

# The Alumasc Group plc

Annual Results to 30 June 2019



Alumasc Roofing – The Material Store, West London



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**Paul Hooper**  
Chief Executive

**Andrew Magson**  
Finance Director



Alumasc Water Management Solutions – Mount Road





## 01 Overview



# Overview



## 80% of the Group is significantly outperforming:

– plan being executed to recover performance at Levolux

1. Revenues from continuing operations: £90.1m (2017/18: £87.0m) +4%
2. Underlying operating margin: 6.5% (2017/18 : 7.2%)
3. Underlying EPS: 12.4p (2017/18: 13.4p)
4. On track to deliver fixed cost savings of £2m to benefit FY 2019/20
5. Dividend held at 7.35p evidencing the Board's confidence in future prospects

## Acceleration of strategic development:

1. Execution of Levolux business improvement plan
2. Creation of an Alumasc Building Envelope division: specification cross-selling
3. Implement a more cost efficient operating structure
4. Focusing investment and innovation to drive profitable growth
5. Proactive portfolio management



Gatic CastSlot – Rushden Lakes Shopping Centre





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## Acceleration of Strategic Development

Levolux – Remington Office & Labs



# Acceleration of strategic development



Alumasc Roofing – Aga Khan Centre, Kings Cross, London

## 1. Execution of Levolux business improvement plan:

- Return business to sustainable profit as soon as possible
- Incorporate Levolux into the new Building Envelope division (see below)
- Focus on design & supply activities (install only where it adds value)
- Accelerate profitable growth in North American export business by investing in local technical sales resources
- Significant restructuring underway to deliver £1m fixed cost savings including relocation from leasehold to existing freehold premises

# Acceleration of strategic development



Alumasc Roofing – Aga Khan Centre, Kings Cross, London

## 2. Creation of an Alumasc Building Envelope division:

- Effective from 1 July 2019
- Specification cross selling to developers and architects
- Building Envelope offer differentiates Alumasc in marketplace
- Roofing, Walling (incl. Levolux) & integrated aluminium detailing
- 40 strong Alumasc Roofing & Levolux combined sales force



# Acceleration of strategic development



## 3. Implement a more cost efficient operating structure:

- Reduce from 10 operating sites in 2018 to 6 by 30 June 2020
- Sharing common overhead structures
- The two legacy defined benefit pension schemes were merged in March 2019
- Simplification of the group's legal structure (4 trading entities reduced to 2)
- Move to AIM market concluded in June 2019
- Refreshing of the plc Board



# Acceleration of strategic development



Alumasc Roofing – Aga Khan Centre, Kings Cross, London

## 4. Focusing investment and innovation to drive profitable growth:

- Focus on key manufacturing businesses: Timloc, Wade, AWMS
- Capex has exceeded depreciation by £2.7m in last 2 years
  - Timloc: capacity, machinery upgrade & automation
  - Wade: relocation of Slotdrain production with machinery upgrade
  - AWMS / Gatic: tooling renewal in supply chain
- Ongoing innovation with numerous new product launches



# Acceleration of strategic development



## 5. 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 2 years



# Acceleration of strategic development



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## Financial Review



# Income statement summary (£m)

12 months to 30 June



	2019 £m	2018 £m	Change %
<b>Continuing operations:</b>			
<b>Revenue</b>	<b>90.1</b>	<b>87.0</b>	<b>+4</b>
<b>Gross profit</b>	<b>26.8</b>	<b>26.9</b>	
Gross margin %	29.8%	31.0%	
<b>Sales, general &amp; administration overheads</b>	<b>(21.0)</b>	<b>(20.7)</b>	
<b>Underlying operating profit*</b>	<b>5.9</b>	<b>6.2</b>	<b>-6</b>
Underlying operating margin %	6.5%	7.2%	
<b>Interest on borrowings</b>	<b>(0.3)</b>	<b>(0.2)</b>	
<b>Underlying PBT*</b>	<b>5.6</b>	<b>6.0</b>	<b>-7</b>
Gain from business disposals (net)	2.9	0.2	
Restructuring & relocation costs	(3.0)	(0.3)	
Net IAS19 defined benefit pension scheme costs	(1.2)	(0.5)	
Other non-underlying items (net)	(0.4)	-	
<b>PBT*</b>	<b>3.9</b>	<b>5.4</b>	<b>-27</b>
Underlying EPS (p)	12.4	13.4	-7
Basic EPS (p)	10.1	12.0	-16
Dividends per share (p)	7.35	7.35	-

\* A reconciliation of underlying profit from continuing operations to reported profits is at Appendix 1

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



# Revenue analysis

## Year on year change – continuing operations



% change 2018/19 versus 2017/18

Roofing & Water Management	+10%
Housebuilding Products	+9%
<b>Sub-total</b>	<b>+10%</b>
Architectural Screening, Solar Shading & Balconies	-15%
<b>Total Group (headline)</b>	<b>+4%</b>

Note:

Roofing & Water Management like-for-like*	+5%
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# 80% of Alumasc is significantly outperforming UK construction



Roofing & Water Management and Housebuilding Products segments:	2018/19 £m	2017/18 £m	% Change Headline	% Change Excl. Wade Acquisition
Revenue	71.3	65.1	+10%	+5%
Underlying operating profit	7.7	6.6	+16%	+7%
Underlying operating profit margin	10.7%	10.1%	+0.6%	+0.2%



# Cash flow statement summary

12 months to 30 June



	2019 £m	2018 £m	Change £m
<b>EBITDA*</b>	<b>7.4</b>	<b>7.6</b>	<b>(0.2)</b>
Change in working capital	(1.2)	(1.6)	0.4
<b>Operating cash flow</b>	<b>6.2</b>	<b>6.0</b>	<b>0.2</b>
Capital expenditure	(2.4)	(3.3)	0.9
Interest	(0.2)	(0.2)	-
Tax	(0.6)	(0.7)	0.1
Pension deficit funding	(3.2)	(3.2)	-
Dividend	(2.6)	(2.6)	-
<b>Sub-total</b>	<b>(2.8)</b>	<b>(4.0)</b>	<b>1.2</b>
Wade acquisition consideration	-	(8.0)	8.0
Facades / SCP business disposal proceeds / other	2.5	1.1	1.4
<b>Net cash flow</b>	<b>(0.3)</b>	<b>(10.9)</b>	<b>10.6</b>
<b>Net debt at year end on balance sheet</b>	<b>5.1</b>	<b>4.8</b>	<b>(0.3)</b>
<b>Average trade working capital % sales</b>	<b>14.1%</b>	<b>14.6%</b>	

\* EBITDA: Underlying operating profit from continuing operations before interest, tax, depreciation and amortisation

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



# Balance sheet summary (£m)

at 30 June



	2019 £m	2018 £m	Change £m
Property, plant & equipment	11.7	10.7	1.0
Intangible assets	22.1	22.6	(0.5)
Working capital	9.7	10.8	(1.1)
Other net liabilities	(2.2)	(2.3)	0.1
<b>Capital invested</b>	<b>41.3</b>	<b>41.8</b>	<b>(0.5)</b>
Net debt	(5.1)	(4.8)	(0.3)
Pension obligations (net of tax)	(10.8)	(12.6)	1.8
<b>Net assets</b>	<b>25.4</b>	<b>24.4</b>	<b>1.0</b>

<b>ROI – continuing operations (post tax)*</b>	<b>11.3%</b>	<b>14.5%</b>
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- The triennial review of the group's pension schemes is ongoing.
- The 2019 technical provision pension deficit is expected to be in the low / mid £20m range (2016: £33m). On track to fully fund in c.8 years
- The group's two legacy defined benefit pension schemes were merged during the year, realising an actuarial gain of £0.3m and saving £0.1m+ pa in scheme running costs
- The group renewed committed financing facilities for 3 years on similar terms. Facility limit is now £20m (previously £12.5m)

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





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## Business Review



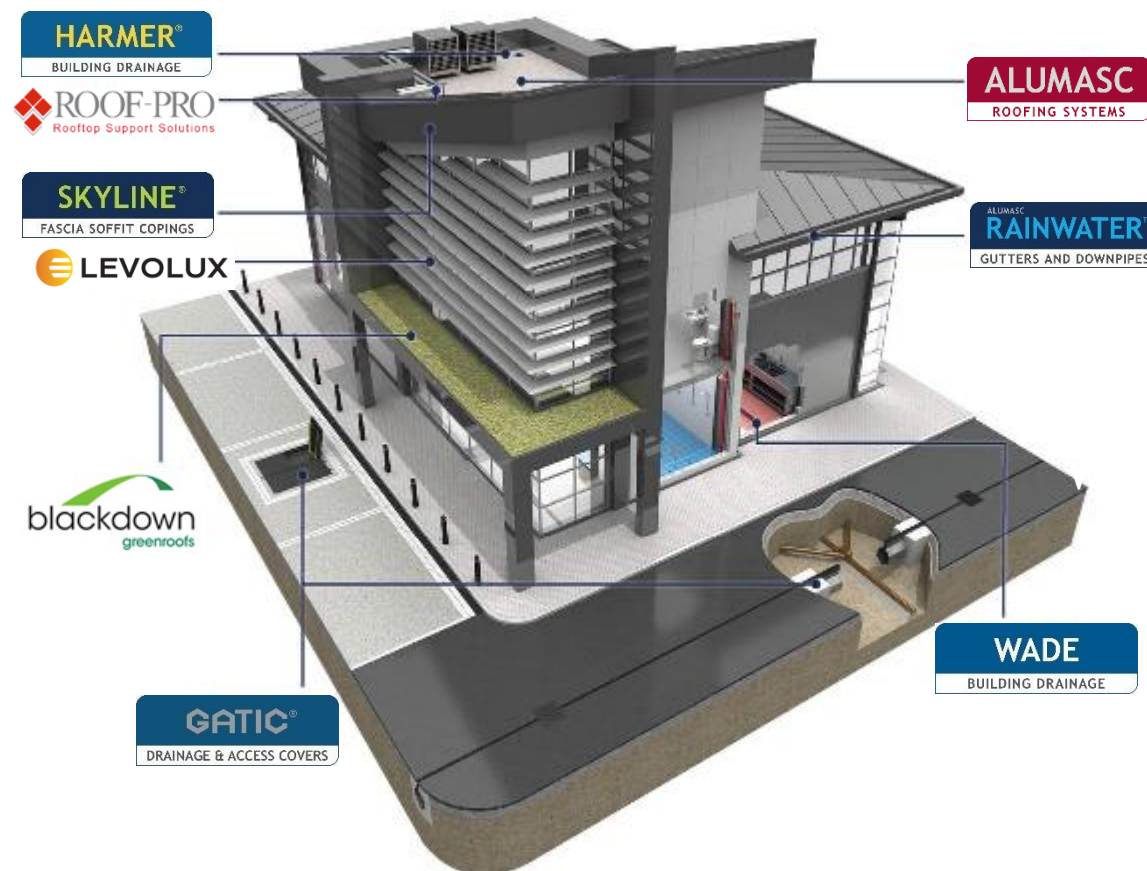
# Roofing & Water Management



	2018/19	2017/18
Revenue (£m)	59.9	54.6
Underlying operating profit (£m)	5.9	4.9
Underlying operating margin (%)	9.9%	9.0%

- Drivers of growth in revenue and profit:
  - Full year of Wade acquisition (strongly earnings enhancing)
  - Good year for Gatic UK infrastructure projects
  - New products (incl. new generation Gatic Access Covers & Slotdrain)
- H1 margin pressures at Gatic addressed through selling price increases
- Production of Gatic Slotdrain transferred from leased premises to Wade freehold in June 2019, saving £0.6m pa
- Solid performances from Alumasc Roofing & AWMS
- Consolidation of Water Management sales teams to better promote the Rain to Drain strategy
- No significant capital investment needed in AWMS factory

## ALUMASC'S "RAIN TO DRAIN" SYSTEM



# Architectural Screening, Solar Shading & Balconies

	2018/19	2017/18
Revenue (£m)	18.8	22.0
Underlying operating profit (£m)	(1.1)	0.8
Underlying operating margin (%)	(5.9)%	3.6%

- A major restructuring of Levolux was announced in June 2019 in view of operating losses incurred
- Issues affecting performance:
  - Lower levels of UK commercial new build construction demand
  - Project delays reflecting economic / political uncertainties and lack of credit for UK contractors
  - Increasing competition for architectural screening and solar shading in the UK
  - Margin realisation issues in the embryonic balconies business
- Future focus on design & supply work; installation only when adds value
- Significant market potential exists in the North American (especially California) export and balconies business streams
- We believe the formation of Alumasc's Building Envelope division, with a larger combined specification sales team, will benefit demand and increase customer enquiry to order conversion rates



Levolux – San Antonio Car Park



# Housebuilding Products

	2018/19	2017/18
Revenue (£m)	11.4	10.5
Operating profit (£m)	1.7	1.7
Operating margin (%)	15.2%	15.8%

- Timloc continues to outperform growth in the UK new housing sector with revenues up 9%
- Incremental annualised property costs of £0.3m offset by profitable growth in first full year since successful factory move in December 2017
- Next working day service model is enabling Timloc to further grow its merchant and distributor customer base
- New products included the “Invisiweep” wall weep and “Adapt-Air” through wall ventilation system. Further new product launches planned in 2019/20, with more manufacturing being brought in house
- Over £1m invested in new machinery and automation during the year which will yield cost savings and efficiencies in 2019/20 and beyond



Timloc Building Products



05  
Outlook



- In light of the uncertain economic and construction market backdrop, including Brexit, the Board is taking a cautious view of revenue development in 2019/20
- Restructuring actions taken should yield £2m of fixed cost savings in 2019/20
- Alumasc's strong market positions, together with:
  - the formation of the Building Envelope division to drive specification cross-selling;
  - the major restructuring of Levolux;
  - focused investment in new products and manufacturing capability;
  - selective investment in sales resources to drive growth in the UK and internationally; and
  - lower fixed costs and a more efficient operating structure

makes Alumasc well positioned to make progress in the current financial year and beyond



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







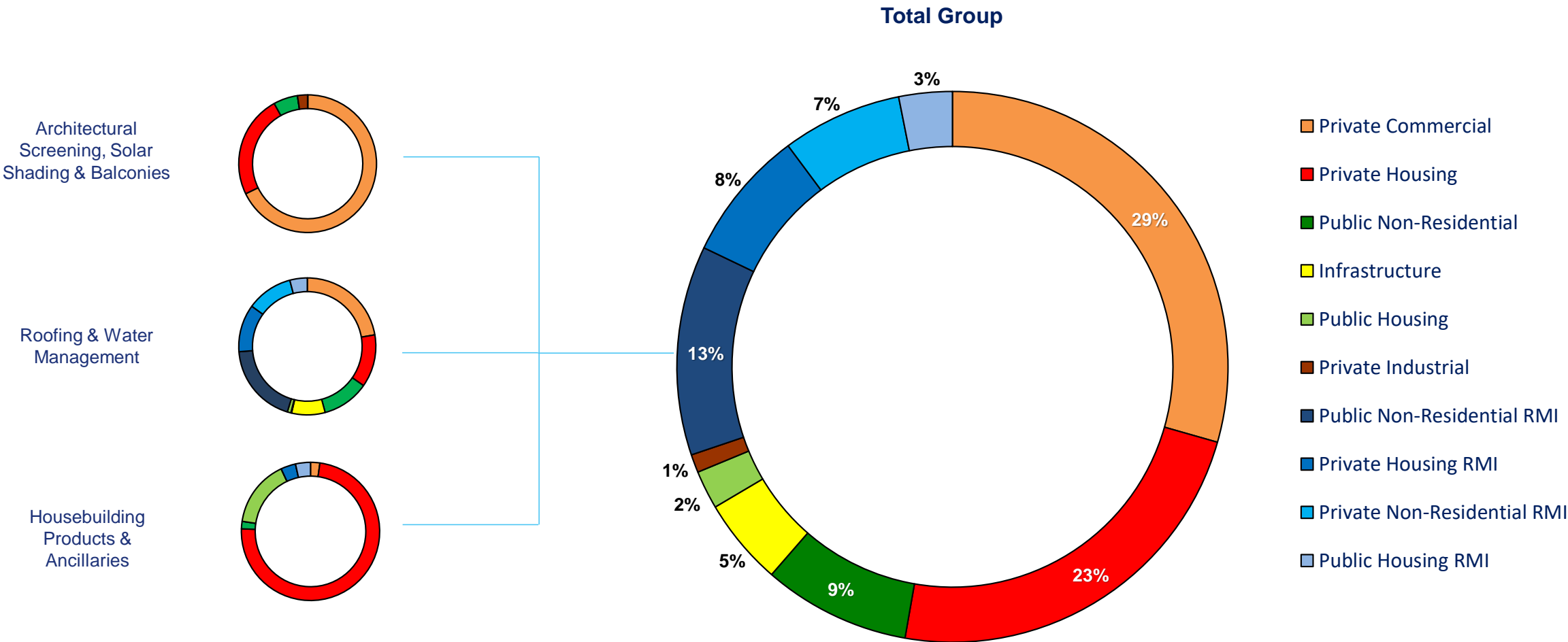
# Appendix 1 : Underlying To Statutory Profit Reconciliation (£m)



	2018/19		2017/18	
	Operating Profit £'000	Profit Before Tax £'000	Operating Profit £'000	Profit Before Tax £'000
<b>Underlying profit</b>	<b>5.9</b>	<b>5.6</b>	<b>6.2</b>	<b>6.0</b>
Brand amortisation	(0.2)	(0.2)	(0.2)	(0.2)
Net IAS 19 defined benefit pension scheme costs	(0.8)	(1.2)	-	(0.5)
Restructuring and relocation costs	(3.0)	(3.0)	(0.3)	(0.3)
AIM listing / prior year acquisition costs	(0.2)	(0.2)	(0.2)	(0.2)
Net gain from business disposals (pre tax)	0.2	2.9	0.2	0.2
Gain on disposal of available for sale assets	-	-	0.4	0.4
<b>Statutory profit</b>	<b>1.8</b>	<b>3.9</b>	<b>6.1</b>	<b>5.4</b>



# Appendix 2 : UK end use analysis 2018/19



## Appendix 3 : Divisional segmentation of results



Current 2018/19	Key Brands	Proposed 2019/20
1. Architectural Screening etc	Levolux	1. Building Envelope
2. Roofing & Water Management	Alumasc Roofing	2. Water Management
	Alumasc Water Management Solutions	
	Rainclear	
	Wade	
3. Housebuilding Products	Gatic	3. Housebuilding Products
	Timloc	