

# The Alumasc Group plc

Interim Results  
for the Six Months Ending  
31 December 2019



# Overview



- Alumasc is a UK leader in the **design and supply** of sustainable building products, systems and solutions.
- **Over 80% of revenues are driven by building regulations and customer specifications.**
- We have **leading specialist market** positions and are positioned strategically to benefit from structural **long-term growth drivers**, including:
  - sustainability (water & energy management);
  - ease of construction;
  - bespoke architectural solutions.



Alumasc Roofing – Green Roof

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

# A Leader in the Design and Supply of Sustainable Building Products

## A growing portfolio of design-led products backed by leading brands

- **Building Envelope** and **Water Management** (commercial and public sector) customers value Alumasc's strong design capabilities and established, trusted brands
- Our **Housebuilding Products** (residential) business is delivering above-sector growth through innovative new product designs
- All of our businesses hold top 3 market positions within their respective specialist niche end markets
- Continuous focus on expanding Alumasc's offering through new product development, capital investment and service enhancement, supplemented by strategic M&A

## Diversified business model

- Alumasc's end markets comprise new build and refurbishment across private and public sectors, and both commercial and residential
- Increasing export sales (currently 12% of group revenues – up 25% H1 2019/20 vs prior H1) in geographies such as North America & the Middle/Far East add future diversification

## Sustainability

- Alumasc is a UK leader in the **design and supply** of premium building products, systems and solutions. Sustainability is core to Alumasc's offering, with c.65% of group revenues associated with water & energy management in the built environment. 75% of the group's products are sourced from recyclable materials

## Structural growth drivers

- Demand for Alumasc's commercial and residential premium building products is driven by increasing building regulation and specifications
- Over 80% of revenues are underpinned by "fast flowing streams":
  - Water & Energy Management, Ease of Construction and Bespoke Architectural Solutions



# Examples of Alumasc's Solutions



## Water Management



"Rain to Drain" Green / Brown Roof  
& Water Attenuation - Bristol



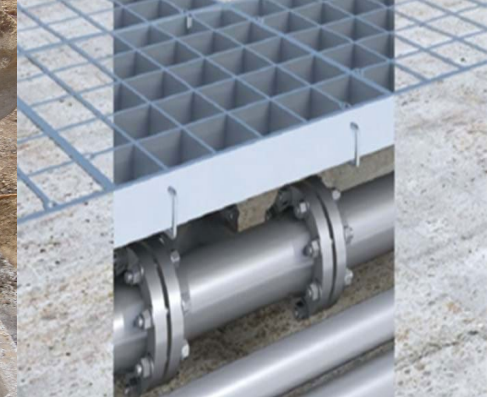
Heritage Cast Iron / Aluminium Rainwater  
St Pancras



Wade  
Building Drainage



Gatic Slotdrain  
External Drainage / Attenuation



Gatic  
COEX Access Cover

## Building Envelope



Solar Shading / Screening  
Francis Crick Institute, London

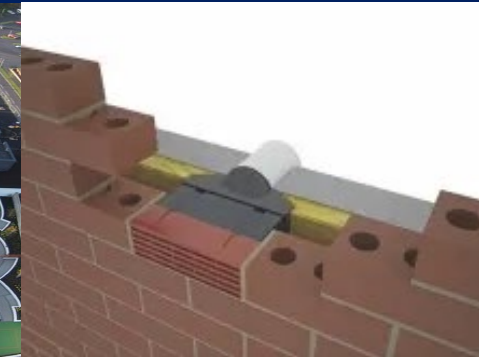


Levolux Balconies  
Dandara Jersey



Green Roof and Waterproofing  
Banbridge, Northern Ireland

## Housebuilding Products



Adapt-Air - Through Wall Ventilation



Everdry Adjustable Stepped Cavity  
Trays



# Interim Results to 31 December 2019 - Highlights



## Strategic

- Building Envelope (Levolux and Alumasc Roofing) division formed
- Levolux restructuring generally on track and expect to be back in profit in H2
- Operational sites reduced from 10 to 6 by June 2020
- On track to deliver £2m of fixed cost savings this FY
- Well positioned to benefit from the growing sustainability agenda

## Financial

- Resilient H1 results despite weak UK trading in period leading up to the General Election in December:
  - Revenues 7% lower at £41.1m (2018: £44.3m)
  - Underlying operating margins 6.1% (2018: 5.4%)
  - Underlying PBT £2.3m (2018: £2.3m)
- Net debt £6.6m (30 June 2019: £5.1m)
- Significantly lower 2019 triennial pension deficit £22.4m (2016: £33.0m)
- Annual pension deficit cash funding reduced from £3.2m to £2.3m pa
- Unchanged interim dividend of 2.95p per share



Alumasc Roofing – Derbigum Waterproofing Membrane

# Summary of Interim Results

£m (unless otherwise stated)



6 Months to 31 December	2019	2018 <sup>(4)</sup>	% Change
Revenue	41.1	44.3	-7%
Gross profit	12.2	12.7	-4%
Gross margin (%)	29.8%	28.7%	+110bps
Underlying EBITDA	3.5	3.2	+10%
EBITDA margin (%)	8.6%	7.2%	+140bps
Underlying <sup>(1)</sup> EBIT	2.5	2.4	+5%
EBIT margin (%)	6.1%	5.4%	+70bps
Underlying <sup>(1)</sup> PBT	2.3	2.3	+1%
Underlying <sup>(1)</sup> EPS (pence)	5.1	5.0	+2%
Dividends per share (pence)	2.95	2.95	-
Net bank debt	6.6	0.3	
Leverage (net bank debt / EBITDA) <sup>(2)</sup> (times)	0.8	-	
ROI <sup>(3)</sup>	10.6%	9.8%	+80bps

Notes:

(1) A reconciliation of underlying to statutory profit is at Appendix 1

(2) Net bank debt as a proportion underlying EBITDA for the last 12 months

(3) Post tax underlying EBIT as a proportion of average capital invested, adjusted on a like-for-like basis for IFRS16: Leases

(4) Except for the ROI calculation, 2018 data has not been re-stated retrospectively for IFRS16: Leases which was implemented from 1 July 2019

# Water Management



	H1 2019/20	H1 2018/19
Revenue (£m)	17.6	19.0
Underlying operating profit (£m)	2.4	1.6
Underlying operating margin (%)	13.8%	8.3%

Rainwater, drainage, fascia soffits and access covers

- **Strengths and core revenue drivers:**

- Strong / leading market positions and brands
- Diversified range of end use markets – both new build and refurbishment
- Strong routes to markets principally through building distribution
- Broad range of rainwater and drainage products which combined with Alumasc Roofing provide “Rain to Drain” solutions for the built environment
- Integrated range of rainwater, drainage and roofing production “Rain to Drain”

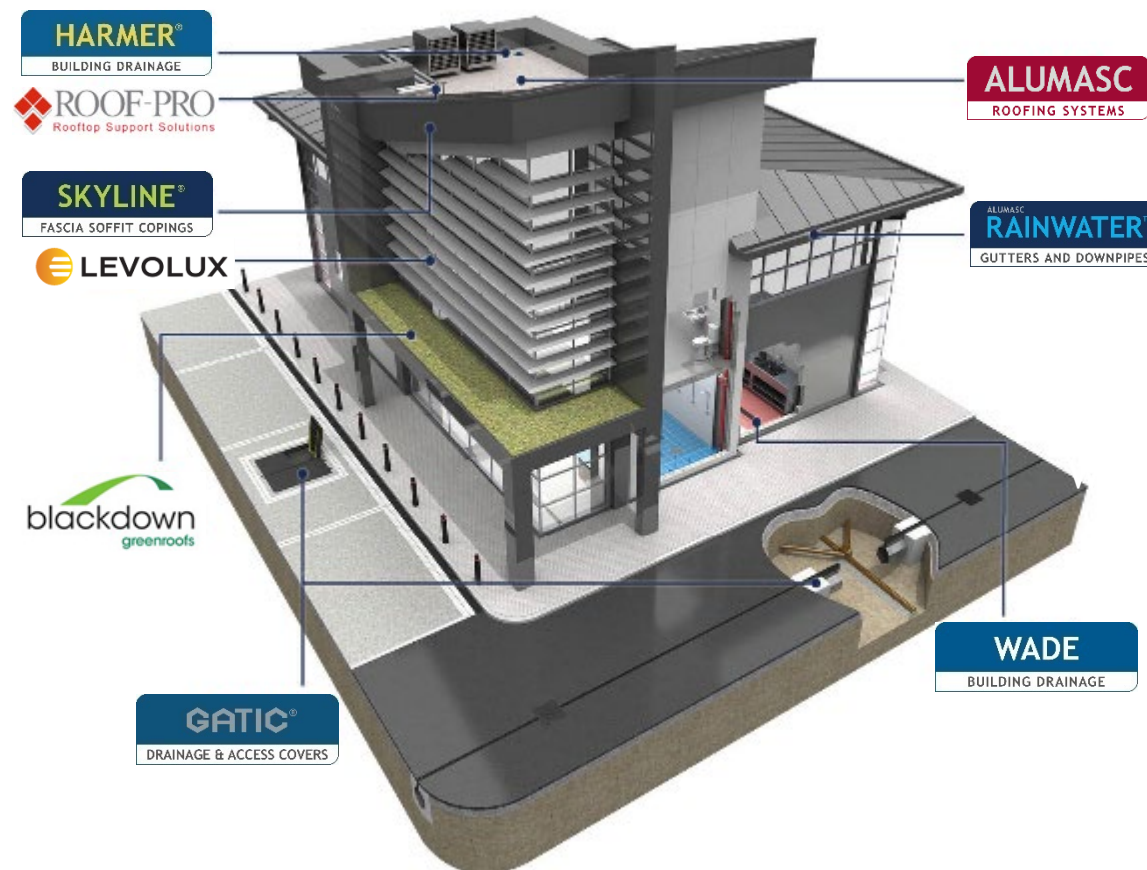
- **H1 Performance:**

- Strong profit performance in view of market backdrop which impacted revenues
- Much improved Gatic Slotdrain selling price realisation vs PY
- Gatic Slotdrain relocation to Wade delivering £0.5m annualised cost savings in FY 19/20
- Good AWMS performance driven by good core Rainwater and Skyline bespoke performance and cost control discipline

- **Outlook:**

- Expect momentum to continue into H2, although Gatic comparators become tougher
- Focus on operational performance, service and continuous improvement
- Seeking increased infrastructure sector participation
- Export opportunity potential for Wade / AWMS, leveraging existing Gatic positions

## ALUMASC’S “RAIN TO DRAIN” SYSTEM also showing Levolut





# Building Envelope

	H1 2019/20	H1 2018/19
Revenue (£m)	18.2	19.7
Underlying operating (loss) / profit (£m)	(0.3)	0.3
Underlying operating margin (%)	(1.5)%	1.6%

Design & supply of Flat Roofing, Green Roofing, Solar Shading / Screening, Balcony and Façade systems and integrated Building Envelope (roof / façade & interface) solutions in the UK. Some installation of shading / screening & balcony solutions in the UK

- **Strengths and core revenue drivers:**
  - Design and customer / architect specification led, with strong brands
  - Growing North American solar shading / screening & UK balcony businesses
  - Demand for energy efficient buildings driving solar shading and green roofing growth
  - Roofing solutions dovetail with Alumasc's "Rain to Drain" water management strategy
- **H1 Performance:**
  - Levolux restructuring generally on track – £1.5m of cost savings expected this FY
  - Short term results impacted by Levolux restructuring, legacy Levolux contract performance and weak UK commercial new build sector
  - Resilient Alumasc Roofing performance, especially in refurbishment markets
- **Outlook:**
  - H2 return to profitability expected in Levolux
  - Growth from benefit of "Building Envelope" divisional integration
  - US export and balcony business development potential
  - Potential recovery of UK commercial new build market post General Election & Brexit



Levolux – San Antonio Car Park



# Housebuilding Products

	H1 2018/19	H1 2017/18
Revenue (£m)	5.3	5.6
Operating profit (£m)	0.9	0.9
Operating margin (%)	17.3%	15.8%

Supplies manufactured high volume, relatively low unit value plastic products required by legislation and Building Regulations mainly into the UK new house building products market

- **Strengths and core revenue drivers:**

- Leading specialist market position
- Strong, trusted brand
- Best in class service
- Established sales channels through building distribution & merchants

- **H1 Performance:**

- UK new housebuilding sector growth rate slowed during 2019
- Exit from some lower margin accounts, developing new higher margin business
- Margin benefits from recent investments in plant, equipment and tooling
- Strong operating margins

- **Outlook:**

- Potential recovery in UK housebuilding demand following General Election & Brexit
- Acceleration of new product development planned, leveraging strong sales channels
- Continue to develop successful service model – 100% on time in full next day delivery at low carriage paid order values



Timloc Building Products

# Strategic Development - Overview



## Commercial positioning and revenue development

- Increasing focus on end markets underpinned by legislation and regulation with long term growth drivers
- Commercial synergies following Building Envelope divisional restructure
- Significant growth potential for “Rain to Drain” integrated water management and attenuation solutions as flood events become more common
- Grow export sales to 15-20% from approximately 12% of Group currently (export sales up 25% in H1 2019/20 on prior H1)
- Focus on higher margin design and supply activity and install only where it adds value

## Cost base optimisation, efficiencies and margins

- Recent restructuring on track to deliver £2m of fixed cost savings in FY 2019/20
- Site optimisation (10 to 6 by 30 June 2020) enabling further overhead consolidation
- Investment in automation, capacity, design and information systems
- Good operational gearing (typically 30-40% incremental profit drop through)
- Targeting group operating margins of above 10%

## Targeted Investment

- Focus capex on core manufacturing businesses: Timloc, Wade, AWMS
- Investment in North American sales resource in Levolut and UK sales resources in Alumasc Roofing c.£0.5m
- Investment in service enhancement and new product development which are becoming increasingly important as differentiators

## Strategic M&A

- Complementary businesses with strong design, and recognised and trusted brands
- Strong specialist market positions (typically positioned 1-3)
- Geographic or product infills and / or leveraging into new end markets
- Efficient manufacturing operations - provide barrier to entry
- Clear ability to cross-sell products into Alumasc's existing systems / client base
- Rapidly earnings enhancing and cash generative



# Strategy in Action – Recent, Ongoing and Future Initiatives



## Levolux restructuring and business improvement plan

Levolux incorporated into new Building Envelope Division, combining two complementary product groups and similar routes to market enabling cross-selling



Significant restructuring to deliver £1.5m of fixed cost savings, including a relocation from leasehold to existing freehold premises



Focus on design and supply activities in future and only install where adding value – objectives: to de-risk and enhance margins



## Group-wide initiatives

Reduction from 10 operating sites in 2018 to 6 by June 2020, including relocation of Slotdrain production to Wade



AWMS / Gatic: Tooling renewal in supply chain, also enabling reduced supplier carbon emissions



Recent (2018) Timloc site relocation and ongoing investment in capacity, machine upgrades, tooling and automation



Plc actions in the past 12 months: Move to AIM and reducing Group's legal entities from 4 to 2 in June 2019; merging of two legacy DB pension schemes in February 2019



## On-going / future

Significant Levolux US export development and investment in local sales resources, develop Water Management divisional export sales to Middle / Far East



Accelerate new product development, including expanded “Rain to Drain” product portfolio and product range expansion at Timloc



Increased focus on service differentiation in Water Management and Building Envelope divisions



Completed



On track



Planned

# Pensions update

- a significant reduction in the deficit and ongoing pension funding



	Triennial Review at 31 March	
	2019	2016
Pension deficit (technical provision basis)	£22.4m	£33.0m
Recovery period remaining from 31 March	7 years	11 years
Deficit reduction payments (pa)		
- up to 31 December 2019		£3.2m
- 1 January 2020 to 31 December 2022*	£2.3m	
- 1 January 2023 to 31 March	£2.7m	

## Summary:

A cash flow saving of £450k in H2 2019/20 annualising to £900k in 2020/21 and 2021/22

\* A one-off contingent payment of up to £1.5m might be payable in July 2022 if the deficit at 31 March 2022 (using consistent technical assumptions) exceeds £13 million



# H1 Summary



- A resilient performance with profit maintained in spite of the difficult market backdrop
- Strong Water Management divisional performance (43% of Group revenues) with H1 profit up 50%
- New Building Envelope division formed and Levolux restructuring / recovery programme generally on track
- £2m fixed cost savings in FY 19/20 and operational site rationalisation / simplification on track
- Encouraging export sales growth – up 25% on prior H1
- Significantly reduced pension deficit (£22.4m vs £33.0m in 2016)
- Cash contributions to pension scheme reduced by £0.9m pa to £2.3m from 1 January 2020



Bream Street – Levolux Balconies – a £2m Project secured by Alumasc Roofing

# Summary of Strategy and Outlook



## Strategy

- Focus on ongoing growth in our Water Management, Building Envelope and Housebuilding Products businesses - supplemented by complementary acquisitions
- Focus on design, new product development, quality and service as key differentiators
- Continue to drive and invest in divisional and group wide operational and cost synergies
- Well positioned to benefit from the growing sustainability agenda

## Outlook

- Whilst recognising that the market weakness prior to the calendar year end has increased the task, we expect a strong H2:
  - good order books / sales pipelines, seasonal bias, benefits of Levolux restructuring and recovery plan, increasing business confidence and positive market indicators
- Therefore, the Board's previous expectations for full year performance remain unchanged
- The Board believes Alumasc is well placed to deliver sustainable earnings growth:
  - Strong brands and leading specialist market positions
  - Positioning in “fast flowing streams” including sustainability (water, energy management etc)
  - Specification and integrated system selling potential: e.g. Building Envelope and Rain to Drain
  - Export sales growth potential – Levolux & Water Management



## Appendices





# The Alumasc Group – Divisional Overview



## Water Management

### Description

- Comprises Alumasc Water Management Solutions (“AWMS”); Wade (acquired Feb ‘18); Gatic and Rainclear
- Complementary portfolio of water management products and systems delivering “Rain to Drain” solutions, for a diversity of new build and refurbishment markets
- Contributes 43% to Group sales, with a RoS of c.14%

### Growth Drivers and Strategy

- Sustainability agenda: water attenuation and conservation
- “Rain to drain” integrated water management solutions
- Export growth potential, mainly Middle and Far East



## Building Envelope

### Description

- Comprises Alumasc Roofing, and Levolux solar shading, screening and balcony solutions
- One stop shop for flat roofing, façade and roof / wall interface solutions mainly into commercial new build markets
- Fascias sourced from Alumasc Water Management with modern facades solutions bought-in where needed
- Contributes 44% to Group sales

### Growth Drivers and Strategy

- Sustainability agenda: energy and water management
- Turnaround benefit from Levolux restructuring
- Levolux export development - currently a c.£4m pa business, targeting double digit revenues
- One-stop shop “Building envelope” cross-selling opportunities



## Housebuilding Products

### Description

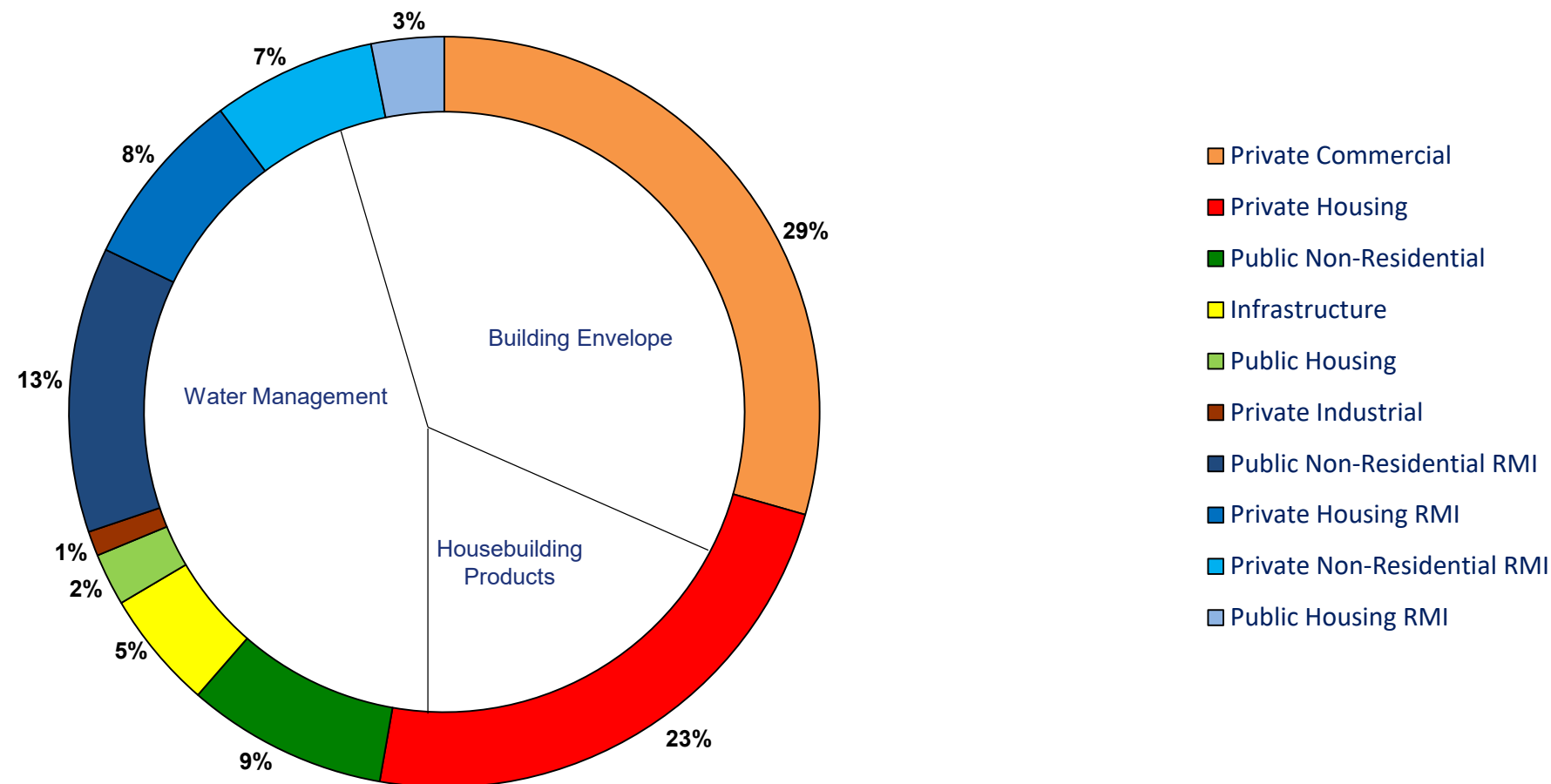
- Comprises Timloc, almost 100% UK revenues
- Designs and manufactures premium housebuilding products
- Core market is new build housing
- Contributes 13% to Group sales, with a RoS of 17%

### Growth Drivers and Strategy

- UK structural housing shortage
- Demand driven by legislation and building regulations
- Best in class customer service to merchant / distributor sales channels
- Accelerating new product introduction programme



# Diversified End Markets



Note: Allocation of end markets to Alumasc divisions is approximate / illustrative



# Strategy in Action – Proven track record in M&A – Acquisition of Wade



## A highly complementary business

- A leading designer, manufacturer and supplier of high quality metal drainage products and access covers acquired in February 2018
- Strong positioning in surface water drainage (internal & external) and roof drainage
- Highly complementary with Alumasc's existing Water Management offering
- Financials in year of acquisition (June 2018): Sales £5.3m, PBT £1.3m

## Delivering the value

- Approximately 10% organic top line growth delivered so far through the benefit of cross-selling within the wider Alumasc Group
- Extends Alumasc's end market reach into the food and pharmaceutical sectors
- Access to Middle Eastern customer base underpinning geographic diversification
- Gatic slotdrain relocation delivering c.£0.5m savings through site consolidation (£0.2m) and shared sales, operational management and administrative functions (£0.3m)



# Income statement summary (£m)

6 months to 31 December



	2019 £m	2018 <sup>(1)</sup> £m	Change %
<b>Revenue</b>	<b>41.1</b>	<b>44.3</b>	<b>-7%</b>
<b>Gross profit</b>	<b>12.2</b>	<b>12.7</b>	
Gross margin %	29.8%	28.7%	
<b>Sales, general &amp; administration overheads</b>	<b>(9.7)</b>	<b>(10.3)</b>	
<b>Underlying operating profit*</b>	<b>2.5</b>	<b>2.4</b>	<b>+5%</b>
Underlying operating margin %	6.1%	5.4%	
<b>Interest on borrowings</b>	<b>(0.2)</b>	<b>(0.1)</b>	
<b>Underlying PBT*</b>	<b>2.3</b>	<b>2.3</b>	<b>+1%</b>
Gain from business disposals (net)	0.3	2.8	
Restructuring, relocation & other non-recurring items	(0.2)	(0.3)	
Non cash IAS19 pension & brand amortisation charges	(0.3)	(1.4)	
<b>PBT*</b>	<b>2.1</b>	<b>3.4</b>	<b>-37%</b>
Underlying EPS (p)	5.1	5.0	
Basic EPS (p)	5.0	8.4	
Dividends per share (p)	2.95	2.95	

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

(1) Prior year financial information was not re-stated for implementation of IFRS16: Leases, effective from 1 July 2019, and revenues and underlying profits exclude Alumasc Facades, the business sold on 31 October 2018, treated as a discontinued operation

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

# Cash flow statement summary

6 months to 31 December



	2019 £m	2018 £m	Change £m
<b>EBITDA*</b>	<b>3.5</b>	<b>3.2</b>	<b>0.1</b>
Change in working capital	-	1.6	(1.4)
<b>Operating cash flow</b>	<b>3.5</b>	<b>4.8</b>	<b>(1.3)</b>
Capital expenditure	(0.9)	(0.9)	-
IFRS16: Property lease cash flows	(0.2)	n/a	(0.2)
Interest	(0.2)	(0.1)	(0.1)
Tax	-	(0.3)	0.3
Pension deficit funding	(1.6)	(1.6)	-
Dividend	(1.6)	(1.6)	-
<b>Sub-total</b>	<b>(1.0)</b>	<b>0.3</b>	<b>(1.3)</b>
Alumasc Facades business disposal proceeds	0.3	4.4	(4.1)
Restructuring / other	(0.8)	(0.2)	(0.6)
<b>Net cash flow</b>	<b>(1.5)</b>	<b>4.5</b>	<b>(6.0)</b>
<b>Net bank debt at period end on balance sheet</b>	<b>6.6</b>	<b>0.3</b>	<b>(6.3)</b>

\* EBITDA: Underlying operating profit from continuing operations before interest, tax, depreciation and amortisation. 2018 not re-stated for the implementation of IFRS16: Leases with effect from 1 July 2019

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# Balance sheet summary (£m)

at 31 December



	2019 £m	2018 <sup>(1)</sup> £m	Change £m
Property, plant & equipment	11.7	10.8	0.9
IFRS16: Leased assets	4.8	n/a <sup>(1)</sup>	4.8
Intangible assets	22.0	22.3	(0.3)
Working capital	10.1	7.9	2.2
Other net liabilities	(2.1)	(2.5)	0.4
<b>Capital invested</b>	<b>46.5</b>	<b>38.5</b>	<b>8.0</b>
Net debt	(6.6)	(0.3)	(6.3)
IFRS16: Lease liabilities	(4.9)	n/a <sup>(1)</sup>	(4.9)
IAS19 pension liability (net of tax)	(10.8)	(12.4)	1.6
<b>Net assets</b>	<b>24.2</b>	<b>25.8</b>	<b>(1.6)</b>
<b>ROI – continuing operations (post tax)*</b>	<b>10.6%</b>	<b>9.8%</b>	<b>+80bps</b>

\* Underlying post tax operating profit divided by average capital invested for the previous 12 months, with IFRS16 lease asset adjustment made to comparatives to give a consistent like-for-like trend  
<sup>(1)</sup> Prior year financial information has not been re-stated for implementation of IFRS16: Leases, effective from 1 July 2019

# Underlying To Statutory Profit Reconciliation (£m)



	H1 2019/20		H1 2018/19	
	Operating Profit £'000	Profit Before Tax £'000	Operating Profit £'000	Profit Before Tax £'000
<b>Underlying profit</b>	<b>2.5</b>	<b>2.3</b>	<b>2.4</b>	<b>2.3</b>
Brand amortisation	(0.1)	(0.1)	(0.1)	(0.1)
Net IAS 19 defined benefit pension scheme costs	-	(0.2)	(1.1)	(1.3)
Restructuring and relocation costs	(0.2)	(0.2)	(0.3)	(0.3)
Operating profit / net gain from business disposals	-	0.3	0.2	2.8
<b>Statutory profit</b>	<b>2.2</b>	<b>2.1</b>	<b>1.1</b>	<b>3.4</b>