8)	2.4
Pension obligations <sup>(1)</sup>	(12.4)	(12.6)	(17.1)
<b>Net assets</b>	<b>25.8</b>	<b>24.4</b>	<b>20.2</b>
ROI (post tax) <sup>(2)</sup>	11.8%	14.5%	21.0%

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

(2) Rolling twelve month post-tax underlying operating profit divided by average capital invested



**04  
Business Review**



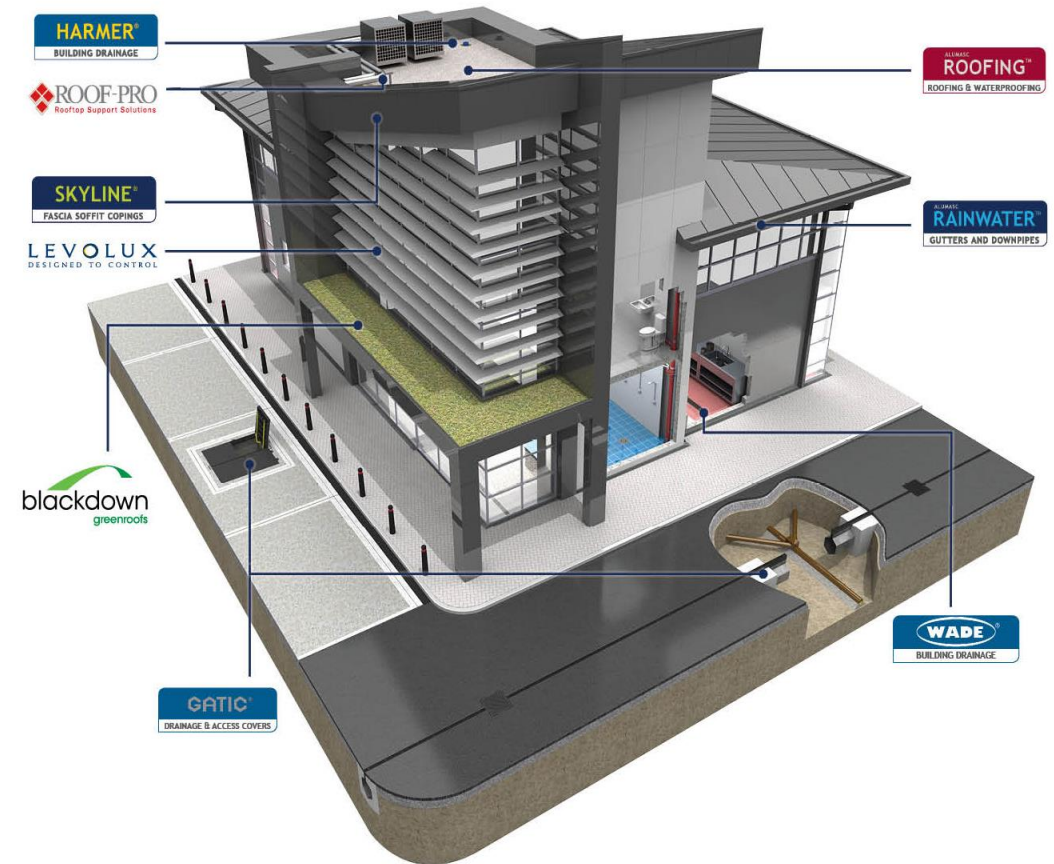
**Levolux – St Catherine’s Health Centre, Birkenhead – Aerofoil Fins**

# Roofing & Water Management



	2018/19 H1	2017/18 H1
Revenue (£m)	28.6	26.0
Underlying operating profit (£m)	2.3	2.3
Underlying operating margin (%)	8.1%	8.8%

- This division now comprises Alumasc Roofing, Alumasc Water Management Solutions (AWMS), Wade, Gatic & Rainclear – all under common management to drive our “Rain to Drain” strategy
- Revenue growth driven by acquisition of Wade on 31 January 2018. Like-for-like revenues were similar
- Divisional management and operating structures being simplified to give better focus and reduce duplication / cost, including transfer of Gatic Slotdrain production to Wade at property lease expiry in May
- Gatic’s performance was below expectation due to export project delays & margin pressure in the UK.
- Gatic’s management strengthened, sales team restructured and selling prices increased in range 5-10% from November 2018



# Architectural Screening, Solar Shading & Balconies

	2018/19 H1	2017/18 H1
Revenue (£m)	10.2	11.3
Underlying operating profit (£m)	(0.4)	0.7
Underlying operating margin (%)	(4.2)%	6.5%

- Challenging H1: reduction in commercial new build activity in the UK and project delays in the UK & USA
- IFRS15 implementation benefit (input cost rather than QS survey / output methodology for revenue and profit recognition) of £1.5m revenue and £0.4m profit mainly relating to goods in transit to USA at 31 December
- A review of the American market confirmed significant demand exists. We are increasing local sales representation to accelerate export growth
- Balconies business growing faster than anticipated, but expected margins not being realised at this stage – experience curve effect in newer line of business – focus to resolve this pre FY 2019/20
- As Levolux continues to develop, a number of management changes were made in the period and a profit improvement plan is in place
- An initial success was a record H1 order intake of £13.8m (almost double prior H1).



Levolux – AIRC, Cranfield University

# Housebuilding Products & Ancillaries



	2018/19 H1	2017/18 H1
Revenue (£m)	5.6	5.0
Underlying operating profit (£m)	0.9	0.9
Underlying operating margin (%)	15.8%	17.4%

- Timloc continues to outperform growth in the UK new housing sector with revenues up 11%
- Next day service model is enabling Timloc to further grow its merchant and distributor customer base
- Profit benefit of sales volume growth offset by additional annualised property costs following successful commissioning of new factory in December 2017
- Profit nonetheless matched the prior H1's record level
- Future profitable growth being driven by utilisation of additional capacity and operational flexibility / efficiency enabled by the new factory together with further investments in plant and machinery



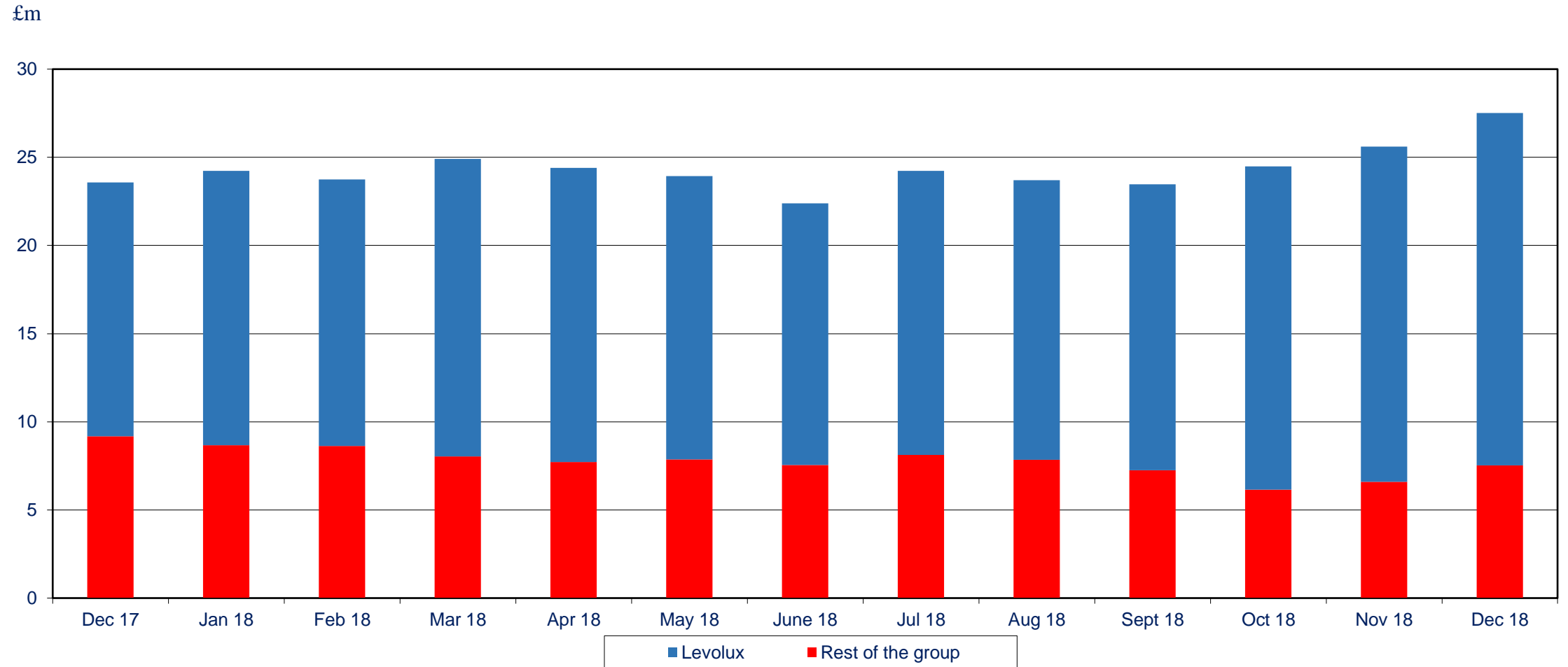
Timloc Building Products

Alumasc Roofing – Edinburgh Council HQ – Blackdown Intensive Green Roof and Derbigum



05  
Order Books and Outlook

# Order book evolution



- H1 order intake up over 20% on prior H1, driven by Levolux
- December 2018 order book up 17% on a year ago
- Gatic won a further £0.8m export order in January 2019

- Despite the challenging market conditions, the Board is encouraged by order intake levels and expects a much stronger second half performance
- The Board remains mindful of the risks posed by the current economic uncertainty to the UK construction sector as well as further delays in project pipeline conversion
- Following management action taken to better leverage the group's strong strategic positioning and to increase profit, we remain confident in the future



**Thank You**

[www.alumasc.co.uk](http://www.alumasc.co.uk)

**Alumasc Roofing - Tabard Square Development, London - Hydrotech**



Alumasc Water Management Solutions – Living Legend, Jersey – Cast iron Gutters & Downpipes, Flushjoint Downpipes & Skyline Fascia & Soffit



# Appendix 1

## - Segmental Analysis of Results, Continuing Operations - Summary

6 months to 31 December



	Revenue <sup>(2)</sup> 2018 £m	Underlying Operating Profit <sup>(1)</sup> 2018 £m	Revenue <sup>(2)</sup> 2017 £m	Underlying Operating Profit <sup>(1)</sup> 2017 £m	Underlying Operating Margin 2018 %	2017 %
Roofing & Water Management	28.6	2.3	26.0	2.3	8.1	8.8
Solar Shading, Architectural Screening & Balconies	10.2	(0.4)	11.3	0.7	(4.2)	6.5
Housebuilding Products & Ancillaries	5.6	0.9	5.0	0.9	15.8	17.4
<b>Sub-total</b>	<b>44.3</b>	<b>2.8</b>	<b>42.3</b>	<b>3.9</b>	<b>6.3</b>	<b>9.2</b>
Unallocated Costs	-	(0.4)	-	(0.3)		
<b>Total<sup>(1)</sup></b>	<b>44.3</b>	<b>2.4</b>	<b>42.3</b>	<b>3.6</b>	<b>5.4</b>	<b>8.4</b>

(1) Underlying results are stated prior to deducting brand amortisation, IAS19 pension costs and the non-recurring items of income and cost set out in Appendix 2

(2) Revenues from divested businesses, Alumasc Facades and SCP are excluded from the above

(3) Comparatives in the Water Management division have been restated to reflect a change in the internal reporting structure for Alumasc Roofing, now part of the Water Management division rather than part of a separate segment, following the disposal of Alumasc Facades

# Appendix 2 : Underlying To Statutory Profit Reconciliation (£m)

Half year to 31 December



	2018		2017	
	Operating Profit £'000	Profit Before Tax £'000	Operating Profit £'000	Profit Before Tax £'000
<b>Underlying profit</b>	<b>2.4</b>	<b>2.3</b>	<b>3.6</b>	<b>3.5</b>
Brand amortisation	(0.1)	(0.1)	(0.1)	(0.1)
IAS 19 net pension scheme finance costs	-	(0.2)	-	(0.3)
Operating profit of Alumasc Facades	0.2	0.2	-	-
Gain on disposal of Alumasc Facades	-	2.6	-	-
Guaranteed minimum pension equalisation – past service cost	(1.1)	(1.1)	-	-
Restructuring & relocation costs	(0.3)	(0.3)	(0.3)	(0.3)
Loss on disposal of SCP assets	-	-	(0.2)	(0.2)
Profit on disposal of Amorim trade investment	-	-	0.4	0.4
<b>Statutory profit (including discontinued operations)</b>	<b>1.1</b>	<b>3.4</b>	<b>3.4</b>	<b>3.0</b>

# Appendix 3 : Summary of Brexit risk issues and mitigation



- Alumasc does not have European operations or international “just in time” supply chains
- Only c.5% of sales are exported to EU countries, mostly Republic of Ireland
- Over 10% of sales value is materials imported from Eurozone

## Communication

- Regular dialogue with customers, suppliers (incl. hauliers) and employees (especially EU nationals)

## Sales

- Accelerate Alumasc’s export sales strategy (outside EU)

## Supply chain

- Increase inventories
- Alternative contingency supply options developed
- Contingency plans to use ports other than Dover

## Cost inflation

- Flexibility in contracts on pricing and shorter quote validity periods
- Retain pricing flexibility

## Treasury, capital market & pension scheme risk

- Increased percentage coverage and duration of forward FX hedging
- LDI hedging (interest rate and inflation risk) in pension schemes
- Pension scheme investment portfolio already well diversified across global asset classes

## Forecasting risk

- Potential for further project delays & revenue slippage – some allowance made in financial forecasts

# Appendix 4 : Legacy pensions deficit management



- **IAS19 deficit 31 December 2018 £15.0m (30 June 2018: £15.1m), despite past service cost increase of £1.1m relating to GMP equalisation following a High Court ruling in October**
  - Some previous actuarial prudence in mortality assumptions not borne out by experience
- **The group's two legacy defined benefit pension schemes are to be merged in the Spring**
  - 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